

PD-AAZ-027

NN=60404

AUDIT OF  
PROGRAM DEVELOPMENT AND SUPPORT  
FUNDS IN AFRICA

AUDIT REPORT NO. 89-10  
February 15, 1989

# UNITED STATES OF AMERICA

AGENCY FOR INTERNATIONAL DEVELOPMENT  
REGIONAL INSPECTOR GENERAL/AUDIT

UNITED STATES POSTAL ADDRESS  
BOX 232  
APO N.Y. 09675

INTERNATIONAL POSTAL ADDRESS  
POST OFFICE BOX 30261  
NAIROBI, KENYA

February 15, 1988

MEMORANDUM FOR Acting AA/AER, Walter G. Bollinger

FROM: *fa* James B. Darnil, DIG *Walter G. Bollinger*

Subject: Audit of Program Development and Support  
Funds in Africa

The Office of the Regional Inspector General for Audit/Nairobi has completed its audit of program development and support (PD&S) funds in Africa. Five copies of the audit report are enclosed for your action.

The draft audit report was submitted to you for comment and your comments are discussed in this report. The report contains two recommendations and, after considering your cable guidance to Africa Bureau Missions, we consider both recommendations to be closed.

I appreciate the cooperation and courtesy extended to my staff during the audit.

## Background

Program development and support was defined as activities whose purpose was the identification, design and evaluation of programs or projects/activities where such activities could not be easily or appropriately charged to the individual project/activity.

Funds used for program development and support were commonly referred to as "PD&S" funds. Similarly, in some countries they were referred to as planning management and review or "PM&R" funds. In this report, the term PD&S is used for ease of reference.

There was no separate appropriation for PD&S funds. Such funds consisted of program funds derived from various Development Assistance appropriations. The Bureau for Program and Policy Coordination assigned a portion of those funds to each geographic bureau for program development and support costs, and each geographic bureau managed those funds differently. In the Bureau for Africa, PD&S funds were allocated to overseas missions based on requests from each mission.

### Audit Objective and Scope

The Office of the Regional Inspector General for Audit/Nairobi made a compliance audit of PD&S funds in Africa. The audit objective was to determine whether African missions and Regional Offices used PD&S funds in compliance with Agency and Bureau for Africa guidance.

Audit work included the review of A.I.D. and Bureau for Africa guidance, pertinent project and contract files and financial records at six Africa missions and two Regional Offices - the Office of the A.I.D. Representative, Burundi (OAR/Burundi); USAID/Kenya; USAID/Liberia; USAID/Malawi; USAID/Niger; and USAID/Rwanda; the Regional Economic Development Services Office, East and Southern Africa (REDSO/ESA) located in Nairobi, Kenya; and the Regional Economic Development Services Office, West and Central Africa (REDSO/WCA) located in Abidjan, Ivory Coast. Responsible officials in each of those organizations were interviewed. This audit relied upon information presented in previous audit reports related to PD&S funds at USAID/Liberia, USAID/Niger and REDSO/WCA. The review of compliance and internal controls was limited to the findings discussed in this report.

The audit was performed during the period November 1987 through July 1988. The audit covered obligations totalling \$11,437,196 and expenditures totalling \$6,517,955 for fiscal years 1985 through 1987 (see Exhibit 1 and 2 respectively). The audit was made in accordance with generally accepted government auditing standards.

### Results of Audit

The audit showed that some A.I.D. missions in Africa did not comply with A.I.D. and Africa Bureau guidance for the use of PD&S funds. Two missions complied with the guidance and six missions used funds for purposes inconsistent with the guidance.

Strengthened PD&S Guidance Needed - A.I.D. regulations and Africa Bureau guidance specified how PD&S funds could be used. However, PD&S funds were being used for purposes not permitted by regulations or guidance because some mission officials broadly interpreted the criteria. As a result, some missions were not complying with A.I.D. regulations and Africa bureau guidance.

Discussion - A.I.D. regulations and guidance specified how A.I.D. funds, including PD&S funds, could be used. A.I.D. Handbook 18, Appendix D, stated that "Program development and support refers to activities whose purpose is the identification, design, and evaluation of programs or projects/activities where such activities cannot be easily or appropriately charged to the individual project/activity." The Handbook further described the purpose of PD&S funds to be for:

- developing projects/activities, including prefeasibility and feasibility surveys;
- preparing sector studies broader in scope than an individual project/activity;
- evaluating completed project/activities (normally evaluation of an on-going project/activity should be charged to the project/activity);
- conducting sector evaluations and other evaluative studies broader in scope than an individual project/activity; and,
- conducting multicountry evaluations of programs, or components thereof, or conducting studies to develop indicators of progress of general use.

Overall, this criteria required that PD&S funds be used for those design and development activities required to identify and develop new projects/activities. Except for limited use related to project evaluations, A.I.D. regulations did not allow PD&S funds to be used to support approved on-going projects. This was because such costs should have been funded with project funds provided through Congressional appropriations.

A.I.D.'s Bureau for Africa guidance issued in November 1984 and reaffirmed in subsequent guidance stated that the main purpose for PD&S funds was the preparation and development of new projects. PD&S funds were specifically not allowed for:

- support to an existing approved project;
- project pre-implementation activities, unless approved by the Africa Bureau Assistant Administrator;
- procuring commodities, unless approved by the Africa Bureau Assistant Administrator;
- operating expense type activities; and
- an activity which would exceed \$200,000, unless approved by the Africa Bureau Assistant Administrator.

At six of eight activities audited, PD&S funds were being used for activities not in accordance with A.I.D. regulations and Africa Bureau guidance. At two activities, USAID/Malawi and OAR/Burundi, no evidence of inappropriate use was identified.

Overall, as much as \$2,513,683 or about 39 percent of PD&S funds disbursed could have been used inappropriately (see Exhibits 3 thru 8). In some cases, inappropriate uses were readily identified because of the types of uses, while in others it was difficult to quantify the amount of inappropriate use. Inappropriate use included hiring personal services contractors to perform mission management responsibilities and/or project monitoring and management duties. Other inappropriate uses included purchasing materials, underwriting project pre-implementation activities, publishing directories and brochures, supporting on-going approved projects, and conducting evaluations.

