

PD HAX 920

WA = 56569

AUDIT OF  
SALARY SUPPLEMENTS IN ZAIRE

Audit Report No. 7-660-88-12

June 1, 1988

UNITED STATES OF AMERICA  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR WEST AFRICA

UNITED STATES ADDRESS  
RIG/DAKAR  
AGENCY FOR INTERNATIONAL  
DEVELOPMENT  
WASHINGTON, D.C. 20523

June 1, 1988

INTERNATIONAL ADDRESS  
RIG/DAKAR  
C/o AMERICAN EMBASSY  
B.P. 49 DAKAR SENEGAL  
WEST AFRICA

MEMORANDUM FOR Director, USAID/Zaire, Dennis Chandler  
FROM: RIG/A/Dakar, John P. Competello  
SUBJECT: Audit of Salary Supplements in Zaire  
(Audit Report No. 7-660-88-12)

The Office of the Regional Inspector General for Audit/Dakar has completed its audit of salary supplements in Zaire. Five copies of the audit report are enclosed for your action.

The draft report was submitted to you for comment and your comments are included as Appendix 1. Internal IG review of the draft report caused us to delete the audit finding and recommendation concerning the host government's ability to absorb the costs of salary supplements. We concluded that the audit could not assess whether the Mission complied with that part of A.I.D. criteria governing salary supplements. The issue is, however, included as Part C, Other Pertinent Matters, of this report.

In addition, subsequent to the completion of audit, the Agency clarified and superseded previous policy guidance on payment of salary supplements to host government employees. Although much of the guidance remained identical, new definitions and explanations of the coverage of such policy as well as additional documentation requirements were prescribed. We asked that you review existing USAID/Zaire practices to determine whether the Agency's revised definition of salary supplements continued to embrace the situation in Zaire. You opined that, although open to interpretation, USAID/Zaire was still providing salary supplementation.

Because the Agency's revised policy was issued subsequent to completion of audit, the audit report does not evaluate USAID/Zaire's practices in light of the revised policy. The focus of the report is on USAID/Zaire's compliance with seven specified criteria established by A.I.D. for payment

of salary supplements. Our review of Agency policy guidance showed that the seven criteria remained unchanged from previous guidance.

The report contains one recommendation which is considered as resolved. Please let me know within 30 days of further action taken to close the recommendation. I appreciate the cooperation and courtesy extended to my staff during this audit.

## EXECUTIVE SUMMARY

According to A.I.D., some foreign government salaries are too low to attract the people needed to carry out development projects. Consequently A.I.D. and other donors such as the World Bank may authorize funds to supplement the salaries of foreign government employees who work on their development projects.

Salary supplements are a common practice in Zaire, where government base pay is very low. Donors including A.I.D., the World Bank and the United Nations Development Program pay salary supplements to host government employees assigned to the donors' projects. To attract, retain and motivate personnel, Government of Zaire agencies sometime supplement the base pay of their employees. When these employees are assigned to A.I.D. projects, the Government of Zaire agency generally continues to pay the base salary but not the supplements. Therefore, USAID/Zaire has assumed the payment of these supplements.

During 1987, USAID/Zaire paid the local currency equivalent of about \$740,000 to supplement the base pay of 804 host government employees working on 10 A.I.D. funded projects. The local currency had been obtained from the sale of agricultural commodities under P.L. 480 Title I and commodity import programs.

Following reports of problems in A.I.D.'s handling of salary supplements, the Agency issued policy guidance establishing seven criteria for allowing A.I.D. to pay salary supplements. The policy, issued in June 1987, applied to the use of A.I.D. dollar resources, U.S. owned local currency and host country-owned local currency jointly programed by A.I.D. and the host country. A.I.D. missions whose programs included the payment of salary supplements to host government employees were required to comply with this guidance or to justify to AID/Washington any exceptions to compliance.

The objective of this audit was to determine whether USAID/Zaire's practices and procedures for payment of salary supplements were in accordance with A.I.D. policy guidance and to identify areas in need of improvement. This is one of a series of audits being performed by the Office of the Inspector General on salary supplements.

The audit found that USAID/Zaire's practices and procedures were in accordance with four of the seven criteria contained in A.I.D.'s 1987 policy guidance on salary supplements.

Namely: salary supplements were permitted under host country law and regulations; the cooperating country demonstrated that it could not make the payments from its own resources; salary supplements were essential to achieve project objectives; and the proposed recipients would not be carrying out broad policy functions.

The audit could not assess whether USAID/Zaire complied with one of the seven criteria as the Mission had not determined the total amount of salary supplements which the host country could pay from its own resources over a reasonable period of time. USAID/Zaire did not comply with the remaining two criteria: some duplicate and excessive payments had been made; and the mechanism for providing supplements did not prevent abuse and did not establish adequate monitoring and reporting.

According to A.I.D. policy, salary supplements should not duplicate other payments and the rates and fees paid should be in accordance with local standards. Compared to local standards, 24 percent of the host government employees working on A.I.D. projects during 1987 were overcompensated. In most cases, the Mission incorrectly authorized the excess amounts including some instances of duplicate payments. The Mission's internal controls did not prevent the overpayments and did not establish sufficient monitoring and reporting. As a result, about \$32,000 of extra expense was incurred plus an undetermined amount for transportation and housing benefits. The report recommends that internal controls be more effectively exercised. The Mission agreed and began action to implement the recommendation.

#### Subsequent Events

Subsequent to audit, on April 15, 1988, A.I.D. issued revised policy guidance for payment of salary supplements to host government employees. Although much of the guidance remained identical, new definitions and explanation of the coverage of such policy as well as additional documentation requirements were prescribed.

At our request, USAID/Zaire studied the new Agency policy in light of the situation in Zaire. In its opinion, USAID/Zaire believed its payments to host government employees continued to constitute salary supplements as defined in new Agency policy guidance.

Because the Agency's revised policy was issued subsequent to completion of audit, the audit report does not evaluate USAID/Zaire's practices in light of the revised policy. The focus of the report is on USAID/Zaire's compliance with

seven specified criteria established by A.I.D. for payment of salary supplements. Our review of Agency policy guidance showed that the seven criteria remained unchanged from previous guidance.

*Office of the Inspector General*



AUDIT OF  
SALARY SUPPLEMENTS IN ZAIRE

TABLE OF CONTENTS

	<u>Page</u>
PART I - INTRODUCTION . . . . .	1
A. Background . . . . .	1
B. Audit Objectives and Scope . . . . .	2
PART II - RESULTS OF AUDIT . . . . .	4
A. Finding and Recommendation . . . . .	5
1. Need to Strengthen Internal Controls Over Salary Supplements . . . . .	5
B. Compliance and Internal Control . . . . .	9
C. Other Pertinent Matters . . . . .	10
PART III - EXHIBITS AND APPENDICES	
A. Exhibits	
1. Salary Supplements Paid to Host Government Employees of A.I.D. Projects in Zaire During 1987	
2. Policy Guidance on Criteria for Payment of Salary Supplements to Host Government Employees (June 1987)	
3. USAID/Zaire Directive 306 - Counterpart Fund Salary Premiums	
4. Policy Guidance on Criteria for Payment of Salary Supplements for Host Government Employees (April 1988)	
5. USAID/Zaire Opinion on Relationship of April 1988 Agency Policy to the Mission Salary Supplement Program	
B. Appendices	
1. Mission Comments	
2. Report Distribution	

AUDIT OF  
SALARY SUPPLEMENTS IN ZAIRE

PART I - INTRODUCTION

A. Background

According to A.I.D., some foreign government salaries are too low to attract the people needed to carry out development projects. Consequently A.I.D. and other donors such as the World Bank may authorize funds to supplement the salaries of foreign government employees who work on their development projects.

Salary supplements are a common practice in Zaire, where government base pay is very low. Donors including A.I.D., the World Bank and the United Nations Development Program pay salary supplements to host government employees assigned to the donors' projects. To attract, retain and motivate personnel, Government of Zaire (GOZ) agencies sometime supplement the base pay of their employees. When GOZ employees are assigned to A.I.D. projects, the GOZ agency generally continues to pay the base salary but not the supplements. Therefore, USAID/Zaire has assumed the payment of these supplements.

During 1987, USAID/Zaire paid the local currency equivalent of about \$740,000 to supplement the base pay of 804 host government employees working on 10 A.I.D. funded projects (see Exhibit 1). The local currency had been obtained from the sale of agricultural commodities under P.L. 480 Title I and commodity import programs.

