

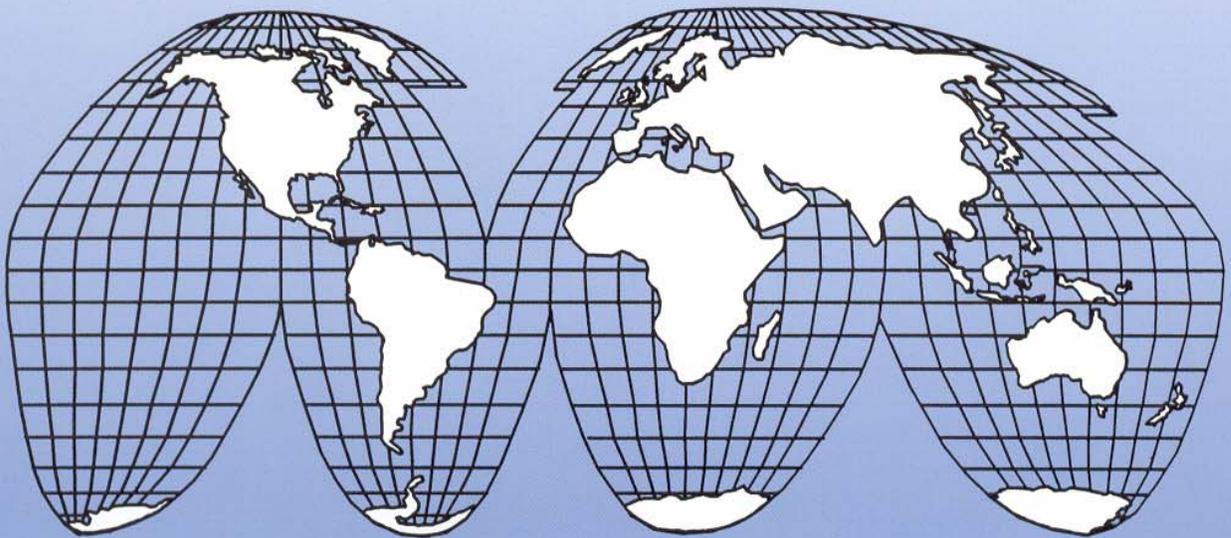
USAID

OFFICE OF INSPECTOR GENERAL

Audit of USAID/Macedonia's Democracy and Local Governance Program

Audit Report No. B-165-04-004-P

March 25, 2004



**U.S. Agency for International Development
Budapest, Hungary**



March 25, 2004

MEMORANDUM

FOR: USAID/Macedonia Mission Director, Richard Goldman

FROM: Regional Inspector General/Budapest, Nancy J. Lawton /s/

SUBJECT: Audit of USAID/Macedonia's Democracy and Local Governance Program (Report No. B-165-04-004-P)

This is our report on the subject audit. In finalizing this report, we considered management comments on the draft report and have included those comments, in their entirety, as Appendix II to this report.

The report contains two recommendations including cost recovery of approximately \$54,000 to which you concurred in your response to the draft report. Based upon our evaluation of the Mission's initial actions to address Recommendation No. 1, we consider that a management decision has been reached on that recommendation. Recommendation No. 2 was added to the report as a result of our internal policy review. However, the discussion of currency exchange fluctuations was included in the draft report and the Mission agreed that the charge for the currency difference would be disallowed. Because the Mission already recovered the funds, we consider that final action has occurred on Recommendation No. 2.

Please coordinate final action relating to Recommendation No. 1 with USAID's Office of Management Planning and Innovation.

I want to express my sincere appreciation for the cooperation and courtesies extended to my staff during the audit.

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Summary of Results

This audit of USAID/Macedonia's Democracy and Local Governance (DLG) program was designed to determine how the Mission spent funds and whether it monitored activities to ensure that intended results were achieved. The audit was part of the Office of Inspector General's fiscal year 2004 Annual Plan and was conducted to promote improvements in the way that USAID manages for results (see page 6).

