

PROJECT PAPER
SAHEL REGIONAL
FINANCIAL MANAGEMENT PROJECT

(625-0950)

Authorized: August 20, 1982

Amount: \$5,000,000

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: AFR/DR, Norman Cohen

SUBJECT: Sahel Regional Financial Management Project (625-0950):
Project Authorization

I. Problem: Your approval is requested for a grant of \$5,000,000 from funds available under Section 121 of the Foreign Assistance Act (FAA) of 1961, as amended, Sahel Development Appropriation, for the Sahel Regional Financial Management Project (625-0950). It is planned that \$3.816 million will be obligated in FY 1982.

II. Discussion:

A. Project Description

The project purpose is to improve financial management in Sahelian development institutions. Long-term technical assistance will be financed to accomplish the following activities:

- (1) design appropriate accounting and financial management systems;
- (2) develop and disseminate suitable training materials and methods;
- (3) train cooperating country personnel;
- (4) assist in installation of the systems; and
- (5) facilitate the utilization of the accounting data in improved financial and program decision-making wherever possible.

The situation varies from country to country, and individually tailored efforts will be developed. However, the central technical concepts and approaches to improvement can be applied systematically and flexibly through a regional effort. Long-term technical assistance staff will be located in Senegal, The Gambia, Mali, Upper Volta and Niger. Short-term staff will service Mauritania and Cape Verde.

This project conforms to the Sahel regional development strategy for human resources, and the AID development administration policy. The immediate beneficiaries of the project will be the host government personnel who receive the training, installation support and improved accounting system designs. In the medium-term, citizens of the recipient countries will enjoy improved delivery systems from the more efficient control and use of budgetary resources.

B. Financial Summary

The FY 1982 obligation is to be \$3.816 million, and Life-of-Project (LOP) funding is \$5.0 million over the next four years (FY 1982-1986). The breakdown of funds is shown below:

<u>AID Inputs</u>	<u>(\$000s)</u> <u>First Year</u>	<u>(\$000s)</u> <u>LOP</u>
Technical Assistance	2,176.0	3,315.0
Commodities	40.0	40.0
Training & Support	<u>1,600.0</u>	<u>1,645.0</u>
TOTAL	<u>3,816.0</u>	<u>5,000.0</u>

The most direct host country contributions are in the form of time and facilities of host country institutions and personnel which it would be premature to quantify. The larger and more important contributions, which are somewhat indirect, are the time, efforts and expenditures of host countries for current AID-financed projects whose management this project will improve.

C. Socio-Economic, Technical and Environmental Description

The Project Paper indicates that proper technical, financial, economic, administrative, social and implementation analyses were done to ensure the acceptability and feasibility of the project. There are no human rights implications in the project. The project was judged to be technically sound with regard to the adequacy of the accounting system model from which local adaptations can be made, and with regard to the training and consultancy support approaches which the technical assistance personnel will utilize. At the PID approval stage, a negative determination on the Initial Environmental Examination was made, and no future environmental analyses are necessary.

D. Conditions, Covenants, Implementation Plan and Implementation Agencies

Project funds will be obligated through a Participating Agency Services Agreement (PASA) to which there are no conditions precedent or covenants. The Project Paper provides guidance on certain contractual necessities in the PASA which will be incorporated in the PIO/T. After final determination and negotiation in each country of its project components, an agreement will be signed between the AID Mission and the host government. This will spell out conditions and covenants specifically applying in each case, and these cannot be determined exactly at this point in time. They will be subject to the concurrence of the AID/W Project Officer.

The Project Committee concluded that the implementation plan contained in the PP sets a realistic time frame for carrying out the project. The major implementing agency is expected to be the U.S. Department of Agriculture's Office of International Cooperation and Development, Development Project Management Center. The project design team recommended that the project be assigned an AID/W backstop officer who would handle only this project and the associated Sahelian financial performance monitoring and improvement effort. The requirements of Section 611(a) have been satisfactorily met.

E. Responsible Offices

Each Mission will appoint a project officer for the project, and AFR/DR and AFR/SWA will also specify particular individuals to backstop the effort.

III. Use of PASA (Policies for Acquiring Commercial or Industrial Products and Services Needed by the Government)

It is proposed that this project be implemented through a Participating Service Agreement (PASA) with the U.S. Department of Agriculture/Office of International Cooperation and Development/Development Project Management Center (USDA/OICD/DPMC) because (1) They have been involved from the beginning in determining the problems and potential solutions to financial management in the Sahel, (2) Use of the PASA arrangement will ensure that on-going financial management improvement efforts will not be interrupted, (3) There will be a considerable cost savings to the U.S. Government due to the low USDA overhead, and (4) The USDA has pioneered the use of the action training methodology which is the underlining basis for both pre-project and project training activities.

The determination that the PASA is exempt from Circular A-76 is justified because (1) it is for the provision of technical assistance and; (2) the facilities and resources of the USDA/DPMC are particularly suitable for the technical assistance to be provided and are not competitive with private enterprise. The PIO/T intended for your approval is attached as Annex II.

IV. Waivers

Justification for a source/origin procurement waiver for a total of three vehicles is included in the project paper (pp. 21-22, Annex G2) and the project authorization. This is necessary because spare parts and service for American-manufactured vehicles are unavailable in Mali, Upper Volta and Niger.

V. Justification to the Congress

A Congressional Notification was sent to Congress on July 28, 1982 and the waiting period expired on August 12, 1982.

VI. Clearances Obtained

AFR/DR/EHR:H. Steverson draft
DAA/AFR:A.R. Love _____
AFR/SWA:F. Gilbert draft
AFR/DR/SWA:P. R. McCabe draft
PPC/PDPR/EHR:F. Method draft
S&T/MD:J. North draft
SER/COM/ALI:P. Hagan draft
GC/AFR:EDragon draft

DAA/AFR:F.D. Correl jc
AFR/PMR/RCS:F. Brown/J. Davidson draft
AFR/DP:S. Sharp draft
AFR/SWA:J. Bierke draft
SER/COM/ALI:F. Donovan draft
S&T/MD:D. Brinkerhof draft
GC/AFR:T. Bork draft

VII. Recommendation: That you sign the attached Project Authorization and PIO/T, thereby, approving life-of-project funding at \$5,000,000, a Project Assistance Completion Date of December 31, 1986, the above noted vehicle procurement waiver, and the use of a PASA for project implementation.

Drafted by: AFR/DR/SWAP: JRS^{JD}immons/JOsborn: 08/05/82 ext 28242

PROJECT AUTHORIZATION

Name of Country: Sahel Regional

Name of Project: Sahel Regional
Financial Management

/ Number of Project: 625-0950

1. Pursuant to Section 121 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Sahel Regional Financial Management Project for the Sahel Region involving planned obligations of \$5,000,000 in grant funds over a four-year period from the date of authorization, subject to the availability of funds in accordance with the AID OYB/allotment process, to finance foreign exchange and local currency costs of the project.
2. The project will assist seven Sahelian governments to improve their financial and program management of development projects. It will assure that continuing AID projects retain Section 121(d) certifiability, and institutionalization of improved systems and training practices in financial management will begin. AID will finance the cost of technical assistance, training, workshops, vehicles and related goods and services.
3. The obligating document, a Participating Agency Service Agreement with the U.S. Department of Agriculture's Office of International Cooperation and Development, which may be negotiated and executed by the officers to whom such authority has been delegated in accordance with A.I.D. regulations and Delegations of Authority, shall not be subject to any essential terms and covenants or major conditions beyond AID's normal contracting procedures. Sub-agreements with host countries concerning their project components will be negotiated during project implementation by officers to whom such authority has been delegated.
4. A. Source and Origin of Goods and Services

Goods and services, except for ocean shipping, shall have their source and origin in the United States and/or the Cooperating Countries, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

4. B. Waiver

Based on the justification on pages G-2-21 and 22 of the PP, I hereby:

Approve a source/origin waiver from AID Geographic Code 000 (U.S. only) to Code 935 (Special Free World) to allow the procurement of three passenger vehicles and spare parts for use in Mali, Niger and Upper Volta having a total value of approximately \$50,000; certify that special circumstances exist which justify the waiver of the requirement of Section 636(1) of the FAA; and certify that exclusion of procurement from Free World countries other than the Cooperating countries and countries included in Code 941 would seriously impede attainment of U.S. foreign policy objectives and objectives of the foreign assistance program.

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

DOCUMENT CODE

3

2. COUNTRY/ENTITY

SAHEL REGIONAL

3. PROJECT NUMBER

625-0950

4. BUREAU/OFFICE

AID/AFR/SWA

5. PROJECT TITLE (maximum 40 characters)

SAHEL REGIONAL FINANCIAL MANAGEMENT

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
 1 | 2 | 3 | 1 | 8 | 6

7. ESTIMATED DATE OF OBLIGATION
 (Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 8 | 2

B. Quarter 4

C. Final FY 8 | 4

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	2,561	1,255	3,816	3,355	1,645	5,000
(Grant)	(2,561)	(1,255)	(3,816)	(3,355)	(1,645)	(5,000)
(Loan)	()	()	()	()	()	()
Other U.S. 1.						
Other U.S. 2.						
Host Country						
Other Donor(s)						
TOTALS	2,561	1,255	3,816	3,355	1,645	5,000

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SH	180S	720				3,816		5,000	
(2)									
(3)									
(4)									
TOTALS						3,816		5,000	

10. SECONDARY TECHNICAL CODES (maximum 5 codes of 3 positions each)

053 054 246 640 721

11. SECONDARY PURPOSE CODE
660

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code TNG
 B. Amount 5,000

13. PROJECT PURPOSE (maximum 480 characters)

To improve the financial management performance of Sahelian development institutions.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
 1 | 8 | 4 | 0 | 4 | 8 | 5

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify) 935

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

17. APPROVED BY

Signature *Frederick E. Gilbert*
 Title Director, Office of Sahel and West African Affairs

Date Signed MM DD YY

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

SAHEL REGIONAL FINANCIAL MANAGEMENT PROJECT (625-0950)

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SAHEL REGIONAL FINANCIAL MANAGEMENT PROJECT (625-0950)

EXECUTIVE SUMMARY

This Project responds, on a regional basis, to the need in the Sahelian countries assisted by AID for improved financial management of development projects. This need has been identified in numerous AID Inspector General and Africa Bureau reports. It is a need which will increase as programs and projects become more complex while AID direct-hire staff stabilizes or shrinks and project pipelines threaten to lengthen. It is a need which points to the necessity, more broadly, of investment in improved project and program management if the Sahel Program is going to fulfill its promise.

This Project contains grant funding from the FAA Sec. 121 account of \$5.0 million over three years, with a life of project obligation of \$3.816 million in Fiscal Year 1982. It provides for a coordinated set of technical assistance and training interventions in Mauritania, Cape Verde, The Gambia, Mali, Upper Volta, Niger and Senegal. These project elements treat first the requirement to maintain accountability of AID funds and then, in the particular circumstance of the countries, move each forward toward more advanced financial management and eventual program management competence.

The cost represents approximately 1.05 percent of the LOP value of prospective new project obligations during FY 82-85. It is justified on this basis as a least-cost solution to a major problem affecting important projects throughout the region. These projects are in danger of failing to achieve their economic and social purposes due either to past financial management inadequacies and sizable pipelines, and/or to the unreliability of host country capabilities upon which new projects must depend.

The project follows logically upon pre-project activities in 1981-1982 that provided workshops in financial management in several Sahelian countries and developed teaching and reference. The project's point of departure and assumptions also take into account the efforts made by Missions in the last year to meet FAA Sec. 121(d) financial accounting certification and determination requirements. It builds on these two sets of actions and will provide the coordinating mechanism for further efforts of this type in the Sahel for the next three years.

The project will be directed, coordinated, monitored, and backstopped by AID/Washington, and a direct-hire project officer located there. The major obligating document is expected to be a PASA with the U.S. Dept. of Agriculture's Office of International Cooperation and Development. This is the most experienced development management consulting institution working in the Sahel on AID-related agriculture, rural development and financial and program management problems. USDA/OICD was the instrument by which many of the pre-project actions were provided. An experienced project director will manage all aspects of project implementation in Washington and the field. Many of the project's inputs will be subcontracted from private sector individuals

and institutions. USDA/OICD will supervise the creation of substantial materials, direct the flow of information to and from the field, and coordinate the evolution of the project in each country.

The Project assumes that AID will continue to pursue major improvements in its own policies and practices. These include more intensive training of project officers in project financial management, better guidance and reference materials, more staffing of Missions, and more detailed guidelines on the composition of project paper financial institutional and implementation analyses and plans.

The end-of-Project status will be: (a) certifiability in 121(d) terms of all continuing projects in the Sahel will have been maintained, (b) host country financial management capabilities will not be obstacles to design and implementation in the next generation of Sahel projects, (c) the level of competence in financial management in each host government will have been enhanced, and (d) the AID will possess sufficient information to decide on what further efforts might be appropriate in the program management assistance field in the Sahel and elsewhere.

I. PROJECT RATIONALE AND DESCRIPTION

Rationale

The Sahel development program of AID comprises 112 current development projects in seven countries funded under Section 121 of the Foreign Assistance Act. These projects and new ones being designed concentrate on increasing food production and access to basic health facilities, human resources development, and improving the energy economy in one of the world's poorest regions. AID's Sahel program of complex interventions obligates around \$95 million per year, as part of a much larger, multi-donor effort begun as a response to the drought crisis of the late 1960s.

The AID program has reached the point where a forceful effort is needed to strengthen project implementation so that the momentum of development achieved so far is not dissipated and resources are used as efficiently as possible in a period of considerable constraints. Such an effort is under way with consolidation of country programs, institutional development in host countries, and evaluation and redesign of certain projects.

One problem that is generic and requires immediate special attention is weak financial management of AID-financed projects by host governments. This has become most apparent where AID Inspector General Audit Reports have identified serious accounting inadequacies concerning local currencies in particular projects over the past several years. A regional Audit Report (81-35, "Problems in Host Country Accounting of A.I.D. Funds in the Sahel," January 29, 1981, see Annex E), strongly suggests that poor or absent accounting for AID local currency funds may be generalized across the Sahel. Section 121(d) of the Foreign Assistance Act reflects this by requiring, after December 1981, 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.

The weakness is not limited to local currency accounting in current AID projects, however. That is not uniform across the Sahel and could be treatable on a case-by-case basis. But it is one element of a much broader problem. The more fundamental weakness in all Sahelian countries lies in their poorly developed institutional capacity at this point to collect basic financial information on projects and use it for effective management. Another Audit Report (No. 0-625-81-52, "Improvements Must be Made in the Sahel Regional Development Program," Recommendation 7, p. 30) refers to the "issue of inadequate recipient governments' financial management systems." If this

is not corrected, the ability of AID to justify, implement and bring the benefits of its Sahel program may be critically jeopardized.

AID has taken a series of steps in response to the Audit Reports and Section 121(d) requirements, from which lessons have been learned that form a large part of the rationale for this Project:

a. Certification. Major efforts by Mission Controller staffs, which reviewed the accounting systems in all AID projects and improved those that were weakest, have resulted in certification in the spring of 1982 of all but 14 of the current projects as meeting FAA Section 121(d) requirements. (See Annex F-1.) It was found that the problem is not homogeneous either among Sahelian countries or within particular AID country project portfolios. Twenty-seven of the 112 projects have no local currency. In approximately 25 of the 83 that do, host country handling of local currency is minimal or non-existent.

b. Technical Assistance. Short-term technical assistance has been provided in several Missions to help on specific project accounting problems. In a few cases, Missions have identified the need to finance longer-term financial management assistance for larger, more complex projects where special accounting or accountability problems persist.

c. Workshops. In 1981 and 1982, AID financed a Sahel financial management improvement effort conducted by the Development Project Management Center (DPMC) of the U.S. Department of Agriculture. This will have provided orientations and workshops on financial management in six of the seven Sahelian countries by October, 1982. These bring together host country project managers and accountants from selected projects with USAID project officers and controllers and DPMC trainers to review and work on the concepts and skills required to install, maintain and use sound accounting systems and practices. A basic accounting User's Manual developed in cooperation with AID which explains the requirements of minimum accountability of local currency AID funds is used as a training model. (See Annex H-2.)

Experience with the action workshop approach in Upper Volta and Niger has prompted the following conclusions: (a) the basic accounting forms and principles illustrated in the User's Manual are compatible with and largely comprehended in the accounting and financial management systems already (if incompletely) applied in these countries; (b) the workshop training format can stimulate considerable constructive discussion of problems and methods which both clarifies relationships and needs and leads to financial management improvements and toward recognition of the utility of sound financial information in overall project management; and (c) where the rapport and group interest seem to warrant it, or where a set of projects and their managers were left out for reasons of economy, additional workshops would be useful.

At the same time, successful as the Mission certification and DPMC training efforts have been in host country institutions (both in terms of short-term results and as pointing to longer-term solutions), the past problems in

the management of AID's resources in the Sahel cannot be attributed solely to forces or events external to AID itself. The history of AID's participation in the multi-donor, multi-recipient cooperative Sahel development program indicates how and why more attention has been given to the design of projects (especially those with complex rural and social development interventions) and to the rapid delivery of resources in the crisis context of the drought, and less to tight management. (See Annex F-3, Economic Analysis.)

Moreover, the inhospitality of the region and the worldwide reduction in AID's professional staff have combined to render most AID Sahelian Missions at one time or another inadequately staffed. Officers given major project implementation responsibilities have often been inexperienced and incompletely trained in project management. And the evolution within AID of training efforts, guidance and project approval criteria has not kept pace with the expansion of programs of the type designed for the Sahel. The success of further efforts to improve the Sahel development program and its project management by host country institutions will depend, to a degree, on parallel improvement in AID's procedures and staff. (See Annex G-3 for further elaboration of these AID-specific issues and initial recommendations.)

The financial management situation in each country can be characterized as follows (see also Annexes F-1, F-2, G-1, and I):

- Mauritania - At present no AID projects have local currency managed by the host country. Future projects will assume greater government direct management, which in turn requires immediate technical assistance and initial training interventions to establish the basis for this.
- Mali, Upper Volta and Niger - These three countries share the present problem of difficulty in maintaining adequate accounting practices in some though not all of AID's projects. In each there is the desire, as well, to centralize and institutionalize better management of host government and donor-supported development projects.
- Cape Verde and The Gambia - In the current AID portfolios there has so far been relatively little problem in financial accountability for AID funds. However, maintenance of this is predicated on an increasing number of trained financial managers and accountants in the governments. Future projects, including those supported directly by AID will require this enhanced governmental capacity.
- Senegal - Both the government and the training institutional capacity here are the most advanced with respect to financial management in the Sahel. However, the size and complexity of the AID portfolio and the commitments of the government indicate a need for advanced technical assistance at the project level and development of specialized training modules for application in certain ministries and development agencies.

The certification process, technical assistance, and workshops noted above and parallel field investigations by the Africa Bureau during the design of this Project have pointed to the conclusion that there is a common inadequacy in all Sahelian countries regarding the priority assigned to financial and project management by governments and agencies. That is, the number of trained managers, the quality of their training and the quality of their management systems, most particularly financial, do not meet the needs imposed by the breadth and depth of their development efforts -- not least those supported by AID and other donors. Not meeting such needs results in slow project implementation, reduced ability to defend good projects and promote new ones, and adverse audit findings. AID staffing constraints for the present and future mean that, at the same time, more not less responsibility for project management must be assigned to host governments. (See Annex I, Social Analysis.)

In those countries where significant accountability problems exist at present (Mali, Upper Volta, Niger and, to a lesser extent, Senegal), certification of accounting systems has been made possible by intensive training of accountants, imposition of new or modification of existing accounting systems, and training efforts. However, host country institutions will find it difficult to maintain general certifiability in the absence of additional technical assistance and training of financial management personnel. There and in the other Sahelian countries, the ability of host country institutions to absorb and manage well additional development funds of their own and as provided by donors will require the staged introduction of more advanced financial management practices.

The governments of Mauritania, Cape Verde, The Gambia, Mali, Upper Volta, Niger and Senegal recognize the problem and desire assistance. AID has the opportunity, therefore, to initiate a region-wide process of improvement that utilizes the comparative advantage of the United States in management technology and training methods and systematically improves conditions before the problem becomes a crisis.

What all the above adds up to is the need for a project in the Sahel that improves financial management by host country institutions of donor-, especially AID-financed projects. Experience and the analyses further elaborated elsewhere in this PP indicate certain structural realities and limits that must be borne in mind, however. These lead to the conclusions, in short, that: (a) a regional effort is called for; (b) systematic, gradual improvement should be induced in each country according to its particular situation; and (c) the overall effort should be informed by a single concept of the improvement sequence and its assumptions and ultimate goal.

The reasons for a regional approach are three-fold. First, the Sahel is treated as a region in legislation, program and audit documents, and it is in that spirit that AID participates in the overall Sahel development efforts of the Club du Sahel and CILSS (Permanent Interstate Committee for Drought Control in the Sahel.) Second, as the seven Sahelian countries are at different stages in the development of their project management capacity, it

makes sense to support this development in a regional framework in which lessons can be transferred and the overall problem better understood. Third, piecemeal, bilateral interventions undertaken separately to achieve the same objectives would be more expensive to mount as well as potentially confusing and risky of success.

On the other hand, the place of each country on a continuum of development with regard to project financial management is different; although, as indicated above the seven countries can be classified into four groups. Important differences among their respective AID project portfolios and program emphases, government attitudes, and problems of and opportunities for successful efforts in this field create the necessity to tailor each project component to local conditions. Considerable in-country direction and bilateral relationship with each government should be the responsibility of AID Missions. A regional, peripatetic team approach therefore would be inappropriate.

The difficulty in designing and implementing a project having regional goals and coverage that must also be disaggregated and managed in different aspects in seven countries necessitates a unifying concept. This concept must make clear when certain steps should be taken and what the basic direction of improvement is; it must provide for clearly measurable improvements that can be appreciated in each context; and it should be one in which certain flexibility as to devices and timing of interventions is permitted. (See Annex H-1.)

The development and application of such a concept also confronts the fact that until now there has not within AID itself been a concerted, comprehensive policy to promote improved project management in the Sahelian countries. There are several problems with the execution of such a policy which call for a balanced and limited approach in the immediate period, as follow:

- Limiting interventions to the creation and maintenance of basic accounting systems for current projects will not take care of future needs.
- Too great an emphasis on improving financial systems and practices beyond reasonable expectations and needs could divert attention and resources (of both the host country and AID) from more profound program goals (increasing food production, improving health, etc.).
- Many next-generation AID projects now under design can and should take a project-specific approach to their management, building training and management development into their overall financing and implementation. This in many cases should probably not be subordinated to a region-, country-, or AID portfolio-wide management improvement effort with its own agenda and necessarily complex institutional arrangements, delays and generalities.

All of the above considerations have been tested against technical, economic and social analytical frameworks that bear on a project's potential viability. This is elaborated in other sections of the PP. The Project described below meets standard criteria. The key is its implementation. (See III, Implementation Plan.) What is necessary is a strong, respected and experienced Project Director located in an equivalent institution with global reach and reputation to keep the Project coherent, make it work, and permit its broader application, as appropriate, later.

The Basis of the Project

By undertaking this Project, AID will have made clear its intention to improve financial management of development projects in the Sahel, to enhance its own resources devoted to this, and to retain this commitment over a significant period of time. The goal of the Project over three years is:

To increase the ability of Sahelian governments to manage development programs.

The Purpose is:

To improve the financial management of Sahelian development institutions that directly handle funds provided by AID.

This will be accomplished by short- and long-term technical assistance and training interventions in the seven Sahelian countries and the development of necessary materials and coordinating mechanisms. These are outlined in the Project Elements section below. The controlling concept is this:

Host country project management institutions can and must be able to perform basic accounting for project funds. Maintenance of this ability and the will to perform, while necessary, should also lead to a desire and intent to perform financial management which goes beyond financial control to the use of information produced by the accounting and control system for organizational problem-solving and decision making. Finally, in certain cases, financial management systems can and should be central to project (program) management improvement.

This concept is applied in the Project across the Sahel because there is a "regional" problem and because the diversity of conditions presents the opportunity to intervene at several stages of development in this regard, to transfer lessons and models, and accordingly to focus attention coherently on what is, really, a highly complex problem and need.

The means of effecting this improvement within Project components in each country range from (a) intensive, project-specific technical assistance and on-the-job training, through (b) accounting and financial management training efforts for numerous government agencies and their personnel, to (c) action workshops and advanced training which raise the level of awareness, knowledge

and interest necessary for the introduction of interventions intended to improve project management more broadly and deeply. It is intended, at least, to bridge the gap between the current generation of Sahel projects where financial management is sometimes a problem and the next generation in which some will self-sufficiently treat financial management needs and others will have to depend upon an already adequate base of management competence in the host government.

Alternatives to this approach could be at two extremes. On the one hand, AID could continue its intensive effort to maintain certifiability of problem projects using direct-hire and contract staff and not seek either the institutionalization of improved financial management in host governments or staged improvement in general project management. On the other hand, AID could initiate a major program to upgrade management in the host governments of the Sahel that embraces most of the projects and host government institutions with which it cooperates, and seek model improvement across the board. Objections to the first are that it would not necessarily solve a continuing, larger problem and would miss several important opportunities, including regional coverage. Objections to the latter are that it would be impractical in the conditions of the Sahel and too costly and diversionary.

Alternatives among emphases within a middle-ground approach are: (a) less, or (b) more rapid movement toward advanced, broader levels of financial management and project management. Likewise, it would be possible to change the mix of technical assistance and training to (c) emphasize "hands-on" technical assistance, or (d) rely on formal training events and workshops. Finally, Missions could (e) redesign their current projects or develop new ones to provide technical assistance and training either for basic certification maintenance or for more ambitious management development, using individual project funds in each country program and not relying on a regional project at all.

The conclusions of the technical, economic and implementation analyses below indicate that the mix and approach of this Project make appropriate compromises among these choices in an overall program that will work. Specifically, it has been concluded that too rapid movement toward meeting higher project management improvement goals could divert attention from AID's first priority: assuring accountability.

Giving too heavy emphasis to "hands-on" technical assistance, conversely, could deprive host government agencies and individuals of interest and motivation in self-development and eventual institutionalization. Individualized country projects in this field, though in some respects possibly more technically responsive to individual country needs, would take longer to design and implement than a regional project and would necessarily miss the coordination and synergism expected here.

Project Elements

The four basic elements needed to accomplish the Project's purpose are: (a) long-term technical assistance; (2) short-term technical assistance; (c)

specific short courses and workshops; (d) materials development and dissemination. These elements have been elaborated into a country-specific strategy for each of the seven countries in the region. Each strategy has been developed from a careful assessment of the project portfolio; interviews with Mission personnel, host government project personnel, host government ministry officials and representatives, local institutions and other donors; and analysis of the certification status of each project requiring local currency administration.

Long-Term Technical Assistance

This will take the form of a resident team composed of one expatriate financial management expert and one or two Sahelian accountants/financial managers for Mali, Upper Volta, and Niger. These teams will work directly with local project staff (project managers, accountants and other management personnel) and host country ministry personnel to solve practical problems of project implementation. The team leader in consultation with the USAID Mission Director and Controller will identify the projects where this kind of assistance is needed. The resident team will devote fixed periods of time to working with project staffs designing and establishing accounting systems as needed and training project staff in financial management techniques and practices. Senegal requires one long-term expatriate technical expert to work directly with USAID-financed projects in improving accounting and financial management systems. He or she will also assist the Governments of Mauritania, Cape Verde and The Gambia on project problems. In The Gambia a long-term training advisor will be provided to a multi-donor supported Management Development Institute.

Short-Term Technical Assistance

U.S. short-term technicians with specialized financial management, training and workshop development skills will be made available to all resident technical assistance teams to provide special systems development capability (e.g. inventory control, credit program administration). This group of persons will also be drawn on to develop short-term in-country training programs as needs are identified by the in-country teams and USAID Missions. Short-term personnel will be assigned from the United States or third countries as needed, and with the concurrence of the cognizant mission. This group will also provide additional assistance as needed on a country-by-country basis, allowing for a flexible response to financial and broader project management needs identified by the Missions and resident teams.

Specific Short-Term Courses and Workshops

This training will be provided in-country on a national level as needed and for specific groups of projects (e.g., training in inventory control for projects requiring this assistance). Workshops will focus on financial management training and utilize case situations from existing projects to develop financial management skills. Additional regional workshops will be held during the life of the Project to allow project personnel from the different countries to exchange information on innovations and solutions to

their financial management problems with their counterparts from other countries in the region. This kind of workshop will allow for maximum utilization of the lessons learned within each country.

Materials Development and Dissemination

Central Project management in Washington will be responsible for the translation and distribution to the resident technical assistance teams of materials developed for workshops. Information on accounting systems design will be disseminated to all Project components to ensure widespread distribution of the benefits of the Project. Materials used and distributed in regional and national workshops will be made available throughout the region. The central Project Director and Training Materials Development Expert will ensure participation of the Missions in all materials development to make certain of their maximum applicability to each financial management situation.

The above Project elements will be distributed throughout the region as follows:

Mauritania will be assisted, with short-term experts, to develop financial systems and procedures, thus facilitating future management of local currency elements in AID projects by the government. The Project plans six person-months of short-term technical assistance, including the services of a financial management expert to analyze financial management needs in the agricultural sector. In addition, special training programs will be developed to provide short courses and workshops to host government personnel in appropriate financial management practice, as they relate to AID funded programs, and the long-term expert resident in Senegal will devote up to two to three person-months a year to additional project financial management problems.

Senegal will be assisted to improve financial management in current projects (particularly those with more complex financial management requirements) and to improve training in advanced financial, project and program management through workshops and the development of specialized training courses. The Ecole Superieure de Gestion des Entreprises (ESGE) is a suggested locus for short-term training, with the Ecole Nationale d'Economie Applique (ENEA) the more appropriate choice for training which is aimed at the rural areas. A resident expatriate technical expert would provide twenty-four months of long-term technical assistance and would work with the USAID Mission in providing assistance to projects. Financing for four person-months of short-term technical assistance from Senegalese financial management experts will be made available under the Project to assist with specific projects and training. Specialized workshops/training sessions will increase GOS capacity in the utilization of financial information for project and program management.

Mali will be assisted in the maintenance of accountability in current projects and in institutionalizing financial management capacity. Short-term technical assistance will be provided to determine a suitable institutional locus for these efforts as well as to design specialized financial

management systems for projects as required (up to a total of eight person-months). Long-term technical assistance will include 24 person-months of expatriate technical expertise and twenty-four person-months of a Malian or Sahelian financial management expert. Workshops or specialized short courses will be provided as needs are identified by the Malians and USAID.

Upper Volta will be assisted in the maintenance of accountability in current projects and in improving financial management capabilities. Long-term technical assistance will be provided through twenty-four person-months of expatriate technical assistance and twenty-four person-months of Voltaic or Sahelian financial management expertise. These long-term experts will be located in the Ministry of Rural Development (MRD), most probably in the Direction de Controle de la Gestion, a specially and recently created management unit. The MRD was selected because of extensive USAID program emphasis in rural development, and involvement with this ministry in project implementation -- plus MRD commitment to improving its management practices. In addition, six person-months of short-term technical assistance will be provided to assist in designing specialized financial management systems for specific projects. Additional short-term in-country training will be made available for project personnel on specific workshop topics, as necessary.

Niger will be assisted in the maintenance of accountability in current projects and the improvement of overall financial and program management through long-term technical assistance. The Project will provide twenty-four person-months of an expatriate and twenty-four person-months of a Nigerien expert. In addition, up to eight person-months of short-term assistance will be used to help identify the proper institutional locus for the long-term assistance effort and to provide expertise to serve special financial management needs as determined during the life of the Project. Local Nigerien financial management and accounting expertise will be utilized for up to eight months of short-term consultancies. This work will fill the dual purpose of providing country-specific experience and guidance to project personnel while encouraging private sector capacity in accounting and financial management. Short-term in-country training will also be provided as needed.

Cape Verde will be provided with six person-months of short-term technical assistance to assist specific projects with accounting systems design and to design and implement training programs. Workshops will be offered as needed to meet financial management training needs. The long-term expert resident in Senegal will devote up to two to three person-months a year to additional project financial management problems.

The Gambia will be assisted in its long range plans to improve its financial management capacity through 24 person-months of long-term technical assistance for training of Gambia project and management personnel in financial management. As the multi-donor (World Bank, UNDP, AID) supported Management Development Institute is established, the expert provided under this Project will work with that Institute to institutionalize financial management training for Gambian government personnel. Short-term technical assistance for up to eight months is provided to develop a training plan and to provide financial management assistance to particular projects. Special

short-term training will be provided through workshops, as needed. In addition, up to one to two person-months of technical assistance on project problems will be provided, as needed, by the long-term expert resident in Senegal.

The strategy emphasized in all the Project elements is one of increasing host government capacity through practical, collaborative training. Interviews with host country project managers identified their preference for this kind of financial management technical assistance. The combination of elements provides for meeting continued short-term accountability needs while working towards building the longer-term capacity of the region.

II. COST ESTIMATES AND FINANCIAL PLAN

The total cost of the Project is \$5,000,000, to be disbursed over four fiscal years beginning in the Fourth Quarter of FY 1982. Of this, \$3,355,000 are foreign exchange costs, and \$1,645,000 are in local currency. Table 1 shows a breakdown of Project direct costs by type of input and by country. Table 2 presents an analysis of foreign exchange and local currency costs by fiscal year. A detailed financial breakdown is presented in Table 3.

A Participating Agency Service Agreement (PASA) will permit a quick start of Project activities. This also provides for a lower than usual overhead rate of 25 percent. The PASA agency's ability to execute long-term contracts soon justifies the low Price and Physical Contingency rate of 17 percent.

Costs contributed by Sahelian countries to the Project, although substantial, are not included in the analysis of the Project costs. The most direct country contributions are in the form of time and facilities of host country institutions and personnel which it is premature to quantify. The larger and more important contributions, which are somewhat indirect, are the time, efforts and expenditures of host countries for current AID-financed projects whose management this Project will improve.

Table 1

INDICATIVE BUDGET - DISTRIBUTION BY COUNTRY
(\$000)

<u>Direct Costs of Project</u>	<u>Mali</u>	<u>Upper Volta</u>	<u>Niger</u>	<u>Senegal</u>	<u>The Gambia</u>	<u>Mauritania</u>	<u>Cape Verde</u>	<u>Total</u>
Long-term Technical & Training Assistance	240	240	240	240	240	10 <u>1/</u>	10 <u>1/</u>	1,220
Sahelian Team Members	50	50	50					150
Office Support Costs	100	100	100	20	50			370
Short-term Experts	80	60	80	60	80	60	60	480
Workshops/Meetings	30	30	30	30	30	30	30	210
Sahelian Private Consulting Expertise			50	50				100
Country Sub-totals (Percent of Total)	<u>500</u> (19.8)	<u>480</u> (19.0)	<u>550</u> (21.7)	<u>400</u> (15.8)	<u>400</u> (15.8)	<u>100</u> (4.0)	<u>100</u> (4.0)	<u>2,530</u> (100.0)
Project Direction/Management								890
Contingency and Inflation (17%)								<u>580</u>
Sub-total								4,000
USDA Overhead - 25%								<u>1,000</u>
Total Project Costs								<u>\$5,000</u>

1/ Additional Travel Costs of Financial Expert Resident in Senegal.

Table 2

**Sahel Regional Financial Management Project
Project Expenditures by Fiscal Year
(\$000)**

	FY 1982		FY 1983		FY 1984		FY 1985		Total	
	FX	LC	FX	LC	FX	LC	FX	LC	FX	LC
<u>Field Costs</u>										
Long-Term Technical Assistance	-	-	390	100	450	160	90	30	930	290
Sahelian Members of Financial Management Teams	-	-	-	56	-	75	-	19	-	150
Office Support Costs	50	-	112	90	10	90	-	18	172	198
Short-Term Experts	21	9	140	60	140	60	35	15	336	144
Workshops/Meetings	-	-	-	100	-	100	-	10	-	210
Sahelian Private Consultants	-	-	-	40	-	40	-	20	-	100
<u>U.S. Headquarters Costs</u>										
Salaries and Benefits	20	-	220	-	220	-	90	-	550	
Travel and Transportation	-	-	28	12	28	12	-	-	56	24
Consultant Expertise	10	-	60	-	65	-	15	-	150	
Project Start-Up Costs	40	-	-	-	-	-	-	-	40	-
Materials Development	-	-	20	-	10	-	10	-	40	-
Evaluations	-	-	10	5	-	-	10	5	20	10
Sub-Totals	141	9	980	463	923	537	250	117	2294	1126
Add: Contingency & Inflation	24	1	167	79	157	91	42	19	390	190
Add: Overhead	41	2	287	136	270	157	73	34	671	329
<u>TOTAL PROJECT COSTS</u>	206	12	1434	678	1350	785	365	170	3355	1645

Table 3

PROJECT BUDGET

I. Field Costs

Long-Term Technical and Training Assistance

Ten person-years of long-term technical and training assistance at \$120,000 per year - assignments to Mali, Upper Volta, Niger, The Gambia, and Senegal \$1,200,000

Additional travel costs for long-term expert stationed in Senegal, to provide assistance in Mauritania and Cape Verde - \$5,000 per year per country - \$5,000 x 2 x 2 = 20,000

Sahelian Members of Financial Management Teams

Six person-years of services, two each in Mali, Upper Volta, and Niger - @ \$25,000 per year 150,000

Office Support Costs

Support costs to establish and maintain the Financial Management Teams in Mali, Upper Volta, and Niger. Costs per country, for two years:

Personnel Costs - One Secretary and one Driver	\$ 18,000
Office Rent, Utilities & Maintenance	32,000
Office Supplies	5,000
Vehicles & Spare Parts - one Vehicle/ Country	17,000
Office Equipment (per Country - 4 desks, 10 chairs, 1 filing cabinet, 1 storage cabinet, 1 typewriter, 1 copying machine, 4 air conditioners)	18,000
Vehicle Operations & Maintenance	<u>10,000</u>

Total per country \$100,000

Total for three countries 300,000

Costs in Senegal - Technical Assistance Expert to be Located in USAID Mission

Personnel Costs - One Secretary	\$ 8,000
Office Supplies and Equipment	8,000
Local Transportation	<u>4,000</u>

Total for Senegal 20,000

Costs in The Gambia - GOTG to provide office space and other training support:

One Secretary - 24 months	\$ 6,000
Office Supplies and Equipment	19,000
Training Materials	<u>25,000</u>

Total for The Gambia 50,000

Short-term Experts

Costs estimated at \$10,000 per person-month

Initial short-term technical assistance in Mali, Niger, The Gambia, and Mauritania - per Project Description. Six person-months total 60,000

Average of six person-months of short-term technical assistance and training expertise per country over the two-year period for project field operations

6 person-months/country - 6 x 7 x \$10,000 420,000

Workshops/Meetings

- (1) One country workshop per year, with an average of ten participants requiring transportation and per diem per workshop.

