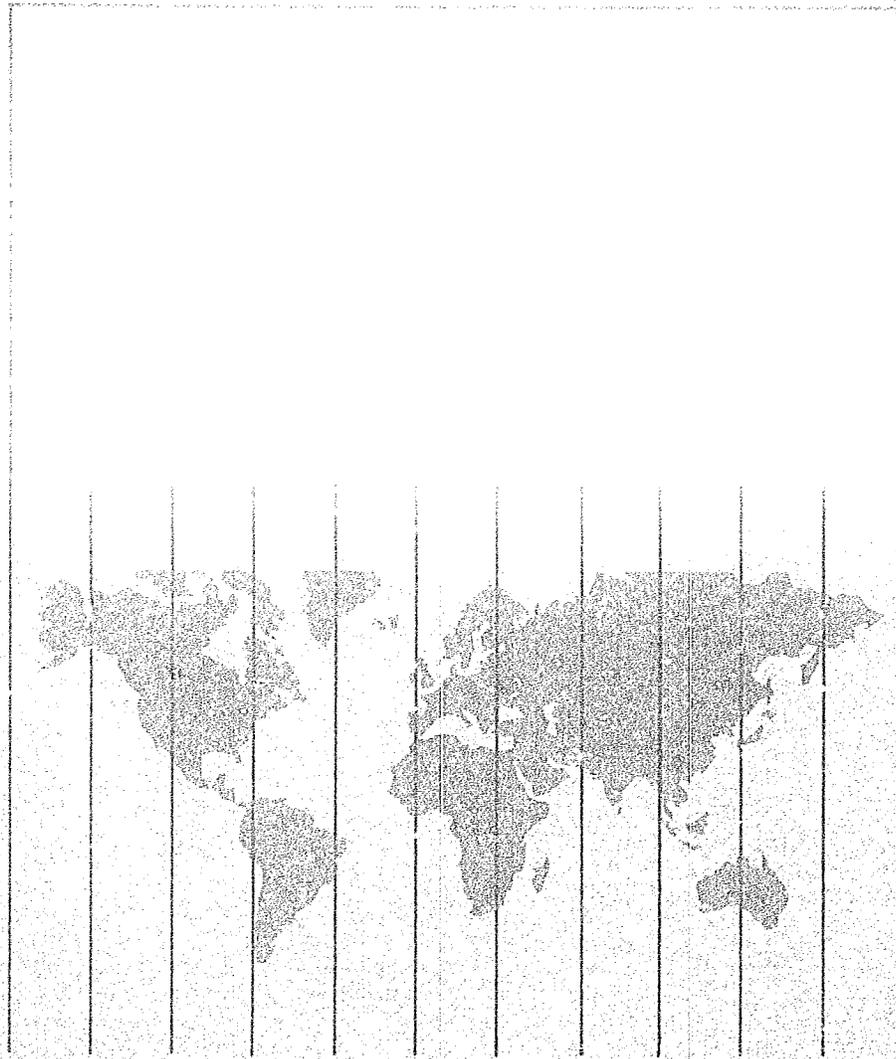


UNITED STATES  
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE  
INSPECTOR  
GENERAL



Regional Inspector General for Audit

DAKAR

AUDIT OF  
A.I.D. GRANT ASSISTANCE  
TO THE AFRICAN DEVELOPMENT BANK

Project Nos. 698-0127 and 698-0434

Audit Report No. 7-698-89-01

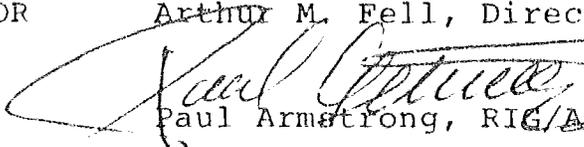
October 20, 1988

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

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WEST AFRICA

October 20, 1988

MEMORANDUM FOR Arthur M. Fell, Director, REDSO/WCA  
FROM:   
Paul Armstrong, RIG/A/Dakar  
SUBJECT: Audit of A.I.D. Grant Assistance to the  
African Development Bank  
(Audit Report No. 7-698-89-01)

The Office of the Regional Inspector General for Audit/Dakar has completed its audit of A.I.D. grant assistance to the African Development Bank. 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. The report contains four recommendations; all are considered resolved. Three of the recommendations can be closed after REDSO/WCA completes its planned actions to implement the recommendations. The fourth recommendation will be considered as closed upon issuance of the report.

Please let me know within 30 days of further action taken to close the recommendations. I appreciate the cooperation and courtesy extended to my staff during the audit.

## EXECUTIVE SUMMARY

The African Development Bank in Abidjan, Cote d'Ivoire, was organized in 1963 and became operational in 1967. The Bank was created to strengthen African solidarity, accelerate the development of human and natural resources, and coordinate national plans of economic and social development. Initially open to African countries, the Bank accepted other members in 1982. In 1988, the Bank had a capital stock of \$19.5 billion, and had made loans throughout Africa. Since 1968, A.I.D. has assisted the Bank to strengthen its institutional and professional capability and that of its member state institutions. As of March 1988, A.I.D. had obligated \$23.4 million of funds of which \$15.4 million had been spent.

The Office of the Regional Inspector General for Audit, Dakar, made a program results audit of A.I.D.'s assistance to the African Development Bank. Audit objectives were to (1) assess the adequacy of the Regional Economic Development Services Office for West and Central Africa's system for measuring project effectiveness, (2) determine the extent to which the program achieved the desired results, and (3) identify factors inhibiting satisfactory project performance.

The audit concluded that the A.I.D. Regional Economic Development Services Office for West and Central Africa did not have an adequate management system to measure project effectiveness. Consequently, it was not possible to determine to what extent the project had achieved the desired results. In addition, the audit found that project performance was inhibited by weaknesses in training and technical assistance.

In spite of these findings, the Regional Economic Development Services Office could point to significant achievements. For example, with A.I.D. assistance, the Bank had (1) trained personnel in management, loan administration, case writing, computers and development, (2) provided computer equipment to help improve financial management systems, (3) provided technical assistants to work with Bank staff, and (4) funded pre-investment studies to help identify projects for Bank financing. Consequently, officials at the Regional Economic Development Services Office and at the African Development Bank believed that results obtained through A.I.D. assistance, the largest source of bilateral assistance to the Bank, had demonstrated that the institution had been strengthened.

To ensure assistance projects are effectively meeting development objectives, A.I.D. offices must have information to measure the results of project activities against project objectives. The information includes (1) quantifiable objectives, (2) results of project activities, (3) comparisons of results to objectives, and (4) analyses of significant variances. The audit found that quantifiable objectives had been included in the project design, but the Regional Economic Development Services Office was not gathering sufficient data nor adequately assessing the extent to which project objectives were being met. As a result, project management could not readily assess progress. This occurred because the Office was monitoring project inputs and outputs, but not purpose level achievements. The report recommends that A.I.D. monitor purpose level achievements. Management agreed to improve project monitoring by identifying and using more appropriate progress indicators, including indicators for the purpose level achievements.

The April 1985 grant agreement required the African Development Bank to furnish A.I.D. annually a satisfactory training plan prior to the disbursement of funds. Training plans submitted by the Bank did not accurately reflect the Bank's training needs. Nonetheless, A.I.D. disbursed funds to pay for training expenses. A revised training plan was not required by A.I.D. in order to avoid delays in the achievement of training objectives. As a result, in the auditors' opinion, A.I.D. had little assurance that the \$1.7 million spent on training had been directed towards the most important training activities. The report recommends that management follow the project grant agreement by requiring the Bank to submit a satisfactory training plan for 1989 before disbursing any additional training funds. Management did not agree and requested that exceptional training be allowed on a case-by-case basis for permanent staff.