As of September 30, 2003, USAID/Macedonia—through its DLG Office—funded 15 projects with obligations of \$60.7 million and cumulative expenditures of \$44.2 million. The Mission spent these funds to assist with Macedonia's development of more legitimate democratic institutions. To accomplish this objective, the DLG Office designed projects to increase citizen participation in political and social decision-making, enhance adherence to the rule of law, improve the effectiveness and accountability of local government, and increase confidence in government institutions and political processes (see pages 6-9).

USAID/Macedonia monitored DLG programs to ensure that activities achieved their intended results. However, the Mission's annual performance reporting does not fully reflect USAID's impact in Macedonia because of USAID/Macedonia's predominant use of public perception surveys to measure results of DLG activities. The Mission should review its performance indicators and select a new mix of indicators that better represents their program's performance (see pages 9-12).

USAID/Macedonia approved for payment an erroneous charge of \$54,000 relating to currency fluctuations. When we questioned this charge, the Mission acted promptly to recover the payment, and these funds are now available for small community development grants as intended (see page 12).

USAID/Macedonia officials agreed with the report findings and drafted a revised Performance Monitoring Plan as a first step to reevaluating and selecting a new mix of performance indicators to address our concerns regarding Recommendation No. 1. Mission officials agreed that approximately \$54,000 should be disallowed and recovered the charge (see page 13).

Background

Macedonia is an ethnically diverse country with a population of just over 2 million people. The most recent census divides the population into the following ethnic groups: 64 percent Macedonian, 25 percent Albanian, 4 percent Turkish, 3 percent Roma, and 4 percent other. In February 2001, an armed uprising of ethnic Albanian extremists in Western Macedonia spread to the outskirts of the capital of Skopje and prompted over 100,000 people to leave their homes. This conflict ended in August 2001, however, ethnic tension in the country still exists and political reforms are difficult.

USAID/Macedonia's strategy is directed toward the fundamental causes of potential conflict within the country. Therefore, the Democratic and Local Governance (DLG) program targets the underlying causes of conflict, such as unemployment, a weak civil society, lack of minority participation in the public sector, and over-dependence on the government's patronage system for jobs and business opportunities. Patronage and corruption obstruct transparency and accountability in the political system. The civil society is neither sufficiently developed to exert influence over the actions of political players, nor proactively functions to meet citizen needs. In addition, the judiciary does not exert adequate checks and balances in the system. Therefore, USAID/Macedonia's DLG program is an integral component of the Mission's Strategic Plan and essential for Macedonia's future growth into a stable, healthy democracy with economic opportunities for its citizens.

USAID/Macedonia's DLG program implements activities to (1) strengthen civil society, (2) improve respect and implementation of laws, (3) build the capacity of local government, and (4) increase the trust in political institutions and processes. In fiscal year 2003, USAID/Macedonia spent \$15.3 million, or 26 percent of the Mission's total expenditures, on the DLG program.

Audit Objectives

This audit was part of the Office of Inspector General's fiscal year 2004 Annual Plan and was conducted to promote improvements in the way USAID manages for results, including planning, monitoring, and reporting on program activities.

The audit was conducted to answer the following questions:

How have USAID/Macedonia funds been spent under the Democracy and Local Governance program?

Did USAID/Macedonia monitor its Democracy and Local Governance program to ensure that intended results were achieved?

The scope and methodology of this audit are detailed in Appendix I.

Audit Findings

How have USAID/Macedonia funds been spent under the Democracy and Local Governance program?

As of September 30, 2003, USAID/Macedonia had 15 active democracy and local governance projects with total obligations of \$60.7 million and total cumulative expenditures of \$44.2 million. The Mission incurred these expenditures to meet its strategic objective to assist Macedonia's development of more legitimate democratic institutions. To that end, USAID/Macedonia—through its DLG Office—spent these funds to increase citizen participation in political and social decision-making, enhance adherence to the rule of law, improve the effectiveness and accountability

of local government, and increase confidence in government institutions and political processes.

For detailed review, we selected the four DLG activities with the largest total obligated amounts—approximately \$41.4 million—and total expenditures of \$29.4 million as of September 30, 2003. Each activity’s major purpose, key indicators and related accomplishments are presented below.

