

MSI

Multi-Services International, Inc.



USAID/Zaire
COUNTERPART FUND FINANCIAL MANAGEMENT
NEEDS ASSESSMENT SURVEY
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EXECUTIVE SUMMARY

Multi-Services International, Inc., (MSI) conducted a Counterpart Fund (CPF) Needs Assessment survey to evaluate the management policies and controls governing the administration of USAID/Zaire counterpart funds and to present recommendations for improving the system.

In the past three years, the Mission has made considerable progress in the management of counterpart funds. This survey measures that progress, evaluates the current system, and presents recommendations for improving the efficiency and effectiveness of the system and the policies and controls at the Government of Zaire (GOZ), Mission and individual project levels.

A result of the study was the development of four management objectives to be used as standards for evaluating the counterpart fund financial management system.

1. The system improves Mission efforts in attaining goals and objectives and project implementation.
2. The system has an internal control function that increases the Mission's capacity to (1) safeguard assets; (2) promote accuracy and reliability in the accounting records; (3) encourage and measure compliance with counterpart fund policy; and (4) evaluate the efficiency of operations.
3. The system has a management control process that strengthens staff implementation of Mission goals and objectives.
4. The system has a management control environment that increases the Mission's efficient and effective use of counterpart funds.

The major strengths of the counterpart fund management system in Zaire are in accounting, reporting, internal controls, and GOZ support and cooperation.

Weaknesses noted in the current counterpart fund financial management system were the need to clarify duties and responsibilities in the management system and to address resource allocation issues in the budget process.

The Mission's counterpart financial management system is at a point where the strategy should go beyond accountability for counterpart funds to a wider concern for the financial management of all development resources in the CPF's operating budget. At this point, concern should be expanded beyond accountability and resource control to using financial management in top level decision making. The recommendations made in this report are

intended to integrate this process into the existing system and procedures.

RECOMMENDATIONS

1. Establish a Special Unit in the Program Office to manage all aspects of counterpart funds.
2. Modify the existing counterpart fund budgeting process.
3. Produce a manual for project officers that describes and explains the USAID/Zaire counterpart fund financial management system.
4. Satisfy training needs with a series of short training seminars.
5. Improve communication by creating structured channels for the exchange of up-to-date information concerning respective objectives.
6. Involve the GOZ more in the counterpart fund management process.
7. Use accountants in the Bandundu Support Unit and the Shaba Agricultural Development Office to solve accounting and monitoring problems of counterpart funds in their respective regions.
8. The USAID/Mission coordinate with other major donors concerning counterpart fund management.

The rationale for the above recommendations is discussed in this report.

I. BACKGROUND AND OBJECTIVE OF STUDY

PL-480 is an important part of A.I.D.'s assistance to Zaire. In terms of financial magnitude, it accounts for about 40 percent of annual obligations. This aid is also key to implementation of USAID's strategy in critical areas such as increased food availability, employment, and foreign exchange. Local currency generated from the sale of PL-480 rice, wheat and cotton provides counterpart host government funding for A.I.D. supported projects and funds for Government of Zaire (GOZ) development activities. PL-480 provides funds for non-project assistance directed at policy change.

Title I program levels in FY 1990, FY 1991 and FY 1992, of \$13.0 million, \$16.0 million and \$20.0 million, respectively, are below the previous five year annual average of \$22 million. Despite this reduction in funding levels, local currency expected from PL 480 Title I sales represent more than 50.0 percent of total local currency generated in FY 1991 and FY 1992.

Under ESF and DFA financed commodity import programs (CIP) U.S. commodities, such as machinery, equipment, raw materials, and spare parts are imported for direct use or resale in Zaire. These imports constitute the second most significant source of local currency proceeds needed to support the joint U.S. Government/GOZ development activities.

The issue of accountability for counterpart funds is a contentious one. A.I.D. management and A.I.D.'s Inspector General disagree on the extent to which A.I.D. should be held accountable for counterpart fund use. A.I.D. management argues that, although it must be satisfied that counterpart funds are used for appropriate economic development activities, host countries (and not A.I.D.) ultimately should be accountable for the proper use of the currencies because they own them. On the other hand, the Inspector General contends that A.I.D. missions must maintain full financial accountability for the counterpart funds because they are generated from U.S. assistance. Due to numerous constraints in Zaire, and the fact that the counterpart funds provide 40 percent of the project funds, the USAID Mission in Zaire has assumed responsibility for accounting, monitoring, and reporting for the Government of Zaire (GOZ).

The Inspector General's office praised USAID/Zaire as having the most advanced accounting and auditing system in the Africa Bureau. However, the socio-economic, political, and physical environment of Zaire impedes the financial management of PL-480 generated funds. Rough terrain, inadequate transportation and communications infrastructure are major constraints. In 1988, USAID/Zaire began several actions directed at minimizing the impact of these obstacles. These actions include instituting accounting certification procedures for projects, the development of a

standardized project counterpart fund accounting manual, financial audits, monthly reporting, and close monitoring of project budgets.

The first objective of this study is to assess whether these actions have resulted in improvements. The actions were intended to improve operational efficiency. USAID also recognized the need to ensure that the system contributes to program objectives. Thus, the second objective of the study is to examine how well the system promotes program efficiency. Management objectives are established to provide a basis for measuring the system's performance. The study's recommendations demonstrate how the system can be improved to meet financial and program management needs.

During the course of our survey we held meetings with USAID/Zaire officials including the Director, Deputy Director, Executive Officer, Controller, and Project Officers. In addition, we conducted site visits to eleven of the twenty projects receiving counterpart funds. An evaluation of the accounting system was made at each project we visited. To gain an understanding of the counterpart fund system, we reviewed CPF operating instructions, accounting guidelines, policies, procedures and directives, and financial audits and reviews.

II. OPERATIONAL EFFICIENCY OF THE CURRENT COUNTERPART FUND MANAGEMENT SYSTEM

A. Improvements During the Last Three Years

Over the past three years, much progress has been made in the financial management of counterpart funds. The financial management program for counterpart funds in Zaire is now designed to:

- o Help projects adopt and implement an accounting system that assures basic accountability for counterpart funds.
- o Improve financial management by strengthening accounting systems and practices.
- o Involve project directors and project officers in financial data analysis, priority setting, and financial management.
- o Create a climate of acceptance on the part of the GOZ for financial management improvement strategies.

1. Changes Instituted

a. Certification Policy

The Mission has issued a certification policy statement requiring all projects receiving counterpart funds to be certified by a Big Eight accounting firm prior to January 1, 1991. Requiring certification for projects has resulted in specific action plans for improving project accounting and management.

b. Management of Counterpart Funds

The Mission has instituted several changes in the management of counterpart funds to improve accountability and correct problems at the special account, Mission, and project levels. Prior to these changes the average time for release of funds from the Secretary of Plan to the projects was two months. This has been reduced to two weeks. Accounting at the project level reflected problems with advance accounts, internal control and bank reconciliations. Procedures of accountability for counterpart funds were not being followed and the hiring of personnel and the payment of salary supplements were not controlled.

c. Organization

The Secretariat of Counterpart Funds under the Ministry of Plan (MOP) has the mandate to manage local currency resources generated by donor-funded non-project assistance programs. The Secretariat of Counterpart Funds is staffed with 30 employees and receives operational support from local currency proceeds. The Secretariat of Counterpart Funds currently manages local currency generated by the following four donors (ranked according to the volume of funds expected to be generated in 1990): EEC, USA, Canada, and Italy.