Hiring contractors to perform duties which included mission management and/or project/program management responsibilities accounted for about \$1,300,565 of the \$6,517,955 disbursed. Such contractors were hired primarily as personal services contractors. A few contractors were hired through purchase orders or institutional contracts. Personal services contractors duties covered a broad range of activities not appropriate for PD&S funding since such activities did not relate to identifying and developing new projects/program activities. For example, USAID/Rwanda, USAID/Niger, USAID/Liberia and REDSO/ESA used a total of \$522,051 to hire contractors to monitor and/or implement on-going food assistance or commodity programs on a full-time basis. USAID/Liberia also used \$53,794 to hire an engineer, a one-year intern and a program manager for population activities. USAID/Kenya used \$39,000 to hire a contractor to be the project officer and implement a Commodity Import Program. Such contractors should have been funded paid with either operating expense or project funds rather than with PD&S funds.

In many cases, contractors' duties included activities appropriate for PD&S funding, such as project design, as well as duties inappropriate for such funding. Such contractors were hired as engineers, program managers, social science advisors, financial advisors, administrative assistants, agricultural economists, family planning consultants, contract management specialist, energy advisors, etc. While some of these contractors performed those duties on a full-time basis and their services were not directed at identifying and developing new projects/programs, some also had duties appropriate for PD&S funds at least on a part-time basis. For

example, at REDSO/ESA an agroforestry advisor spent about 50 percent of his time implementing agroforestry training and the balance providing technical/professional assistance to other REDSO activities. Similar cases were identified at REDSO/WCA. In many cases, the audit was unable to determine the amount of time spent on appropriate versus inappropriate activities. However, to the extent inappropriate activities were performed, PD&S funds should not have been used.

PD&S funds were also used to procure commodities/materials or services not authorized by A.I.D. guidance and Africa Bureau criteria. Such procurements included \$4,040 for advertisements, \$994 for medical supplies, \$313 for various materials, \$2,000 to print brochures, and \$500 for subscriptions. Similarly, more than \$285,000 was spent to support approved on-going projects.

While responsible officials agreed that PD&S funds were inappropriately used in some cases, most often they maintained that the auditor's interpretation of the guidance was too narrow and they rationalized the use of PD&S funds. Most convincing however were some officials statements to the effect that operating expense and project funds were scarce and the activities undertaken were needed. Accordingly, PD&S funds were used.

Concerning the guidance, the auditors noted that both the A.I.D. Handbook and Africa Bureau guidance were consistent in that PD&S referred to activities whose purpose was the identification, design, and evaluation of programs or projects/activities. Accordingly, activities unrelated to identification, design and evaluation were considered inappropriate.

While the guidance generally appeared sufficient for determining how PD&S funds should be used, some inconsistency was observed in Africa Bureau guidance to REDSO/ESA and REDSO/WCA. For example, cable traffic to those missions indicated that Africa Bureau officials were aware that REDSO/ESA and REDSO/WCA faced funding problems different from regular missions and were using some funds inappropriately, especially relative to funding long-term contractors' activities. While the Africa Bureau indicated it was pursuing alternative methods for funding such contractors, nothing had been done for about two years. Accordingly, the audit concluded that Bureau guidance to REDSO/ESA and REDSO/WCA was somewhat ambiguous.

Because of broad interpretations by some mission officials and some ambiguity in guidance to REDSO/ESA and REDSO/WCA, PD&S funds were used to fund inappropriate activities. Such use violated A.I.D. and Africa Bureau guidance related to those funds and as much as \$2,462,505 could have been misused.

Recommendation No. 1

We recommend that the Assistant Administrator, Bureau for Africa clarify existing guidance to REDSO/ESA and REDSO/WCA concerning the use of program development and support funds for contractors.

Recommendation No. 2

We recommend that the Assistant Administrator, Bureau for Africa issue specific instructions to Mission Directors that specifies that program development and support funds be used only for intended purposes specified by A.I.D. regulations and Bureau for Africa guidance.

This audit report was discussed with Africa Bureau officials in Washington, D.C. Those officials felt that their cable instructions (See Appendices 1 and 2) would satisfy the recommendations contained herein, and we agreed with this conclusion.

AUDIT OF  
PROGRAM DEVELOPMENT AND SUPPORT  
FUNDS IN AFRICA

EXHIBITS AND APPENDICES

11

Exhibit 1PD&S Obligations  
Fiscal Years 1985 through 1987

<u>Organization</u>	<u>Fiscal Years</u>			<u>Totals</u>
	<u>1985</u>	<u>1986</u>	<u>1987</u>	
REDSO/ESA	\$733,869	\$ 709,367	\$807,845	\$2,251,082
REDSO/WCA	885,000	1,033,000	711,000	2,634,000
OAR/Burundi	4,550	100,923	49,677	155,150
USAID/Kenya	931,226	770,204	710,006	2,411,436
USAID/Malawi	154,279	5,895	221,126	381,300
USAID/Niger	474,500	255,000	449,000	1,178,500
OAR/Rwanda	99,700	451,900	266,128	817,728
USAID/Liberia	<u>645,000</u>	<u>734,000</u>	<u>229,000</u>	<u>1,608,000</u>
Totals	<u>\$3,928,124</u>	<u>\$4,065,289</u>	<u>\$3,443,783</u>	<u>\$11,437,196</u>

Exhibit 2

PD&S Expenditures  
Fiscal Years 1985 through 1987

<u>Organization</u>	<u>Fiscal Years</u>			<u>Totals</u>
	<u>1985</u>	<u>1986</u>	<u>1987</u>	
REDSO/ESA	\$607,582	\$ 535,175	\$322,360	\$1,465,217
REDSO/WCA	735,000	525,000	54,000	1,314,000
OAR/Burundi	4,530	61,562	31,708	97,800
USAID/Kenya	356,173	627,867	120,742	1,614,787
USAID/Malawi	125,937	5,171	159,471	290,629
USAID/Niger	326,000	145,000	49,000	520,000
OAR/Rwanda	94,991	327,260	55,271	477,522
USAID/Liberia	<u>413,000</u>	<u>126,000</u>	<u>199,000</u>	<u>738,000</u>
Totals	<u>\$3,173,368</u>	<u>\$2,353,035</u>	<u>\$ 991,552</u>	<u>\$ 6,517,955</u>

REDSO/ESA PD&S  
Inappropriate/Questionable Charges  
Fiscal Years 1985 Through 1987  
(As of September 30, 1987)

Personal Services Contracts  
Contract No.