Community Self-Help Initiative—USAID/Macedonia has increased citizen participation in political and social decision-making in response to the most crucial needs of communities in Macedonia through the Community Self-Help Initiative program (CSHI). The Mission designed this program to mobilize community-level activities that create jobs and economic growth. CSHI fostered community self-determination by using community improvement grants to address community economic, community service, and small infrastructure needs. The Mission spent \$12.8 million on this program since May 2000.

To determine the results of this program, USAID/Macedonia measured the percent of citizen community groups that have already organized and implemented activities through CSHI and are continuing with the participatory planning and implementation process. In fiscal year 2003, the Mission reported 118 such groups versus a target of 70 groups. Furthermore, CSHI has supported 226 individual community improvement projects with an average cost of approximately \$44,000. These projects included improvements to rural water systems, school renovations, small business assistance, and employment training.



Photograph taken on November 17, 2003 of future site of lighted sports court and parking area for school in village of Rostuse Macedonia, this is the second such project in Rostuse being funded through USAID’s CSHI project.

Rule of Law—USAID signed a new major contract to support the Macedonia Legal Reform Support Project. The Project’s overall objective is to further the rule of law in Macedonia by enabling the Macedonian Judiciary to (1) develop into a stronger, more effective and independent branch of the government, (2) resolve legal disputes in a more timely, consistent and legally correct manner, (3) reduce case backlogs, (4) function in a more transparent, open, responsive and accountable manner, and (5) develop the capacity and mechanisms for improving court organizations, practices and performance over time to meet the needs of Macedonians for timely and consistent protection of their political and economic rights. The Mission spent \$1.3 million on this program since September 2002.

This project has several indicators dealing with separate but related rule of law issues, including (1) public perception of the effectiveness of courts both nationally and in pilot courts areas, (2) average time for filing of court cases to final disposition, (3) court user satisfaction surveys and most importantly, (4) key laws and implementing regulations adopted.

USAID/Macedonia reported that a major task accomplished during fiscal year 2003 was the enactment of the Court Budget Law in September 2003, which gave the Court system its first separate budget outside of direct Ministry of Finance control. In addition, this project has worked with seven pilot courts to modernize caseload management procedures, conducted court user satisfaction surveys, and provided experts for local training and consultancy studies.

Local Government Reform—The overarching objective of the project is more effective, responsive, and accountable local government. Results relating to this program are measured by an annual survey of citizens’ perceptions of effective local government. According to the most recent survey results, public trust in local government declined from 53.9 percent to 40.8 percent between 2002 and 2003. (See discussion under audit objective number 2 relating to the use of public surveys to measure DLG program results.) The Mission spent \$9.1 million on this program since October 1999.

The program provided assistance to the Association of Municipalities to strengthen its professional capacity, particularly in advocacy, organized public hearings on decentralization and created regional sub-commissions. This assistance led to the signing of a Memorandum of Cooperation between the Association and the Macedonian Government. The program also supported the establishment of 15 Citizen Information Centers and 5 Citizen Advisory Boards, and organized public hearings to keep citizens informed about local issues to facilitate citizens’ input into local decision-making. In addition, the program supported four pilot municipalities where property tax administration was transferred from the central government to the local government level.

The Democracy Network—The initial purpose of the Democracy Network (DemNet) was to develop and strengthen indigenous public policy-oriented non-governmental organizations (now referred to as Civil Society Organizations, or CSOs). The latest extension of this cooperative agreement seeks to leave

mechanisms and entities in place to provide for continuing support of the Macedonian CSO sector post-DemNet. The Mission spent \$6.2 million on this program since April 1995.

USAID/Macedonia assesses this program's results using a combination of annual surveys of citizens' participation in political actions and membership in various groups. The survey data showed that in fiscal year 2003 fewer citizens took part in political actions, groups, or organizations pursuing their interest. (See discussion under audit objective number 2 relating to the use of public surveys to measure DLG program results.) The program also reported the percent of citizen community groups that have already organized and implemented activities and are now continuing with the participatory planning and implementation process.

Recently, the program succeeded in assisting a local CSO in Macedonia to become part of a national committee on HIV/AIDS. A USAID-sponsored CSO applied for member status with the International Global Fund to Fight AIDS, Tuberculosis and Malaria and was accepted. This CSO may receive a significant portion of the \$6.3 million that the fund will allocate to help fight HIV/AIDS in Macedonia.