USAID/Zaire has designated the Program Officer and the Controller as its representatives in discussions and meetings regarding counterpart fund programming and monitoring. The GOZ is represented by the Director of the Secretariat of Counterpart Funds under the MOP. Under the direction of the supervisory program officer, a U.S. direct hire program officer and a FSN-DH program specialist coordinate local currency related activities. They prepare usage guidelines, manage the annual budgeting process for local currency, and establish priority in the release of funds to projects.

The Controller's Office has contracted the services of a qualified financial management specialist to be responsible for financial management and monitoring of counterpart funds. He is assisted in his duties by a local hire FSN. The financial management specialist prepares counterpart fund release plans and implements the flow of funds to projects and activities through the Ministry of Plan and local commercial banks. In addition, he is responsible for monitoring project financial management, reviewing regular counterpart fund financial reports, managing the Mission's project accounting certification process, and accounting for all trust fund obligations and expenditures.

2. Effect of Changes

The Mission has established strict certification standards for projects to receive counterpart funds. This coupled with an innovative monthly financial reporting system have been the main reasons for improved accountability of counterpart funds at the project level. (See Appendix Two for certification requirements).

The major improvements resulting from the above actions are:

- o USAID/Zaire is able to account for the collection and disbursements of counterpart funds. This is not the case in other Missions in Africa.
- o Internal controls in effect at the project level assure the efficiency and integrity of the system.

- o Reporting for counterpart fund disbursements is excellent in Zaire when compared to other counterpart funded projects in Africa.
- o The counterpart fund financial management system used by the USAID/Zaire has the support and cooperation of the GOZ.
- o The system of control of counterpart funds ensures the support of development objectives.
- o The system addresses the development issues of sustainability and institution building through its efforts and plans for more involvement by both the public and private sectors in the management and control of counterpart funds.

The objectives of a system for counterpart fund management are to provide management with reasonable assurance that funds or assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and recorded properly for the preparation of financial statements in accordance with generally accepted accounting standards. Since the current system meets these objectives, our study of the counterpart fund management system focuses on areas that could improve the management of counterpart funds in Zaire.

B. Areas for Improvement

The administration of counterpart fund activity in Zaire is very management intensive. Much U.S. and Zairian staff time is required to assure the integrity of the system. Although the coordination of counterpart funds activities lies with the Program Office, the Controller's Office currently plays an active role in the management of these funds. The Program Office should monitor availability and use of funds in accordance with the pertinent agreements and the Controller's Office should monitor the financial reporting of the counterpart fund program. The counterpart fund management system should be streamlined at the Mission level to respond in a more efficient manner to projects and management requirements. Action taken by USAID in the following key areas would promote the administration of the counterpart fund: (1) establishment of a counterpart fund unit; (revision of CPF budget process; (3) development of a counterpart fund manual; (4) short-term training in accounting and management; (5) structured communications between USAID and GOZ on CPF; (6) greater use of existing expertise to address CPF management problems; and (7) improved communications with other major donors in the area of CPF

management.

1. The Counterpart Fund Unit

To help improve administration, a counterpart fund unit should be established and the financial management analyst currently assigned to the Controller's Office be transferred to the Program Office. The counterpart fund unit will manage all aspects of counterpart funds (see Annex Three). The benefits from this transfer would be as follows:

- The Unit would serve as the focal point for all activities relating to the management of counterpart funds including policy guidance, budgeting, programming, monitoring, and reporting on the use of the funds.
- Project Officers would have one central office in the Mission responsible for resolution of counterpart fund problems.
- The unit would increase the efficiency of project implementation by expediting counterpart fund requests at the mission level.
- The knowledge base would be expanded to all individuals in the central unit and thereby reduce the reliance on any one person for managing the system.
- The coordination with the GOZ would improve with counterpart fund decisions being acted on by one central office.
- The central unit would further refine the budgeting preparation process and improve the normal operations of the counterpart fund management system.

2. The Budget Process

Changes in the budget process would have a very positive impact on Mission and project activity. The establishment of a formalized budget committee comprised of the Mission Director, Deputy Director and Chief Program Officer would dispel the perception that the program office is making unilateral decisions on funding levels. The incorporation of a coordinating (CPF) committee would assure representative dialogue and input in the budget process. By having both funding level and resource allocation guidelines as part of budget instructions, there is

assurance that Mission objectives and project targets are being addressed. The Mission can improve the efficiency and the accuracy of projected funding levels by reducing the time frame for the budget process. By incorporating a master budget system there would be a more effective counterpart fund release mechanism and more control over the use of counterpart funds. (See Annex Four).

3. The Counterpart Fund Manual

A manual that describes and explains the USAID/Zaire counterpart fund financial management system would be a valuable management tool. Currently there are policies, procedures and directives on the management of counterpart funds. What is needed is a document that consolidates all pertinent system information in one document. Staff members and others could more easily see the interrelationship between organizational components; communication and information links within the organization would be clearly defined and more manageable. Other benefits include establishing clear lines of responsibilities and duties, reducing redundancy in the system and improving the overall efficiency of the Mission. This would enhance project implementation, internal control and the management control process and environment.

Due to the nature of the counterpart system, there is a need for flexibility because the system is going through a process of change, the external development environment is uncertain, and the projects have varying needs. These factors dictate a manual that is a set of guidelines or a codification of the system and not a strict procedures manual.

An outline for the USAID/Zaire guidelines for the counterpart fund management system manual follows:

I. An Introduction to Counterpart Funds

- A. Definition and description of counterpart funds
- B. Generation of counterpart funds and Special Accounts
- C. Role of counterpart funds: USAID/Africa, USAID/Zaire
- D. Importance of counterpart funds to Mission goals and objectives and project implementation and targets
- E. Management objectives of the counterpart system

II. A Description of the System's Components

- A. Generation of funds
- B. Programming
- C. Accounting
- D. Budgeting
- E. Banking
- F. Projects

III. A Description of Monitoring and Reporting Requirements

- A. Government of Zaire
- B. Mission level
- C. Project level

IV. Responsibilities and Duties of the Government of Zaire

- A. Ministry of Plan
- B. Ministry of Finance
- C. Cognizant Ministries: Health and Agriculture

V. Responsibilities and Duties at the Mission Level

- A. Controller
- B. Program
- C. Project

VI. Responsibilities and Duties at the Project Level

- A. Project Director
- B. Project Accountant
- C. Other Project Staff

Appendix:

1. Counterpart Fund Organization Chart
2. Other Counterpart Fund Flow Charts and Diagrams
3. Mission Directives, Policies and Procedures for Counterpart Funds

4. Training

At two of the eleven projects we visited (660-094 PSND and 660-091 RAV Coordination) the accountants needed additional training to strengthen their basic accounting skills. However at all project sites directors and accountants need hands on training in financial management. We recommend a series of short training workshops to increase the awareness and skills of directors, managers and accounting personnel in financial and project management. For example, a workshop could design and develop a sample project accounting system, financial and budget reporting and record keeping systems. Workshops could also offer specific skills training aimed at improving management skills.

5. Communication with GOZ

In our discussions with GOZ officials in the MOP it was noted

that communication between AID/Zaire and the GOZ needs to be improved. A formal channel for the exchange of up-to-date information should be created by the CPF unit in the Program Office. This could take the form of a one page monthly report on counterpart fund activities. This monthly report would improve relationships and minimize misunderstanding.

The Mission could expand its relationship with the Secretariat of Counterpart Funds, MOP to include more institution building and information sharing activities. Members of the MOP expressed a desire to be more involved in the monitoring of counterpart funded projects. This could be accomplished by requiring that a representative sit in on weekly CPF Unit staff meetings and participate in budgetary and accounting reviews.

