

GAO

Report to the Chairman, Subcommittee on
Legislation and National Security,
Committee on Government Operations,
House of Representatives

October 1988

FOREIGN AID

Use of Local Currencies for AID's Operating Costs



RESTRICTED—Not to be released outside the General
Accounting Office except on the basis of the specific approval
by the Office of Congressional Relations.

543560 / 543560



United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-225870

October 17, 1988
The Honorable Jack Brooks
Chairman, Subcommittee on Legislation
and National Security
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

We have reviewed the Agency for International Development's (AID) implementation and management of trust fund local currencies accruing from Economic Support Fund agreements to pay local operation expenses at AID missions overseas. You asked us to focus the review on whether (1) AID has made efficient and effective use of trust fund local currencies in paying local support costs, (2) AID's budget requests and appropriations have been reduced because of its use of local currencies generated in the Economic Support Fund program, and (3) AID's local currency expenditures have been fully disclosed in the federal budget and appropriation processes.

As arranged with your office, unless you publicly announce the contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time we will send copies to the Administrator, Agency for International Development, Office of Management and Budget, Department of the Treasury, and other interested parties and will make copies available to others upon request.

Sincerely yours,

for 
Frank C. Conahan
Assistant Comptroller General

Executive Summary

Purpose

Under the Foreign Assistance Act, AID uses host government local currencies generated through the Economic Support Fund's commodity import programs and cash transfers to finance costs of AID missions overseas. As of September 30, 1987, AID had trust fund agreements with 27 countries, which accounted for \$55 million of the total \$177.6 million obligated in fiscal year 1987 for operating expenses of missions, worldwide.

The Chairman of the Subcommittee on Legislation and National Security of the House Committee on Government Operations asked GAO to review AID's implementation and management of local currency trust funds used to pay local operating expenses at AID missions overseas.

Background

Many Economic Support Fund agreements provide that a portion of local currencies generated from commodity import sales or from cash transfers be deposited by the host country into a trust fund for the AID mission to pay for local operating expenses. AID, acting as a trustee, is required to inform the host countries of its administration of the trust funds. AID's policy encourages the use of such trust funds instead of dollar appropriations to defray local currency obligations at its missions.

Results in Brief

Although the share of total mission operating expenses paid from trust funds have increased over the past 5 years, potential exists for further increase in the use of trust funds to pay mission expenses.

Alternatives for further expansion of the trust fund include identifying mission operating expenses now paid from appropriated dollars that can be paid in local currency, and the selective use of reverse accommodation exchange, a procedure whereby a mission can exchange local currency for dollars and use the dollars to pay mission dollar operating costs.

AID must also ensure that its fiduciary responsibilities are met when using trust funds to pay mission operating expenses. Trust funds should not be used for inappropriate purposes, and the use of such funds to offset AID mission local expenses should be adequately reported to the Congress. However, in some cases, AID may not have met these responsibilities.

Principal Findings

Overall Trust Fund Use Steadily Increasing

AID has increased the use of trust funds to pay the operating expenses of its missions over the past 5 years. In fiscal year 1983, 11 AID missions obligated the equivalent of \$12.4 million in local currencies from trust funds, which covered 32 percent of their operating expense budgets. By fiscal year 1987, 27 AID missions had obligated \$55 million from trust funds, which covered 50 percent of their total operating expense budget.

Expansion of Existing Trust Fund Use Is Possible

GAO identified two ways that AID can expand the use of trust funds to pay mission operating expenses: (1) convert more local operating expenses previously paid in dollars to local currency expenses and (2) purchase dollars with trust fund local currencies to pay certain operating expenses payable only in dollars.

For example, we found potential for increasing the use of trust funds in Honduras and Egypt by converting local operating expenses previously paid in dollars to local currency expenses. In Honduras, we identified \$157,520 of operating expenses paid with appropriated dollars in 1987 that could have been paid in local currency. In Egypt, the mission controller identified \$942,000 of operating expenses that the mission paid in appropriated dollars that could have been paid in local currency. The missions should try to negotiate larger trust funds to cover these expenses in future years.

Opportunities are also available for the missions in Honduras and Egypt to expand their trust fund use by purchasing dollars with trust fund local currencies to pay certain mission expenses payable only in dollars. The mission in Honduras can save \$525,000 in appropriated fund operating expenses in fiscal year 1989 if it uses trust fund local currency to purchase dollars to pay the rent of its U.S. employees, which is payable in dollars, instead of using appropriated funds. The mission controller in Egypt identified \$907,000 that the mission could save in future years if it uses trust fund local currencies to purchase the dollars needed to pay certain mission expenses, which are payable only in dollars. A sufficient trust fund must be negotiated to cover these additional expenses in order for these savings to be realized.

Questionable Trust Fund Use

AID has not always fulfilled its fiduciary responsibilities in reporting trust fund expenses to host governments. According to the AID Inspector General, the mission in Costa Rica made capital expenditures from the trust fund totaling \$10.2 million, including the construction of an \$8 million mission office complex and \$60,000 for travel expenses for 40 AID officials to attend a regional conference on private enterprise that was not limited to Costa Rica. These expenditures were not expressly provided for in the trust fund agreement, and the mission did not provide timely reports on these expenditures to the government of Costa Rica. AID officials disagreed that the capital expenditures were improper and stated that neither the trust fund agreement nor AID regulations prohibit charging capital expenditures to the trust fund. The officials agreed that charging transportation costs for mission officials to attend the regional conference may have been inappropriate, and stated that, in the future, they will consult the host government before charging this type of expense to the trust fund.

Better Disclosure to Congress Needed

Although AID submits information to the Congress during the budget process that shows the extent trust funds are offsetting AID operating costs, the data is not always accurate and does not disclose real property acquisitions. For the past several years, AID has consistently underestimated the amount of mission operating expenses that will be paid by the trust fund in budget schedules submitted to the Congress.

AID charged \$8 million from trust funds to construct a new mission complex in Costa Rica. Section 636(c) of the Foreign Assistance Act limits the acquisition of real property facilities for use by mission personnel from direct appropriations, to \$6 million worldwide. The Congress also controls, through the authorization and appropriation process, other overseas real property acquisitions. However, section 636(c) does not apply to trust fund expenditures. If the Congress wishes to establish comparable oversight over trust fund real property acquisitions, it may be necessary to require similar controls.

Recommendations

GAO makes several recommendations to the AID Administrator to maximize the use of local currency trust funds and to improve information provided to the Congress. (See pp. 33 and 47.)

**Matters for
Congressional
Consideration**

Congress should consider whether additional statutory controls are needed over local currency trust funds used to acquire real property.