Did USAID/Macedonia monitor its Democracy and Local Governance program to ensure that intended results were achieved?

USAID/Macedonia actively monitored projects implemented under the program to ensure that intended results were achieved. However, USAID/Macedonia's selected and reported performance indicators—used to evaluate strategic objective performance and report detailed targets and results to USAID/Washington management and other stakeholders in the annual report—do not accurately reflect the program's overall performance. Although the Mission uses over 25 indicators to monitor that intended results are being achieved, the indicators selected by the Mission for reporting results in their annual report do not fully meet USAID requirements.

USAID's key monitoring and results-related criteria are included in Automated Directives System (ADS) chapters 202, 203, 302 and 303. Specifically, the guidance requires appropriate Mission personnel to:

- monitor the quality and timeliness of key outputs,
- assess performance of contractors and recipients,
- set performance baselines and targets,
- ensure data quality standards are met, and
- meet operating unit reporting requirements.

USAID/Macedonia actively monitored its Democracy and Local Governance program (DLG) in accordance with applicable USAID ADS chapters. It is the

Cognizant Technical Officers' (CTOs) responsibility to ensure, through liaison with the contractor or grant recipient, that the terms and conditions of the acquisition and assistance instruments are accomplished. Responsible CTOs and Activity Managers within the DLG Office communicated with the implementers of the projects through daily emails and phone calls, weekly meetings, and frequent visits to the local project offices. In addition, CTOs frequently performed site visits to monitor the implementation of activities and documented such monitoring through trip reports. The documentation in DLG's files included reviews of work plans and quarterly reports, approvals of key personnel and payment requests (vouchers) under the projects. The Mission had an updated Performance Management Plan assigning data collection responsibilities to specific employees. The Mission used this data to monitor the performance of its programs by comparing actual results against established targets. In addition, the Mission accurately reported its achievement of intended results by stating it met targets in its fiscal year 2003 annual report but only achieved mixed results in the fiscal year 2004 annual report (see detailed descriptions of project results on pages 7-9).

Finally, during the audit, we conducted several site visits with DLG's CTOs which emphasized good working relationships between USAID/Macedonia and the U.S. Embassy, implementers and local government officials. The visits also highlighted the CTOs' strong oversight of projects and allowed us to observe their interaction with embassy officials, implementing officials, and local community representatives.

Therefore, as described above, the Mission is actively monitoring the DLG program. However, since mission's annual reports have become USAID's primary program reporting documents, the designated indicators selected for annual reporting should best demonstrate the respective mission's progress towards achieving its intended results. Consequently we have developed the following finding to assist USAID/Macedonia.

USAID/Macedonia Needs To Report Results Indicators That Better Reflect Actual Achievements

USAID guidance requires that performance indicators selected for reporting purposes be, among other things, objective, direct, and attributable to USAID efforts. Although the Mission uses over 25 indicators to monitor and report that intended results are being achieved, the indicators selected by the Mission for reporting results in their annual report do not fully meet these requirements. The selected indicators are qualitative in nature and are based on citizens' perceptions of various democratic institutions. DLG uses public perception surveys as performance indicators based on a consultant's recommendation and following the common practice of using surveys to measure democracy program results. However, these perception surveys are influenced by circumstances outside the control of USAID/Macedonia. Consequently, the program results captured by surveying citizens do not accurately reflect the program's performance.

ADS 203.3.4.2—"Characteristics of Good Performance Indicators"—provides seven criteria that should be used in selecting performance indicators. These criteria

require performance indicators to be direct, objective, useful for management, practical, attributable to USAID efforts, timely, and adequate. ADS 203.3.4.6 allows operating units to change, add, or drop performance indicators to meet USAID's data needs. Although ADS 203.3.4.1 allows Missions to select both qualitative and quantitative indicators and Missions must make tradeoffs between the criteria outlined above, in annual reporting, Missions should designate performance indicators that will best demonstrate progress towards achieving their objectives. The public perception survey indicators are useful but do not best demonstrate Mission progress towards intended results and should be supplemented with other quantitative measures.