Amount Disbursed

623-0135-S-00-3001	\$ 40,420
623-0000-S-00-2010	112,735
623-0000-S-00-6014	69,472
1KE-5102-P-AG-4202	63,189
623-0000-S-00-3009	126,389
623-0135-S-00-3003	143,324
623-0000-S-00-7011	39,173
623-0510-S-00-5023	30,866
623-0135-S-00-3010	232,677
623-0000-S-00-6004	61,404
623-0510-S-00-5017	91,538
623-0698-S-00-1010	53,878
623-0000-S-00-7002	87,575
623-0000-S-00-6021	23,887
Total	<u>\$1,176,532</u>

REDSO/WCA PD&S  
Improper/Questionable Charges  
Fiscal Years 1985 Through 1987  
(As of September 1987)

<u>Activity and Assigned Number</u>	<u>Amount Disbursed</u>
<u>Evaluation</u>	
Strengthening Health Delivery Systems Project PIO/T 624-0510-3-50004 and CO. No. 693-0393-0-00-5105-00 PIE No. 27	11,237 38,940
<u>Procurements</u>	
Equipment, Material and Supplies Bureau of Census Activity PIO/T 624-0510-3-50012	16,960
Limnological Agents to Test Water PO-AID-624-85-0132	142
Multiservice Printing Report PO-624-85-1015	100
West African Journal of Agricultural Economics (Unnumbered)	500
Medical Supplies Delivery Charges PO-AID-624-86-1121	994
Fuel, Maintenance, Books and Supplies Institute for Cultural Affairs International Grant No. 624-0510-G-00-6049-00	2,650

<u>Activity and Assigned Number</u>	<u>Amount Disbursed</u>	
<u>Personal Service Contracts</u>		
Engineering, Commodities and Contract Services:		
Co. No. 681-0000-S-00-5010	\$66,251	
Co. No. 681-0000-S-00-5010	41,310	
Assistant Engineer		
Co. No. 681-0000-S-00-5126	34,411	
Co. No. 681-0000-S-00-5126	3,514	
Co. No. 681-0000-S-86-0031	49,684	
Co. No. 681-0000-S-0053	29,217	
Emergency Assistance:		
Food for Peace Office Voucher Examiner PIO/T 624-0929-50003	2,939	
PIO/T 624-0929-3-50002	43,313	
Consultant		
PIO/T 624-0929-3-50001	63,389	
Family Planning Consultant		
PIO/T 624-0510-3-70003	3,042	
Institutional Contract: (Purdue University)		
Agricultural Economist Co. No. TA-624-85-0086	2,868	
REDSO/WCA Support 79-178	14,362	
Program Analysis and Development Services:		
Maternal Child Health & Family Planning Advisor Co. No. 681-0000-S-00-5002	45,320	
Co. No. 681-0000-S-00-5002	12,580	
Regional Private Enterprise Development Specialist Co. No. 681-0000-S-00-5114	23,581	
Population Program Assistant		
Co. No. 081-0000-S-87--0059	4,471	
Regional Contracting Office: Contract Management Specialist Co. No. 681-0000-S-00-6016		<u>13,233</u>
Total	<u>\$525,508</u>	

12-

USAID/Kenya  
Improper/Questionable Charges  
Fiscal Years 1985 Through 1987  
(As of September 1987)

<u>Activity/Document No.</u>	<u>Amount Disbursed</u>
Personal Services Contracts	
CO615-0000-S-4119-2	2,031
CO615-0510-S-01-4108	8,000
CO615-0510-S-00-4108	25,552
CO615-0510-S-00-7012	14,217
PIOT615-0510-3-50014	46,354
PIOT615-0510-3-50008	21,164
Advertisements/Commodity Import Program	
PO615-0510-60324	662
PO615-0510-60325	1,342
PO615-0510-60326	956
Advertisements/Consultant	
PO615-0510-60353	183
PO615-0510-60352	165
Participant Training Files	
PO615-0510-70112	4,361
PO615-0510-70113	244
Private Sector Brochures	
PO615-0510-60389	<u>2,000</u>
Total	<u>\$127,231</u>

Exhibit 6

USAID/Niger PD&S  
Improper/Questionable Charges  
Fiscal Year 1985 through 1985  
(As of October 1987)

<u>Activity</u>	<u>Amount</u> <u>Disbursed</u>
Drought Relief Assistance	<u>\$226,000</u>

USAID/Rwanda PD&S  
Improper/Questionable Charges  
Fiscal Years 1985 through 1987  
(As of September 1987)

<u>Activity/Document No.</u>	<u>Amount Expended</u>
Drought Relief Contractor CO-696-0000-S-00-5011	\$ 22,247
Technical Advisory Accounting Contractor CO-698-0510.96-S-00-5032	22,127
Computer Programming Prime Project CO-698-0510.96-S-00-5037	2,970
Pre-Implementation Prime Project CO-696-0510.96-S-00-5036	18,640
Computer Acquisition Report PO-696-5-1700	7,122
Refining Minefineco Input/Output Model CO-698-0510-S-00-7006	17,952
Administrative Assistant CO-698-0510-S-00-7047	774
Participant Training Contractor CO-698-0510.96-S-00-7044	3,247
Social Science Advisor Support Costs MO-87-02	23,721
Materials Acquisition MO-87-06	<u>813</u>
Total	<u>\$119,613</u>