Per Diem - 2 x 10 x 6 days \$100/day = \$ 2,000

Transportation - 2 x 10 x \$200 trip = 4,000

- (2) One Regional Workshop per year focused on issues of intra-regional interest. Four participants per country

Per Diem - 4 x 6 days x \$100/day x 2 5,000

Transportation - 4 x \$500 x 2 4,000

- (3) Regional Meetings of Financial Management Teams - one per year, two participants per country

Per Diem - 2 x 7 days x \$100/day	1,500	
Transportation - 2 x \$500	1,000	
(4) Miscellaneous Costs for Meetings and Workshops - Total per country	<u>2,500</u>	
Total per country	\$ 30,000	
Total for seven countries		210,000
<u>Sahelian Private Consultants</u>		
Locally-administered funds to contract with private-sector accounting firms in Niger and Senegal for specialized accounting and auditing services - \$50,000 per country		<u>100,000</u>
Total Field Costs		\$2,530,000
II. <u>Costs in the United States</u>		
PASA Headquarters Staff Costs - Salaries and Payroll Benefits (Estimated at 20% of Salaries). Contracts for 30-months each.		
Project Director	\$180,000	
Trainer/Training Materials Expert	120,000	
Logistics Coordinator	115,000	
Three Secretaries	135,000	
Travel/Transportation Costs - Four trips per year for the Project Director and the Trainer/Training Materials Expert, one trip per year for the PASA Executive in charge of the project, and one trip per year for the Logistics Coordinator - @ \$6,500 per trip		80,000
Consultant Expertise - @ \$50,000 per year for two years (with the remainder of any PASA consulting fees to be charged to the overhead fees)	<u>150,000</u>	
Developing & Reproducing Training Materials	40,000	
Start-Up Costs (Recruitment, Travel, etc.)	40,000	
Evaluation Costs (Consultants for two evaluations)	<u>30,000</u>	
Total Costs in the United States		890,000
III. <u>Total Direct Costs</u>		3,420,000

IV.	<u>Contingency and Inflation - 15%</u>	580,000
	Sub-Total	4,000,000
V.	<u>Overhead - 25%</u>	<u>1,000,000</u>
	TOTAL PROJECT COSTS	\$5,000,000

III. IMPLEMENTATION PLAN

Implementation and Monitoring Responsibilities

Annex G-2 presents an analysis of the implementation arrangements for the Project, including a detailed description of these arrangements. Administrative arrangements can be briefly summarized as follows:

- AID's management of the Project will be centralized through the assignment of a Project Officer in AFR/SWA who will have additional important responsibilities concerning financial management in the Sahel.
- A Participating Agency Service Agreement (PASA) will be negotiated with the U.S. Department of Agriculture's Office of International Cooperation and Development (OICD) to execute the Project.
- USAID field Missions will play a major implementing role, ensuring that interventions meet country needs as well as AID and Congressional accountability requirements.
- Host countries will provide the institutional base for in-country financial management teams, sponsoring all Project activities and providing the framework for continuing financial management activities after the Project is completed.

Central direction is essential in a project that is spread over seven countries and delivers phased and diverse inputs of a technical nature. The two most significant actors in this Project's central direction are, on AID's side, the Project Officer, and on USDA/OICD's, the Project Director.

The AID direct-hire Project Officer will play a special managerial role, coordinating not only Project-specific activities but also related financial management efforts in the Sahel. As described in Annex G-3, these activities will include data collection, analysis, and reporting on compliance with Section 121(d) of the Foreign Assistance Act; coordination of AID training activities as they relate to and impact on financial management in the Sahel; guidance to Missions on accountability and certification questions; distribution of training and informational materials; and assistance and guidance on financial management issues in project design, redesign and evaluation. Ideally, the Project Officer will have extensive experience in financial management and field experience in the Sahel. He or she should be prepared to spend considerable time in the field.

The USDA/OICD-provided Project Director will bring to the Project the expertise and experience of American financial management technology. He or she will direct the delivery of Project inputs and monitor their impact, and will actively participate in substantive Project activities in the field. The Project Director's performance will be key to the Project's acceptance and success. Therefore he or she must be an experienced financial manager

with considerable developing-country experience, have a working facility with French, and be familiar with AID's financial management requirements and practices.

The second long-term expert to be located in USDA/OICD is a specialist on training and materials development. He or she must be experienced in this field in developing countries, French-speaking and conversant with both modern American techniques and training methods and relevant institutions in the Sahel. The third long-term specialist must be one in logistics. That is: the efficient recruitment and delivery of technical assistance and training personnel in the field, delivery of physical support (housing, vehicles, etc.), generation and supply of substantive materials, and communications.

Key implementation actions to be supervised by the Project Director will include the following (see Annex G-3 for a complete listing of actions):

- arranging early short-term technical assistance in Mali, Niger, The Gambia, Cape Verde, and Mauritania to help identify organizational locations and methods of operation for either resident financial management teams or later short-term technical assistance and training efforts, and to prepare work plans;
- recruitment and assignment of long-term resident financial management experts in Upper Volta, Mali, Niger, Senegal and The Gambia;
- identifying and recruiting a talent-bank of experts who will be available for short-term assignments;
- developing support arrangements, both in the field and Washington to provide backstopping to long- and short-term experts;
- developing substantive materials;
- coordination of Project activities in the seven countries, ensuring the inter-country sharing of information, materials and lessons; and
- monitoring of all Project activities.

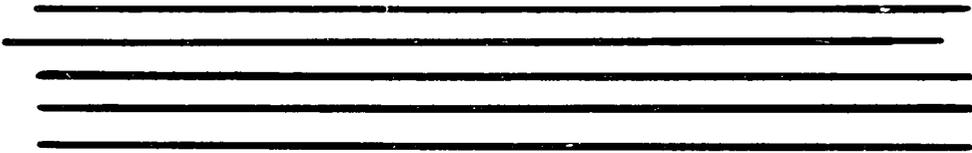
Charts 1 and 2 indicate in bar graph form the timing of the six major Project inputs, by country and for the entire Project.

Chart 1

Fiscal Year 1982 Fiscal Year 1983 Fiscal Year 1984 Fiscal Year 1985
3rd Q. 4th Q 1 2 3 4 1 2 3 4 1 2

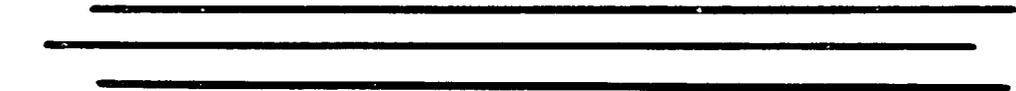
Long-Term Technical Assistance

Mali
Upper Volta
Niger
Senegal
The Gambia



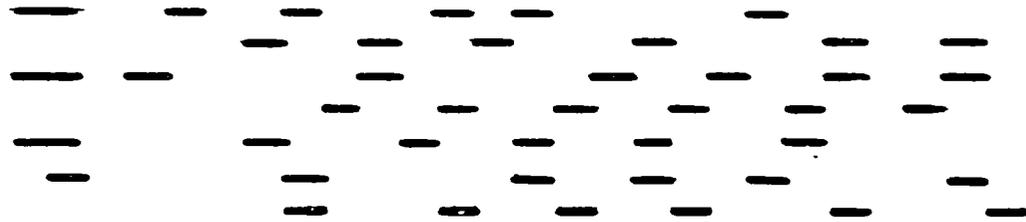
Sahelian Team Members

Mali
Upper Volta
Niger



Short-Term Experts

Mali
Upper Volta
Niger
Senegal
The Gambia
Mauritania
Cape Verde



Country Workshops

Mali
Upper Volta
Niger
Senegal
The Gambia
Mauritania
Cape Verde



Regional Workshops

Regional Meetings of Financial
Management Teams



Chart 2

Fiscal Year 1982 Fiscal Year 1983 Fiscal Year 1984 Fiscal Year 1985
3rd Q. 4th Q 1 2 3 4 1 2 3 4 1 2

Mali

Long-Term Tech. Assistance

Sahelian Team Members

Short-Term Experts

Country Workshops

Upper Volta

Long-Term Tech. Assistance

Sahelian Team Member

Short-Term Experts

Country Workshops

Niger

Long-Term Tech. Assistance

Sahelian Team Member

Short-Term Experts

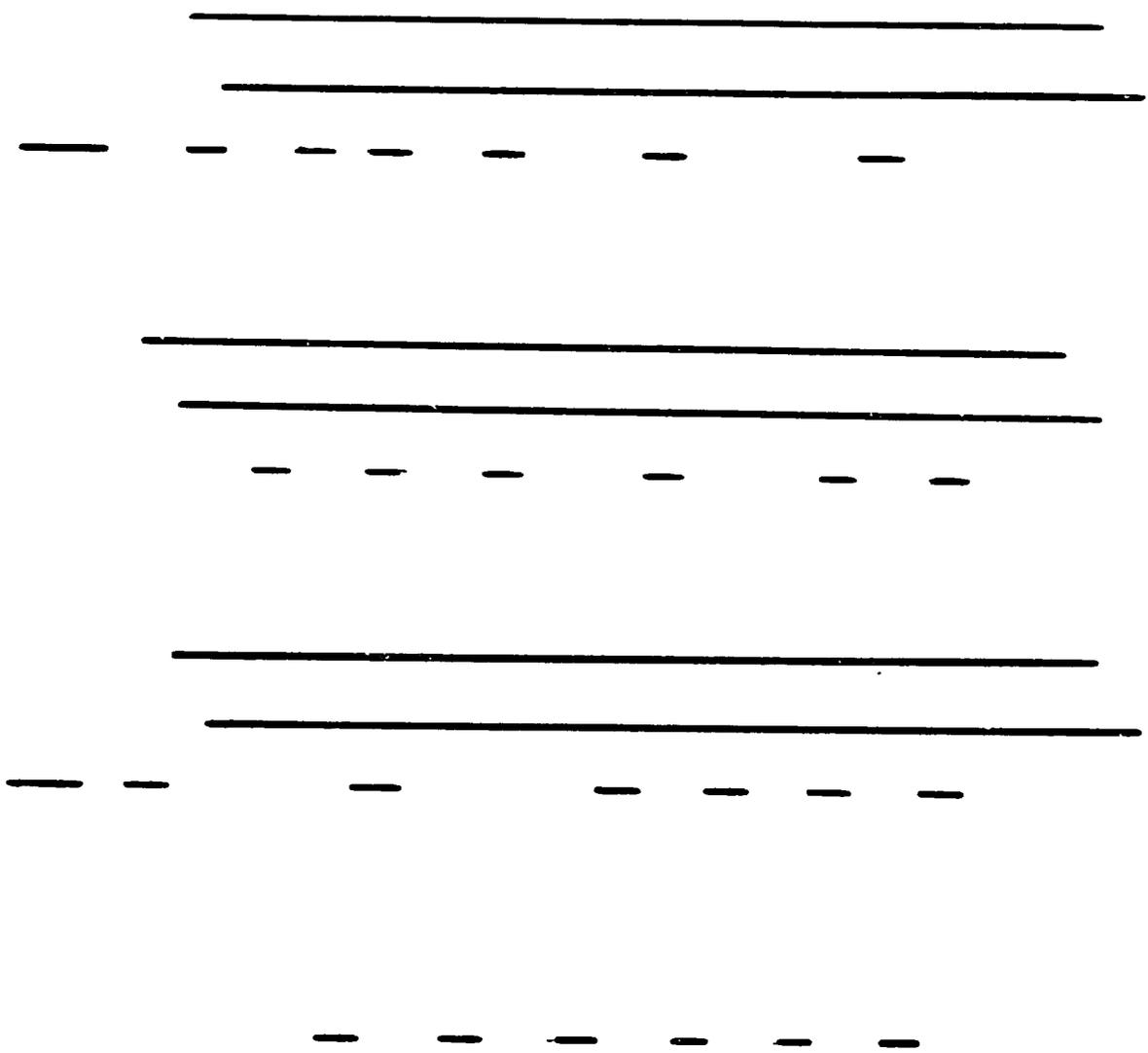
Country Workshops

Senegal

Long-Term Tech. Assistance

Short-Term Experts

Country Workshops



Procurement Plan

The only commodities to be procured under the Project are furnishings, equipment and supplies for the long-term experts and the offices of the three in-country financial management teams. Major cost items are household furnishings for the experts and one vehicle and one copying machine for each of the three teams. Procurement of all items will be managed by USDA/OICD, with funds to be provided through the PASA negotiated with AID.

The authorized source and origin for AID financed commodities procured in this project is Geographic Code 000 (U.S.A.). Shelf item purchases will include vehicle spares, office supplies, and materials needed to support financial management team operations and workshops conducted in the field.

Indigenous goods and shelf items having their origin in a Code 941 country are eligible for local cost financing in unlimited quantities up to the total amount available for local procurement under the terms of the project grant agreement.

Shelf items having their origin in Code 899 but not in 941 countries are eligible in accordance with the provisions of AID Handbook 1B, Chapter 18.

A source origin waiver to Code 935 plus a waiver of Section 636(i) of the FAA is requested to authorize the purchase of three vehicles not of U.S. source/origin. (See Waiver request in Annex G-2-21.)

Disbursement Procedures

All Project expenditures will be managed by USDA/OICD and reimbursed by AID through the PASA. Foreign exchange disbursements will be handled centrally. Local currency disbursements will be made at each Mission, with vouchers processed through Embassy channels, using USDA procedures. As indicated in Section VI, Conditions and Covenants, below, USDA/OICD will establish an accounting system to ensure accurate, current accounting and reporting of all Project expenditures.

IV. MONITORING AND EVALUATION PLAN

Definition of Baseline Information

The Project design team has collected information in the seven USAID Missions involved in the Sahel Regional Financial Management Project on the financial accountability status of projects in the Sahel portfolio and on the human resource issues affecting improved project management in the Sahel. Financial baseline information on local currency components of projects, state of certification, etc., is found in Annexes A and F. Long-term financial management experts and short-term experts assigned to each country will determine at the start-up of the Project what the immediate status of training needs in financial management is in each USAID-funded project. This information should include level of accountancy skills, use of financial

management information in project administration, participation in financial management improvement workshops where provided or other kinds of training. An inventory of the state of financial management skills for each project with local currency inputs should be established and used as a baseline information source against which to measure the Project's progress. Baseline data collected during project implementation should be used as criteria to determine future financial management improvement needs beyond the life of the project. Specific projects may be found to have reached a level of financial management sufficient to ensure sound project decision-making and program management. Others may require additional improvement efforts in the form of specific short term interventions to build capacity.

Basic financial information collected and analyzed by the Controller responsible for each country can be used to determine the state of certifiability of each project during the life of this Project. It should be relatively easy to determine whether accountability standards are being met. The determination of increases in financial management capability are more difficult and subtle to measure and will rely primarily on the judgment of the resident technical assistance teams and on evaluations of training programs after a period of time has elapsed. Key variables to be examined would be utilization of basic accounting practices, operation of more complex financial systems for projects which require them, ability to use accounting data in financial planning and program decision-making. Some projects by their nature can reach their highest level of financial management practice in a relatively short time once basic systems are in use and information is used correctly. Others will require technical assistance in financial systems design and additional training of project staff in order to implement more complex accounting systems. A longer time frame will be needed in these more complex projects to ensure that inputs are being accounted for and managed appropriately. These projects may require additional efforts in financial management improvement as the more complex accounting systems become operational.

An early task to be performed by the USDA/OICD's Project Director and Consultant Expertise group will be to prepare a draft internal evaluation plan, including specific criteria and a data collection and reporting system. During the first three months of the resident advisors' activities in Mali, Niger, Upper Volta and Senegal, baseline criteria for the actual financial management level of host government personnel involved in USAID financial projects should be established. In those countries without resident technical assistance experts (The Gambia, Cape Verde, Mauritania) these criteria should be determined as applicable and practical by short-term technical experts and training personnel where appropriate.

The monitoring of financial information on the Sahel portfolio will be performed throughout the life of the Project by the Controllers' offices, Project field personnel, the AID/W Project Officer and OICD's Project Director to ensure that the Project is contributing to the maintenance of certifiability. These persons will make recommendations as to further financial management improvement needs beyond the life of the project.

Indicators of Project Achievement

Using baseline data gathered by the design team along with criteria for Project success outlined below, Project personnel will collect information on Project achievement at regular intervals throughout the life of the Project. It is anticipated that the monitoring function will be gathering data in a regular fashion and thereby reduce the amount of time normally needed in internal evaluation.

Basic indicators of Project success include:

- (a) number of project managers and other project administrative personnel using financial management information in project decision-making.
- (b) number of project accountants trained in new accounting systems.
- (c) number of host government personnel using financial management information in design of new projects.
- (d) maintenance of certifiability in all current projects.
- (e) reduction of accountability problems in new projects.
- (f) information obtained from other donors in the Sahel shows that financial management is improved in AID projects which share funding with other donors.

Data for evaluation and monitoring will be available from skills inventories of project personnel established during the first six months of the Project. Additional data on certifiability will be available from USAID Controller offices. Budgets developed by host governments' project personnel should reflect improved competence in financial management. Individual training sessions will include post-training evaluation components designed by training experts for administration immediately following training sessions and at a suitable interval thereafter.

Key Personnel in Monitoring/Evaluation Functions.

Formal external evaluations of the Project should be conducted by AID personnel with the assistance of non-PASA contract personnel, if needed. Key actors in these evaluations would be the host government project personnel who form the target group for the benefits of financial management improvement, the resident technical assistance teams, Washington-based technical assistance personnel for training as well as the AID project officer in each Mission.

The ongoing internal evaluation of the Project will be under the direction of the Project Director in Washington with participation of short-term personnel and resident teams as required. The Project Director will establish a monitoring plan for each country component and ensure participation of

all relevant actors in each country's context. Monitoring and ongoing evaluation results will be transmitted to AID officials regularly (at least semi-annually) and lessons learned will be disseminated regionally to make certain the maximum benefits are derived from each country's participation in the Project. This function is considered to be a major Project activity.

Timing of Evaluation Reports and Use of Information

Two formal evaluations are planned. The first should be scheduled for late 1983 or early 1984, after the resident teams have been operating six to eight months and a significant number of short-term activities have been undertaken. The second evaluation should be planned for the end of the Project to assess total Project accomplishments.

The various levels of responsibility within the Project (see above, III., Implementation Plan) will participate in monitoring and evaluation functions at their respective levels. The country teams will report to the USAID Missions and the Project Director in Washington on selected Project criteria. The Project Director will coordinate the information flow from the field to be sure Project outputs are being achieved and that experience is being shared appropriately. The Project Director will be responsible to AID both for monitoring and target setting as well as internal evaluation reports which will be completed as Project outputs are accomplished in each country. The built-in evaluation function should preclude the need for expensive and lengthy field evaluations to measure Project progress. An important aspect of the evaluation function will be the determination of what future financial management improvement strategies may be needed in each country.

V. METHODS AND CONCLUSIONS OF ANALYSES

Issues identified in the PID include: (a) whether U.S. approaches to financial management can integrate with systems in place in the Sahel; (b) whether efforts will have an effect outside U.S. donor assistance measures; and (c) whether the Project's technical assistance level is adequate.

The issue of reconciliation of U.S. versus Francophone African management systems was not found to be an obstacle by the design team, nor for that matter by the training team assigned by DPMC. Problems of accountability are more accurately attributable to lack of trained personnel in the projects, and unclear communication with USAID.

Any effects felt by the CILSS and other Sahelian institutions not directly involved in this Project will be indirect. The design team has estimated (with full support of the Missions) that the accountability issues to be corrected by training must be treated in the context of U.S. assisted projects.

Other donors expressed considerable interest in the Project and its objectives, agreeing generally of the need for improved financial management practices in Sahelian institutions. The Project will capitalize on these

interests where possible by working with and/or coordinating activities with these donors in country-specific situations (e.g., The Gambia) and multi-lateral fora (such as OECD in Paris).

The technical assistance level prescribed in this Project design is judged adequate to meet the shorter-term accountability requirements while at the same time moving towards the long-term institutionalization needed. New projects being designed will be required to incorporate financial management improvement as part of their basic design.

The basic rationale of this Project design is based on the finding that all seven Sahelian countries to be included in the project are at different stages and levels of financial management practice concerning AID-funded projects. The challenge is to face the accountability issues generated by certification requirements, assure that each country's immediate needs to operate programs better are being met, and to contribute as much as possible to longer term institution-building for financial management improvement. The Project design takes a flexible approach which meets the needs of country diversity while assuring the AID accountability standards will be maintained.

Succeeding sections address the major points made in the principal analyses used to determine and elaborate the elements of this Project design.

Economic and Financial Analyses

The conclusions of this section are based on careful examination of the state of certification of local currency component projects in the seven Missions, analysis of AID's Sahel portfolio, and study of the economic conditions which influence the project environment. (Annex F.)

The state of certification in the seven countries is outlined in Annex F-1. Major conclusions on current conditions are drawn for each country, but some generalizations can be made across the region.

All projects in Niger have been certified, after considerable effort by the Mission Controller's staff. All projects now have accountants, and the Mission Controller's staff has been instrumental in their selection and training. The GON has taken a positive approach to accountability issues and the maintenance of certification. Host government participation in the recent financial management improvement workshop was found to be useful and productive by GON personnel attending.

Upper Volta is in the process of completing certification with one-half the projects certified (as of April 1982). Mission Controller's Office personnel have been working closely with Project Officers and host government personnel. New accounting systems have been designed in many cases and a good deal of work on reconstructing accounting records is being completed.

The Mission is involved with accounting systems design for all projects, not just those with local currency components. Upper Volta has also benefited from a financial management improvement workshop held in late March in which host government personnel expressed satisfaction with the practical nature of the training received. Inadequate staffing in the Controller's Office makes attaining and maintaining certification problematic, especially as Upper Volta has a large number of accounting stations (45) which makes hands-on guidance and assistance from USAID difficult. The Mission emphasis on host government responsibility advances financial management institutionalization in the long run, but makes short-term certification requirements more difficult to meet.

Senegal had certified all but one project as of April 1982. Assistance in accounting systems management has been provided by USAID during the last two years and minimum certification requirements have been reached. Further training or assistance beyond this level is not planned by the Mission. A fair amount of local disbursement is handled directly by the Mission (estimated at 50 percent). Internal controls used regularly by the Senegalese government are not commonly incorporated into financial management of AID-financed projects.

In Mali, 19 projects have been certified with five left as of April 1982. A major effort is being made to complete certification. Since 1980, new projects have had certifiable accounting systems which are operating. Remaining problems are seen in the field of inventory control for certain projects as this system is not generally required for certification.

Mauritania currently has no host government-managed local currency component in any project. However, a large agricultural sector program now being planned will include a major component of this type.

Cape Verde project funds are handled directly by the Ministry of Finance. Only three projects have local currency and all projects have been certified by the mission.

The Gambia uses the host government's local currency disbursement and accounting system. Major delays have occurred in the reconciliation of accounts due to posting backlogs. Not all projects in The Gambia were certified by April 1982.

The diversity of the certification status indicates the lack of homogeneity of financial management proficiency across the Sahel. Even taking differences in individual portfolios into account, the USAID Missions have responded to certification requirements in their respective countries with different strategies. Some Missions have committed themselves to a longer term effort in improving general accounting practice in all projects, not just those with local currency components. This diversity led the design team to propose Mission specific project strategies rather than a broader regionally focussed design.

In examining the overall Sahel portfolio, the investment in financial management improvement assistance can be justified on the basis of the current and prospective project portfolios in the seven countries. Total project costs of \$5 million represent 1.05 percent of the value of AID's current portfolio and 3.8 percent of its local currency component. (See Annex F-2.) The Project has a relatively small cost and a large potential impact and represents a response which is manageable, quick obligating and disbursing. It does not represent a heavy program mortgage.

The economic rationale for this Project focusses on the need for improved financial management to build institutional capability on the part of the host governments and to ensure the better distribution of benefits to Sahelians through greater operational efficiency in fiscal management of donor-assisted programs. Benefits will also accrue to other donors as host government personnel increase their ability to handle programs. (See Annex F-3.)

The technical assistance approach of the Project is realistic as well as cost-effective. Alternative strategies including project-specific assistance alone, long-term overseas training, short-term overseas training, increasing Mission staff levels, and building up of local management institutions are not as likely to achieve both the improvement of financial management and the wisest use of resources. Several factors are incorporated into the Project design to reduce costs: the use of Sahelian consultants in several countries, the emphasis on short term, in-country training programs, and the PASA contracting vehicle.

Administrative Analyses

The implementation and feasibility aspects of a region-wide project assume greater importance than usual. A large amount of information has been collected on institutional capabilities (Annex G-1), and AID administrative arrangements. (Annex G-2.)

Basic findings on Sahelian institutions show that selected countries have sufficient institutional development to provide loci for technical assistance and short-term training functions. In Senegal, Mali, Upper Volta and Niger, private and public training facilities were visited and evaluated. Sufficient infrastructure exists to house either technical assistance teams or training programs. In addition, each country has a group of persons available to serve as financial management consultants thereby providing the potential to increase the human resource development of the region as well as providing for appropriate country-specific technical assistance.

The design team findings fully support the recommendations made by the AID Inspector General in 81-35, 1/29/81 (See Annex E) in particular numbers three and four:

Recommendation No. 3

The Assistant Administrator, Bureau for Africa, take the necessary steps to ensure that Project Officers in the Sahelian countries understand and perform their financial monitoring responsibilities. Supplementary financial guidance should be provided to all Project Officers and additional staffing where circumstances warrant.

Recommendation No. 4

The Assistant Administrator, Bureau for Africa, consider programing technical assistance for financial management in those AID projects involving significant sums of local currencies.

As to recommendation No. 3, it has been concluded that without improved guidance and training to USAID Project Officers, efforts at improving host country financial management will not be as effective. The Project Officers in each Mission provide the vital link between USAID and host government personnel. If the information flow is not properly managed, serious implementation problems can and will ensue. (See Annex G-3.)

The basic management strategy of this Project is for USAID Missions to identify, approve and manage all project funded in-country financial management improvement activities -- within a policy and implementation framework approved, monitored and evaluated by AFR/SWA in AID/Washington, and implemented and regionally coordinated through a Participating Agency Service Agreement (PASA) with the U.S. Department of Agriculture's Office of International Cooperation and Development (O.I.C.D.)

This strategy incorporates the technical and management needs of a project which is administratively complex due to the number of field Missions involved (see Annex G-3, Implementation Plan). Previous OICD experience in financial management improvement efforts as well as the cost savings to the Government of the PASA arrangement make this alternative the most desirable from a technical and financial point of view.

Technical Analyses

In assessing the technical feasibility of the Project, three objectives were identified:

- (a) the basic accountability requirements for local currency provided to host countries by AID be met;
- (b) improved management and implementation of projects through the analysis and use of financial information available because of improved accounting records be effected; and

- (c) higher level improvement of project/program management with matching of financial and program objectives in both day-to-day and longer range decision making be promoted.

Annex H-1 presents a description of these technical objectives, an assessment of their feasibility under the Project, and a sequence for moving from one level to another.

In the early months of the Project, there will be a heavy concentration on the first priority -- basic accountability. Major efforts have been undertaken by USAID Missions to achieve certifiability in accordance with Section 121(d) of the FAA. Capitalizing on and continuing these efforts will be a prime task of the Project's financial management teams -- aimed at sustained accountability in all projects involving AID-provided local currency.

Improved accounting records and controls will lead to the availability of accounting data on an accurate and current basis. This will provide opportunities for the use of accounting data for improved budget preparation and execution, for analyzing costs and for identifying implementation problems and solutions related to the financial data. Project-provided financial teams are expected to move project management units to this higher level at an early stage -- to a degree which will depend on the several factors referred to in Annex H-1.

Escalation of Project efforts to improved project/program performance will also be feasible, if the first two objectives are met and if the mix of Project scope, stage of implementation, and the interest of the Project management team is propitious. While these higher-level objectives may be achieved on a more selective basis given the two year in-country Project life, they are technically feasible and attainable.

Annex H-2 recounts the background, approach and conclusions to be drawn from the Sahel financial management improvement effort undertaken by the DPMC and financed by AID in 1981-82. It concludes that financial management improvement consultation and training through action workshops is effective, both in motivating managers and accountants to be more attentive and to call for technical assistance as necessary, and in generating a feeling of need for financial information to meet higher project management purposes. The foundations for achieving higher levels of improved financial management can and are being laid by establishing adequate accounting systems. Basically, as managers grasp the usefulness of sound financial accounting data, their commitment to implementation of adequate systems becomes firm. The movement toward more comprehensive improvements begins as they learn to use the basic systems and see the practical values for their management tasks. In this way, financial management improvement has sound theoretical and proved experiential foundations for practical application within the real organizational context.

Social Analysis

The problem of maintaining adequate financial management systems in the Sahel is closely tied to the lack of skilled persons in all technical fields. This project will involve the training of host government personnel through practical on-the-job technical assistance and thereby allow them to manage their limited financial and human resources more efficiently. The Project does not propose training in higher education institutions, but draws on trained persons and adds to their skills. It does not contribute to an increase in public employment as the persons receiving additional training are already employed by the host governments as project managers and accountants.

The host government personnel are receptive to the prospect of further practical training, especially in those countries where workshops on the topic have already been held. In addition to the direct beneficiaries (project personnel) the beneficiaries of all the projects funded by USAID should benefit from more efficient service delivery due to better resource transfer.

A collaborative approach will be maintained throughout the Project through use of a team approach in technical assistance. Continued participation of Sahelians in the financial management effort is a key component of Project design. The Project design requires the recruitment of a small number of expatriate technical experts in financial management. The recruitment potential for Sahelians with advanced accounting and financial management was carefully examined in each country requiring long term technical assistance, and recruiting sources were identified (see Annex G-1). Information was collected on institutional capabilities in the Sahel, and basic accounting courses were judged adequate to meet the demand for beginning-level accountants in the region.

Institutional loci were suggested for the placement of the technical assistance teams by the USAID Missions where sufficient information was available. Additional short-term assistance will be needed in some Missions to select each locus.

The impact of the Project should be positive, improving the capacity of the Sahelian governments to manage financial resources provided by AID. No negative impact is anticipated as no local populations will be required to make social or physical changes to implement the Project.

Environmental Analysis

In Annex C, the PID Approval Message (Paragraph 1) and I.E.E. indicate that a negative determination was made at the PID stage for this Project. The Project consists entirely of technical assistance and training and therefore is categorically excluded from the necessity of an Environmental Analysis.

VI. CONDITIONS AND COVENANTS

Although all Project funds will be obligated through the PASA with USDA/OICD, protocols will be negotiated and signed in each country concerning the objectives of Project activities, the types of assistance to be provided, and the country's commitment to support the Project. Commitments by each country will generally include the following:

- provision of the institutional base for Project activities, including the designation of a Coordinator who will provide the official liaison with bilateral projects' management personnel;
- assurance that normal privileges and immunities are provided to the AID-financed technical experts working under the auspices of the Project;
- assurance that personnel will be released to attend training sessions organized under the Project, and that recognition will be given to personnel completing the training in accordance with that country's official personnel system;
- in specific negotiated cases, assurance that the government will provide additional personnel to perform as members of the in-country financial management team; other host country contributions to the Project, such as office space and support of team operations and workshops will also be recorded;
- agreement to participate in evaluations of Project activities and identification of financial management improvement activities to be developed or continued after completion of specific Project interventions; and
- identification of any recurrent cost implications of Project activities, recording the country's commitment to meet any such requirements.

In negotiating the PASA with USDA/OICD, AID should consider the following covenants or contractual obligations:

- Any agreement with another organization to provide services under the PASA should be approved by AID.
- AID should approve all personnel assigned under the PASA, both short- and long-term.
- USDA/OICD should agree to provide adequate backstopping services paid from overhead to support all Project activities both in the field and in Washington.

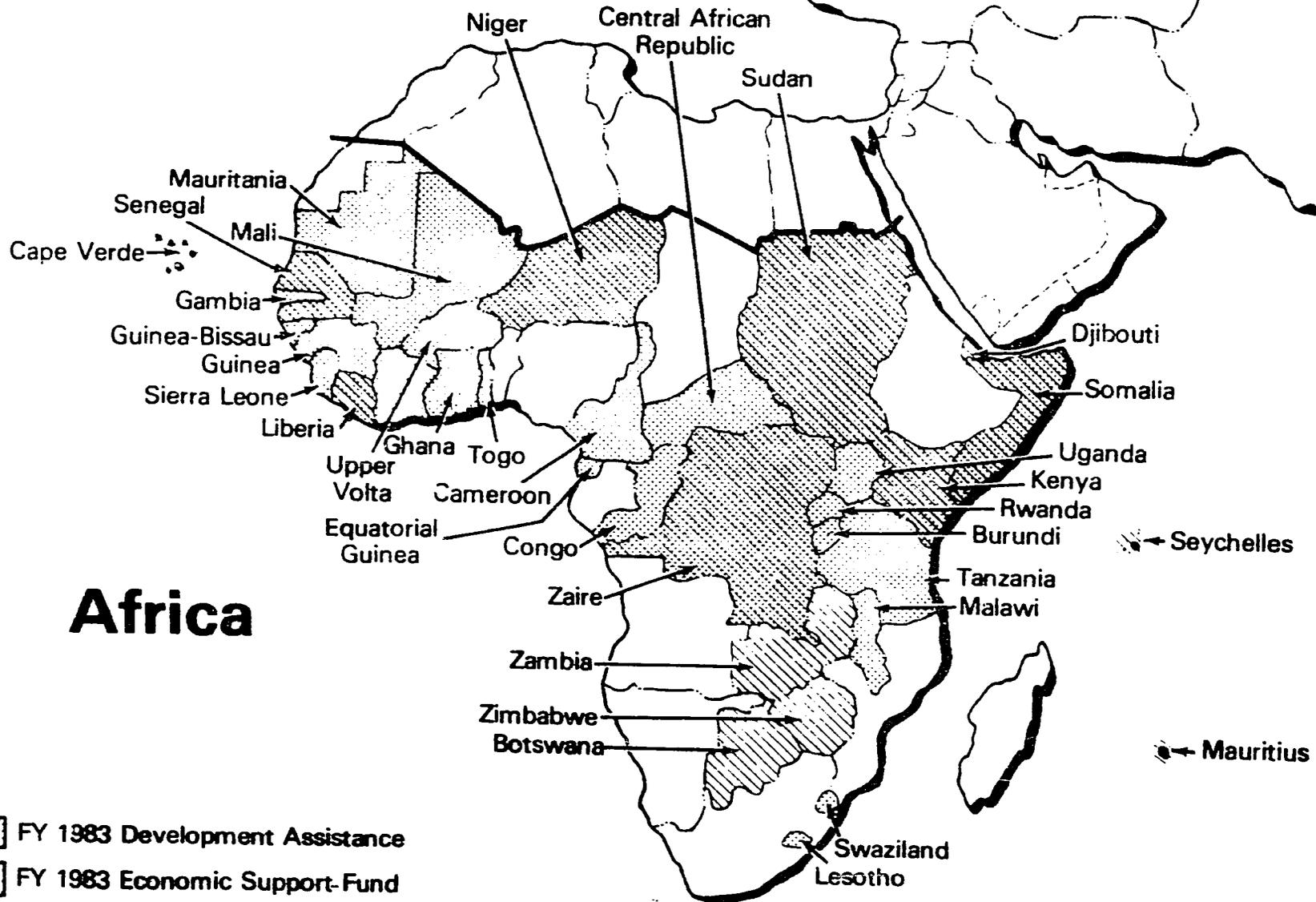
- USDA/OICD should agree that to the maximum extent possible Project personnel will be identifiable as USDA representatives, being housed in Washington, in or near existing USDA/OICD facilities.
- USDA/OICD should arrange for or develop and operate an accounting system concerning all PASA-funded Project activities which will provide AID with reliable, current financial information and assure prompt payment for contracted and sub-contracted services.

ANNEX A

TABLES

Africa

-  FY 1983 Development Assistance
-  FY 1983 Economic Support-Fund



ECONOMIC AND SOCIAL DATA
REGIONAL SUMMARY

REGION: AFRICA

COUNTRY	ECONOMY	EDUCATION	POPULATION					HEALTH			
	GNP PER CAPITA (DOLLARS)	LITERACY RATE (PERCENT)	TOTAL (THOUSANDS)	ANNUAL GROWTH RATE (PERCENT)	DENSITY (PERSONS / SQUARE MILE)		% IN URBAN AREAS	LABOR FORCE IN AGRICULTURE (PERCENT)	PEOPLE PER DOCTOR	LIFE EXPECTANCY (YEARS)	INFANT DEATHS PER 1,000 BIRTHS
SAHEL DEVELOPMENT ASSISTANCE RECIPIENTS											
CAPE VERDE	270	37	299	.8	775	193	25	59	7,186	60.1	105
GAMBIA, THE	266	10	619	2.8	267	195	16	79	13,122	41.0	214
MALI	140	10	6,801	2.8	44	14	17	88	41,389	42.1	190
MAURITANIA	320	17	1,079	2.8	11	4	23	69	20,620	42.1	169
NIGER	270	8	5,919	2.9	78	11	9	91	42,945	42.1	162
SENEGAL	430	10	5,835	2.8	187	77	32	76	16,447	42.1	159
UPPER VOLTA	160	5	7,023	2.6	94	66	2	83	57,565	42.1	N.A.
SAHEL DEVELOPMENT ASSISTANCE RECIPIENT SUMMARY (1)											
	252	9	27,675	2.7	57	17	17	83	29,520	42.3	172

(1) THE TOTAL POPULATION FOR THE GROUP IS GIVEN;
OTHER SUMMARY FIGURES ARE POPULATION WEIGHTED ARITHMETIC OR HARMONIC MEANS, AS APPROPRIATE

Mauritania
Project Portfolio
(\$000)

Project Number	Project Title	Obligation		Authorized LOP Funding	Est. LOP LC	% LC of LOP Funding	Total Oblig. Thru FY81	Pipeline	Date Submitted for Certificate
		Initial	Final						
682-0201.2	IRD	FY 79	FY 82	3901	1000	25	2154	763	12/28/81
682-0203	Rural Land Reclamation	81	86	8900	1273	14	2122	2119	12/28/81
682-0204	Vegetable Production	78	83	2618	179	7	1470	475	12/28/81
682-0205	Renewable Resources Management	78	86	10675	767	7	4678	2921	12/28/81
682-0207	Oases	80	85	5991	2211	37	3042	2692	12/28/81
682-0214	Rural Roads	82	86	6500	1340	21	-0-	-0-	
682-9901	Self Help	81	Annual	--	--	--			
625-0929.2	PM&R	78	Annual	--	--	--	655	53	N/A
625-0936.5	SMDP	79	83	--	--	--	743	461	2/23/82
625-0937.05	Expanded Program of Immunization	80	83	400	137	34	400	312	12/28/81
625-0937.05	Land Tenure	81	83	500	120	24	500	500	12/28/81
<u>New Projects</u>									
682-0223	Alternative Energy	83	87	(4837)	1045	22	-0-	-0-	
682-0226	SM Perimeter OPG	81	83	(457)	--	--	457	442	

*** Not yet submitted.

N/A = Not Applicable.