Contents

<hr/>	
Executive Summary	2
<hr/>	
Chapter 1	8
Introduction	8
	Objectives, Scope, and Methodology 8
<hr/>	
Chapter 2	11
Trust Fund Use	11
Increasing but Can Be	16
Expanded at Some	18
Missions	21
	Use of Trust Funds Steadily Increasing 11
	AID's Use of Trust Funds 16
	Alternative Ways to Increase Trust Fund Use 18
	Conclusions 21
	Recommendations 22
<hr/>	
Chapter 3	23
Potential for Trust	23
Fund Misuse and Need	26
for Improved	29
Disclosure to the	29
Congress	30
	Fiduciary Responsibilities Over Trust Fund Use 23
	Accuracy of Trust Fund Budgetary Information 26
	Submitted to the Congress Can Be Improved 29
	Oversight Over Trust Fund Real Property Acquisitions 29
	May Be Needed 30
	Conclusions 30
	Recommendations 30
	Matter for Consideration by the Congress 30
<hr/>	
Appendixes	32
	Appendix I: Mission Operating Expense Budgets 32
	Appendix II: Countries With ESF-Generated Local 37
	Currencies That Did Not Negotiate Trust Funds in 37
	Fiscal Year 1987
<hr/>	
Tables	11
	Table 2.1: AID Trust Fund Obligations, Fiscal Years 11
	1983-87
	Table 2.2: AID/Honduras Expenses Billed in Local 19
	Currency but Paid in Dollars for Fiscal Year 1987
	Table 2.3: Expenses Paid in Dollars Payable in Local 19
	Currency, USAID/Egypt
	Table 2.4: Reverse Accommodation Expansion Areas, 20
	USAID/Egypt
	Table 3.1: Capital Expenditures Charged to Trust Fund, 25
	USAID/Costa Rica

Table 3.2: AID's Estimated and Actual Operating Expenses Paid by the Trust Fund, Fiscal Years 1984-87	27
Table I.1: Mission Operating Expense Budget Actual as of September 30, 1983	32
Table I.2: Mission Operating Expense Budget Actual as of September 30, 1984	33
Table I.3: Mission Operating Expense Budget Actual as of September 30, 1985	34
Table I.4: Mission Operating Expense Budget Actual as of September 30, 1986	35
Table I.5: Mission Operating Expense Budget Actual as of September 30, 1987	36

Figures

Figure 2.1: Trust Fund and Dollar Obligations for Mission Operating Expenses Worldwide, Fiscal Years 1983-87	13
Figure 2.2: Trust Fund and Dollar Obligations for Missions in Honduras, Fiscal Years 1985-87	14
Figure 2.3: Trust Fund and Dollar Obligations for Mission Operating Expenses in Egypt, Fiscal Years 1983-87	15
Figure 2.4: Trust Fund and Dollar Obligations for Mission Operating Expenses in Costa Rica, Fiscal Years 1984-87	16
Figure 3.1: AID Mission Complex Constructed in Costa Rica Using Trust Fund Local Currency	24

Abbreviations

AID	Agency for International Development
AID/IG	AID Inspector General
CIP	Commodity Import Program
ESF	Economic Support Fund
NSIAD	National Security and International Affairs Division
OMB	Office of Management and Budget

Introduction

Under the Foreign Assistance Act of 1961, AID customarily enters into arrangements with host governments to share the operating costs of AID missions. Faced with funding problems because of budgetary constraints, the Agency for International Development (AID) has recently increased the use of local currency from trust funds authorized by Economic Support Fund (ESF) agreements to pay for the local operating costs of its overseas missions. Growing ESF assistance, which exceeded \$2 billion in the early 1980s, generated a large amount of local currency available for trust funds. As of September 30, 1987, AID had trust fund agreements with 27 countries, which accounted for \$55 million of the total \$177.7 million obligated in 1987 for operating costs of missions, worldwide.

Characteristics of a Trust Fund

AID cites sections 609, 625(h), and 636(h) of the Foreign Assistance Act of 1961 as collectively authorizing it to use local currencies accruing from ESF agreements to pay local currency operating expenses at AID missions without charge to dollar appropriations. Through ESF, assistance is provided by AID to recipient countries in project assistance, commodity import programs, cash transfers for general budget or balance-of-payments support, or a combination of these forms. Local currencies generated from the sale of commodities under the commodity import program and from counterpart funds provided by host countries under the terms of cash transfer grant agreements are deposited by the host country into a special account—usually in the country’s central bank—and used for purposes mutually agreed on by AID and the host government. Some ESF agreements provide that host governments transfer a portion of this local currency into a trust fund account to support AID development programs in the country and to pay the AID mission’s operating expenses.

A trust fund agreement between the U.S. government and the host country governs the use of the local currency. The mission, acting as a trustee for the country, makes disbursements from the fund and is responsible for reporting trust fund activity to the country and to AID/Washington. Upon the termination of AID’s program and the mission in the host country, remaining trust fund balances are disposed of pursuant to the trust fund agreement.

Objectives, Scope, and Methodology

The Chairman of the House Subcommittee on Legislation and National Security, Committee on Government Operations, requested that we review AID’s implementation and management of trust funds used to pay

local operating expenses at AID missions overseas. Specifically, we were asked to focus on (1) whether AID has made efficient and effective use of trust fund local currencies in paying local support costs, (2) whether AID's budget requests and appropriations have been reduced because of its use of local currencies generated in the ESF program, (3) what requirements have been developed by the Office of Management and Budget and AID to ensure that AID's local currency expenditures from these funds are fully disclosed in the federal budget and appropriation processes and to govern the allowability and reasonableness of individual expenditures, and (4) whether AID missions' comply with such requirements.

We conducted fieldwork to assess the management and use of the trust fund at AID missions in Costa Rica, Egypt, and Honduras during January and February 1988. The trust funds at the missions in these countries represented 30 percent of the total amount of trust funds for fiscal year 1987. We selected the missions in Egypt and Honduras because the shares of their operating expenses paid from the trust fund are low to above average in comparison with all missions that use trust funds, and preliminary work indicated that they may have potential for increased trust fund use. Egypt's ESF program generates large amounts of local currency, but its mission charges a relatively low share of mission expenses to the trust fund (27 percent). The mission in Honduras charges approximately 58 percent of its overall mission expenses to the trust fund. The average for all missions with trust funds is 50 percent. We selected the mission in Costa Rica because it is a high user of the trust fund for paying local operating expenses (90 percent).

To determine whether AID had made efficient and effective use of local currencies in paying local support costs, we met with AID/Washington controllers of the Africa, Asia/Near East, and Latin America/Caribbean Bureaus, who oversee financial operations at the AID missions. We also met with the controllers at the missions we visited. We reviewed AID's policy on local currency use, as well as trust fund agreements governing the use of trust funds.

We discussed the question of whether local currencies have resulted in a reduction in AID's budget request with AID/Washington budget officials, Office of Management and Budget (OMB) officials, AID/IG officials with previous experience in budget issues, and U.S. Treasury officials. We also examined AID's budget submissions and actual mission operating expense obligations for the past 5 years and attempted to identify trends in dollar and trust fund expenditures. For each mission that we

visited, we discussed the bases and procedures for determining the size of the trust fund negotiated with their host country.

We discussed the disclosure of local currency expenditures in the federal budget and appropriation processes with AID/Washington and OMB officials.

To evaluate allowability and reasonableness of individual expenses charged to the trust fund, we reviewed relevant AID/Washington policy disseminated to the missions. For the missions that we visited, we examined the basis used by the missions to decide which expenses to charge to the trust fund. We also reviewed the accounting records of trust fund obligations to determine (1) if expenses charged to the trust fund by the missions complied with guidance from AID/Washington and with applicable trust fund agreements and (2) if there was potential overuse or underuse of mission trust funds.

We discussed the facts presented in this report with agency officials. In accordance with the requester's wishes, we did not obtain written agency comments on this report. Our work was conducted in accordance with generally accepted government auditing standards between August 1987 and August 1988.

