

Department of State TELEGRAM

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SUBJECT: FINANCIAL MANAGEMENT GUIDANCE ON DOLLAR SEPARATE
 ACCOUNTS FOR ESF CASH TRANSFERS AND ESF-, DA AND DFA-
 FUNDED NON-PROJECT SECTOR ASSISTANCE CASH DISBURSEMENTS

REFS: (A) 87 STATE 225982, (B) 88 STATE 062298, (C) FY 1990 FOREIGN
 ASSISTANCE APPROPRIATION ACT PL 181-167, TITLE V, SECTION S92(B))

1. THE PURPOSE OF THIS CABLE IS TO PROVIDE EXPANDED GUIDANCE FOR CONTROLLERS AND OTHER FINANCIAL OFFICERS MONITORING SEPARATE ACCOUNTS FOR ESF CASH TRANSFER DOLLARS AND ESF-, DA- AND DFA-FUNDED NON-PROJECT SECTOR ASSISTANCE DOLLARS. THIS GUIDANCE DOES NOT ADDRESS SPECIAL ACCOUNTS ESTABLISHED FOR MOST COUNTRY-OWNED LOCAL CURRENCY, WHICH WILL BE ADDRESSED IN FUTURE GUIDANCE, SPECIFICALLY THIS GUIDANCE ADDRESSES NEW LEGISLATIVE REQUIREMENT FOR SEPARATE, NON-COMMINGLED ACCOUNTS FOR ESF-, DA- AND DFA-FUNDED NON-PROJECT SECTOR ASSISTANCE; MAINTAINING ACCOUNTABILITY OVER THE DOLLARS DURING THE DISBURSEMENT PROCESS FROM A.I.D. TO THE SEPARATE ACCOUNT; ENSURING ACCOUNTABILITY OVER DOLLAR.

SEPARATE ACCOUNTS: REQUIREMENTS TO EFFECT EITHER AN ESF CASH TRANSFER OR AN ESF-, DA- AND DFA-FUNDED NON-PROJECT SECTOR ASSISTANCE CASH DISBURSEMENT; AND CURRENT LEGISLATION AND A.I.D. POLICY ON USING REIMBURSEMENT AS A MEANS OF DISBURSEMENT OF NON-PROJECT ASSISTANCE.

2. BACKGROUND. THE FY 1980 APPROPRIATIONS ACT EXTENDS THE SEPARATE ACCOUNT REQUIREMENT FOR ESF CASH TRANSFERS TO ESF-, DA- AND DFA-FUNDED NON-PROJECT SECTOR ASSISTANCE DOLLAR CASH DISBURSEMENTS. REFTEL (A) PROVIDES AGENCY GUIDANCE ON THE IMPLEMENTATION OF THE REQUIREMENT THAT ALL COUNTRIES RECEIVING ESF CASH TRANSFER DOLLARS PLACE THOSE DOLLARS IN A SEPARATE, NON-COMMINGLED, INTEREST-BEARING ACCOUNT. A.I.D AND THE RECIPIENT SHOULD AGREE ON THE GENERAL USES OF THE DOLLARS AND THESE SHOULD BE IDENTIFIED IN THE CASH TRANSFER ASSISTANCE AGREEMENT. PRIOR TO DISBURSEMENT BY A.I.D., THE MISSION MUST BE SATISFIED THAT ALL CONDITIONS PRECEDENT TO DISBURSEMENT HAVE BEEN MET.

GUIDANCE IN REFTEL (A) ALLOWS ESF CASH TRANSFER DOLLARS TO BE USED FOR IMPORT FINANCING AND/OR DEBT FINANCING,, AND ALLOWS DISBURSEMENT OF THOSE DOLLARS THROUGH DIRECT DISBURSEMENT, REIMBURSEMENT OR AUCTION ARRANGEMENTS. THE SAME IS NOW TRUE FOR ESF, DA- AND DFA-FUNDED NON-PROJECT SECTOR ASSISTANCE DOLLAR DISBURSEMENTS. IN CONCERT WITH THE RELEVANT REGIONAL BUREAU, PREFERABLY DURING THE PAAD APPROVAL PROCESS. MISSIONS SHOULD REVIEW THE COUNTRY S FOREIGN EXCHANGE AND IMPORT REGIMES. THE INTEGRITY OF ITS ACCOUNTING SYSTEMS AND THE POLITICAL ENVIRONMENT,, AND TAILOR DOLLAR USE AND ACCOUNTABILITY ARRANGEMENTS TO SUIT THAT COUNTRY. EACH OF THE APPROACHES REQUIRES ADEQUATE MONITORING AND AUDIT RIGHTS AGREED TO BY THE RECIPIENT. A MONITORING COMMITMENT BY A.I.D. STAFF, PERIOD C SUBSTANTIVE