Mali
Project Portfolio
(\$000)

Project Number	Project Title	Obligation Dates		Authorized LOP Funding	Estimated LOP LC	% LC of LOP	Total Obligations Thru FY81	Total LC Obligated	% LC of Total Obligations	Estimated % LC Disbursed by Government	No. of LC Acctng Centers	Date Submitted for Certific.
		Initial	Final									
Projects Without LC Funding												
88-0220	San Fisheries	FY 79	FY 81	323			323					3/14/82
88-0221	Development Leadership Training	81	85	4,566			350					2/2/82
88-0222	H.T.T.C. Higher Teacher Training	80	80	195			195					3/14/82
88-0224	Rural Water Improvement	80	80	259			259					3/14/82
88-0226	Semi-Arid Tropical Research	81	85	3,750			350					2/2/82
88-0229	Sahel's Wells	81	81	405			405					3/14/82
25-0936	Sahel Manpower Development	Annual					970					2/22/82
25-0928.7	Regional Food Crop Protection	LC Pd directly		9,900			207					12/31/82
Projects With LC Funding												
88-0202	Operation Mills Mopti I and II	76	83	16,200	8000	49	12309	7968	65	72	1	***
-0203	Mali Livestock Sector	77	81	17,085	6000	35	17085	4969	29	N/A	3	CVL, OMBEVI 2/1/82
-0205	Land Use Inventory	78	81	4,994	700	14	4994	159	3	42	1	1/15/82
-0206	Riz-Sorgho	76	80	3,878	2381	61	3878	2381	61	34	1	3/14/82
-0207	C.A.A.	77	81	7,020	4740	68	7020	4740	68	2	1	***
-0208	Rural Health	77	82	3,890	597	15	3890	597	15	42	1	3/19/82
-0210	Haute Vallee	78	83	18,395	6255	34	11912	5223	44	44	1	3/14/82
-0212	Kayes-Mioro Road	80	80	2,400	240	10	2400	150*	6	0	1	***
-0213	Action Ble	78	83	4,426	2370	54	2301	1465	64	26	1	***
-0217	Renewable Energy	78	82	4,100	1999	49	3104	1179	38	17	1	3/14/82
-0225	Training Center for Rural Women	80	80	500	500	100	500	423	85	17	1	3/14/82
-4901	Special Self Help	Annual						7 (all)		100	N/A	***
25-0911	Sahel Institute	78		1,416	625	44	231	216	94	N/A	1	4/19/82
-0927.2	Demographic Data Collection	80	85	6,932	3308	48	1400	1400**	100	97	1	4/22/82
-0929.7A	Farming Systems Research	78	80	175	158	90	175	113	65	60	1	4/22/82
-0937.09A	Village Reforestation	80	80	495	380	77	495	360	73	73	1	3/14/82
-0937.09B	Yelimane/Tambacora Wells	81	81	155	155	100	155	155	100			3/14/82
New Projects												
88-0218	Mali Livestock Sector II	82	86	(17,002)				-0-			3	CVL, OMBEVI
-0223	Riz-Sorgho II							-0-			1	3/3/82
-0227	Rural Health II	83	86	(3,550)				-0-			1	3/19/82
	Operation Cereals Mopti	85	90	(9,000)								
	Op. Haute Vallee II	84	89	(11,000)								
	Energy Sector Development	84	88	(3,800)								
	Livestock Sector III	87	92	(20,000)								

* Estimation
** Involves several Sahelian governments
** Not yet submitted

Upper Volta
Project Portfolio
(\$000)

Project Number	Project Title	Obligation Dates		Authorized LOP Funding	Estimated LOP LC	Z LC of LOP	Total Obligations Thru FY81	Pipeline	No. of LC Acctng Centers	Date Submitted for Certific.
		Initial	Final							
686-0211	Strengthening W.I.D.	FY 77	FY 82	1056	727	69	1056	566	9	***
-0212	Onchu Frea Area Village Dev.	78	81	2173	1661	76	1212	833	3	***
-0215	Eastern ORD-Rural Roads	77	82	2523	772	31	2523	375	1	2/82
-0221	Ag. Human Resources Dev.	78	83	9457	950	10	6000	3319	2	1/4/82
-0226	Training of Women in the Sahel	78	83	1700	280	16	1700	1229	2	***
-0228	Rural Water Supply	79	84	12280	5156	42	8277	4845	2	1/4/82
-0231	Sequenega Integ. Rural Dev. (OPG)	78	83	5056	2300	45	4356	764	2	***
-0235	Forestry Educ. & Dev.	79	84	5958	2206	37	5958	5581	2	1/4/82
-0243	Grain Marketing Dev.	80	84	2381	590	25	2381	2089	1	***
-0244	Eastern ORD Food Production	81	86	3000	1020	34	2000	2000	1	***
-0245	Foundation Seed Production	81	84	1600	611	38	1600	1580	3	Partially Cert. 3/81
-0249	Small Economic Activity Dev. (OPG)	81	86	2300	580	25	1650	1650	1	10/27/81
686-9901	Self-Help	79	82	250	250	100	250	55	1	3/19/82
625-0911	Sahel Reg. AID Cond. & Planning	77	85	5332	2096	39	3183	1279	1	4/19
-0928	IPM	78	82	25280	3384	13	9900	8054	9	1/4/82
-0929	Program Management & Research	78	82	877	-0-	—	877	212	1	***
-0936.8	Sahel Manpower Development	79	84	710	-0-	—	710	411	1	2/17/82
625-0937.08	AIP - Forestry	80	83	50	50	100	50	50	1	12/81
	AIP - Fisheries			39	39	100	39	31	1	12/81
	AIP - Rural Artisan Training			257	257	100	257	247	1	***
	AIP - Yatengo Agro Forestry			56	56	100	56	56	1	12/81

* Includes LC under government control, LC to contractors and that disbursed directly by USAID.

** All disbursed directly by USAID.

*** Not yet submitted.

**** Accounting done by FDR A HC Agency.

Niger
Project Portfolio
(\$000)

Project Number	Project Title	Obligation Dates		Authorized LOP Funding	Estimated LOP LC	Z LC of LOP	Total Obligations Thru FY81	Total LC Obligated	Estimated Z LC Disbursed by Government	Z LC of Total Obligations	Go. Level	Date Submitted for Certificate
		Initial	Final									
Projects Without LC Funding												
683-0224	Sector Shelter Planning	FY 78	FY 81	655	0	0	655	0	0	0	-	3/12/82
-0228	Rural Integrated Ag. Devel.	78	82	500	0	0	500	0	0	0	-	1/22/82
-0401	Accelerated Impact Project	Annual		717	0	0	717	0	0	0	-	1/22/82
-0917	Sahel Water Data Network	--	82	6268	0	0	6268	0	0	0	-	*** 5/6/82
-0929	Planning, Management & Research	Annual		222	0	0	222	0	0	0	-	*** 5/6/82
-0936	Sahel Manpower Development	--	86	980	0	0	980	0	0	0	-	*** 5/6/82
Projects With LC Funding*												
683-0201	Niger Cereals	75	82	16105	7664	48	16105	7664	30	48	1	3/8/82
-0202	Niger Range and Livestock	76	83	5418	1700	31	5418	1700	50	31	1	3/15/82
-0208	Improving Rural Health	78	83	14029	6500	46	9173	5500	30	60	****	3/25/82
-0226	Human Resources Development	79	83	5030	2476	49	3855	1900	30	49	1	3/31/82
-0227	Evaluation Assistance	81	86	2000	398	19	1255	210	40	17	1	3/24/82
-0230	Forestry & Land Use Planning	80	84	3585	119	3	1684	102		6	1	2/18/82
-0237	Literacy Training	81	85	1810	725	40	1810	725	80	40	1	1/22/82
-0240	Niamey Depart. Devel. II	81	86	13582	250	2	5704	85		2	1	1/22/82
683-9901	Self Help FY81	--	--	50	50	100	50	50	0	100	400	***
625-0915	Niger River Devel. Planning	--	83	1912	410	22	1912	410		22	-	1/22/82
-0937	Maternal Language Texts	--	83	400	400	100	400	400	05	100	1	1/22/82
New Projects												
683-0225	Niger Cereals Research	82	85	(7000)								
683-0234	Ag. Sector Prod. Support	82	86	(20480)								
683-0242	Pastoral & Range Livestock	83	87	(15000)								
683-0243	RA Farming Implements	83	84	(3000)								
683-0244	Tapis Vent	82	84	(900)								
683-0245	Rural Irrigated Ag.	82	84	(1100)								
683-0246	Ag. Sector Grant	83	88	(7000)								

* Mission disburses directly for large LC payments, those related to dollar expenditures and easily separated local currency payments.

** Three major groups with subgroups

*** Not yet submitted.

**** Goes to Dept. level.

Cape Verde
Project Portfolio

Project Number	Project Title	Obligation Dates		Authorized LOP Funding	Estimated LOP LC	% LC of LOP	Total Obligat.	Total LC Obligat.	% LC of Obligations	Pipeline	No. of Accounting Centers	Date Submitted for Certif.
		Initial	Final									
<u>Projects Without LC Funding</u>												
625-0937.3	Renewable Energy	FY 79	FY -	500	0	0	500	0	0	500	-	3/3/82
655-0003	Irrigation (Tarratal)	77	82	3000	0	0	3000	0	0	-	-	2/3/82
-004	Potable Water Supply	77	81	127	0	0	127	0	0	189	-	2/3/82
-005	Desalination Power Supply	78	82	7190	0	0	7190	0	0	6141	-	2/3/82
<u>Projects With LC Funding</u>												
655-0001	Rural Works	77	82	1430	1430	100	1430	1430	100	357	1	2/3/82
-0006	Watershed Management	79	81	2847	2847	45	4514	2847	63	3622	1	2/3/82
-0003	Primary & Nonformal Ed.	78	80	3000	1000	33	3000	128	4	1846	1	2/3/82
625-0936.3	SMDP	79	83	500	90	18	500	60	8	500	-	4/15/82
<u>New Projects</u>												
655-0010	Tarratal Water Res. II	83	86	(5000)								
655-0011	Irrigated Crop Research	82	84	(1142)								

* All through contractor.

Gambia
Project Portfolio

Project Number	Project Title	Obligation Dates		Authorized LOP Funding	Estimated LOP LC	% LC of LOP	Total Obligations at FY81 End	Total LC Obligated	Pipeline FY81 End	Number of Accounting Systems	Date Submitted for Cert.
		Initial	Final								
<u>Projects Without Local Cost Funding</u>											
635-0202	Soil & Water Management	FY 78	FY 83	2037	0		2037		1082	-	4/6/82
635-0930.8	SMDP	Annual		Annual	-0-		835		554	-	2/23
<u>Projects With Local Cost Funding</u>											
625-0937.2	Comm. Dev. Tr. Center	80	82	125	125	100	125	125	34	1	**
625-0012	Gambia River Basin Devel. Org.	81	85	4000	1000	25	4000	-	4000	-	4/6/82
625-0928.2	Crop Protection	79	84	2000	1000	50	735	-	494	-	
635-0203	Mixed Farming & Resources	79	83	6000	505	8	6000	505	4173	2	4/8/82
-0205	Reforestation	79	79	3600	699	19	1575	64	1139	1	***
-0206	Rural Roads	79	82	4700	1000	21	4115	-	3858	-	4/6/82
-0208	UNSA (Pro)	80	85	483	100	21	483	-	323	-	***
-0211	Albert Market (OPG)	80	82	393	350	89	393	-	-	-	4/6/82
-0215	GOIC (OPG)	80	81	5300	400	76	475	-	257	-	4/6/82
635-9901	Self Help	Annual		Annual	All LC	100	183	183	31	-	***
<u>New Projects</u>											
635-0210	Primary Health Care	82	84	(1200)							
635-0216	Rural Development Training	82	85	(2500)							

Senegal
Project Portfolio
(\$000)

Project Number	Project Title	Obligation Dates		Authorized LOP Funding	Estimated LOP LC*	% LC of LOP	Total Obligation Thru FY 81	Pipeline at FY81 End	Total Subobligation Thru FY81	No. of LC Accounting Centers	Date Submitted for Certification
		Initial	Final								
Projects Without LC Funding											
685-0222	Youth Job Development	FY 79	FY 83	1800			1758	863			
-0223	Agric. Research & Planning	81	85	4950			1500	1500			
-0233	National Plan for Land Use	81	82	2000			1000	997			
-0250	Millet Transformation	81	81	500			500	500			
-0253	Rural Satellite Communications	81	81	600			550		150		
-0254	Fisheries Resource Assessment	81	81	150			150				
-0255	Management of Research	81	81	100			100		66		
-9901	Special Self Help		Annual	--			217		62		
625-0927	Sahel Sudan Studies	74	81	--			838		225		
625-0936.7	SMDP		Annual	--			1558	1087			
625-0617	Environmental Assessment (OMVS)	76	80	37382			3738	51			
628-0620	Fiscal Allocation & Groundwater Mapping (OMVS)	81	83	--			9768	18			
625-0929	Hydro-Ag Study	79	79	800				272			
Projects with LC Funding											
685-0202	Range and Livestock	79	82	3125	1602	51	3125	313	784	3	1/26/82
-0205	Casamance Regional Development	78	84	23710	11756	62	11816	8472	934	4	2/19/82
-0208	Irrigated Perimeters	77	82	2359	2027	86	6559	3105	513	4	1/12/82
-0209	Grain Storage	77	77	4900	3546	72	4900	1054	2754	1	1/15/82
-0210	Rural Health Services	77	79	3319	700	21	3319	1226	469	3	3/29/82
-0217	Family Health Services	79	79	1383	200	15	1383	1380	80	1	1/26/82
-0218	SAED Training	78	82	4530	767	17	3430	2499	91	1	1/26/82
-0219	Fuelwood Production	79	82	3134	1234	40	2834	1309	763	2	2/8/82
-0224	OMVS Livestock Production	79	83	8000	3806	48	7030	4669	1457	2	1/12/82
-0235	Cereals Production II	80	84	7700	4340	56	3182	1514	1253	2	2/9/82
-0239	CARITAS - Village Development (PVO)	79	79	212	155	73	212	121	155	1	2/82
-0240	Inland Fisheries	79	79	180	140	78	180	50	140	1	1/12/82
685-0937.7	Renewable Energy (AIP)	90	80	300	187	62	300	153	187	3	1/12/82
625-0916.5	Crop Protection Service (Cape Verde)								75	1	***
625-0928.1	Food Crop Protection	79	84	8300					182	2	2/24/82
625-0929.7	PM&R (OMVS)		Annual	--					284	1	N/A
New Projects											
685-0242	Rural Health Services II	82	83	(3000)							
-0248	Family Health Phase II	82	84	(3000)							
-0249	Ag. Sector CIP	82	86	(25000)							
-0256		82	85	(2500)							
-0260		83	86	(7000)							
625-0605	OMVS Ag. Research II	82	87	(13000)							
-0621	OMVS Integrated Development	82	86	(60000)							

* Estimate up to 50% LC disbursed directly by USAID.

*** Not yet submitted.

ANNEX B
LOGICAL FRAMEWORK

Logical Framework

Sahel Regional Financial Management Report

GOALS:

1. Descriptive Summary

Ability of Sahelian governments to manage donor-assisted development programs increases, thereby increasing benefits to Sahelian citizens.

2. Objectively Verifiable Indicators

1. Numbers of trained host government managers and accountants available to work with donors increases by end of Project.
2. Host governments reduce or make plans to reduce reliance on TA.
3. More sophisticated management training is planned.

3. Means of Verification

1. Club du Sahel donor records and documentation.
2. Host country project assistance requests.
3. CILSS project program emphasis.

4. Assumptions

1. ODA to the Sahel is maintained at least at current levels.
2. Sahelian governments maintain at least their current level of commitment to development as reported in FY83 CDSS's.
3. No major natural disasters occur which significantly change the complexion and content of development policies in the Sahel.
4. Donors continue, generally, to be concerned with the management of the development funds they provide in the Sahel and seek actively to transfer more authority in this respect to host country institutions.
5. Projects remain the main vehicle for the delivery of ODA.

PURPOSE:

1. Descriptive Summary

Improve financial management of Sahelian development institutions that directly handle funds provided by AID (sustained at or above 121[d] requirements) and encourage institutionalization of improved management practice.

2. Objectively Verifiable Indicators (End of Project Status)

1. No current AID project has been decertified.
2. All newly designed or redesigned projects are approved and show improved financial management procedures.
3. Host country project managers in more advanced countries have begun to use accounting data for project decision-making.
4. All countries have plans for institutionalization of improved practices, including training plans that reach beyond AID-supported development projects.

3. Means of Verification

1. USAID Controller records.
2. USAID Project Officer records.
3. Project manager's implementation plans.
4. Project budgets (HG).
5. New funding requests to USAID.
6. Decrease in TA needs in financial management.

4. Assumptions

1. FAA Sec. 121(d) is not repealed, yet the Sahel development program is maintained at least at current levels.
2. The proportion of AID projects with Local Currency in the total Sahel portfolio remains the same or increases.
3. The proportion of local currency handled by host governments in the projects with local currency in them in the Sahel remains the same or increases.

4. The accounting practices urged by AID are found to be applicable and desirable in other activities of the host governments.
5. Host governments have the financial and human resource potential befitting institutionalization of improved practices.

OUTPUTS:

1. Descriptive Summary

1. Accounts managed by host government in USAID projects meet USAID Controller's accountability standards and direct involvement of Controller's Office is reduced over life of project.
2. Specialized financial management systems for projects requiring them are in place and operational (e.g., credit programs, inventory control).
3. Host country institutions and individuals assume increasing responsibility for meeting certification requirements.
4. Improved financial management planning is incorporated into new USAID funded projects and benefits are extended throughout Sahel region.

2. Objectively Verifiable Indicators

1. No delays in advance replenishment or suspension of disbursements on AID projects have occurred. Missions have been able to reduce or reassign Controller Office staff to other functions by end of Project.
2. New or redesigned projects have not had to devote more than ten percent of project design or project TA costs to host country financial management issues. No new or redesigned project requires more Mission Controller staff input than ordinary in the pre-FAA Sec. 121(d) period by end of Project.
3. Approximately 400 project managers/accountants have been trained in seven countries in financial management by end of Project.
4. New host government project personnel in selected countries (e.g., Mauritania, Cape Verde, The Gambia) have been trained in improved financial management practice.

3. Means of Verification

1. USAID Controller records.
2. USAID Project Officer records.
3. Project implementation plans.
4. Budgets developed by HG personnel.
5. Training materials.

6. Records of training sessions (reports, etc.) and skills information on participants.
7. Quality of documentation being maintained in projects meets Controller's standards.

Assumptions

1. AID provides training and written guidance in financial management to Mission Project Officers and contract personnel involved in projects having host country managed local currency funds.
2. Guidance and assistance is provided to Missions in the design of new or redesign of existing projects concerning 121(d) requirements.
3. Mission Controller Office staff is maintained at least at current levels. Experienced Project Officers are on board in each Mission.
4. The PASA for delivery of Inputs is executed within two months from time of Project authorization.
5. Other Sahelian countries are receptive to further financial management development on the basis of the experience of their neighbors under AID auspices.
6. Protocols or other bilateral agreements can be executed in each country quickly.

INPUTS:

Descriptive Summary

1. Four expatriate financial management advisers and three Sahelian financial management advisers provide long-term technical assistance in four countries. One long-term expatriate trainer provides training in The Gambia.
2. All seven countries develop specific financial management systems as required.
3. Short-term technical assistance organizes regional and national workshops/training sessions for exchange of benefits in all countries.
4. TA teams and short-term assistance develop special training programs and documents.

2. Objectively Verifiable Indicators

1. Ten person-years of long-term expatriate technical and training assistance @ \$120,000 (Mali, Upper Volta, Niger, The Gambia, Senegal)	\$ 1,200,000
2. Travel costs for assistance to Mauritania and Cape Verde	20,000
3. Six person-months of long-term services (two each in Mali, Upper Volta, Niger by Sahelians) @ \$25,000	150,000
4. Office support costs (per country \$100,000)	300,000
5. Senegal TA support	20,000
6. Gambia TA support	50,000
7. Short-term TA (\$10,000 per person-month), six person-months in Mali, Niger, The Gambia, Mauritania for start-up	60,000
8. Six person-months x 7 countries - short-term TA and training	420,000
9. Workshop/meeting costs \$30,000 per country x 7	210,000
10. Sahelian private consultants (Niger & Senegal)	100,000
Total field costs	\$2,530,000
U.S. Costs (PASA, etc.)	890,000
Total direct costs	\$3,420,000

Contingency/Inflation 15%	580,000
Subtotal:	\$4,000,000
Overhead 25%	1,000,000
TOTAL PROJECT COSTS:	\$5,000,000

3. Means of Verification

USAID and any contractor's financial records.

Project budget and disbursement records.

3. Assumptions

1. TA and training personnel, including Coordinators are available in a timely fashion and at market prices.
2. The mix of technical assistance and training (including on-the-job) planned for each country is the most appropriate mode of assistance.
3. The host governments remain receptive to what has been planned and provide the necessary institutional hospitality, access and collegial, cooperative ambience.
4. AID/W assigns a Project Officer to oversee overall Project operation.
5. Missions assign Project Officers to oversee local project operations, including negotiation of Limited Scope Grant Agreements.
6. Missions require staff to participate in training provided by AID and to attend occasional project conferences.

ANNEX C
PID APPROVAL MESSAGE AND
I.E.E. FACE SHEET

To Cable
Room
10/1/81
JH

UNCLASSIFIED
AID/AFR/SWA:NRIFKIN:CK
09/24/81: EXT 28337
AID/AA/AFR:FSRUDDY

AID/DAA/AFR:WHNORTH
AID/AFR/DP:RHYNES {DRAFT}
AID/AFR/DR/SWAP:GSLOCUM {DRAFT}
AID/FM/C:MMATTHEWS {DRAFT}

AID/AFR/SWA:AGMACARTHUR {DRAFT}
AID/AFR/DR/SWAP:JMCCABE {DRAFT}
AID/AFR/DR/EHR:MSHAW {DRAFT}
AID/AFR/SWA:JWOODS {DRAFT}

ROUTINE BAMAKO
ROUTINE BANJUL, DAKAR, NIAMEY, NOUAKCHOTT, OUAGADOUGOU,
PRAIA, PARIS, ABIDJAN, ROME

AIDAC, BAMAKO FOR SDPRO, PARIS FOR FELL OECD
E.O. 12065:N/A

INIT FSR
FSR
DRAF NR
WHN
GJ

TAGS:
SUBJECT: PID REVIEW - PROJECT NO. 625-0950 SAHEL REGIONAL
FINANCIAL AND PROGRAM MANAGEMENT
ABIDJAN FOR NAYLOR REDSO/WA, ROME FOR FODAG
REF: STATE 215643

1. SUBJECT PID WAS REVIEWED AND RECOMMENDED FOR APPROVAL BY THE PROJECT COMMITTEE ON WEDNESDAY, SEPTEMBER 9, 1981, AND IEE WAS APPROVED BY THE BUREAU ENVIRONMENTAL OFFICER OF 19 SEPTEMBER 15, 1981. BASED UPON THE PROJECT COMMITTEE'S RECOMMENDATION, THE ASSISTANT ADMINISTRATOR FOR AFRICA APPROVED THE SUBJECT PID AT LEVEL OF DOLS 4 MILLION OVER 3 YEAR LOP, AND AUTHORIZED AID/AFR/DR TO PROCEED WITH PREPARATION OF THE PROJECT PAPER {PP}. DISCUSSION BROUGHT OUT THE FOLLOWING ISSUES AND PROBLEMS WHICH SHOULD BE ADDRESSED BY THE PP DESIGN TEAM:

A. THE TEAM SHOULD CAREFULLY CONSIDER ALTERNATE IMPLEMENTATION ARRANGEMENTS AND DESCRIBE THEM IN THE PP INCLUDING A THOROUGH COMPARATIVE COST EFFECTIVE ANALYSIS OF ALTERNATIVES SUCH AS THOSE DESCRIBED ON PAGES 5 AND 6 OF THE PID.

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2

B. THE PP DESIGN TEAM SHOULD SEEK USAID MISSIONS' GUIDANCE CONCERNING THE STEPS NECESSARY TO INVOLVE HOST GOVERNMENT INSTITUTIONS IN THE IMPLEMENTATION PROCESS AND DETAIL ITS FINDINGS IN THE PP. THE TEAM WILL INVESTIGATE WHETHER PROJECT SHOULD BE COORDINATED THROUGH SINGLE REGIONAL INSTITUTIONAL AFFILIATION SUCH AS PAID, CILSS OR INSAH OR THROUGH A SERIES OF BILATERAL AGREEMENTS.

C. DESIGN TEAM SHOULD INVESTIGATE FINANCIAL MANAGEMENT SYSTEMS AND REPORTING REQUIREMENTS OF SAHEL GOVERNMENTS AND OTHER DONORS, TO ESTABLISH THAT PROPOSED INTERVENTIONS SUPPLEMENT AND IMPROVE UPON SYSTEMS CURRENTLY IN PLACE. BROAD RANGE INSTITUTIONALIZATION OF PROCEDURES BEYOND AID'S PROJECTS IS ULTIMATELY DESIRABLE, THEREFORE, THE PROPOSED SYSTEMS MUST BE ADAPTABLE TO THOSE USED BY HOST INSTITUTIONS AND OTHER DONORS.

D. DESIGN TEAM SHOULD EXAMINE THE LEVEL OF T.A. NEEDED TO ACHIEVE THE PROJECT PURPOSE, WITH INPUT FROM THE USAID/MISSION STAFF AND FIELD PROJECT COMMITTEES. THE TEAM SHOULD ALSO EXAMINE WHETHER PROPOSED FIELD PLACEMENT {BAMAKO AND OUAGADOUGOU} IS APPROPRIATE.

E. THE PID CONTAINS INFLATION FACTOR BUT NO CONTINGENCY COSTS. DESIGN TEAM IS ASKED TO REVIEW BUDGET AND PROJECT BOTH INFLATION AND CONTINGENCY COSTS.

2. PID CALLS FOR SIX PERSON DESIGN TEAM CONSISTING OF AID/W DETERMINED DESIGN OFFICER, SENIOR MANAGEMENT SPECIALIST {USDA/DPMC}, SENIOR CONTROLLER/FINANCIAL ANALYST {AID/FM}, TRAINING SPECIALIST {USDA/DPMC}, ORGANIZATION DEVELOPMENT SPECIALIST {USDA/DPMC} AND A SOCIOLOGIST. SOME MEMBERS OF PROJECT COMMITTEE QUESTIONED NEED FOR THE SOCIOLOGIST AND SUGGESTED THAT ANOTHER MEMBER OF THE TEAM WITH A SOCIOLOGY BACKGROUND COULD ASSUME THIS ROLE. IF SUCH A PERSON CAN BE FOUND, THE SOCIOLOGIST POSITION ON TEAM WILL BE DROPPED. ALTHOUGH PID CALLS FOR SIX WEEK DESIGN EFFORT BEGINNING DECEMBER 1, 1981, WE ARE EXAMINING THE POSSIBILITY OF MOVING THE DESIGN FORWARD TO NOVEMBER 1, 1981. THE TEAM IS PROJECTED TO SPEND THREE WEEKS IN THE FIELD, WITH THREE MEMBERS VISITING THREE STATES AND THREE VISITING FOUR, TO BE FOLLOWED BY THREE WEEKS IN WASHINGTON FOR WRITING PROJECT PAPER.

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3. THE PROJECT NUMBER HAS BEEN CHANGED FROM 625-0948 TO 625-0950 REPEAT 625-0950. PLEASE CORRECT THE NUMBER ON PID'S POUCHED TO MISSION.

4. IN APPROVING THE PID, AA/AFR REQUESTED THAT THE PP DESIGN TEAM MAKE EVERY EFFORT TO REDUCE THE PROJECTED LIFE OF PROJECT COST.

5. THE PROJECT PAPER WILL BE REVIEWED IN AID/W AFTER MISSIONS HAVE HAD OPPORTUNITY TO REVIEW AND COMMENT UPON AN OUTLINE OF THE TECHNICAL SECTION WHICH WILL BE PRESENTED TO AND REVIEWED BY A FIELD PROJECT COMMITTEE. COPIES OF THE PID ARE BEING POUCHED TO ADDRESSEE POSTS. USAID'S MAY WISH TO CABLE ADDITIONAL ISSUES AND/OR COMMENTS TO AFR/DR WITH INFO TO SDPT/BAMAKO. 44

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CLEARANCES CONTINUED

AID/AFR/SWA:MMEARES {DRAFT}
AID/AFR/SWA:ECOSTELLO {DRAFT}
AID/AFR/SWA:JSHAMPAIN {DRAFT}
AID/AFR/DR:JHESTER {DRAFT}

AID/AFR/SWA:HGRAY {DRAFT}
AID/AFR/SWA:JBIERKE {E#DRAFT}
AID/AFR/SWA:HWOODS {DRAFT}
AID/GC:LDESOTO {DRAFT}

ANNEX D

STATUTORY CHECKLIST AND 121(d) DETERMINATION

ANNEX D

AID HANDBOOK	3, App 5C(1)	FRAME MEMO NO. 3:32	EFFECTIVE DATE June 7, 1979	PAGE NO. 5C(1)-1
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5C(1) - COUNTRY CHECKLIST

Listed below are, first, statutory criteria applicable generally to FAA funds, and then criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

- | | |
|--|---|
| <p>1. <u>FAA Sec. 116</u>. Can it be demonstrated that contemplated assistance will directly benefit the needy? If not, has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights?</p> | <p>The Project will support improvements in financial management of current and future AID projects which directly benefit the needy.</p> |
| <p>2. <u>FAA Sec. 491</u>. Has it been determined that the government of recipient country has failed to take adequate steps to prevent narcotics drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the United States unlawfully?</p> | <p>No</p> |
| <p>3. <u>FAA Sec. 620(b)</u>. If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement?</p> | <p>Yes</p> |
| <p>4. <u>FAA Sec. 620(c)</u>. If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?</p> | <p>No</p> |
| <p>5. <u>FAA Sec. 620(e)(1)</u>. If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?</p> | <p>No</p> |

A.

5. FAA Sec. 620(a), 620(f); FY 79 App. Act, Sec. 106, 114 and 606. Is recipient country a Communist country? Will assistance be provided to the Socialist Republic of Vietnam, Cambodia, Laos, Cuba, Uganda, Mozambique, or Angola? No
7. FAA Sec. 620(f). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression? No
8. FAA Sec. 620 (j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property? No
9. FAA Sec. 620(1). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, convertibility or confiscation, has the AID Administrator within the past year considered denying assistance to such government for this reason? No
10. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters: N/A
- a. has any deduction required by the Fishermen's Protective Act been made?
- b. has complete denial of assistance been considered by AID Administrator?
11. FAA Sec. 620; FY 79 App. Act, Sec. 603. (a) Is the government of the recipient country in default for more than 6 months on interest or principal of any AID loan to the country? (b) Is country in default exceeding one year on interest or principal on U.S. loan under program for which App. Act appropriates funds? None of the recipient states is currently in default on any AID loan.
12. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget which is for military expenditures, the amount of foreign exchange spent on military equipment and the N/A

A.12.

amount spent for the purchase of sophisticated weapons systems? (An affirmative answer may refer to the record of the annual "Taking Into Consideration" memo: "Yes, as reported in annual report on implementation of Sec. 620(s)." This report is prepared at time of approval by the Administrator of the Operational Year Budget and can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

13. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No

14. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget?

Not in arrears within the terms of Article 19 of the U.N. Charter as of 16 March, 1982.

15. FAA Sec. 620A, FY 79 App. Act, Sec. 607. Has the country granted sanctuary from prosecution to any individual or group which has committed an act of international terrorism?

No

16. FAA Sec. 666. Does the country object, on basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. there to carry out economic development program under FAA?

No

17. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it detonated a nuclear device after August 3, 1977, although not a "nuclear-weapon State" under the nonproliferation treaty?

No

3. FUNDING CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

a. FAA Sec. 102(b)(4). Have criteria been established and taken into account to assess commitment progress of country in effectively involving the poor in development, on such indexes as: (1) increase in agricultural productivity through small-farm labor intensive agriculture, (2) reduced infant mortality, (3) control of population growth, (4) equality of income distribution, (5) reduction of unemployment, and (6) increased literacy?

The Project will provide assistance to the seven Sahelian countries in which AID currently provides development assistance. Measurement of development progress there is assured by the comprehensive Sahel development program, to which the Sahel states adhere through the Inter-state Committee for Drought Control in the Sahel (CILSS).

B.1.

b. FAA Sec. 504(d)(1) If appropriate, is this development (including Sahel) activity designed to build motivation for smaller families through modification of economic and social conditions supportive of the desire for large families in programs such as education in and out of school, nutrition, disease control, maternal and child health services, agricultural production, rural development, and assistance to urban poor?

This Project will improve the management and therefore effectiveness of numerous AID-financed projects in education, nutrition, agriculture and rural development in the Sahel that build motivation for smaller families through modification of economic and social conditions.

2. Economic Support Fund Country Criteria

a. FAA Sec. 502B. Has the country engaged in a consistent pattern of gross violations of internationally recognized human rights?

No

b. FAA Sec. 533(b). Will assistance under the Southern Africa program be provided to Mozambique, Angola, Tanzania, or Zambia? If so, has President determined (and reported to the Congress) that such assistance will further U.S. foreign policy interests?

N/A

c. FAA Sec. 509. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

N/A

d. FY 79 App. Act, Sec. 113. Will assistance be provided for the purpose of aiding directly the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

No

e. FAA Sec. 620B. Will security supporting assistance be furnished to Argentina after September 30, 1978?

N/A

5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable generally to projects with FAA funds and project criteria applicable to individual fund sources: Development Assistance (with a subcategory for criteria applicable only to loans); and Economic Support Fund.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE?
HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PRODUCT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 79 App. Act Unnumbered; FAA Sec. 653 (b); Sec. 654A. (a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that figure)?

	(a) Through the normal Congressional Notification process.
	(b) Yes

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

(a) Yes	
(b) Yes	

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

	N/A
--	-----

4. FAA Sec. 611(b); FY 79 App. Act Sec. 101. If for water or water-related land resource construction, has project met the standards and criteria as per the Principles and Standards for Planning Water and Related Land Resources dated October 25, 1973?

	N/A
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5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

	N/A
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6. FAA Sec. 209. Is project susceptible of execution as part of regional or multilateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

	It is a regional project.
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A.

7. FAA Sec. 501(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

The Project should have beneficial effects in (b), (c) and (e).

8. FAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Significant American commodity procurement and technical assistance is planned.

9. FAA Sec. 612(b); Sec. 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.

Sahel countries will provide certain personnel and government facilities to be specified in bilateral agreements.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

There is no U.S.-owned excess foreign currency in any of the countries.

11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

12. FY 79 App. Act Sec. 508. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar, or competing commodity?

N/A

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b); 111; 113; 281a. Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained

The Project will improve the implementation of numerous projects having these objectives.

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8.1.a.

basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

b. FAA Sec. 103, 103A, 104, 105, 106, 107.

Is assistance being made available: (include only applicable paragraph which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.)

N/A

(1) [103] for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, is full account taken of needs of small farmers;

(2) [104] for population planning under sec. 104(b) or health under sec. 104(c); if so, extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other modes of community research.

(3) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development;

(4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:

(i) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

(ii) to help alleviate energy problems;

(iii) research into, and evaluation of, economic development processes and techniques;

(iv) reconstruction after natural or manmade disaster;

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8.1.b.(4).

(v) for special development problem, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(vi) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

c. [107] Is appropriate effort placed on use of appropriate technology?

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least-developed" country)?

This is a regional project under Section 121; and thus the 25% requirement is not applicable.

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to the Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"?

N/A

f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental and political processes essential to self-government.

This Project will build upon and utilize the Sahelian capabilities to plan, coordinate and manage development projects in the Sahel effectively.

g. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase or productive capacities and self-sustaining economic growth?

Yes, to the agricultural sector.

2. Development Assistance Project Criteria (Loans Only)

N/A

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete in the U.S. with U.S. enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

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B.

3. Project Criteria Solely for Economic Support Fund

N/A

a. FAA Sec. 531(a). Will this assistance support promote economic or political stability? To the extent possible, does it reflect the policy directions of section 102?

b. FAA Sec. 533. Will assistance under this chapter be used for military, or paramilitary activities?