6. Use of Internal Resources

The accountants and financial personnel in the BSU and SHADO projects have the technical qualifications to assist other projects in reporting and certification problems. They can be used to facilitate problem solving and provide training and consultation in the Bandundu and Shaba regions.

7. Other Donors

A meeting with other major donors concerning counterpart fund management would be beneficial for the Mission. The meeting should include Canada, Italy, and the EEC. Donors face many of the same CPF management problems and an exchange of management information could improve CPF management. Donors sponsor different projects within the same programs; improved communication between donors can ensure consistency within the same program and support project implementation.

Quantifying or monetizing the benefits of the above modifications is difficult. Most of the recommendations call for the use of existing resources but only with a new focus; they do not require additional funds. Funds are needed for training and workshops. Further analysis of the specific staff training needs and a study of the availability of training in Zaire is necessary to establish a cost for these activities.

The changes to the counterpart fund financial management system are of value to the Mission. Implementation of these changes will

increase the efficiency and effectiveness of Mission interventions in Zaire. By having a CPF Unit and guidelines, there are improvements in communications, defined duties and responsibilities with less redundancy, and fewer problems in coordination and implementation of activities. Timely disbursements that meet project cash requirements will facilitate project implementation and assure that more management time at the Mission and project levels is spent on technical development issues. Modifications to the budget process will have a positive impact on Mission goals and objectives.

III. EVALUATION OF THE COUNTERPART FUND FINANCIAL MANAGEMENT SYSTEM IN RELATIONSHIP TO SPECIFIC MANAGEMENT OBJECTIVES

Objective Number One: The counterpart fund financial management system improves Mission efforts in attaining goals and objectives, project implementation and targets, and strengthens the Mission's organization structure and the technical knowledge and skills of staff.

Counterpart funds account for approximately 40% of yearly obligations. Consequently, the level of effectiveness of the counterpart fund financial management system has a direct effect on the Mission's ability to attain its goals and objectives. The current system places financial and administrative controls on the disbursement and use of funds. These controls include procedures for authorizing fund disbursements at the Special Account and project levels, monthly and quarterly financial reports, and a certification process for project accounting. The implementation of these controls and procedures has resulted in an effective financial management system.

The system addresses the development issues of sustainability and institution building through its efforts and plans for more involvement by both the private and public sectors in the management and control of counterpart funds. In May 1990, the Mission selected Citibank (Zaire) as the counterpart fund management bank which places the bank in a fiduciary relationship with USAID and the Department of Plan in the collection, disbursement, safeguarding and reporting of local currency funds entrusted to Citibank. The Mission is also studying the feasibility of transferring responsibility of direct payment of local project staff costs to the Government of Zaire.

The current requirements for audit and financial reporting, and certification of project accounting supports project implementation. This information assists management in monitoring, controlling and evaluating counterpart fund use in project implementation.

Project implementation is hampered by the existing budget process, the release of funds to the projects and the method of disseminating counterpart fund information. Currently, there are no resource allocation guidelines for project targets. This results in project managers not knowing where to target project funds. There are a few examples where the timing and amount of disbursements have caused minor delays in project implementation. At the project level, there is confusion over the issue of hiring project personnel. Some project managers believe that all hiring of project personnel must be approved in writing by USAID; others think that written approval is not required if the hiring is within

their authorized personnel levels.

The organizational communication regarding the CPF program needs to be strengthened. The duties and responsibilities of the Controller's Office and the Program Office are not clearly defined. This results in unproductive communications by staff members in finding the needed contact point and in the need to interact with two offices.

Most of the individuals in the system perform adequately for the required skill level of their respective position. There are a few instances where project accountants were not maintaining the accounting records in an acceptable manner. Management is aware of these situations and they will be addressed through additional training or consultant support.

Major Constraints to Achieving Objective Number One:

1. Lack of an appropriate budget process.
2. Lack of an appropriate method for disseminating information.
3. Lack of a manual that describes and explains the counterpart fund financial management system.
4. Lack of a central location for counterpart fund activities.

Objective Number Two: The counterpart fund financial management system has an internal control function that increases the Mission's capacity to do the following: (1) safeguard assets from waste, fraud, and inefficient use; (2) promote accuracy and reliability in the accounting records; (3) encourage and measure compliance with counterpart fund policy; and (4) evaluate the efficiency of operations.

The basic purpose of internal control is to promote the efficient operation of an organization. It consists of all measures taken to provide management with assurance that everything is functioning as it should. Internal control extends beyond the accounting and financial functions; its scope is Mission wide and touches on all activities of the organization. It includes the methods by which management delegates authority and assigns responsibility for such functions as programming, project development, budgeting and accounting. Internal control enables management to function efficiently.

The current system has many effective controls in place to safeguard assets, to promote accuracy and reliability in the accounting records and to encourage and measure compliance with

counterpart fund policy. These controls include the accounting, auditing, financial management, and program reporting requirements for counterpart funds at the Mission and project levels. The Mission has instituted a project accounting certification process, developed a manual for project accounting (done by Coopers and Lybrand) and has Citibank performing control functions. An indicator that these controls are working is that most of the projects will be certified by the due date, January 1, 1991. A report is generated in the Controller's Office that ranks projects by the quality and timeliness of their financial reporting. This report encourages and measures compliance with counterpart fund reporting requirements.

A weakness in the internal control function is the lack of a counterpart fund financial management system manual that codifies duties, responsibilities and lines of authority for Mission offices and staff. The manual should describe how the system works. In addition to the manual, the counterpart fund unit proposed in this report should develop and implement a formal plan to assess the efficiency and effectiveness of the system. A key part of this plan should be a bi-annual independent review and evaluation of the system by an independent financial management specialist.

Major Constraints to Achieving Objective Number Two:

1. The Mission has not developed a manual that describes and explains the counterpart fund financial management system.
2. No one has been given the responsibility of evaluating the efficiency of system operations.

Objective Number Three: The counterpart fund financial management system has a management control process that strengthens and encourages staff implementation of Mission goals and objectives. The process consists of the following four phases: programming, budgeting, measurement and reporting of both financial and non-financial information and evaluation.

The Mission has a management control process that includes all four phases, however, the Mission needs to give staff members additional guidelines and information. For example, the development of a manual describing the CPF system can augment the management control process by educating personnel to the system, informing staff of their duties and responsibilities in the areas of programming, budgeting, reporting and evaluation. By implementing a master budget process, the management control process is strengthened through the establishment of guidelines for the implementation of Mission goals and objectives. Annual regional workshops would reinforce understanding of new policies and directives and allow the introduction and exchange of accounting and project management information.

Major Constraints to Achieving Objective Number Three:

1. The Mission has not developed a manual that describes and explains the counterpart fund financial management system.
2. A lack of a budget process that includes guidelines for project resource allocation.
3. No mechanism, policy or allocated funds for CPF workshops.

Objective Number Four: The system has a management control environment that increases the organization's efficient and effective use of counterpart funds.

The Mission's management control environment supports the efficient and effective use of counterpart funds. The Mission has systems of control, policies and procedures, reporting, and a positive "corporate" culture for the management of counterpart funds. Staff members interviewed at all levels understand the importance of counterpart funds to their respective projects and the need for controls.

However, improvements in the control environment can be realized by creating structured channels for the exchange of CPF information with the Ministry of Plan and other donor organizations. This would be an indicator of the Mission's interest in the CPF system and a way of learning and incorporating other donor counterpart fund management techniques.

Major Constraints to Achieving Objective Number Four:

1. A lack of structured channels for the exchange of information.
2. A lack of a mechanism for exchanging information with other donors.