REPORTING BY THE RECIPIENT, AND DOLLAR RE-DEPOSIT OR OTHER REMEDIAL ACTION IN CASES OF NON-COMPLIANCE WITH THE AGREEMENT ON USES.

3. RECENT LEGISLATION. SECTION 582X) OF THE FOREIGN OPERATIONS, EXPORT FINANCING AND RELATED PROGRAMS APPROPRIATIONS ACT, 1998 STATES THAT COUNTRIES RECEIVING (1) ESF CASH TRANSFER DOLLARS OR (2) ESF-, DA- AND DFA-FUNDED NON-PROJECT SECTOR ASSISTANCE DOLLARS, ARE REQUIRED TO SET UP SEPARATE ACCOUNTS FOR THOSE FUNDS AND NOT COMMINGLE THEM WITH OTHER FUNDS (SECTION S92 (B) (1)). LIKE ITS PREDECESSOR LEGISLATION REQUIRING SEPARATE ACCOUNTS FOR ESF CASH TRANSFERS ONLY, SECTION S92 (B) (2)) CONTAINS A QUOTE NOTWITHSTANDING UNQUOTE CLAUSE TO ENABLE A.I.D. TO IDENTIFY SPECIFIC DOLLAR USES PRIOR TO DISBURSEMENT WITHOUT INVOKING THE LAWS, POLICIES AND PROCEDURES WHICH ARE USUALLY ASSOCIATED WITH PROJECT ASSISTANCE, BUT WHICH WOULD BE INCONSISTENT WITH THE NATURE OF A CASH DISBURSING ASSISTANCE PROGRAM. ACCORDINGLY,. THE SAME REQUIREMENTS AND PROCEDURES FOR DOLLAR TRACKING CURRENTLY IN FORCE FOR ESF CASH TRANSFERS WOULD APPLY TO ESF-, DA- AND DFA-FUNDED NON-PROJECT SECTOR ASSISTANCE DOLLARS PROVIDED VIA A NON-PROJECT ASSISTANCE PROGRAM.

IN SECTION S92 (B) (3)) THE LEGISLATION FURTHER REQUIRES A.I.D. TO SUBMIT A CONGRESSIONAL NOTIFICATION (CN) AT LEAST FIFTEEN (15) DAYS PRIOR TO OBLIGATION OF EITHER ESF CASH TRANSFER DOLLARS OR ESF-, DA- AND DFA-FUNDED NON-PROJECT SECTOR ASSISTANCE DOLLARS. SINCE THAT CN IS REQUIRED TO INCLUDE DETAILS ON THE PLANNED USES OF THE DOLLARS TO BE PROVIDED ON A CASH BASIS, SUCH USES MUST BE NEGOTIATED AS PART OF THE PAAD S FINAL DESIGN, IDENTIFIED AT THE TIME OF SUBMITTING THE CN, AND AGREED UPON IN THE PROGRAM AGREEMENT. THE LEGISLATION ALSO REQUIRES THAT THE CN INCLUDE A DISCUSSION OF THE UNITED STATES INTERESTS THAT WILL BE SERVED BY THE ASSISTANCE INCLUDING, AS APPROPRIATE, A DESCRIPTION OF THE ECONOMIC POLICY REFORMS THAT WILL BE PROMOTED BY SUCH ASSISTANCE. THE CN REQUIREMENT, AS WELL AS THE TOTALITY OF SECTION S92 (B), APPLY EQUALLY TO INCREMENTAL AUTHORIZATION OR OBLIGATION ACTIONS UNDER PREVIOUSLY APPROVED MULTI-YEAR PROGRAMS THAT TAKE PLACE IN FY 1980 AND TO NEW ACTIVITIES.