USAID/Liberia  
Improper/Questionable Charges  
Fiscal Years 1985 through 1987  
(As of October 1987)

<u>Activity and Assigned Number</u>	<u>Amount Disbursed</u>
<u>Project Support</u>	
Improved Efficiency Learning I Project 669-0130	\$222,912
Economic and Financial Management and Training Project 669-0134	8,500
Nimba County Rural Technology Project 669-0153	10,000
Roads Maintenance Project 669-0200	37,165
West Africa Rice Development Association Project (Regional Funds)	6,428
<u>Personal Services Contracts</u>	
Engineer PIO/T 669-0510-3-50021	34,679
Program Manager for Population Activities PIO/T 669-0510-3-60035	7,937
One-Year Intern CO 669-0510-S-00-7054-00	<u>11,178</u>
Total	<u>\$338,799</u>

ACTION: AID-3 INFO: ICON

VZCZCNAC388

17-JAN-89

TCR: 10:05

RR RUEHNR

CY: 42447

DE RUEHC #3765 0140956

CERG: AID

ZNR UUUUU ZZH

DIST: AID

R 140956Z JAN 89 ZEX

ADD:

FM SECSTATE WASHDC

TO USAID MISSIONS IN AFRICA

BT

UNCLAS STATE 013765

AIDAC

E.O. 12356: N/A

TAGS:

SUBJECT: USE OF PROGRAM DEVELOPMENT AND SUPPORT FUNDS  
IN AFRICA

REF: STATE 016959

1. THE AGENCY'S INSPECTOR GENERAL HAS RECENTLY COMPLETED AN AUDIT OF PROGRAM DEVELOPMENT AND SUPPORT FUNDS (PDS) IN SIX COUNTRIES AND THE TWO REGIONAL OFFICES IN AFRICA. THE RESULTS OF THE AUDIT INDICATED THE NEED TO DRAW MISSIONS' ATTENTION TO EXISTING BUREAU GUIDANCE WITH RESPECT TO APPROPRIATE USES AND PROCEDURES INVOLVING PDS.

2. STATE 016959 OF JANUARY 20, 1989, SENT TO ALL POSTS, PROVIDED DETAILED AFRICA BUREAU POLICY, MANAGEMENT, PROGRAMMING AND REPORTING GUIDANCE FOR PDS FUNDS. THE PURPOSE OF THIS MESSAGE IS TO REMIND ALL MISSIONS THAT PDS MUST BE USED ONLY FOR THE PURPOSES APPROVED IN THIS GUIDANCE.

3. IG HAS ADVISED THAT IT INTENDS TO UNDERTAKE FOLLOW-UP PDS AUDITS OF THOSE MISSIONS PREVIOUSLY

AUDITED TO REVIEW COMPLIANCE WITH CURRENT A.I.D. REGULATIONS AND AFRICA BUREAU GUIDANCE.

4. ANY QUESTIONS ON PDS USAGE SHOULD BE DIRECTED TO AFR/DP/PAB. SHULTZ

BT

#3765

NNNN

UNCLASSIFIED

STATE 013765

ACTION: AID-3 INFO: ECOM

VZCZCNA0576  
PP RUEENR  
DE RUEEC #6959/01 0202310  
ZNR UUUUU 22H  
P 002304Z JAN 88 ZEX  
FM SECSTATE WASHDC  
TO USAID MISSIONS IN AFRICA PRIORITY  
BT  
UNCLAS SECTION 01 OF 04 STATE 016959

21-JAN-88 TOR: 23:15  
CN: 48222  
CHRG: AID  
DIST: AID  
ADD:

AIAC ABIDJAN FOR REDSO/W, NAIROBI FOR USAID AND REDSO

E.O. 12356: N/A

SUBJECT: AFRICA BUREAU GUIDANCE ON USE OF PROGRAM  
DEVELOPMENT AND SUPPORT (PDS)

REF: (A) FY85 STATE 325225 (B) FY86 STATE 338984 (C)  
STATE 102334 (D) STATE 154244 (E) STATE 370538

SUMMARY: THIS MESSAGE PROVIDES AN OUTLINE OF AFRICA  
BUREAU POLICY, MANAGEMENT, PROGRAMMING AND REPORTING  
GUIDANCE FOR PDS FUNDS. THIS GUIDANCE SUPERSEDES  
PREVIOUS GUIDANCE ISSUED BY THE BUREAU AND ESTABLISHES A  
UNIFORM BASIS FOR THE APPLICATION OF PDS FUNDS. THIS  
CABLE ALSO PERTAINS TO THE USE OF ECONOMIC SUPPORT  
FUNDS WHEN USED FOR PURPOSES OUT-LINED IN THIS CABLE.

MAJOR CHANGES TO PDS IN FY 1988:

A. EFFECTIVE IMMEDIATELY THE PLANNING, MANAGEMENT AND  
RESEARCH PROJECT TITLE WILL BE DROPPED. ALL AFRICAN  
MISSIONS SHOULD USE PROGRAM DEVELOPMENT AND SUPPORT  
(PDS) AS THE OFFICIAL PROJECT TITLE FOR THESE FUNDS.

B. THE FOLLOWING MISSIONS HAVE ON-GOING BILATERAL PDS  
PROJECTS: KENYA, LIBERIA, CAMEROON, SOMALIA, SUDAN AND

ZAIRE. WE ARE PROPOSING A BILATERAL PDS PROJECT BE  
ESTABLISHED FOR MOST BILATERAL PROGRAMS IN AFRICA. AT  
THIS TIME WE WILL NOT ESTABLISH A BILATERAL PDS PROJECT  
FOR THE REDSOs OR SMALL PROGRAMS SUCH AS EQUATORIAL  
GUINEA, CONGO, CONGO, MAURITIUS, CAR, SIERRA LEONE,  
DJIBOUTI, GUINEA-BISSAU, MAURITANIA. THERE WILL ALSO BE  
NO BILATERAL PDS FOR COUNTRIES WHICH CURRENTLY HAVE  
SPECIAL CIRCUMSTANCES SUCH AS ZIMBABWE AND ZAMBIA.  
MISSIONS WHO HAVE MANAGEMENT OVERSIGHT SUCH AS CAMEROON  
FOR CONGO, CAR AND SAO TOME WILL BE REQUIRED TO COVER  
THEIR CLIENT MISSIONS WITHIN THEIR BILATERAL PDS PROJECT.