Trust Fund Use Increasing but Can Be Expanded at Some Missions

Over the past 5 years, AID has steadily increased its use of local currency trust funds to pay mission operating expenses. Our analysis indicated that, on the whole, local currency from trust funds appears to be offsetting appropriated dollars. However, we identified instances of potential for increased payments of operating expenses from local currency trust funds.

The extent of trust fund use varies greatly among the missions. Some have high usage and others that are eligible to use trust funds do not have them at all. Political, economic, and other factors can prevent or impede the use of trust funds by the missions. Some missions can increase their use of trust funds to pay mission local currency operating expenses by converting certain operating expenses now paid in dollars to local currency expenses so that they can be paid from the trust fund, and the selective use of reverse accommodation exchange. However, the missions may need to negotiate larger trust funds with host governments to cover the additional expenses resulting from the use of these two methods.

Use of Trust Funds Steadily Increasing

AID has progressively increased the use of trust funds to pay the operating costs of its missions over the past 5 years. Table 2.1 shows the number of missions with trust funds, and compares AID trust fund obligations with total obligations for operating expenses of missions with trust funds for fiscal years 1983 through 1987.

Table 2.1: AID Trust Fund Obligations, Fiscal Years 1983-87

Dollars in millions

Fiscal year	Missions with trust funds	Mission operating expense		Percent of total obligations from trust funds
		Trust fund obligations	Total obligations	
1983	11	\$12.4	\$39.1	32
1984	12	28.2	59.1	48
1985	17	33.6	77.8	43
1986	24	37.9	89.1	43
1987	27	55.0	110.5	50

In fiscal year 1983, 11 AID missions obligated the equivalent of \$12.4 million in local currencies from trust funds, which covered 32 percent of their total operating expense obligations (both dollar and local currency). By fiscal year 1987, 27 AID missions had obligated \$55 million

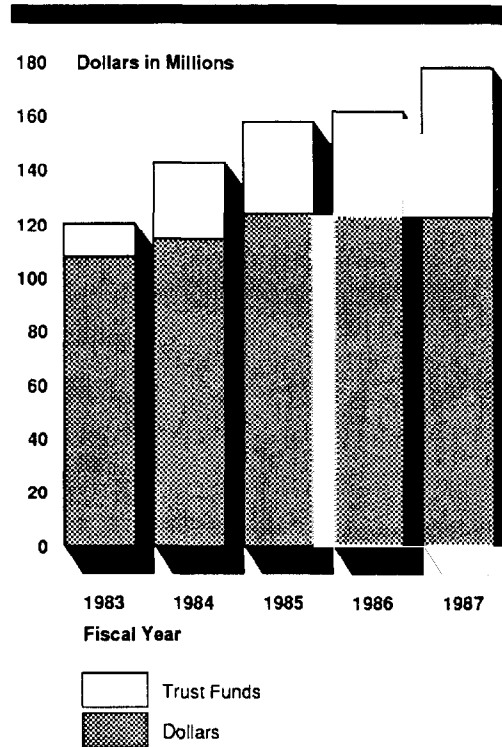
from trust funds, which covered 50 percent of their total operating expense obligations.

AID missions in the Latin America/Caribbean region made the greatest use of trust funds to pay for local operating costs, obligating 60 percent of their total operating expense obligations from the trust funds in fiscal year 1987. In contrast, AID missions in Africa and Asia/Near East regions had trust fund use of 47 percent and 39 percent, respectively. Appendix I provides a detailed analysis of the use of trust fund local currency to pay operating expenses by region and missions for fiscal years 1983-87.

Trust Funds Appear to Be
Offsetting Operating
Expense Appropriations

We analyzed the trust fund and appropriated dollar obligations for mission expenses, worldwide, and at the three missions we visited to determine if the increased use of the local currency trust fund resulted in a corresponding reduction in appropriated amounts obligated for these expenses. Our analysis showed that, as a whole, local currency from trust funds appear to be offsetting appropriated dollars. Figure 2.1 shows reported dollar and trust fund obligations for fiscal years 1983-87 for all AID missions. While total obligations for operating expenses of these missions increased from about \$120 million for fiscal year 1983 to \$178 million for fiscal year 1987, or about 48 percent, total dollar obligations only increased from \$108 million to \$123 million, about 11 percent.

Figure 2.1: Trust Fund and Dollar Obligations for Mission Operating Expenses Worldwide, Fiscal Years 1983-87



We attempted to determine if trust funds used to pay the operating expenses of the three missions that we visited resulted in a corresponding decrease in appropriated dollars for these expenses. In Honduras, the stability of both the mission operating expenses and the currency exchange rate for the past several years made such a comparison feasible. This comparison showed a corresponding decrease in the obligations of appropriated dollars for mission operating expenses, as the trust fund obligations to pay mission expenses increased for fiscal years 1985-87.

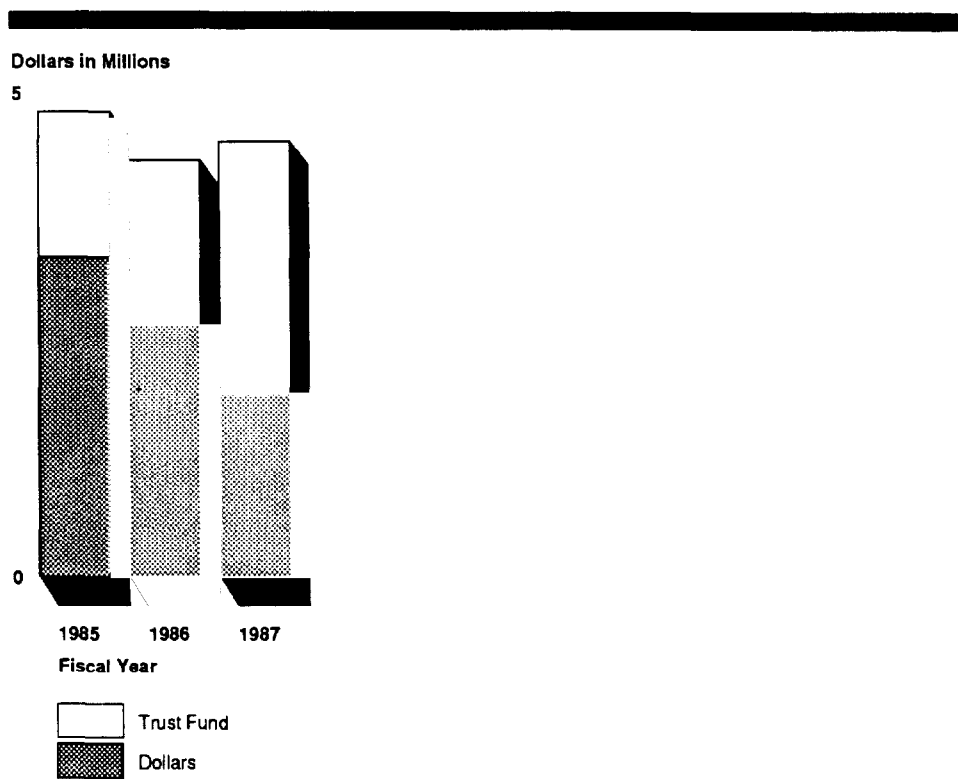
We could not make such a determination for the mission in Egypt, where total operating expenses fluctuated from year to year, a phenomenon that may have been caused by the fluctuating exchange rates. In Costa Rica, the mission's use of the trust fund was very high and the amount of appropriated dollars showed little change, but trust fund amounts used to pay operating expenses gradually increased between fiscal years 1984 and 1986, and grew dramatically from \$4.5 million in fiscal year 1986 to \$12.5 million in fiscal year 1987. This large increase occurred

Chapter 2
Trust Fund Use Increasing but Can Be
Expanded at Some Missions

because local currencies were used for the construction of the AID mission complex and for a regional conference.