Although the Mission uses over 25 indicators as well as implementer's annual workplans and quarterly reports to monitor and report that intended results are being achieved, the indicators selected by the Mission for reporting results in the annual report do not fully meet these ADS requirements. In its most recent annual report, submitted in December 2003, USAID/Macedonia reported its performance results for fiscal year 2003 using seven performance indicators. Six of these seven indicators were based on a survey given to Macedonian citizens. These qualitative indicators are based on citizens' perceptions of the current status of the various democratic institutions and are influenced by circumstances that are outside the control of the program. For example, high unemployment, publicized corruption charges, and feelings of discrimination by ethnic minorities all influence public perception of democratic institutions without directly measuring the USAID/Macedonia DLG program's success or failure.

While the use of surveys to measure perception of government is practical, timely, and useful to management, these surveys do not objectively capture all results that are directly attributable to USAID efforts. As a result, USAID/Macedonia's positive achievements are not always captured by the public perception surveys. For example, USAID/Macedonia's DLG program (1) significantly contributed to the peaceful and fair parliamentary elections held in September 2002, (2) assisted in the recent census that was an integral component of the Framework Agreement to end the armed ethnic uprising, and (3) provided material technical assistance in the passage of the Court Budget Law as a step towards an independent judiciary. Although these achievements are captured in the annual report's narrative section, the Mission's selected annual performance indicators do not address these specific positive outcomes, but instead include only the often negative perceptions derived from the broad survey data.

USAID/Macedonia uses survey data to report program performance because this approach was recommended by a consultant who helped review the Mission's Performance Management Plan and construct the annual report for 2002. A DLG official stated that the Mission decided to use surveys to measure public perception because the data was readily available and the Mission could easily establish a baseline for performance measurement. In addition, he stated that within USAID the use of surveys is a common practice to measure the results of democracy programs. He added, however, that as the Mission is now consolidating the DLG program and designing new activities, it is a good time to reevaluate the

Performance Management Plan and establish the most relevant indicators (similar to the recent update of the Rule of Law indicators that selected objective data measures such as “key laws and implementing regulations adopted” and “average time from filing of case to final disposition”).

The continued use of only these qualitative survey indicators make it difficult to determine if intended results are achieved since they can be influenced by actions outside the control of the DLG program. Therefore, we are making the following recommendation.

Recommendation No. 1: We recommend that USAID/Macedonia’s Office of Democracy and Local Governance, in collaboration with the Program Office, re-evaluate and select a new mix of performance indicators for inclusion in the 2005 annual report.

USAID/Macedonia Recovered Charges Related To Currency Exchange Fluctuations

The contract governing the Community Self-Help Initiative program (CSHI) has no provision for charges relating to currency exchange fluctuations. However, USAID/Macedonia mistakenly approved the contractor’s charge for Value Added Tax (VAT) Exchange Rate Difference that was shown as a cost for Community Improvement Grants. This one-time charge of approximately \$54,000 represented exchange rate variations between the time of a VAT refund submission and the actual receipt of funds from the Government of Macedonia.

The contractor uses refunds to fund future Community Improvement Grants and erroneous charges reduce the funds available for such grants. In response to our concern, USAID/Macedonia quickly recovered the funds. As a result, approximately \$54,000 is available to fund future Community Improvement Grants under the program. In order to capture the questioned costs and recovery in USAID’s Consolidated Audit Tracking System, we are making the following recommendation.

Recommendation No. 2: We recommend that USAID/Macedonia recover the approximately \$54,000, labeled Value Added Tax Exchange Rate Difference, and use these funds for future Community Improvement Grants.

**Management
Comments and
Our Evaluation**

In response to our draft audit report USAID/Macedonia provided written comments that are included in their entirety as Appendix II. The Mission agreed with Recommendation No. 1 and also agreed with the finding on the charge for currency differences which was formalized as Recommendation No. 2 as a result of the OIG's internal policy review.

In response to Recommendation No. 1, USAID/Macedonia's Democracy and Local Governance Office revised their Performance Monitoring Plan (PMP) to track three levels of indicators. The Mission stated that in their future annual reports they would not rely heavily on the public perception surveys and would ensure that a proper blend of objective, practical, USAID-attributable and verifiable indicators would be reported. Based upon the Mission's comments, actions, and our review of the revised PMP we consider that a management decision has been reached on this recommendation.