Following reports of problems in A.I.D.'s handling of salary supplements, the Agency issued policy guidance establishing seven criteria for allowing A.I.D. to pay salary supplements (see Exhibit 2). The policy, issued in June 1987, applied to the use of A.I.D. dollar resources, U.S. owned local currency and host country-owned local currency jointly programed by A.I.D. and the host country. A.I.D. missions whose programs included the payment of salary supplements to host government employees were required to comply with this guidance or to justify to AID/Washington any exceptions to compliance. The seven criteria were:

- salary supplements were permitted under host country law and regulations;
- the cooperating country had demonstrated that it could not make these payments from its own resources for valid reasons such as the inability of the entity to provide the financing within the time required to meet the needs of the activity;

- the supplements were judged essential to the achievement of project objectives;
- employees did not receive duplicate payments by receiving supplements from another source for the same activity;
- the rates and fees paid were in accordance with local standards and limited to amounts reasonable in reference to an employee's base pay and, for continuing programs, in amounts which the host country could be expected to meet from its own resources within a reasonable time;
- the proposed recipients carried out technical, managerial or administrative support rather than broad policy functions; and
- a mechanism existed for providing supplements which prevented potential abuse in the determination of recipients and amounts to be provided, ensured financial integrity in the payment system, and established adequate monitoring and reporting.

In October 1986, USAID/Zaire issued Directive 306 (see Exhibit 3) which established criteria and standards for awarding the supplements and addressed concerns later raised in A.I.D.'s 1987 policy guidance. The Directive permitted compensation, including base pay and supplements, ranging from the local currency equivalent of \$29 a month for the lowest graded employees (\$19 base salary plus \$10 supplement) to the local currency equivalent of \$359 per month for project directors (\$273 base pay plus \$86 supplement). An additional local currency equivalent of \$16 to \$159 per month was allowed for prior educational achievement. The Mission adjusted the amounts for inflation in July 1987, and at the time of the audit, in January 1988, was preparing another adjustment.

#### B. Audit Objectives and Scope

This is one of a series of audits performed by the Office of the Inspector General on salary supplements. The objective of this audit, made by the Regional Inspector General for Audit, Dakar, was to determine whether USAID/Zaire's practices and procedures for payment of salary supplements were in accordance with A.I.D. policy guidance and to identify areas in need of improvement.

The audit was conducted between October 1987 and January 1988. The auditors reviewed pertinent files and records and held discussions with Mission, GOZ and project officials in Kinshasa and at four project sites selected on the basis of the auditors' judgment.

The audit evaluated the internal controls used by USAID/Zaire to monitor and report on compliance with the Mission's salary supplement policy during calendar year 1987. The audit covered \$740,000 of counterpart funds used by USAID/Zaire to pay salary supplements to 804 GOZ employees assigned to ten A.I.D. projects during 1987. Audit work on internal controls and compliance was limited to the issue discussed in this report.

The audit compared supplements budgeted for the 804 GOZ employees of the ten A.I.D. projects with USAID/Zaire Directive 306 standards. In cases where budgeted information was incomplete, the audit obtained the needed information from Mission and project officials regarding employee grade classifications and the provision of transportation and housing benefits. By comparing project payroll records for 89 GOZ employees at four project sites and through discussions with USAID/Zaire and project officials, the audit confirmed that amounts budgeted for salary supplements were actually paid. The audit was made in accordance with generally accepted government auditing standards.

A draft audit report was provided to USAID/Zaire on April 11, 1988 and its comments were received on May 13, 1988 (see Appendix 1).

#### Subsequent Events

On April 15, 1988, A.I.D. issued revised policy guidance for payment of salary supplements to host government employees. Although much of the guidance remained identical, new definitions and explanation of the coverage of such policy as well as additional documentation requirements were prescribed (see Exhibit 4).

At our request, USAID/Zaire studied the new Agency policy in light of the situation in Zaire. In its opinion, USAID/Zaire believed its payments to host government employees continued to constitute salary supplements as defined in new Agency policy guidance (see Exhibit 5).

Because the Agency's revised policy was issued subsequent to completion of audit, the audit did not evaluate USAID/Zaire's practices in light of the revised policy. The focus of the audit was on USAID/Zaire's compliance with seven specified criteria established by A.I.D. for payment of salary supplements. Our review of Agency policy guidance showed that the seven criteria remained unchanged from previous guidance.

AUDIT OF  
SALARY SUPPLEMENTS IN ZAIRE

PART II - RESULTS OF AUDIT

The audit found that USAID/Zaire's practices and procedures were in accordance with four of the seven criteria contained in A.I.D.'s 1987 policy guidance on salary supplements. Namely: salary supplements were permitted under host country law and regulations; the cooperating country demonstrated that it could not make the payments from its own resources; salary supplements were essential to achieve project objectives; and the proposed recipients would not be carrying out broad policy functions.

The audit could not assess whether USAID/Zaire complied with one of the seven criteria as the Mission had not determined the total amount of salary supplements which the host country could pay from its own resources over a reasonable period of time. USAID/Zaire did not comply with the remaining two criteria: some duplicate and excessive payments had been made; and the mechanism for providing supplements did not prevent abuse and did not establish adequate monitoring and reporting.

The report recommends that USAID/Zaire improve compliance with A.I.D. policy through more effective exercise of internal controls.

A. Finding and Recommendation

1. Need to Strengthen Internal Controls Over Salary Supplements

According to A.I.D. policy, salary supplements should not duplicate other payments and the rates and fees paid should be in accordance with local standards. Compared to local standards, 24 percent of the host government employees working on A.I.D. projects during 1987 were overcompensated. In most cases, the Mission incorrectly authorized the excess amounts including some instances of duplicate payments. The Mission's internal controls did not prevent the overpayments and did not establish sufficient monitoring and reporting. As a result, about \$32,000 of extra expense was incurred plus an undetermined amount for transportation and housing benefits.

Recommendation No. 1

We recommend that the Director, USAID/Zaire, improve implementation of internal controls over salary supplements by continued staff training, periodic site visits and regular audit coverage.

Discussion

According to A.I.D.'s 1987 policy, salary supplements should not duplicate payments from other sources and the rates and fees paid should be in accordance with local standards. USAID/Zaire Directive 306 established a schedule of maximum compensation including salary supplements to reflect local standards and ensure a competitive compensation package. Duplicate payments were also prohibited by Directive 306.

Compared to the rates and fees established in Mission Directive 306, USAID/Zaire overcompensated 197 (24 percent) of the 804 host government employees working on A.I.D. projects during 1987 (see Exhibit 1). Most cases of overcompensation were incorrectly authorized by the Mission and included some instances of duplicate amounts paid from other sources. The remaining 607 60% employees were paid in accordance with local standards. In one of the ten projects, no instances of excessive compensation were found.

Measurable Amounts of Overpayment - Of the 197 employees receiving excess compensation, 104 were overpaid by the local currency equivalent of about \$32,000 during 1987. The overpayments averaged about \$306 per year per employee and

ranged from \$4 to \$1,645. The audit did not find that these overpayments indicated fraud since the employees had fully disclosed the information on salary supplements to USAID/Zaire.

About \$20,000 of this amount was paid to 74 employees of the Combating Childhood Communicable Diseases Project (698-0421). The employees received supplements from both the GOZ and USAID/Zaire. When added together, the total supplement authorized by USAID/Zaire exceeded standards set by Mission Directive 306. According to the Mission project officer and a project technical assistant, the excess payments occurred due to a misinterpretation of the Directive. The same officials said they would make necessary changes to the 1988 budget.

About \$7,000 of the overcompensation was provided to 13 GOZ employees of the School of Public Health Project (660-0101). Supplements were provided by both the GOZ and USAID/Zaire. The Mission incorrectly authorized about \$3,600 of this amount. The remaining \$3,400 had been disapproved by USAID/Zaire in August 1987. After it discovered the unauthorized increase, the Mission informed the project in January 1988 that employees would have to reimburse excess supplements. The audit agreed that the overpayments should be reimbursed since they had been disapproved by USAID/Zaire.

The remaining \$5,000 went to 17 GOZ employees on 7 projects. The Mission erroneously authorized these payments because it did not sufficiently review information submitted by the projects on proposed employee compensation.

Unmeasurable Amounts of Overcompensation - Information to determine the amount of excess compensation for 93 of the 197 employees was not available. Excess salary supplements in the form of free transportation and/or housing benefits were incorrectly authorized by USAID/Zaire for the 93 employees. Not considering the transportation and housing benefits, the employees were already scheduled to receive the maximum supplement allowed by Mission Directive 306. Thus, the total compensation for the 93 employees exceeded approved ceilings. The value of transportation and housing benefits was not calculated by the projects or USAID/Zaire. The Nutrition Improvement (660-0079) and Applied Agricultural Research and Outreach (660-0091) projects accounted for 87 of the 93 employees.