SECTION S92 (B) (4) (4) ALLOWS FOR EXEMPTIONS FROM THE SEPARATE ACCOUNT REQUIREMENT OF SECTION S82 (B) (4). REGIONAL BUREAUS HAVE ALREADY ISSUED AND MAY BE ISSUING FURTHER GUIDANCE ON THE EXEMPTION ALLOWED UNDER S82 (B) (4) IF NECESSARY.

4. ACCOUNTABILITY FOR CASH TRANSFER AD SECTOR ASSISTANCE DOLLARS DURING THE TRANSFER PROCESS. CONTROLLERS OF FINANCIAL OFFICERS SHOULD ENSURE THAT ACCOUNTABILITY FOR DOLLARS IS MAINTAINED FROM DISBURSEMENT BY A.I.D UNTIL USE BY THE MOST COUNTRY FOR ELIGIBLE TRANSACTIONS.

BACKGROUND. CURRENT GUIDANCE REQUIRES THAT THE MISSION WHEN REQUESTING A CASH TRANSFER, IDENTIFY A SEPARATE, NON-COMMINGLED ACCOUNT TO WHICH FUNDS WILL BE DISBURSED. IN PRACTICES, BEFORE FUNDS REACH THIS ACCOUNT, THEY MAY FLOW THROUGH INTERIM ACCOUNTS AS PART OF THE NORMAL BANKING PROCESS. IN THEIR NEGOTIATIONS WITH THE HOST COUNTRY GOVERNMENT, MISSIONS SHOULD SEEM TO MINIMIZE THE NUMBER OF ACCOUNTS USED IN THE TRANSFER PROCESS.

SOME MISSIONS ARE PROVIDING TO FM THE NUMBERS OF ALL OF THE ACCOUNTS THROUGH WHICH FUNDS PASS IN THE TRANSFER PROCESS, BUT SINCE THEY ARE DOING SO VOLUNTARILY, WE CANNOT BE SURE THAT THIS IS ALWAYS BEING DONE, OR EVEN THAT ALL MISSIONS ARE AWARE OF ALL OF THE ACCOUNTS THROUGH WHICH CASH DISBURSEMENTS PASS.

THE INITIAL A.I.D. DISBURSEMENT OF FUNDS SHOULD BE TRANSFERRED IN A MOST EXPEDITIOUS MANNER TO THE DOLLAR SEPARATE ACCOUNT. IDEALLY, THE TRANSFER PROCESS WILL BE COMPLETED WITHIN TWO BUSINESS DAYS. GENERALLY, THE SEPARATE ACCOUNT IDENTIFIED TO PFM/FM TO EFFECT A CASH TRANSFER WILL BE THE LAST ACCOUNT WHERE FUNDS WILL REMAIN PRIOR TO DISBURSEMENT FOR ELIGIBLE TRANSACTIONS BY THE HOST COUNTRY. THIS IS THE PROCESS USED WHEN DOLLARS ARE GOING TO A SUB-ACCOUNT IN THE FEDERAL RESERVE BANK OR TO A HOST COUNTRY S ACCOUNT IN A U.S. COMMERCIAL BANK.

IF CASH DISBURSEMENTS ARE TRANSFERRED IN THEIR ENTIRETY TO THE SEPARATE, NON-COMMINGLED ACCOUNT WITHIN TWO BUSINESS DAYS AFTER BEING DISBURSED BY A.I.D., THEN THERE IS NO NEED TO ESTABLISH SEPARATE ACCOUNTS IN EACH INSTITUTION THROUGH WHICH THE FUNDS FLOW. THIS WOULD BE THE IDEAL SITUATION. HOWEVER, ON OCCASION, MORE THAN TWO DAYS MAY BE REQUIRED FOR CASH DISBURSEMENTS TO REACH THE SEPARATE ACCOUNT. IN THOSE CASES WHERE TRANSFERS WILL TAKE LONGER THAN TWO BUSINESS DAYS THE MISSION MUST PROVIDE A JUSTIFICATION TO PFM/FM WHEN REQUESTING THE INITIAL DISBURSEMENT FROM A.I.D. AND THE MISSION OFFICIAL RESPONSIBLE FOR THE DAY-TO-DAY MONITORING OF THE SPECIAL ACCOUNT MUST ENSURE THAT THE DOLLARS ARE NOT COMMINGLED BEFORE THEY REACH THE SEPARATE ACCOUNT AND CANNOT BE ACCESSED FOR ANY PURPOSE EXCEPT FOR THEIR ON-GOING TRANSFER TO THE SEPARATE ACCOUNT.