Figures 2.2 through 2.4 show the trend of both trust fund and dollar-appropriated obligations for the missions in Honduras, Egypt, and Costa Rica for fiscal years 1983-87.

Figure 2.2: Trust Fund and Dollar Obligations Missions in Honduras, Fiscal Years 1985-87



Chapter 2
Trust Fund Use Increasing but Can Be
Expanded at Some Missions

Figure 2.3: Trust Fund and Dollar
Obligations for Mission Operating
Expenses in Egypt, Fiscal Years 1983-87

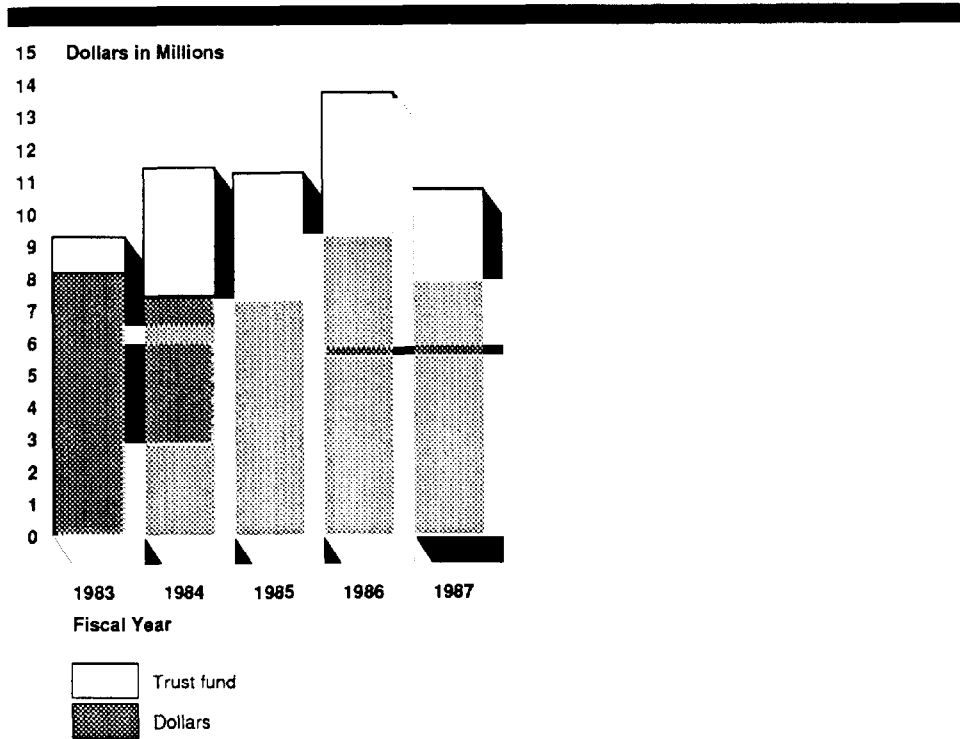


Figure 2.4: Trust Fund and Dollar Obligations for Mission Operating Expenses in Costa Rica, Fiscal Years 1984-87



AID's Use of Trust Funds

Although the number of missions with trust funds and the share of total mission operating expenses paid from trust funds have progressively increased, we found that

- nine host country missions receiving ESF do not have trust funds,
- there are large variances in the extent of trust fund use among the missions,
- some missions pay operating costs in dollars that could be paid in local currency, and
- greater trust fund use is possible with selective use of reverse accommodation exchange.

Nine Missions Without Trust Funds

We identified nine missions that did not have trust funds with their host countries to pay mission expenses, even though these countries received ESF grants in fiscal year 1987 and were eligible to establish trust funds. According to AID, they did not negotiate trust funds with host governments primarily because of economic and political reasons. The majority

of these missions were located in the African region. For example, although the AID mission in Liberia has a trust fund with the government of Liberia, it does not cover mission operating expenditures because the trust fund has traditionally been devoted to paying the country's civil service employees. According to AID officials, it would be very difficult to convince the Liberian government to use local currency to pay mission expenses, because it cannot afford to do so. In Senegal, the local currency is a regional currency used by 13 central African states fixed to the French franc. The government is reluctant to relinquish this currency to pay AID mission expenses, in comparison with other African countries with softer currencies such as Sudan, where AID has a large trust fund.

Appendix II is a list of the nine missions that did not negotiate operating expense trust funds and the reasons why. The rationale explaining why these missions do not have operating expense trust funds appears reasonable, and explains the type of problems AID has in establishing trust funds with some countries that receive ESF grants.

Trust Fund Usage Varies Among Missions

Twenty-seven missions had operating expense trust funds in fiscal year 1987, and the percentage of operating expenses covered by trust funds at these missions ranged from 1.2 percent to 89.6 percent of their total operating expenses. For 7 of the 27 missions, the share of total operating expenses paid by the trust fund was more than 69 percent, for 8 of the missions, this share ranged from 32 percent to 58 percent, and was less than 27 percent for 12 of these missions. Appendix I provides a detailed analysis of the wide range in trust fund use.

Seven of the 12 missions with low trust fund use (i.e., 27 percent or less) in fiscal year 1987 were located in countries that did not receive ESF balance-of-payments cash transfer or Commodity Import Program (CIP) support in that year. The lack of economic aid that generates local currency in those countries appear to account for such low use. In comparison, all missions with medium to high trust fund use received cash transfers and CIP grants in fiscal year 1987. The only exception was Sudan, a high-use country that had a large trust fund amount available from prior year agreements.

In contrast, in Costa Rica, the trust fund paid about 90 percent of all operating costs in fiscal year 1987. This trust fund covers all of the mission's local currency operating expenses because of the relatively large

AID program in Costa Rica (the trust fund amount represented about 9 percent of the total ESF program).

According to AID officials, economic and political factors affect the negotiation of trust fund agreements. The officials stated that it is difficult to negotiate large operating expense trust funds with countries where the United States has base rights or strategic interests. They also said it was difficult to negotiate large agreements to cover mission operating expenses from trust funds in very poor countries with relatively small ESF grants. Such an agreement reduces much needed assistance provided to these countries by requiring host governments to pay the mission's operating costs.

Alternative Ways to Increase Trust Fund Use

AID appears to be making progress toward increasing the share of its worldwide mission operating expenses paid from trust funds. It appears, however, that some of the missions can further increase the use of the trust fund and reduce the use of appropriated dollars to pay mission operating expenses in two ways: (1) convert local operating expenses previously paid in dollars to local currency expenses and (2) reverse accommodation exchange. Reverse accommodation exchange is a method whereby a mission purchases dollars with local currency from the trust fund to pay mission operating expenses payable in dollars. It may be necessary to negotiate larger trust funds to cover the additional expenses from the use of these two methods.

Converting Dollar Expenses to Local Currency Expenses

Our fieldwork in Honduras and Egypt showed that there is potential for increasing the use of trust funds at those missions by converting local operating expenses previously paid in dollars to local currency expenses if the missions are able to negotiate larger trust funds to cover these additional expenses.