C. TO ESTABLISH A BILATERAL ACTIVITY, MISSIONS WILL BE  
REQUIRED TO DO A SIMPLE AUTHORIZATION ACTION AND A  
ONE-TIME NOTIFICATION TO CONGRESS BEFORE FUNDS CAN BE  
OBLIGATED. MISSIONS SHOULD SUBMIT THEIR REVISED  
PROJECTED FY 1988 OPERATIONAL YEAR BUDGET (OYB) PROGRAM

DEVELOPMENT SUPPORT (PDS) REQUIREMENTS PER REPTEL 3 NLT JANUARY 29. AFR/DP WORKING WITH GEOGRAPHIC DESKS WILL SUBMIT OVERALL CN IN JANUARY SO THAT BILATERAL OBLIGATIONS CAN OCCUR IN FEBRUARY. AT THE MISSION DIRECTORS' CONFERENCE, QUESTIONS WERE RAISED ABOUT THE AUTHORIZATION PROCESS AND OBLIGATIONS MECHANISMS. DP WILL PROVIDE YOU WITH INFORMATION ON HOW EXISTING BILATERAL PROJECTS ARE OBLIGATED BY SEPTEL. WE REQUEST THAT MISSIONS PROVIDE BILATERAL PROJECT NUMBER TO BE ASSIGNED TO MISSIONS PDS PROJECT.

--SINCE FY 1988 WILL BE A TRANSITIONAL YEAR FOR PDS, BETWEEN NOW AND FEBRUARY 1, UNDER EXCEPTIONAL CIRCUMSTANCES, AID/W WILL PROVIDE FUNDS TO FIELD POST EFFORT BILATERAL FUNDING CAN TAKE PLACE. ONCE OYB LEVELS ARE SET AND CN HAS EXPIRED, AFR/DP WILL ALLOCATE PDS ON A BILATERAL BASIS. THESE FUNDS WILL BE INCLUDED IN MISSIONS FY 1988 OPERATIONAL YEAR BUDGET (OYB).

--ALL MISSIONS WILL BE REQUIRED TO SUBMIT OBLIGATION STATUS REPORTS. THE OBLIGATION STATUS REPORTS ARE DUE TO AFR/DP ON APRIL 15 AND JUNE 30. THESE REPORTS WILL BE USED TO TRACK MISSION OBLIGATION PERFORMANCE. MISSIONS WILL BE REQUIRED TO SUBMIT A BRIEF END OF YEAR PDS SUMMARY REPORT. THIS REPORT SHOULD PROVIDE THE READER WITH A CLEAR UNDERSTANDING ON HOW THE FUNDS WERE ACTUALLY USED. EXAMPLE: DOLS 16,000 FOR SEED AVAILABILITY STUDY FOR FY 88 APPROVED NEW START. A

UNCLASSIFIED

3

SERIES OF AUDIT REPORTS ON USE OF PDS FUNDS IS CURRENTLY UNDERWAY. WE WILL INFORM YOU OF THE FINDINGS OF THESE AUDITS WHEN THEY ARE COMPLETED.

D. PDS ACTIVITIES SHOULD GENERALLY BE COMPLETED (FULLY EXPENDED) NLT THE NEXT FISCAL YEAR AFTER FUNDING IS MADE AVAILABLE, BUT IN NO CASE EXTEND BEYOND EIGHTEEN MONTHS WITHOUT CONSULTING AID/W. ANNUALLY, MISSIONS SHOULD UNDERGO A REVIEW OF THE UNLIQUIDATED PDS FUNDS. MISSIONS ARE ENCOURAGED TO DEOBLIGATE EXCESS PRIOR YEAR FUNDS AS WE DO NOT ANTICIPATE ANY MAJOR PIPELINE BUILD UP WITH THESE FUNDS.

E. FUNDING OF LONG TERM (OVER 12 MONTHS) PSC'S IS NOT REPEAT NOT AN ACCEPTABLE USE OF PDS FUNDS. AFR/DP WORKING WITH AFR/DP WILL REQUEST A WAIVER OF THE PDS GUIDELINES BY AA/AFRICA THIS FY FOR REDSOS PSC'S REQUIREMENTS. BEGINNING IN FY 1989, THE AFRICAN DEVELOPMENT SUPPORT (ADS) (698-9464) PROJECT MAY BE AUTHORIZED, AND, IF SO, WILL PROVIDE FUNDING FOR REDSOS

UNCLASSIFIED

STATE 016959/01

19.

UNCLASSIFIED STATE 016959/02

PSC'S. REDSOS SHOULD SUBMIT TO AFR/DP, NLT JUNE 1, OF FAC FISCAL YEAR THE FOLLOWING INFORMATION ON THEIR PSC'S: NUMBER OF PERSON MONTHS TO BE FUNDED, TERM OF PSC CONTRACT, THE POSITION TITLE OF THE PSC, WHETHER THE POSITION IS NEW OR ONGOING, AND ANNUAL DOLLAR COST OF EACH PSC.

ALL OTHER AFRICAN MISSIONS SHOULD BUDGET FOR SUCH INDIVIDUALS IN THEIR BILATERAL ACTIVITIES. END SUMMARY.

#### 1. ELIGIBLE USES OF REGIONAL AND BILATERAL PDS FUNDS

A. IN DETERMINING ALLOCATIONS OF REGIONAL PDS FUNDS AND MONITORING BILATERAL USAGE, THE BUREAU DEFINES FOUR DESCENDING BUREAU PRIORITIES ALTHOUGH THE RELATIVE IMPORTANCE OF WHICH WILL VARY FROM MISSION TO MISSION. PRIORITY IS GENERALLY GIVEN TO ACTIVITIES WHICH HELP MISSIONS FOLLOW THROUGH ON ACTIONS APPROVED DURING PROGRAM WEEK, CDSS, ACTION PLAN, ABS AND PIR REVIEWS.