REFTEL (A) REQUIRES THAT THE INTEREST EARNED ON THE DOLLARS WHILE THEY ARE IN THE SEPARATE ACCOUNT BE PROGRAMMED AS PRINCIPAL. IF CASH DISBURSEMENTS REQUIRE MORE THAN TWO BUSINESS DAYS TO REACH THE SEPARATE ACCOUNT, THEN THE MISSION OFFICIAL RESPONSIBLE FOR MONITORING THE DISBURSEMENT MUST ENSURE THAT THE INTEREST IS BEING GAINED ON THE BALANCE OF THE DISBURSEMENT AND THAT THIS INTEREST IS BEING TRANSFERRED WITH THE PRINCIPAL TO THE SEPARATE ACCOUNT.

5. ACCOUNTABILITY FOR CASH TRANSFER AND SECTOR ASSISTANCE DOLLAR SEPARATE ACCOUNTS. CONTROLLERS OR FINANCIAL OFFICERS SHOULD ENSURE THAT BOTH CASH TRANSFER AND SECTOR ASSISTANCE PROGRAMS CONTAIN CERTAIN ESSENTIAL ELEMENTS TO ENSURE ACCOUNTABILITY OVER DOLLAR SEPARATE ACCOUNTS. THE DEFINITION OF THE DOLLAR SEPARATE ACCOUNT FOR THE PURPOSE OF THE FOLLOWING GUIDANCE IS THE LAST NON-COMMINGLED SEPARATE ACCOUNT WHERE FUNDS REMAIN PRIOR TO DISBURSEMENT FOR ELIGIBLE TRANSACTIONS BY THE HOST COUNTRY. THERE MAY BE MORE THAN ONE DOLLAR SEPARATE ACCOUNT, IN WHICH CASE THIS GUIDANCE APPLIES TO ALL THE DOLLAR SEPARATE ACCOUNTS.

(A) FINANCIAL ASSESSMENTS. THE PROGRAM DESIGN DOCUMENT MUST IDENTIFY THE HOST COUNTRY AGENCY RESPONSIBLE FOR MANAGING THE DOLLAR SEPARATE ACCOUNT AND MUST CONTAIN A CONCLUSION AS TO THE CAPABILITY OF THAT AGENCY TO EFFECTIVELY CARRY OUT ITS RESPONSIBILITIES. THIS CONCLUSION WILL BE BASED ON EITHER A FORMAL FINANCIAL ASSESSMENT OF THE AGENCY OR THE MISSIONS PAST EXPERIENCE WITH AGENCY'S PERFORMANCE. THE FORMAL FINANCIAL ASSESSMENT MAY BE PERFORMED BY THE MISSION CONTROLLER OR AN INDEPENDENT FIRM. INITIAL FINANCIAL ASSESSMENTS PERFORMED BY INDEPENDENT FIRMS MAY BE FUNDED BY PROGRAM DEVELOPMENT AND SUPPORT FUNDS (PD&S) IN ACCORDANCE WITH GUIDANCE PROVIDED IN HANDBOOK 2, CHAPTER 1.00 OR BY LOCAL CURRENCY FROM A CURRENT PROGRAM. LOCAL CURRENCY IS PREFERABLE TO DOLLARS, BUT EITHER OPTION SHOULD BE UNDERTAKEN WITH THE CONSENT AND FULL COOPERATION OF THE HOST COUNTRY.