Concerning Recommendation No. 2, USAID/Macedonia determined that the approximately \$54,000 of currency exchange difference should be disallowed. The Mission effectively recovered the charge by reducing the contractor's subsequent voucher. Based upon the Mission's comments, actions, and our review of the voucher evidencing corrective action, we consider that final action has been taken on this recommendation.

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**Scope and
Methodology****Scope**

The Regional Inspector General/Budapest conducted this audit in accordance with generally accepted government auditing standards. This audit was designed to answer the following questions:

1. How have USAID/Macedonia funds been spent under the Democracy and Local Governance program?
2. Did USAID/Macedonia monitor its Democracy and Local Governance program to ensure that intended results were achieved?

As of September 30, 2003, the DLG program had 15 active projects with total obligations of \$60.7 million and total expenditures of \$44.2 million. We tested 67 percent of the program's total expenditures, or \$29.4 million. In addition, we tested the Mission's monitoring of selected projects for fiscal years 2002 and 2003.

In planning and performing the audit, we assessed management controls related to management review, proper execution of transactions and events, and review of performance measures and indicators. Specifically, we obtained an understanding and evaluated (1) the fiscal year 2003 and 2004 annual reports, (2) the Performance Management Plan, (3) award oversight performed by Cognizant Technical Officers (CTOs), (4) performance measures, (5) actual performance results, (6) contractor submitted vouchers, and (7) financial reports for selected projects. We also conducted interviews with key USAID/Macedonia personnel and implementing partners.

We conducted the audit at USAID/Macedonia, located in Skopje, Macedonia and at various project site locations throughout Macedonia, including the city of Prilep and the villages of Rostuse and Trizla. The audit fieldwork was conducted from November 13, 2003 through February 6, 2004.

Methodology

To answer both audit objectives we reviewed applicable laws and regulations, such as the Federal Managers' Financial Integrity Act of 1982, as well as USAID policy and procedures. We selected four projects to review based on the largest cumulative obligation amounts as of September 30, 2003. For testing of the Community Self-Help Initiative program, the OIG statistician designed a valid statistical sample plan using attribute sampling with an error rate of 5 percent and a 95 percent confidence level to determine our sample size for detailed testing of the project's reported results. In addition, we validated performance results and compared actual versus targeted results to verify the Mission's determination of

the individual project's performance. For the Local Government Reform project and The Democracy Network's public perception surveys, we reviewed the methodology used and validated raw data collected by the survey contractor. Finally, for the new Rule of Law project we (1) traced planned activities to completion or current status as reported by the contractor, (2) found supporting documentary evidence of trainings, completed work plans, and assessments, through our review of USAID/Macedonia files, (3) conducted a site visit to one of the pilot courts, and (4) verified the important passage of the Court Budget Law. In reviewing the programs/projects we used a 5 percent threshold to determine if results were accurately reported and a 10 percent threshold to determine if the activities achieved targeted results.

Further, we interviewed CTOs, implementing partners, and program management officials. The interviews provided us with an understanding of how CTOs performed their tasks and oversight of assigned projects. In addition, we performed site visits with the assigned CTOs for each selected project. Finally, we reviewed project contracts and agreements, vouchers and quarterly reports for the selected projects.

Management Comments



USAID MACEDONIA

Memorandum

DATE: March 5, 2004

REPLY TO

ATTN. OF: Dick Goldman, Mission Director

SUBJECT: Report on Audit of USAID/Macedonia Democracy and Local Governance (DLG) Program (Report No. B-165-04-00x-P)

TO: Nancy Lawton, Regional Inspector General, Budapest

SUBJECT: Mission response to RIG's draft audit report dated March 1, 2004

Please find herewith USAID/Macedonia's comments on recommendation number one and the additional finding from Audit Report No. B-165-04-00x-P.

Recommendation No. 1: We recommend that USAID/Macedonia's Office of Democracy and Local Governance, in collaboration with the Program Office, re-evaluate and select a new mix of performance indicators for inclusion in the 2005 annual report.