PRIORITY 1 INCLUDES CDSS-RELATED STUDIES AND SECTOR ASSESSMENTS. SPECIAL STUDIES WHICH ARE IDENTIFIED BY A MISSION AND CONFIRMED BY THE BUREAU DURING PROGRAM WEEK, CDSS, ABS AND PIR REVIEWS WHICH ENHANCE POLICY DIALOGUE EFFORTS OR SHARPEN UNDERSTANDING OF TECHNICAL, INSTITUTIONAL AND ORGANIZATIONAL CONSTRAINTS.

PRIORITY 2 INCLUDES PROJECT DEVELOPMENT, FEASIBILITY STUDIES, OPERATIONAL RESEARCH AND PILOT TESTING OF HYPOTHESES LEADING TO FINAL DESIGN OF PROGRAMS AND PROJECTS, ASSESSMENTS OF PROGRAM IMPACT AND AID PROGRAM PRIORITIES. ACTIVITIES TO GATHER DATA ON PROGRAM IMPACT ARE ALSO INCLUDED. PLEASE NOTE THAT PRIOR DISCUSSION AND GENERAL APPROVAL OF A PROJECT IDEA (E.G. THROUGH PROGRAM WEEK, CDSS, ACTION PLAN, ABS AND PIR REVIEWS) IS SUFFICIENT TO JUSTIFY A REQUEST FOR PDS. AN APPROVED PIP IS NOT NECESSARY. MISSIONS ARE STRONGLY ENCOURAGED TO ADVANCE THE PROJECT DEVELOPMENT PROCESS BY INITIATING PERTINENT STUDIES AND RESEARCH IN ADVANCE OF PP PREPARATION.

THIS WILL FACILITATE EARLY FUNDS OBLIGATION AND BETTER OVERALL DESIGN RATHER THAN TRYING TO DO ALL DESIGN RELATED WORK IN THE YEAR OF AUTHORIZATION. FUNDS MAY BE USED FOR THE DEVELOPMENT OF PROJECTS WHICH WILL BE OBLIGATED AFTER THE OPERATING YEAR OR WHICH WILL SERVE AS QUOTE SELF PROJECTS FOR THE CURRENT BUDGET YEAR UNQUOTE.

PRIORITY 3 INCLUDES USE OF PDS FUNDS FOR PROJECT-LEVEL EVALUATIONS AND FINANCIAL MANAGEMENT/AUDIT ACTIVITIES NOT OTHERWISE BUDGETED FOR WITHIN PROJECTS. THIS INCLUDES THE DEVELOPMENT OF PROJECT MONITORING AND ACCOUNTING SYSTEMS; DATA COLLECTION AND EVALUATION SYSTEMS; AND, AUDIT WORK COVERED BY IG IQC'S. --ALL NEW

PROJECT PAPERS MUST INCLUDE PLANS AND FINANCING FOR EVALUATION AND AUDITS. NEW PPS AND PP AMENDMENTS ALSO MUST ADDRESS THE NEED FOR AUDIT COVERAGE. REQUESTS FOR EVALUATION-RELATED PDS FUNDS SHOULD BE FULLY CONSISTENT WITH ANNUAL EVALUATION PLANS. DETAILED SCOPES-OF-WORK FOR EVALUATIONS WILL NOT BE REQUIRED FOR PRIOR APPROVAL OF PDS FUNDING, BUT WE WILL WANT TO SEE A SHORT NARRATIVE ON WHAT FIELD POSTS INTEND AND HOW THE RESULTS WILL BE USED.

PRIORITY 4 INCLUDES SPECIAL PURPOSE ACTIVITIES SUCH AS SEMINARS, WORKSHOPS AND SPECIAL ECONOMIC OR STATISTICAL SURVEYS; AND TERMINATION COSTS OR RESIDUAL SUPPORT FOR TERMINATED PROJECTS NOT SPECIFICALLY COVERED IN PRIORITY 1-3.

## 2. SCOPE OF PDS ACTIVITIES

A. PDS FUNDS SHOULD BE USED FOR DEVELOPMENT AND SUPPORT OF THE FULL RANGE OF PROGRAMS FOR WHICH AFRICA BUREAU IS RESPONSIBLE, INCLUDING TRADITIONAL DEVELOPMENT ASSISTANCE, FOOT ASSISTANCE, BUT WITH SPECIAL EMPHASIS ON ECONOMIC POLICY REFORMS. SPECIAL ATTENTION SHOULD BE GIVEN TO CONCERNS DISCUSSED DURING PROGRAM WEEK, CDSS, ACTION PLAN, ABS AND PIR REVIEWS.

B. THE FINANCIAL LIMIT ON SINGLE PDS ACTIVITIES IS DOLS. 500,000. ANY ACTIVITY REQUIRING MORE THAN DOLS 500,000 IS NORMALLY CONSIDERED OUTSIDE OF PDS AND SHOULD BE DONE ON A PROJECT BASIS. MORE COSTLY ACTIVITIES SHOULD BE DEVELOPED AS DISCRETE PROJECTS OR COMPONENTS OF LARGER PROJECTS. REQUESTS FOR THE WAIVER OF THIS LEVEL SHOULD BE ADDRESSED TO THE DAA/AFRICA.

C. THE FOLLOWING ARE NOT APPROPRIATE USAGES OF PDS: (1) FUNDING OF LONG TERM (OVER 12 MONTHS) PSC'S; (2) OPERATING EXPENSES INCLUDING TRAVEL EXPENSES OR OTHER EXPENSES OF AID DIRECT-HIRE PERSONNEL; (3) AN ACTIVE ONGOING PROJECT TO AUGMENT THE BUDGETS OF AND TO FUND

DISCRETE DEVELOPMENT PROJECTS; AND (4) COMMODITIES SUCH AS VEHICLES, COMPUTERS, OFFICE FURNITURE, ETC. REQUESTS FOR WAIVER OF THE COMMODITIES GUIDELINE SHOULD BE ADDRESSED TO AA/AFRICA.