5C(3) - STANDARD ITEM CHECKLIST

Listed below are statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

- | | |
|--|--|
| 1. <u>FAA Sec. 602.</u> Are there arrangements to permit U.S. small business to participate equitably in the furnishing of goods and services financed? | Procurement will be done in accordance with AID regulations. |
| 2. <u>FAA Sec. 604(a).</u> Will all commodity procurement financed be from the U.S. except as otherwise determined by the President or under delegation from him? | Yes |
| 3. <u>FAA Sec. 604(d).</u> If the cooperating country discriminates against U.S. marine insurance companies, will agreement require that marine insurance be placed in the United States on commodities financed? | N/A |
| 4. <u>FAA Sec. 604(e).</u> If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? | N/A |
| 5. <u>FAA Sec. 608(a).</u> Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items? | Yes |
| 6. <u>FAA Sec. 603.</u> (a) Compliance with requirement in section 301(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. | Yes |
| 7. <u>FAA Sec. 621.</u> If technical assistance is financed, will such assistance be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis? If the | Yes |

A.7.

facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes

8. International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available? Yes

9. FY 79 App. Act Sec. 105. Does the contract for procurement contain a provision authorizing the termination of such contract for the convenience of the United States? Yes

9. Construction

1. FAA Sec. 501(d). If a capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interest? N/A

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the United States not exceed \$100 million? N/A

C. Other Restrictions

1. FAA Sec. 122 (e). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? N/A

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A

3. FAA Sec. 620(h). Do arrangements preclude promoting or assisting the foreign aid projects or activities of Communist-bloc countries, contrary to the best interests of the United States? Yes

4. FAA Sec. 635(1). Is financing not permitted to be used, without waiver, for purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or guaranty of such transaction? Yes

5. Will arrangements preclude use of financing:
- a. FAA Sec. 104(f). To pay for performance of abortions or to motivate or coerce persons to practice abortions, to pay for performance of involuntary sterilization, or to coerce or provide financial incentive to any person to undergo sterilization? Yes
 - b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? Yes
 - c. FAA Sec. 660. To finance police training or other law enforcement assistance, except for narcotics programs? Yes
 - d. FAA Sec. 662. For CIA activities? Yes
 - e. FY 79 App. Act Sec. 104. To pay pensions, etc., for military personnel? Yes
 - f. FY 79 App. Act Sec. 106. To pay U.N. assessments? Yes
 - g. FY 79 App. Act Sec. 107. To carry out provisions of FAA sections 209(d) and 251(h)? (Transfer of FAA funds to multilateral organizations for lending.) Yes
 - h. FY 79 App. Act Sec. 112. To finance the export of nuclear equipment, fuel, or technology or to train foreign nations in nuclear fields? Yes
 - i. FY 79 App. Act Sec. 601. To be used for publicity on propaganda purposes within United States not authorized by the Congress? Yes

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: AFR/SWA, Frederick F. Gilbert *afm for*

SUBJECT: Sahel Regional Financial Management Project (625-0950)

RE: Delegation of Authority No. 144

Problem: Section 121(d) of the Foreign Assistance Act of 1961, as amended, precludes any new obligation of Sahel Development Program funds for disbursement by a foreign government until the Administrator has determined "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 of those funds." On January 6, 1982, the Administrator delegated the authority to make this determination to you in Delegation of Authority No. 144. A 121(d) determination is required concerning the subject project.

Discussion: In anticipation of this requirement, the Africa Bureau, at the beginning of FY 1982, initiated a process of "Certification Review" and "Certification" by Mission Directors and AID/W Office Heads. This review is designed to establish the adequacy of host country accounting systems. Certification criteria were prepared by the Office of Financial Management which established for the Bureau the minimum standards for host country accounting systems which must be met prior to certification.

In accordance with this process, the Office of Sahel and West Africa certifies that in the subject project no funds will be released to any Sahelian host government. All local cost expenditures under the project will be made and accounted for by either the implementation contractor or AID Missions. Consequently the adequacy of host country accounting systems is not an issue for this project.

Recommendation: That you make a finding that the determination set out in Section 121(d) of the Foreign Assistance Act of 1961, as amended, is not required.

APPROVED 

DISAPPROVED

JUL 14 1982

DATE

Clearances:

AFR/DR/SWAP:JRMcCabe 

GC/AFR:LDeSoto 

AFR/SWA:JNBierke 

DAA/AFR:FCorrel 

Drafted by: AFR/DR/SWAP:RJSimmons:fn:7/12/82 ext 28242

ANNEX E

EXCERPTS FROM INSPECTOR GENERAL REPORTS,
FAA SEC. 121(d), AND 121(d) DETERMINATION

1. Auditor General, Audit Report No. 81-35, Problems in Host Country Accounting for Utilization of A.I.D. Funds in the Sahel (Jan. 29, 1981)
2. Inspector General, Audit Report No. 0-000-82-38, Voucher Approval: How Well Does It Work? (Jan. 27, 1982)
3. Inspector General, Audit Report No. 0-625-81-52, Improvements Must Be Made in the Sahel Regional Development Program (March 10, 1981)
4. Auditor General, Audit Report No. 81-20, Improvements Needed in Management of AID/W Projects (Nov. 26, 1980)
5. FAA Sec. 121(d)



Auditor General

PROBLEMS IN HOST COUNTRY ACCOUNTING FOR UTILIZATION OF A.I.D. FUNDS IN THE SAHEL

The host countries entities' financial management practices for accounting, controlling and reporting on the use of substantial sums of AID- and other donor-financed local currency funds are seriously deficient. These deficiencies are possibly resulting in the diversion of millions of dollars in local currencies for non-project purposes. This condition indicates that:

- Training for host country financial personnel deserves a higher priority;
- AID needs to analyze the entities' financial capabilities prior to release of the funds; and
- AID financial oversight needs improvement.

Unless improvements are made, these financial deficiencies could undermine donor support for the long-term development of the Sahelian countries.

Audit Report Number 81-35

Issue Date January 29, 1981

Area Auditor General, Washington
Agency for International Development
Washington, DC 20523

Banjul in January 1981. Out of these discussions, which will include consideration of local training, training in the United States, seminars and a combination of training approaches, will come an action plan. We are also exploring the possibility of certain Missions conducting some form of financial and accounting training for host country personnel."

NEED FOR A.I.D. ANALYSES OF GOVERNMENT ENTITIES' FINANCIAL MANAGEMENT CAPABILITIES

AID usually channels its project assistance through the existing administrative and institutional frameworks of the host governments. An assessment on the feasibility of using these host government administrative entities should be contained in the Project Paper, AID's basic design document justifying the project. This assessment, according to AID Handbook 3, Chapter 5c3d states:

"Project officers should discuss in this section the organization(s) which is(are) to carry out the project. Such an entity might already exist, might be a combination of entities, or might be an entirely new organizational unit. In all cases assessments must be made of: the capability of these organizations to carry out their responsibilities; the mechanism by which the activities of the various organizations will be coordinated; the ability of the organizations to select, award, and administer contracts with both local and foreign firms; and the administrative arrangements made to reach and involve the target population."

Our review indicated that, though AID's Project Papers usually contain assessments of the host governments' administrative capacity to undertake the projects, these assessments usually deal only with the technical requirements of the assistance. Little or nothing is said about the government entities' financial management capabilities. An example is the Project Paper on the Mali Livestock II Project which states:

"Malian management personnel in key positions related to the livestock sector will be severely taxed by these activities. Notwithstanding, it is felt that the Malians have the human resources which can be allocated to the sector to permit initial start-up of the program. Provision is being made for the training of additional personnel to assure support of those operations in the future. An essential condition precedent to the grant agreement should be a plan for provision of personnel for operational positions and training for each of the proposed activities.

"Emphasis in the program is given to supervised participant training, to technical assistance, and to in-country training. The major in-country training initiative is aimed at assuring personnel needs for all livestock sector activities through retraining and upgrading persons adequately schooled but who require training in livestock production, range management or other descriptions related to livestock production."

our view, the AID Missions' Offices of Financial Management must be more effectively involved in the design and monitoring of the projects. Steps should therefore be taken by AID to see that these offices have sufficient personnel to perform these responsibilities.

AID Comments

Responding to a draft of this report AID stated:

"The Office of Financial Management has advised that it is prepared to assist the Africa Bureau in assessing staff requirements of the financial management personnel in the Sahelian countries, addressing needs for financial management expertise in the design and financial monitoring of AID projects. Within the limits of overall Agency personnel restrictions, the Office of Financial Management is prepared to staff the Sahelian countries with the required financial management personnel."

A.I.D. FINANCIAL OVERSIGHT NEEDS IMPROVEMENT

AID has the responsibility to ensure that those AID funds transferred to host government entities are properly used for the purposes intended. To ensure host government accountability for use of AID funds, adequate financial oversight procedures and designation of responsibility must be established within AID. This oversight responsibility, under the project management concept used by AID, is assigned to a single AID officer designated as Project Officer.

The Project Officer is responsible for all activities relating to that project, from planning through implementation and evaluation. Though AID adopted the project officer concept in 1964, the responsibilities of the function have not been well defined, particularly in the case of financial monitoring. References to these responsibilities are diffused throughout the AID Handbooks and other guidance documents. To the extent the responsibilities are defined, they are not made easily accessible to the Project Officer.

Recent appropriation levels for the Sahel Development Program have resulted in a proliferation of projects. This proliferation of projects, in conjunction with the many responsibilities of the Offices of Financial Management, make it imperative that the Project Officers perform their financial monitoring responsibilities. In this regard, AID Handbook 19, Chapter 3H1c and 2a-c, defines these responsibilities as follows:

"The management system employed by AID places project monitoring responsibility on Project Officers (PO's), who may be located in AID/W Bureaus or overseas in country Mission or regional offices. Project Officers represent AID's interests during all phases of project operations and are concerned with ensuring the prudent and effective utilization of U.S. resources.

"It logically follows that the involvement of the PO in the payment process strengthens AID's management system. This involvement provides an opportunity for the PO to verify the contractors'/ grantees' billings and to evaluate the levels of effort reported in these billings against actual performance.

"PO's are to administratively approve all vouchers submitted under AID direct contracts, grants, host country contracts (excluding payments made by bank L/COM's) and project agreements."

Most Project Officers usually make the required administrative approval. But in doing so, few approve the reports on the basis of any substantive review or knowledge of the host governments' financial management practices. In our view, the following aspects should be covered by Project Officers:

- verify the timely reporting of expenditures;
- review the rate of expenditures in accordance with approved budget line items;
- verify on a selective basis that documentation supported expenditures;
- approve disbursement of funds for large transactions; or
- test on a selective basis that the services and commodities procured were received.

Yet, in several projects, we found these aspects had not been reviewed. One reason is that the financial practices of some governments' entities are so disorganized that even a trained accountant has difficulty understanding them. Few Project Officers, consequently, have the professional background to deal with these problems. Another reason is that Project Officers may have responsibility for more than one project, thereby diluting the amount of time that can be spent on financial details.

The Project Officers should be able to obtain advice and assistance from the AID Missions' Offices of Financial Management which serve as the focal point for financial matters. But, as indicated in the preceding section of this report, other responsibilities sometimes constrain the ability of those offices to provide the needed backstopping support. It is our view that AID should consider providing technical assistance for financial management to those projects where large sums of local currencies are involved. Through such assistance, adequate financial systems could be designed and monitored and on-the-job training could be provided as required. The technical assistance would also enable Project Officers to deal more effectively with the financial monitoring aspects since they would be better able to consult with someone having the requisite financial background and knowledge of the project. We feel that technical assistance would fill a void that is resulting in the misuse of AID funds.

We should note, however, that technical assistance was provided to one of the projects we reviewed, the Livestock II Project in Mali. Under that project, the services of an AID-financed accountant was provided to design

the Sahel if there exists the possibility of training host country personnel to undertake financial management."

CONCLUSIONS AND RECOMMENDATIONS

The projects AID is financing in the Sahel are receiving substantial sums of local currency purchased with U.S. dollars. Through December 31, 1979, expenditures under active projects totaled \$146.4 million of which more than \$41.7 million represented local currency expenditures. The government entities' financial management practices for controlling, accounting and reporting on the use of these AID-financed local currency funds are seriously deficient. These deficiencies are consequently resulting in an indeterminate amount of the funds being diverted for non-project purposes.

Under its grant agreements, AID requires the entities to establish and maintain sufficient books and records, including documentation, to substantiate the use of the AID funds. Reports on the use of these funds should then be prepared periodically and sent to the AID Missions. Yet, despite these requirements, we found that few entities had maintained the required books and records to document, account and report on the use of the AID funds. Though AID funds were deposited to separate bank accounts, we frequently had difficulty determining what the funds were used for because the transactions, in many instances, were not recorded in the books. Moreover, in many cases, there was no documentation to support the expenditure of the funds. The result was that the entities' reports, when submitted, often did not tally with the books and records. A compounding deficiency was the lack of internal controls over the expenditure of AID funds. Since checks were generally not used in commercial transactions, cash was given to the same officials who authorized and procured the goods and services. This lack of internal control provided the opportunity for host government officials to misuse AID funds.

We believe that AID and other donors must give priority attention to upgrading the governments' accounting capabilities. A comprehensive training program for financial personnel must be provided if the governments' capabilities are to be upgraded at all levels of government. In our view, the Club du Sahel and CILSS would be the appropriate institutions for discussing and developing this training program.

Most AID Missions are dealing with financial problems as they arise on an ad hoc basis. In our view, the accounting capabilities of the government entities should be assessed during the project design stage so the necessary corrective action can be taken prior to the commencement of the projects. Indications are that the Offices of Financial Management, which have the expertise, are too overburdened to participate in these assessments. It seems to us, if these Financial Management Offices are to play a more effective role in the design and monitoring process, AID has to address the workloads of these offices in terms of staffing needs.

Project Officers are not monitoring the financial management aspects of the projects to the extent required. The reasons seem to be that most Project Officers neither have the professional capability nor the time to focus on these problems because of other project demands. It is our view that AID

should consider providing technical assistance for financial management to those projects where large sums of local currencies are involved. Through such assistance, adequate financial systems could be designed. This assistance would also enable Project Officers to deal more effectively with the financial aspects since they could consult with someone having the requisite financial background and knowledge of the projects.

We are making the following recommendations:

Recommendation No. 1

The Assistant Administrator, Bureau for Africa, discuss with the Club du Sahel and CILSS the need for developing a comprehensive financial training program for the Sahelian countries.

Recommendation No. 2

The AID Controller, Office of Financial Management, should take the necessary steps to ensure that sufficient financial personnel are available to participate in the design and financial monitoring of AID-financed projects in the Sahelian countries. In those projects where AID determines that the host government entities' financial capabilities are not adequate, no AID funds should be released until adequate steps have been taken to address the inadequacies.

Recommendation No. 3

The Assistant Administrator, Bureau for Africa, take the necessary steps to ensure that Project Officers in the Sahelian countries understand and perform their financial monitoring responsibilities. Supplementary financial guidance should be provided to all Project Officers and additional staffing where circumstances warrant.

Recommendation No. 4

The Assistant Administrator, Bureau for Africa, consider programing technical assistance for financial management in those AID projects involving significant sums of local currencies.

VOUCHER APPROVAL:
HOW WELL DOES IT WORK?

Audit Report No. 0-000-82-38
January 27, 1982

"I have reviewed the voucher, the related invoices and supporting documentation attached thereto. Based on this documentation and my personal knowledge of the projects, I see no reason to withhold payment. Therefore, the voucher is administratively approved for payment subject to the financial review and certification by the paying office."

The review of the voucher by the project officer is limited. He has no reliable way of relating vouchered expenditures to delivery of goods and services as required by HB 19, 3H2c:

"The project officer's approval signifies that the project officer is satisfied that the services and/or commodities set forth on the document attached to the claim or bill have, in fact, been performed/delivered and that he/she assures to the best of his/her knowledge that such commodities and services are in accordance with the contract involved."

Generally, the supporting documents that accompany the voucher show limited information on contract costs. Project officers find it difficult to relate cost categories (salaries, consultants, sub-contracts, equipment/materials, participant costs) to delivery of commodities and services. Administrative approval of vouchers by AID/Washington project officers is at best a superficial control. It creates an illusion of an internal control system that does not exist.

Overseas Project Officers

Overseas project officers are located in country mission or regional offices. Project commodities and services may be paid for through commercial banks, by mission controllers or the Office of Financial Management in Washington. Payment may be made through federal reserve letters of credit, bank or direct letters of commitment, or disbursement authorizations issued to mission controllers by the Office of Financial Management. Overseas missions can also make payments on grants.

The overseas project officer is responsible for approving all project vouchers except those submitted under bank letters of commitment and commodity vouchers submitted under direct letters of commitment. Depending on the nature of the activity, the project officer may be required to review vouchers for technical services contracts, major unit-price construction contracts, and host country local currency costs.

According to the Office of Financial Management, the overseas project officer is only responsible for a limited review of vouchers. The review is done to assure that the services for which payment is being requested have been rendered, goods described in the billing have been delivered and payment is in order. No special effort need be made to verify the accuracy of the billing by inspecting the contractor's records or making inquiries. Nor is the project officer expected to check the billing for consistency with the contract or for arithmetical accuracy. Vouchers to the Agency are generally accompanied by a breakdown of expenses by category. Unless required by the contract, the contractor need

provide no additional information. The project officer is presently required to review and approve the expenses. He has no means of relating expenses to contract implementation.

Overseas, project officers are required to approve vouchers for local currency costs reimbursable to a host country. In the case of salaries and training costs, the voucher may show costs by category. Construction costs may be supported by a breakdown of elements built. Since the project officer does not review host-government records, his review of the voucher is general in nature and does not assure that the precise amounts being billed are proper.

AID inaugurated the administrative approval process June 1, 1977. ^{1/} The procedures have since been amended to exclude bank letters of commitment and certain vouchers paid under direct letters of commitment. Implementation of the procedures has been a subject of controversy since inception.

Much of the controversy relates to the project officer's interpretation of the review requirements. Basically, each project officer decided for himself what to do. Approvals were based on widely different reviews that, depending on depth, added little or much to the documentation on which the authorized certifying officer could base his finding that payment was proper.

The reason for the project officer's confusion is clear; no guidelines for the approval were issued and the language used in Handbook 19 and other Office of Financial Management documents was contradictory. Handbook 19, in regard to the administrative approval process, mentions the "opportunity for the Project Officer to verify the contractor's/grantee's billing." It, also, states that the approval indicates that the project officer "is satisfied that the services and/or commodities (billed) have in fact been performed/delivered and assures to the best of his knowledge that such commodities and services are in accordance with the contract involved." These statements indicate a high degree of positive assurance that the billings are proper and payment is in order. They seem to be at complete odds with the wording on the approval which is negative in nature, "I see no reason to withhold payment."

In November 1979, the Agency issued guidelines to project officers spelling out requirements for administrative approval of vouchers:

"The establishment of a requirement for the administrative approval of vouchers under country contracting procedures in 1977 was predicated on the fact that a project officer in the field is more familiar with the projects assigned to him and with the work being performed by contractors in the implementation of such projects than any other person in AID."

The approval process was intended to make use of the project officer's knowledge to prevent errors in payments without adding to the project officer's workload. These seem to be incompatible goals. Guidelines limited the depth of review. For example, review of the cost of field services calls only for checking the

^{1/} Handbook 19, Chapter 2, issued August 2, 1977 - AID/W Notice of August 9, 1977.

number and kind of employees for whom salaries are billed. Field costs such as travel, communications, office expenses, and other miscellaneous costs do not require detailed review by the project officer since, in most instances, he will not have any personal knowledge of the justification for such charges.

Conclusion

The administrative process is unreliable because the negative approval, "I see no reason to withhold payment," may represent good working knowledge of a project or total ignorance of what is going on in a project. There are no minimum standards.

As part of a revised system to provide reasonable assurance that vouchers paid are legal and proper, minimum standards for the administrative approval process must be established.

Risk In Bank Letter Of Commitment Method Of Payment

We find that the bank letter of commitment method of payment as used by AID is the highest risk method of financing. This opinion is based primarily upon the fact that generally no AID official reviews the voucher and supporting documentation prior to payment.

Under the bank letter of commitment method commercial banks pay suppliers directly upon presentation of the documents prescribed. AID reimburses the banks for these payments. Typically, to receive payment a supplier is required to present to the bank an invoice, an AID form 282 in which the supplier certifies that it has complied with various Government regulations, and some evidence of delivery such as a bill of lading or a dock receipt. The bank does not examine or authenticate the documents presented. The bank only makes sure that a document of the prescribed nature is presented. In fact, we have found cases in which a receptionist signed a form 282 in support of a drawdown of funds and the bank accepted the 282 and made the payment.

Banks do not match the bills to corresponding purchase orders or contracts nor do they review bills for reasonableness. If there is money available in the supplier's authorization and each of the prescribed documents are presented the bank will pay.

For AID to do business without problems by the bank letter of commitment method of financing, two important factors must be present. First, the contractor must know and observe AID regulations. The contractor must do this because payments made under this procedure do not receive administrative review by an AID official prior to payments.

Second, the contractor must be honest. Since there is no administrative review, payments are based solely upon the supplier's documents. None of those documents are reviewed or authenticated by the paying bank. The bank pays based upon the presentation of the documents. No one in AID attests to the actual receipt or delivery of the goods or services. Hence, an unscrupulous contractor could get paid without actually performing or performing improperly.

UNITED STATES GOVERNMENT

Nov 27 1 34 PM '81 memorandum

DATE: November 25, 1981

TO: FM/C, Curtis Christensen *CC*

SUBJECT: Draft Audit Report on Voucher Approval - How Well Does It Work?

TO: RIG/A/W, Mr. George L. DeMarco

This is in response to the subject draft audit report on Voucher Approval and the meeting you had with my staff. As indicated at that meeting, we welcome any assistance the IG can give to improve the process of managing contracts and grants and of assuring the organizations involved have qualified accounting systems. We are concerned, however, that this audit report seems to weigh in too heavily on certifying officers and puts more responsibility on the Project Officer than FM was able to gain in implementing the P.O. approval process. Concerning your review of the Agency's administrative approval process, the following is the policy for approval of vouchers which was agreed to by the bureaus and incorporated in the Agency's official directives.

Agency Guidelines for Project Officer's Administrative Approval of vouchers are contained in Chapter 3, Appendix 3A, of Handbook 19. The establishment of a requirement for the administrative approval of vouchers is predicated on the fact that a Project Officer is the one most familiar with the projects assigned to him/her and with the work being performed by contractors/grantees in the implementation of such projects. It is intended to use their general familiarity with the projects to prevent significant errors in making payments to contractors/grantees without, at the same time, imposing a substantial additional workload on them. The Project Officer's approval strengthens the internal control system upon which the Certifying Officer relies. It assures that reasonable verification of the billing has taken place and that those services for which payment is being requested have in fact been rendered, goods described in the billing have been delivered, and the payment is in order. These concepts are reflected in the reference to "My personal knowledge of the project" in the Project Officer's approval statement. An elaboration of these principles is contained in paragraphs four and five of Appendix 3A which addresses review requirements for specific types of contracts. In all cases the Project Officer is expected to confirm that the billing is consistent with the facts as he knows them from personal observation or from reports. It is not expected that the Project Officer perform a detailed verification, review the billing for consistency with the contract, or check for arithmetical accuracy. The Authorized Certifying Officer is responsible for these latter reviews as necessary, before making payment.

The report concludes that the administrative approval by Project Officers provides little assurance to the certifying officer that the amounts in the voucher are valid. It further concluded that the Agency should consider requiring contractors to provide additional data to support voucher expenditures. This conclusion, and Recommendation No. 3 which calls for the development of a strengthened system of internal control to assure payments are made only for valid expenses, suggests that a more detailed examination be made of supporting documentation prior to payment being processed. This would result in an increased level of effort on the part of both the Certifying Officer and the Project Officer and would come at a time when we are realizing severe constraints on personnel staffing. The added time needed to meet these recommendations would further delay the payment process and make it more difficult to comply with external mandates established by OMB, Treasury, and GSA for making payments in a timely manner. Under Cash Management Guidelines prescribed by the Treasury, each Agency must make payment as close as administratively possible to due dates as specified in the invoice, contract, or other agreement. If no due date is specified, the due date is considered to be (30) days from receipt of the invoice.

In addition to the Treasury requirement, the GSA has proposed certain changes to the Federal Procurement Regulations which would require the insertion of a clause in contracts stipulating the government's terms of payment. The new clause would specifically provide for a 30 day payment period for contracts and purchase orders starting from the date of receipt of a correct and properly documented invoice in the designated paying office. Agency officials would be responsible to continually review and monitor payment actions by payment offices, determine problems causing any untimely payments to contractors and take appropriate remedial action to assure target dates for making payment will be met in the future. In addition, each Agency would be required to submit semiannual reports to GSA regarding payment performance, indicating the total number of payments made within the time stipulated and the total number not made within the contract time frame identifying the reasons for late payment. The proposed report further requires that if more than five percent of all payments were made after the target dates for reasons other than disputed invoices, agencies shall state what steps have been or are being taken to improve payment performance.

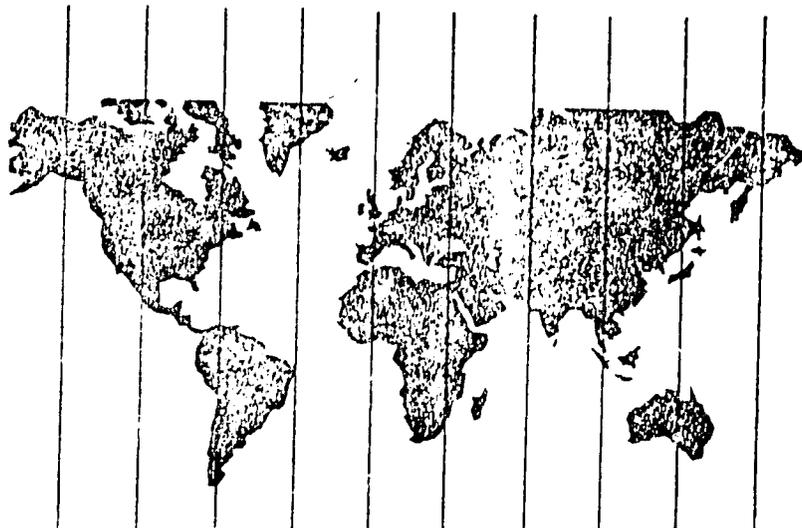
The IG seems to be requiring a much more thorough review of vouchers than is now being performed. This past June, FM studied its disbursement practices and found that without this added burden recommended by the IG, we are encountering problems in meeting the 30 day payment requirement. From this study we also determined that Agency paying offices have difficulty in complying with the cash management requirements to automatically take advantage of cash discounts. These payment problems are primarily being encountered in the field due to delays in transmitting payment documentation to and from State Regional Disbursing Offices and severe constraints on personnel staffing both in the field and in AID/W. If our paying offices must examine additional documentation, this extra effort would further add to the already existing problem of processing payments within a 30 day timeframe.

UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL

IMPROVEMENTS MUST BE MADE
IN THE
SAHEL REGIONAL DEVELOPMENT PROGRAM

Audit Report No. O-625-81-52
March 10, 1981



Regional Inspector General for Audit
WASHINGTON

- The payments of salary premiums to recipient government officials is widespread in the Sahel. Unless such salary payments are made, project activities may be delayed or not even started. AID should assess the magnitude of this issue and if deemed appropriate assist the CILSS/Club in developing guidelines for donors and recipient governments to follow.

Problems In Host Country Accounting And Financial Controls

Donor assistance to the Sahelian states is expected to be provided at an annual level of \$1-1.5 billion over the next 10 years, of which AID will provide about 10 percent per year. A substantial amount of AID and other donor assistance is to be provided to the Sahelian states in the form of local currencies for financing local costs. An AID-financed report entitled, "Foreign Aid and Domestic Costs of Sahel Development Projects," estimated that over a 10-year period roughly \$6.8 billion would be needed to cover local currency costs for an investment program with a \$10 billion foreign exchange component.

Over the past year AID officials have expressed considerable concern to Inspector General officials regarding the host governments' utilization of AID local currency funds in the Sahelian countries. In response to this concern, the Inspector General performed a review to determine whether Sahelian governments' financial management practices for defraying local cost were adequate.

The audit disclosed serious shortcomings in the local entities' financial practices which indicate the cost in terms of waste and misuse of AID and other donor funds is potentially in the millions of dollars.¹ The financial systems reviewed in five of the eight Sahelian countries were characterized by a lack of uniformity, organization and reliability. The practices in each of the states varied not only among ministries but also among divisions within ministries. In general, there were few integrated and effective financial management systems capable of adequately controlling, accounting and reporting on the use of AID funds. The absence of adequate financial management controls and accountability retards the development process and frustrates the delivery of assistance to those in need.

The budgetary problems of the Sahelian governments cannot be overlooked as an important factor adversely affecting the use of donor project funds. Almost without exception, the Sahelian governments are experiencing serious budgetary deficits. Since the governments do not have the internal means for financing these deficits, they depend upon donor budgetary support. It is our view that when budgetary funds are not immediately available, donor project funds are diverted to cover the government entities' normally recurring budget expenses.

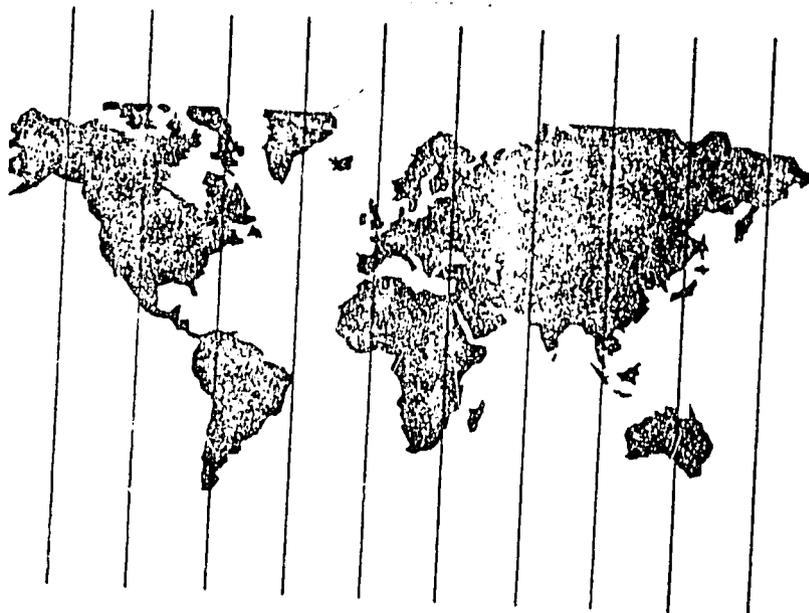
¹AAG/W, Audit Report No. 81-35, "Problems In Host Country Accounting For Utilization Of AID Funds In The Sahel," January 29, 1981.

UNITED STATES
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¹AAG/W, Audit Report No. 81-35, "Problems In Host Country Accounting For Utilization Of AID Funds In The Sahel," January 29, 1981.

Our review of the accounting records of the CILSS and Sahel Institute showed that even these Sahel regional coordination institutions are experiencing serious difficulty in maintaining adequate controls over local currency expenditures. The CILSS cash receipts book, for example, was incomplete and not maintained in a manner that distinguished receipts from different donors. The accounting books and records maintained by CILSS for disbursements were also poorly organized. Three separate sets of accounting records were maintained by different units within CILSS. None of these records were complete in recording transactions. Those transactions that were recorded were also not classified in a manner that enabled us to determine the nature of the disbursement. Moreover, when we asked to see the documents supporting the transaction, CILSS was frequently unable to provide them.

Many of these and other accounting deficiencies also apply to the Sahel Institute. Its cash disbursement book, for instance, did not list payment dates or check numbers of several transactions. The Institute's expenses were not grouped or classified according to the appropriate expense category, such as technical assistance, equipment, salaries, conferences, etc.

In summary, the CILSS and Sahel Institute could not adequately document how AID-financed local expenditures were made. Thus, we could not determine whether these expenditures were made in accordance with the project paper or grant agreements.

Conclusions and Recommendations

AID and other donor funds are generally channelled through the administrative entities of the Sahelian governments implementing the projects. Reliance is therefore placed on the financial management practices of those entities to ensure that the funds are used for the purposes for which they were programmed and budgeted. Consequently, it is critical that the Sahelian governments be made aware of the importance of improving financial management over local currency expenditures. Unless improvements are made, donor governments and organizations cannot be assured that their financial aid is not wasted or misused. The long-term effect could result in a lessened interest by the international community to develop the Sahel. Furthermore, we believe that unless this issue is discussed and resolved at the highest governmental levels, little improvements can be expected from the implementing agencies of the national governments. The CILSS and Club are the appropriate forum to use in discussing this problem with recipient government officials.

We believe that AID and other donors must give priority attention to upgrading the governments' accounting capabilities. A comprehensive training program for financial management personnel must be provided if the governments' capabilities are to be upgraded at all levels of government. In our view, the Club du Sahel and CILSS would be the appropriate institutions for discussing and developing this training program.

The CILSS and the Sahel Institute were experiencing serious difficulties in establishing adequate accounting systems. Since January 1979, Mission officials have met several times with CILSS and Sahel Institute management

to assist them in establishing adequate books and records. However, at the time of our review in July 1980, there was little evidence of any substantive improvement.

In order to improve financial management over local currency expenditures, we are making the following recommendations.

Recommendation No. 7

The Assistant Administrator, Bureau for Africa, pursue the issue of inadequate recipient governments' financial management systems with representatives of the Club du Sahel and the CILSS. The outcome of this discussion should be an open dialogue on the problem at high Sahel governmental levels and development of a consistent Sahel-wide policy and program on it.

Recommendation No. 8

The Assistant Administrator, Bureau for Africa, discuss with the Club du Sahel and CILSS the need for developing a comprehensive financial training program for the Sahelian countries.

Recommendation No. 9

We recommend that USAID Office of Financial Management at Upper Volta and Mali provide appropriate assistance to CILSS and the Sahel Institute to enable these institutions to establish and operate an accounting system adequate to meet the requirements of the grant agreement.

Africa Bureau Comments

In commenting on our draft report, Africa Bureau officials stated that steps are underway for developing a comprehensive training program in financial management for the Sahelian countries. The International Labor Office plans to assign two consultants to the CILSS for purposes of developing training programs. AID is also planning training courses in financial management for African government accountants and other Sahelian officials.

The Bureau also is presently arranging for the recruitment of an expert who will review CILSS' internal control procedures, assist the CILSS in implementing those procedures, and establish an integrated accounting/financial reporting system to satisfy the requirements of all donors and CILSS management. Similar actions are planned for the Sahel Institute.

A Policy Should Be Developed On The Practice Of Paying Salary Premiums To Recipient Government Personnel

The use of salary premiums (Indemnites Responsibilities) to motivate and compensate recipient government personnel involved in donor-financed projects is a common practice in the Sahel. The problem with this practice is that

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Auditor General

IMPROVEMENTS NEEDED IN MANAGEMENT OF AID/W PROJECTS

The Administrator has recently emphasized the importance of project implementation and directed actions to improve it. We identified significant problems in management of AID/W funded projects during this review. Prior AG and GAO reports have pointed out problems with project management and monitoring overseas and in AID/W, but no lasting improvement seems to have been made. We believe more management attention needs to be given to solving project implementation and monitoring problems. This report describes the problems we found and suggests some actions that would help solve them.

Audit Report Number 81-20

Issue Date November 26, 1980

Area Auditor General, Washington
Agency for International Development
Washington, DC. 20523

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Conclusions

In order to assure adequate monitoring, a monitoring plan should be developed as a part of project implementation planning. Use of a monitoring plan would allow management to review and approve the level of monitoring and provide an overview of monitoring.

In addition to increasing control over monitoring activities, the Agency needs to give more emphasis to project monitoring in evaluating Project Officers' performance. This should be done as part of the annual performance evaluation. Monitoring responsibilities should be part of the Project Officer's description of major duties in the PER. We suggest that:

1. Plans to establish critical monitoring activities be required for each project, and procedures for documenting those monitoring activities be developed as a part of implementation planning.
2. Operating managers be required to assure that project monitoring responsibilities are considered in evaluating the performance of Project Officers.

Project Designs Need More Critical Review

The project document that establishes the basis for AID action is the project paper. The project paper, among other things, should provide a self-sufficient basis for action, a detailed description of the project, a clear definition of the responsibilities of AID and the other project participants, and an implementation plan. The project paper contains the basic design of the project.

Project designs were incomplete or weak in some of the project papers we reviewed. For example, three projects did not describe or establish relationships between the parties. Three project papers did not provide quantifiable indicators with which to measure progress. One project contained three phases, but provided no criteria or accomplishments necessary to proceed from one phase to the next. Two projects provided no parameters within which the Private Voluntary Organization should work, e.g., they did not restrict assistance to underdeveloped countries or to projects that conform to AID's requirements.

As a general observation, we believe that some project papers are overly optimistic about what can be done within the time frame established or the funds budgeted. The pressure to obligate funds results in project designs which are not always candid or realistic. Many project papers do not recognize the degree of risk inherent in development related projects. Some underestimate the difficulty in coordinating the activities of several institutions involved with implementation. Such projects often result in delays, shortfalls, and implementation problems. With a more realistic appraisal of the project, better contingency plans could be made for dealing with the problems that come up during implementation.

The project paper forms the basis for the Project Officer's monitoring activities. A well designed project normally has fewer implementation problems and requires less monitoring. On the other hand, a vague, broadly designed project requires considerable effort just to obtain a consensus as to what needs to be done. On one project we reviewed, considerable time was lost while the Project Officer and the contractor came to an agreement on what was to be done.

Conclusion

We conclude that poor project implementation is frequently a direct result of inadequate project design and makes project monitoring time consuming and difficult. It requires the project officer to make more judgments and decisions on where the project is going. Several recent audit reports have been critical of project monitoring because additional responsibility has been placed on the Project Officer by weak or unrealistic project designs. We believe project papers must be more critically reviewed from the standpoint of being practical, realistic and capable of being implemented within the project period. Several responses indicated that the project review process is both thorough and critical. Reviews are made by many specialists and the Project Review Committees are demanding in their requirements. While we do not dispute that, we still found that project designs were frequently not in enough detail or were unrealistic. We suggest that:

3. More emphasis be placed by bureau management officials on critically reviewing project designs for reasonableness and adequacy of detail.

SAHEL DEVELOPMENT PROGRAM—IMPLEMENTATION

SEC. 308. (a) Section 121(c) of the Foreign Assistance Act of 1961 is amended in the third sentence by striking out "\$88,442,000 for the fiscal year 1981" and inserting in lieu thereof "\$86,558,000 for the fiscal year 1982 and \$86,558,000 for the fiscal year 1983". 22 USC 2151s.

(b) Section 121 of such Act is amended by adding at the end thereof the following new subsection:

"(d) 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."

PRIVATE AND VOLUNTARY ORGANIZATIONS

SEC. 309. Section 123 of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new subsections: 22 USC 2151u.

"(f) For each of the fiscal years 1982, 1983, and 1984, funds in an amount not less than 12 percent of the aggregate amount appropriated for that fiscal year to carry out sections 103(a), 104(b), 104(c), 105, 106, 121, and 491 of this Act shall be made available for the activities of private and voluntary organizations, and the President shall seek to channel funds in an amount not less than 16 percent of such aggregate amount for the activities of private and voluntary organizations. 22 USC 2151a, 2151b, 2151c, 2151d, 2151a, 2292.