Internal Controls - USAID/Zaire had two principal internal controls for ensuring that salary supplements conformed with Mission policy. The Mission required that each project submit a comprehensive listing of project employees showing

pay grades, educational attainment, and monthly salary supplements. The lists were to be used to determine conformance with Mission standards. In addition to the lists, the Mission arranged to audit counterpart funds which had been provided to individual projects. The audits, conducted by local accounting firms, were considered by the Mission as another internal control to help monitor salary supplements.

USAID/Zaire's implementation of its internal controls did not prevent instances of non-compliance and did not establish adequate monitoring and reporting as required by A.I.D. policy. The Mission did not thoroughly review the lists of proposed salary supplements to determine if essential information was included, or if compensation proposed by the lists for individual employees conformed to maximum amounts established by the Mission. For seven of the ten projects, the lists did not fully identify GOZ employees, grade level or diploma achievement, and housing and transportation benefits. For example, the Applied Agricultural Research and Outreach Project (660-0091) listed over 1,000 employees but generally did not identify which were GOZ employees nor fully disclose which employees received housing benefits. This information was needed to determine if proposed employee compensation was within established maximums.

Also, the Mission did not have a policy to include in the scope of work of counterpart fund audits a requirement to test compliance with Mission Directive 306. Four audits of counterpart fund expenditures were made after Directive 306 was issued. Two of the four audits did not address compliance with the Mission Directive. The other audits found only minor problems.

Based on the 24 percent overcompensation rate identified in this report and the sizable amount of funds being spent on salary supplements, the Mission's internal controls over salary supplements should be strengthened to ensure conformance with A.I.D. policy.

#### Management Comments

In response to the draft audit report, USAID/Zaire stated that it had only recently initiated salary supplementation under a formal Mission directive and that the period audited was the first full year under which the directive was in effect.

USAID/Zaire also believed that existing internal controls, while not fully developed, were adequate. Plans for continued staff training, periodic site visits, regular

audits and more experience in implementing local policy would, in its opinion, result in further improvements. In particular, USAID/Zaire mentioned that future audits of counterpart funds will specifically include salary supplementation compliance checks.

Finally, USAID/Zaire requested that, rather than recommend that additional controls be established, the audit recommendation should focus on better implementation of existing controls.

#### Office of Inspector General Comments

The auditors agreed that better implementation of existing, rather than establishment of additional, internal controls would ensure USAID/Zaire compliance with A.I.D. criteria. The auditors also acknowledged that USAID/Zaire's plans for further implementation were sound. Therefore, the recommendation was reworded as the Mission suggested.

Based upon Mission action, the recommendation is considered resolved. It can be closed upon the Mission providing RIG/A/Dakar with (1) description of the training being provided, (2) a copy of the memorandum instructing project officers to review salary supplements during site visits, and (3) a copy of an upcoming audit of counterpart funds scope of work showing the requirement to check salary supplements.

## B. Compliance and Internal Control

### Compliance

The audit disclosed two instances of noncompliance with A.I.D. policy on salary supplements. Mission procedures and practices did not prevent duplicate and excessive payments, and did not provide adequate monitoring and reporting. Audit work on compliance was limited to the finding presented in this report. However, nothing came to the auditors' attention which indicated that items not tested were not in compliance with applicable laws and regulations.

### Internal Control

The audit identified an internal control weakness with regard to the Mission's ability to ensure that salary supplements provided to Government of Zaire employees conformed with A.I.D. and Mission policy. Audit work on internal control issues was limited to the finding presented in this report.

### C. Other Pertinent Matters

A.I.D. salary supplement policy permitted supplements in magnitudes which the host country could be expected to meet from its own resources within a reasonable time. At the time of audit, USAID/Zaire had not determined the total amount of salary supplements which the GOZ could pay over a reasonable period of time. Consequently, the audit could not assess if Mission practices and procedures complied with this part of A.I.D. policy.

Realistic assessments of host country support and benchmarks to monitor contributions help ensure continued support for A.I.D. programs. A.I.D. assistance to Zaire averaged about \$55 million in fiscal years 1986 and 1987, including \$17 million for Public Law 480, and \$38 million for economic support and development assistance. To maximize the long-term viability of this assistance, USAID/Zaire should consider methods to determine compliance with the A.I.D. policy provision on magnitude of salary supplements.

The Mission has emphasized the need to identify opportunities to phase out salary supplements. According to Mission Directive 306 (see Exhibit 3), salary supplements should be temporary and occur only until sufficient funds are available to finance supplements from project and/or GOZ revenues or savings attributable to the project. The Mission emphasis was appropriate since host country financing of recurrent costs such as salary supplements is critical to maximize the long-term viability of A.I.D. projects.

AUDIT OF  
SALARY SUPPLEMENTS IN ZAIRE

PART III - EXHIBITS AND APPENDICES

Salary Premiums Paid to Host Government Employees  
of A.I.D. Projects in Zaire  
During 1987 a/

<u>Project Number and Name</u>	<u>Total Premiums</u>		<u>Excess Premiums</u>	
	<u>No. of Employees</u>	<u>Amount</u>	<u>No. of Employees</u>	<u>Amount</u>
079 Nutrition Improvement	45	\$48,528	45	0 <sup>b/</sup>
080 Fish Culture Expansion	40	39,335	9	123 <sup>b/</sup>
091 Applied Agricultural Research	191	215,196	44	4,298 <sup>b/</sup>
094 Family Planning Services	13	11,547	1	964
101 School of Public Health	13	12,036	13	4,834
102 Food & Marketing	6	9,778	6	1,074
107 Basic Rural Health II	207	173,287	4	324 <sup>b/</sup>
116 Shaba Refugee Water	2	4,623	0	0
119 Agriculture Policy & Planning	122	155,574	1	4
421 Combating Childhood Communicable Diseases	<u>165</u>	<u>73,552</u>	<u>74</u>	<u>20,171</u>
Total	<u>804</u>	<u>\$743,456</u>	<u>197</u>	<u>\$31,792<sup>b/</sup></u>

a/ Dollar Equivalents were calculated using an exchange rate of 122 zaires to the dollar, the exchange rate in effect during July 1987.

b/ These amounts include excess premium for 104 of the 197 employees. The value of excess transportation and housing benefits provided to 93 employees had not been established by USAID/Zaire.

VZCZCTAA402ESA817  
PP RUTADS  
DE RUEHC #3326/01 1570228  
ZNR UUUUU ZZH  
P 060225Z JUN 87 ZEX  
FM SECSTATE WASHDC  
TO AID WORLDWIDE PRIORITY  
BT

Exhibit 2  
Page 1 of 3

UNCLAS SECTION 01 OF 02 STATE 173326

AIDAC MISSION DIRECTORS FROM THE DEPUTY ADMINISTRATOR

E.O. 12356: NDA

TAGS:

SUBJECT: POLICY GUIDANCE ON CRITERIA FOR PAYMENT OF  
SALARY SUPPLEMENTS TO HOST GOVERNMENT EMPLOYEES

1. ALTHOUGH MANY INDIVIDUAL MISSIONS HAVE ESTABLISHED THEIR OWN POLICIES (MISSION ORDERS) REGARDING THE USE OF DOLLAR OR PROGRAM-GENERATED LOCAL CURRENCY FOR THE PAYMENT OF SALARY SUPPLEMENTS TO HOST GOVERNMENT EMPLOYEES, NO AIDWIDE POLICY HAS BEEN FORMALIZED TO DATE. DUE TO RECENT REPORTS OF PROBLEM IN THE USE OF SALARY SUPPLEMENTS, ISSUANCE OF WORLDWIDE A.I.D. POLICY GUIDANCE ON THIS SUBJECT IS NOW NECESSARY.

2. A.I.D. POLICY GUIDANCE FOR PAYMENT OF SALARY SUPPLEMENTS TO HOST GOVERNMENT EMPLOYEES FOLLOWS.

3. A.I.D. NORMALLY EXPECTS THAT THE HOST GOVERNMENT WILL FINANCE ANY NECESSARY SUPPLEMENTS TO BASIC COMPENSATION FOR ITS REGULAR EMPLOYEES WHEN THEY ARE ASSIGNED TO A.I.D.-FINANCED PROJECTS.

4. THERE ARE INSTANCES, HOWEVER, WHERE AS A LAST RESORT A.I.D. FINANCING OF SUPPLEMENTS TO LOW HOST COUNTRY

SALARIES MAY BE DEEMED ESSENTIAL TO THE ACHIEVEMENT OF HOST COUNTRY AND A.I.D. JOINT PROGRAM OBJECTIVES. SUCH SUPPLEMENTS TYPICALLY TAKE THE FORM OF PREMIUMS FOR RELOCATION TO REMOTE PROJECT SITES, PROJECT-RELATED TRAVEL AND PER DIEM EXPENSES AND OVERTIME COMPENSATION. THEY ALSO MAY TAKE THE FORM OF INCENTIVES, HONORARIA AND BONUSES NECESSARY TO ATTRACT HIGHLY TRAINED TECHNICAL SPECIALISTS TO DEVOTE THEIR EXPERTISE TO THE PLANNING OR IMPLEMENTATION OF DEVELOPMENT PROJECTS.