A.I.D. agreed to provide technical assistants to (1) implement programs and systems, (2) provide expertise deemed crucial to project work, and (3) train Bank staff so that they could eventually function in the positions occupied by the assistants. The audit found that the technical assistants were providing expertise crucial to project work, but had little success in implementing programs and systems, and in training the Bank staff. This condition occurred because the Regional Economic Development Services Office, West and Central Africa did not take adequate action to address the constraints that were limiting the overall effectiveness of the assistants. As a result, technical assistance was not effective, and the usefulness of spending \$2.7 million of project funds on this component was questionable. The report recommends that A.I.D. ensure that

the Bank provides more support if technical assistants are assigned in the future. Management has no plans to provide the Bank more technical assistants.

*Office of the Inspector General*

AUDIT OF  
A.I.D. GRANT ASSISTANCE  
TO THE AFRICAN DEVELOPMENT BANK

TABLE OF CONTENTS

	<u>Page</u>
PART I - INTRODUCTION .....	1
A. Background .....	1
B. Audit Objectives and Scope .....	2
PART II - RESULTS OF AUDIT .....	3
A. Findings and Recommendations .....	4
1. Project Effectiveness Needed To Be Better Monitored .....	4
2. Training Requirements Were Not Met in Accordance With the Project .....	8
3. A.I.D. Monitoring of Long-term Technical Assistance Needed .....	13
Improvement	
B. Compliance and Internal Control .....	17
1. Compliance .....	17
2. Internal Control .....	17
C. Other Pertinent Matters .....	18
PART III - EXHIBITS AND APPENDICES	
A. Exhibits	
1. African Development Bank Project Expenditures	
2. Indicators to Be Used to Measure Project Purpose	
3. Information Provided by U.S. Technical Assistants	
4. Bank's Use of Technical Assistance	

B. Appendices

1. Management Comments
2. Report Recommendations
3. Report Distribution

AUDIT OF  
A.I.D. GRANT ASSISTANCE  
TO THE AFRICAN DEVELOPMENT BANK

PART I - INTRODUCTION

A. Background

The African Development Bank, formally organized in 1963 and moved to Abidjan, Cote d'Ivoire, in 1965, became operational in 1967. The Bank was created to strengthen African solidarity through economic cooperation between African states, accelerate the development of human and natural resources to stimulate economic development and social progress, and coordinate national plans of economic and social development to promote the harmonious growth of African economies and trade.

Initially a regional bank open only to African countries, the Bank accepted other members in 1982. This action increased the capital stock of the Bank considerably, elevating it to a level similar to that of other regional development banks in the world. In 1988, the Bank had a total capital stock of \$19.5 billion, and had made loans to at least 50 African countries.

A.I.D. has provided assistance to the Bank since 1968. The purpose of the assistance was, and continues to be, to strengthen the institutional and professional capability of the Bank and its member state institutions. During the early years, 1968 through 1976, there were no formal project agreements, and funds were authorized under a series of yearly grants. Approximately \$6.1 million was provided to the Bank during those years. In 1978, A.I.D. entered into the first formal grant agreement (Project No. 698-0127) for the same purpose, with the provision that the money would be used for pre-investment studies, technical services, training and related commodities. The project was initially scheduled for four years, but was extended until 1986. As of March 1988, about \$7.5 million had been obligated and spent on this project (see Exhibit 1).

Increased funding was provided for these purposes in 1985 when a new project (No. 698-0434) was authorized for \$15 million over a five-year period. Under this project, the Bank would contribute about \$3.3 million in support services and funds. As of March 1988, about \$9.8 million of this amount had been obligated, and about \$1.8 million had been spent (see Exhibit 1).

Thus, between 1968 and 1988, A.I.D. had grant obligations of \$23.4 million of which \$15.4 million had been spent.

In addition to the bilateral assistance provided by A.I.D., the United States joined the Bank in 1983 as a non-regional member. It is currently the largest non-regional member with a contribution of \$135 million.

Until March 1988, the Africa Bureau was responsible for A.I.D. management of grant assistance to the Bank. However, on-site management tasks were carried out by the staff of the A.I.D. Regional Economic Development Services Office for West and Central Africa. In March 1988, the Bureau delegated all management responsibilities to the Regional Economic Development Services Office.

#### B. Audit Objectives and Scope

The Office of the Regional Inspector General for Audit, Dakar, made a program results audit of A.I.D.'s assistance to the African Development Bank. Audit objectives were to (1) assess the adequacy of the Regional Economic Development Services Office for West and Central Africa's system for measuring project effectiveness, (2) determine the extent to which the program achieved the desired results, and (3) identify factors inhibiting satisfactory project performance. As the audit progressed, the objectives were focused on determining (1) the adequacy of A.I.D.'s monitoring and evaluation plan, (2) the adequacy of the training plan, and (3) the effectiveness of the long-term technical assistants.

The audit was conducted at the Regional Economic Development Services Office for West and Central Africa (REDSO/WCA) and at the Bank, both located in Abidjan, Cote d'Ivoire. Audit work included a review and analysis of project papers, grant agreements, evaluation reports, project implementation reports, a project assistance completion report, vouchers and other relevant documents. The auditors also held discussions with cognizant project officials at REDSO/WCA and at the Bank. Review of compliance and internal controls was limited to the issues raised in this report.

The audit covered project activities from January 1978 to March 1988, and expenditures of about \$9.2 million. Completed in April 1988, the audit was made in accordance with generally accepted government auditing standards.

AUDIT OF  
A.I.D. GRANT ASSISTANCE  
TO THE AFRICAN DEVELOPMENT BANK

PART II - RESULTS OF AUDIT

The audit concluded that the A.I.D. Regional Economic Development Services Office for West and Central Africa did not have an adequate management system to measure project effectiveness. Consequently, it was not possible to determine to what extent the project had achieved the desired results. In addition, the audit found that project performance was inhibited by weaknesses in training and technical assistance.

In spite of these findings, the Regional Economic Development Services Office could point to significant achievements. For example, with A.I.D. assistance, the Bank had (1) trained personnel in management, loan administration, case writing, computers and development, (2) provided computer equipment to help improve financial management systems, (3) provided technical assistants to work with Bank staff, and (4) funded pre-investment studies to help identify projects for Bank financing. Consequently, officials at the Regional Economic Development Services Office and at the African Development Bank believed that results obtained through A.I.D. assistance, the largest source of bilateral assistance to the Bank, had demonstrated that the institution had been strengthened.

While some strengthening undoubtedly occurred, officials were not gathering the necessary data to show how much the institution had been strengthened relative to the objectives set forth in the project paper. Other factors warranting management attention were that training activities were undertaken without adequate training plans and the Bank was not fully benefitting from the long-term technical assistants.

The report recommends that the Regional Economic Development Services Office develop an adequate monitoring system, require the Bank to prepare a training plan based on an assessment of needs and ensure the Bank provides the necessary support to the technical assistants.

## A. Findings and Recommendations

### 1. Project Effectiveness Needed To Be Better Monitored

To ensure assistance projects are effectively meeting development objectives, A.I.D. offices must have information to measure the results of project activities against project objectives. The information includes (1) quantifiable objectives, (2) results of project activities, (3) comparisons of results to objectives, and (4) analyses of significant variances. The audit found that quantifiable objectives had been included in the project design, but the Regional Economic Development Services Office was not gathering sufficient data nor adequately assessing the extent to which project objectives were being met. As a result, project management could not readily assess progress. This occurred because the Office was monitoring project inputs and outputs, but not purpose level achievements.