Mission officials in Honduras have been negotiating operating expense trust funds in increasing amounts over the past 3 years, and believe that they will negotiate a sufficiently large amount to cover 100 percent of the mission's local currency operating expenses for fiscal year 1988. They stated that they will then reach the point of maximizing the use of the trust fund because, in their opinion, the trust fund agreement provides that only mission expenses payable in local currency can be charged to the trust fund. We identified \$157,520 in operating expenses paid from appropriated dollar funds in fiscal year 1987 that was billed to the missions in local currency. If the mission negotiates a sufficiently

Chapter 2
Trust Fund Use Increasing but Can Be
Expanded at Some Missions

large amount, it could then pay these expenses from the trust fund in fiscal year 1988. Table 2.2 shows expenses billed to the mission in local currency (lempiras) in 1987, but paid in appropriated dollars.

Table 2.2: AID/Honduras Expenses Billed in Local Currency but Paid in Dollars for Fiscal Year 1987

Expense Account	Amount
Foreign national basic pay	\$57,522
Office utilities	1,328
Commercial printing	3,275
Building maintenance and renovation	7,553
Furniture, equipment, vehicle, repair, maintenance	12,130
Miscellaneous ^a	75,712
Total	\$157,520

^aIncludes maintenance, Spanish classes, building and construction design, car insurance, and translation services.

Table 2.3 shows that in Egypt, the mission controller identified several operating expense categories paid in dollars by the mission that could have also been paid in local currency.

Table 2.3: Expenses Paid in Dollars Payable in Local Currency, USAID/Egypt

Expense Account	Amount
Post assignment travel	\$105,000
Post assignment freight	410,000
Home leave travel	216,800
Rest & recreation travel	121,200
Maintenance and renovation	80,000
Building maintenance and renovation	5,000
Other operational costs	4,000
Total	\$942,000

If the mission negotiates a larger trust fund agreement, these types of expenses could be paid with local currency. There may also be similar opportunities at other missions to expand their use of trust funds by converting local operating expenses previously paid in dollars to local currency expenses.

Reverse Accommodation Exchange

Reverse accommodation exchange is a method whereby a mission purchases dollars with local currency from the trust fund to pay mission operating expenses payable in dollars. This was used in 1987 by both

the missions in Honduras and Egypt, but there are additional opportunities to expand its use.

Most landlords who lease housing to U.S. personnel stationed in Honduras maintain off-shore bank accounts in Miami and demand payment to these accounts in dollars. Because of the housing shortage in the Honduran capital and because other U.S. agencies and organizations pay their employees' rent in dollars, mission officials stated that it would be difficult for its personnel to obtain suitable and affordable housing unless they also paid the rent in dollars. Residential rent, an expense theoretically payable in local currency, is consequently paid in dollars. The mission used reverse accommodation exchange to pay most of its residential rent expenses from the trust fund in fiscal year 1987, but the mission controller, concerned that the language in the trust fund agreement could prohibit the mission's use of reverse accommodation exchange, began to pay the rent in appropriated dollars in fiscal year 1988.

We suggested that the controller obtain the opinion of his legal adviser about whether the trust fund agreement prohibited the use of reverse accommodation exchange to pay the rent. After discussing this matter with the legal adviser, the mission controller decided to use reverse accommodation exchange to pay the residential housing expenses from the trust fund beginning in June 1988. According to AID, this will result in a \$100,000 savings to the mission in operating expenses charged to appropriated funds for the remaining months in fiscal year 1988, and a savings of \$525,000 in fiscal year 1989.

In Egypt, the mission controller identified \$907,000 in appropriated funds that could be saved in future years if AID used reverse accommodation exchange to pay certain mission expenses payable only in dollars from the trust fund. However, the trust fund would have to be negotiated for a sufficient amount to cover these additional expenses. Table 2.4 identifies these costs.

Table 2.4: Reverse Accommodation Expansion Areas, USAID/Egypt

Expense Account	Amount
Education allowance	\$590,000
Official residence expense	3,000
Representation allowance	4,200
Site visits - mission	123,200
Other operational expenses	186,600
Total	\$907,000

The Egypt mission used reverse accommodation exchange to pay office rent and U.S. contractors' salaries from the trust fund in 1987. However, mission officials stated that this practice is not consistent with AID's primary development assistance goal in Egypt because the mission's first priority is to spend U.S. dollars, and local currency expenditures are a secondary priority. However, we believe that the mission should maximize the use of local currency, when possible, to pay its operating expenses in order to reduce dollar appropriations for these costs. This will have a negligible effect on the mission's priority to spend U.S. dollars because operating expense requirements are such a small part of the dollar amount of AID's assistance programs in Egypt.

AID has not issued any formal overall guidelines on the use of reverse accommodation exchange. However, AID/Washington and Treasury officials told us that they did not have any major problems with encouraging the use of reverse accommodation exchange. A Treasury official supported the use of this method and stated that Treasury has issued guidelines permitting its use. Officials of the three AID regional bureaus stated that they did not think the use of this method to pay mission expenses would inhibit AID's development goals, because the amounts that would be involved, in comparison to AID's total ESF grants to the host countries, are so small that any adverse effect would be negligible. For example, the Latin American/Caribbean Bureau Controller stated that using reverse accommodation exchange to pay \$100,000 of USAID/Honduras U.S. employees' housing costs in fiscal year 1988 represents only a small portion of the \$61 million of ESF aid to Honduras during that fiscal year.

Conclusions

The number of AID missions with operating expense trust funds has increased over the past 5 years. Some missions have progressively increased their use of the trust fund, and some missions do not have trust funds at all, because local political or economic conditions are not conducive to the use of ESF-generated local currencies for AID mission expenses. Overall, it appears that trust funds are offsetting appropriated dollars for mission operating expenses.

Opportunities exist for some missions to expand the use of trust funds by converting certain operating expenses paid in dollars to local currency expenses, and by using reverse accommodation exchange to pay mission operating expenses payable in dollars from the trust fund. This would result in savings of appropriated dollars that would otherwise be

used to pay these mission expenses, assuming that larger trust funds are negotiated to cover these additional expenses.

Recommendations

We recommend that the AID Administrator direct AID missions with trust funds to maximize trust fund use by

- converting operating expenses payable in dollars to local currency expenses and, if necessary, attempt to negotiate larger trust funds to pay these expenses and
- seeking opportunities to use reverse accommodation exchange to convert trust fund local currencies to dollars to pay local operating expenses payable only in dollars, and, if necessary, attempt to negotiate a larger trust fund to cover these additional expenses.

Potential for Trust Fund Misuse and Need for Improved Disclosure to the Congress

Although AID can expand the use of trust funds to pay mission local operating expenses, it must also ensure that (1) its fiduciary responsibilities are met, (2) such funds are not used for inappropriate purposes, and (3) the use of trust funds to offset AID mission local costs is adequately reported to the Congress during the budgetary process. In Costa Rica, we found that AID may not have satisfactorily met its fiduciary responsibilities by charging capital expenditures to the trust fund negotiated to be available for operating expenses. Trust fund amounts shown in budget submissions to the Congress may also be inaccurate because some missions used different calculations in converting local currency to dollars for reporting purposes. We believe that AID should issue specific guidance to clarify the procedures for charging capital expenditures to trust funds, and should improve the accuracy of information on trust fund use in its budget submissions to the Congress.