"(g) After December 31, 1984, funds made available to carry out section 103(a), 104(b), 104(c), 105, 106, 121, or 491 of this Act may not be made available for programs of any United States private and voluntary organization which does not obtain at least 20 percent of its total annual financial support for its international activities from sources other than the United States Government, except that this restriction does not apply with respect to programs which, as of that date, are receiving financial support from the agency primarily responsible for administering this part. The Administrator of the agency primarily responsible for administering this part may, on a case-by-case basis, waive the restriction established by this subsection, after taking into account the effectiveness of the overseas development activities of the organization, its level of volunteer support, its financial viability and stability, and the degree of its dependence for its financial support on the agency primarily responsible for administering this part." Funding restrictions.

HOUSING GUARANTY PROGRAMS

SEC. 310. (a) Section 222(a) of the Foreign Assistance Act of 1961 is amended— 22 USC 2182.

(1) in the second sentence by striking out "\$1,555,000,000" and inserting in lieu thereof "\$1,718,000,000"; and

(2) in the third sentence by striking out "September 30, 1982" and inserting in lieu thereof "September 30, 1984".

(b) Section 223(b) of such Act is amended by adding at the end thereof the following: "All of the foregoing fees referred to in this section together with earnings thereon and other income arising from guaranty operations under this title shall be held in a revolving 22 USC 2183.

ANNEX F-1

COUNTRY ANALYSES OF CERTIFICATION

Mauritania

USAID/Nouakchott has eight active projects, of which seven have local currency. Although the Mission portfolio does not have local currency funds under host government control, there is significant local currency spent by contractors and by USAID directly. Thus far, the Controller's Office has been able to review 100 percent of all vouchers for direct USAID expenditures.

The Mauritanian governmental infrastructure is the weakest of the seven Sahelian countries. It would be unable, currently, to absorb local currency funding in AID projects and account for it. It is inevitable, however, that in future projects movement must be made toward greater host governmental responsibility for AID-financed project management, including financial management. The present financial management system and practices of the Mauritanian government concerning their own funds are virtually unknown to USAID. Hence technical assistance is called for to analyze this and prepare the ground for projects which will assume government competence in this field, for example a projected AID Agriculture Sector Grant.

One improvement prospect is to strengthen the financial management training resources of the Ecole National de l'Administration. Since this institution strengthening potential is significant. Another idea expoused is to have the state-owned national bank do the accounting for AID-financed local currency funds under Mauritanian control. In this case, the bank would be paid for its services, and direct institution-building potential would be limited. Compounding the infrastructural weaknesses are an inadequate pool of locally-trained accountants, and a serious cash-flow problem within the government which could encourage misuse of local currency.

Mali

USAID/Bamako has 25 active projects of which 18 have local currency components. Thus far 19 have been fully certified, or partially certified leaving a balance of five.

The Mission staff, principally in the Controller's Office, has made a great effort to certify host country accounting systems for local currency. Project Officers visit project accounting stations with Controller Office personnel and are involved in the evaluation of systems. A list of necessary improvements is prepared which is checked when completed. In all cases, host country institutions prepare their own checks without going through the national training. Deficiencies encountered in the project accounting systems are similar to those found in other Missions: no encumbrance journals, checkbooks and journals not posted up-to-date and no bank reconciliations. In general, systems existed prior to certification but were incomplete or procedures were not followed systematically. Since the end of FY 1980, the Mission has reviewed all accounting systems in detail for new projects and required improvements were added as CPs to the project. They have had no difficulty in certifying and maintaining these systems. Systems have improved significantly since the advent of the certification requirement.

However, Mission personnel do feel that the maintenance of the certification will be difficult in the future. It will not be possible to devote on a permanent basis the same magnitude of effort to the certification process.

Because of the economic situation in Mali, there have been difficulties in assuring proper usage of AID local currency funds. The country is nearly bankrupt and the salaries of civil servants are frequently delayed as much as three months. As a result, a few cases have occurred when entities used AID funds to meet current GOM liabilities. Diversions of funds may be reduced in the future with tighter financial controls but will be difficult to eliminate in the current economic environment.

Inventory control in projects has been weak. An inventory control system has not generally been required for certification. Annual budgets have been difficult to obtain on a timely basis. This has reduced the effectiveness of the project management system. These are two fields where technical assistance could work closely with project accountants and achieve concrete improvements.

Documentation requirements for reimbursements and liquidation consists of summaries of disbursements and encumbrances and bank reconciliations.

Upper Volta

USAID/Ougadougou has 18 active projects, funded from the Sahel appropriation, 16 of which have local currency components. To date eight projects have been fully certified and two partially certified leaving a balance of eight projects that still have to be certified.

The general operating procedure in the Mission for certification has been for Controller Office personnel to work closely with Project Officers in the initial review of accounting systems and corrective actions. The Project Officer and the financial analyst or Acting Controller visit the accounting site for the project and determine status and required changes. In the great majority of cases, a new accounting system has been developed and implemented. The systems are generally independent of the accounting systems in the parent organization, but are designed to meet the overall accounting and management needs of the implementing entity as well as AID financial reporting requirements. These new systems are very well documented by the Mission and include detailed operating instructions for the project accountant.

Where no accounting system existed previously, it is often necessary to reconstruct records to the present period. Often an accountant was not available and the work was done by the Project Officer and Controller Office representative. Therefore, a large amount of time has been spent and is still being spent by OFM and Project Officers in the initial certification of project accounting systems.

It should be noted that the Mission is assisting in the design and implementation of accounting systems for all projects, not just those requiring certification prior to obligation or disbursement. This includes systems for non-Sahel funded projects and host country contributions.

The major deficiencies in accounting systems were as follows:

- No accountant.
- No encumbrance journal.
- Cash disbursement journal not posted as checks written or nonexistent.
- Accounting journals not summarized and reports issued.
- No bank reconciliations.
- Single signature checks.

Encumbrance journals have not been required in all instances. This is always required when a project is near completion and there is a chance of exceeding the total budget or individual line item budgets. OFM also demands

an encumbrance journal in the case of new projects in order to begin with a complete system. When an existing project is not near completion, an encumbrance journal is sometimes omitted; however an approximation of encumbrances is made by adding cash disbursements, accruals, outstanding purchase orders and contract balances.

The accounting systems designed have generally followed the model of the User's Manual except in cases where loan revolving funds were in the project or branch accounting requiring a double entry system was necessary. Special systems were also developed for the two parastatals of the OPNACER and Seed Multiplication projects.

All USAID/Ougadougou projects operate on advances for up to 90 days. Quarterly financial reporting requirements for the liquidation of those advances are as follows:

1. 1034 reimbursement request.
2. Statement of Disbursements.
3. Bank reconciliation with copies of bank statements.
4. Encumbrance status report.
5. Project advance reconciliation report.

Original invoices and receipts are submitted to the Controller's Officer in addition to the above reports. In the few projects where invoices and receipts are not required to be submitted, Controller's Office personnel visit the site at least once every 15 months to review documentation. More frequent visits are made when the financial reports indicate problems.

The general status of projects according to OFM personnel is as follows:

Strengthening WID

- Problems with account for past advances.
- Reconstruction of records was required.
- Accounting system partly designed; lacked design for headquarters and some ORDs.

Oncho Free Area Village Development

- No problem with accounting for past advances to the GOUV.
- System has been designed but not yet implemented by Government.
- Project Manager has bank account - some problems with accounting for advances.

- Could possibly use full-time financial advisor.

Ag. Human Resources Dev.

- Certified.
- Contractor keeps records - may be decertified.

Training of Women in the Sahel (TWIS)

- Problem with accounting for past advances (\$1.7 million).
- System has been designed but not implemented.
- Headquarters with civil service accountant does not want to consolidate reports with branch accounting of non-civil service accountant.

Rural Water Supply

- Certified - existing system modified.
- Problems with accounting for part of advances.

Seguenega Integrated Rural Dev. (OPG)

- Existing accounting system audited by Deloitte, Haskins and Sells - no opinion due to serious problems.
- Could possibly use full-time financial advisor.

Forestry Education and Development

- Certified against advice of FA.
- Accounting good but no control of receipts for firewood sales which is necessary to project.
- Manager controls checkbooks - information not always given to accountant for posting.
- Disbursements currently blocked.

Foundation Seed Production

- Partially certified.
- Requires system for USAID operating and revolving loan fund.

Integrated Pest Management

- Implemented by CILSS in eight countries.

- Existing system modified to enable certification - weak system at present.
- Niger component not certified.
- Accountants hired.

Accelerated Import Program

- Certified except for Rural Artisan Training.
- Peace Corps Accountant maintains books.

Sahel Regional Coordination and Planning

- Implemented by CILSS.
- Not certified.

Grain Marketing Development (OFNACER)

- DHS designing financial system.
- \$535 million CFA for 1971-75; \$70 million CFA for 1976-80 to be repaid as counterpart.
- Initial check for \$53 million CFA due March '82; not received under repayment agreement.
- Full-time financial advisor could be used.

The main problem in the future for the Controller's Office is the inadequate staff level to continue certification activities and maintenance. Initial certification work has been divided between the Acting Controller and the financial analyst. However, when the remaining eight projects are certified, additional monitoring and training at the sites will be necessary. Also, financial reports will be received in increasing numbers which will have to be reviewed and will trigger additional monitoring and training visits. The workload is particularly great in Upper Volta due to the number of accounting stations (45) and the distance of many from Ougadougou. This Mission has traditionally placed more responsibility for the management of funds in the hands of the host country, thereby enhancing the development of financial management of the host country in the long run but complicating the certification process in the short run.

Niger

USAID/Niamey has 17 active projects of which 11 have local currency components. They have all been certified.

The general approach to certification in this Mission is that the host country project office is visited by a member of the Controller's Office and the Project Officer. The system is reviewed and recommendations made. The project accountant is assisted in making all required improvements by the Controller's Office representative. When this is completed, a memo is prepared by the Controller to the Mission Director outlining the current status of the accounting system and recommending certification.

In general, existing systems were modified to meet the requirements of certification; there are only a few cases where new accounting systems had to be developed. In some cases, the records had not been kept methodically such as in Rural Health when three years of transactions had to be reconstructed. The major deficiencies were as follows:

- No method for recording encumbrances.
- No bank reconciliations.
- No control of commodities purchases, especially gasoline.
- No inventory controls.
- No qualified accountants.
- Journals not posted up to date.

The result of the improvements has been to change document action centers into accounting centers.

It should be noted that the Controller's interpretation of requirements for certification is somewhat stricter than other Missions' as demonstrated by the demand for gasoline use and inventory control. In support of this, a system of end-use checks has been initiated. The transactions are traced through the accounting system to the final use of the input for fuel, salaries, property and petty cash. An American dependent has been hired to perform sample end-use checks.

In order to lessen the burden on host country project accounting systems and also to minimize the chance of adverse audit findings, it appears a general policy of the Controller's Office to make payment for local currency expenditures directly whenever practical rather than to channel the funds through the host country implementing organization. In practice, this means that the Mission pays directly most large local currency payments, local currency payments related to dollar expenditures and easily separated local currency payments. Regardless of this policy, accounting systems still have to be in place in almost all cases and they are not necessarily less complex.

The Mission appears to have been fairly successful in recruiting new accountants for projects. The success seems to be due to the input of the Controller's Office personnel who have interviewed candidates and made recommendations to host country project directors.

All projects with the exception of 683-0240 (Niamey Department Development) operate on advances of funds from USAID. Because of the rapidity with which systems have been developing in response to certification requirements in this Mission, there appears to be two slightly differing policies on advances in this Mission. The first initially advances for a period of 30 days and grants subsequent advances upon presentation of monthly reports and documentation liquidating the previous advances. The subsequent advance is in the form of a prepositional check requested in advance by USAID. Although there is often a lapse of up to a week between the end of the period and approval of documentation by USAID with delivery of check, no project delay appears to be experienced, since local treasury accounts can be overdrawn.

The second advance method involves an initial advance of 60 days also with monthly liquidation vouchers. The first 30 days of the advance is then liquidated and an advance check requested from Paris to cover this subsequent 60-day period less cash on hand. With this system, a project should not frequently run out of funds provided that documents are reviewed rapidly. The result of these strict advance policies is that the Mission is quickly aware of any accounting problems that occur in the implementing agencies.

Documentation Requirements

The following documentation is required to be submitted with the monthly voucher:

- 1034.
- Statement of disbursements.
- Bank reconciliation with copy of bank statement.
- Balance of petty cash and unliquidated sub-advances at end of month.
- Advance request for next period.

The submission of original receipts (sometimes accept copies) is required from all projects.

It is the Ministry of Plan which has the responsibility for approving and controlling all development and capital projects in Niger. This includes projects financed by donors and domestic funds. The Ministry of Plan:

- approves the initial project and signs agreement;
- approves contracts under agreement;

- establishes bank accounts at the treasury;
- certifies disbursements under projects;
- maintains cumulative disbursement; and
- approves liquidation and reimbursement vouchers.

The functions listed above, however, are not consistently performed. First, not all projects have payments certified through the Minister of Plan's certifying officer, or "Donnateur Delegeue". In some projects, the project director is authorized to sign checks at the National Development Bank. When this occurs, cumulative disbursement records are not kept in the Ministry of Plan. Even when payments are certified at the Ministry of Plan, not all reimbursement or liquidation vouchers are approved by Plan, as in the case of the Rural Health project with one account through the Treasury and two through the National Development Bank. Therefore, in order to maintain adequate financial control of projects and produce the reports required by AID, the accounting records are maintained in the project offices of the host country implementing agency in a manner similar to that recommended in the User's Manual. Where Plan does exercise control, all actions are initiated in the HC project office and documents are sent to the Plan certifying officer who processes an order for payment. In these cases, he performs a financial review in order to determine that proper approvals and documents such as invoices and receiving reports are attached. In the case of a contract payment, he will check the budget of the contract to determine if a request for payment is allowable. He does not, however, systematically review requests for payments against agreements and implementation documents before approving disbursements.

However imperfect this system might be, it does seem to offer an increase in financial control because of the separation of duties. The review performed by the Plan certifying officer is independent and designed to prevent situations where disallowances are required.

It appears that the Missions may move toward channeling the financial transaction of more projects through the Ministry of Plan in the future. The Minister of Plan has acknowledged their responsibility to reimburse AID for disallowances thus making those situations less disrupting.

Unlike Upper Volta, this Mission does not have Project Officers with petty cash funds, cosigning checks or approving payment documents prior to disbursement by GON officials. The only exception to this is in the Niger Cereals project, due to terminate soon, where the Project Officer approves payment documents prior to disbursement by the Ministry of Plan certifying officer. The reasons for this policy are that cosigning checks on GON administrative approvals is not his responsibility and he has no authority from the GON to do so. In addition, it is embarrassing for AID in the event of a later disallowance of a previously approved payment by the Project Officer.

Encumbrance journals have not been required because it is felt that accounting systems have not yet reached the point where these can be implemented and used effectively. The intent is to use encumbrance journals in the future.

In order to more fully involve the host country project directors in the management of the total project, the Controller's Officer has begun sending monthly reports on earmarking commitments and expenditures for the project so that information on both the dollar and local currency activities would be available.

Although projects have been initially certified, Controller Office personnel believe that there is still a great deal of work to be done in the maintenance of the accounting system.

Cape Verde

USAID/Praia has eight active projects of which four have local currency components. All projects have been certified at this time. All public funds in Cape Verde are administered by the Ministry of Finance, where all government accounting records are maintained. At the project level, log books are maintained identifying receipts from Finance, and actual disbursements. At the end of each month, receipts and payroll records are submitted to Finance, where they are verified, posted to the appropriate accounts and filed.

AID project accounts which list annual budget figures can be easily located and verified, as well as receipts from AID and disbursements accounted for, in a simple debit-credit ledger form. An efficient reference system allows one to trace any entry directly to the original receipts or payroll sheets, which are kept on file and catalogued by ministry, project, and month. Using records obtained from the AID Regional Controller's Office, entries in the Finance records have been spot-checked and found to be accurate.

As all AID-financed accounts are maintained by Finance, it is relatively easy to establish that the actual accounting per se is adequate, efficient, and definitely certifiable under the AID/W guidelines. Specifically, Cape Verde complies with requirements in that:

- It provides a method of insuring that approved budgets are not over-subscribed, as each sub-account includes a budget figure. (In some cases this is a bit unclear, due to the lack of a standardized system of implementation letters on the part of AID. However, this can be easily corrected and brought up to date; and the actual means of monitoring does exist with the Ministry of Finance.)
- The sub-accounts provide easily accessible information identifying receipt of AID funds and expenditures, which are reconciled against the bank's ministry-wide accounts on a monthly basis. All checks are received by Finance; all disbursements are made by Finance; and appropriate accounting entries are made before deposits to the receiving ministry.
- Appropriate internal controls exist to guarantee that funds are not misused. On the project level, disbursements are made and accounted for to Finance. At least three separate people are involved in the actual verification and recording of these receipts. Also, periodically Finance sends people out to the field to verify payroll records, as does AID/Praia.

The only identifiable weakness is in the reporting. In the past, reporting has been done on the project level by the Cape Verdian responsible for the actual disbursement of funds. These individuals have been double reporting, actually, as Finance requires basically the same information as AID, together with the original documentation. The projects have given priority to reporting to Finance in many cases, letting AID reporting lapse.

This has created a situation where Finance has been advancing funds and accounting for them from the appropriate ministries' general funds, awaiting eventual reimbursement from AID -- while not really understanding why it has not been forthcoming. There are cases where AID has made initial advances, which are still outstanding, when in reality disbursements for the project have far exceeded the advance. Rather than halt work, Finance has been advancing Cape Verdian funds. This has caused a situation where there really exists no incentive on the project level to submit AID reports. This was found to be the case with the Watershed Management project, which involves the largest dollar amount of local AID financing.

In order to rectify this situation, the possibility of turning the reporting requirements over to the Ministry of Finance has been discussed. Since they control disbursements and maintain the actual accounting records and documentation, this appears to be a logical solution. The idea has been well-received by both Finance and the project personnel involved.

The Gambia

USAID/Banjul has eleven active projects, of which eight have local currency components. Three projects are not yet certified.

AID local currency funds in The Gambia are handled completely by the government through the Ministries of Agriculture, Local Government and Water Resources. AID funds are turned over to the government upon request. When funds are spent, original vouchers go to the Accountant General's office and voucher copies are kept by individual ministries. Discussions with the Accountant General and the Auditor General indicate that this system is basically accurate, but that timeliness is a serious problem.

The lag in posting accounting transactions in the Accountant General's office (this step in effect puts the government's stamp of approval on the records) averages over eight months. Such delay makes a normal AID advance or replenishment funding system more difficult and prevents a reporting process which could provide useful information to project monitoring personnel in a timely manner. It is this delay in posting which has held up the certification of the last three projects. The Mission and the government believe that the staff vacancies and inadequate training of the available staff in the Accountant General and project offices are the chief causes of delay.

The government's accounting system for the AID-financed Reforestation project in the Ministry of Forestry was reviewed. The accounting document flow and financial reports were reviewed, and actual accounting procedures were compared to those expected by AID to meet minimum fund accountability standards. The major shortcomings were a failure to reconcile expenditure authorizations with actual disbursement, checks written by the Accountant General instead of a separate cashier, and under-emphasis on inventory control. However, the other internal controls and reporting procedures are acceptable to AID.

The Gambian Auditor General's office was recently requested by USAID/Banjul to conduct audits of all AID projects as a major step in the certification process. The Auditor General's office is unlikely to be useful in project surveillance, however, due to a heavy workload including a five-year backlog in audit requests, and understaffing. The Auditor General has stressed the need for in-country training in order to avoid further decreasing his available staff, to assure that training complements the British-style system, and to train the largest number possible of qualified staff members.

Senegal

USAID/Senegal has 29 active projects of which 16 have local currency components. All but one has been certified. The project yet to be certified is Number 625-0928.1 Food Crop Protection. The Controller's Office expects to do the accounting themselves in order to certify this project.

The Mission has been giving assistance in accounting system design and implementation to host country implementing agencies over the past two years. Although some limited assistance had been given by the Controller's Office before the Sahelian audit reports, recent Audit Reports have had the effect of reordering the priorities of this office. The Controller's Office has since worked to train local accountants to implement and maintain accounting systems for local currency disbursed by host country implementing offices. As a result of this effort, the Mission now feels that the local situation is under control and in need of far fewer recourses than some other Sahelian Missions.

The system used for projects is similar to that of the User's Manual except that the encumbrance journal is not always required.

In 1980 and 1981, the Controller's Office hired two former Peace Corps volunteers as accounting assistants to work in the accounting system certification effort. Neither had any prior accounting education or experience, so they were trained principally by the former Controller. During this period they have adapted and implemented basic accounting systems, instructed accountants in their use, and verified liquidation vouchers by sample testing. They spend approximately half of their time on certification; the remainder is spent in office operations. USAID/Senegal opened over 50 project bank accounts between FY 1975 and FY 1981 of which approximately 33 are currently active. During this period, an average of three visits per year were made to examine host government records. During the last year, there have been 50 visits to Senegalese local currency accounting centers, and all of the active accounts were reviewed. The present policy is to visit each project every three or six months depending upon the complexity of the project and the quality of its accounting system. The financial extension service performed by the two assistants is viewed as an integral part of a long-run solution of certification maintenance and technical assistance. The responsibility of the two accounting assistants is to bring an accounting system to minimum certification standards and assist the host country accountants in its maintenance. No systematic attempt is made to advance the systems beyond these minimum requirements.

In general, Project Officers have not participated in the design or implementation of accounting systems. Project Officers seem to view this as a Controller's Office responsibility.

Certification actions have not been documented by the Controller's Office. A folder for each project has been set up and will be maintained with a report of each site visit. It is hoped that these reports would later form the basis for recertification.

USAID/Senegal gives advances for most projects of a 90-day period. Liquidation reports are submitted quarterly. The submission of these reports is not routine since the host country project managers wait until funds are almost exhausted before requesting a further advance supported by the liquidation of the previous advance. Receipts and documentation are not submitted except where a problem exists in the accounting system. Summary reports and bank statements form the basis for liquidation. These reports are later sample-tested by the accounting assistants.

The performance of Senegalese institutions has varied from project to project, but overall the Controller's Office has found that the Senegalese government accountants are capable of maintaining the records required by AID. For the last several years, the supply of accountants has been adequate as there have been ten or more applicants with academic training in accounting for each position. Dakar University and St. Michael (a business college) together graduate 60 accounting majors each year. The Controller's Office feels that accountability weaknesses result from organizational problems within the government such as failure to designate a project accountant, record checks and maintain invoices.

End-use checks are not made by the Controller's Office. If commodities are purchased with local currency, the Project Support Officer does whatever end-use checking is necessary.

Some of the local currency is disbursed directly by the Controller's Office, rather than through the host country implementing agency. One estimate was as high as 50 percent. It seems that, at least in the past, the Controller's Office preference was to disburse directly when a discrete action of sufficient size was taking place.

Most of the project accounting systems for USAID/Dakar projects operate independent of the financial and administrative controls of the Senegalese government. The authorization and expenditure of funds does not flow through traditional government channels. For instance, during procurement, a Bon de Commande would be issued by the implementing agency and a Bon de Engagement by the Ministry of Finance to earmark funds. Both documents would be sent to the supplier who would deliver the item and send the invoice to the Ministry. The document package would be forwarded to the Ministry of Finance where an order for payment would be prepared and the checks would be issued at the Treasury. In most AID projects, the power to authorize actions and make payments is in the person of the project director. Therefore, some of the internal controls afforded by the Senegalese system are being evaded. This avoids some of the bureaucratic delays in the GOS. Although this is not necessarily good from a financial management point of view, some of the bureaucratic delays of the GOS are avoided in project management and implementation.

The Controller's Office prepares a quarterly internal report showing obligations and cumulative accrual expenditures by project. A semi-annual report is prepared showing total earmarking by PIO type - not by individual PIO. The GOS is not given a copy of this report.

ANNEX F-2

SAHEL PORTFOLIO ANALYSIS

Background

The Sahel Development Program of AID is structured and coordinated as part of a multi-donor effort begun in the early 1970s as a result of the drought. It is intended to create food self-sufficiency in the region by the end of this century under conditions of ecological balance and long-term growth and development. AID provides grant assistance from its special Sahel appropriation (FAA Sec. 121) and has concentrated its resources over the years on increasing food production and access to basic health facilities, institutional development and improving the energy economy.

In 1981, AID devoted \$25 million or 26.2 percent of its entire Sahel program to direct food production activities. Institutional development, including agricultural research and river basin development consumed \$34 million or 35.6 percent. In the forestry, ecology and energy sectors, AID focused on increasing fuelwood production and the efficiency of its use. In education and training, AID funded both higher level technical training in the U.S. and elsewhere and lower level training related directly to village and institutional needs. In health and population, AID has been a strong supporter of rural-based primary health care systems with an emphasis on preventive medicine, including immunization and national and regional family planning programs.

AID's Sahel program places special emphasis in current planning and implementation on policy reform and use of the private sector as a tool for development. Sahelian governments are being encouraged and assisted to re-examine cereals pricing policies, to address the problem of recurrent costs for completed development projects, and to exert greater fiscal discipline.

The Portfolio

There are 112 projects in the current AID Sahel portfolio (121[d] appropriation), with total life of project authorizations valued at about \$477.8 million. The rank order of Sahelian countries receiving project assistance from AID currently is as follows: Senegal (25 percent), Mali (23.3 percent), Upper Volta (17.2 percent), Niger (15.3 percent), Mauritania (8.3 percent), The Gambia (6 percent) and Cape Verde (4.9 percent). As indicated in Table 1, population is not the sole determinant of program levels. A certain threshold level appears to be necessary for a program; therefore the smaller countries receive more per capita. Need, opportunity and absorptive capacity also play roles.

The distribution of AID project authorizations among sectors, however, reflects the emphases over several years noted above: 64 percent of authorized funding is devoted to agriculture and rural development (including roads), 17 percent to human resources, institutional and mixed development; 8 percent to energy and renewable resources; and 7 percent to health and health-related projects.

The distribution of project finance by sector across countries reveals considerable differentiation. For agriculture and rural development, as an

example, Senegal receives considerably more (34 percent of total sectoral authorizations) than its overall percentage share of authorized funds (25 percent); and Niger receives significantly less (9.9 versus 15.3 percent). Energy and renewable resource interventions are proportionally more significant in Mauritania and Cape Verde (27.6 and 17.5 percent of totals for that sector) and less significant in Mali and Senegal (11.9 and 8.9 percent of totals, respectively).

But with the exception of Cape Verde, agricultural and rural development is still the paramount sector of AID assistance in the Sahel. It ranges from a high of 88 percent of total current authorizations in Senegal to 41 percent in Niger; and clusters around the 64 percent figure in the other countries, which is the proportion of total authorizations in the Sahel devoted to this. Health and related interventions receive the lowest proportion of funding in all Sahelian countries except Cape Verde (where the focus is on potable water).

Audit reports and the weight of FAA Sec. 121(d) recognize that it is the local currency project inputs (as opposed to foreign exchange inputs which are generally handled directly by AID) that primarily demand improved financial management. Specifically, past problems of accountability have arisen in the handling by Sahelian governments of AID-provided local currency, which must be distinguished from local currency which is disbursed directly by AID or through contractors and PVOs whose accounting procedures have generally been found adequate.

The Audit Reports and law can be read to imply that the accountability problem is uniform across the seven Sahel countries and their AID project portfolios. This is not the case, however. In aggregate terms, one-quarter of the 112 projects have no local currency elements. And for those that do, the local currency components represent only 35 percent of their total value. It is difficult to calculate the proportion in given projects or portfolios of local currency handled directly by the governments -- estimates range from zero in Mauritania at the present time to about 50 percent in Senegal and higher in The Gambia.

Local currency in country portfolios varies significantly both proportionally and absolutely across the Sahel. Ranked by the value of projects containing local currency the countries are: Mali (\$92 million), Upper Volta (\$82 million), Senegal (\$71 million), Niger (\$64 million), Mauritania (\$40 million), The Gambia (\$27 million), and Cape Verde (\$11 million). However, the ranking changes when considering the actual total amount of local currency in these projects: Mali (\$38 million), Senegal (\$30 million), Upper Volta (\$23 million), Niger (\$21 million), The Gambia (\$8.8 million), Mauritania (\$7 million), and Cape Verde (\$5.4 million). Region-wide, agriculture and rural development projects have approximately 35 percent of their AID financing in local currency. The proportions for the other three sectors are 27, 26 and 26 percent respectively for energy, human resources and health. There is no readily discernable pattern in local currency distributions among sectors across countries.

Conclusions Concerning The Sahel Regional Financial Management Project

The problem of host government management of local currency provided through AID development projects in the Sahel is not, on a proportional basis, as large or as comprehensive as the Sahel Development Program of AID. But it touches all countries (Mauritania prospectively) and is large enough in terms of AID resources and implications for the whole portfolio to warrant significant continuing attention.

In many cases where the actual amount of local currency managed by a host government agency is small in relation to total project cost, it is nevertheless crucial to project implementation. In countries where significant local currency has been allotted to host governments for disbursement, moreover, it is impractical and contrary to country development strategies to attempt to reverse the trend back toward greater AID responsibility for disbursement and accounting. Nor is it likely that host country fiscal situations or the sector mix of projects will change significantly in the near term to allow reductions in local currency content.

Trends in the development of new AID projects in the Sahel suggest increased reliance on host country institutions for project implementation, including financial management. This is the case in Mauritania and The Gambia especially. It suggests that there, and in the countries already having heavy local currency inclinations that will not be reversed, investment in improvement of accounting and financial management will be necessary over the long run. Long-term investment should be made by the host governments. However the direction and intensity of a long-term effort would be practically informed by preliminary, more pointed interventions through which the real needs and opportunities can be identified through experimentation, and overall need assessed against competing priorities for scarce development funds.

Immediate, shorter-term investment by AID in improved financial management in the Sahel can be justified on the basis of the magnitude of the current and prospective project portfolios of AID in the seven countries. A total project cost of \$4.7 million represents 0.98 percent of the value of the current portfolio. At current levels of obligation, the cost of the Project over its life would represent approximately two percent of new Sahel-wide obligations for that same period. The Project's cost is equivalent to 3.6 percent of the local currency in the current Sahel portfolio. Thus the Project, which is designed to improve project management across the board and institutionalize it in the future, has a proportionally small cost with a wide potential impact. It is a serious response to a large problem which nevertheless is manageable, quick obligating and disbursing, and not a heavy program mortgage.

Three principles control the distribution of Project funds among countries (see Table 2): (a) interventions should be financed in some proportion to the degree of problem; (b) interventions should be financed in some proportion to the opportunity to have an impact; and (c) centralized management and resources that can be drawn on flexibly as targets of opportunity arise

or do not arise should be adequately funded. On the last point, 78 percent (\$2.530 million of \$3.260 million) of the Project's direct costs are country-specific. But in that amount are \$790,000 for short-term consultancies, workshops and the like which will be drawn down according to actual need in each country during the life of the Project and not necessarily as initially planned.

The planned distribution of funds relates points (a) and (b) as follows. First, Mali, Upper Volta and Niger account for 56 percent of the value of the total portfolio and 63 percent of the value of local currency in the Sahel portfolio. These countries are planned to receive approximately 60.5 percent of the Project's country-specific funds, in roughly equivalent proportions (19 to 21.7 percent). For the most part, each receives equivalent types of inputs. The difference is that Upper Volta requires less short-term technical assistance, as now foreseen; and in Niger the opportunity presents itself to program funds for the use of Nigerien private sector consulting expertise.

Second, Senegal has marginally the largest current portfolio (25 percent of the total versus Mali's 23.3), though ranks second to Mali in total local currency (23.4 percent versus 29.6). Senegal is programmed to receive only 15.8 percent of Project funds on the basis that there is a lesser degree of immediate accounting problem and a greater degree of opportunity to support more advanced institutionalization which in turn is less expensive.

Third, The Gambia receives nine percent of total Sahel authorizations and only seven percent of local currency funds in the current portfolio. Its 15.8 percent of country-specific Project funds is therefore justified on the basis of opportunity: the opportunity to finance comprehensive financial management training in the government of The Gambia through a multi-donor supported new institution, and thereby to invest in new techniques in a controlled environment which may have significant applicability or replicability elsewhere in the Sahel. In Cape Verde, by contrast, an institutional setting for such training has not been identified, so preparatory work and on-going financial management short-term assistance are programmed at a lower cost during the life of the Project.

Table 1

	<u>Population</u>	<u>Total Portfolio</u>	<u>FY 1983 Program Proposal</u>
Upper Volta	25.4%	17.2%	12.1%
Mali	24.6	23.3	11.9
Senegal	21.0	25.0	33.1
Niger	19.6	15.3	25.5
Mauritania	6.1	8.3	8.4
The Gambia	2.2	6.0	6.3
Cape Verde	1.1	4.9	2.7

Table 2

Estimated Portfolio Totals by Country (\$000)

Country	Account Stations	LOP Total Authorized	% of Sahel Total	No. of Projects	Value of Projects with LC	No.	% of Total	Value of LC	% of Total Value of Projects with LC	Ag. & RD (Rel. Rds.)				Energy & Res.				Human Res. & Mixed			
										Total	Country	Sector	LC	Total	Country	Sector	LC	Total	Country	Sector	LC
Mauritania	0	39,485	8.3	8	39,485	8	100	7,027	100	21,919	56	7	17	10,678	27	28	4	6,491	16	8	36
Mali	22	111,459	23.3	23	92,061	16	83	38,408	42	73,328	66	24	43	4,595	4	12	52	8,848	8	11	50
Upper Volta	46	82,335	17.2	21	82,335	21	100	22,985	28	52,416	64	17	27	6,064	7	16	38	23,835	29	30	28
Niger	35	73,263	15.3	17	63,921	11	87	20,692	32	30,203	41	10	32	3,585	5	9	3	25,446	35	52	17
Cape Verde	3	23,222	4.9	8	11,205	4	48	5,367	48	4,430	19	2	100	6,775	29	18	42	3,500	15	4	31
Gambia	8	28,638	6.0	12	26,601	10	93	8,779	18	18,737	65	6	89	3,600	13	9	19	6,301	22	3	9
Senegal	32	119,434	25.0	23	71,152	14	60	30,380	43	104,756	88	34	30	4,434	3	9	42	4,742	-	6	19
Total (or average of countries)		477,836	(16.0)	112	386,760	83	(82)	133,638	(44)	305,789	(57)	(14)	(48)	30,731	(13)	(14)	(29)	79,163	(15)	1-	(27)
% of Total LOP					81			27		64				8				17			

Source: Annex A

Health & Pop.		
Country	Sector	LC
1	1	34
4	12	15
-	-	-
19	45	46
37	27	0
-	-	-
4	15	19
(13)	(18)	(23)

Table 3
Sahel Country Proportions of LOP
Authorizations, Accounting Stations and
Country-Specific SRFM Project Expenditures
(%)

	Total Portfolio		Payments with LC		LC Amount	Ag. & Rural Development	Energy & Res.	Human Res. & Mixed	Health of Population	Accounting Stations	SRFM Expenditures
	No.	Amount	No.	Amount							
Mauritania	7	8.3	9.6	10.2	5.4	7	28	8	1	0	3.6
Mali	20.9	23.3	19.3	23.8	29.6	24	12	11	12	15	19.8
Upper Volta	19.1	17.2	25.3	21.3	17.7	17	16	30	0	31.5	19
Niger	15.5	15.3	13.3	16.5	16	10	9	32	45	24	21.7
Cape Verde	7.3	4.9	4.8	2.9	4.1	2	18	4	27	2	3.6
Gambia	10.7	6	12	6.9	6.6	6	9	8	0	5.5	15.8
Senegal	20.9	25	16.9	18.4	23.4	34	9	6	15	21.9	15.8

Columns may not total due to rounding.

ANNEX F-3

ECONOMIC ANALYSIS

Conditions in the Sahel

With the very limited infrastructure left after independence in the 1960s, the Sahel region of West Africa was ill-prepared to cope with the agricultural, economic and human devastation caused by the drought from 1968 through 1973. The massive donor assistance efforts (multilateral, bilateral and private) during the disaster relief period were quickly followed by large-scale donor programs for a long-term recovery program. But the magnitude of funds which host governments were required to manage grew dramatically, and the human resources or the organizational capacities of the Sahelian governments did not keep pace.

This large amount of donor assistance continues today and the institutional growth necessary to handle the increasing financial management needs persists. Some donors prefer to handle all funds directly and to avoid host country accountability issues. AID is committed to a human resource development strategy which encourages the performance of these functions by the host governments themselves.

Problems in accountability and financial management have been identified in numerous AID reports. Intermediate solutions have been found to satisfy the certification requirements for projects with local currency components. This Project will assist in maintaining those certified. Once basic accountability issues are resolved, it will address the larger issue of improving each government's ability to handle financial resources, both donor and host country.

As the region struggles to develop itself, economic problems caused by poor management practice will persist if attempts are not made to help the Sahelians improve financial management and use financial data to make program decisions. Donor assistance is expected to continue for some time to come. Sahelian institutions are training many of the personnel required; although all their human resource needs cannot be met from within the region alone. The Project proposes a combination of on-the-job practical technical assistance and short-term training workshops to meet financial management needs today and to contribute to enlarging the group of host government project personnel with experience in sound financial management, that is: institutionalization.

In addition to increasing the human capital of the region through this training, the Project will benefit the new and existing projects by ensuring that all "capital" allocated to development is spent carefully, accounted for responsibly, and contributes more effectively to the development goals of each country.

The \$5.0 million allocated to this Project will directly benefit the management of the entire \$477.8 million current USAID Sahel portfolio.

Financial Management Considerations

It is expected that present AID-financed projects in the region will benefit positively from the Project because the improvement of financial management will necessarily result in better utilization of project resources. The total resources available to each project would therefore increase through improved internal financial management.

Future AID programs would benefit because the host government personnel involved in each project would have improved the financial management capability and would be available for use by their own governments or to manage new programs. Other donors and regional organizations (e.g. CILSS) should benefit also as host government personnel become trained in improved financial management and can apply their skills to the projects funded by other donors.

The cost/benefit ratio of each project in the AID portfolio should increase as financial management improves. The Project will eventually have a beneficial economic impact on all the projects requiring financial management improvement.

Cost Considerations

The technical assistance approach provided in the Project combined with short- and long-term training efforts where appropriate provides the most realistic as well as cost effective means of achieving the Project's purpose.

Other options could include:

- Technical assistance to specific projects alone (i.e., one person assigned long-term to most projects).
- Long-term training overseas.
- Short-term training overseas.
- Increasing Mission staff levels (particularly in Controller's Offices).
- Institution-building for public administration schools.

Objections to these options are as follows:

- Providing technical assistance to 80 specific projects on an individual basis would prove both costly and inefficient since some projects would not require full-time help.
- Long-term financial management training overseas for the 80 or more projects would also involve considerable costs. And that type of training would not be appropriate to the on-the-job situations faced

by project managers and accountants. It would only yield results after several years.