#### Recommendation No. 1

We recommend that the Director, Regional Economic Development Services Office, West and Central Africa, in addition to the monitoring performed on project inputs and outputs, also monitor purpose level achievements.

#### Discussion

To ensure assistance projects are effectively meeting development objectives, A.I.D. Handbook 3 requires offices to have information to measure the results of project activities against objectives. A monitoring system includes (1) quantifiable objectives, (2) results of project activities, (3) a comparison between results and objectives, and (4) an analysis of significant variances. The project paper usually provides verifiable indicators which can be used to monitor progress against project purpose, and expected outputs and inputs. By comparing the project indicators to the results of project activities, progress can readily be monitored as the project is implemented. In September 1987, the Africa Bureau informed field offices that more efforts should be made to monitor project progress.

The audit disclosed that the Regional Economic Development Services Office for West and Central Africa (REDSO/WCA) was monitoring progress in providing the project's input and achieving expected outputs. However, they did not have sufficient information to assess how well the project was meeting its purpose of strengthening the institutional capacity of the Bank.

Measuring Project Effectiveness - The purpose of the African Development Bank (AfDB) project was to strengthen the institutional and professional capability of the Bank and its member country institutions. According to the 1978 and 1986 project papers, the progress, in achieving this purpose, was to be monitored in terms of specific indicators such as (1) the number of loans made to poorer countries, (2) the rate of loan disbursements, and (3) the gradual reduction of the externally funded professional staff to three percent or less of the Bank's professional staff (see Exhibit 2).

REDSO/WCA did not collect and analyze the information required to monitor progress against these indicators. REDSO/WCA was collecting information on inputs and outputs, but not on the indicators included in Exhibit 2. For example, the reports on file showed that REDSO/WCA was keeping track of the technical assistants fielded, the commodities bought, and the training courses organized. The reports also contained data on the number of (1) people trained, (2) pre-investment studies performed, and (3) seminars held.

The auditors conceded that this information provided some measure of project progress but no measure of project effectiveness since it could not be used to determine how and to what extent the project's purpose was being achieved. Specifically, REDSO/WCA lacked information as to whether loans were going to the poorer countries, disbursements were made according to schedule, and technical assistants were being replaced by the Bank's staff in core expertise areas.

Further, because the project was not adequately monitored, REDSO/WCA, at the time of the audit, was not in a position to provide important information on the pre-investment studies, a major segment of the project. For example, the project funded at a cost of \$2.7 million 17 pre-investment studies between 1978 and 1986. Eight of the studies that resulted in Bank loans, cost \$1.7 million, and the remaining nine studies, at a cost of \$1 million, did not result in any follow-on Bank loans. These results appeared disappointing to the auditors, and the matter was discussed with the REDSO/WCA staff as well as a Bank representative. REDSO/WCA staff agreed that they were not in a position to determine if the pre-investment studies segment of the project was effective.

The Bank representative thought that A.I.D.-funded pre-investment studies should have resulted in more Bank loans. In the auditors' opinion, REDSO/WCA should have raised questions about whether pre-investment studies resulted in the appropriate number of Bank loans, and what

could have been done to ensure that feasibility studies resulted in the appropriate number of loans. Alternatively, REDSO/WCA should have been in a position to decide based on available information, whether A.I.D. should have continued funding pre-investment studies if they were not appropriately contributing to developing the Bank's loan portfolio.

In general, REDSO/WCA did not have sufficient information on the project purpose because it had not measured progress against purpose objectives and compared achievements to targets. Officials contended that this was not necessary since they were in constant contact with the Bank, and could solve problems as they arose. However, available documents did not support this contention as they did not provide evidence that the project's progress in achieving its purpose was being monitored.

#### Management Comments

Management did not think that the report accurately reflected its monitoring of the ongoing project. They believed that the information collected on inputs and outputs provided the basis to control the utilization of project resources, maintain an orderly pace of project implementation, identify and resolve implementation problems at an early stage, and measure the impact of the project on the Bank's operations.

Further, management commented that the Bank is an 18 billion dollar organization with over 7 billion dollars in member state loans, whereas, the A.I.D. project was only \$15 million or less than .22 percent of the Bank's lending portfolio, making it difficult for REDSO/WCA to assess the impact the project had on the lending activities. Management stated they were in the process of amending the project paper to provide more appropriate and reliable progress indicators which could be logically tied to specific institution building objectives. Management stated that, in response to the draft audit report, progress indicators had been provided by AID/Washington and were presently under review by REDSO/WCA.

Accordingly, management requested that the portion of the recommendation dealing with comparing results and analyzing variances should be modified to reflect REDSO/WCA's action to amend the project paper.

#### Office of Inspector General Comments

The action taken by REDSO/WCA to establish more appropriate and reliable progress indicators is a step in the right direction. Appropriate and reliable progress indicators are

essential to measuring project progress. While we agree that one of the problems in measuring effectiveness on this project may have been the progress indicators, the audit also found that REDSO/WCA was only monitoring project progress against achieved inputs and outputs. This is not consistent with the September 1987 guidance provided by the Africa Bureau requesting A.I.D. offices to go beyond measuring inputs and outputs, and also measure purpose level achievements. The Bureau indicated that measuring purpose level achievements should strengthen the overall system of evaluation in order to (1) do a better job of assessing the impact of Africa Bureau programs, and through that process, (2) learn from this experience to improve effectiveness.

In conclusion, we have changed the recommendation to reflect the actions taken by REDSO/WCA to improve progress indicators. We assume that the indicators will be used to monitor, not only inputs and outputs, but also purpose level achievements. We consider the recommendation as resolved and will close it after the new indicators have been established.

2. Training Requirements Were Not Met in Accordance With the Project Agreement

The April 1985 grant agreement required the African Development Bank to furnish A.I.D. annually a satisfactory training plan prior to the disbursement of funds. Training plans submitted by the Bank did not accurately reflect the Bank's training needs. Nonetheless, A.I.D. disbursed funds to pay for training expenses. A revised training plan was not required by A.I.D. in order to avoid delays in the achievement of training objectives. As a result, in the auditors' opinion, A.I.D. had little assurance that the \$1.7 million spent on training was directed towards the most important training activities.

Recommendation No. 2

We recommend that the Director, Regional Economic Development Services Office, West and Central Africa, require the African Development Bank to comply with the project grant agreement by submitting a yearly training plan. The plan must include (1) an assessment of training needs of Bank personnel, and (2) a detailed schedule of training courses (such as description, costs, location, dates and number of attendees).

Recommendation No. 3

We recommend that the Director, Regional Economic Development Services Office, West and Central Africa, comply with the project grant agreement by not disbursing any 1989 training funds until the Bank submits an acceptable training plan.

Discussion

The April 1985 project grant agreement required that the African Development Bank (AfDB) furnish A.I.D. annually a satisfactory training plan prior to the disbursement of funds. The requirement was intended to introduce a more analytical approach to planning and carrying out training activities.

The audit found that, after three years, the grantee had not provided satisfactory annual training plans. Training had been provided to the AfDB and member country staff based either on isolated requests from the Bank's individual Departments or on activities developed by the Bank's Training Center. There had been no clear indication of how the different training activities were to complement and reinforce each other, or if the activities were meeting Bank and member country training needs, or even if the project

should seek to train both Bank and member country staff instead of focusing on upgrading the general competence level at the Bank.