IV. RECOMMENDATIONS

Recommendation 1. Establish a Counterpart Fund Unit in the Program Office to manage all aspects of counterpart funds.

Constraints Addressed:

- (1) The Controller's Office is currently involved in the management of the counterpart funds at the project level which is an activity outside of its area of responsibility.
- (2) The current system expends more staff resources in responding to counterpart fund problems because of having management from two different offices.
- (3) There is an over reliance on particular individuals in the management of counterpart funds.

Support of Management Objectives:

- (1) Strengthen the Mission's organizational structure by clearly delineating the responsibilities of the Controller and Program Offices.
- (2) Improve project implementation by effecting a less cumbersome system for problem resolution.

Required Inputs:

- (1) Transfer current duties of financial management specialist to the program office.
- (2) Establish formal operating procedures for central unit.

Recommendation 2. Create a counterpart fund budgeting process: a master budget and guidelines for allocation of project resources and formally links the project operating budget with the respective action plan.

Constraints Addressed:

- (1) The current budget system does not link the operating budget with the project action plan and project resource allocation.

- (2) The system does not have a capital expenditure budget.
- (3) The current budget system does not include guidance on the allocation of project resources and project priorities.

Support of Management Objectives:

- (1) Strengthen project implementation by targeting funds to project priorities.
- (2) By implementing a master budget system the management control process is strengthened through the establishment of guidelines for the implementation of Mission goals and objectives.

Required Inputs:

(1) Staff time of the counterpart fund unit would be required for the development of the budget process and implementing the process would require additional time from all levels.

Recommendation 3. Write a manual that describes and explains the USAID/Zaire CPF financial management system.

Constraints Addressed:

- (1) Lack of a document containing all pertinent counterpart fund financial management system information.
- (2) Lack of clear lines of duties and responsibilities in the CPF management system.

Support of Management Objectives:

- (1) Strengthen the Mission's organizational structure and internal control function by clearly defining the roles and responsibilities of the officers and projects involved in the system.
- (2) The manual augments the management control process and environment by educating personnel to the system.

Inputs:

- (1) The development of this manual could be done by the financial management specialist as a part of his duties and responsibilities. Most of the information for this manual would come from this survey and existing documentation.

Recommendation 4. Conduct a series of workshops on financial and project management.

Constraints Addressed:

- (1) Lack of continuing education program in financial management.

Support of Management Objectives:

- (1) Strengthen technical knowledge and skill of staff.
- (2) Reinforces understanding of new policies and directives and allows the introduction and exchange of accounting and project management information.

Inputs:

The Human Resources Development Project (698-0436) should be considered as a source of funding the workshops.

Recommendation 5. The USAID/Zaire and GOZ improve communication by creating structured channels for the exchange of up-to-date information concerning their respective objectives.

Constraints Addressed:

- (1) Lack of formal communications on a regular schedule between USAID and GOZ.

Support of Management Objectives:

- (1) Strengthen the management control environment by reinforcing the Mission's commitment to the efficient and effective use of counterpart funds.

Inputs:

- (1) Staff time for report preparation.

Recommendation 6. Involve the GOZ/MOP more in the counterpart fund management process.

Constraints Addressed:

- (1) Lack of a uniform system for GOZ and USAID in monitoring projects.

Support of Management Objectives:

- (1) Improve Mission effort in attaining goals and objectives by addressing the development issue of institution building by more involvement of the MOP.

Inputs:

- (1) Staff time and travel cost.

Recommendation 7. The financial personnel in the BSU and SHADO projects become more involved in the financial monitoring process of their respective regions.

Constraints Addressed:

- (1) Distance from Mission to projects hinders hands on support for management of projects outside of Kinshasa area.
- (2) Lack of formal training in regions.

Support of Management Objectives:

- (1) Strengthen and encourage staff in improving the management and reporting financial information.

Inputs:

- (1) Staff time and travel cost.

Recommendation 8. USAID/Zaire coordinates with other major donors concerning CPF management.

Constraints Addressed:

- (1) Lack of uniform system governing use and financial control for counterpart funds.

Support of Management Objectives:

- (1) Increase the organization's efficient and effective use

of counterpart funds by incorporating other donor counterpart fund financial management techniques.

Inputs:

- (1) Staff time and conference cost.

Implementation Plan

Recommendation	Implementation Schedule/Date					
	AUG	SEP	OCT	NOV	DEC	JAN91
1. Obtain Mission Approval on Recommendations	X					
2. Establishment of CPF Special Unit						X
3. Workshop for Directors, Accountants and Project Officers			X			
4. Monthly Report to MOP					X	
5. Invite MOP Staff Member to attend CPF Special Unit Meetings						X
6. Financial Monitoring by BSU and SHADOW in respective areas	X					
7. Installation of accounting software in projects	X					
8. Produce a Guide for CPF Funds						X
9. Modify the existing CPF budget process	X					
10. Schedule a meeting with other major donors					X	

SURVEY OBJECTIVES

Survey Objectives

The survey has the following seven primary objectives.

1. Study the relationship between the use of counterpart funds and the success of the Mission's fundamental development objectives.
2. Evaluate USAID/Zaire's existing counterpart fund financial management policies and controls at the mission and project levels for their completeness, adequacy, and internal consistency.
3. Identify policy and procedural strengths and weaknesses of USAID/Zaire's current counterpart fund financial management system.
4. Determine how the management of counterpart funds impacts the general efficiency of the Mission and the implementation of projects.
5. Perform a cost effectiveness analysis of the counterpart fund financial management systems and recommend the approach most advantageous to the attainment of overall development objectives of the mission.
6. Develop specific management objectives fundamental to the achievement of sound project counterpart fund financial administration consistent with the overall development objectives of the Mission.
7. Design an action plan detailing the actions necessary to implement the system so that it meets the specific management objectives.

Survey Components

The needs assessment survey has six components. The first is background information on counterpart funds. The following component is the development of specific counterpart fund financial management objectives. These objectives are the standards for evaluating the counterpart system. The third component is a description of the Mission's existing counterpart system and a review of strengths and weaknesses. The next component is an evaluation of the Mission's counterpart fund financial management system using specific management objectives as the criteria. The recommendations for the Mission to meet the management objectives and a cost effective analysis is the fifth component. The last component is an action plan detailing the activities to implement the system so that it meets the standards of the management

objectives.

Overall Mission Development Objectives

USAID/Zaire's FY 1990 - 1993 Action Plan strategies are designed to support continuing structural adjustments in Zaire. By helping to improve the rates of child survival, reduce fertility, increase food production, maintain transport infrastructure, and promote private enterprise, the U.S. will, over the next three years, contribute to Zaire's sustainable, broad-based, market-oriented economic growth and development. Presently, the Mission manages the largest AID program in sub-Saharan Africa. This program is a well-balanced mix of Development Fund for Africa (DFA) project and non-project assistance, as well as PL 480, Title I activities. The Mission's program exhibits a strong private sector orientation, an emphasis on both economic and environmental sustainability, and a commitment to achieving and demonstrating broad-based development impact. If, over the course of this Action Plan, GOZ commitment to economic adjustments waivers, U.S. assistance will be adjusted accordingly.

Development of Specific Management Objectives

The development of specific management objectives for use as standards for evaluating the current counterpart fund financial management system is a survey objective. There are four management objectives.

Objective Number One: The counterpart fund financial management system improves Mission efforts in attaining goals and objectives, project implementation and targets, and strengthens the Mission's organization structure and the technical knowledge and skills of staff.