Comment. We agree with this recommendation. As the Audit Report pointed out, USAID/Macedonia is going through a process of consolidating the DLG program and designing new activities.¹ In this context, the DLG office agrees with the Audit Report that it is appropriate to conduct a significant revision of the DLG Performance Monitoring Plan (PMP), and to select a new mix of performance indicators for the inclusion in the Annual Report for 2005 and beyond. Toward this goal, the DLG office has drafted a revised PMP plan that is summarized below.

¹ Twelve DLG activities will be ending during the course of FY 2004 and 2005; two new activities will be designed in the areas of local governance and civil society, comprising some two-thirds of the DLG program budget.

PMP Revision. The revised DLG PMP will track specific performance indicators at three distinct levels: A) Macro-level indicators that track the progress of the DLG sector as a whole and can be compared across countries; B) Macedonian national survey data that is accurate and can illustrate democratic trends over time; and C) project specific data that will directly track the progress and impact of the Mission’s DLG activities.

Level A Indicators. These indicators include those of broad regional surveys like the Freedom House Nations in Transit (Governance/ Rule of Law) Rating, ABA/CEELI’s Judicial Reform Index and USAID’s NGO Sustainability Index. These indicators are needed by the Department of State SEED and EUR/ACE offices, the USAID E&E Bureau and this Mission, to be able to analyze and compare progress across the region.

Level B Indicators. The DLG office will continue to utilize the Macedonia Democratic Values Survey² (MDVS) to track trends and progress in the consolidation of democratic legitimacy; however, the Mission will not rely heavily on this data in the Annual Report. The MDVS provides some of the most practical, timely, verifiable and accurate³ data related to citizen participation in democratic processes and citizen support for democratic institutions. USAID has been tracking this data since 2000, as such the MDVS provides the Mission with the ability to track the growth of democratic institutions and the trends in citizens’ support for democracy over time. USAID/Macedonia feels strongly that the MDVS continues to be an important performance measurement tool, but will not rely on it heavily for the Annual Report.

Level C Indicators. The DLG office has initiated the process of updating its PMP and identifying and tracking new indicators at this level. The Court Modernization Project (IR2.2) was initiated in January 2003 and includes more project specific indicators, such as the average time from filing to final disposition of civil cases and adoption of key laws. As 2003 was the first year for collecting data on most of the indicators used in IR 2.2, we were not able to report on these indicators in the 2003 Annual Report. The new integrated local governance activity will include a Municipal Capacity Index (MCI) that will directly track municipalities’ capacities and ability to assume new responsibilities under decentralization. A similar, targeted index will be integrated into the new civil society activity that will be designed later this year.

USAID/Macedonia will ensure that a proper blend of objective, practical, USAID-attributable and verifiable indicators, across these three levels is reported in the 2005 and subsequent USAID Annual Reports.

Additional Finding- USAID/Macedonia Recovered Charges Related To Currency Exchange Fluctuations

USAID’s programs are Value Added Tax (VAT) exempt. As such the Community Self Help Initiative (CSHI) began submitting requests to the Ministry of Finance for VAT reimbursements beginning in June 2002. The program began receiving VAT reimbursements on or about October 15, 2002. The United States Dollar (USD) continued to decline against the Macedonia Denar (MKD) from the original submittal dates to the actual reimbursements from the Ministry of Finance. The USD

² The complete title is the “Macedonian Citizens’ Attitudes and Practices Regarding Democracy and Civic Participation and their Perceptions about Political, Civil, and Government Institutions”.

³ These are included in the “Characteristics of Good Performance Indicators” USAID ADS 203.3.4.2.

devaluation against the MKD over time, and numerous VAT reimbursement requests, resulted in a difference of \$54,000.

CSHI charged the \$54,000 currency difference on voucher #77 (dated: October 11-25 2003). However, after consultation among the RIG auditors and USAID CTOs, it was jointly determined that USAID disallow the \$54,000 previously recorded on voucher #77. These resources will be available for future CSHI activities. Corrective action was initiated on voucher #78. USAID/Macedonia, RIG and CSHI identified a systematic solution to this issue and it will not reoccur.