In June 1984, a U.S. training specialist, funded by A.I.D. under project 698-0127, arrived to (1) assess training needs for AfDB staff and member countries officials; (2) design a training plan; (3) prepare teaching materials; (4) assist in formulating long-term training policies; and (5) design management courses. On July 13, 1985, the training specialist submitted a training needs assessment study which identified the Bank's needs as well as training plans for Bank personnel, ranging from management and professional staff to administrative assistants.

REDSO/WCA found the assessment was missing key elements and did not approve it. Essential elements such as a Bank training policy, target dates, and resources had not been considered. Additionally, the assessment did not identify the training needs of the member countries. REDSO/WCA officials also concluded that the annual training plans were not satisfactory since they were not related to demonstrated needs, i.e. a good needs assessment. In short, the training plans did not meet the grant requirement of "satisfactory". Nevertheless, REDSO/WCA authorized the funding of training activities to continue as if the grant condition for a satisfactory annual training plan had been met.

Yet, neither REDSO/WCA nor Bank officials were satisfied with the training courses that were made available by the Bank's Training Center. They were concerned that the same courses offered by the Training Center from one year to the next would not reflect the considerable change that had occurred in recent years. Bank officials indicated that more training in some areas was needed, and that training in other areas had not been satisfactory.

REDSO/WCA authorized, up until March 1988, the expenditure of about \$1.7 million of project funds on training activities because they thought that the closing down of U.S.-funded training would seriously hinder the Bank's effectiveness. In February 1988, REDSO/WCA informed the Bank that it would not accept the 1988 training plan, arguing that it lacked a statement of AfDB policy and objectives relative to training, and did not reflect an integrated training approach. REDSO/WCA asked the Bank to prepare a new training plan that would include a statement of AfDB's training policy and objectives, and prioritize training needs for Bank staff and member country officials. At the same time, REDSO/WCA decided that future training requests would be approved on a case-by-case basis. In

making this decision, REDSO/WCA reasoned that it could bring the AfDB to better comply with the terms of the Grant Agreement and, at the same time, avoid delaying the achievement of training objectives under the project.

The auditors recognized that REDSO/WCA's action in rejecting the Bank's 1988 training plan was a step toward assuring compliance. Nonetheless, this action did little to motivate the Bank to revise the 1988 plan. The auditors contacted officials at the Training Center in March to obtain their views on the REDSO/WCA decision. The officials stated that they had no plans to revise the 1988 plan, but rather were working on the 1989 training plan. In the auditors' opinion in view of the Bank's continued reluctance to adopt a more systematic approach to programming training activities, REDSO/WCA's concomitant decision to approve selected training activities on a case-by-case basis could not be reasonably justified.

Adequate training plans provide the basis on which the adequacy of the training program can be meaningfully assessed. In the absence of such plans, neither the auditors nor REDSO/WCA could determine if the \$1.7 million spent on training activities had been effective in achieving the project's intended objectives.

#### Management Comments

REDSO/WCA disagreed with the audit's conclusions and, accordingly, made suggestions in relation to the recommendations.

REDSO/WCA made two points on recommendation No. 2. First, they mentioned that it was not possible through the vehicle of the Bank grant to train thousand of Africans under the rubric of "member country staffs". Second, REDSO/WCA pointed out that through official correspondence and discussions with AfDB officials, REDSO/WCA had reiterated the training plan requirement, and had advised the Bank that the plan should be based on a comprehensive needs assessment of AfDB permanent staff. Further, REDSO/WCA had advised the Bank that funding of Training Center activities would be suspended until receipt and approval of a satisfactory plan, and that individual fund requests would be considered on a case-by-case basis. REDSO/WCA concluded that, to date, no activities had been approved on an exceptional basis, and that no such activities would be approved without substantial justification. In the face of these arguments, REDSO/WCA requested that Recommendation No. 2 be closed.

With regard to Recommendation No. 3, REDSO/WCA noted that pursuit of an acceptable training plan for 1988 would serve no useful purpose since the current year was too advanced. However, by temporarily suspending A.I.D. support of Training Center activities, REDSO/WCA felt that it had adequately conveyed to the AfDB its concern that a clear delineation of training needs and objectives and a serious evaluation of training activities were long overdue. REDSO/WCA had also made it clear to the Bank that it should submit an appropriate training plan for 1989, to be reviewed and discussed in August of the current year. Accordingly, REDSO/WCA requested that Recommendation No. 3 be revised to require an acceptable plan for 1989, but permitting exceptional training on a case-by-case basis for permanent Bank staff, so as not to delay achievement of project objectives in this area.

#### Office of Inspector General Comments

The auditors agree with REDSO/WCA's comment that it is not possible for them to train large numbers of member country staffs under a grant to the Bank. Recommendation No. 2 was changed to exclude any further reference to training member country staffs. Without making a specific recommendation we are leaving it up to REDSO to make the appropriate modification in the grant agreement.

Further, the audit report acknowledges the effort REDSO/WCA made in attempting to bring the AfDB to comply with the terms of the Grant Agreement, and considers their action to be responsive to Recommendation No. 2. However, the recommendation cannot be closed until REDSO/WCA receives, reviews, and provides a written assurance that the next training plan to be submitted by the Bank is satisfactory, including detailed evidence that the most pressing training needs of the Bank staff had been taken into account.

We agree that it is too late in the year to request an acceptable training plan for 1988. Accordingly, Recommendation No. 3 has been revised to require an acceptable 1989 plan. However, we disagree that REDSO/WCA should permit exceptional training on a case-by-case basis for permanent Bank staff. Permitting exceptional training on a case-by-case basis may respond to the immediate training needs of the Bank, but it is not a long term solution. REDSO/WCA should get a satisfactory plan that takes into account the needs of the parties concerned. Withholding funds for all training activities until such a plan is submitted will send a clear signal to the AfDB that A.I.D.'s stand on compliance with the terms of the grant agreement is unequivocal.

Recommendation No. 3 will be closed when REDSO/WCA has provided the Office of the Regional Inspector General for Audit, Dakar, evidence that the Bank is in full compliance with the training plan requirement of the project grant agreement.

### 3. A.I.D. Monitoring of Long-term Technical Assistance Needed Improvement

A.I.D. agreed to provide technical assistants to (1) implement programs and systems, (2) provide expertise deemed crucial to project work, and (3) train Bank staff so that they could eventually function in the positions occupied by the assistants. The audit found that the technical assistants were providing expertise crucial to project work, but had little success in implementing programs and systems, and in training the Bank staff. This condition occurred because the Regional Economic Development Services Office, West and Central Africa did not take adequate action to address the constraints that were limiting the overall effectiveness of the assistants. As a result, technical assistance was not effective, and the usefulness of spending \$2.7 million of project funds on this component was questionable.

#### Recommendation No. 4

We recommend that the Director, Regional Economic Development Services Office, West and Central Africa not fund in the future any technical assistants additional to those already at the Bank unless a plan, in cooperation with the Bank, is developed to improve their effectiveness.

#### Discussion

In the 1985 project paper, A.I.D. agreed to provide the African Development Bank (AfDB) 11 United States long-term technical assistants at an estimated cost of \$4 million. Six of the experts were to provide advisory administrative, analytical and management skills for up to three years. It was expected that at the end of their contracts, the programs and systems they helped put into place would function under permanent Bank staff direction. The other five positions were to be filled by two-year technical project specialists whose expertise was crucial to project work, but whose function could not be fully accomplished by permanent Bank professional staff. All positions were to be filled by Bank staff members at the end of the technical assistance phase.