Objective Number Two: The counterpart fund financial management system has an internal control function that increases the Mission's capacity to (1) safeguard assets from waste, fraud, and inefficient use; (2) promote accuracy and reliability in the accounting records; (3) encourage and measure compliance with counterpart fund policy; and (4) evaluate the efficiency of operations.

Objective Number Three: The counterpart fund financial management system has a management control process that strengthens and encourages staff implementation of Mission goals and objectives. The process consists of the following four phases: programming budgeting, measurement and reporting of both financial and non-financial information and evaluation.

Objective Number Four: The system has a management control environment that increases the organization's efficient and effective use of counterpart funds.

These four objectives are interrelated. All four objectives are concerned with achieving Mission goals and objectives through an efficient and effective system of controls. Their differences rest in the method and focus of control.

In the first objective, the focus is on the inherent qualities of the counterpart fund financial management system supporting Mission goals and objectives. The second objective focuses on the efficient operation of the Mission in carrying out goals and objectives. The management control process gives personnel the framework and guidance to work toward the goals and objectives and finally, the management control environment is where the management control process takes place.

ANNEX 2

CURRENT ACCOUNTING SYSTEM FOR COUNTERPART FUNDS

Counterpart funds are owned by the government of the cooperating country which generated the funds. The United States Government (USG)/Government of Zaire (GOZ) are required to ensure that the funds are actually used as intended or for agreed upon purposes. The AID Mission must approve all releases of counterpart currencies as programmed.

Negotiated agreements between the USG and the GOZ states the purpose of these funds and the manner of their use. Both governments have certain responsibilities for these funds. The Government of Zaire has responsibility for keeping detailed records as a basis for accounting for and reporting on expenditures for approved projects. The Mission assures that periodic reports received reflect the financial status of projects and specifically required operating information necessary to meet the Mission's needs.

The Mission's responsibility with respect to counterpart fund financial management includes approval of any counterpart program or activity and the release of counterpart funds. Before approval of programs or releases of counterpart funds the Mission determines the following:

- availability of sufficient counterpart funds for orderly implementation of the program;
- adequacy of the balance of each Special Account to cover proposed withdrawals;
- timing of counterpart release as required for expenditures; and
- redeposit of funds which are needed or have been used for unauthorized purposes.

Under its monitoring function, the Mission maintains records to show the actual and estimated amounts of counterpart funds accrued or due for U.S. use and country use. Records on country uses show amounts (1) committed, (2) approved for release, (3) proposed for commitment, and (4) yet to be programmed. They also indicate any minimum deposit requirements, release approval for withdrawals, and the actual withdrawal from the counterpart fund Special Account.

When amounts have been determined to be due for deposit, the Mission assures that such deposits are in the amounts required as indicated in country reports of sales proceeds and other information furnished pursuant to the bilateral agreement.

Counterpart agreements require Mission approval of withdrawals. Withdrawals are verified to the respective release agreements to provide additional control on the implementation of the programs as planned. Withdrawals of counterpart funds by the cooperating country are reported in the bank statement of the administering depository. Amounts withdrawn represent the transfer of local currency from the counterpart fund Special Accounts to other accounts of the cooperating country for special uses.

Counterpart funds are jointly managed by USAID and the GOZ. USAID has designated the Program Officer and the Controller as its representatives in discussions and meetings regarding local currency programming and monitoring. The GOZ is represented by the Director of the Secretariat of Counterpart Funds under the Ministry of Plan.

Under the direction of the Supervisory Program Officer, a U.S. - DH Program Officer and a FSN-DH Program Specialist coordinate local currency related activities. They prepare usage guidelines, manage the annual budgeting process for local currency, and establish priority in the releases of funds to programmed projects and activities.

The Controller's office prepares counterpart fund release plans and implements the flow of funds to projects and activities through the Ministry of Plan and local commercial banks. In addition, the Controller's Office monitors project financial management, reviews regular counterpart fund financial reports, manages the Mission's project accounting certification process, and accounts for all trust fund obligation and expenditures. Under the supervision of the Controller, a U.S. PSC and three FSN PSCs are responsible for the overall financial management of the Mission's local currencies.

The Secretariat of Counterpart Funds was established under the Ministry of Plan in 1976, with the mandate to manage local currency resources generated by donor-funded non-project assistance programs. The Secretariat of Counterpart Funds is staffed with 30 employees and receives operational support from local currency proceeds. The Secretariat of Counterpart Funds currently manages local currency generated by the following four donors(ranked according to the volume of funds expected to be generated in 1990:) EEC, USA, Canada, and Italy.

The Controller's Office has contracted the services of a qualified financial management specialist to be responsible for Financial Management and Monitoring of counterpart funds. He is assisted in his duties by a local hire, FSN. He prepares counterpart fund release plans and implements the flow of funds to projects and activities through the Ministry of Plan and local commercial banks. In addition, he is responsible for monitoring project financial management, reviewing regular counterpart fund

financial reports, managing the Mission's project accounting certification process, and accounting for all trust fund obligations and expenditures.

The USG and the GOZ have established accounting and internal control requirements for development projects financed with USG generated counterpart funds with the overall objective of improving the financial management of counterpart funds through the establishment and maintenance of adequate accounting and internal control systems, in accordance with the minimum accounting standards required by AID and Zairian accounting laws. All projects receiving counterpart funds must meet the minimum standards required for certification and must be certified by an accounting firm affiliated with United States based Big Eight audit firm that maintains an office in Kinshasa, Zaire. The minimum standards for certification are:

- (1) The system must identify accurately the receipt and expenditure of USG generated counterpart funds;
- (2) Accounting entries must be supported by and refer to back-up documentation, which is filed in such a way that it can be easily retrieved;
- (3) The accounting system of each project will furnish detailed, accurate, and current financial reporting information, including quarterly financial reports, as required by USAID, detailing actual expenditures against approved budget line-items and explaining all significant variances from budgeted amounts;
- (4) Monthly bank and cash reconciliations must be prepared and signature approved by the project director to ensure agreement between the project's accounting ledgers and bank statements;
- (5) The system must include USAID approved written internal financial controls to ensure the validity, the accuracy and the completeness of all financial data;
- (6) Project accounting must be implemented in such a way that an auditor can trace a book entry to the accounting ledgers and to the supporting documents to ensure that each expense is justified and has been correctly recorded in the project's ledgers;
- (7) The system must ensure that an annual budget will be prepared according to the projects financial objectives to allow the comparison of the accounting records with budget costs. Procedures must be implemented to ensure the proper follow-up of the approved budgets and to identify the committed expenses and the funds to be received by budget category; and

- (8) The system must ensure adequate inventory and fixed asset control, including regular (at least semi-annual) physical inventories of all project stocks and annual inventories of non-expendable property. These inventories must be reconciled to the project's stock and fixed asset ledgers. All individual fixed assets, their acquired value, their standard depreciable life, and their current location must be recorded in a fixed asset ledger.

USAID/Zaire is responsible for selection of and the negotiation of contracts with local audit firms for certification and all projects must meet the certification deadline of January 1, 1991.

The accounting system used at the project level is based on the norms required by le Conseil Permanent de la Comptabilite au Zaire (CPCZ), and conforms to the Plan Comptable Zairois (PCGZ), with the exception of the accounting system used by institutional contractors that meet the standards required for certification. The principal documents used by the accountants are as follows:

- Supporting Documentation - Expenses
- Supporting Documentation - Receipts
- Cash Journal
- Bank Journal
- Sales Journal
- Central Journal
- Purchase Journal
- General Journal, Grand-Livre
- Monthly Report

Each project is required to have its own Procedures Manual describing in detail the actions required for each accounting transaction. The manual conforms to the guidelines required for certification. Stock management and other internal control procedures are written in detail. Internal controls at the project level allows the projects to account for counterpart funds.