IF A HOST COUNTRY AGENCY HAS NO PRIOR EXPERIENCE WITH MANAGING AN A.I.D. DOLLAR SEPARATE ACCOUNT OR A HOST COUNTRY HAS A CDR RECORD OF MANAGING DOLLAR SEPARATE ACCOUNTS (INDICATED BY UNFAVORABLE AUDITS, UNTIMELY, INACCURATE, OR INCOMPLETE REPORTS, ETC.) THEN A FORMAL FINANCIAL ASSESSMENT MUST BE PERFORMED. IF THE HOST COUNTRY AGENCY HAS A GOOD RECORD OF MANAGING DOLLAR SEPARATE ACCOUNTS, THEN A FORMAL FINANCIAL ASSESSMENT NEED NOT BE PERFORMED FOR EACH NEW PROGRAM. EITHER METHOD OF ASSESSMENT

WILL CULMINATE IN A DISCUSSION IN THE PROGRAM DESIGN DOCUMENT AS TO THE HOST COUNTRY AGENCY'S ABILITIES WHICH EITHER CONCLUDES THAT THE HOST COUNTRY AGENCY HAS THE CAPABILITY TO MANAGE THE DOLLAR SEPARATE ACCOUNT, OR WHICH EXPLAINS HOW THE HOST COUNTRY AGENCY WILL BE STRENGTHENED TO ENSURE THAT THE DOLLAR SEPARATE ACCOUNT WILL BE MANAGED SATISFACTORILY.

IF WEAKNESSES ARE FOUND IN A HOST COUNTRY'S FINANCIAL MANAGEMENT SYSTEMS, THE MISSION MAY CONSIDER TECHNICAL ASSISTANCE OR ANY OTHER MEANS TO STRENGTHEN THE RELEVANT SYSTEMS PRIOR TO DISBURSEMENT OF FUNDS TO THE SEPARATE ACCOUNT. FUNDS MAY BE PROVIDED FOR THIS PURPOSE FROM ONE OF MORE OF THE FOLLOWING SOURCES: HOST COUNTRY-OWNED LOCAL CURRENCY AVAILABLE FROM A PREVIOUS PROGRAM; FUNDS WHICH MAY BE AVAILABLE IN OTHER MISSION PROJECTS WHEN PROJECT DESIGN AND AUTHORIZATION WOULD PERMIT THE USE OF FUNDS FOR SUCH A PURPOSE; PD&S FUNDS; PROJECTIZED COMPONENT OF THE WPA PROGRAM - EACH OF THESE OPTIONS REQUIRES NEGOTIATION BETWEEN THE MISSION AND THE HOST COUNTRY, AND SHOULD BE DECIDED IN THE PROGRAM DESIGN DOCUMENT. A FOLLOW-UP FINANCIAL ASSESSMENT WHICH FOCUSES ON THE WEAKNESSES IDENTIFIED IN THE INITIAL FINANCIAL ASSESSMENT MUST BE PERFORMED TO ENSURE THAT THE WEAKNESSES HAVE BEEN CORRECTED.

(B) REPORTING AND VERIFICATION. THE PROGRAM AGREEMENT MUST CONTAIN SPECIFIC LANGUAGE REGARDING THE REPORTING REQUIREMENTS OF THE HOST COUNTRY AGENCY RESPONSIBLE FOR MANAGING THE DOLLAR SEPARATE ACCOUNT. AT A MINIMUM, THE PROGRAM AGREEMENT MUST REQUIRE THAT REPORTS ON THE STATUS OF SEPARATE ACCOUNT ACTIVITY BE SUBMITTED TO THE MISSION ON AT LEAST A QUARTERLY BASIS. THE PROGRAM AGREEMENT MUST BE ALSO CONTAIN A CLAUSE REQUIRING THE RE-DEPOSIT TO THE SEPARATE ACCOUNT OF FUNDS APPLIED TO A DISALLOWED USE, THIS PERMITTING SUCH FUNDS TO BE RE-PROGRAMMED FOR A PERMITTED USE.