The audit found that even though many of the technical assistants had been on the job for 14 months or more, the long-term benefits to the AfDB had been limited. In discussions with the technical assistants, the auditors

determined that the assistants could not design some of the programs and systems required by their contracts (see Exhibits 3 and 4 for some of the questions and responses). In cases where they did, the Bank had not always implemented them. Even when the programs and systems were implemented, the technical assistants indicated that they may not be able to function without their continued assistance. Similarly, the Bank had not designated career staff members to fill the positions of the technical assistants although the assistants would be leaving as early as January 1989.

Most of the technical assistants indicated that they would not complete their work within the remaining time on their contract because of delays in settling into their new job and environment. They stated that it took them between six and nine months to find lodging, to learn about their job and the Bank, and to get acquainted with their colleagues. Also, some of the assistants who were not conversant in French had to devote work time to language training. As a result, during their first year in country, they were only fully involved with the project between three to six months.

REDSO/WCA and the Bank had not foreseen and provided for some of the constraints limiting the effectiveness of the technical assistants. No provisions had been made by REDSO/WCA or the Bank to help the assistants locate housing, clear customs for personal vehicles and property, and generally provide the sort of logistical support that can ease newcomers into a West African environment in a shorter period of time.

Also, REDSO/WCA did not ensure that the technical assistants' contracts included clear job descriptions (scopes of work). Three assistants stated that their contracts did not include a scope of work, so they had to write one. The assistants whose contracts included a scope of work said that the duties were vague and unfocused, and the scope did not include expected outputs. Lack of clear job descriptions led to delays as the assistants had to define their roles.

Further, the Bank did not assign staff members to the assistants. The Bank had had a long-standing belief that assignment of staff to the assistants was not an effective way of strengthening the institution. Also, in January 1988, the Bank decided to limit its staff to present levels, further limiting the number of people available to work with the recently-arrived technical assistants. REDSO/WCA did not question the Bank's staffing decisions, but rather argued that the experts were working for the Bank, and thus could be used as the Bank saw fit.

In conclusion, more could have been done to improve the efficiency and effectiveness of the U.S. long-term technical assistants. For example, due to the constraints, much time was lost that could have been partly avoided had some action been taken to forestall or solve the problems through better support by REDSO/WCA or the Bank. The time the assistants spent solving problems without assistance reduced the amount of time they spent working on the project.

Further, the auditors disagreed with REDSO/WCA's position that the experts could be used as the Bank saw fit. Good management procedures dictated that the experts be used in those positions where they could be the most effective. As a result, the justification for spending \$2.7 million of A.I.D. funds on the technical assistance component was questionable.

#### Management Comments

Management did not agree with this audit finding and thought recommendation No. 4 should be deleted. They pointed out that all of the technical assistants were on board, would depart by April 1989 and there were no plans for further long-term technical assistants. Also, they pointed out that the recommendation for REDSO/WCA to (1) provide better support to the technical assistants, (2) ensure that the Bank assigns regular staff to the assistants, and (3) identify staff members to work with them could not be carried out because it was contrary to policies established by the Bank. Management stated that it was inappropriate for A.I.D. to get involved in logistical support services since A.I.D. was not a party to the contract. Further, they pointed out that even without a structured counterpart system, most of the assistants have been fully integrated into the Bank's operating environment, and are working on assignments which are expected to strengthen the Bank's policies and procedures.

Regarding the point that the technical assistants' contracts did not include clear job descriptions, page 13, REDSO/WCA stated that each contract contained a precise scope of work which was available for review by the audit team. Further, they pointed out that the technical assistant who thought his expertise had not been maximized by the Bank, had not been assigned to sensitive or priority projects because of marginal performance. REDSO/WCA did not, in their comments, address the third part of the recommendation which required REDSO/WCA to identify staff members to work with the technical assistants.

## Office of Inspector General Comments

REDSO/WCA has stated that no plans exist for further long-term technical assistants. We agree, if no additional technical assistants are provided, there is no reason to develop and implement a plan.

With respect to the technical assistants' scopes of work, we maintain that REDSO/WCA did not ensure that each assistant had a clear job description. We recognize that the contracts mentioned by management and reviewed by us contained precise scopes of work. However, the point we are raising is that the original contracts signed by some of the technical assistants did not contain these documents. As such, the thrust of the finding is to reassert the need for a close monitoring of the contracting process, particularly in host country contracting where grantees are not always familiar with specific A.I.D. regulations. Since the purpose of a scope of work is to delineate the responsibilities of contractors and to provide parameters by which their performance are assessed, A.I.D is required not only to review and approve them, but also to ensure that they are included in all original contracts before they are signed.

We have reworded the recommendation to include a provision that a plan be developed and implemented for any new technical assistants provided in the future to the Bank. We do not agree that the recommendation should be deleted, but consider it resolved and it will be closed upon issuance of the report. However, should any further technical assistants be provided in the future the recommendation will again be reopened.

## B. Compliance and Internal Control

### Compliance

The audit disclosed that the Bank was not in compliance with the project agreement which required that a satisfactory 1988 annual training plan be provided to the Regional Economic Development Services Office for West and Central Africa. This instance of noncompliance is discussed on page 8 of the report. With the exception of this instance, nothing came to the attention of the auditors which would indicate that items not tested were not in compliance. The review of compliance was limited to the findings presented in this report.

### Internal Control

The Regional Economic Development Services Office for West and Central Africa needed to establish better management controls over the monitoring of project effectiveness (see page 4). The review of internal controls was limited to the issues discussed in this report.

### C. Other Pertinent Matters

#### Bank Project Contributions Were Not Known

Regional Economic Development Services Office for West and Central Africa does not maintain records on the Bank's contributions to project activities. REDSO/WCA was aware that the Bank was paying the support services, including utilities for the long-term experts, but did not know how much these services were costing the Bank. REDSO/WCA also knew that the Bank was providing some services for A.I.D.-financed training, pre-investment studies, and evaluations, but did not know to what extent these activities were supported. Without cost information about the amount of the Bank's contribution to the project, REDSO/WCA did not have an adequate basis to determine (1) what level of support the Bank was providing, (2) whether the level of effort was adequate, and (3) whether the project was cost effective when funds spent by both REDSO/WCA and the Bank were considered.

For example, REDSO/WCA was questioning the cost of technical assistance. REDSO/WCA was concerned about the cost effectiveness of long-term versus short-term technical assistance. U.S. technical assistants' salaries, transportation to and from the U.S., and education allowances were funded from the A.I.D. project, and therefore these costs were known by REDSO/WCA. However, costs incurred by the Bank for the U.S. technical assistants for household furnishings, household utilities and logistical and support services, were not available. As a result, REDSO/WCA could not compare the benefits of one type of assistance versus the other.

REDSO/WCA did not agree that the Bank should be required to provide data on costs incurred to support the project. They pointed out that the grant agreement required the Bank to make contributions as they had done on the former project, but did not specifically state how much the Bank was to contribute. While the auditors agree that there is not a requirement that the Bank report on its contributions, it is good management practice to know what various activities cost so that adequate determination about levels of support and cost effectiveness can be made.

#### Lack of Independent Project Evaluations

Independent project evaluations are conducted periodically by A.I.D. to assess project results. No A.I.D. project evaluations of assistance to the Bank had been conducted since 1980. An evaluation was under way at the time of the audit and had been subsequently completed. This left a gap

of approximately eight years without the benefit of an independent assessment of (1) what happened and how the outcome compared with what was expected, (2) why and how it happened, and (3) the significance of the events in relation to future decisions and actions. While the lack of project evaluations was temporarily remedied, REDSO/WCA should, in the future, conduct more timely evaluations.