Fiduciary Responsibilities Over Trust Fund Use

According to the AID Controllers Handbook, the AID mission serves as trustee over funds in the trust account and submits reports on the financial management and administration of the funds to the host country pursuant to the trust agreement. Under the trust agreement, the mission has stewardship accountability for the funds in the trust account held for the benefit of the host country. In some cases, the mission may be required to permit designated host country representatives access to supporting records on trust fund expenditures.

The trust fund agreements that we reviewed generally required the missions to report, at least annually, to the host country on expenditures from the fund and gave the host government access to the missions supporting documents for inspection when requested.

During our review, we found that as trustee, AID may not have adequately met its fiduciary and reporting responsibilities to the government of Costa Rica while using the trust fund to acquire land and buildings for use by mission personnel.

Capital Expenses and Conference Costs in Costa Rica

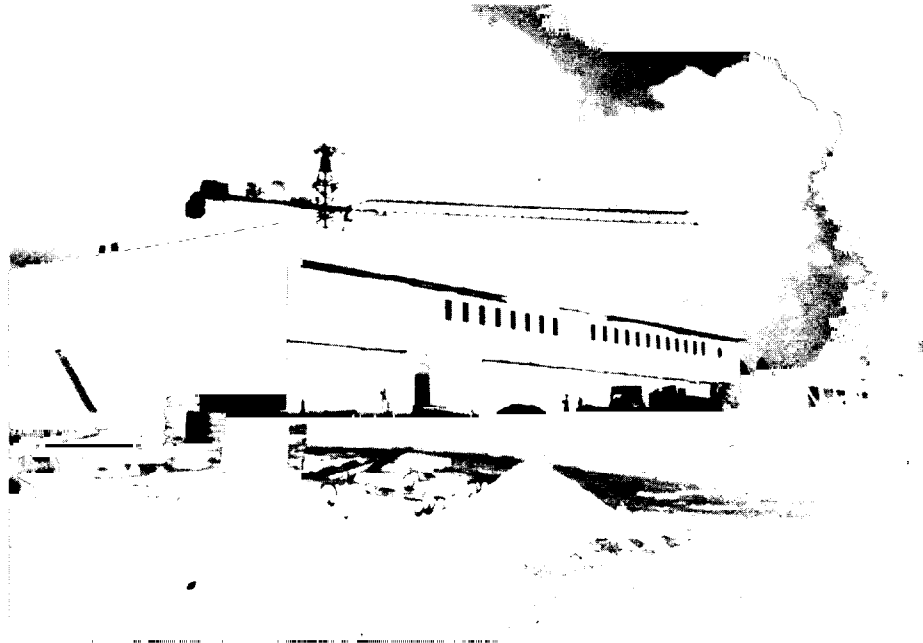
In January 1988, the AID/IG reported that the AID mission in Costa Rica may have improperly carried out its fiduciary responsibilities by charging large capital acquisitions and expenses for a regional conference not limited to Costa Rica to the trust fund without first consulting the government of Costa Rica and without submitting the reports about such uses on time, as required by the trust fund agreement. The AID/IG argued that the mission should have consulted the government of Costa Rica

before charging these expenses to the trust fund because of their magnitude, and that the trust fund agreement did not specifically state whether they were trust fund expenses.

The AID/IG reported that the mission in Costa Rica made expenditures from its trust fund in fiscal year 1987 that were not expressly provided for in the trust fund agreement that allowed mission administrative and operating costs. The mission made capital expenditures from the trust fund totaling \$10.2 million, and another expenditure of \$60,000 in travel and transportation for 40 AID officials for a regional conference on private enterprise that was not limited to Costa Rica. According to the AID/IG, these expenses did not fall within what is generally considered to be a normal administrative or operating expense of the mission such as utility costs, building maintenance, or local salary costs.

The capital expenditures, including \$8 million for the construction of a new AID mission office complex (see fig. 3.1) are shown in table 3.1.

Figure 3.1: AID Mission Complex
Constructed in Costa Rica Using Trust
Fund Local Currency



AID Mission Office Building

**Chapter 3
Potential for Trust Fund Misuse and Need for
Improved Disclosure to the Congress**



Warehouse, Commissary, and Post Exchange

Table 3.1: Capital Expenditures Charged to Trust Fund, USAID/Costa Rica

Dollars in thousands	
Purchase	Dollar equivalent
New AID complex (construction cost)	\$8,000
USAID Annex	628
Director's residence	166
Deputy Director's residence	160
Deputy Controller's residence	125
Pavas land site	439
La Geroma land site	687
Total	\$10,205

The AID/IG report stated that these expenditures were made without first consulting the government of Costa Rica. Also, they were not reported as required by the trust fund agreement. At the time of the AID/IG review, the mission had not filed such expenditure reports with the government of Costa Rica for fiscal years 1984-87.

The AID/IG recommended that the mission in Costa Rica (1) report on the use of local currencies and AID-managed trust funds to appropriate government of Costa Rica authorities and (2) clarify the type of expenditures allowed by the trust fund agreements with the government of Costa Rica. During our field work in Costa Rica, we found that the mission complied with the first recommendation and filed all of the required reports by December 1987. The reports contained the amounts spent for the capital expenditures and the regional conference.

Concerning the second AID/IG recommendation, mission officials stated that approval for the capital expenditure for the AID complex had been obtained from AID/Washington and that they believed this was sufficient.

AID/Washington officials told us that they approved the request for the mission to construct the AID mission building based on the justification submitted with the request, which included the approval of the mission's resident attorney. Although AID/Washington does not have a specific policy stating whether the missions can use trust funds for capital expenditures, they believe that the use of the trust fund to pay mission capital expenditures does not violate any AID regulations or the trust fund agreement.

AID mission officials in Costa Rica agreed that the transportation costs of mission officials to attend a regional conference on private enterprise held in Costa Rica to the trust fund may have been inappropriate. Although the scope of the conference covered issues other than those specific to Costa Rica, they felt that it was beneficial to Costa Rica. New guidelines for charging regional activity expenses to the trust fund have been drafted by the mission, and were awaiting approval by AID/Washington. Mission officials stated that in the future they will consult the government of Costa Rica before charging regional conference expenses to the trust fund.

Accuracy of Trust Fund Budgetary Information Submitted to the Congress Can Be Improved

Although AID submits information to the Congress during the budget process that shows the extent trust funds are offsetting AID operating costs, the data is not always accurate and does not include real property acquisitions. For the past several years, AID has consistently underestimated the amount of mission operating expenses that will be paid by the trust fund in budget schedules submitted to the Congress.

**Trust Fund Amounts
 Budgeted to Pay Local
 Expenses Underestimated**

A schedule showing the amount of trust fund local currency budgeted to pay mission operating expenses is sent each year to the Senate Appropriations Committee and appears in the Senate Appropriations hearings report. However, these amounts have been underestimated. Such underestimates can lead to larger appropriations than needed for operating expenses and result in trust funds supplementing, rather than offsetting AID's operating expense budget. Table 3.2 shows a comparison of AID's estimated mission operating expenses to be covered by trust funds, as shown in Senate Appropriation hearings reports, and actual mission trust fund expenses incurred for fiscal years 1984-87.