REPORTING FORMAT AND CONTENT SHOULD BE OUTLINED IN A SUBSEQUENT PIL SOON AFTER THE PROGRAM AGREEMENT IS SIGNED. THESE REPORTS SHOULD PROVIDE INFORMATION ON DEPOSITS TO, WITHDRAWS FROM, AND DISPOSITION OF DOLLARS FROM THE SEPARATE ACCOUNT. THE PIL SHOULD ALSO IDENTIFY ANY DOCUMENTATION NECESSARY TO VERIFY THE ACCURACY OF THE REPORTS AND WHICH DOCUMENTATION SHOULD BE ACCOMPANY THE REPORTS WHICH ARE SUBMITTED TO THE MISSION. THE MISSION SHOULD ALSO ARRANGE TO RECEIVE STATEMENTS ON THE SEPARATE ACCOUNT DIRECTLY FROM THE INSTITUTION WHEREIN THE SPECIAL ACCOUNT IS ESTABLISHED.

MISSIONS ARE RESPONSIBLE FOR VERIFYING HOST COUNTRY REPORTS ON THE DOLLAR SEPARATE ACCOUNT. TO VERIFY A HOST COUNTRY REPORT, THE MISSION SHOULD INSPECT THE RESPONSIBLE HOST COUNTRY AGENCY'S ACCOUNTING RECORDS PERTAINING TO THE SEPARATE ACCOUNT, AND RECONCILING THE AGENCY'S REPORTS TO THE BANK STATEMENTS AND THE MISSION'S RECORDS. AT A MINIMUM, AT LEAST ONE REPORT SHOULD BE VERIFIED ON AN ANNUAL BASIS. THE FREQUENCY AND SCOPE OF VERIFICATION OF THE HOST COUNTRY REPORTS SHOULD BE INDICATED IN THE PROGRAM DESIGN DOCUMENT AND BE DIRECTLY RELATED TO THE FINANCIAL MANAGEMENT CAPABILITY OF THE HOST COUNTRY AGENCY AS DETERMINED BY THE FINANCIAL ASSESSMENT.

(C) AUDIT. MISSIONS MUST ENSURE THAT AUDITS OF SEPARATE ACCOUNTS ARE PERFORMED AT LEAST ONCE A YEAR AND ARE IN ACCORDANCE WITH GAO AUDITING STANDARDS FOUND IN THE GAO PUBLICATION, GOVERNMENT AUDITING STANDARDS. THESE AUDITS MAY BE PERFORMED BY EITHER AN INDEPENDENT FIRM OR THE HOST COUNTRY'S CENTRAL AUDIT AGENCY, BUT EITHER OPTION REQUIRES THE MISSION TO CONSULT WITH THEIR REGIONAL INSPECTOR GENERAL TO DETERMINE IF THE FIRM OR AGENCY CHOSEN FOR THE AUDIT IS CAPABLE OF MEETING THESE STANDARDS. IF THE REGIONAL INSPECTOR GENERAL HAPPENS TO AUDIT A SPECIAL ACCOUNT IN ONE YEAR, THE MISSION SHOULD CONSULT WITH THE REGIONAL INSPECTOR GENERAL TO DETERMINE IF THIS AUDIT SATISFIES THE ANNUAL AUDIT REQUIREMENT FOR THAT ACCOUNT FOR THAT YEAR.

LOCAL CURRENCY GENERATED BY THE PROGRAM OR OTHER HOST COUNTRY-OWNED LOCAL CURRENCY IS THE PREFERABLY SOURCE OF FUNDING FOR AUDIT. A LESS PREFERABLY, BUT PERMITTED SOURCE OF FUNDING IS DOLLARS FROM THE PROGRAM. EITHER OF THESE OPTIONS REQUIRES NEGOTIATION BETWEEN THE MISSION AND THE HOST COUNTRY, AND SHOULD BE INCLUDED IN THE PROGRAM AGREEMENT. A FINAL, BUT LEAST FAVORABLE SOURCE OF FUNDING FOR AUDIT IS PD&S, WHICH SHOULD BE ADMINISTERED IN ACCORDANCE WITH THE GUIDANCE PROVIDED IN HANDBOOK 3, CHAPTER 1.00.