AUDIT OF  
A.I.D. GRANT ASSISTANCE  
TO THE AFRICAN DEVELOPMENT BANK

PART III - EXHIBITS AND APPENDICES

African Development Bank ProjectExpenditures  
(As of March 1988)

<u>Elements</u>	<u>Project Numbers</u>		<u>Cumulative Expenditures</u>
	<u>698-0127</u>	<u>698-0434</u>	
Pre-investment Studies	\$3,758,359	\$33,000	\$3,791,359
Technical Assistance	1,802,481	903,895	2,706,376
Training	578,342	744,142	1,722,484
Management Improvement	824,580	0	824,580
Evaluations	87,988	0	87,988
Commodities	11,938	116,965	128,903
Total	<u>\$7,463,688</u>	<u>\$1,798,002</u>	<u>\$9,216,690</u>

Indicators to Be Used  
to Measure Project Purpose

Project Nos. 698-0127 and 698-0434

1978 Project Paper (No. 698-0127)

1. The number of directly recruited, qualified and experienced professional staff to fill vacant posts will increase and, correspondingly, the technical experts required from bilateral/multilateral sources will decrease.
2. A modernized financial management system will be in place, and will be operated and maintained by Bank staff.
3. The number of pre-investment studies approved for loan financing will increase.

1985 Project Paper (No. 698-0434)

1. The lending targets of the Bank's second Five-Year Plan will be met.
2. Projects will be designed in line with national or sub-regional general development or sectoral strategies.
3. At least sixty percent of total lending will be allotted to member countries with per capita income under \$280, and at least 85 percent will be allotted to member countries with per capita income less than \$500.
4. At least 90 percent of the Bank's projects will be implemented as scheduled within a 10 percent tolerance by 1987.
5. Actual disbursements on 90 percent or more of the Bank's projects will be within 10 percent of the projections by 1987.
6. Annual requirements for externally funded technical assistance will be reduced by 75 percent by 1990.
7. Requirements for externally funded professional staff will be reduced to 3 percent or less of the Bank's total professional staff.

Information Provided by U.S. Technical Assistants  
Project No. 698-0434  
(As of March 31, 1988)

<u>Questions</u>	<u>U.S. Technical Assistants' Answers</u>							
	<u>No. 1</u>	<u>No. 2</u>	<u>No. 3</u>	<u>No. 4</u>	<u>No. 5</u>	<u>No. 6</u>	<u>No. 7</u>	<u>No. 8</u>
1. How many months is your present A.I.D. contract?	7	24	24	24	24	24	24	24
2. How many months have you worked at the Bank under an A.I.D. contract?	48	16	15	9	14	14	16	16
3. Will the length of time under your present contract allow you to accomplish the objectives stated in your contract?	No	No	Uncer- tain	-	None Stated	No	None Stated	Yes
4. If not, how many months do you think it will take to accomplish the objectives stated in the contract?	36	36	36	-	N/A	48	N/A	36
5. Have you contributed to the objective of the project?	Yes	Yes	Yes	-	Yes	Yes	Yes	Yes

<u>Questions</u>	<u>U.S. Technical Assistants' Answers</u>							
	<u>No. 1</u>	<u>No. 2</u>	<u>No. 3</u>	<u>No. 4</u>	<u>No. 5</u>	<u>No. 6</u>	<u>No. 7</u>	<u>No. 8</u>
6. In your contract, did you have a scope of work that stated what your duties were at the Bank?	No	Yes	Yes	Yes	No	Yes	No	Yes
7. Is your work consistent with the scope of work stated in your contract?	N/A	Yes	Yes	-	N/A	Yes	N/A	Yes
8. Are you required in your scope of work to develop programs or systems?	N/A	Yes	Yes	Yes	N/A	No	N/A	No
9. Have you developed some of the programs or the systems required?	Yes	Yes	Yes	No	N/A	No	N/A	No
10. When you were recruited were you told that you would be an advisor(A) or an operational(O) staff member?	O	Not informed	Both	-	O	A	A	O
11. Does the Bank perceive your role as an advisor(A) or as an operational(O) staff member?	O	O	O	-	Both	O	O	O

<u>Questions</u>	<u>U.S. Technical Assistants' Answers</u>							
	<u>No. 1</u>	<u>No. 2</u>	<u>No. 3</u>	<u>No. 4</u>	<u>No. 5</u>	<u>No. 6</u>	<u>No. 7</u>	<u>No. 8</u>
12. Are you currently used at the Bank as an advisor(A) or as an operational(O) staff member?	O	O	O	A	Both	O	O	O
13. If you were recruited as an advisor, were you aware that a permanent Bank employee was to be trained to continue with the programs and systems you put in place?	N/A	No	No	-	N/A	N/A	N/A	N/A
14. Is there a permanent Bank employee assigned to work with you?	No	No	No	-	No	No	No	No
15. Do you think there will be someone at the Bank with adequate expertise in your field to replace you when your contract comes to an end?	Yes	No	Yes	-	No	No	No	No
16. Does the Bank have formal procedures to ensure that your work is circulated to appropriate Bank staff?	Yes	Yes	Yes	-	Yes	No	No	Yes

<u>Questions</u>	<u>U.S. Technical Assistants' Answers</u>							
	<u>No. 1</u>	<u>No. 2</u>	<u>No. 3</u>	<u>No. 4</u>	<u>No. 5</u>	<u>No. 6</u>	<u>No. 7</u>	<u>No. 8</u>
17. If there is no procedure do you know if the result of your work is used?	N/A	N/A	N/A	-	N/A	No	Yes	N/A
18. How many months is adequate for a long-term technical assistance contract?	36	36	36	-	36	48	36	36

Notes:

1. Technical assistant number 4 was not available to answer all the questions. Also, since the roles of the U.S. technical assistants were different, question number 13 was not relevant to the assistants working as project specialists.
2. N/A = Not Applicable

Bank's Use of Technical Assistants

Organizational Systems - A technical assistant expert in organization and methods was recruited to plan, organize and develop organizational systems; establish internal communication systems in the organizational units; and guide the Bank's management development. The expert had been on the job for 16 months, and had 8 months left on his two-year contract. Over the period, he had only contributed to development of one system. He indicated that since work on the system did not come within his scope of work it detracted from his focusing on developing the systems he was supposed to have put in place. At the time of the audit, the study was under review in the Bank President's office. Aside from the limited results achieved after 16 months, the auditors question the effective use of the expert, and the probability of his setting up the organizational systems and methods he was hired for within the remainder of his contract. Consequently, the auditors do not believe that the funds spent on this particular expert were put to good use.

Training Center - Another technical assistant was recruited to advise the Director of the Bank's Training Center on matters related to training, identify the training and development needs of the Bank's staff, and prepare long- and short-term training programs. The assistant, who had followed another U.S. assistant responsible for the same tasks, had already spent 10 months out of his two-year contract. Yet it was not clear what his specific achievements had been because the 1988 training plan prepared by the Training Center had been rejected by REDSO/WCA, the project's long-term training program had not been completed, and a training needs assessment had not been prepared. The assistant stated that he was not able to develop a needs assessment since the Bank did not have a clear training policy which could serve as a basis to develop a pertinent needs assessment. So, with a little over one year remaining in his contract, the auditors questioned whether the assistant will be able to complete the tasks specified in his scope of work.

Technology and Skills - These four assistants were hired to make both a systematic contribution to the Bank as regular staff members, and have a direct role in the transfer of technology and skills to permanent Bank staff. At the time of the audit, the assistants had been on the job for an

average of 15 months, and were working on Bank projects. However, none of them had a counterpart at the Bank, none was training a potential replacement, and all felt that the Bank would not have people to fill their positions when they left. This led the auditors to conclude, since there were only nine months remaining on their contracts, that the technical assistants may not have a lasting effect on the Bank.