D. PDS FUNDS ARE NOT AUTOMATICALLY EXEMPT FROM STATUTORY RESTRICTIONS (SUCH AS BROOKS) ON ASSISTANCE TO A COUNTRY. EACH COUNTRY CASE WHERE SUCH A RESTRICTION APPLIES MUST BE ANALYZED ON ITS FACTS (AND THE ANALYSIS DOCUMENTED) TO DETERMINE WHETHER THE PROPOSED USE IS TO PROVIDE ASSISTANCE TO THE COUNTRY, OR WHETHER IT IS ANOTHER (PERMISSIBLE) PURPOSE.

E. SOME MISSIONS HAVE USED LIMITED SCOPE GRANT AGREEMENTS (LSGAS) TO OBLIGATE PDS FUNDS. THE LSGAS CAN BE A CONVENIENT MECHANISM TO OBLIGATE FUNDS, BUT YOU SHOULD KEEP IN MIND:

(1) ANY DA-FUNDED GRANT AGREEMENT (E.G. DA BUT NOT ESF FUNDS) SIGNED WITH A HOST GOVERNMENT REQUIRES A 25 PERCENT HOST COUNTRY CONTRIBUTION EXCEPT IN THOSE COUNTRIES WHERE IT IS WAIVED; (2) OBLIGATION OF FUNDS THROUGH A LSGA FOR SUCH ASSISTANCE TO A RESTRICTED COUNTRY BEFORE STATUTORY PROHIBITIONS AS DESCRIBED IN PARAGRAPH 2D ABOVE APPLY; (3) COUNTRY APPROVAL IS NEEDED FOR DISBURSEMENTS OF FUNDS UNDER A LSGA; (4) FUNDS SHOULD BE FOR OPERATIONAL YEAR REQUIREMENTS LEADING TO SOME DISBURSEMENTS IN THAT SAME YEAR; AND (5) MISSIONS WILL NEED TO CAREFULLY DOCUMENT THAT THE FUNDS REQUESTED WERE USED FOR THE PURPOSE INTENDED.

3. EFFECTIVE IN FY 1988, THE FOLLOWING PROCEDURES WILL BE EMPLOYED FOR THE MANAGEMENT OF PDS FUNDS.

A. ALL MISSIONS SHOULD REQUEST OYE PDS FUNDS THROUGH THE ANNUAL BUDGET SUBMISSION PROCESS. PLEASE USE THE SAMPLE FORMAT PROVIDED BELOW. THIS WILL GIVE THE BUREAU A COMPREHENSIVE REPORT ON ALL PDS TYPE ACTIVITIES PROPOSED AND WILL ENABLE WASHINGTON TO MONITOR PROGRESS ON DECISIONS TAKEN DURING PROGRAM WEEK, CESS, ACTION PLAN, ABS AND FIR REVIEWS.

AFR/DP WILL WORK WITH AFR/TR, AFR/PD, AND THE APPROPRIATE GEOGRAPHIC OFFICES AND REDSOS, TO COLLABORATE IN THE PREPARATION OF REQUESTS FOR PDS FUNDS FOR REGIONAL PROGRAMS AND FOR ACTIVITIES IN COUNTRIES WHERE REDSOS ARE RESPONSIBLE FOR PROVIDING SUPPORT SERVICES.

B. FOR DATA ENTRY PURPOSES, PLEASE ADHERE TO FORMAT AND CODES AS DEFINED. THE DETAIL ASSISTS DP IN THE MANAGEMENT OF FINANCIAL DATA. (1) APPROPRIATION CODES ARE: FN, PN, EE, SD, SDP, (SABEL), ES AND STARTING IN FY 88 DE FOR THE NEW DEVELOPMENT FUND FOR AFRICA.

UNCLASSIFIED

STATE 016959/03

HOWEVER, FY 1988 PDS REQUESTS NEED TO MAINTAIN A FUNCTIONAL COEFF. SHOWN AS DF-FN, DF-FN ETC. (2) THE MISSION'S ASSESSMENT OF THE IMPORTANCE OF THE ACTIVITY IS TO BE EXPRESSED BY LISTING ACTIVITIES IN DESCENDING ORDER OF PRIORITY. (3) THE OBLIGATION LOCATION CODE IS (W) FOR WASHINGTON AND (F) FOR THE FIELD. THE (W) AND (F) CODES INDICATE TO WHERE THE BUDGET ALLOWANCE IS TO BE ISSUED AND WHERE THE OBLIGATION WILL BE INCURRED AS WELL AS REPORTED. FIELD ALLOWANCES PROVIDE GREATER MANAGEMENT FLEXIBILITY TO MISSIONS, ARE CONSISTENT WITH DECENTRALIZATION OF THE PROGRAMMING PROCESS AND ARE ENCOURAGED BY AFR. (4) CATEGORY (CITY USE) REFERS TO THE FOUR CATEGORIES IDENTIFIED IN 1A ABOVE.

THUS, FOR A REQUEST FOR THE EVALUATION OF THE GUINEA-BISSAU RICE PRODUCTION PROJECT FOR FY 1988, DATA WOULD BE REPORTED AS FOLLOWS:

APPROPRIATION	OEL	CITY	PDS	PLAN NO
LOG	USE	PROJECT	REQUEST	OF OEL
DF-FN	F	2	657-0229 30,000	5

C. PLEASE SUBMIT IN TABLE FORM MISSION'S OPERATIONAL YEAR PDS REQUIREMENTS IN THE ANNUAL BUDGET SUBMISSION (ABS) TO AID/W. FOLLOW THE TABLE WITH A BRIEF COMMENT DESCRIBING EACH REQUEST I.E. EVALUATION, PID DESIGN, ETC. TEXT SHOULD BE VERY BRIEF AND INCLUDE ANY ITEMS WHICH APPEAR INCONSISTENT WITH DECISIONS REACHED AT PROGRAM WEEK, CDSS, ACTION PLAN, ABS OR PIR REVIEWS. EACH ITEM SHOULD BE COVERED BY NO MORE THAN A TWO OR THREE SENTENCE NARRATIVE. MISSIONS NEED TO DEFINE THE SPECIFIC USE OF FUNDS REQUESTED. PER EXAMPLE ABOVE, REQUESTS FOR FUNDS FOR EVALUATION WILL BE USED.