PROGRAM AGREEMENTS SHOULD EXPLICITLY STATE AUDIT REQUIREMENTS AND PROVIDE FOR THE USAID TO RETAIN ADEQUATE RIGHTS TO ENSURE THAT, WITH TIMELY ACCESS, IT CAN EXAMINE SUPPORTING DOCUMENTATION TO VERIFY COMPLIANCE WITH AGREEMENTS.

6. EFFECTING AN ESF CASH TRANSFER OR AN ESF-, DA- OR DFA-FUNDED NON-PROJECT CASH DISBURSEMENT FROM AID/W.

THE FOLLOWING GUIDANCE ON EFFECTING A CASH TRANSFER SUPERSEDES THAT PROVIDED IN REFTEL X; HANDBOOK 4 CHAPTER 8 (E) (6); HANDBOOK 13,

CHAPTER 18 (X) (5) (E); AND THE CONTROLLER S GUIDEBOOK, CHAPTER 14 (111). IN ORDER FOR PFM/FM TO EFFECT (1) AN ESF CASH TRANSFER DISBURSEMENT OR (2) AN ESF- DA- OR DFA-FUNDED NON-PROJECT SECTOR ASSISTANCE DOLLAR DISBURSEMENT TO A COOPERATING COUNTRY, THE MISSION MUST DO THE FOLLOWING:

UPON SIGNING THE AGREEMENT, (1) SUPPLY PFM/FM WITH AN EXECUTED PROGRAM ASSISTANCE AGREEMENT ABSTRACT WHICH MAY BE SUBMITTED VIA CABLE AND (2) FORWARD TO PFM/FM A COPY OF THE EXECUTED AGREEMENT. THE REQUIRED ABSTRACT INFORMATION IS FOUND IN HANDBOOK 4, CHAPTER 4, APPENDIX 4D-1.

PRIOR TO DISBURSEMENT, THE MISSION MUST SUPPLY PFM/FM WITH A WRITTEN REQUEST TO ESTABLISH A CASH TRANSFER DISBURSING AUTHORIZATION.

THE MISSION MUST THEN CABLE THE FOLLOWING INFORMATION TO PFM/FM:

- A) THE NON-PROJECT AGREEMENT NUMBER (PAAD NUMBER) AND THE ASSOCIATED BUDGET PLAN CODE.
- B) THE BANK NAME (S), BANK ADDRESS (ES) AND/OR AMERICAN ASSOCIATION OF BANKING NUMBER (S), ACCOUNT NUMBER (S) AND NUMBER (S) FOR THE INITIAL ACCOUNT (S) INTO WHICH A.I.D. WILL DISBURSE FUNDS.
- C) A STATEMENT INDICATING HOST COUNTRY ASSURANCES TO THE EFFECT THAT THE ACCOUNT (S) DOES NOT AND WILL NOT CONTAIN ANY OTHER FUNDS, UNLESS THE REQUIREMENT FOR ESTABLISHMENT OF A SEPARATE ACCOUNT HAS BEEN WAIVED FOR NON-PROJECT SECTOR ASSISTANCE FUNDS PURSUANT TO SECTION S92 (B) (4), IN WHICH CASE A STATEMENT TO THAT EFFECT SHOULD BE PROVIDED TO FM.
- D) THE DOLLAR AMOUNT TO BE DISBURSED.
- E) THE NAME OF THE DESIGNATED USAID PROGRAM MANAGER WHO HAS RESPONSIBILITY FOR DAY-TO-DAY OVERSIGHT OF THE DOLLAR SEPARATE ACCOUNT (S).
- F) A STATEMENT THAT ALL CONDITIONS PRECEDENT TO THE DISBURSEMENT OF THE PROGRAM AGREEMENT FUNDS HAVE BEEN MET AND A LIST OF THESE CONDITIONS WITH THE DATE EACH WAS MET.
- G) A DESCRIPTION OF THE MEANS BY WHICH FUNDS MAY BE WITHDRAWN FROM THE DOLLAR SEPARATE ACCOUNT(S), INCLUDING NOTIFICATION REQUIREMENTS.