UNITED STATES GOVERNMENT

# memorandum

DATE: August 10, 1988

REPLY TO  
ATTN OF: *H.R.H.* Howard R. Handler, Acting Director, REDSO/WCA

SUBJECT: REDSO Comments on Draft Audit Report - African Development Bank Project

TO: Mr. Paul E. Armstrong, RIG/A Dakar

Attached is the REDSO/WCA response to the subject draft audit report. Given the seriousness of the outstanding issues, we would appreciate the opportunity to arrange a meeting with your staff, as has been the practice in the past. If you have any questions, please do not hesitate to contact me. I look forward to meeting with you in the near future, possibly at the REDSO Scheduling Workshop in September. We appreciate the spirit of cooperation which has marked our relationship.

REDSO/WCA Response to the Draft AfDB Audit Report

The Regional Economic Development Services Office for West and Central Africa (REDSO/WCA) has reviewed the draft audit report on the African Development Bank (AfDB) Projects and has a number of specific comments which follow. In general, we believe that the audit report contains certain statements which are incorrect and lead to some inappropriate recommendations. Further, the general tone of the audit report gives the impression that REDSO/WCA was negligent in monitoring project activities and in assuring that the AfDB satisfied its commitments. While we agree that some areas of project implementation can be improved, we also believe that the audit report does not paint a fair picture of the situation. We request that the following comments be taken into consideration and that the audit report be modified accordingly.

1. General Report

Throughout the audit report reference is made to "the project". It is not always clear, however, which project is being discussed. During the period that the audit reviewed -- January 1978 to March 1988 -- there were two separate grant projects with the AfDB, each with distinct activities, objectives and conditions. Accordingly, the audit report is inadvertently misleading and, at times, confusing when AID support to the AfDB is discussed in terms of a single program. For example, it is not useful to discuss in a generic sense all training supported by AID since 1978. Under AfDB-I (1978-1986), we did not require the AfDB to prepare annual training plans but generally supported specialized in-service training in mutually agreed upon areas. Under AfDB-II (1985-1991), however, we do expect the AfDB to prepare annual training plans and to strengthen the operations of the Training Center. Therefore, it is not reasonable for the audit report to question the value of training financed under AfDB-I on the basis that the Training Center did not submit appropriate training plans as required under AfDB-II. In this regard, we believe that the audit report discussions should clarify the distinctions between the two projects to avoid incorrect conclusions.

2. Project Monitoring

The audit report states on page seven "that quantifiable objectives had been included in the project design but that the Regional Economic Development Services Office was not gathering sufficient data nor adequately assessing the extent to which project objectives were being met." Accordingly, the audit report Recommendation No. 1 states that REDSO/WCA should develop an adequate monitoring system which provides the information necessary to measure the results of project activities, compare results to objectives and analyze significant variances.

REDSO/WCA Comment. The audit report does not accurately reflect REDSO/WCA's monitoring of the AfDB-II Project. As acknowledged later in the report (pages eight and nine), REDSO/WCA collects a considerable amount of detailed information on project inputs and outputs which provides the basis for the project monitoring system currently being employed. This system enables REDSO/WCA to control the utilization of project resources, maintain an orderly pace of project implementation and identify and resolve implementation problems at an early stage. Further, REDSO/WCA can very clearly measure the impact of AfDB-II project supported activities (see the draft Mid-Term Evaluation Report submitted by Robert R. Nathan Associates in May 1988) on AfDB operations.

The basic goal of the AfDB-II Project as stated in the log-frame (Project Paper, Annex B) is to promote the economic and social development of AfDB regional member states by strengthening the ability of the African Development Bank Group "to develop and manage projects in an enlarging and improved portfolio." The log-frame further states, as an objectively verifiable indicator, that AfDB loan projects will achieve at least ninety-five percent of their economic and social objectives. The AfDB Group is an 18 billion dollar organization with over 7 billion dollars in member state loans. In this context, the 15 million dollar AfDB-II project is simply too limited (at less than 0.22% of the total AfDB lending portfolio) to allow us to draw any valid conclusions as to the direct relationship between project financed activities and the ability of the AfDB to reach a specific measurable percentage of its lending objectives.

Therefore, we advised the audit team (when we brought this problem to the team's attention) that we intended to amend the AfDB-II Project Paper to provide more appropriate and reliable progress indicators which could be logically tied to specific institution building objectives. We also advised the audit team of our intention to cable AID/W (CDIE) for information on indicators that could be used to measure institution building progress. This was done in April 1988 and the information was received in July 1988 and is now under review.

Accordingly, that portion of Recommendation No. 1 which deals with comparing the results of project activities to the attainment of project objectives and analyzing variances should be modified. A revised Recommendation No. 1 should reflect REDSO/WCA's proposal to amend the project log-frame to establish appropriate and reliable indicators for measuring institution building and progress.

### 3. Training Activities

The audit report states on page twelve that REDSO/WCA did not enforce the AfDB-II Project requirement that the AfDB submit annual training plans. Accordingly, the audit report Recommendation No. 2 states that REDSO/WCA should require the AfDB to submit a yearly plan which assesses training needs and provides a detailed schedule of training courses and Recommendation No. 3 states that REDSO/WCA should suspend training activities until an acceptable plan has been submitted for 1988.

REDSO/WCA Comment. In letters to the AfDB dated February 11, 1988 and March 22, 1988 (copies of which were provided to the audit team) and in subsequent discussions with AfDB officials both before and after the audit team's visit to Abidjan, REDSO/WCA has reiterated the training plan requirement and advised that the plan must be based on a comprehensive training needs assessment of AfDB permanent staff. Accordingly, Recommendation No. 2 should be closed.

In our letter dated February 11, 1988, REDSO/WCA further advised the AfDB that funding of Training Center activities would be suspended until we received and approved a satisfactory plan but that exceptional requests for funding of specific training activities would be considered on a case-by-case basis. To date, we have not approved any activities for funding on an exceptional basis and we have no intention of approving any such activities without substantial justification. We will, however, continue to consider financing some individual activities when they address AfDB permanent staff training needs and when suspension would be counter-productive to project objectives.

In this regard, it is important to underscore that our objective in temporarily suspending training activities is to focus the attention of Training Center staff on the importance of forward planning, delineation of appropriate training objectives, identification of courses and programs which meet those objectives and adequate follow-up and evaluation. We are not suspending Training Center activities because we believe that inappropriate or ineffective training has taken place under the project. We have no evidence that activities financed to date have been other than effective.

In June 1988, the AfDB submitted a revised 1988 training plan which is deficient in presenting a well defined training strategy and has not been approved by REDSO/WCA. At this late date, REDSO believes that pursuit of an acceptable plan for 1988 would serve no useful purpose, and has not insisted that the 1988 plan be revised. However, REDSO/WCA, by temporarily suspending AID support of Training Center activities, clearly conveyed its concern that a clear delineation of training needs and objectives and a serious evaluation of training activities was long overdue. We also have made it quite clear to the Training Center, in writing, that it must submit an appropriate 1989 training plan. This

plan is expected to be submitted to REDSO/WCA for initial review and discussion in August.

Accordingly, Recommendation No. 3 which calls for REDSO/WCA to suspend funding of training activities until the AfDB has submitted an acceptable training plan for 1988 should be revised to require an acceptable plan for 1989 but permitting exceptional training on a case-by-case basis for permanent AfDB staff, so as not to delay achievement of project objectives in this area.