5. WE DISCOURAGE SALARY SUPPLEMENTS EXCEPT IN VERY SPECIAL CIRCUMSTANCES. THEREFORE, A.I.D. PROJECT FUNDS MAY BE USED FOR THESE PURPOSES ONLY IF THE FOLLOWING CRITERIA ARE MET:

-- THE PAYMENTS ARE PERMITTED UNDER HOST COUNTRY LAW AND REGULATIONS.

-- THE COOPERATING ENTITY HAS DEMONSTRATED THAT IT CANNOT MAKE THESE PAYMENTS FROM ITS OWN RESOURCES FOR

VALID REASONS SUCH AS THE INABILITY OF THE ENTITY TO PROVIDE THE FINANCING WITHIN THE TIME REQUIRED TO MEET THE NEEDS OF THE ACTIVITY.

- THE SUPPLEMENTS ARE JUDGED ESSENTIAL TO THE ACHIEVEMENT OF PROJECT OBJECTIVES.

- EMPLOYEES DO NOT RECEIVE DUPLICATE PAYMENTS BY RECEIVING SUPPLEMENTS FROM ANOTHER SOURCE FOR THE SAME ACTIVITY.

-- THE RATES AND FEES PAID ARE IN ACCORDANCE WITH LOCAL STANDARDS AND ARE LIMITED TO MAGNITUDES REASONABLE IN REFERENCE TO AN EMPLOYEE'S BASE PAY AND, FOR CONTINUING PROGRAMS, IN MAGNITUDES WHICH THE HOST COUNTRY ENTITY COULD BE EXPECTED TO MEET FROM ITS OWN RESOURCES WITHIN A REASONABLE TIME.

-- THE PROPOSED RECIPIENTS WOULD BE CARRYING OUT TECHNICAL, MANAGERIAL OR ADMINISTRATIVE SUPPORT RATHER THAN BROAD POLICY FUNCTIONS.

- A MECHANISM EXISTS FOR PROVIDING THE SUPPLEMENTS WHICH PREVENTS POTENTIAL ABUSE IN THE DETERMINATION OF RECIPIENTS AND AMOUNTS TO BE PROVIDED, ENSURES FINANCIAL INTEGRITY IN THE PAYMENT SYSTEM, AND ESTABLISHES ADEQUATE MONITORING AND REPORTING.

6. THE JUSTIFICATION FOR THE PROPOSED SUPPLEMENTS AND A MECHANISM FOR PROVIDING THE SUPPLEMENTS MUST BE SET FORTH VISIBLY IN AND APPROVED AS PART OF THE ACTIVITY DOCUMENTATION AND/OR AUTHORIZATION AND DESCRIBED IN THE RELEVANT AGREEMENT. WHEN SALARY SUPPLEMENTS ARE LIKELY TO BE INCLUDED IN A PROPOSED A.I.D. PROJECT OR PROGRAM, THIS SHOULD BE CLEARLY INDICATED IN THE PROJECT IDENTIFICATION DOCUMENT (PID), OR OTHER RELEVANT DOCUMENT.

7. THIS POLICY GUIDANCE APPLIES TO THE USE OF A.I.D. DOLLAR RESOURCES, U.S.-OWNED LOCAL CURRENCY AND HOST COUNTRY-OWNED LOCAL CURRENCY JOINTLY PROGRAMMED BY A.I.D. AND THE HOST COUNTRY. MISSIONS SHOULD APPLY PROVISIONS OF PARAGRAPH 5 OF THIS GUIDANCE CABLE TO THE PROGRAMMING OF HOST COUNTRY-OWNED LOCAL CURRENCY WHEN THE PROPOSED USES OF THE LOCAL CURRENCY ARE IDENTIFIABLE AS PAYMENT OF SUPPLEMENTS TO REGULAR COMPENSATION LEVELS.

8. THIS POLICY GUIDANCE APPLIES TO ALL NEW PROJECTS AND ACTIVITIES HENCEFORTH. IT MUST ALSO BE APPLIED TO ONGOING PROJECTS AND ACTIVITIES TO THE FULL DEGREE DEEMED FEASIBLE BY THE MISSION DIRECTOR AND WITHOUT JEOPARDIZING OVERALL A.I.D. COUNTRY PROGRAM OBJECTIVES OR THE OBJECTIVES OF PROJECT OR ACTIVITY AGREEMENTS PREVIOUSLY SIGNED BY USAID AND THE HOST GOVERNMENT. APPROPRIATE ASSISTANT ADMINISTRATORS MUST BE ADVISED IMMEDIATELY OF SPECIFIC CIRCUMSTANCES WHERE ONGOING SALARY SUPPLEMENTS CANNOT BE BROUGHT INTO COMPLIANCE WITH THIS POLICY GUIDANCE. MISSIONS ARE ENCOURAGED TO PROVIDE TO REGIONAL BUREAU ASSISTANT ADMINISTRATORS VIEWS ON THE CONTENT OF THIS POLICY WHICH WILL REMAIN UNDER CONTINUING REVIEW.

9. EXCEPTIONS TO THIS POLICY AND ELIGIBILITY CRITERIA WILL BE GRANTED VERY RARELY AND MUST BE APPROVED IN ADVANCE BY THE APPROPRIATE ASSISTANT ADMINISTRATOR IN WASHINGTON.

10. THIS POLICY GUIDANCE IS UNDER CONTINUING REVIEW AND IS OPERATIVE UNTIL FURTHER NOTICE.

11. ANY QUESTIONS REGARDING THE APPLICATION OF THIS GUIDANCE SHOULD BE DIRECTED TO AA/PPC AND REGIONAL BUREAU ASSISTANT ADMINISTRATORS.

12. THIS MESSAGE SUPERCEDES THE ADMINISTRATOR'S

CRITERIA FOR PAYMENT OF SALARY SUPPLEMENTS TO HOST GOVERNMENT EMPLOYEES SIGNED MARCH 18, 1987 AND SENT TO LAC MISSIONS. SHULTZ

BT

#3326

NNNN

OFFICE OF THE DIRECTOR

Directive No. 200

SUBJECT: Counterpart Fund (CPF) Salary Premiums

Policy Statement:

I hereby approve, with the concurrence of the Director of the Secretariat of Counterpart Funds, the payment of base salaries and salary premiums on a selective basis to Zairian personnel employed in USAID-supported projects and activities in Zaire. Specifically, salary premiums may, within the parameters of the USAID-issued "Schedule of Allowable Premiums", and at the discretion of the project Chief of Party, be paid to all USAID-supported project personnel. The premium shall be based on two factors: 1) the GOZ functional grade of the position; and, 2) the educational qualification of the incumbent. Further, counterpart funds may be used to pay base salaries for newly hired project staff. Counterpart funds are, however, not to be used for the payment of base salaries of cadre employed by the GOZ prior to the initiation of, and secondment to, the USAID-supported activity. Payment of base salaries and premiums shall be a temporary measure and shall occur only until project revenues and/or GOZ revenues or savings attributable to the project are such that the GOZ can finance personnel expenses from ordinary budget resources.

Implementation:

USAID's objective in implementing this policy is to ensure a competitive compensation package which is sufficient to retain and motivate project personnel. Compensation from counterpart funds shall, therefore, not diminish or displace contributions from other sources of financing, nor supplement wages, allowances or other benefits from other sources such that total compensation exceeds that which is judged sufficient to accomplish USAID's objective. The following implementation guidelines further clarify USAID intent:

- a salary premium, or a portion thereof, may only be granted when compensation from any and all other sources for services rendered in the subject position are less than that allowed for the total salary in the "Schedule of Position Grade Premiums" approved by USAID;
- any increase (or decrease) in wages received from other sources, including the GOZ, shall result in an off-setting decrease (or increase) in the CPF premium;
- no salary premium may be awarded in excess of that allowed according to the approved schedule, without the prior written concurrence of USAID;
- if home to work transportation, housing, or other benefits of this kind are provided, the monthly premium should be reduced accordingly from that received by other employees of equal rank not receiving the same benefits;
- overtime compensation shall not be paid from counterpart funds to employees above the rank of "Agent de Bureau de 1<sup>ère</sup> classe".

Schedule of Allowable Premiums:

The following schedule of allowable premiums and maximum salary levels under which they apply is hereby approved for implementation. The schedule, including the educational premium, shall be reviewed for modification and inflationary adjustment at least annually before the commencement of annual counterpart fund programming negotiations.