THE NARRATIVE SECTION OF THE REQUEST SHOULD BE KEYED IN THE SAME ORDER AS THE MISSION RANKING ON THE TABLE. (DISCUSS MISSION PRIORITY 1 FIRST, PRIORITY 2 SECOND.

UNCLASSIFIED

STATE 016959/03

23

ETC.). MISSIONS RECEIVING REGIONAL ALLOWANCES SHOULD PROVIDE AFR/DP, UPDATED OYB PDS REQUIREMENTS IN SEPTEMBER/OCTOBER AT TIME OF THE REDSO ANNUAL DESIGN/SCHEDULING CONFERENCES.

FYI, FOR OMB AND CP PRESENTATION, EXCEPT FOR BILATERAL MISSION PROJECTS, PDS FUNDS WILL BE BUDGETED IN A BUREAU REGIONAL PROJECT (698-0510) FOR DA AND 696-0226 FOR ES.

D. DP WILL REVIEW NON-BILATERAL REQUESTS WITH DES OFFICERS, AFR/TR AND AFR/PD. MISSIONS WITH A BILATERAL PROJECT WILL BE GIVEN THE FLEXIBILITY WITHIN THEIR CYR TO DETERMINE THEIR PLS LEVELS BUT ALSO HAVE RESPONSIBILITY FOR NECESSARY OYB TRANSACTIONS AND FOR SUBMITTING CONGRESSIONAL NOTIFICATION(S). FOR ALL OTHER COUNTRIES AND REGIONAL PROGRAMS, AFR/DP/PAB WILL PREPARE A PDS OPERATING YEAR BUDGET AND ADVISE MISSIONS.

E. AFR/DP WILL ALLOW THE ENTIRE AMOUNT OF PDS FOR ALL APPROVED REQUESTS.

F. IF A MISSION RECEIVING REGIONAL PDS FUNDS PROPOSES TO OBLIGATE FUNDS FOR AN ITEM NOT INCLUDED IN THEIR ORIGINAL PDS REQUEST, AID/W MUST BE NOTIFIED. REQUESTS FOR ADJUSTMENT TO APPROVED PDS OYB PLAN SHOULD BE SUBMITTED BY CABLE TO AFR/DP/PAB AS SOON AS THE REQUEST IS IDENTIFIED. CABLE SHOULD IDENTIFY FUNCTIONAL ACCOUNT, TITLE AND DOLLAR AMOUNT AND PROVIDE A ONE SENTENCE DESCRIPTION OF NEW ACTIVITY. THIS WILL EFPL ASSURE FUNCTIONAL ACCOUNT INTEGRITY AND WILL INFORM THE BUREAU ON PROGRAM DEVELOPMENT DURING THE YEAR. IT WILL ENABLE AFR/DP TO MAINTAIN AN ACCURATE DATA BASE FOR

ALL ACTIVITIES IN THE BUREAU REGIONAL PDS PROJECT.

G. ALL MISSIONS AND REDSOs WILL BE REQUIRED TO SUBMIT OBLIGATION STATUS REPORTS TO AFR/LP ON APRIL 15 AND JUNE 30. THESE REPORTS WILL BE USED TO TRACK OBLIGATION PERFORMANCE. MISSIONS WILL BE REQUIRED TO SUBMIT AN END OF YEAR NARRATIVE PDS SUMMARY REPORT TO AFR/DP/PAB. THIS REPORT SHOULD CONTAIN SUFFICIENT INFORMATION TO PROVIDE THE READER A CLEAR UNDERSTANDING ON HOW THE FUNDS WERE ACTUALLY USED. MISSIONS MAY WANT TO CONSIDER ESTABLISHING AN INTERNAL ACTION MEMORANDUM APPROVAL PROCESS FOR PLS ACTIONS.

4. MISSIONS ARE REQUESTED TO PROVIDE AFR/DP/PAB BY 01/29/88 THE NAME AND TITLE OF PDS PROJECT MANAGER.

5. TO REPEAT, THE PROCEDURES NOTED ABOVE APPLY TO ESF FUNDS.

6. ANY QUESTIONS OR COMMENTS CONCERNING THIS GUIDANCE SHOULD BE DIRECTED TO AFR/DP/PAB. SEULTZ

BT

24

Report Distribution

AA/AFR	5
AA/M	2
AFR/CONT	1
AFR/PD	5
AFR/EA/KUTRB	1
AFR/SA/ZMSARZ	1
AFR/SWA/NSMCV	1
AFR/PD/SA	1
AFR/PD/SWAP	1
AFR/PD/CCWA	1
AFR/CCWA	5
AFR/CCWA/L	1
AFR/SWA	2
AA/XA	2
LEG	1
GC	1
XA/PR	1
AA/PFM	2
PPC/CDIE	3
USAID/Burundi	1
USAID/Kenya	1
USAID/Liberia	1
USAID/Malawi	1
USAID/Niger	1
USAID/Rwanda	1
REDSO/WCA	1
IG	1
DIG	1
IG/PPO	2
IG/LC	1
IG/ADM/C&R	12
IG/PSA	1
AIG/I	1
REDSO/ESA	1
RIG/I/Nairobi	1
RIG/A/Cairo	1
RIG/A/Dakar	1
RIG/A/Manila	1
RIG/A/Singapore	1
RIG/A/Tegucigalpa	1
RIG/A/Washington	1
RFMC/Nairobi	1

25