- Short-term training is also unlikely to meet specific project needs and would involve considerable costs and implementation difficulties.
- The increase of Mission staffing in the Controller's office (two or three persons per Mission) would perhaps solve the certification problem. Some training would also be done but probably only at the basic accounting level. Although this is a reasonable alternative and would be less costly, its use would severely limit the potential benefits of the Project. It also appears impractical under current AID staffing constraints.
- A traditional institution-building program for the improvement of public administration institutions would not be able to target financial management sufficiently to bring about the kind of improvement needed in the short term to better manage resources. This approach would be costly and contribute to recurrent cost problems when technical assistance is terminated.

The Project provides both an economically sound and a cost effective solution to the intermediate problems of improving Sahelian financial management. Short-term certification requirements will be assured while long-term institutional capability in financial management will also be enhanced through practical training interventions. On-the-job training and short-course instruction both utilize the commitment of the financial managers to improving their ability to perform management functions in the actual decision-making environment.

The use of local Sahelian consultants in several countries will help reduce overall Project costs while encouraging the use of local private and institutional resources. The use of Sahelian personnel to meet technical assistance needs amounts to a life-of-Project savings of \$600,000 when compared to expatriate personnel costs.

In-country workshops and training for the seven country region costs approximately \$400,000 for 400 participants from the target projects. This cost per participant of \$1,000 is considerably lower than long-term training costs or short-term training overseas. The use of a PASA as the prime contracting mechanism (a) carries a lower than commercial overhead; and (b) reduces start-up costs and likely life-of-Project inflationary effects by providing for faster start-up and reducing learning costs in the implementing agency. A maximum cost-effective strategy has been used in Project design to assure that financial management is being improved in the shortest time for the least cost.

ANNEX G
ADMINISTRATIVE ANALYSIS

ANNEX G-1

ANALYSIS OF SAHELIAN INSTITUTIONAL AND PERSONNEL CAPABILITIES IN FINANCIAL MANAGEMENT INVESTIGATIONS IN SENEGAL, MALI, UPPER VOLTA, NIGER

Introduction

Preliminary investigations initiated by the Project design team sought to answer basic questions on the existing institutions which provide accounting training in the region, availability of Sahelian financial management technical assistance and possible locations for both Project training components and technical assistance groups.

In each country, extensive interviews were conducted with local institutions, host government personnel and private sector accountants. Findings are organized into problem identification and resource availability sections by country. Conclusions and recommendations are made where appropriate.

Senegal

Problem Identification. Senegal has management problems that government has officially acknowledged. The new leadership is currently trying to implement a reform plan aimed at bringing about more productivity and efficiency including;

- clarification and articulation of national development objectives;
- administrative reorganization involving decentralization;
- evaluation of the relevance and the performance of para-statal enterprises, leading to eliminations, mergers, or internal reorganizations;
- evaluation of modern management systems, rules and procedures and design and installation of better ones;
- enforcement of accountability;
- evaluation of the education system, and adaptation to the present projected needs of the job market; and
- intensification of in-service, non-formal training, with an emphasis on developing managerial skills at all levels.

A healthy exchange about the country's problems and possible solutions is currently underway in Senegal, with USAID-Dakar pioneering such a dialogue.

It has established with the Minister of Planning joint planning of all its interventions in Senegal.

Management systems are of variable quality in Senegal, but they at least exist. Effort has gone into the design and installation of standardized management systems. In the private sector, the standardization attempts have been essentially made through the requirement, fairly well enforced, that on the one hand corporations be taxed on the basis of actual performance as evidenced by their statements of income, and on the other hand all accounting books and documents be established according to a French-like Plan Comptable General. In the public and semi-public sectors, a significant role has been played by the Bureau d'Organisation et des Methodes (BOM) and the Controle Financier, both sub-divisions of the Office of the President. Thus, government of Senegal money is properly accounted for and a requirement of pre-audit has been introduced for large expenditures, complementary to the post-audit already in effect.

Resource Availability -- Formal Training Institutions. Senegal has certainly one of the most highly developed education systems in western Africa. It manages to provide its youth with training in various branches of knowledge and responds to the various economic sectors' demand for skilled personnel.

The Senegalese formal education system has been working smoothly, and schools such as the University of Dakar and ENA have played an important role in providing academic training, deserving respect and consideration. However, these two institutions have come to lose influence recently. Although their special role in training people for higher management positions has not been abrogated, it is felt that these institutions have not evolved to cope with the changes in their environment.

The actual leading role has progressively shifted to professional schools. Of those, the more relevant to this Project's concerns are: the Institut Universitaire de Technologie (IUT), the Ecole Nationale d'Economie Appliquee (ENEA), and the Ecole Superieure de Gestion des Entreprises (ESGE). These institutions receive assistance (financial, technical, etc.) from bilateral and multilateral agencies; but the Government of Senegal covers their operating expenses.

IUT is a two-year type of college which responds to the country's need for mid-level technical expertise. However, IUT-Dakar has a more encompassing program, covering both industrial and business subjects. Its curriculum is organized around four specialized concentrations: finance and accounting, administration and personnel, commercial techniques, hotel and tourist development. The enrollment in the business department generally averages at 27-28 percent of the student population. Created in 1971, IUT succeeded in finding jobs for all its graduates until 1975. Since then, some difficulties have arisen, but still at least 80 percent of those graduating from that school get hired, which reflects the high esteem the institution enjoys in the business community based on the quality of the training offered. IUT has proved to have a great deal of flexibility in meeting training needs. It

also has established that it could be equally effective in organizing on-the-job training programs and night courses. Its ability to maintain quality programs once World Bank financing is terminated is not known.

ENEA could be the counterpart of IUT in servicing the rural sector. For twenty years, it has supplied trained manpower to government agencies working in the countryside and is highly regarded in the country. ENEA now offers a classroom and field training combined two and three year program with specialization in the following domains: community development, cooperative administration, regional planning, vocational training and rural works.

A project paper has just been approved by USAID/Dakar, requesting that a grant in the amount of \$2.5 million be approved to finance the installation, at the school, of an institutional capacity in project management training. This project is a response to the deficiencies identified in the present program, "particularly the lack of a common methodology for purposeful field data collection, project formulation, and project monitoring, as well as the need for an even stronger emphasis on "hands-on" practical experience in both the general and specialized components of the program." (ENEA Rural Management Draft Project Paper (685-02667), pp. 3-4.) Both the Government of Senegal and USAID-Dakar expect this management training project to impact significantly on the management of the country's limited resources (especially in the rural areas).

ESGE is a recent addition to the Senegalese higher education system (September 1981). Tailored on the North American Business School - MBA model, it receives technical assistance from Canada. ESGE has very close ties with the Centre d'Etudes en Administration Internationale (Center on International Administration Studies) of the University of Montreal affiliated Ecole de Hautes Etudes Commerciales (Graduate School of Business).

ESGE has just completed its first academic term, and the students spend a two-month internship in various management environments before coming back for class training in June. It is too early to assess the relevance of the curriculum, the teaching ability of the professors and the quality of the graduates. So far very close ties have been purposefully maintained with the business community (The President of the Board of ESGE is a businessman and most board members are from either the private sector or the high levels of public enterprises.) in order to guarantee the best possible fit between the training at the school and the needs of the potential employers. Similarly, considerable caution has been shown in selecting professors and pedagogically preparing for the beginning of each term. All actual teaching however is handled through national adjunct professors from the business community.

Non-formal Training Institutions. The human resource division of the Department of Planning and the Secretariat d'Etat a la Recherche Scientifique et Technique (SERST) also play a remarkable role of initiating, supervising and coordinating training. However, the institution exclusively established to carry out this task is the Direction de la Formation Permanente (DFP) of the Department of Higher Education. DFP's director M. Kane, former director

of ENEA, provides to the institution as well as to the community of management trainers, a leadership that cannot be overlooked. DFP represents more than five years of successes and failures in providing and coordinating in-service management training with continuing support from ILO through a long-term technical assistance project which will further reinforce its institutional capacity.

IUT, ENEA and ESGE all have short-term or on-demand training programs. Given their age, the first two institutions have gained some useful experience. However, ESGE presents more potential in this domain. Suffice it to mention its deeply rooted business world approach, its fairly advanced understanding of what management is and what it entails, and the positive effects of having exposed its trainers to more dynamic management reality and pedagogical techniques. ESGE has just launched a recruitment campaign for such training programs and the response seems to be very positive. Announced themes include:

- Micro-computer and information systems.
- Procurement and stock management.
- Financial management and profit forecasting.
- Accounting and Senegalese accounting system.
- Leadership and management.
- Basics in management.
- Quantitative methods and production forecasting.
- Business environment analysis.
- Marketing and business techniques.
- Business law and contracting.

Individual Resources. Finding private consultants is not a problem in Senegal. In addition to the directors of the three professional schools already mentioned, namely MM. Kergeiss (IUT), Cheick Tidjane SY (ENEA) and Tijane Sylla (ESGE); some key individuals who could help identify and assess management consultants are:

- Mr. Boye, Director of Cooperation and Training, OPT,
- Mr. Dauda Nyang, Director of Training, SENELEC,
- Mr. Wahab Talla, head of the BOM-staff, Office of the President, and
- Mr. Papa Ibra N'Dao, Deputy Director, Employment Office, Ministere de la Fonction Publique.

Comments and Recommendations. IUT, ENEA and ESCE are all good potential partners for this Project. However, ENEA seems to be at a turning point and could be too much concerned with its own development to be able to deliver fully. IUT and ESCE do not pre-empt each other, because they target different populations, i.e., middle, and upper-middle and high level managers. ESCE ranks higher to IUT, and instead of utilizing ENEA it would be preferable to use the AID-funded Rural Management Training Project for most of the training actions which, in Senegal, would deal with project management training, especially in the rural areas. It would be advisable to consult on a regular basis with the DFP, and to the extent possible, use its legal authority and extended network of corporation training advisors to encourage a new way of looking at and practicing management in Senegal.

Mali

Problem Identification. Mali faces significant management problems and is working to correct them. The World Bank has been called upon to do a diagnosis of the state-owned corporation sector and suggest therapeutics. In the meantime, internal actions have been taken to reorganize the traditional public sector (government agencies), and more opportunity is opened to private enterprises (although the main economic sectors are still reserved for sole government action). The Government of the Republic of Mali (GRM) is engaged in certain actions, including multiple but not highly coordinated "workshops" on the same subject. In fact, at the Department of Planning, the Institut de Productivite et de Gestion Previsionnelle (IPGP), the Societe Nationale d'Etudes pour le Developpement (SNED), and the Chamber of Commerce better management is the key word today. However, this agreement on the urgency of the situation has not yielded a similar agreement on the solutions.

In Mali, management problems center on lack of available skilled personnel. This calls for combined actions, including on-the-job specialized training, consulting for management system evaluation and adjustment. The USAID Mission is already in the early implementation stage with a Development Leadership Project (688-0991) aimed at providing long-term academic training for 60 Malian leaders in the fields of public administration, business administration, economic planning, education planning and finance.

Available Resources -- Formal Training Institutions. In Mali, formal training in management and other related fields is mainly conducted through the Ecole Centrale pour l'Industrie, le Commerce et l'Industrie (ECICA), the Ecole des Hautes Etudes Pratiques (EHEP), and the Ecole Nationale d'Administration (ENA).

ECICA offers a high school type of study. Created in the early 1960s it has trained a substantial number of people in accounting and finance, and it ranks first in the list of suppliers of "accountants". The quality of the training obtained is adversely affected by the poor curriculum materials used, over-crowded classrooms, and a highly bureaucratic management style. ECICA could not be of any significant help in implementing the Project -- even in training lower level accountants -- a task that the Chamber of Commerce's Centre de Formation, a private corporation-owned training facility, could better handle.

EHEP is the Malian counterpart of other West African countries' IUTs. It has the responsibility of providing the country with middle level accountants and financial managers. It has been doing that for more than four years now; although it exists as an independently run school only since 1980, it used to be a section with the Ecole Nationale des Ingenieurs (ENI). Until recently all its graduates were immediately hired upon graduation. Despite the school Director's claim, this performance was not a reflection of employers' high esteem for EHEP's training; it just reflected the shortage of accountants in the job market.

EHEP has a sound curriculum as well as qualified professors (for that level of study). It recruits only high school graduates and seems to be systematic in teaching. It suffers from poor housing, irregular supply and insufficient funding. Entirely run on government subsidies, it inevitably gets hurt anytime the government has cash flow problems. And, or course, most courses are taught by technical assistants.

Besides the ENI, which trains engineers in the different technical fields, ENA is the only university level training institution in Mali. It has the monopoly in providing high level training in law, public administration, economics and recently management. Thus, it is not surprising to note that almost 80 percent of Malian upper level managers both in government and in the state owned corporations are ENA's alumni. Training in law and economics corresponds to such training in West African universities and public administration training is of the kind found in most ENAs in Africa. There is a new program in management which has specialized management topics in the last two years of the curriculum. With the exception of ESCE in Senegal the curriculum appears the most comprehensive and advanced in the region. The program, in its second year, appears promising.

Non-Formal Training Institutions. Most departments and corporations have training divisions and organize in-house training to upgrade their employees' skills. The institution that seems to have done the most in providing such training is the Institut de Productivite et de Gestion Previsionnelle (IPGP). Initially IPGP specialized in providing the higher level management training in Mali (a more academic type of training) and in organizing short-term training sessions and workshops. It has diminished the management training component and is moving toward a more action-type training, directly done on the job and involving the design, installation and evaluation of management systems. Five years ago, IPGP supervised an ILO-funded project aimed at training accountants. This project trained at least 120 accountants of which 10 percent reached a fairly high level of knowledge. Most of them are now serving in accounting and financial departments of state-owned corporations or working as members of the Controle General d'Etat, a branch of the Office of the President, charged with the task of auditing all public agencies. Most of this has been done by using ILO experts. IPGP recognizes that its staff association with this project has not helped it develop enough internal capability in accounting and financial management and that it needs some technical assistance in that regard.

Consulting and Auditing Firms. The first on the list is IPGP -- both because it has been officially established to perform consulting tasks and thanks to its long experience in auditing management systems and advising high level decision-makers on the most appropriate ways of improving management performance. These include:

- Societe Nationale d'Etudes pour le Developpement (SNED), a partially state-owned consulting firm which has quickly managed to gain a fairly good reputation thanks to the quality of its staff and of its products;
- Centre d'Etudes et de Promotion Industrielle (CEPI), a public agency established to help develop small and mid-sized industries but which, despite a fairly good staffing, does not seem to have succeeded in making a positive impact; and
- the Societe d'Expertise Comptable Diarra, the only Malian owned auditing and accounting firm, which has just opened its Bamako office. This firm is headquartered in France. Established for more than five years, it has contracted both with African governments and with international organizations such as the World Bank and FAO, to conduct audit and management consulting in public as well as private enterprises. Right now, the firm is completing a reorganization of the Office des Produits Agricoles du Mali (OPAM) under an FAO-funded project. The owner of the firm is Mr. Diarra who lives in France. He is an Expert Comptable Diplome (one of only two in the country, the other one being Mr. Tiekoro Diakite, Minister in charge for the control of state-owned enterprises). He is assisted by his wife, a Diplomee d'Etudes Comptables Superieures, and by Mr. Traore, Expert Comptable Stagiaire, who heads the Bamako office.

Individual Resources. Although one lives abroad and the other one has high political responsibilities, MM. Sekou Diarra and Tiekoro Diakite are the first two names to mention as resource persons. They are the most professional and they have a fairly large amount of experience not only in management positions, but also with the specifics of the Malian situation. They could serve as advisors to younger but more readily available consultants in accounting and financial systems.

Those who could be looked upon for such consulting services are:

- Mr. Bidanis, Expert Comptable Stagiaire, and Controleur d'Etat, Office of the President;
- Mr. Traore of the Cabinet Diarra;
- Mme Aidara, presently with the Controle General d'Etat, Office of the President;
- Mr. Rakibu Toure, Accountant and Financial Analyst in the Ministry of state-owned corporations, and

- Mr. Hama Fofana, Financial Director of Air Mali.

This list of highly trained and experienced accountants and financial managers can be lengthened with the names of the accountants formerly trained through the ILO project which was managed by IPGP with the technical assistance of Mr. Albert Sour. Among them are:

- Mr. El Habib Ben Boubacar, currently with the Controle General d'Etat, Office of the President;
- Mr. Kamissolo Didi Moke, chief accountant at SO.NA.TA.M.;
- Mr. Bacary Kane, accountant at SO.CO.RA.M.;
- Mme Diallo Solange, of the Finance Department Pharmacie Populaire du Mali, and
- Mr. Sidi Toure, SEPOM - Koulikoro.

A second broad category of potential consultants is made of people who, from training and/or work experience would deal with broader issues of management, helping put financial considerations in perspective. It is a two-fold category:

- First, two alumni from the University of Pittsburgh, MM. Sacko and Aguibu Tall, respectively holding a Ph.D. and Masters Degree in Public Administration. Mr. Sacko is currently one of the advisors to the Minister of Foreign Affairs; Mr. Tall is manager at CIEPA, an international contractor specialized in agropastoral projects.
- Second, the staff of both IPGP, SNED and CEPI, of which MM. Mousse Cisse, Nakoum Diakule and Sangare (IPGP), Mr. Baba Sacko (SNED) and Mr. Coumare, former IPGP director (CEPI).

Comments and Recommendations. Throughout the process ENA, EHEP and IPGP could be particularly looked at both as partners in conducting project activities, and as main recipients of technical assistance. The short-comings of the existing system are so important that the task at hand appears to be one of comprehensive system improvement.

Nothing could be achieved in Mali without government involvement, for the society is highly bureaucratic and people have been so conditioned for a very long time. Ways of upgrading the social status of professionals such as professors, businessmen, accountants would be important with the active participation of the local officials. Cooperation depends on those who, at USAID and in the government, are pursuing the same objective. The staff surrounding the Minister of State-Owned Corporations (especially Mr. Cheick Kane, the Chief of Staff), the leadership of the business community (especially Mr. D. Traore, President, Mr. Hama Ag Mahmoud, Secretary General and Mr. Sada Diallo, private entrepreneur), in addition to the Ministers of Planning and Agriculture, are among the nationals seriously concerned with the improvement

process. Approaching them could help transform the present two monologues into a fruitful inter-agency dialogue.

Upper Volta

Problem Identification. Management improvement is very much on the public agenda in Upper Volta. Suffice it to mention the process of reorganizing all public enterprises and government agencies currently underway under the direct supervision of the President with technical assistance from the World Bank.

According to Mr. Kam, Director of the Direction de l'Emploi et de la Remuneration, the essence of management difficulties in this country is a lack of conjunction between the schooling system and the job market, complicated by a non- or mis-use of available resources. Upper Volta has, in quite considerable numbers, both highly trained (essentially from Europe) and ground level accountants and financial analysts. Unfortunately demand for them is limited and made inelastic on the one hand by the omnipresent poor understanding of modern management potentials for public and semi-public sectors -- so, limiting the circle of management trainees' potential employers to the private sector, and on the other hand by the fact that the latter, regardless of the capital origin (foreign or national) is still mainly based on family ties: most critical management positions, especially financial management ones, are filled preferably with either expatriates or relatives.

Moreover, despite the existence of a school specially aimed at filling this gap, Upper Volta does not have enough adequately trained people to staff middle level management positions. Yet the few available ones increasingly have problems finding a job well paid and relevant to their studies. They often have to settle for less in terms of both responsibility and relevancy, or to look for better opportunities in neighboring countries.

Major findings on management issues in Upper Volta are:

- The country's public administration is subjected to a set of finely articulated and supposedly bounding rules and procedures as to how to obtain, allocate, expand and account for both human, financial and various other resources. Yet, until recently, the enforcement of those rules and procedures was not all encompassing. The development orientation of those prescriptions, their relevance to structures other than government agencies (public corporations, private sector notably), and the ability of people familiar with those rules and procedures to help adapt and/or apply the latter to other work environments are very much questionable.
- The private sector is extremely heterogenous in its use of management systems. Some companies have sophisticated and undoubtedly effective systems; some others have none, the only standardization attempt being the required but not effectively enforced common use of an accounting system tailored on the 1957 French one.

The semi-public sector (decentralized agencies, public corporations, mixed economy corporations) stands in between, using its mixed nature to avoid coping with the management and accountability requirements of either the public or the private sector. It is, of course, the leading sector in poor management, sharing this distinction with the sector of foreign aid-funded projects (especially the subsector of projects not directly managed by the donors).

Available Resources -- Formal Training Institutions. The institutions providing training in accounting and management relevant to the project's aims are the Institut Universitaire de Technologie (IUT), the Ecole Supérieure des Sciences Economiques (ESSEC), and the Ecole Nationale d'Administration (ENA).

IUT's purpose is to train middle level accountants and managers, essentially for the private sector. Established in 1970, it has trained a significant number and enjoys a respectable reputation both in Upper Volta as well as in Niger (The school has traditionally received students from this country and right now there are 20 Nigeriens in attendance.) for having succeeded in providing these countries' private sector with well-trained graduates in financial management, accounting and business. The study at IUT lasts only two years; but it is so well organized, the curriculum is so real work-oriented, and the interface between the in-class sessions and the on-the-job internships is so well articulated that the graduates are well equipped to perform once employed. Recently, the School has even created a small consulting unit called "IUT Conseil" staffed with professors and graduating students, which provides the latter with the opportunity of working on concrete management problems and of getting used to identifying, analyzing, testing and choosing strategies, while helping the School as a whole to strengthen its relationship with the business community, improve its knowledge of the latter and accordingly adjust its curriculum.

Several important aspects should be mentioned: (a) IUT graduates are increasingly facing placement problems due to contraction of the job market. (b) There are no Voltaics teaching at IUT. (c) Space limitations may make expansion of enrollment impossible. (d) The Government of Upper Volta has overruled requests to expand the program beyond two years saying that higher level training should be done at ESSEC and ENA. And (e) the expansion of the curriculum to include public management would require technical assistance.

ESSEC is the University of Ouagadougou's school of economics. Established in 1975, it offers a four-year program of study with specializations in development planning, economic policy and management of both private and public enterprises. ESSEC, despite its affiliation with the University and consequent rather theoretical orientation, and its somewhat recent inception, offers the most articulated, well thought through and management oriented curriculum. It also has the advantage of having a larger number of permanent professors; although most of them, at least as far as accounting and financial management are concerned, are not nationals.

Investigations revealed that if there is a gap between ESSEC's goals and its curriculum, the gap is even wider between the intended and the actual content of the latter. ESSEC, of which according to the Director, at least 80 percent of graduates are either non- or under-utilized, would very much benefit from actions aimed at improving both the curriculum in general and the teaching practices of some professors in particular. The direction and the amplitude of the desired improvements are still to be precisely defined; but some ideas generated by the Director of the School could constitute an interesting starting point for further explorations: less general training, more grasp on specialized knowledge of various fields of management with particular emphasis on project and financial management, and stronger focus on actual design and implementation problems confronting national policy-makers, managers and development agents.

ENA suffers from the same weaknesses as its equivalents in Niger and elsewhere in most of Francophone Africa: essentially law-centered curriculum and insufficient number of permanent qualified professors, not to mention the instability in the school leadership (The school has been under the directorship of three different persons in three years.) which does not allow any significant long range planning. However, more than any other local institutions, ENA/Ouagadougou has accumulated a lot of experience in running short-term training sessions and specialized workshops for civil servants and public enterprise employees.

Non-Formal Training Institutions. As mentioned, ENA has performed quite extensively in developing and providing non-formal training in public management (with the limitations already alluded to). Another structure which certainly has the most successful record in this domain is the Pan-African Institute for Development (PAID) of which the regional branch for Western Africa and Sahelian countries is housed in Ouagadougou. Since last year, PAID has started a new program to train people in regional planning and project management over a period of two years. However, this program is still so young that although it is very well designed and despite all PAID's methodological and field research experience, it is yet too soon to make any assessment of it. Thus this institution's unquestionable strength is with the short-term type of training, especially tailored to meet the specific needs of each target participant group. PAID is very strong in sociological studies, need assessment, environmental analysis and project analysis. Although its staff acknowledges that management is the weak noodle of most development projects, rural or urban, it does not seem to have developed enough transmittable management knowledge, nor does it seem to have identified and tested an operational set of the most relevant management tools. This appears to be particularly true for the financial aspects of management.

Consulting and Auditing Firms. At least three accounting and auditing firms owned and staffed by nationals exist in Ouagadougou. Their experience is for the most part limited to strictly accounting matters. They can quite satisfactorily perform the full relevant scale of those, going from simple bookkeeping to fairly sophisticated auditing and account certification. They are not equipped or called upon to handle broad management consulting tasks.

The three auditing firms are: Cabinet Pierre Miningou, Cabinet Michel Sanou, and Cabinet d'Expertise Comptable et d'Organisation Mr. KC.

Individual Resources. Contact persons include:

- Mr. Kam, Director of Direction de l'Emploi et de la Remuneration;
- MM. Diallo, Doulaye et Kondiano, respectively director and faculty of PAID; and
- MM. Minningou, Sanou and Ki, all three certified accountants and owners of the three Upper Voltaic accounting firms.

Although it is not professionally organized yet, taking on private consulting assignments is very fashionable in Upper Volta today. This can be notably attested to by how successful the formula of adjunct professors is. Consulting fees are not standardized.

Comments and Recommendations. In Upper Volta there is room for a variety of actions aimed at improving management performance in general and financial management in particular. However, the following points would have to be borne in mind:

- There is already a fairly well conceived and organized academic training system yearly yielding graduates in different management related fields at different levels of study. It is recognized that this system needs to be improved and that such an improvement could notably be achieved through appropriate technical assistance. The major recipients of such assistance would be IUT, ESSEC and ENA.
- In the Voltaic education system, institutions have specific complementary purposes. If one of them should be recommended for active involvement in the project, ENA is suggested, despite its shortcomings.
- The main argument for recommending the former is that in addition to being the oldest of the three institutions, ENA is: (a) the only one which, although it does not know well enough how to go about it, considers as its ultimate purpose the improvement of the country's management, thanks to management training and consulting; (b) the only one which specializes in the public sector management and notably in some form of fund accounting, but still, despite that prejudice, tries to reach out to the private sector and its management problems; (c) the only one which, by being independent from the university system, has enough flexibility both in adapting its curriculum to environmental changes and as to methodology; and (d) the only one which shows real concern about ways of achieving more than the mere improvement of individuals' skills by systematically working towards some sort of institution building (notably through

recruitment procedures) and, thanks to a conceptualization of training as a three-party bounding contract between the school, the student and his employer, actual or potential.

In Upper Volta non-formal action training, meaning training "on the spot" (i.e., right there in the normal working environment) of actual managers using actual management problems, and a "learning by doing" approach producing better, more efficient and custom-made management systems. Given the nature of the problem in Upper Volta, such training could actually have more immediate and long lasting results than formal schooling. It could be developed through ENA or some departmental structures yet to be identified, with the invaluable support of PAID. Indeed, the practical problem-solving approach and the strongly development oriented methodology of the latter could be very useful in keeping such a training in constant touch with reality, in securing the relevancy of every training action, and in providing the trainees with skills relevant to their actual work problems.

Niger

Problem Identification. The main problem in Niger is that the country does not have enough people adequately trained in management fields. The few well trained managers are not properly utilized and suffer from having to work within inadequate systems. The lack of development agents and suited management systems in Niger is such that a full scale and custom tailored response is called for. The training component of that response should include a financial management core module or concern, with teaching in other essential management aspects, some short-term, in-country training, as well as involving managers at the different levels of the hierarchy, both in the private, the public and the semi-public sectors.

The overall approach should find ways of inducing institutional change and capability building by working through and with local institutions to insure that more dynamic, development-oriented and locally relevant management systems are designed and installed, and that they will be regularly evaluated and if need be adjusted, making sure in the process that the potentials of existing "Nigerien" systems are fully used.

The potential for management improvement is high in Niger. First because, as illustrated by a consistent enforcement of established rules and procedures, the Government seems to be seriously committed to working toward bringing about the required changes. Second, and mainly, despite all the deficiencies its management presents, the GON has, for handling its own funds, a fairly simple but sufficiently informative and dependable accounting system. This, if adequately applied, and provided a few improvements are made, should be able to help trace any single transaction from inception to completion, and so to help prevent the occurrence of accountability problems. Unfortunately the GON financial management system, which actually is merely a less sophisticated version of the French accounting system, is good primarily for small- and mid-sized government operations. In its present

form, it is not able to deal with the peculiarities, the volume and the complexities of multi-transaction non-classical government management situations (such as integrated projects, programs, corporations), or with the additional strains deriving from the extreme remoteness of some management centers.

Available Resources -- Formal Training Institutions. As of now, there is no management school in Niger, nor are there any schools with the primary objective of training people in financial management and/or accounting. However, three schools offer related courses of study in these specific fields. Those schools are: The Ecole Nationale d'Administration (ENA), the College d'Enseignement Technique d'Issa Beri, and the Lycee Technique Dan Kassawa de Maradi.

Both the College d'Enseignement Technique and the Lycee Technique offer high school level training over a period of respectively three and four years of study. According to these sources, it is fair to say that although these schools offer specializations in accounting and business related matters, these are certainly not their strong points. They themselves are not properly staffed to provide adequately this type of training, and their graduates in accounting and business do not meet the employers' expectations. These two institutions could not be expected to play any significant role in implementing the project.

The ENA is the third institution examined. Established with the primary objective of training both high school graduates and mid-career civil servants, and so providing the government with needed skilled people, ENA is highly regarded in the country. It has trained most high and middle level government employees, including most of those who head the State owned corporations. ENA is adequately housed, well-equipped (It has just acquired a computer system.), and it regularly receives enough government subsidies to cover all its operating costs. Thus, on the positive side, one can mention: full government support, notably thorough regular funding; appropriate facilities; and fairly long experience in training nationals.

Additionally, ENA has expanded the management components of its curriculum -- by reinforcing the management content of the training offered to the prospective civil servants, and by opening, in the school, a special section aimed at training people for the private sector. Offered in this section are courses in general and analytical accounting, budgeting, financial and production management, marketing and quantitative methods. This, as a beginning, is quite positive. Possible limitations to ENA's suitability are:

- The civil servant training is centered around law courses. It is designed in such a way that people who upon graduation are appointed to make policy decisions, manage money, materials and human resources never get taught how to set and/or clarify objectives, how to identify, evaluate and select alternative courses of action, how to soundly allocate money or successfully motivate workers and steadily increase their overall productivity. It can at best produce good

law enforcement agents. But it definitely could not produce potentially successful managers; nor could it provide the country with dynamic development agents.

- The program called "Training in Management" and designed to train accountants and other middle level employees for the private sector does not stand up to the expectations created by its name. It is not well articulated and does not cover important topics such as personnel management, strategic planning, information management. Furthermore, it is both too short (only two years, of which the first one is largely devoted to general non-management topics) and too loose (not sufficiently focused) to allow more than a cursory exploration. The few specific topics that are touched upon such as accounting are taught as techniques rather than as management tools.
- The teaching methodology is too theoretical. It does not allow for enough students' participation; nor does it provide opportunity for concrete, managerial and/or development problem tackling. Internships are mere formalities; they are neither well-prepared, nor appropriately supervised.
- Quantitatively and qualitatively, the faculty is not up to the job. The school has very few permanent professors, of which a small number have completed graduate study. Most teaching positions are filled with either adjunct professors coming from ministries, or expatriates provided under technical assistance agreements (essentially French). In the management section for example, only two of the nine permanent professors are nationals.
- ENA's professors have the legal status of civil servants. That means less pay and therefore less motivation. It also means no consulting work out of the school and no free communication and exchanges among faculty (due to hierarchial relationships).

Non-formal Training Institutions. One of the most successful avenues of management training in Niger so far has been the in-house programs developed within the corporations and tailored to their specific needs. The Office pour la Promotion de l'Entreprise Nigerienne (OPEN) and the local office of ILO have played an important role in that regard. From 1972 to 1977, the ILO office organized numerous workshops for the managers of both State-owned and mixed economy enterprises. Since 1977, it has been developing a training for trainers' program. Graduates from both programs to date amount to 475 persons who have been introduced to various management concepts and techniques relevant to: financial management, accounting, personnel management, marketing, production management, and organization theory. Working along the same lines, OPEN organized three training sessions in 1981. It trained fifty-five people in general accounting, bookkeeping and costing. Both institutions provide consulting services too. However, they are understaffed -- qualitatively speaking for OPEN, in absolute terms for ILO). OPEN does not have all the financial and material resources it would need to perform. Moreover the

ILO project is entering its final year, which does not leave much hope of seeing these institutions playing significant roles in management training, unless appropriate support is provided.

Consulting and Auditing Firms. Aside from those two organizations, Niger does not have any structures (be they public or private, national or foreign but locally based), providing full-scale management consulting services. However, there are four accounting firms: the Cabinet Boissin, the Cabinet Aubrey, Fiduciaire France Afrique and Sahel Audit. The first two are the oldest; they have been working in Niger for years and have, for that period of time, enjoyed a de-facto monopoly. But, they are poorly staffed, both qualitatively and quantitatively, and so they are not equipped to handle correctly more than bookkeeping, basic financial statement establishment, and audit of fairly simple systems.

Fiduciaire France Afrique has greater potential. It is a branch of the internationally known Ellios Group (France), itself a member of Arthur Young International (an International network of auditing firms). Fiduciaire France Afrique has been operating in Niger for only a year and its permanent staff amounts to one trained accountant, Mr. Debuiche, the Director, and two locally hired aides. It however has the flexibility of, as necessary, being able to call on additional resources either from the main office in France or the African regional offices. The Group claims to have done extensive management consulting work in these different countries, both in the public and the private sectors. Its actual experience and potential is unverified.

The last auditing firm mentioned, Sahel Audit, has the special feature of being the only "Nigerien" initiated one. Its director, Mr. Abdou Baoua, is the only national having completed the full cycle of "Etudes Comptables Superieures" (Higher Training in Accounting) in France, and having been officially enrolled as "Expert Comptable Stagiaire." He is knowledgeable, well trained and has a good sense of what is needed to improve management performance in general, and financial management in particular. His firm has signed an agreement with a French accounting and auditing firm named Cabinet B. Valla. Under this agreement the latter will provide technical assistance to the newly created Sahel Audit, engage with the latter in joint assignments and train those Nigeriens graduating in accounting and financial management in Europe and Africa who plan to join the new firm.

Individual Resources. Mr. Abdou Baoua of Sahel Audit is undoubtedly the number one person on a list of national consultants or potential trainers. Additional relevant names would be those of:

- the two permanent professors of accounting and financial related matters at ENA, MM. Boukari and Falalou, provided they themselves receive additional training and the legal aspects of their civil servant status are appropriately dealt with;
- two former ENA professors, currently finishing their study in France and Belgium, namely Mrs. Maikarfi who is completing her master's program at the Ecole Superieure de Commerce in Marseille (France)

and Mrs. Drapsida, doctoral candidate in Management with specialization in financial management and operation research at the Universite de Liege (Belgium);

- other Nigerien graduate students about to complete their training in European Management Schools, of which MM. Djibo and Bonimi, both graduating in accounting in Paris, and MM. Yero Garba and Issa Oumarou, studying computer and information science in the same city; and
- professional, such as Mr. Ali Alidou, MBA from Laval University (Canada) and Director of the Society de Commercialisation des Produits du Niger (COPRO/Niger), and Mr. Issoufou Alzouma, Ph.D. in economics and Project Analyst at the Office de Promotion de l'Entreprise Nigerienne (OPEN).

Comments and Recommendations. The idea of a management graduate school is an old one in Niger. However, the ILO office in Niamey has been working for years in order to help create such a school without any success. To Mr. Hidalgo, the ILO representative and the designer of the school project, this is not a reflection of any lack of interest on behalf of the GON, but rather a consequence of internal conflicts among government members about which department or institution should be made responsible for guiding and overseeing the implementation of the project.

This is important and it should be kept in mind to avoid substantial issues being buried under legalistic considerations. There are additional explanations which are even more important: until recently, management improvement did not constitute a primary concern for the government, so it did not move ahead with the management school project. Also, "Management" was and unfortunately still is only associated with the private sector; and since it is small, the government did not feel that there was enough local demand for management graduates to justify the establishment of a national management school. (They instead opened a management section at ENA to train managers for the private sector.)

The situation is substantially different today, especially in terms of how the government perceives the need and the urgency of management improvement. There is still a need to make some key GON people understand that modern management has a lot of potential for both the public and semi-public sectors, and that well-conceived management training is applicable in all sectors. That does not necessarily mean that Niger needs to create a new school. What it at least implies is that a new curriculum with specialized modules in various essential aspects of management should be designed and taught in the development context.

ENA appears to be the most appropriate partner to work with in trying to develop a "Nigerien" institutional capability in formal management training. In this case, there would be a need for technical assistance to ENA in at least three fields: curriculum design, teaching material development, and

training of trainers. Such technical assistance could also include some involvement in direct teaching (provision of faculty members) as well as the coordination of short-term on the job training sessions. Important agreements would have to be made with the GON in order to help the process: on ENA's purpose and on the status and work conditions of ENA's professors.

Summary

In the four countries investigated in this report, both institutions and technical experts exist which can be drawn on in designing and implementing improved financial management. Not everywhere, however, are these readily available without additional personnel identification based on the specific criteria of the Project. Various training institutions are available for implementation of short-term courses and workshops in each of the four countries studied. In addition, the report examines their adaptability to and readiness for longer term financial management training.

ANNEX G-2

IMPLEMENTATION

1. Organization and Management of the Project

Background

The Sahel Regional Financial Management Project is a regional project designed to address a regionally identified problem. Its immediate objective is to help ensure that host governments achieve and maintain a system of accounting and management for local currencies provided through AID projects, in conformance with legislative requirements of Section 121(d) of the Foreign Assistance Act.

The proposed project is a continuation of an effort initiated in the early part of 1981 to improve financial management in the Sahel. This effort has involved the creation of training material, visits to Missions to ascertain conditions, orientation visits to consult with Missions to determine needs and plan future efforts in the individual countries, and workshops conducted on AID basic accounting requirements for local currency and expenditures. The proposed project is designed to meet the financial management needs indicated by the Missions, within a regional framework.

Management Strategy

The basic management strategy of this project is for USAID Missions to identify, approve and manage all project-funded in-country financial management improvement activities -- within a policy and implementation framework approved, monitored and evaluated by AFR/SWA in AID/Washington, and implemented and regionally coordinated through a Participating Agency Service Agreement (PASA) with the U.S. Department of Agriculture (USDA).