Table 1: REVISED CPF POSITION GRADE PREMIUM SCHEDULE  
(Effective 1 October 1986)

<u>Grade</u>	<u>GOZ Base Salary</u>	<u>Maximum Monthly Premium</u>	<u>Total Salary *</u>
Directeur	17,250	5,400	22,650
Chef de Division	5,625	12,200	17,825
Chef de Bureau	3,475	12,200	15,675
Att. de B. 1ère classe	2,200	8,400	10,600
Att. de B. 2ème classe	1,959	8,400	10,359
Ag. de B. de 1ère classe	1,330	4,800	6,130
Ag. de B. de 2ème classe	1,300	4,800	6,100
Ag. Aux. de 1ère classe	1,250	1,800	3,050
Ag. Aux. de 2ème classe	1,230	1,800	3,030
Huissier	1,200	600	1,800

\* Before award of Educational Premium

Table 2: EDUCATIONAL PREMIUM SCHEDULE

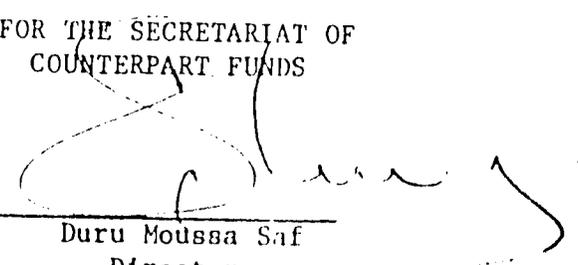
<u>Degree</u>	<u>Monthly Premium</u>
Doctorate	210,000
Master	27,000
1 <sub>2</sub> /A <sub>0</sub> /M.D.	25,000
A <sub>1</sub>	23,000
A <sub>2</sub>	22,000
A <sub>3</sub>	21,000

Final Provisions:

- A. The payment of salary premiums from the U.S. generated counterpart fund is subject to the availability of funds for this purpose.
- B. This policy directive shall enter into force upon signature. The revised premium schedule shall take effect October 1, 1986.

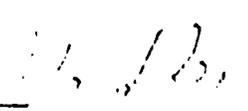
Signature:

FOR THE SECRETARIAT OF  
COUNTERPART FUNDS

  
\_\_\_\_\_  
Duru Moussa Saf  
Director

9/24/86  
Date

FOR USAID

  
\_\_\_\_\_  
Dennis Chandler  
Director

9 15/86  
Date

VZCZCDK0128  
PP RUEHDK  
DE RUEHC #9780/01 1062043  
ZNR UUUUU ZZH  
F 152040Z APR 88 ZEX  
FM SECSTATE WASHDC  
TO AIG WORLDWIDE PRIORITY  
BT

Exhibit 4  
Page 1 of 5

UNCLAS SECTION 01 OF 03 STATE 119780

AIDAC

E.O. 12356: N/A

SUBJECT: POLICY GUIDANCE ON CRITERIA FOR PAYMENT OF SALARY  
SUPPLEMENTS FOR HOST GOVERNMENT EMPLOYEES

REF: A) STATE 173326, B) STATE 195580

1. THIS CABLE CLARIFIES AND SUPERCEDES AGENCY POLICY GUIDANCE ON PAYMENT OF SALARY SUPPLEMENTS TO HOST GOVERNMENT (HG) EMPLOYEES CONTAINED IN REF (A). AID/W HAS REVIEWED FIELD RESPONSES TO THE QUESTIONNAIRE ON SALARY SUPPLEMENTS CONTAINED IN REF (B) AND FOUND THESE RESPONSES HELPFUL IN IDENTIFYING NECESSARY CHANGES AND CLARIFICATIONS. MUCH OF THIS GUIDANCE IS IDENTICAL TO THE GUIDANCE CONTAINED IN REF (A); HOWEVER, THE PARAGRAPHS BELOW DO PROVIDE NEW DEFINITIONS AND EXPLANATIONS OF THE COVERAGE OF THIS POLICY AS WELL AS ADDITIONAL REQUIREMENTS FOR DOCUMENTATION OF SALARY SUPPLEMENTS PAID BY A.I.D.

2. THE ISSUE OF SALARY SUPPLEMENTS REMAINS SENSITIVE AND A MATTER OF BOTH CONGRESSIONAL AND AGENCY CONCERN. IT IS A.I.D. POLICY THAT SALARY SUPPLEMENTS SHOULD BE CONSIDERED AN EXCEPTION TO NORMAL A.I.D. PRACTICE REQUIRING EXCEPTIONAL JUSTIFICATION.

3. DEFINITIONS:

A. A HG EMPLOYEE COVERED UNDER THIS GUIDANCE IS AN EMPLOYEE PAID BY THE HG, OCCUPYING AN ESTABLISHED POSITION, EITHER TEMPORARY OR PERMANENT, PART-TIME OR FULL-TIME, WITHIN A HG INSTITUTION. A HG INSTITUTION IS AN ORGANIZATION IN WHICH THE GOVERNMENT OWNS AT LEAST A FIFTY PERCENT SHARE OR RECEIVES AT LEAST FIFTY PERCENT OF ITS FINANCIAL SUPPORT FROM THE GOVERNMENT.

B. SALARY SUPPLEMENTATION OCCURS WHEN PAYMENTS ARE MADE THAT AUGMENT AN EMPLOYEE'S BASE SALARY OR PREMIUMS, OVERTIME, EXTRA PAYMENTS, INCENTIVE PAYMENT AND ALLOWANCES FOR WHICH THE HG EMPLOYEE WOULD QUALIFY UNDER HG RULES OF PRACTICE FOR THE PERFORMANCE OF HIS REGULAR DUTIES OR FOR WORK PERFORMED DURING HIS REGULAR OFFICE HOURS. PAYMENT, IN FULL OR PART, OF HG BASE SALARIES AND OTHER ENUMERATED PAYMENTS AT HG RATES WOULD BE SUBJECT TO THE AGENCY'S GUIDANCE ON RECURRENT COST (SEE HANDBOOK-1,

PART III.A2). WHERE THE MISSION PAYS THE SALARY AND ALLOWANCES OF HQ OFFICIALS AT THE HQ RATE, IT IS NOT CONSIDERED A SALARY SUPPLEMENT BUT RATHER RECURRENT COST.

C. THE FOLLOWING ARE NOT CONSIDERED TO BE SALARY SUPPLEMENTS: PER DIEM; INVITATIONAL TRAVEL; HONORARIA AND PAYMENT FOR WORK CARRIED OUT OUTSIDE OF NORMAL WORKING HOURS. THE RULES GOVERNING THESE TYPES OF PAYMENTS ARE SUMMARIZED IN PARAGRAPH 5 BELOW.

4. RULES ON SALARY SUPPLEMENTS:

A. A.I.D. DISCOURAGES SALARY SUPPLEMENTS EXCEPT IN VERY SPECIAL CIRCUMSTANCES. HENCEFORTH, MISSIONS MUST SUBMIT ANY NEW PROPOSALS FOR SALARY SUPPLEMENTATION TO A.I.D. WASHINGTON FOR APPROVAL BY THE APPROPRIATE ASSISTANT ADMINISTRATOR.

B. A.I.D. NORMALLY EXPECTS THAT THE HQ WILL FINANCE ANY NECESSARY SUPPLEMENTS TO COMPENSATION FOR ITS REGULAR EMPLOYEES WHEN THEY ARE ASSIGNED TO A.I.D.-FINANCED PROJECTS. THERE ARE INSTANCES, HOWEVER, WHERE AS A LAST RESORT A.I.D. FINANCING OF SUPPLEMENTS TO LOW HOST COUNTRY SALARIES MAY BE DEEMED ESSENTIAL TO THE ACHIEVEMENT OF HQ AND A.I.D. JOINT PROGRAM OBJECTIVES. SUCH SUPPLEMENTS TYPICALLY TAKE THE FORM OF PREMIUMS FOR RELOCATION TO REMOTE PROJECT SITES, INCENTIVES, AND BONUSES NECESSARY TO ATTRACT HIGHLY TRAINED TECHNICAL SPECIALISTS TO DEVOTE THEIR EXPERTISE TO THE PLANNING OR

C. A.I.D. PROJECT FUNDS MAY BE USED FOR THESE PURPOSES ONLY IF THE FOLLOWING CRITERIA ARE MET:

-- THE PAYMENTS ARE PERMITTED UNDER HOST COUNTRY LAW AND REGULATIONS.

-- THE COOPERATING ENTITY HAS DEMONSTRATED THAT IT CANNOT MAKE THESE PAYMENTS FROM ITS OWN RESOURCES FOR VALID REASONS SUCH AS THE INABILITY OF THE ENTITY TO PROVIDE THE FINANCING WITHIN THE TIME REQUIRED TO MEET THE NEEDS OF THE ACTIVITY.