Table 3.2: AID's Estimated and Actual Operating Expenses Paid by the Trust Fund, Fiscal Years 1984-87

Dollars in millions			
Fiscal Year	Estimated	Actual	Difference
1984	\$13.2	\$28.2	\$15.0
1985	17.8	33.6	15.8
1986	32.0	37.9	5.9
1987	46.3	55.0	8.7
Totals	\$109.3	\$154.7	\$45.4

AID officials stated that the trust fund estimates were compiled from amounts submitted by the missions to AID/Washington in their annual budget submissions. Although there are variances in the estimated and actual amounts, the estimates have improved during the past 2 years. An AID official stated that, while missions may tend to underestimate trust fund use to obtain larger amounts of appropriated operating expense dollars, it is difficult to estimate the amounts in the budget submissions, because the submissions are, in many cases, prepared before the approval of ESF appropriations by the Congress. ESF budgeted amounts are a major factor in negotiating the amounts of trust funds made available for mission operating expenses.

Estimated trust fund amounts for mission expenses are included in the fiscal year 1989 AID Congressional Budget Presentation, for the first time since fiscal year 1983, to better inform the Congress on the use of trust funds to offset AID mission operating costs. This inclusion had been discontinued as part of Office of Management and Budget's program to reduce the size of the budget; however, according to an AID budget official, similar information will continue to be shown in future budget presentations.

Inaccuracies in Reporting Trust Fund Obligations

Mission local operating expenses trust fund obligations for prior years shown in reports submitted to AID/Washington and included in budget submissions to the Congress may be inaccurate because of differences in the way missions calculate the conversions of local currency to dollars. The missions account for trust fund obligations in local currency and report these obligations in dollars. However, AID/Washington accounting and reporting guidance to the missions does not address the method for determining an exchange rate for use in converting local currency to dollars. In the absence of such guidance, there is a disparity in the methods for exchange rate conversion used by the missions to account for and report trust fund expenditures. For example, some missions use an average monthly exchange rate, others use the rate effective on the last day of the fiscal year, and some use the average daily exchange rate. Therefore, the reports that are prepared, using the information submitted by the missions, do not consistently reflect the amount of dollar obligations from the trust fund.

We believe that the average daily exchange rate method should be used by all missions to convert local currency to dollars for reporting purposes. The average daily exchange rate is the average of the daily rates for converting local currency to dollars for the year. We observed at the three missions we visited that obligations for operating expenses were made frequently throughout the year. Therefore, the average daily exchange rate would tend to compensate for the exchange rate fluctuations that occur throughout the year for some host countries and would more accurately reflect the dollar value of operating expenses paid by the trust fund local currency. For example, the Latin America/Caribbean region reported that its missions paid \$27.3 million in operating expenses from the trust fund in fiscal year 1987, based on information received from its individual missions. However, 6 of the 10 missions had fluctuating exchange rates and used exchange rates other than the average daily rate to convert the total local currency paid for operating expenses to dollars for reporting purposes. If the average daily exchange rate had been used to convert local currency to dollars for each country with fluctuating exchange rates, it would have shown that the Latin America/Caribbean region's missions paid \$28.6 million instead of \$27.4 million from trust funds for operating expenses—a \$1.2 million, or 4.4 percent difference.

Oversight Over Trust Fund Real Property Acquisitions May Be Needed

The Costa Rica mission charged \$10.2 million in capital expenditures to the trust fund, including \$8 million to construct the new AID mission complex. This acquisition was not included in any trust fund information reported to the Congress. Section 636(c) of the Foreign Assistance Act limits the acquisition of real property and facilities overseas in support of AID personnel from direct appropriations, to \$6 million, worldwide. However, the restriction does not apply to ESF local currency trust funds, and AID regulations provide that trust fund local currency may be used, without charge against the section 636(c) ceiling, to purchase or construct facilities overseas to support AID employees. The Congress, through the authorization and appropriation process, has established controls over expenditures for acquisition of overseas real property. If the Congress wishes to establish a comparable level of oversight for trust fund real property acquisitions, it may need to consider similar types of controls.

Conclusions

The Costa Rica mission charged \$10.2 million of capital expenditures to the trust fund, including \$8 million to construct the new AID mission complex. The AID/IG reported that, as trustee, the AID Costa Rica mission should have obtained the government of Costa Rica's approval in advance for these acquisitions because of their magnitude and one time use and because they were not specifically provided for in the trust fund agreement. AID officials believe these expenditures were appropriate and did not violate the trust fund agreement. We believe the fact that the acquisitions were not reported to the Congress in AID's report on operating expenses may be a more significant issue.

We believe that AID can provide more reliable data on trust fund local currency used to pay mission operating expenses in its budget submissions to the Congress. The Senate Appropriations Committee hearing report includes a schedule from AID that shows the estimated trust fund amount budgeted to pay mission operating expenses. Although, the budgeted amounts of operating costs to be paid by the trust fund in this schedule have been significantly underestimated for the past 4 years, recent estimates have improved. Furthermore, AID has reinstated a more descriptive report on local currency trust funds in its fiscal year 1989 congressional presentation.

The amounts of trust fund local currency operating expense obligations shown in this schedule for the prior years are not as accurate as possible

because of the variation in the type of exchange rates used by some missions to convert local operating expenses paid in local currency to dollars for reporting purposes. We believe that this is because AID/Washington has not issued guidance to the missions prescribing the exchange rate that should be used to more accurately convert mission local currency expenses to dollars for reporting purposes. We believe that the average daily exchange rate should be used by the missions for this purpose, because it would compensate for fluctuating exchange rates and more accurately reflect the dollar value of trust fund local currency paid for mission operating expenses.

Recommendations

To improve the accuracy of trust fund expenditures submitted to Congress, we recommend that the AID Administrator issue guidance to the missions instructing them to use the average daily exchange rate when converting trust fund local currency, as shown in their accounting records, to dollars for use in its trust fund mission operating expense reports and annual budget submissions to AID/Washington.

Matter for Consideration by the Congress

Because of AID's large capital expenditures in Costa Rica and the potential for large capital expenditures in the future by other missions due to expanding trust funds, the Congress may want to consider whether more statutory controls over trust fund real property acquisitions are needed.

Mission Operating Expense Budgets

Table I.1: Mission Operating Expense Budget Actual as of September 30, 1983

Dollars in thousands

	Obligations		Trust fund	Total obligations	Percent trust fund/ total obligations	Percent trust fund/ ESF budget	Percent of trust fund total
	ESF budget ^a	Operating expense budget					
Africa Region							
Sudan	\$80,250.0	\$4,075.0	\$2,205.7	\$6,280.7	35.12	2.7	17.81
Zaire	5,000.0	2,230.0	166.8	2,396.8	6.96	3.3	1.35
Subtotal		\$6,305.0	\$2,372.5	\$8,677.5	27.34		19.16
Asia Region							
Bangladesh	0.0	\$1,650.0	\$224.3	\$1,874.3	11.97	^b	1.81
Indonesia	0.0	2,953.4	674.1	3,627.5	18.58	^b	5.44
Korea	0.0	16.5	131.0	147.5	88.81	^b	1.06
Nepal	0.0	1,700.0	396.0	2,096.0	18.89	^b	3.20
Pakistan	60,000.0	2,165.0	4,150.5	6,315.5	65.72	6.9	33.52
Philippines	50,000.0	1,446.0	2,092.1	3,538.1	59.13	4.2	16.89
Subtotal		\$9,930.9	\$7,668.0	\$17,598.9	43.57		61.92
Latin America Region							
Bolivia	0.0	\$1,514.4	\$5.9	\$1,520.3	0.39	^b	0.06
Jamaica	54,350.0	715.6	1,212.4	1,928.0	62.88	2.2	9.79
Subtotal		\$2,230.0	\$1,218.3	\$3,448.3	35.33		9.84
Near East Region							
Egypt	300,000.0	\$8,200.5	\$1,124.5	\$9,325.0	12.06	0.4	9.06
Subtotal		\$8,200.5	\$1,124.5	\$9,325.0	12.06		9.06
Total		\$26,666.4	\$12,383.3	\$39,049.7	31.71		100.00

^aCash transfer and CIP programs.^bNot applicable.