Management Arrangements

a. AID

The A.I.D. Project Officer. Primary responsibility for providing AID policy and implementation guidance for the Project will rest with the AID Project Officer, who will be an AID Direct Hire employee assigned to AFR/SWA. He will exercise the AID project monitoring responsibilities, including monitoring the performance of the implementing agent (USDA); providing technical guidance in negotiating the PASA agreement; preparing or clearing all communications related to the project with USAID Missions; preparing all AID Project documentation and correspondence needed either internally within AID or externally, e.g., with the Congress; acting as the liaison with USAID Missions on Project-related matters as well as on compliance with Section 121(d) of the Foreign Assistance Act; and collecting, analyzing and disseminating information on project activities and on the status of AID compliance

with Section 121(d) of the FAA. He will be responsible for leading internal AID evaluations of the Project and for arranging external evaluations.

USAID Field Missions. USAID Field Missions will play a major role in the AID management of the Project. Since all substantive Project activities will be aimed at problems in the Sahel countries, USAID Missions will be an active participant in day-to-day on-the-ground Project implementation actions. They will assist in identifying and will approve all in-country project activities; will negotiate all agreements with their host governments; will review and approve the assignment of all field personnel, both short- and long-term; will ensure the involvement of USAID Project Officers in project activities; and will participate in all Project evaluations involving activities in their countries. They will monitor Project activities in their country, providing the liaison between on-the-ground activities and the AID/W Project Officer. An officer will be designated in each USAID to be that Mission's primary contact point for all in-country project activities.

The Mission Controller will be the primary in-country technical contact point for project financial activities. All financial systems, records and reports designed by resident financial management Teams will be submitted to the Mission Controller for his review and approval. He will also provide technical guidance to those teams regarding AID financial requirements, including compliance with Section 212(d) of the FAA.

Other Mission offices, including the Program Office and the technical offices, will also actively participate in project planning and implementation.

b. The Host Country

Annex G-1 to this Project Paper contains a description of host country organizations which will act as counterpart organizations to the resident Financial Management Teams. In each case, a host country organization will be identified as the institutional base for the in-country team, sponsoring all training and consulting activities under the Project, providing counterpart staff to the Project-funded expatriate experts (in addition to those Sahelian team members funded under the project), providing the facilities for group training programs, acting as the liaison between the financial management Team and other host government entities, developing the institutional and funding base for continuing financial management activities after the Project is completed, and participating in Project evaluations.

c. Implementing Agent (USDA)

AID will contract with USDA/OICD to perform or arrange for all Project implementation actions and functions. These functions will include developing an overall Project work plan and annual work plans covering all proposed Project activities both in the field and in the U.S.; preparing annual budgets for all proposed activities, by country and by type of Project activity; employing and supporting all Project personnel; conducting the technical assistance and training activities financed by the Project; submitting

required reports on Project substantive and financial activities; and developing internal systems for collecting, reporting and evaluating Project progress and problems.

AID will negotiate an agreement with USDA to perform or arrange for all Project implementation actions and functions. Responsibilities of the implementing agent (USDA/OICD) can be grouped in four major categories:

- (1) Overall Project implementation planning, coordination, and evaluation
- (2) Supervision and support of technical assistance and training experts assigned in the field.
- (3) Development and dissemination of training materials.
- (4) Technical program guidance.

Overall Project implementation planning, coordination and evaluation functions will include the following:

- (1) Utilizing guidance from AID, prepare guidelines and an overall Project workplan to be used also as a framework for country plans and activities.
- (2) Coordinate planning to integrate country plans and actions into a master Project plan.
- (3) Plan and coordinate long-term and short-term technical assistance and training inputs to ensure cost-effectiveness, technical quality, and consistency.
- (4) Coordinate and manage/monitor the overall Project budget and financial reporting.
- (5) Manage internal/formative evaluations of training and materials.
- (6) Identify opportunities for multi-country Project efforts.

Management and support of the technical assistance and training inputs will include the following specific responsibilities:

- (1) Select and recruit long-term and short-term experts.
- (2) Ensure adequate support, both in the field as well as backstopping support in the U.S. for long-term and short-term experts.
- (3) Supervise all experts assigned.
- (4) Coordinate TDY technical assistance between countries (to achieve cost reduction and effectiveness and to maintain technical quality).

Materials development and distribution functions will include the following:

- (1) Revise and upgrade existing training materials.
- (2) Collect, translate, and distribute additional training materials.
- (3) Create new technical and training materials.

Technical guidance functions will include the following:

- (1) Develop and upgrade technical assistance framework, approaches, and methodologies.
- (2) Provide orientations for long-term and short-term experts.
- (3) Develop and upgrade workshop designs.
- (4) Design regional workshops, and provide a framework for maximum inter-country learning and sharing of experience.

Following is a description of specific organizational elements of the Implementing Agent.

The Executive Officers of the Implementing Agent shall be responsible for ensuring that AID policies are followed in the execution of the Project. Although not directly assigned to the Project, they shall assume overall responsibility for the qualitative performance of all Project personnel and the efficient use of Project funds. Salaries and other costs of the agent's executive staff shall not be charged directly to Project costs, unless specified in the contract or agreement.

The Senior Project Director shall be a Direct Hire employee of the PASA Agency who has experience with action training, its underlying philosophy and methodology. The Senior Project Director will spend up to 25% of his/her time on this project and will provide the overall PASA Agency policy guidance and direction required to insure that this project is successfully implemented.

The Project Director shall have primary responsibility for managing and supervising all Project activities of the Implementing Agent, both in the field and in Washington. These activities will include all technical, strategic, financial, administrative and logistics matters. He or she will be responsible for ensuring compliance with the terms of the PASA with AID and will be the primary liaison of USDA with the AID Project Officer. He will supervise the recruitment and performance of all personnel assigned under the Project, both in the field and in the United States. He will be an experienced financial manager (with a minimum of 15 years of managerial-level financial experience), have considerable experience in developing country environments, have a working knowledge of French, and be familiar with AID financial management requirements and practices. He must be prepared to spend considerable time (at least three months each year) in the Sahelian

countries, directly participating substantively in, reviewing and evaluating Project activities and ensuring quality performance of the field project staffs.

The Trainer/Materials Expert will be responsible for ensuring that Project training activities are being conducted in a professional, effective manner and that the materials provided under the Project are up-to-date, conform with AID financial requirements, and are effective for the field training and technical assistance programs being conducted under the Project. He or she should have a good knowledge of accounting and management, experienced in current learning methods, curriculum design and group dynamics. He or she should have a working knowledge of French, and should also be prepared to spend a considerable portion of his time (at least three months each year) in the field in Sahelian countries.

The Logistics Coordinator (or Administrative Manager) shall have the responsibility for performing or arranging the recruiting, contracting, and assignment of all long-term and short-term personnel under the Project; monitoring USDA's accounting records and reports on Project activities; and arranging all administrative and logistics support for the Project. He or she should have experience as an office manager, and be aware of and sensitive to administrative arrangements and problems in developing countries.

Secretarial support -- up to three full-time professional and competent secretaries shall be made available full-time under and charged directly to Project funds under the PASA.

Consultant expertise shall be available to the Project Director, as needed and requested, to provide advice and guidance on such matters as recruitment standards, personnel orientation, curriculum and workshop design, and developing internal project evaluation criteria and systems. This expertise may be arranged either directly within USDA or with outside experts acquired on a subcontract basis. However, costs charged to the Project must be for Project-specific activities, must be performed only at the request of the Project Director, and should not exceed the amount of funds included in the approved Budget.

Country Teams are the primary substantive elements of the project's technical and training assistance. They will be composed of long-term financial management experts, both Sahelian and expatriate, assigned as resident teams in the designated Sahelian countries; and short-term experts as requested by the resident teams for specialized training and technical assistance activities. Although reporting organizationally to the Project Director, and coming under the direct responsibility of USDA, their work will be evaluated and guided also by the USAID Mission in the country to which they are assigned.

Note: Overhead funds will be made available to the USDA to finance support services to be provided to the Project. Using these overhead funds, USDA will ensure that (a) adequate office facilities, equipment and supplies will be available to Project personnel in Washington; (b) supporting systems and staff are in place and maintained for processing personnel subcontracts,

payments of all project expenses on a timely basis, etc.; (c) an accounting system is established and maintained for the project and that accurate, detailed financial information will be provided to AID on all Project activities in a timely fashion.

ORGANIZATION CHART

For Implementing the Sahel Regional Financial Management Project

Chief Executive
Officers of
USDA/OICD

Executive Project Director

Project
Director

Trainer/
Tng. Matls
Expert

Logistics
Coordinator

Consultant
Expertise

Country
Teams
-
Tech Assistance
&
Training

2. Implementation Plan - Schedule of Actions

<u>Date</u>	<u>Action</u>	<u>Responsible Office</u>
	<u>Month 1</u>	
	Project authorized	AA/AFR
	PIO/T is prepared for PASA with USDA	AFR/SWA
	Recruitment is initiated for long-term technical assistance experts and for Project Director.	USDA
	Orders are placed for household furniture, vehicles, and office equipment for long-term experts with priority shipment to be made to Upper Volta.	USDA
	<u>Month 2</u>	
	PASA with USDA is negotiated and signed.	AID - AFR/SWA, SER/CM USDA - OICD/TAD
	Project Director is identified and approved by AFR/SWA Project Officer.	USDA
	Recruitment is initiated for short-term experts, especially those for initial work in Mali, Niger, The Gambia and Mauritania.	USDA
	Long-term expert for Upper Volta is nominated for approval by AID Project Officer and USAID Mission.	USDA
	<u>Month 3</u>	
	Project Director begins work.	USDA
	Short-term experts depart for initial work in Mali, Niger, The Gambia, and Mauritania.	USDA
	Content and formats for project reporting/monitoring system are developed and submitted to AFR/SWA Project Officer for approval.	USDA
	AFR/SWA Project Officer develops content and format for collecting and reporting other financial management and 121(d) information from Missions and other sources as well as from USDA.	AFR/SWA

Month 4

Preliminary overall work plan for first six months of project operations is prepared and submitted to AFR/SWA Project Officer.

USDA

Long-term expert for Upper Volta is hired, receives orientation.

USDA

Limited Scope Grant Agreement, or other agreement format is negotiated and signed with Government of Upper Volta.

USAID/Ougadougou

Commodities (household furniture, vehicle, office equipment and supplies) arrive in Upper Volta.

USDA

Initial short-term experts complete their work in Mali, Niger, The Gambia, and Mauritania. Host Governments and USAID Missions in those countries reach basic agreement on organizational location and method of operation for the Project.

USDA

Month 5

Long-term expert arrives in Upper Volta.

USDA

Long-term experts for Mali, Niger, Senegal, and The Gambia are identified by USDA, and nominated for approval by AID Project Officer and USAID Missions.

USDA

Limited Scope Grant Agreements, or other agreement formats, are negotiated and signed with Governments in Mali, Niger, Senegal, The Gambia, Mauritania, and Cape Verde.

USAID Missions, with assistance from AFR/SWA Project Officer

Month 6

Project commodities (household furniture, vehicles, office equipment and supplies) arrive in Mali, Niger, Senegal and The Gambia.

USDA

Long-term experts for Mali, Niger, Senegal, and The Gambia are hired, receive orientation.

USDA

Orientation program for short-term experts is developed, and potential candidates for

various types of expertise are identified and submitted to the AFR/SWA Project Officer for review and comment. USDA

Month 7

Long-term experts arrive in Mali, Niger, Senegal and The Gambia and begin project operations. USDA

Sahelian members of Financial Management Teams are identified, approved by USAID Missions, and employed in Mali and Niger. USDA

Month 8

Detailed work plans are submitted to USAID Missions and in a consolidated format to the AFR/SWA Project Officer for the first year's project operations in all countries. (Work plans will include USAID projects to be the central focus of teams, types of effort, schedule and subjects for workshops, needs for short-term experts.) USDA

Consolidated schedule of country and regional workshops and training requirements is prepared, and needs for short-term experts determined and scheduled. USDA

Month 11

Regional meeting of resident financial management teams. USDA

Month 18

Mid-project evaluation is conducted. AFR/SWA

Month 19

Detailed work plans are submitted to USAID Missions and in a consolidated format to the AFR/SWA Project Officer for the second year of project operations in all countries. USAID

Month 29

Regional meeting of resident Financial Management Teams. USDA

Month 30

End-of-project evaluation is conducted.

AFR/SWA

Month 32

End-of-project report is submitted to the
AFR/SWA Project Officer.

USDA

3. The Office of International Development and Cooperation (OICD) and the Development Project Management Center (DMPC) of the U.S. Department of Agriculture.

The Office of International Development and Cooperation of the U.S. Department of Agriculture will be the implementing agency of the project. One of its units, the Development Project Management Center will be the major source of in-house technical expertise and direction. Below is a description of the facilities and recent activities of the two institutions which indicates their capacity and special appropriateness to undertake the Project.

The cooperative relationship of AID with the U.S. Department of Agriculture in promoting agricultural and rural development world wide is a long, intensive and successful one. The USDA is regarded as a primary source for the transfer of American technology and methods to developing countries, with vast experience in technical assistance, data gathering and analysis, and program development. It currently is moving deeper into methodologies and assistance which treat underlying structural and management impediments to agricultural development, especially the DPMC. As the current Sahel project portfolio of AID is over two-thirds devoted to agricultural and rural development interventions, the use of an organization with depth and current programs in this field is believed to be extremely important.

The Sahel Regional Financial Management Project, in its response to the immediate and pressing needs of maintaining 121(d) certifiability in the Sahel project portfolio must begin rapidly and broadly in the Sahel. The PASA arrangement with OICD will permit this at a comparatively low overhead cost. The Project is intended to draw upon the experience of pre-project consulting and training activities, and not lose the momentum they created. DPMC undertook most of these for AID and could hardly be replaced as a technical resource without considerable delay and extra expense. In its higher purposes, the Project seeks to move each Sahelian country ahead on a continuum of improving project management. DPMC is experienced in the theory and practice of advanced training and managerial methods to promote such development.

THE OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT (OICD)

OICD coordinates the expertise of U.S. Department of Agriculture (USDA)^{1/} employees and works with universities to provide assistance to developing nations and international organizations. OICD assistance is given at the request of the Agency for International Development (AID), individual nations, and/or international organizations.

The goal of U.S. technical assistance in agriculture is to help developing countries become more self-reliant in producing food and fiber from limited resources and to improve the quality of life for their people. The fields of assistance to developing countries cover the full range of USDA experience and know-how. Increasingly, help is being provided to assist individual countries in economic planning and to establish data base information necessary for program and policy decision making.

Fiscal 1981 Technical Assistance Activities

The demand for technical assistance from both developing and non-AID countries continued at a high level in 1981. During the past year, OICD had 134 agreements with AID, international organizations, and countries in some developing nations and Organization of Petroleum Exporting Countries (OPEC).

Technical assistance was carried out in 76 countries. United States-based personnel traveled to 57 countries to perform work requested under these agreements.

OICD, with the cooperation of 15 other USDA agencies, universities, and the private sector, provided 846 technician assignments -- a nine percent increase over the fiscal 1980 total. These included 143 resident overseas assignments, 83 long-term assignments on projects in the United States, 436 international short-term assignments, and 184 short-term assignments in the United States. USDA scientists and technicians provided 73 percent of the assistance (27 percent from OICD staff) and the remaining 27 percent came from universities and other sources arranged for and monitored by OICD. OICD provided personnel for 20 projects involving international organizations in fiscal 1981 compared with only six projects as recently as 1978.

^{1/} Cooperating USDA Agencies are: Agricultural Cooperative Service (ACS), Agricultural Marketing Service (AMS), Animal and Plant Health Inspection Service (APHIS), Agricultural Research Service (ARS), Economic Research Service (ERS), Extension Service (ES), Federal Crop Insurance Corporation (FCIC), Farmers Home Administration (FmHA), Food and Nutrition Service (FNS), Forest Service (FS), National Agricultural Library (NAL), Office of Operations and Finance (O&F), Office of Transportation (OT), Soil Conservation Service (SCS), and Statistical Reporting Service (SRS).

Technical assistance was provided for project identification, design of projects, complete and partial staffing of projects, evaluations, and in some instances monitoring of project operations. Compared with earlier years, 1981 projects involved more OICD professional staff. The number of design teams fielded increased over fiscal 1980. The Department continued its close cooperative involvement with the university community in staffing large technical assistance projects. A new field of endeavor begun in fiscal 1980 was the involvement of OICD staff in developing a core of basic information related to farming systems. The expectation is that a transfer of farming system technology can be made to selected developing nations. This work was expanded in fiscal 1981.

The Department became more involved in fiscal 1981 in work related to renewable resources, including forest resource management, soil management, and energy expansion through biomass production. There has been an increase in demand for assistance for remote sensing for agriculture. Animal and plant disease control continued to receive special emphasis. With the eradication of African Swine Fever in the Dominican Republic, attention was directed towards Haiti, which has an infestation problem.

Examples of Technical Assistance in AID Countries

Jamaica. OICD, in cooperation with the Agricultural Marketing Service, is providing a seven-person resident team to assist the Jamaican Ministry of Agriculture in improving the antiquated agricultural marketing system in that country. The project has two phases. The first phase is developing a better marketing capability within the Ministry of Agriculture to improve the distribution of food within the country. The second phase focuses on the development and implementation of improved marketing facilities and practices as a means of reducing post-harvest loss, i.e., waste spoilage, nutrient loss, and unharvested crops. Paramount to the project will be the development of increased efficiencies of distribution and greater market orientation in government policies related to the agricultural sector. Benefits that will accrue to the United States through this project include: (1) the opportunity to sell commodities and supplies needed for a modern marketing system, and (2) officials within the Ministry of Agriculture will acquire the background and training which will enable them to expedite a greater exchange of goods and services between the two countries.

Portugal. The Agricultural Production Project stresses the provision of limestone and fertilizer to farmers as well as the development of improved pastures in northern Portugal. Goals of the project are to increase agricultural production and productivity, improve the incomes of Portuguese farmers, increase employment opportunities within the agricultural sector, and reduce Portugal's reliance on imported agricultural commodities and production inputs. The goals will be achieved largely through program support to soil correction, fertilization and increased forage production (PROCALFER), which is being implemented by the Ministry of Agriculture and Fisheries (MAP) in Lisbon and its regional directorates. The project is staffed by two long-term OICD specialists in Lisbon and a coordinator in

Washington. OICD project personnel are assisted in identifying and recruiting appropriate technical expertise from USDA and the University community by the Portugal Advisory Committee. This committee is made up of five representatives from USDA and five from U.S. universities with extensive experience in carrying out agricultural development projects in Portuguese speaking countries. The project holds promise of further strengthening the relationship between the Government of Portugal and the United States and a greater exchange of goods and services between the two countries.

Forestry Support. Under the leadership of the Forest Service, the Forestry Support Program (FSP) was established to bring the knowledge and experience of the professional forestry community to bear on AID's forestry development activities. FSP provides technical help to AID in designing, establishing, managing and troubleshooting field projects in forestry and natural resources. This project calls for the establishment of a support network to assist those LDCs in which deforestation and lack of forestry management are major provided by the U.S. Forest Service, while village-level implementation will be carried out by the Peace Corps. The project's long-term benefits are increased wood products and larger energy sources in the developing countries. Benefits to the United States include more knowledge about alternative energy sources and greater trading opportunities.

Pakistan. Technical assistance was initiated in 1975 with the Government of Pakistan in conjunction with the Pakistan Agricultural Research Council (PARC). The goal was to upgrade and expand Pakistan's agricultural research capability, both national and provincial, and to deal effectively with problems concerning priority commodities and crops in order to increase agricultural production for domestic consumption and export.

A program was developed to upgrade Pakistan's agricultural research institutes and colleges and to establish and equip a National Research Center to coordinate and carry out priority research projects. Commodities, expatriate technical advisors (including intermediaries) and academic and practical training for professionals and sub-professionals have been financed under the program over a six-year period. An evaluation system, including workshops and an evaluation panel, has permitted assessment of research work undertaken and progress in implementation.

The overall goal of this project is to strengthen Pakistan's ability to produce a larger portion of its food and fiber needs, with the expectation that this will enhance the standard of living within the country. This effort should provide an opportunity for greater trade between the United States and Pakistan, particularly in agriculture equipment and other supply inputs.

ASEAN Plant Quarantine Project. A Plant Quarantine Project for the Association of Southeast Asian Nations (ASEAN) was initiated in FY 1981. An APHIS regional advisor in plant quarantine will provide an estimated two years of technical assistance during the start-up and development period. Project headquarters are located near the Malaysia Agricultural Research Development Institute (MARDI).

Farming Systems Research (FSR). FSR is an approach to the on-going problem of developing and disseminating improved technologies to small farms. The program is attracting considerable attention in the agricultural development community. In FSR, the research process begins at the farm level with an analysis of farmers' constraints to determine research priorities. OICD's involvement with this approach began with sponsorship, along with ARS and the Office of Agriculture in AID's Science and Technology Bureau, of a two-day symposium in FSR in December 1980. Since that time, OICD has implemented cooperative agreements with the University of Florida and with Virginia Polytechnic Institute and Virginia State University to establish a response capability to requests for assistance in FSR from developing and middle income countries.

The cooperative agreements call for FSR expertise in farm management, agronomy, horticulture, family economics and extension to be developed through work with U.S. small farms and applicable in the LDC context. Within USDA, OICD's contacts on FSR have extended to the ARS Northeast Regional Small Farm Research Program. The United States and participating developing nations will benefit from the FSR efforts. Research is underway with relatively poor farmers and their families in the Panhandle area of Florida and in southwest Virginia. Special emphasis is placed on the family and the development of techniques that are likely to be adaptable in less developed countries. The technological benefits that accrue from FSR effort can be applicable in the United States and throughout the world.

Nutrition Economics. OICD has assisted AID's Office of Nutrition in a number of activities designed to build developing country institutions' policy and planning capabilities in analysis of project and program impacts on nutritional status and food consumption levels and quality.

In a collaborative effort with Food and Agricultural Organization (FAO) of the United Nations, guidelines for adding nutrition and consumption to post-secondary curricula for agriculturalists were developed and adapted for use in Indonesia, Thailand, the Philippines and Malaysia. Since the guidelines have been so well received, AID is now using them to develop texts, workbooks and teaching aids. Advisors worked with food and agriculture planning units (and other institutions) in Sri Lanka, Indonesia, the Philippines and the Dominican Republic. As a result, the institutions they worked with are better able to manage and analyze household consumption, income and expenditure data and use it for providing policy recommendations.

OICD and the Food and Nutrition Service also provided an economist to advise a new food and nutrition agency of the Peruvian Government on possible ways to manage information to be used in the evaluation of an experimental food coupon program.

Botswana. Five resident persons are serving as specialists in the Ministry of Agriculture, Planning and Statistical Unit. The capability of the Ministry to undertake agricultural censuses and surveys, to project future production and to estimate current production is being strengthened while at

the same time Botswanans are being trained to assume these duties. The project has been helpful in developing stronger ties between the two countries and facilitating trade.

Kenya. Resident scientists are assigned to the Kenya Agricultural Research Institute (KARI) conducting research on improved farming systems for semi-arid and higher elevation zones in Kenya. The outputs of the project are new dry land cropping systems for use in less productive zones and improved maize varieties for use throughout Kenya. The results of the research are expected to be applicable for similar areas of Africa where per capita food production has been declining in recent years.

DEVELOPMENT PROJECT MANAGEMENT CENTER (DPMC)

The DPMC is a unit in the Office of International Cooperation and Development within the USDA. It was established with funding from AID/ST/RAD in late 1975, with the primary purpose of undertaking applied research and providing short and long term field service to AID missions for improving project management. In the early years of its operation attention was focused on the provision of short-term consultancies, the organization of a documents center for dissemination of training materials to Third World institutions, and the support of a long-term management improvement project in Jamaica (1977-79). The expansion of these activities was somewhat constrained by its limited staff, and by virtue of the fact that as a new organization, considerable energy had to be devoted to establishing its utility and credibility. The rapid increase in DPMC short and longer term consultancies is reflected in the fact that DPMC has or soon will have three long term field based projects underway, and the fact that approximately four-fifths of DPMC's operating budget is now derived from mission funded services.

Examples of Short-term Field Service

DPMC has undertaken short-term field consultancies in the following countries:

Egypt

Cape Verde/Guinea Bissau

Guatamala

Upper Volta

Pakistan

Kenya

Cameroon

Niger

Haiti

Costa Rica

Mauritania

Ghana

Morocco

Kenya Agricultural Systems Support Project. At the request of the USAID, Kenya mission DPMC organized a five man team which worked in Kenya over a five-week period (Feb.-March, 1982) to evaluate the Kenya Agricultural Systems Support Project. The draft evaluation report was completed in March 1982 and is being reviewed by USAID/Kenya, AID/W, GOK and project contractors. Both the Mission and AFR/DR believe the team was a strong one and the evaluation well done, and support DPMC findings.

Sahel. In early 1981, a DPMC consultant served as a member of a management team sent to the Sahel on short-term assignment for the purpose of formulating a set of strategies and implementation procedures in addressing major deficiencies in host-country financial management of the AID sponsored Sahel Development Program. As a consequence of this activity DPMC undertook some immediate on-site activities to assist in improving host-country financial accounting and assisted the design of a second and larger follow-on effort involving the use of financial accounting instruments for improving project implementation and management performance.

In the first activity, which addressed the short-term need for bringing about immediate improvements in financial accounting, DPMC helped design an accounting system and an applications manual for training of host country accountants to use the system. DPMC pretested the manual and has undertaken a series of orientations and workshops in the Sahel, whereby the proposed accounting system will be adapted to host-country needs. DPMC assists in organizing these activities in a manner consistent with its emphasis on action training and performance management. Thus, host country project managers, administrators, and accountants will identify their accounting needs and participate in a process of tailoring proposed new systems to address their own needs through applications on actual project activities.

Examples of Long-term Field Service

Thailand. In the Fall of 1981, two DPMC consultants, on short-term assignment, worked with the AID Thailand mission and Thai officials in the design of a project management information system (PMIS) for application to the mission project portfolio. This activity is to be followed by a one-year assignment (in 1982) of one DPMC consultant to assist the mission and counterpart agencies in adapting and utilizing the PMIS. The introduction of PMIS is premised on the assumption that an effective reporting system should be built around realistic and detailed project implementation plans. Thus the PMIS is linked to the formulation of sound project implementation

plans, with implementation milestones and indicators constituting the baselines for project monitoring.

It is intended that the PMIS will be installed in a two stage process, with five initial mission projects being identified as targets for phase one application, but with eventual inclusion of all mission projects as the intended goal. Once established as a component of mission procedures, PMIS will be utilized to bridge the often encountered gap between the completion of project papers (PP) and project implementation actions. The transition from PID to PP to actual project implementation is intended to become a more integrated process, with Thai Government project teams acquiring early project initiative and understanding of what needs to be done in moving ahead without delay in project start-up directly after project authorization and obligation.

The PMIS has been successfully tested in two mission projects and this has served to generate some optimism about its eventual effectiveness when scaled-up to meet a larger set of needs.

Jamaica. In 1977, a DPMC consultant assumed a three year AID funded field assignment in Jamaica to assist the Government of Jamaica (GOJ) in the planning and conduct of development projects with the intention of increasing the flow of development capital from international donor agencies and, in general, to improve capital utilization from both internal and external sources. The basic focus of this effort involved an intensive use of the DPMC action-training and performance management approaches in training Jamaican officials, including the design of an entirely new GOJ system for project design and approval.

During the three years of project life, the action-training reportedly improved the capability of Jamaican officials to design and implement projects. By all accounts significant technical improvements were made in the GOJ project design and implementation system. The project has also left in place Jamaican trainers/consultants who are able to provide back-up support for continuing training in project design and management.

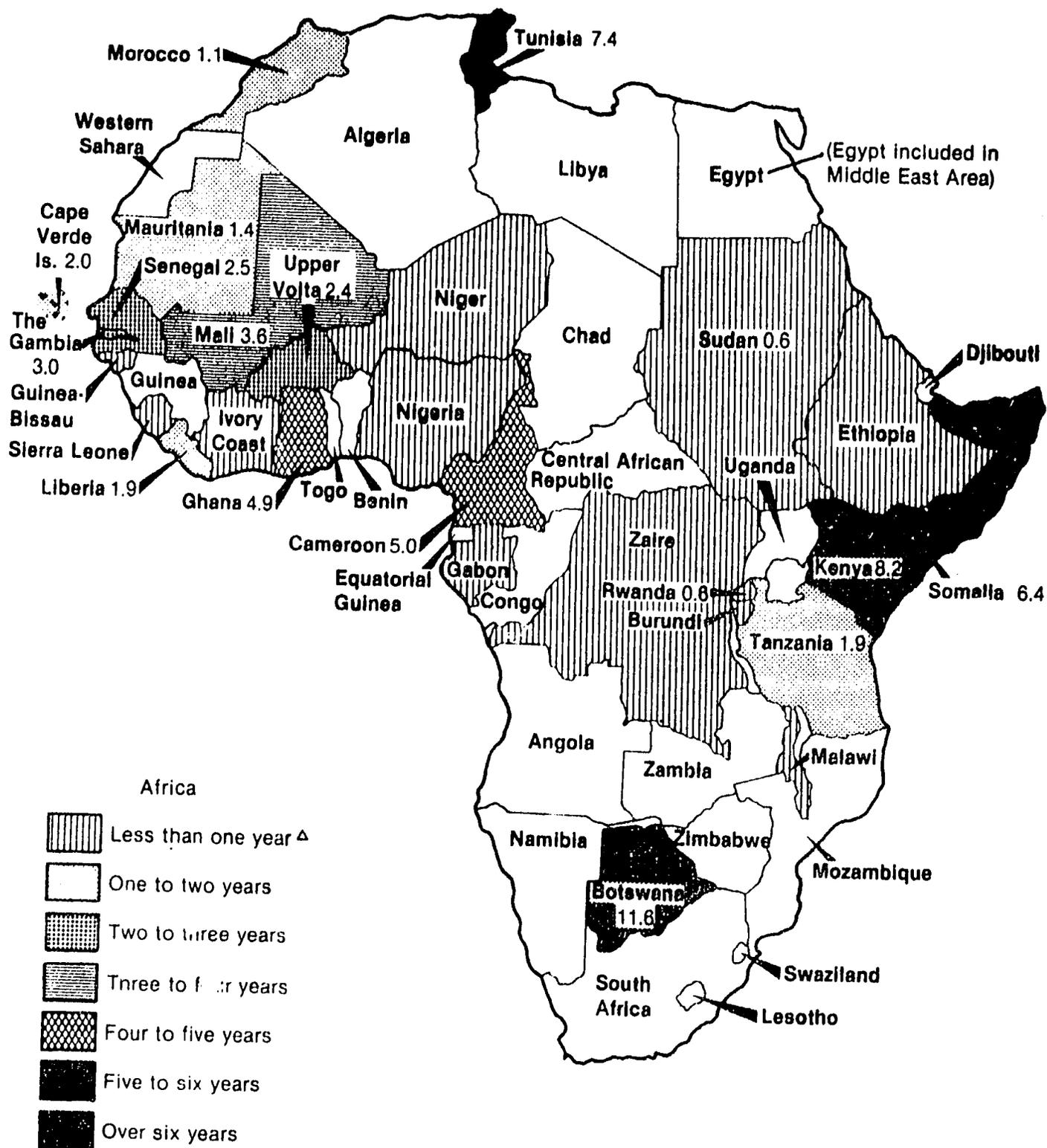
Portugal. DPMC is providing the public management development component of the Portugal program for Agricultural Production (PAP). This project, begun in FY 1981, has as its major thrust increasing the limestone and agricultural output of Portugal. Another stated objective is to provide public management development for involved institutions (basically the Ministry of Agriculture). The project has approximately U.S. \$200 million of funding including host country and PL480 contributions and a direct AID grant of U.S. \$10 million.

The PAP is being coordinated by USDA under a PASA agreement. DPMC, as the USDA in-house institution-building agency, was brought into the project from the beginning as the public management consultant. The DPMC role is to provide project management training for the Ministry of Agriculture and its regional office with significant effort being aimed towards diverse regional offices. One accomplishment to date is the three workshops that were held

during the summer of 1981 to introduce project implementation concepts and team processes to 50 regional planners from various regional offices. These workshops were also used to discern the needs of management. An on-going function which DPMC has acquired is improving communication within the Ministry of Agriculture by being a liaison between the national and regional offices. Finally, DPMC is seeking to introduce management tools into the Ministry planning and implementation process for agricultural projects.

DPMC's management training in this project will serve as a pilot for the Ministry of Agriculture. If this work is successful the potential exists for broadening the training to the entire Ministry. The GOP has given its approval to the management development approach. The DPMC role is planned for the duration of the project, which has about four more years to go.

***Staff Years of Technical Assistance Provided During Fiscal Year 1981 - Africa Area**



*Includes TDY's performed by OICD's Worldwide Program Area.

Δ Time in countries which received technical assistance of three months or less is not shown.

Boundary representation is not necessarily authoritative.

**SUBJECT: Sahel Regional Financial Management Project (625-0950)-
Vehicle Procurement Waiver**

Problem: The implementation phase of the subject project requires the procurement of passenger vehicles of non-U.S. manufacture. In order to allow such procurement you are requested to grant:

- (1) A source/origin waiver from Geographic Code 000 (U.S. only) to Code 935 (Special Free World);
- (2) A waiver of provisions of Section 636(i) of the FAA.

FACTS:

- (a) Cooperating Countries: Mali, Niger, and Upper Volta
- (b) Authorization Document: Project Paper
- (c) Project: Sahel Regional Financial Management Project (625-0950)
- (d) Nature of Funding: Grant
- (e) Description of Goods: Three passenger vehicles and spare parts
- (f) Approximate Value: \$50,000
- (g) Probable Source: The cooperating countries, or France
- (h) Probable Origin: France

Discussion:

Section 636(i) of the Foreign Assistance Act of 1961, as amended, provides that none of the funds made available to carry out the Act shall be used to purchase motor vehicles unless such motor vehicles are manufactured in the United States. However, the provisions of Section 636(i) may be waived when special circumstances permit it. Under AID Handbook 1, Supplement B, Section 4C2(d)(1)(b), circumstances which may merit waiving the requirement include "present or projected lack of adequate service facilities and supply of spare parts for U.S. manufactured vehicles."

At present, there are no active representatives for American-made passenger vehicles in the three countries for which this waiver is requested, with adequate service facilities and supplies of spare parts are not likely to become available in the near future.

The vehicles are essential to the carrying out of project financial management activities in Mali, Niger, and Upper Volta. Financial Management teams in these three countries will use the vehicles to visit accounting

stations for U.S.-financed development projects in those three countries, and reliable transport facilities will be required.

Recommendations: For the above reasons, it is recommended that you:

- (1) Conclude that special circumstances exist which merit a waiver of the provisions of Section 636(i) of the Foreign Assistance Act of 1961, as amended;
- (2) approve a vehicle procurement source/origin waiver from the Geographic Code 000 to Code 935; and
- (3) certify that exclusion of procurement from free world countries other than the cooperating country and countries included in Code 941 would seriously impede the attainment of U.S. foreign policy objectives of the foreign assistance program.

ANNEX G-3

THE PROJECT AND IMPROVEMENT OF AID PERFORMANCE IN THE SAHEL

The haste and urgency with which the Sahel Development Program of AID was conceived and undertaken have resulted in a portfolio of current projects that is very difficult to manage. It is necessary that the next generation of projects take past lessons into account. As important, the average life of current projects being two years beyond FY 82, arrangements of AID's management of the existing portfolio should be improved. The problems of managing the current Sahel Program are not unique to that region, but have been given significant exposure in AID Inspector General reports and Africa Bureau reviews over the past several years. The advent of FAA Sec. 121(d) and of this Project presents the opportunity to develop and apply solutions in a controlled situation, and to indicate how seriously AID sees the necessity to improve its performance in the extraordinarily difficult situation of the Sahel.

Certain improvements in AID procedures and utilization of its own human resources are needed to complement this project's activities. First, I.G. Report No. 81-35 (p. iii) states, "AID Project Officers are not monitoring the financial management aspects of the projects to the extent required. The reasons seem to be that most Project Officers neither have the professional capability nor the time to focus on these problems because of other project demands." Second, in four fields AID more generally is deficient, as noted below. These matters must be treated so that overall financial management of AID programs in the region is improved.

- Training - Mission Project Officers in the Sahel are frequently young, inexperienced in the broad range of AID project design and management requirements, and over-burdened with immediate implementation concerns of numerous projects they did not initiate themselves. Attention in training of Project Officers has not concentrated on financial management of projects, on the requirements for administrative approval of payments, or on the use of financial information for monitoring and adjusting project implementation.
- Guidance and Reference Materials - Whether relevant and timely guidance is contained in Handbooks and other normal guidance or not, it has not generally been absorbed and operationalized in the Sahel Missions such that there is clear agreement on, inter alia, the composition and use of PILs, forms of periodic implementation reporting, devices for project amendment, and, perhaps most important, the differentiation of roles and responsibilities between project officers and Controller's Office staffs. This has led in some cases to implementation delays, confusion, duplication and poor communication.

- Staffing - Unfilled personnel slots have been chronic in the Sahel Missions, exacerbated by regular and extended absences of key individuals on home leave, R&R, etc. The problem recently has been particularly severe in the case of Controllers unassigned or in long process before arrival at post in, for example, Mali, Upper Volta and now Guinea Bissau (for Cape Verde). The very heavy demands on Controllers' Offices in the certification process has led to overwork and undersupervision in Mali and Upper Volta especially.

- Composition of Project Papers - Project Papers for many current Sahel projects notably ignore financial management -- both provision for it in institutions and allowance for it in project financial analyses. Project resources have often not been adequately provided for management of project activities by host governments. Project budgets have not been established which separate local from foreign exchange costs and local costs handled by host governments from those handled directly by USAIDs. Host country financial management capability has not usually been a criterion of project feasibility. Implementation plans for many projects have not set out requirements for financial reporting to AID and the division of responsibilities between project management in the government and that in the AID Mission.

The basic problem divides into two elements: the choice, definition and design of projects; and the human and organizational resources AID fields to implement and monitor them. A simple conclusion could be that either we are undertaking some projects that cannot be implemented well in any case, or we are not implementing some actually viable projects well due to our own poor management. As a bit of both, the problem suggests the need for matching structural adjustment in the Sahel project portfolio with improved treatment of projects by AID Missions. The following steps are described in succeeding sections: (a) redesign or close down certain projects, (b) expand design requirements of new projects, (c) realistically match implementation requirements of current and future projects with Mission-wide resources in (a) and (b) above and on a continuing basis, (d) fill approved positions, (e) train project officers better, (f) provide Missions with more clear and precise guidance, and (g) disseminate more, and more useful reference material.