-- THE SUPPLEMENTS ARE JUDGED ESSENTIAL TO THE ACHIEVEMENT OF PROJECT OR PROGRAM OBJECTIVES.

-- EMPLOYEES DO NOT RECEIVE DUPLICATE PAYMENTS BY RECEIVING SUPPLEMENTS FROM ANOTHER SOURCE FOR THE SAME ACTIVITY.

-- THE RATES AND FEES PAID ARE IN ACCORDANCE WITH LOCAL STANDARDS AND ARE LIMITED TO AMOUNTS REASONABLE IN RELATION TO AN EMPLOYEE'S PAY AND, FOR CONTINUING PROGRAMS, IN AMOUNTS WHICH THE HOST COUNTRY ENTITY COULD BE EXPECTED TO MEET FROM ITS OWN RESOURCES WITHIN A REASONABLE TIME.

-- THE PROPOSED RECIPIENTS WOULD BE CARRYING OUT TECHNICAL, MANAGERIAL OR ADMINISTRATIVE SUPPORT RATHER THAN BROAD POLICY FUNCTIONS.

-- A MECHANISM EXISTS FOR PROVIDING THE SUPPLEMENTS WHICH PREVENTS POTENTIAL ABUSE IN THE DETERMINATION OF RECIPIENTS AND AMOUNTS TO BE PROVIDED; ENSURES FINANCIAL INTEGRITY IN THE PAYMENT SYSTEM; AND ESTABLISHES ADEQUATE MONITORING AND REPORTING.

D. IF THE ABOVE CRITERIA ARE MET, JUSTIFICATION FOR THE PROPOSED SUPPLEMENTS AND A MECHANISM FOR PROVIDING THE SUPPLEMENTS MUST BE SET FORTH EXPLICITLY IN AND APPROVED AS PART OF THE ACTIVITY DOCUMENTATION AND/OR AUTHORIZATION AND DESCRIBED IN THE RELEVANT AGREEMENT. WHEN SALARY SUPPLEMENTS ARE LIKELY TO BE INCLUDED IN A PROPOSED A.I.D. PROJECT OR PROGRAM, THIS SHOULD BE CLEARLY INDICATED IN THE PROJECT IDENTIFICATION DOCUMENT (PID), OR OTHER RELEVANT DOCUMENT. THIS JUSTIFICATION AND A DESCRIPTION OF THE MECHANISM FOR PROVIDING THE SALARY SUPPLEMENTATION MUST BE REVIEWED BY THE

APPROPRIATE ASSISTANT ADMINISTRATOR. DOCUMENTATION OF THE LEGALITY OF SUCH PAYMENTS UNDER HOST COUNTRY LAWS AND REGULATIONS SHOULD BE MAINTAINED AND READILY ACCESSIBLE AS PART OF THE PROJECT OR PROGRAM FILES.

E. THIS POLICY GUIDANCE APPLIES TO THE USE OF A.I.D. DOLLAR RESOURCES, AS WELL AS TO U.S.-OWNED LOCAL CURRENCY AND HOST COUNTRY-OWNED LOCAL CURRENCY JOINTLY PROGRAMMED BY A.I.D. AND THE HOST COUNTRY WHEN THE PROPOSED USES OF THE LOCAL CURRENCY INCLUDE EXPLICITLY PAYMENT OF SALARY SUPPLEMENTS.

F. POLICY-MAKING OFFICIALS SHALL NOT RECEIVE A.I.D. PAYMENT OF SALARY SUPPLEMENTS IN ANY FORM INCLUDING A.I.D. PAYMENTS FOR PROJECT-RELATED WORK CONDUCTED OUTSIDE NORMAL WORKING HOURS AS DISCUSSED IN PARAGRAPH 5.D. BELOW. POLICY-MAKING OFFICIALS ARE DEFINED AS HIGH-LEVEL ELECTED OR APPOINTED OFFICIALS SUCH AS THOSE SERVING ON THE CABINET OR IN THE IMMEDIATELY SUBORDINATE SUB-CABINET POSITION.

G. THIS POLICY GUIDANCE APPLIES TO ALL NEW PROJECTS AND ACTIVITIES HENCEFORTH. IT MUST ALSO BE APPLIED TO ONGOING PROJECTS AND ACTIVITIES TO THE FULL DEGREE DEEMED FEASIBLE BY THE MISSION DIRECTOR AND WITHOUT JEOPARDIZING OVERALL A.I.D. COUNTRY PROGRAM OBJECTIVES PREVIOUSLY SIGNED BY THE USAID AND THE HG, INCLUDING THOSE FUNDED BY A.I.D. AND MANAGED BY PVDS OR OTHER NON-GOVERNMENTAL ORGANIZATIONS. APPROPRIATE ASSISTANT ADMINISTRATORS MUST

BE ADVISED IMMEDIATELY OF SPECIFIC CIRCUMSTANCES WHERE ONGOING SALARY SUPPLEMENTS CANNOT BE BROUGHT INTO COMPLIANCE WITH THIS POLICY GUIDANCE. MISSIONS WILL PROVIDE SPECIFIC DETAILS TO THE ASSISTANT ADMINISTRATORS WHERE THERE IS ANY DOUBT REGARDING THE LEGAL BASIS OF SALARY SUPPLEMENTS (SEE SUBPARAGRAPH I BELOW).

H. USAIDS SHOULD DISCUSS THE ISSUE OF SALARY SUPPLEMENTS WITH OTHER DONORS IN AN EFFORT TO MINIMIZE THE PRACTICE, AVOID DUPLICATIVE PAYMENTS FOR THE SAME PROJECT OR ACTIVITY, MODERATE COMPETITIVE EFFORTS TO ATTRACT LIMITED CAPABLE PERSONNEL AND, IN CASES WHERE SUPPLEMENTATION IS NECESSARY, TO ARRIVE AT GENERALLY COMPARABLE LEVELS OF SUPPLEMENTARY COMPENSATION.

I. ANY LEGAL QUESTIONS SHOULD BE RESOLVED BY THE MISSION DIRECTOR IN COORDINATION WITH THE REGIONAL LEGAL ADVISOR. IF ANY DOUBT REMAINS CONCERNING LEGAL QUESTIONS, THE REGIONAL ASSISTANT ADMINISTRATOR OR HIS DESIGNEE IN COORDINATION WITH A.I.D./GC SHOULD MAKE THE DETERMINATION. ANY OTHER QUESTIONS REGARDING APPLICATION OF THIS GUIDANCE SHOULD BE DIRECTED TO THE REGIONAL BUREAU ASSISTANT ADMINISTRATOR AND AA/PPC.

J. EXCEPTIONS TO THIS POLICY AND ELIGIBILITY CRITERIA WILL BE GRANTED VERY RARELY AND MUST BE APPROVED IN ADVANCE BY THE APPROPRIATE ASSISTANT ADMINISTRATOR IN WASHINGTON.

5. RULES ON PAYMENTS TO INDIVIDUALS WHICH ARE NOT CONSIDERED TO BE SALARY SUPPLEMENTS:

A. PER DIEM IS PERMISSIBLE FOR PROGRAM OR PROJECT-RELATED ACTIVITIES PROVIDED ANY SUCH REIMBURSEMENT IS PAID AT THE H; RATE, U.S. GOVERNMENT RATE OR ON AN ACTUAL COST REIMBURSEMENT BASIS.

B. IT IS PERMISSIBLE TO FUND THE INTERNATIONAL TRAVEL OF POLICY OFFICIALS ON INVITATIONAL TRAVEL ORDERS APPROVED BY THE MISSION DIRECTOR. IN SPECIAL CIRCUMSTANCES, SUCH AS WHEN HG POLICY OFFICIALS ACCOMPANY U.S. GOVERNMENT OFFICIALS ON OFFICIAL TRAVEL WITHIN THE HOST COUNTRY, IT IS ALSO PERMISSIBLE TO FUND DOMESTIC TRAVEL OF HG POLICY-MAKING OFFICIALS AT THE U.S. GOVERNMENT RATE OR ON AN ACTUAL COST REIMBURSEMENT BASIS, EVEN THOUGH THE OFFICIAL IS NOT ON U.S. GOVERNMENT TRAVEL ORDERS. SUCH TRAVEL COSTS AND PER DIEM ARE NOT CONSIDERED SALARY SUPPLEMENTS.