H) A JUSTIFICATION WHEN (1) TRANSFERS WILL TAKE LONGER THAN TWO BUSINESS DAYS OR (2) AFTER INITIAL DISBURSEMENT BY A.I.D. TO THE SEPARATE, NON-COMMINGLED ACCOUNT (S), FUNDS WILL BE TRANSFERRED TO OR WILL PASS THROUGH ANOTHER ACCOUNT(S).

I) ANY OTHER INFORMATION WHICH MAY BE REQUIRED UNDER THE TERMS OF AN AGREEMENT TO MAKE THE DISBURSEMENT.

7. REIMBURSEMENT AS A FORM OF DISBURSEMENT. THE APPROPRIATENESS OF USING REIMBURSEMENT AS A METHOD OF DISBURSEMENT HAS RECENTLY COME INTO QUESTION. THE REIMBURSEMENT METHOD IS CONSISTENT WITH THE LANGUAGE OF THE APPROPRIATIONS ACT AND THE RELEVANT LEGISLATIVE HISTORY IMPOSING THE REQUIREMENT OF A SEPARATE ACCOUNT ON, AND PROHIBITING COMMINGLING OF, ESF CASH TRANSFER ASSISTANCE, BECAUSE THE METHOD ALLOWS THE IDENTIFICATION OF U.S. FUNDS FROM THEIR TRANSFER FROM THE UNITED STATES THROUGH THE SEPARATE ACCOUNT TO THEIR USE IN FINANCING SPECIFIC ELIGIBLE IMPORT AND DEBT SERVICING TRANSACTIONS. REIMBURSEMENT IS ALSO A PROPER METHOD OF DISBURSEMENT FOR ESF-, DA- AND DFA-FUNDED NON-PROJECT SECTOR ASSISTANCE BECAUSE IT TOO PERMITS THE TRACKING OF DOLLARS TO THE FINANCING OF SPECIFIC ELIGIBLE IMPORT AND DEBT SERVICING TRANSACTIONS.

IN A REIMBURSEMENT TRANSACTION, AFTER THE MISSION HAD IDENTIFIED AND VERIFIED SPECIFIC TRANSACTIONS FOR REIMBURSEMENT, AND THE DOLLARS HAVE BEEN TRANSFERRED FROM THE SEPARATE ACCOUNT TO THE ACCOUNT FOR REIMBURSEMENT, THE MISSION HAS SATISFIED THE ACCOUNTABILITY REQUIREMENT TO TRACK THE DOLLARS TO THE FINANCING OF SPECIFIC ELIGIBLE IMPORT AND DEBT SERVICING TRANSACTIONS. REIMBURSEMENT CAN OFFER INTERNAL CONTROL ADVANTAGES ASSURING ACCOUNTABILITY FOR A.I.D. RESOURCES EARLY IN PROGRAM IMPLEMENTATION WHEN ANY NECESSARY CORRECTIVE ACTIONS ARE EASIER TO EFFECT.

TO REITERATE THE GUIDANCE IN REFTL (A), REIMBURSEMENT IS AN APPROPRIATE FORM OF DISBURSEMENT BEGIN QUOTE IN THOSE RECIPIENT COUNTRIES WHERE IMPORTS, FOREIGN EXCHANGE ALLOCATIONS, AND PRESUMABLY, EXCHANGE RATES ARE STRICTLY CONTROLLED BY GOVERNMENT OR MONETARY AUTHORITIES, AND WHERE SUBSTANTIAL LIBERALIZATION OF SUCH CONTROLS IS NOT UNDERWAY OR ANTICIPATED...END QUOTE... BEGIN QUOTE. REIMBURSEMENTS MUST BE FOR SPECIFIC IMPORT TRANSACTIONS AND SHOULD BE PART OF A TIMELY SEQUENCE FOR COMPLETING SUCH TRANSACTIONS. THIS TYPE OF REIMBURSEMENT IS TO BE DISTINGUISHED FROM (X POST) CONTRIBUTION MADE AFTER RELEASE OF DOLLARS FROM THE SEPARATE ACCOUNTS. END QUOTE.

8. INQUIRIES ABOUT THIS GUIDANCE. ANY QUESTION WITH REGARD TO THIS GUIDANCE MAY BE DIRECTED TO YOUR REGIONAL CONTROLLER.

BAKER