All USAID/Zaire development projects which receive counterpart fund financing are required to submit regular financial reports to the USAID Controller's Office through their respective project officers. The required reports include a Monthly CPF Financial Report, a Monthly Salary Supplement Control Report, and a Quarterly CPF Financial Report.

The USAID/Zaire Mission has a Biannual counterpart fund project audit plan requiring non-federal audits by local Big Eight affiliated accounting firms for all USAID projects on an every-other-year basis. These audits are financed with local currencies from the Special Accounts. Standardized project counterpart fund certification procedures have been developed and are being formally implemented.

ANNEX 3

RESPONSIBILITIES OF PROPOSED SPECIAL UNIT

The central unit would be staffed with the following positions:

Financial Management Manager, US-PSC
Program & Budget Officer, FSN-DH
Evaluation Specialist, FSN-PSC
Bi-lingual Secretary, FSN-DH

The unit would have the following responsibilities:

- 1). Mission liaison with the GOZ Secretariat of Counterpart Funds.
- 2). Coordinating with the Economic Planning Office, Project Officers, and GOZ in the development of annual Zaire Counterpart Generation Plans, Project Budgets and the Execution of Releases.
- 3). Coordinate all local currency related activities to include preparation of usage guidelines, management of the annual budgeting process for local currency, and establish priority in the releases of funds to programmed projects and activities.
- 4). Prepare counterpart fund release plans and implement the flow of funds to projects and activities through the Ministry of Plan and local commercial banks.
- 5). Provide advice and guidance to technical and management staff of USAID/Zaire, to GOZ and the Government of the People's Republic of the Congo (GPRC) institutions, and to USAID/GOZ and USAID/GPRC project personnel regarding the financial management of the GOZ and CPRC counterpart fund budgets.
- 6). Coordinate with the USAID Program and Economic Planning Office, Project Officers, and GOZ Ministry of Plan Secretariat of Counterpart Funds in the development of annual Zaire Counterpart Fund generation plans, project budgets and the execution of releases related thereto.
- 7). Coordinate with the USAID General Development Office, the AID Liaison Officer in Brazzaville, and the GPRC Ministry of Planning in the development of annual Congo Counterpart Fund generation plans, budgetary attribution levels and the execution of releases related thereto.
- 8). Developing and implementing the USAID audit plan for Zaire and the Congo.
- 9). Conducts review of annual work plans of each project, receiving support from Counterpart Funds.

10). Coordinates the functions of the CPF Committee with the technical divisions.

11). Installing a project monitoring system that will provide a simple, timely and accurate reporting system, which will include:

a. Adequate internal controls for cash receipts, disbursements, payrolls, inventories and property.

b. Identification of actual and potential problems and of causes of variances from project plans, and an analysis of progress against the work plans.

c. Timely and accurate financial reports to management.

d. Quarterly, annual and life-of project budgets for management's use in planning.

12). Responsible for clearing all major decisions for the Director with the Deputy Director, the Director of the Office of Program and Economic Policy and the Controller.

13). Manages the Mission's project accounting certification process for CPF projects.

14). Provide advice and guidance to technical and management staff of USAID, to GOZ and the GPRC regarding financial management of CPF.

15). Establishing budget guidelines and approving CPF budgets for projects.

16). Notification of payments due and the repayment status of PL 480, AID Loan, and Housing Guarantee debt owed the USG by the GOZ and the GPRC.

17). Drafting cables and correspondence to the US Dept of State, Commerce, and Agriculture, and the US Treasury regarding the status of GOZ and GPRC debt repayment.

18). Monitor financial reports from CPF funded projects.

19). Participation in project committee for PL-480 and CIP.

20). Provide management and GOZ with monthly report of activities.

21). Coordination with donor agencies on issues related to CPF.

22). Responsible for implementing mission policy on salary primes and employment.

23). Study, evaluate, and report on the efficiency and effectiveness of the counterpart fund financial management system.

All position descriptions of responsibilities for the CPF Unit would have to be reviewed to reflect accurately the assigned duties. The Controller would continue to be responsible for financial management of the USAID/GOZ Local Currency Trust Fund Budget and the use of local currency trust funds. In addition, audit plans for Zaire and the Congo and the AID Loan, and Housing Guarantee notices and related activities with the Office of Public Debt would remain the responsibility of the Controller.

PROGRAM BUDGET FOR COUNTERPART FUNDS

A master budget has three principal parts. One part is the operating budget which shows planned operations for the period; the cash budget which projects cash requirements, and a counterpart fund capital expenditure budget showing planned changes in property, plant and equipment. This discussion begins with the steps involved in the preparation of the operating budget. There should be four clearly defined levels to this budget process with the counterpart fund unit having responsibility for the functioning of the budget process.

1. The budget committee
2. The coordinating committee
3. Technical office level
4. Project level
5. Counterpart fund unit

All levels have the authority to discuss, question, and negotiate their respective budgets, funding levels, and resource allocations with the next higher level. The budget process should be a process of constructive dialogue.

Level One: The Budget Committee

- A. The members-
 - Mission Director, Chairperson
 - Deputy Director
 - Chief Program Officer
- B. Duties and responsibilities-
 - Develops general budget guidelines including funding levels and resource allocation for the technical offices.
 - Submits guidelines to the coordinating committee.
 - Resolves any differences in the coordinating committee.
 - Reviews and approves all final budgets.

Level Two: The Coordinating Committee

A. The members-

Chief Program Officer, Chairperson
Deputy Director
Technical Office Chiefs

B. Duties and responsibilities-

- Reaches agreement on the general guidelines established by the budget committee.
- Establishes specific funding levels and project resource allocations and guidelines.
- Develops instructions for budget and action plan preparation.
- Develops timetables for division and project budget submissions.
- Coordinates division and project budgets.
- Coordinates with counterpart fund unit.
- Reviews, approves, and submits budgets to the budget committee.

Level Three: The Technical Office Level

A. The members-

Office Chief, Chairperson
Staff members

B. Duties and responsibilities-

- Refine the funding levels and resource allocation for the projects.
- Advise and direct project budget preparation.
- Review and submit budgets to the counterpart fund unit for an overall program perspective. When agreement is reached, submit the approved budget to the coordinating committee. If the counterpart fund unit and the technical unit can not agree on the budget, the coordinating committee will make the final decision.

Level Four: The Project Level

- A. The members-
 - Project Leader
 - Staff members

- B. Duties and responsibilities-
 - Develops budget in conjunction with action plans, resource allocation guidelines and instructions received from the technical office.

 - Contacts the counterpart fund unit for any questions related to the methodology of completing the budget package.

 - Coordinates budget development and submission with the technical office.

 - Submits staffing levels to the counterpart fund unit which develops the personnel budget.

The Counterpart Fund Unit

- A. Members-
 - Assistant Program Officer, Chairperson
 - Staff members

- B. Duties and responsibilities-
 - Is responsible for the functioning of the budget process.

 - Assists in projecting the availability of counterpart funds.

 - Distributes the budget package: budget instructions, budget format (on diskette for those with computer capability), guidelines, and other budget information to the technical offices and the projects.

 - Gives assistance and guidance to project budget preparation.

 - Is responsible for reviewing the budget from an overall program perspective before it is approved and sent to the coordinating committee.

 - Assists the coordinating committee in the development of timetables for the budget process.

 - Develops personnel cost budget.

-Ensures adherence to timetables, instructions and guidelines.