#### 4. Long-Term Technical Assistance

The audit report states on page seventeen that REDSO/WCA "did not take timely action to address the constraints that were limiting the overall effectiveness of the assistants." Accordingly, the audit report Recommendation No. 4 states that REDSO/WCA develop and implement a plan which improves support to the technical assistants and ensures that the AfDB assigns regular staff to the assistants and identifies staff members who will be working with them.

REDSO/WCA Comment. It is not the policy of the AfDB to provide contractors with the types of logistical support services recommended in the audit report (e.g., housing and customs clearance for personal effects). In fact, the AfDB does not provide these services even to permanent staff members. In addition, since AID is not a party to the contract, it would be inappropriate for us to involve ourselves in this matter.

Further, it is not AfDB policy to assign counterparts to technical assistants. Project financed assistants work in collaboration with permanent AfDB staff and perform operational functions which support individual bank departments rather than "train" specifically assigned counterpart staff according to the traditional AID definition of technical assistance. Even without a structured counterpart system, most of the assistants have been fully integrated into the AfDB operating environment and are working on assignments which are expected to strengthen AfDB policies and procedures. A good example of this is the preparation of an operations manual. Bank personnel working on this activity have obviously received the benefits of on-the-job training.

In addition, the audit report erroneously states on page twenty that REDSO/WCA did not ensure that each assistant had a clear job description. In fact, each contract contains a precise scope of work which can be found in the REDSO/WCA files and were available for review by the audit team. However, since assistants filled regular AfDB positions their specific job objectives have been modified in some cases by Department Directors to reflect changing departmental priorities. But, in all cases, basic skill requirements and overall position requirements remain the same.

It also should be noted that the mandatory six-month employee evaluations of the assistants have revealed that the one assistant who believed that his expertise was not being maximized by the AfDB (Audit Report, Exhibit 4) has consistently received only marginally acceptable evaluations by his supervisors. As a result, this particular assistant has not been assigned to sensitive or priority projects at the AfDB.

In summary, we do not believe it appropriate for the AfDB to establish separate operating procedures for the AID-financed technical assistants, from those for permanent staff. Since the technical assistants are provided under Host Country contracting procedures and the AfDB, as a policy, does not either assign counterparts or provide logistical support such as housing, REDSO/WCA believes that Recommendation No. 4 is inappropriate and should be deleted.

#### 5. Counterpart Funds

The audit report states on page twenty-two that Handbook 13 requires yearly AID verification that grantees are providing "matching funds" but that REDSO/WCA had not undertaken these verifications. Accordingly, the audit report Recommendation No. 5 states that REDSO/WCA require the AfDB to maintain expense accounts on matching funds and verify that the AfDB is providing these funds.

REDSO/WCA Comment. The AfDB has been designated a Public International Organization by AID and, as such, is governed by Handbook 13, Chapter 5 procedures. Handbook 13, Chapter 5 does not require Public International Organizations to provide matching funds. Further, Handbook 3, Chapter 2, Appendix 2G which deals with recipient country contributions states that multilateral, regional or inter-regional programs are exempt from the FAA, Section 110(a) contribution requirement. To date, there has been no evidence that the bank has failed to provide appropriate financial or logistical support. Accordingly, the audit report assertion that REDSO/WCA is not in compliance with Handbook 13 is incorrect and Recommendation No. 5 which deals with verification of matching funds should be deleted.

ACTION: <sup>RIG</sup>-2 INFO:  DCM 

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 DIST: AID

AIDAC

FOR RIG LARRY HOOVER AND PAUL ARMSTRONG

E.O. 12858: N/A

SUBJECT: AUDIT OF AFRICAN DEVELOPMENT BANK - AUDIT  
 REPORT NO. 7-698-88-17

1. APPRECIATE YOUR SENDING SUBJECT REPORT FOR OUR  
 COMMENT. BELIEVE WE ARE VERY CLOSE TO AN EXCELLENT,  
 HELPFUL REPORT, BUT WE HAVE TWO POINTS. ON P. 8,  
 RECOMMENDATION 2, YOU TALK ABOUT "MEMBER COUNTRY  
 PERSONNEL" AND AGAIN ON P. 11 IN NEXT TO LAST  
 PARAGRAPH. WE DISCUSSED THIS AT THE SCHEDULING  
 CONFERENCE AND WE HAVE JUST DISCUSSED WITH LARRY  
 HOOVER TODAY. I BELIEVE WE ARE ALL IN AGREEMENT THAT  
 WE CANNOT TRAIN THOUSANDS OF AFRICANS UNDER THE RUBRIC  
 "MEMBER COUNTRY STAFFS" THROUGH THE VEHICLE OF A GRANT  
 TO THE AFRICAN DEVELOPMENT BANK. WE THOUGHT YOUR  
 AUDIT WAS VERY HELPFUL ON THIS POINT AND THE REPORT AS  
 WRITTEN SOMEHOW GOT FUZZY AGAIN. IT WILL BE HELPFUL  
 IF YOU CAN MAKE THE POINT THAT GRANT SHOULD TRAIN BANK  
 STAFF AND NOT TRY TO DEAL WITH ALL OF AFRICA.

2. AS DISCUSSED WITH LARRY HOOVER AGAIN TODAY, WE  
 BELIEVE THAT RECOMMENDATION 4 IS NOT ACTIONABLE AND IN  
 FACT IS VIRTUALLY Moot AT THIS POINT. ALL OF THE 12  
 TECHNICAL ASSISTANTS ARE ALREADY ON BOARD AND MOST  
 WILL DEPART BY APRIL 1989. THERE ARE NO PLANS TO  
 CONTRACT FOR FURTHER LONG-TERM TECHNICAL ASSISTANCE.  
 MOREOVER, AS WE STATED IN OUR ORIGINAL RESPONSE,  
 RECOMMENDATION 4 IS NOT ACTIONABLE AS IT RUNS COUNTER  
 TO BANK POLICIES. WE WOULD REALLY BE RUNNING INTO A  
 STONE WALL ON THIS ONE.

3. WITH THE ABOVE COMMENTS, WE FIND THE AUDIT REPORT  
 FAIR AND, AS WE HAVE SAID BEFORE, HELPFUL. PLEASE  
 ADVISE US ON YOUR POSITION RE THE ABOVE. RUX

BT

#1180

NNNN

Report Recommendations

	<u>Page</u>
<u>Recommendation No. 1</u>	4
We recommend that the Director, Regional Economic Development Services Office, West and Central Africa, in addition to the monitoring performed on project inputs and outputs, also monitor purpose level achievements.	
<u>Recommendation No. 2</u>	8
We recommend that the Director, Regional Economic Development Services Office, West and Central Africa, require the African Development Bank to comply with the project grant agreement by submitting a yearly training plan. The plan must include (1) an assessment of training needs of Bank and member country personnel, and (2) a detailed schedule of training courses (such as description, costs, location, dates and number of attendees).	
<u>Recommendation No. 3</u>	8
We recommend that the Director, Regional Economic Development Services Office, West and Central Africa, comply with the project grant agreement by not disbursing any 1989 training funds until the Bank submits an acceptable training plan.	
<u>Recommendation No. 4</u>	12
We recommend that the Director, Regional Economic Development Services Office, West and Central Africa, not fund in the future any technical assistants additional to the twelve already at the Bank unless a plan, in cooperation with the Bank, is developed to improve their effectiveness.	

Report Distribution

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RIG/A/Manila	1
RIG/A/Nairobi	1
RIG/A/Singapore	1
RIC/A/Tegucigalpa	1
RIG/A/Washington	1