C. HONORARIA MAY BE PAID TO UNIVERSITY EMPLOYEES AND TO MEMBERS OF RESEARCH INSTITUTIONS, WHO ARE HG EMPLOYEES SOLELY BY VIRTUE OF THEIR POSITION IN A UNIVERSITY OR RESEARCH INSTITUTION, CARRYING OUT PROJECT-RELATED ACTIVITIES OUTSIDE THEIR NORMAL DUTIES WHERE THE NORMAL PRACTICE OF THE HG CONDONES THIS TYPE OF ADDITIONAL WORK. ONLY NOMINAL AND OCCASIONAL PAYMENTS OF HONORARIA TO OTHER HG EMPLOYEES UNDER SIMILAR CIRCUMSTANCES MAY BE PAID PROVIDED SUCH PAYMENTS ARE CLEARLY FOR FUNCTIONS OUTSIDE THEIR NORMAL DUTIES AND DO NOT TAKE PLACE DURING NORMAL WORKING HOURS OR OTHERWISE CONFLICT WITH OFFICIAL DUTIES IN WHICH CASE THEY ARE NOT CONSIDERED SALARY SUPPLEMENTS. FREQUENT RECURRING PAYMENTS ARE PROHIBITED EXCEPT FOR UNIVERSITY EMPLOYEES.

D. PAYMENT FOR PROJECT-RELATED RESEARCH AND SPECIFIC STUDIES CONDUCTED OUTSIDE NORMAL WORKING HOURS AND PERMITTED BY HG PRACTICE AND LAW IS ALLOWABLE PROVIDED THE HG EMPLOYEE IS NOT COMPLETING THIS WORK DURING HOURS OF HIS REGULAR DUTIES PAID BY THE HG AND PROVIDED THE WORK DOES NOT CONFLICT IN ANY OTHER WAY WITH OFFICIAL DUTIES. A CLEAR RELATIONSHIP AND METHOD OF PAYMENT NEEDS TO BE ESTABLISHED FOR THESE SERVICES, E.G. - COOPERATIVE AGREEMENT, END PRODUCT OR PURCHASE ORDER. GENERALLY, A PSC IS NOT CONSIDERED AN APPROPRIATE MECHANISM BECAUSE OF THE IMPLIED EMPLOYEE/EMPLOYER RELATIONSHIP. MISSIONS SHOULD GENERALLY AVOID FINANCING PAYMENTS FOR INDIVIDUALS WHO ARE ALREADY CARRYING OUT SIMILAR ACTIVITIES AS PART OF THEIR NORMAL DAILY DUTIES OR OFFICIAL FUNCTION. ALSO TO THE MAXIMUM EXTENT PRACTICAL, THE WORK SHOULD BE PERFORMED ON A SITE OTHER THAN THE EMPLOYEE'S NORMAL WORK SITE. IT SHOULD BE KNOWN TO THE EMPLOYEE'S HG SUPERVISOR.

E. MISSIONS ARE RESPONSIBLE TO ENSURE THAT ADEQUATE DOCUMENTATION IS AVAILABLE IN PROJECT OR PROGRAM FILES TO SUPPORT ANY PAYMENTS MADE WITHIN THE SCOPE OF THIS POLICY GUIDANCE ON PAYMENTS TO INDIVIDUALS WHICH ARE NOT CONSIDERED TO BE SALARY SUPPLEMENTS. SHULTZ

BT

#9780

NNNN

ACTION: RIG-2 INFO: DCM

Exhibit 5  
Page 1 of 3

VZCZCDY0084  
 RR RUEHDK  
 DE RUEHDKI #6869/01 1291755  
 ZNR UUUUU ZZH  
 R 081755Z MAY 88  
 FM AMEMBASSY KINSHASA  
 TO AMEMBASSY DAKAR 3005  
 BT  
 UNCLAS SECTION 01 OF 02 KINSHASA 26869

09 MAY 88  
 CN: 21831  
 CHR: AID  
 DIST: RIG

AIDAC

FOR RIG/A/DAKAR

E.O. 12356: N/A

SUBJECT: DRAFT REPORT ON AUDIT OF SALARY SUPPLEMENTS IN  
ZAIREREFS: (A) COMPETELLO/GOODWIN TELCON OF APRIL 22; (B) STATE  
119780; (C) SUBJECT DRAFT AUDIT REPORT OF APRIL 15, 1988.

1. PURSUANT TO REF A TELCON, USAID HAS STUDIED REFS  
 - B AND C AND CONCLUDES THAT THE DRAFT AUDIT REPORT  
 - PROPERLY ADDRESSES THE TOPIC OF SALARY SUPPLEMENTS  
 - AS DEFINED IN REF B AND AS APPLIED BY  
 - USAID/KINSHASA.
2. THE EXECUTIVE COUNCIL OF THE GOZ PERIODICALLY  
 - ADOPTS AND PUBLISHES A QUOTE BASE SALARY UNQUOTE  
 - SCHEDULE FOR ALL GOVERNMENT CIVIL SERVICE  
 - EMPLOYEES. NO OFFICIAL GOVERNMENT-WIDE POLICY ON  
 - SUPPLEMENTAL COMPENSATION EXISTS. PAYMENT OF  
 - SALARY PREMIUMS TO GOZ EMPLOYEES IS, HOWEVER, AN  
 - ACCEPTED PRACTICE. THE FORM AND AMOUNT OF PAYMENT  
 - AMONG AND WITHIN GOZ DEPARTMENTS VARIES GREATLY  
 - ACCORDING TO CAPABILITY TO PAY, I.E. AVAILABILITY  
 - OF RESOURCES WITH WHICH TO PAY. SOME DEPARTMENTS  
 - PAY NO PREMIUMS FOR LACK OF RESOURCES.
3. PARA 3 B OF REF B DEFINES SALARY SUPPLEMENTS AS  
 - QUOTE PAYMENTS...MADE THAT AUGMENT AN EMPLOYEE'S  
 - BASE SALARY....FOR WHICH THE HG EMPLOYEE WOULD  
 - QUALIFY UNDER HG RULES OR PRACTICE FOR THE  
 - PERFORMANCE OF HIS REGULAR DUTIES....UNQUOTE.  
 - WHILE A GENERALLY ACCEPTED PRACTICE OF PAYING  
 - SALARY PREMIUMS EXISTS IN MUCH OF THE GOZ, THESE  
 - PAYMENTS ARE ALWAYS ACKNOWLEDGED TO BE  
 - SUPPLEMENTING THE QUOTE BASE SALARY UNQUOTE OF  
 - THE EMPLOYEE. USAID MAKES THE SAME SPECIFIC  
 - ACKNOWLEDGMENT BY FACTORING SALARY SUPPLEMENTS  
 - ON THE FUNCTIONAL GRADE AND CORRESPONDING GOZ-  
 - DETERMINED COMPENSATION LEVEL FOR THE POSITION.  
 - A BASIC IMPLEMENTATION RULE IN USAID'S PAYMENT  
 - OF SALARY SUPPLEMENTS IS THAT WHEN GOZ BASE  
 - SALARIES ARE INCREASED, AN OFF-SETTING DECREASE  
 - IN THE USAID-APPROVED SUPPLEMENT RESULTS

- SIMULTANEOUSLY. THUS, THE USAID DIRECTIVE ON
- SALARY PREMIUMS IS PREDICATED UPON THE EXISTENCE
- OF (1) A BASE SALARY AND (2) A DETERMINATION BY
- THE MISSION DIRECTOR THAT USAID FINANCING OF
- SUPPLEMENTS TO LOW HOST COUNTRY SALARIES (IS)
- DEEMED ESSENTIAL TO THE ACHIEVEMENT OF HG AND
- A.I.D. JOINT PROGRAM OBJECTIVES. THE USAID
- DIRECTIVE THUS ALLOWS PROJECT MANAGEMENT, AT THEIR
- DISCRETION BUT WITH ADVICE TO AND APPROVAL FROM
- USAID, TO QUOTE AUGMENT AN EMPLOYEE'S BASE SALARY
- UNQUOTE.
- 
- 4. USAID RECOGNIZES AT THE SAME TIME THAT THE PRIME
- POLICY RELATES NOT ONLY TO SALARY SUPPLEMENTATION
- BUT ALSO TO RECURRENT COST FINANCING. THE PRIME
- POLICY IMPOSES A CEILING UPON COMPENSATION TO GOZ
- AND GOZ-CONTRACTED EMPLOYEES WORKING ON U.S.
- GOVERNMENT FINANCED PROJECTS. UNDER THE POLICY
- REGULAR GOZ EMPLOYEES WHO RECEIVE BASE SALARIES
- FROM THE GOZ ORDINARY BUDGET CAN RECEIVE SALARY
- SUPPLEMENTS THAT WILL BRING THEM UP TO THE PRIME
- POLICY CEILING. OTHER PROJECT PERSONNEL WHO ARE
- CONTRACTED BY THE GOZ BUT WHO DO NOT RECEIVE BASE
- SALARY FROM THE ORDINARY BUDGET CAN BE FULLY
- FUNDED FROM THE CPF. THESE CONTRACTED
- PERSONNEL CANNOT, WITHOUT SPECIFIC APPROVAL FROM
- USAID, RECEIVE A SALARY THAT EXCEEDS THE PRIME
- POLICY CEILING. ADDITIONALLY, AT THE END OF
- PROJECT, IF THE GOZ DOES NOT FORMALLY OR OTHERWISE
- EMPLOY THE CONTRACTED EMPLOYEE, THE
- USAID-SUPPORTED PROJECT IS OBLIGED TO PAY
- SEVERANCE PAY. ONE OTHER POINT IS THAT USAID'S
- PRIME POLICY PAY CAP IS NEGOTIATED WITH THE
- DEPARTMENT OF PLAN WHICH BY THEIR AGREEMENT
- EFFECTIVELY CREATES A GOZ PAY CAP POLICY THAT
- APPLIES TO USAID FUNDED PROJECTS WITH OTHER
- MINISTRIES OF THE GOZ.
- 
- 5. USAID IS OPEN TO ALTERNATIVE
- INTERPRETATION OF THE LOCAL SITUATION, BUT OUR
- LITERAL READING OF AGENCY POLICY AND OUR
- ASSESSMENT OF EXISTING PRACTICES IN ZAIRE LEADS US
- TO CONCLUDE THAT WE ARE PROVIDING SALARY
- SUPPLEMENTATION. GIVEN THAT CONCLUSION, AND