Accurately projecting the level of counterpart funds for a given year is difficult due to the nature of CPF generations and the policy environment of economic development assistance in Zaire. Because of these factors, the budget package should include guidance on the allocation of project resources. This guidance should include specifying project priorities so that the project managers can develop budgets for various funding levels. The budget process should also include the annual action plan since there is a direct correlation between the plan, the operating budget and allocation of project resources.

There has to be a carefully worked out timetable specifying the order in which the several parts of the operating budget are developed and the time when each must be completed. This timetable should cover the following steps.

1. Setting planning guidelines;
2. Preparing revenue budgets;
3. Initial preparation of salary and salary-related budget;
4. Development of guidance and instructions for budget, resource allocation and action plans;
5. Preparation of budget package: master budget, project resource allocation, and action plan;
6. Coordination, review and negotiation of the budgets;
7. Final approval;
8. Distribution of the approved budget and action plan.

The approved budget is the most useful device for communicating quantitative information concerning project plans and limitations. The Mission should send written notification to all projects and sub-projects on the disposition of their respective budgets. This will formalize the budget process and assist projects in their planning.

The two remaining parts of the master budget are the cash and capital expenditures budgets. Incorporating a cash budget requirement would aid the fund release mechanism by more accurately projecting the amount and timing of projections. Budget amount and cash requirements may differ because budgeted purchases may occur in one period with the cash payment in another period. The projects would submit monthly (with the monthly financial report)

a quarterly cash budget. This report would:

1. request the following month's cash requirements and project release requirements for the next two months;
2. indicate if cash requirements are in excess of budget amounts for the period;
3. improve fund release projections; and
4. allow the CPF unit time to respond or adjust to changes in the release requirements.

A capital expenditure budget is a control on the use of counterpart funds. Approval of the capital budget means approval of capital expenditures (but not authorization). Items not on the list require prior approval; this controls the use of counterpart and restricts the use of counterpart procurement.

The Mission can improve the efficiency and effectiveness of the budget process and the accuracy of projected funding levels by reducing the time frame for the budget process. The Mission can develop scheduling plan where elements of the budget process can run concurrently. For example, not all projects require the same amount of time to complete their budgets. By scheduling different completion dates for each project, the program office can begin and end the review process earlier. Another way of shortening the amount of time is to give less time to the projects to complete their budgets.

ANNEX 5

SUMMARY OF ACTIVE A.I.D. FOREIGN CURRENCY PROGRAMS

PROGRAM	AUTHORIZING STATUTE
U.S.-OWNED:	
1. COMMODITIES FOR OTHER COUNTRIES	PL 480, TITLE I, SECTION 104(g)
2. EMERGENCY RELIEF ASSISTANCE	PL 480, TITLE I, SECTION 104(d)
3. AMERICAN SCHOOLS AND HOSPITALS ABROAD	FAA OF 1961, AS AMENDED
4. SALE OF SURPLUS AGRICULTURAL COMMODITIES	MSA, SECTION 402
5. LOANS FOR PLANNING: ECONOMIC ASSISTANCE AND POPULATION	PL 480, TITLE I, SECTIONS 104(f) AND 104(h)
6. GRANTS FOR PLANNING: ECONOMIC ASSISTANCE AND POPULATION	PL 480, TITLE I, SECTIONS 104(f) AND 104(h)
7. ECONOMIC ASSISTANCE-SPECIAL ACCOUNT	PL 480, TITLE I, SECTION 104(f)
8. LOANS TO PRIVATE ENTERPRISES	PL 480, TITLE I, SECTION 104(e)
9. GRANTS FOR PROGRAM ASSISTANCE	FAA, SECTIONS 612(a) AND 614(a)
COUNTRY-OWNED:	
10. TRUST ACCOUNT-TECHNICAL ASSISTANCE	FAA OF 1961, AS AMENDED, SECTION 625(h) AND 636(h)
11. COUNTERPART-SPECIAL ACCOUNT "A"	FAA OF 1961, AS AMENDED, SECTION 609
12. COUNTERPART-SPECIAL ACCOUNT "B" (LIQUIDATING)	FAA OF 1961, AS AMENDED
13. COUNTERPART-SPECIAL ACCOUNT "C"	PL 480, TITLE II, SECTIONS 201 AND 202
14. COUNTERPART-SPECIAL ACCOUNT "D" (LIQUIDATING)	PL 480, TITLE I, SECTION 106(b)
15. LOAN FORGIVENESS, SPECIAL ACCOUNT "R"	PL 480, SECTION 106(b)

ANNEX 6

U.S. LOCAL CURRENCY PROGRAM

Mutual Securities Act

This legislation was administered by predecessor agencies. The statutes under which the foreign currencies for programs administered by AID were the Mutual Securities Act (MSA) of 1951 and 1954. Foreign currencies were generated from the sale of surplus agricultural and other commodities and, purchased with appropriated dollars, and were available for use without further dollar reimbursement within the purposes of the MSA. Programs financed from this source have been or are being liquidated. These funds are normally available for any purposes of the MSA of 1954, as amended, with emphasis on those purposes of P.L. 480, Title I, which are in harmony with the MSA.

Agricultural Trade Development and Assistance Act of 1954, as Amended (P.L. 480)

The bulk of U.S.-owned foreign currencies financing AID programs were generated under P.L. 480, Title I, providing for sale of agricultural commodities to cooperating countries and prescribing the purposes for which these currencies may be used. This law authorized the negotiation of agreements with friendly countries to provide for the sale of agricultural commodities for foreign currency and allows AID to use the foreign currency proceeds of such sales (and foreign currency collections of interest and principal from repayments of loans of sale proceeds) for the specific purposes outlined in the subsections of P.L. 480, Title I, Section 104. These funds are normally available without dollar reimbursement and generally offered in the form of loans and grants for common defense, economic development, popular assistance programs, emergency relief, and other purposes.

Under the 1968 amendments to P.L. 480 sales are on a dollar credit or convertible local currency credit basis except where the U.S. Government may require early payment in local currency to be used for (1) payment of USG obligations, (2) carrying out programs of the USG, (3) loans to private enterprises (Cooley loans), and (4) financing programs related to health and population. These payments are referred to as "Currency Use Payments" (CUP).

Foreign Currency Appropriations under the
Foreign Assistance Act (FAA) of 1968, as Amended

Various Foreign Assistance and Related Agencies Appropriations Acts have provided for appropriations of foreign currency for assistance for American schools and hospitals abroad. The foreign currencies for the program were obtained from U.S.-owned foreign currencies for U.S. uses which the Treasury determined to be excess to the normal requirements of the United States. These currencies are available for use in the specified AID program through normal apportionment and allotment and processes of the Agency.

In addition, foreign currencies have been appropriated in the Foreign Assistance Appropriation Act of 1976 (P.L. 94-330) for the authorized purposes of part I of the FAA when such amounts are in excess of the U.S. Government for obligations outside the United States and certain prescribed reservations as provided in Section 612(a) of the FAA.

Section 614(a) of the FAA provides special authorities pursuant to a Presidential Determination for use of foreign currencies accruing under the FAA. Allocations under this authority are administered for AID programs or suballocated by AID for other agency administration as appropriate.