Making progress on all of these fronts throughout the Sahel will require a special managerial effort coordinated in AID/W. The appropriate place for that is AFR/SWA and the instrument, a direct-hire Project Officer for two years. His or her objective would be to create with the Sahel Missions a permanently improved system and structure in which the financial management of AID projects becomes a model of efficiency. This would encompass not only implementation of the Project, but equally important, the coordination of other actions to improve AID's own management performance involving other offices of AID and the additional activities of OICD. The several efforts to be directed and/or coordinated, and the cooperating offices are outlined below and discussed, in relation to J.G. and other findings, in succeeding paragraphs.

- a. 121(d) Certification/Determination and Reporting -- Missions, AFR/PMR, FM.
- b. Financial Management Improvement Team efforts -- OICD/DPMC, FM, Missions.
- c. AID training -- PM/TD, DPMC, FM
- d. Guidance to Missions -- AFR/PMR, FM, AFR/DR, PPC.
- e. Development and Dissemination of Materials -- FM, PPC, OICD.
- f. Mission Staffing -- AFR/PMR, FM, PM.
- g. The Project -- OICD, Missions, AFR/DR, AFR/PMR, FM.
- h. Project Design, Redesign and Review -- Missions, AFR/DR, PPC, REDSO/WA.

a. 121(d) Certification/Determination and Reporting

The authority to make 121(d) determinations has been delegated to the AA/AFR on the basis of certifications made by Sahelian Mission Directors as informed by their Controllers. Once a project has been certified, continual review of certifiability will have to be undertaken by Missions and reported periodically to AID/W. It is possible that spot-checks by outside accounting experts will be desirable so that the AA/AFR is assured of necessary consistency of application. Periodic reporting to the A/AID and Congress should also continue for some time. This will apply to approximately 59 current projects and 25 new projects over the next three years. (See Annexes A and F-2.)

Given the diversity of circumstances in the seven countries and among the approaches of some missions to certification, a significant load of data gathering, sorting and synthesis can therefore be expected. It needs to be centralized in AID/W. This will need also to be coordinated with the information that the AA/AFR has requested from non-Sahelian/Africa missions on the status of accountability in their projects.

b. Financial Management Improvement Team Efforts

The sequence of orientations and workshops on financial management in Sahelian countries begun in 1981 by DPMC of USDA/OICD will continue through September 1982 funded separately from the Project. Efforts of this type in Mauritania in early 1983 will be financed as an integral part of the Project. Sessions in Senegal, The Gambia, Guinea Bissau and Cape Verde will require coordination from Washington. More important, the entire Financial Management Improvement effort of DPMC must be evaluated.

The questions for and lessons to be drawn from this evaluation have importance that goes beyond an ordinary effort of this sort. For important

assumptions and elements of the Sahel Regional Financial Management Project are based on strategies, actions and preliminary results of the Improvement Team's efforts. Conclusions of evaluation must be quickly and pointedly fed into the implementation and evaluation of the Project. That is not only with respect to similar sessions later in Mauritania, but also concerning successor workshops tentatively planned for Mali, Upper Volta and Niger, and other project activities in all seven countries. And important information should be forthcoming about the speed and depth of development of financial management capability and commitment to it in the several governments which will be important to the planning of Project interventions in the second and third years.

c. AID Training

Project Officers ordinarily have the responsibility for administrative approval of AID payments in projects, and in the certification process should be the first source of information concerning implementation of AID projects by host country institutions. It is evident that the ability and inclination of many Project Officers in Sahelian missions to take the lead in supervising and appraising host country financial management of projects is lacking. This not only places too heavy a burden on Controller Office staffs, but robs the implementation and certification processes of important insights and access.

Several factors contribute to the problem, among which are: youth and general inexperience of many Project Officers, recruitment of Project Officers for technical (e.g., agronomic) expertise that can preclude management, especially financial management experience, and an AID tradition in the Sahel of emphasizing delivery of inputs rather than managing them -- to name three. Although none of these conditions is liable to reverse, training in IDI and Project Officer courses can and should now give special and intensive attention to financial management in project implementation. Development of new course material and teaching methods needs to be informed from the experience in the Sahel -- to date and coming during the life of this Project. PM/TD, in cooperation with the Africa Bureau could be able to enhance this content in current training efforts and mount specialized sessions as necessary. This is related, of course, to d, e, and f, below.

d. Guidance to Missions

AFR/SWA, in cooperation with AFR/PMR, has managed the guidance to Missions on certification procedures, and will continue to do so as this evolves. Two problems are apparent, however, which seem to require additional guidance from the Bureau: delineation of responsibilities between Project Officers and Controllers, and financial management requirements in project design and redesign. AID Inspector General Audit Report No. O-000-82-58, "Voucher Approval: How Well Does It Work?", January 27, 1982 generalizes on a world-wide basis on the fact that the responsibility of Project Officers in AID's financial management of projects in the field is unclear and certain duties are perhaps not being carried out efficiently:

Much of the controversy relates to the Project Officer's interpretation of the review requirements. Basically, each Project Officer decided for himself what to do. Approvals were based on widely different reviews that, depending on depth, added little or much to the documentation on which the authorized certifying officer could base his finding that payment was proper.

The reason for the Project Officer's confusion is clear: no guidelines for the approval were issued and the language used in Handbook 19 and other Office of Financial Management documents was contradictory. (p. 9)

The administrative process is unreliable because the negative approval "I see no reason to withhold payment," may represent good working knowledge of a project or total ignorance of what is going on in a project. There are no minimum standards. (p. 10)

AID recognizes the problem but also that there are conflicting pressures to accelerate payments and reduce direct-hire staff generally. Nevertheless, for the Sahel in particular, guidance that translates handbook and other instructions into checklists for and priorities in project monitoring by Project Officers and their cooperation with Controllers in project and voucher certification could and should be developed. This should take into account the work loads in Sahelian missions, training and other staff improvement efforts, and the dissemination of helpful materials suggested elsewhere in this annex. Most important, it should make clear where basic monitoring of financial management of host country managed projects lies in the hierarchy of duties of Project Officers.

As with Handbook 19, those sections of Handbooks 3 (the old and new versions alike) which treat project design and PP composition (Chapter 5), and implementing documents (Chapter 9) need also to be elucidated and strengthened for the Sahel. A selective review of PPs, Project Agreements and Project Implementation Letters (PILs) of current Sahelian projects indicates that inadequate attention has often been devoted to the financial management implications of projects, and therefore to the need for project resources to be devoted to host country project management. Financial Plans and Budgets in PPs frequently have not separated costs of foreign exchange, local currency, and local currency to be managed by the host governments so that Implementation Plans, Conditions and Covenants reflect clearly the burdens placed on governments and AID missions. In several cases during the certification process it has been necessary to reconstruct existing or to execute new PILs to spell out financial reporting requirements (for example, to allow replenishment of advances) that should have been clear from the beginning. In one case, the issuance of PILs for this important purpose has been delayed because of differences among Mission over the correct form and content -- no model to cover the situation being available.

Thus Sahel-specific additional guidance is necessary on how financial management issues must be treated in new Project Papers or Amendments so that they are comprehensible in this regard and approvable. The special situation of new PILs being necessary so that certification is maintained should be treated in separate guidance. Project Agreements henceforth should move explanation of the financial management responsibilities of governments into prominence and clearly define the division of responsibilities between host government accounting offices and AID missions.

e. Development and Dissemination of Materials

AID training and guidance efforts suggested above will result in materials that should be widely distributed in the Sahel. The Project and the prior and concurrent Financial Management Improvement Team efforts also have and will continue to produce materials, including improved versions of the Users' Manual in English, French and Portuguese versions. These should be useful to missions and host country institutions alike. There is room, also, for special materials of a substantive nature to be developed and used in the field. One example is a bi-lingual, cross-referenced glossary of accounting terms in the French and American accounting systems, keyed to reporting documents. Another would be more theoretical and speculative treatments of the theory and practice of improving financial management in developing countries based on successful experience elsewhere (for example, possibly, Jamaica). This would help missions and host governments to understand the rationale of the Project and the long-term commitment of AID in this field in this region.

f. Mission Staffing

Inspector General Audit Report 81-35, in its recommendation 3 states that necessary steps should be taken to ensure that Project Officers in the Sahelian countries understand and perform their financial monitoring responsibilities, and supplementary financial guidance should be provided to all Project Officers. These are treated above. The same recommendation goes on to suggest "additional staffing where circumstances warrant." Recommendation 2 states that AID should take the necessary steps "to ensure that sufficient financial personnel are available to participate in the design and financial monitoring of AID-financed projects in the Sahelian countries." (p. 21)

Steps have been taken to strengthen Controller Office staff and to reduce the proportion of vacancies in missions generally. It is important here to emphasize that the need for complete mission staffs and senior controller personnel in the Sahel will not diminish in the next several years. Considering the technically simple nature of many projects in the agricultural, health and energy sectors in the Sahel program, consideration should perhaps be given to recruitment of Project Officers who have less technical and more management expertise and interest. To reduce the burden of financial management responsibilities of Project Officers responsible for more than one project, consultant teams, PVOs and other external implementing agencies should probably also be encouraged to add financial management personnel.

g. The Project

Inspector General Audit Report 81-35 recommends that development of a comprehensive financial training program for the Sahelian countries be considered (Recommendation 1), and that AID consider "programming technical assistance for financial management in those AID projects involving significant sums of local currencies," (Recommendation 4, p. 21). The Project is designed to serve both of these needs in a controlled fashion. In addition to specific technical assistance in financial management being built into existing and new projects, technical assistance provided under the Project will improve financial management widely across the project portfolio in the Sahel. And it will do so in a form that gradually trains large numbers of host country managers in increasingly sophisticated techniques that should have lasting impact. The blend, timing and complexity of this process across seven countries, and the relationship of the Project's activities to other Mission and AID/W endeavors in this field call for intensive supervision of the Project by a Project Officer in AID/W.

h. Project Design, Redesign and Review

Suggestions concerning provision of guidance to missions in d., above referred to the design and redesign of projects in the Sahel. For guidance to be worthwhile, follow-up and consistency in AID/W will be necessary. It should be assured that project design teams contain expertise on financial management and on project budgeting with respect to local currency use. In Project Papers, Implementation, Financial and Monitoring Plans should be seen explicitly to take into account financial management issues in all new and redesigned projects.

These issues not only involve host country institutional capacity and possible need for assistance, as well as explicit budgeting and division of responsibilities, but also the needs of AID specifically in project implementation. AID Auditor General Audit Report No. 81-20, "Improvements Needed in Management of AID/W Projects" (November 26, 1980, p. 7 and passim) emphasizes the need for better monitoring plans to "allow management to review and approve the level of monitoring and provide an overview of monitoring." This report, while limited to AID/W projects, has applicability in the Sahel. It further suggests that "operating managers be required to assure that project monitoring responsibilities are considered in evaluating the performance of Project Officers," which bears on needed guidance discussed in d. above.

It is at the PID review stage that AID/W is most concerned with project design and redesign, as delegations of authority to missions for approval of projects is increasingly a fact of life. As long as Section 121(d) is in effect, however, considerable AID/W responsibility on this one matter can be expected to continue. That is because the language of the law states that the Administrator must determine before new obligations that the foreign government will maintain an adequate system of accounts. Project design must assure this.

So at the very least, PIDs must be reviewed as to their plans for treating this facet of project design and implementation. So long as the AA/AFR retains authority to make the 121(d) determination, his doing so would presumably have to occur before project approval and then obligation in the field occurs. In this case it will be necessary to provide guidance to Missions concerning the information contained in a PP which bears on 121(d) determination. The ingredients of this might include the following: (a) summary of relevant administrative analysis, (b) outlines of implementation and monitoring plans, (c) budget breakout of local currency and its handling, indicating degree of 121(d) applicability, and (d) indications of the reassuring language in this regard to be included in the Project Agreement and initial PILS.

ANNEX H
TECHNICAL ANALYSES

ANNEX H-1

ACCOUNTING, FINANCIAL MANAGEMENT, AND PROGRAM MANAGEMENT

The deficiencies in host country accounting for A.I.D. local currency funds have been described in numerous audit and evaluation reports. The problem was and still is real. Much effort over the past year has been expended in identifying and putting solutions in place. Short term technical assistance has been provided, training and motivating workshops were held and an accounting users manual was prepared. Mission staffs, principally the Controllers with assistance from project officers and program officers, have, devoted great effort to working with host country project managers and accountants. As a result of all these actions, the initial short-term problem has basically been solved: most projects are again operational. But what of the future? First and most importantly, the gains already realized must be solidified and accepted by Missions and host countries as permanent elements in the AID Sahel program. In addition, existing projects not yet meeting adequate accountability standards must be brought up to speed.

Although the Mission staffs have made impressive strides in dealing with the accountability issue, additional assistance will be needed in the future. With the small staffs in the Sahel Missions, the proportion of time devoted recently to financial accountability issues -- at the expense of other matters -- cannot be sustained. Missions in the Sahel, with present resource levels, cannot maintain these efforts; yet they cannot afford to ignore the problem. A response must be incorporated into their program planning and implementation processes.

In the design stage, Missions need to be cognizant of the status of the recipient institution's accounting system and capability. Where questions exist, specific project inputs should be included for strengthening that capability to at least minimum accountability standards.

This interest in financial management should be continued throughout the entire implementation cycle, be included in the monitoring responsibilities of USAID Project Officers, and be a discrete element in project evaluations.

The Sahel Regional Financial Management Project is designed to assist Mission financial management improvement efforts over the mid-term -- to fill the gap between the earlier certification efforts of Mission Controllers plus the pre-project accounting workshops, and the longer-term efforts to be built into each new AID project.

To accomplish this mid-term objective, the Project will finance technical assistance and training experts to be assigned in five Sahel countries for a twenty-four month period. In addition, short-term specialized financial management and training expertise and training materials will be made available to all seven Sahel countries to help continue and advance the improvement efforts begun by the Missions.

These inputs are directed at improvement of financial management performance, particularly for those projects which involve AID-financed local currency costs. But what are the financial management objectives, how can they be defined, and how does one determine the appropriate level of concern and efforts towards improvement?

Financial Management objectives can be identified at three levels:

1. Basic accountability.
2. Financial Management Improvement.
3. Project/Program Management.

1. Basic accountability, as used in this annex and in the Project Paper, involves the allocation and tracking of funds and the general accounting functions of recording and reporting financial transactions. These functions include the following:

- Cash management, especially control.
- Processing payments.
- Recording of transactions.
- Payrolling of employees.
- Establishing internal controls.
- Summarizing transactions.
- Reporting.

2. Financial management improvement functions can be divided into two general categories: financial control, and financial systems and analysis.

Financial control functions complement the basic accountability functions, and involve budget preparation and monitoring, and the control of resources including personnel, inventory and supplies, and monies. This group of functions includes:

- Budget preparation - the use of valid financial data to determine money required for operations.
- Budget execution - tracking the actual expenditure of funds against budget line items.
- Funds control - ensuring that funds are used in accordance with the budget, with a system to identify and adjust to problem situations.
- Property control.

Financial Systems and Analysis involves the use of information produced by the accounting and control system for problem-solving and decision-making. This group of functions includes:

- Financial forecasting.
- Cost accounting.
- Financial analysis.
- Special cost/financial studies.
- Systems analysis.
- Reporting.
- Decision making.

3. Program Management involves the integration and use for policy formulation and action decisions of the information available through the financial management system and the program monitoring system. This group of functions includes:

- Preparation of work plans, integrating financial inputs with other project elements.
- Program analysis, analyzing the causes of problems, ways of improving operations, solving problems.
- Program control, measuring specific indicators of progress (again, integrated with financial indicators).
- Reporting of program status, progress and problems in meeting program objectives.
- Decision making, based on the information, analysis, and reporting outputs.

At this point, one of the operating assumptions of the Project should be stated: while the establishment of basic accounting functions is a requirement for the continued operation of AID programs in the Sahel, the introduction and/or improvement of the broader financial and program management element is highly desirable. This Project is viewed as an opportunity to advance these capabilities because of the special circumstances which exist in the Sahel as a result of the financial improvement efforts to date.

General criteria for determining the financial management level at which AID and host countries should aim include the following:

Host Country Commitment

- Commitment to meeting A.I.D. regulations.
- Commitment to financial control.
- Commitment to management development.

The Host Country Commitment is one of the most critical factors for selecting the appropriate level for financial management efforts. If there is a full commitment by the implementing organization to improved financial practices, it is possible to promote financial and program management. Where the host country institution is simply meeting AID requirements to obtain funding and assistance, focus only on the basic accounting functions would be appropriate; without greater commitment, any attempt to implement improved financial and program management practices would probably be unsuccessful.

AID Objectives

- Overall AID program objectives.
- Scope of the specific project.
- Size of the AID contribution.

Overall AID program objectives in a country or Ministry could be a major factor in selecting the appropriate level for attention and improvement efforts. In some instances, the building of institutional capabilities is a priority concern and critical to program success, such as in large sector-wide programs in which it is desirable to achieve improved program management, including the integration of financial management into the program/project design, implementation and evaluation processes. In other cases, institution-building may be of little concern and would involve substantial trade offs in actual program outputs, in which case basic accountability improvements may be sufficient. The program management objectives of AID are generally incorporated into the design of individual projects but need to be given added attention, reflecting the experience and performance in past projects.

The scope of the specific project is another important factor. In the case of small projects with limited time horizons and limited personnel, there may be little need to go beyond the basic accountability level of effort. In the case of large and comprehensive projects, there is greater need for achieving higher levels of improved financial and program management and more justification for the contribution of additional resources required to achieve those levels. As an example, the Livestock Sector Project and the Haute Vallee Project in Mali are comprehensive projects in which management improvement can and should be a major component.

The size of the AID Contribution to the project is a further determinant of an appropriate strategy. In some instances, A.I.D. plays a minimal role

in the total project funding, in which case basic accountability may be the appropriate level for A.I.D. attention. In other projects, AID may be a significant funding source providing the impetus for attention to broader financial or program management efforts. It often may be necessary to build specific inputs into the project design to develop and maintain institutional capacities to handle development assistance competently.

The stage of project implementation should be a factor -- if the project is in its final stages there may be little reason to devote resources to further financial management improvements.

Having defined in general terms the three levels of financial and program management objectives, and general criteria for determining the appropriate level for AID attention in specific projects, it would be useful to examine briefly some measures of readiness of a project management team to move from one level to the next.

It is essential, of course, that competency at the first level, basic accountability, be achieved and sustained for all AID-financed projects. Although basic accountability at a point in 1982 has been achieved for most projects in the Sahel countries which have AID-financed local currency inputs, continued attention must be devoted to ensure that it is maintained. This can be measured in two general ways: (1) the review of financial reports submitted by Project Managers and project accountants; and (2) periodic field visits to project accounting stations to examine and test-check the accounting records and systems.

It should be noted that certification of the adequacy of accountability is a USAID Controller function, not to be assumed by the financial experts assigned under the Sahel Regional Financial Management Project. It is important that these experts not be viewed as auditors -- their role should be to help design and install accounting systems needed for adequate accountability and play a technical assistance role with host country Project Managers and their staffs.

If the basic accountability level is achieved and sustained, under what conditions can and/or should the project management team be motivated to move their interest and attention to broader financial management activities? Several criteria should be met:

(1) An expressed, real interest of the Host Country Project Manager in using financial information for helping his project meet its objectives. Assessment of the validity of and reasons for this interest will be an important factor in determining the utility of devoting resources to this broader focus.

(2) The professional capability of the project accountant or financial manager. If not technically ready to move beyond the basic accountability sphere, training opportunities could be identified and initiated to upgrade his or her skill level. If potential of the accountant is questionable, yet

other project factors are favorable, a decision may need to be taken to replace that accountant.

(3) The type of project. As noted above under general criteria, not all projects deserve the time, attention and costs involved in a full-fledged effort to instill broad financial management principles and practices such as unit cost analyses, and developing systems to identify and calculate the impact of financial inputs on program outputs (i.e., the use of purchased, manufactured components to replace labor-intensive methods in a specific project operation).

It should be expected that with the extensive technical assistance being provided under the Sahel Regional Financial Management Project, most if not all projects with AID-financed local currency inputs will receive attention and achieve improved financial management beyond the basic accountability objective.

It should also be expected that during the life of this Project, some Project Managers and their "teams" will be motivated and assisted in the use of financial information for broader program management purposes. Again, however, basic accountability requirements must be achieved and sustained -- as attested to by the USAID Controller -- before the time and attention of the technical assistance experts or the project management "teams" are extended to these broader issues and opportunities. In addition to the other general criteria for identifying those projects and project teams susceptible to program management initiatives (strong interest, expressed and real, on the part of the Host Country Project Managers, scope and nature of the project and its implementation stage), other factors may be considered, inter alia: geographic location of the project in the country, AID's interest in the project from the standpoint of replicability of program management improvements throughout the region, and specific management skills and interest among the members of the project team.

ANNEX H-2

TRAINING ANALYSIS

The financial management improvement effort has been initiated by AID and is being carried out through the collaborative efforts of the Office of Sahel and West Africa (AFR/SWA), Financial Management (FM), and the USAID Missions in the Sahelian countries of Upper Volta, Mali, Niger, Senegal, Gambia, Cape Verde, Guinea-Bissau and Mauritania.

The Development Project Management Center (DPMC) of the Office of International Cooperation and Development of USDA has been contracted to carry out many of the activities to date, from participation in the initial study team to certification and project workshops. DPMC was initially created in USDA by AID's Office of Rural Development and Development Administration of the Bureau of Science & Technology (S&T/RAD). DPMC's purpose is to promote improved management effectiveness in LDC institutions. This is carried out through a range of activities, including systems design, training, organization development, and consultation designed at improved planning, implementation, evaluation and management of development activities.

A financial management improvement team was sent in early 1981 to examine the problems and recommend strategies and implementation steps to overcome deficiencies in accounting for AID-sponsored local currency funds in both bilateral and regional institutional support projects. The proposed strategy is based upon two components:

- a basic financial system based upon fund accounting and management; and
- action-oriented training of project staff to solve financial management and accountability problems and to develop and maintain adequate financial management systems.

The team identified levels of financial management which may be achieved under different circumstances.

Level 1: Financial accountability for USAID funds adequate to meet AID audit requirements.

Level 2: Financial control and integration of development resources under basic financial accountability and management systems, including funds of other donors and local project monies.

Level 3: Comprehensive financial management for improved organizational management, moving beyond auditing and resource control to managerial accounting relevant to other managerial functions.

A number of initiatives have been undertaken by AID under the sponsorship of the Office of Sahel and West Africa. Activities to date include:

- Design of a basic fund accounting and management system.
- Development of a User's Manual to explain requirements for accountability of local currency AID funds and the basic model of an accounting system.
- An experimental workshop for Sahelian students in the U.S. to test training materials and approaches.
- Certification of host country project accounting systems to establish adequateness of accountability.
- Orientations and financial management workshops conducted by a financial management improvement team with USAIDs and host institutions to achieve improved financial accountability and to create financial management improvement plans.
- Design of a long-term project as an intensive effort to improve financial and program management performance of Sahelian institutions.

From the experience of the effort to date, some central conclusions can be drawn about the appropriateness and effectiveness of this strategy.

- Fund accounting and management is adequate for effective financial management improvement. It is similar to existing practices, does not require the competence of maintenance of a full double-entry system, and is easily adaptable to a wide variety of project situations.
- The model accounting system is not to be "installed", but is used to assist in the evaluation, modification, establishment and maintenance of existing or proposed accounting systems.
- The basic system can be used for simple financial reporting and control which meets the needs of the donors as well as host country project managers.
- The system can be upgraded as an organization's needs become greater and they become more familiar with financial management and improved project and program management.
- In achieving adequate, appropriate accounting systems in project organizations, the development process is as important as the technical characteristics of the system.
- Certification requires finding a "starting point" on problem projects as well as examining the system capabilities and is best carried out with the help of financial consultants who will work with the project staff.

- Improving financial accountability and management is an organizational change process which must involve not only accountants, but also administrators and project managers.
- Project working groups on real projects, through an action-oriented training and consultation process aimed at problem solving for financial accountability and management, become committed to the improvement and participate in redesign and implementation of the changes.
- Financial management improvement is most effective when a combination of measures involving certification, systems redesign, consultation, training and organization development is carried out, rather than only one of the measures.
- If financial accountability is seen as an externally imposed requirement solely, with little interest or benefits for the project team, it is unlikely to lead to improved management.
- Level 1, if properly achieved with project working group participation, can be the basis for a commitment to more comprehensive management improvement.

An action-training workshop is a learning activity where individuals or groups with specific work responsibilities explore their job problems and opportunities; are exposed to new knowledge and techniques potentially useful on their job; and are given a chance to apply the new knowledge and techniques to their job tasks in a non-threatening, encouraging environment.

Exploration of Job Problems and Opportunities

The workshop is suitable where the participants have a defined set of job responsibilities.

- (1) The individual approach where the skills and knowledge of individuals are the focus.
- (2) The operating group approach where the skills of members of a group are closely interrelated and the learning context includes these interrelations.

The workshops of the Financial Management Improvement Team are a mix of these two approaches.

The methodology of the workshop consists of the following:

- (1) Prior determination of the needs of the responsible organizations in consultation with officials.
- (2) Workshop focus on skills and knowledge and perceptions required for the job based on the actual conditions and procedures used on the

job and application by participants first to simulated job tasks and then to actual job tasks.

- (3) Ample opportunity for each participant to test and integrate their previous knowledge, ideas and perceptions with those introduced by their colleagues and resource people.

Because action-training workshops are designed to prepare participants to operate on the job, the techniques and procedures presented must have the active approval of and shared responsibility of the operating organization. The two workshops held to date have highlighted discrepancies between the materials and actual Mission practice that point to the need for resolution.

Achieving Improved Financial Management

The task of initiating a system that provides minimum accountability is seen as a joint effort of the USAID Mission and the host government, but the team believes that host government agencies should have the pre-eminent role.

The immediate objective is to bring the accounting records and procedures for local currency up to AID minimum accountability standards. The short-term effort should lay the basis for the more ambitious goal of helping host government agencies improve their ability to manage programs and projects. The real development pay-off is when managers use financial information for management purposes -- not strictly control of meeting donor requirements, but monitoring, evaluating, re-planning and carrying out corrective activities.

The foundations for achieving higher levels of improved financial management are being laid by establishing adequate accounting systems and by the action-training processes being used. Project managers are introduced to use of financial data for management. Management decisions are discussed, e.g.:

How much money is available by category of expenditure?
What work must be accomplished and by what time? How much money has been spent in each category? Have expenditures been "reasonable" for what is accomplished? Compared to an ideal cost? Compared to plans? What is left to spend? Considering what must be done and remaining funds, are plans realistic? Must changes be made in allocations of expenditure categories? Must changes be made in the plans -- do less, more, or differently? For any change, how should remaining funds, and other resources, be allocated? Can any commitments be de-obligated and made available for other necessary activities?

Managers are shown how adequate accounting systems provide useful financial data for these decisions, according to basic categories: funds to be received; funds actually received; funds committed; and funds actually spent. This information is related to specific functions and documents of the

accounting system -- the Donor Receivable Account, the Encumbrance Journal, the Cash Receipts and Disbursements Journal.

As managers grasp the usefulness of sound financial accounting data, their commitment to implementation of adequate systems becomes firm. The movement toward more comprehensive improvements begins as they learn to use the basic systems and see the practical values for their management tasks. In this way, financial management improvement has sound theoretical and proven experiential foundations for practical application within the real organizational context.

ANNEX I
SOCIAL ANALYSIS

Introduction

The problems of the Sahel region of West Africa (Senegal, Mauritania, Mali, Upper Volta, Niger, Gambia and Cape Verde*) have been well documented since the advent of the disastrous drought and the aftermath of increased development assistance. In order to typify the harsh living conditions faced by Sahelian citizens, it is sufficient to note that the Physical Quality of Life Index (PQLI) for the region is 18 compared with an LDC average of 40; a world average of 65 and the U.S. index of 95. (Source: Overseas Development Council, 1978.) The U.S. Agency for International Development program is carried out within the context of the regional goals outlined by the Comite Permanent Interetats de Lutte Contre la Secheresse dans le Sahel (CILSS) emphasizes agricultural production and rural development.

This project can be characterized as one of human resource development, as it will increase the number of persons available to the Sahelian states to perform financial management tasks. Since these persons are already involved in implementing USAID programs in agriculture, rural development, health and human resources, the benefits will be felt in better management in all the sectors funded by USAID.

The problem of maintaining adequate financial management systems in the Sahel is closely tied to the lack of skilled persons available in all technical fields. Most countries have literacy rates of 10 percent or less and are struggling to meet expanding human resource needs. This project will involve existing host government personnel and provide them with the additional practical on-the-job and other training which will allow them to manage the limited financial and human resources at their disposal more efficiently and to meet the increasing requests of both CILSS and development assistance donors for financial management information.

The project does not propose training more individuals in higher education institutions, but draws on persons already trained and adds to their skills. It is not contributing to an increase in public employment as the persons to be trained are already working for the host governments as project managers and accountants.

As the Sahelian governments seek to meet the goal expressed through CILSS of providing for the economic and social needs of the region self-sufficiently by the year 2000, the commitment to increase management skills concerning both programs and finance becomes crucial.

Socio-Cultural Context

Interviews conducted by the project design team in countries determined to require long-term technical assistance under this project revealed that host country project managers and their accountants are eager to develop

* Chad, usually considered to be Sahelian is not treated in this paper, as there is no active USAID program there at present.

financial management skills. In two countries (Upper Volta and Niger) where pre-project workshops on basic accounting for AID funds had been held, interest was high in continued on-the-job follow-up to insure appropriate application of the skills learned. Project managers were also interested in training on how to apply financial management skills to project planning and implementation. Additional training opportunities ("recyclage") are scarce once accounting training is completed, and the possibility of increasing skills in on-the-job situations was looked on favorably. Donor attention to accounting practice and the use of financial management information can serve as a means to increasing the status of accountants in the region. Project managers (host-country) generally endorsed the use of a technical assistance team which could work with the management group of a project directly. This ability to provide a "critical mass" of persons working to improve management was viewed as a more effective method of initiating change and progress in financial management practice. A clear preference was stated throughout the region for practical versus academic technical assistance and training.

Government support for improved accountability varies in the region. Niger, for instance, practices very tight internal financial controls which are at least as stringent as those required by USAID. Support for improved financial management is evident in the top levels of the Upper Voltan government as well as with special units created within ministries to improve financial management (e.g. Ministry of Plan and Ministry of Rural Development). The Malian government has expressed to USAID its willingness to institute better financial management practice and is willing to support initiatives in this field. Senegal has undertaken reforms to improve management in all realms involving development assistance, including national development objectives, para-statal enterprise performance, accountability improvement of the education system to meet current needs, and installing better management systems. The Government of The Gambia has stated that strengthening of financial management and control is a crucial strategy for achieving the objectives of their development plan.

The governmental setting in which this project must operate is therefore positive and should pose no obstacles to its implementation. While extended family pressures on project management to allocate funds to non-project uses is a factor throughout West Africa, it would be unfair to generalize that this socio-cultural phenomenon precludes effective project management. Where government support for accountability is strong, the project manager has the legal and administrative basis to resist under pressure. Donor disbursement standards, once communicated clearly, can also reinforce government policies in this regard.

The PP design team has concluded that the socio-cultural as well as political context for the maintenance of adequate accountability standards and the improvement of financial management in the region is positive.

Beneficiaries

The direct beneficiaries of the proposed project will be the 390* project management/personnel project accountants who will be receiving the additional on-the-job training and specialized short courses. At the end of the project these people will form a core of personnel available to the host governments of the region for continued work with USAID and other donors. In addition these persons will be in a position to assist their respective ministries and organizations with better financial management at all levels of government but especially the crucial middle management stratum.

The indirect beneficiaries will be the beneficiaries of all USAID projects in the region, both actual and proposed. These persons should be able to experience less delay in service delivery in the projects designed to benefit them. Since transfer of resources has been slow in the Sahel (witness the amount of dollars in the pipeline) due to project implementation and absorptive capacity problems, improved financial management practice should lead to improved resource flow to the beneficiaries and fewer delays in programs due to accountability problems.

Participation

The approach to the financial management strategy has been collaborative with host government officials and project managers consulted throughout the design process. Where training workshops have already been held, dialogue on future financial management needs was even more productive. The team approach to technical assistance and short-term training will insure that this collaboration continues. The project strategy was drawn directly from the suggestions of the host government project managers and accountants and their continued participation is a key element in the project design.

Feasibility

Project implementation relies on several factors including availability of personnel and the selection of an appropriate institutional locus for the proposed project activities.

The project design requires the recruitment of a minimal number of expatriate technical experts in financial management. Current employment conditions in the United States should make the recruitment of competent French speaking technicians less problematic than in the past. The design team has already identified public and private sector resources to draw on in this recruitment.

The recruitment potential for Sahelians with advanced accounting and financial management background was carefully examined in each country requiring long-term technical assistance. Sources for recruitment have been

* Calculated for all project accounting centers and a minimum of two from project management per project plus 25 percent for attrition.

identified in the private sector in Upper Volta, Niger and Senegal. In Mali, where this sector is smaller, possibilities still exist among persons currently teaching financial management in Bamako. Returning nationals from overseas training are also being considered as sources of trained technical personnel. Malian government specialists in accounting and financial management could also be requested for secondment to the project. A core group of professionals exists in each country who would welcome the opportunity to be involved in this project either full-time or part-time. (See Annex H-2.)

Considerable information was collected on institutional capabilities in the Sahel as part of the design process. Basic accounting courses while not abundant were judged adequate to meet the present demands for accountants in these countries.

Accountants themselves have been taking steps through the African Accounting Council to improve accounting standards and encourage training in accountancy. More information will become available on the planned activities of this council in the Sahel region as it represents a further means of diffusing the institution-building activities of the project. A primary goal of the Council is to facilitate the flow of management information in Africa. The yearly symposium of the organization held in Nigeria in May included inter-continental cooperation in accounting and responsibility of accounts.

At the level of financial management fewer opportunities exist but there are several possible governmental or semi-governmental institutions available in each country to serve as loci for technical assistance and training. (See Annex H-2.)

The selection of the institutional locus of project inputs in each country has been made by individual USAID Missions according to circumstances and requirements as they see them. Upper Volta has stated a preference for the Direction de Controle de la Gestion, in the Ministry of Rural Development. A majority of USAID programs are located in the MRD and it is more accessible to the USAID. In Mali and Niger, the Missions expressed the wish to have the selection of an institution included among the initial project activities with appropriate short-term assistance provided to complete the task. Several possibilities in each of these countries have been identified. In Senegal, the logical choice for short-term training appears to be the Ecole Superieure de Gestion des Entreprises (ESGE) which draws students from both public and private sectors. For training in rural areas, the Ecole Nationale d'Economie Appliquee (ENEA) is the most appropriate choice. USAID is financing a rural management program with ENEA (682-0266) to begin in the near future.

Impact

Contingent upon continued effective collaboration between USAID Missions and host governments, the impact of the project should be to improve greatly the capacity of Sahelian government institutions to manage the financial resources provided by AID and other donors as well as their own funds. This should reduce tension concerning accountability issues where it exists and

lead to better management of development and development assistance programs in the future. No negative impact on the Sahelian population is foreseen in this project as no local populations will be required to make any social or physical changes in order to implement the project.

Issues

Key issues affecting the success of this project are outlined in the assumptions column of the Logical Framework Matrix (Annex B). They are elaborated here to describe the elements external to the project design which are deemed relevant to achieving the objectives.

Donor and Regional Support. Major development assistance donors through the Club du Sahel have been encouraging the Sahelian governments to improve management practices and accountability standards. The World Bank is financing large management programs (e.g. in Niger, Senegal and The Gambia). If this support continues it will reinforce the concern of other donors such as the United States and provide incentive to the Sahelian governments in developing management capability. This is a reversal of trends in donor assistance which previously concentrated on transfer of resources alone without taking all aspects of absorptive capacity seriously. (See Annex F, Economic Analysis.)

Host government support. In addition to participating in technical assistance programs for financial management, host governments must show strong policy support for accountability performance. This is already in practice in Niger and policy decisions by government in Upper Volta, Senegal and The Gambia reflect their concern. Without top government support for responsible project management, initiatives to improve financial management skills will be weakened considerably.

USAID management practice. The findings of the design team fully support the Recommendation No. 3 of the Auditor General's report 81-35, "Problems in Host Country Accounting for Utilization of AID funds in the Sahel."

It states:

The Assistant Administrator, Bureau for Africa, take the necessary steps to ensure that Project Officers in the Sahelian countries understand and perform their financial monitoring responsibilities. Supplementary financial guidance should be provided to all Project Officers and additional staffing where circumstances warrant.

Without ensuring high levels of competence on the part of AID Project Officers in communicating AID financial management requirements, the effects of technical assistance to individual projects will be greatly reduced. Timely and accurate communication is a key component of project success.

The project also assumes that financial management skills learned in connection with AID projects are transferrable to other donor situations.

Since project managers in many instances view AID requirements as more rigorous, this transferrability would seem adequate for accountability purposes.

The findings of the design team also support Recommendation 2 of the above named report which points to the need for sufficient financial management personnel in USAID Missions to ensure appropriate monitoring.

Project Strategy. The design has assumed that the technical assistance levels proposed will adequately supplement an effective and fully staffed USAID controller operation in selected countries. It also assumes that the emphasis on practical training in the context of each project supplemented with additional workshop-type seminars will be the best means of improving financial management practice in a short time period. This strategy reflects both training experience and the assistance requested by host government personnel. It assumes that evidence which suggests that basic accounting training in each country is available and adequate is correct.

Status of Financial Management Professionals.

It is hoped that increased donor attention in this field will contribute to increasing the status of accounting and financial management professionals in the region. Improved employment opportunities and increased government concern for accounting can help to interest Sahelians to seek skills and training in this field and away from other over-burdened public employment job categories. This improvement of status is also dependent on increasing private sector demand for accountants and government response to this demand.

Effect on Women

Women will participate in this project and benefit from it to the extent that they are already involved in ongoing projects in the Sahel region. Certain projects have women accountants and project managers. These persons will be involved with the long-term technical assistance efforts and will participate in short-term training made available to each Mission.