UNCLAS SECTION 02 OF 22 KINSHASA 06869

- UNLESS YOU ADVISE OTHERWISE, SEPTEL WILL FOLLOW
- ADDRESSING THE DRAFT AUDIT REPORT AND OUR RESPONSE
- TO THE DRAFT DOCUMENT. EARROP

Exhibit 5  
Page 3 of 3

BT  
#6869

NNNN

UNCLASSIFIED

KINSHASA 006869/22

ACTION: RIG-2 INFO: DCM

Appendix  
Page 1 of

VZCZCDK0893  
RR RUEHDK  
DE RUEHKE #7091 1331508  
ZNR UUUUU ZZH  
R 121508Z MAY 88  
FM AMEMBASSY KINSHASA  
TO AMEMBASSY DAKAR 3008  
BT  
UNCLAS KINSHASA 07091

13 MAY 88  
CN: 22630  
CHRG: AID  
DIST: RIG

DAKAR FOR RIG/A

E.O. 12356: N/A

SUBJECT: DRAFT REPORT ON THE AUDIT OF SALARY SUPPLEMENTS  
- IN ZAIRE

REF: (A) KINSHASA 6869 (B) KINSHASA 5443  
- (C) STATE 119780 (D) SUBJECT REPORT DATED 4/5/88

## 1. FOLLOWING ARE MISSION COMMENTS ON SUBJECT DRAFT REPORT:

A. OVERALL, MISSION DOES NOT CONTEST FINDINGS BUT BELIEVES REPORT SHOULD MORE PROMINENTLY ACKNOWLEDGE FACT THAT USAID HAD ONLY RECENTLY INITIATED SALARY SUPPLEMENTATION UNDER FORMAL DIRECTIVE AND THAT THE PERIOD AUDITED WAS THE FIRST FULL YEAR UNDER WHICH THE DIRECTIVE WAS IN EFFECT. ALSO WE NOTE THAT ALTHOUGH THE REPORT CLAIMS TO QUOTE RECOMMEND(S) WAYS TO IMPROVE COMPLIANCE UNQUOTE THE RECOMMENDATIONS ARE REALLY ONLY STATEMENTS ADVISING THE MISSION TO BEGIN TO COMPLY.

B. RECOMMENDATION NO. 1 ON PAGE 9 SUGGESTS THAT MORE EFFECTIVE INTERNAL CONTROLS BE ESTABLISHED. PARAGRAPH 2 OF PAGE 9 AT THE SAME TIME CITES THE QUOTE SIGNIFICANT INTERNAL CONTROLS USED BY USAID/ZAIRE TO MONITOR AND REPORT ON COMPLIANCE WITH THE MISSION'S SALARY SUPPLEMENT POLICY UNQUOTE. AUDIT FINDINGS SUPPORT THAT STATEMENT AND SHOW THAT OF DOLS 740,000 DISBURSED AS SALARY SUPPLEMENTS, ONLY DOLS 32,000 OR 4.3 PERCENT WAS DISBURSED INCORRECTLY, IN ADDITION TO THE UNDETERMINED AMOUNT FOR TRANSPORTATION AND HOUSING. USAID BELIEVES EXISTING CONTROLS, WHILE NOT FULLY DEVELOPED, ARE ADEQUATE AS NOW DEFINED. PLANS FOR CONTINUED STAFF TRAINING, PERIODIC SITE VISITS TO MONITOR FINANCIAL MANAGEMENT COMPLIANCE PROCEDURES, REGULAR AUDITS AND MORE EXPERIENCE IN IMPLEMENTING LOCAL POLICY WILL RESULT IN IMPROVEMENTS IN WHAT WE CURRENTLY BELIEVE IS

ACCEPTABLE PERFORMANCE. WE BELIEVE IMPROVEMENTS TO THIS EFFECT ARE ALREADY EVIDENT IN THE 1988 PROGRAM YEAR. MOREOVER, FUTURE PROJECT AUDITS COMMISSIONED BY USAID WILL SPECIFICALLY INCLUDE SALARY SUPPLEMENTATION COMPLIANCE CHECKS. THE QUESTION IS THEN WHAT SPECIFIC ADDITIONAL CONTROLS MIGHT BE RECOMMENDED? MISSION WOULD FIND IT DIFFICULT TO JUSTIFY MORE STAFF TO AUGMENT INTERNAL CONTROLS GIVEN THE RELATIVELY SMALL AMOUNTS OF MONEY FOUND TO HAVE BEEN DISBURSED IN NONCONFORMANCE TO POLICY.

UNCLASSIFIED

Appendix 1  
Page 2 of 2

UNLESS SPECIFIC, MEANINGFUL, COST EFFECTIVE  
RECOMMENDATIONS ARE POSSIBLE, SUGGEST RECOMMENDATION NO. 1  
BE MODIFIED TO READ QUOTE ... USAID/ZAIRE CONTINUE TO  
IMPROVE UPON IMPLEMENTATION OF EXISTING SIGNIFICANT  
INTERNAL CONTROLS TO ENSURE... UNQUOTE.

C. MISSION CONCURS WITH RECOMMENDATION NO. 2 AND THE  
RELEVANT DISCUSSION SECTION ON THE SUBJECT OF GOZ  
RESOURCES AND THEIR PAYMENT OF COMPETITIVE EMPLOYEE WAGES.

2. MISSION AWAITS RECEIPT OF FINAL REPORT AND FOLLOW-UP  
RECOMMENDATIONS. WE WELCOME YOUR CONTINUED INTEREST ON  
THIS SUBJECT IN ZAIRE AND HOPE TO BENEFIT FROM THE IG  
ASSESSMENT OF A.I.D.'S EXPERIENCE WITH THE ADMINISTRATION  
OF SALARY SUPPLEMENTS.

HARRDP

BT  
#7091

NNNN

UNCLASSIFIED

KINSHASA 007091

Report Distribution

	<u>No. of Copies</u>
Director, USAID/Zaire	5
AA/AFR	1
AA/M	2
AFR/CONT	5
AFR/PD	1
AFR/PD/CCWA	2
AFR/CCWA	1
AA/XA	2
XA/PR	1
LEG	1
GC	1
M/FM	2
PPC/CDIE	3
SAA/S&T	1
IG	1
Deputy IG	1
IG/PPO	2
IG/ADM	12
IG/LC	1
IG/PSA	1
AIG/I	1
REDSO/WCA	1
REDSO/WCA/WAAC	1
USAID/Burkina Faso	1
USAID/Cameroon	1
USAID/Cape Verde	1
USAID/Chad	1
USAID/Congo	1
USAID/The Gambia	1
USAID/Ghana	1
USAID/Guinea	1
USAID/Guinea-Bissau	1
USAID/Liberia	1
USAID/Mali	1
USAID/Mauritania	1
USAID/Morocco	1
USAID/Niger	1
USAID/Nigeria	1
USAID/Senegal	1
USAID/Sierra Leone	1
USAID/Togo	1
USAID/Tunisia	1
RIG/I/Liberal	1
RIG/A/Cairo	1
RIG/A/Munich	1
RIG/A/Rome	1
RIG/A/Singapore	1
RIG/A/Teheran	1
RIG/A/Washington	1