LIST OF PERSONS INTERVIEWED

Chandler, Dennis, Director, USAID/Zaire
 Goodwin, Joseph, Deputy Director, USAID/Zaire
 de Marcken, Baudouin, Deputy Director, USAID/Zaire
 Dolley, Darrell, Controller, USAID/Zaire
 Krell, Barbara, Deputy Controller
 Desmarais, Scott T., Office of the Controller, USAID/Zaire
 dia Ndaki, Kauvuidi, " "
 Bierke, John, Program Office, USAID/Zaire
 Anderson, Cheryl, "
 Lubaki, Mangindula, "
 Harvey, Ron, Director, Agriculture Research Division
 Felkel, Carol, "
 McMahan, John, "
 Martin, Bill, Health, Population & Nutrition
 McDermott, Chris, "
 Smith, Rhonda, "
 Stanford, Beth, "
 Barry, Patrick, General Development Office
 Anderson, G. William, Director, PDO
 Lessard, Arnold, PDO
 Wiedmann, Kevin, "
 Lwakabuanga, Mulangala, Executive Vice President, CITIBANK
 Mpakebui, Mokuba, Director Counterpart Fund Secretariat
 Tuambilangana, Mbuyi, Division Chief, MOP, GOZ
 Hanin, George, Directeur Executif, Price Waterhouse
 Lufulu, Mbala, ZTE, Assistant Technique
 de Lys, Herve Ludovic, The Population Council
 Dougnac, George, Louis Berger International, Inc.
 Smith, Craig, Pragma Corporation
 Ferreros, Carlos, Chief of Party, Project 660-0094
 Makonda, Muayi, Accountant, "
 Bilenge, Miaka Mia, Director, Project 698-0421 PEV/CCCD
 Garcia, Ramona, FM, "
 Diasikila, Nkuka, Accountant, "
 Bakajika, Mota, Project 660-0091
 Mutamba, Senarav, Chief Accountant, "
 Zeilke, David, Director, Project 660-0102, BSU
 Letre, Mayanga, Accountant, "
 Baumbu, Nkoy, Director, Project 660-0102, PROCAR
 Ndou, Kisenda Mbuta, Chef Comptable, "
 Tumbo, Kisa, Chief Accountant, Project 660-0125, (PNPF)
 Kafuku, Sapue, Caissier, "
 Adrupiako, Finance and Budget, Project 660-0094 PEV
 Kawendefatuma, Chief Accountant, "
 Spake, Bruce, Project 660-0105 SHADO
 Page, Loie, Chief, CFP, Centre Cooperation Canada/Zaire
 Kalindila, Mwimbilwa, Adjoint Administratif et Financier,
 Hoover, Jeff, Director, Project 660-0114 ISROS
 Kandama, Administrative Assistant, "
 Kakunku, Mukngela, Accountant, "
 Lidsay, Claud Administrative Officer, Project 660-0105 LBI
 Mutombo, Mwamba, Accountant, "Mavuela Kimpi, Accountant, Project

Table 1: USAID/Zaire Obligation Schedule FY 1990 - FY 1995
(Millions of Dollars)

Number	Sector/Type/Name	Pipeline 12/31/89			Fiscal Year					
		Mtge	Unearns	Unlig	1990	1991	1992	1993	1994	1995
	<u>Zaire Program Total^b</u>				<u>74.22^a</u>	<u>65.0</u>	<u>80.0^a</u>	<u>70.0</u>	<u>85.0^a</u>	<u>75.0</u>
	Project Assistance				24.0	20.0	27.0	20.0	25.0	23.0
	Non-Project Assistance				26.0	15.0	23.0	15.0	25.0	12.0
	PL-480				24.22	30.0	30.0	35.0	35.0	40.0
	<u>Health and Population Total</u>				<u>9.17</u>	<u>6.5</u>	<u>11.0</u>	<u>12.0</u>	<u>12.0</u>	<u>12.0</u>
	Project Assistance				8.95	6.5	11.0	7.0	7.0	7.0
	Non-Project Assistance							5.0	5.0	5.0
	PL-480 Title II				0.22					
660-0094	Family Planning Services	3.8	2.8	6.2	1.8	2.0				
660-0101	School of Public Health	3.0	3.0	4.8	1.0	1.0	1.0			
660-0107	Basic Rural Health	4.45	5.3	9.0	3.45	1.0				
698-0474	HIV/AIDS		0.6	0.3	1.0	1.0				
698-0421	ASCI-CCCD		2.1	3.6	1.7	1.5				
	PL-480 Title II				0.22					
660-XXXX	<u>Health/Pop. Sector Support</u>						10.0	12.0	12.0	12.0
	TA and Training						(10.0)	(7.0)	(7.0)	(7.0)
	Policy-based CIP							(5.0)	(5.0)	(5.0)
	<u>Agriculture Sector Total</u>				<u>30.0</u>	<u>34.3</u>	<u>36.0</u>	<u>41.0</u>	<u>41.0</u>	<u>46.0</u>
	Project Assistance				6.0	4.3	6.0	6.0	6.0	6.0
	PL-480 Title I				24.0	30.0	30.0	35.0	35.0	40.0
660-0102	Area Food & Mkt. Dev.	4.7	3.2	7.1		1.7	1.0	1.0		
660-0119	Agr. Policy & Planning	4.6	4.3	5.9		1.6	1.0	1.0		
660-0124	Agr. Research	20.0			6.0	1.0	4.0		3.0	3.0
660-XXXX	<u>Agr. Sector Support</u>							4.0	1.0	3.0
	PL-480 Title I				24.0	30.0	30.0	35.0	35.0	40.0
	<u>Transport Sector Total</u>				<u>16.3</u>	<u>10.7</u>	<u>12.0</u>		<u>22.0</u>	<u>12.0</u>
	Project Assistance				3.3	3.7	2.0		7.0	5.0
	Non-Project Assistance				13.0	7.0	10.0		15.0	7.0
660-0098	Agr. Marketing Development	3.0	3.2	4.6	1.3	1.7				
660-0126	<u>Transport Reform Program</u>				15.0 ^a	9.0	12.0			
	TA and Training	6.0			(2.0)	(2.0)	(2.0)			
	Policy-based CIP	30.0			(13.0)	(8.0)				
	<u>Transport Reform Program II</u>								22.0 ^a	12.0
	TA and Training								(7.0)	(5.0)
	Policy-based CIP								(15.0)	(7.0)
	<u>Private Sector Total</u>				<u>14.0</u>	<u>9.0</u>	<u>16.0</u>	<u>12.0</u>	<u>5.0</u>	
	Project Assistance				1.0	1.0	3.0	2.0		
	Non-Project Assistance				13.0	8.0	13.0	10.0	5.0	
660-0121	<u>Private Sector Supp. I</u>				14.0	9.0	1.0			
	TA and Training	3.0	1.8	1.9	(1.0)	(1.0)	(1.0)			
	Policy-based CIP	21.0	14.0	14.0	(13.0)	(8.0)				
660-XXXX	<u>Private Sector Support II</u>						15.0 ^a	12.0	5.0	
	TA and Training						(2.0)	(2.0)		
	Policy-based CIP						(13.0)	(10.0)	(5.0)	
	<u>Miscellaneous Projects</u>				<u>4.75</u>	<u>4.5</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
660-0125	<u>Small Project Support</u>	5.0	0.8	5.2	2.0	2.0	2.0	2.0	2.0	2.0
698-0455	AFGRAD			1.4	0.7	0.7	0.7	0.7	0.7	0.7
698-0463	HRDA		0.3	1.6	1.3	0.8	1.3	1.3	1.3	1.3
698-0510	PD & S		0.2	1.3	0.75	1.0	1.0	1.0	1.0	1.0

a. Three \$ 15 million AEPRPs are anticipated: FY 1990 - Transport Reform Program (660-0126); FY 1992 - Private Sector Support Program II; and FY 1994 - Transport Reform Program II.

b. The total regular DFA request FY 1990 - FY 1995 has been straight lined at the FY 1990 level of \$ 35 million. The \$ 35 million includes \$ 2 million per year in support of the Global Climate Changes Initiative.