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INTERNATIONAL DIVISION

TO
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DEC 2 1981

Mr. R. T. Rollis, Jr.
Assistant to the Administrator for
Management
Agency for International Development

Dear Tom:

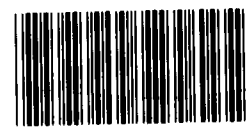
As a result of recent interest in AID to address what is seen as a serious impediment to the Agency's programming and implementation process, the General Accounting Office has done some background work on the topic of deobligation authority. As you know, AID had this authority through fiscal year 1978.

At our meeting on November 6, 1981, you may recall that Administrator McPherson suggested that GAO look into the pros and cons of AID's need for deobligation-reobligation authority. AID has generally acknowledged that such authority tends to lessen congressional budgetary control but would be especially useful where AID funds are earmarked for particular countries and also where AID is forced by legislation or other reasons to terminate a program.

As we understand it, present AID thinking goes somewhat like this: When problem situations arise in certain countries, funds provided in a prior year could be deobligated and reobligated in a subsequent year for similar activities; deobligated funds would not be lost by reverting back to the Treasury. The authority would presumably give AID greater incentive to terminate older, floundering projects. The authority is perceived as a useful management tool which would permit AID to restructure projects not meeting their objectives and relieve the continuing buildup of AID pipeline funds.

While gathering background material, our staff has examined some of the history of deob-reob authority as well as prior GAO participation in addressing the issue. On two occasions GAO has taken a look at the deob-reob issue at the request of the Senate Appropriations Subcommittee. Following are brief comments based on these two efforts. Copies of the statement and the letters are being provided for your information as enclosures to this letter.

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1. Senate Committee on Appropriations
Subcommittee on Foreign Operations
Date: June 18, 1973

The GAO statement on the above date reaffirmed a position taken in 1960 that deob-reob authority was conducive to loose programming and obligating practices and tended to weaken adequate management and congressional controls. Also, the deob-reob authority created a situation which offered little if any incentive for careful programming and accurate estimating by AID. (See enclosure 1.)

2. Senate Committee on Appropriations
Subcommittee on Foreign Operations
Dates: July 11 and August 2, 1978

The Subcommittee Chairman requested GAO's opinion on reobligation language proposed for the fiscal year 1979 appropriation bill. GAO's reply stated that extensions of fund availability create new obligational authority and as such should be treated in the budget and in the appropriation act as reappropriations. Carry-overs and deob-reob authorities in one-year accounts were seen as not being desirable in terms of achieving the most effective congressional budgetary control. (See enclosures 2 and 3.)

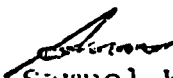
Our recent discussions with officials of AID suggest that the pros and cons on the management need and usefulness of deob-reob authority have not been fully developed. We believe that AID is in the best position to address and analyze the management and operational implications of having or not having deob-reob authority. In so doing, we have some suggestions regarding the development of additional information, including:

- the use of actual project experience in several countries documenting problems and constraints justifying deobligations and identifying benefits that would flow from the ensuing reobligations, in terms of improved effectiveness and management efficiencies.
- the categories and amounts of funds the Agency would deobligate and reobligate during fiscal year 1982, and projections for ensuing years, including countries and projects that may be involved.
- information developed in support of an intention to request blanket deob-reob authority, or to opt for more selective authority such as on a country or functional area basis.

--information demonstrating that reinstatement of the authority would reduce and/or minimize the buildup of AID's pipeline.

We would be happy to look over and offer comments on whatever information you develop with respect to reinstatement of deob-reob authority.

Sincerely,



Samuel W. Bowlin
Associate Director

Enclosures 3