**Appendix I
Mission Operating Expense Budgets**

Table I.2: Mission Operating Expense Budget Actual as of September 30, 1984

Dollars in thousands

	Obligations		Trust fund	Total obligations	Percent trust fund/total obligations	Percent trust fund/ESF budget	Percent of trust fund total
	ESF budget ^a	Operating expense budget					
Africa Region							
Somalia	\$0.0	\$3,100.0	\$770.0	\$3,870.0	19.9	^b	2.7
Sudan	120,000.0	3,894.5	12,902.4	16,796.9	76.8	10.8	45.8
Zaire	10,000.0	2,329.9	306.8	2,636.7	11.6	3.1	1.1
Subtotal		\$9,324.4	\$13,979.2	\$23,303.6	60.0		49.6
Asia Region							
Bangladesh	0.0	\$2,115.0	\$177.9	\$2,292.9	7.8	^b	0.6
Indonesia	0.0	4,317.8	420.5	4,738.3	8.9	^b	1.5
Korea	0.0	0.0	29.7	29.7	100.0	^b	0.1
Nepal	0.0	1,825.0	71.9	1,896.9	3.8	^b	0.3
Pakistan	92,000.0	2,241.1	5,042.9	7,284.0	69.2	5.5	17.9
Philippines	0.0	1,590.1	1,759.9	3,350.0	52.5	^b	6.2
Subtotal		\$12,089.0	\$7,502.8	\$19,591.8	38.3		26.6
Latin America Region							
Costa Rica	130,000.0	\$900.0	\$1,437.3	\$2,337.3	61.5	1.1	5.1
Jamaica	50,000.0	710.0	1,266.7	1,976.7	64.1	2.5	4.5
Subtotal		\$1,610.0	\$2,704.0	\$4,314.0	62.7		9.6
Near East Region							
Egypt	402,949.0	\$7,896.1	\$3,972.7	\$11,868.8	33.5	1.0	14.1
Subtotal		\$7,896.1	\$3,972.7	\$11,868.8	33.5		14.1
Total		\$30,919.5	\$28,158.7	\$59,078.2	47.7		100.0

^aCash transfer and CIP programs

^bNot applicable.

**Appendix I
Mission Operating Expense Budgets**

Table I.3: Mission Operating Expense Budget Actual as of September 30, 1985

Dollars in thousands

	Obligations		Trust fund	Total obligations	Percent trust fund/total obligations	Percent trust fund/ESF budget	Percent of trust fund total
	ESF budget ^a	Operating expense budget					
Africa Region							
Somalia	\$27,000.0	\$3,000.0	\$725.0	\$3,725.0	19.5	2.7	2.2
Sudan	111,000.0	4,050.0	8,382.6	12,432.6	67.4	7.6	25.0
Zaire	10,000.0	2,380.0	291.2	2,671.2	10.9	2.9	0.9
Subtotal		\$9,430.0	\$9,398.8	\$18,828.8	49.9		28.0
Asia Region							
Bangladesh	0.0	\$3,020.0	\$133.6	\$3,153.6	4.2	^b	0.4
Indonesia	0.0	4,262.8	899.8	5,162.6	17.4	^b	2.7
Korea	0.0	0.0	29.6	29.6	100.0	^b	0.1
Nepal	0.0	1,924.2	66.6	1,990.8	3.3	^b	0.2
Pakistan	107,200.0	2,281.1	5,778.5	8,059.6	71.7	5.4	17.2
Philippines	45,000.0	2,125.6	2,242.3	4,367.9	51.3	5.0	6.7
Subtotal		\$13,613.7	\$9,150.4	\$22,764.1	40.2		27.2
Latin America Region							
Belize	13,000.0	\$667.0	\$284.5	\$951.5	29.9	2.2	0.8
Costa Rica	160,000.0	900.0	2,987.5	3,887.5	76.8	1.9	8.9
Dominican Republic	95,000.0	1,365.0	503.9	1,868.9	27.0	0.5	1.5
El Salvador	243,500.0	2,900.0	3,497.1	6,397.1	54.7	1.4	10.4
Honduras	147,500.0	3,250.3	1,500.0	4,750.3	31.6	1.0	4.5
Jamaica	80,500.0	600.0	1,538.1	2,138.1	71.9	1.9	4.6
Peru	0.0	4,200.0	836.8	5,036.8	16.6	^b	2.5
Subtotal		\$13,882.3	\$11,147.9	\$25,030.2	44.5		33.2
Near East Region							
Egypt	550,000.0	\$7,277.2	\$3,889.2	\$11,166.4	34.8	0.7	11.6
Subtotal		\$7,277.2	\$3,889.2	\$11,166.4	34.8		11.6
Total		\$44,203.2	\$33,586.3	\$77,789.5	43.2		100.0

^aCash transfer and CIP programs.

^bNot applicable.

**Appendix I
Mission Operating Expense Budgets**

Table I.4: Mission Operating Expense Budget Actual as of September 30, 1986

Dollars in thousands

	Obligations			Total obligations	Percent trust fund/total obligations	Percent trust fund/ESF budget	Percent of trust fund total
	ESF budget ^a	Operating expense budget	Trust fund				
Africa Region							
Madagascar	\$2,000.0	\$144.4	\$74.1	\$218.5	33.9	3.7	0.2
Mozambique	9,570.0	594.5	85.2	679.7	12.5	0.9	0.2
Somalia	21,011.0	2,962.3	1,153.7	4,116.0	28.0	3.0	28.0
Sudan	10,000.0	3,297.0	8,363.1	11,660.1	71.7	83.6	22.1
Zaire	15,000.0	2,270.0	266.6	2,536.6	10.5	1.8	0.7
Zambia	15,000.0	842.0	298.0	1,140.0	26.1	2.0	0.8
Zimbabwe	0.0	1,201.0	158.6	1,359.6	11.7	^b	0.4
Subtotal		\$11,311.2	\$10,399.3	\$21,710.5	47.9		27.4
Asia/Near East Region							
Bangladesh	0.0	\$2,799.1	\$238.6	\$3,037.7	7.9	^b	0.6
Egypt	309,785.0	9,347.0	4,402.8	13,749.8	32.0	1.4	11.6
Indonesia	0.0	4,041.8	564.8	4,606.6	12.3	^b	1.5
Jordan	5,549.0	2,090.5	50.2	2,140.7	2.3	0.9	0.1
Nepal	0.0	2,089.0	28.6	2,117.6	1.4	^b	0.1
Pakistan	91,500.0	2,499.2	5,714.6	8,213.8	69.6	6.2	15.1
Philippines	219,625.0	1,949.7	1,919.5	3,869.2	49.6	0.9	5.1
Subtotal		\$24,816.3	\$12,919.1	\$37,735.4	34.2		34.1
Latin America Region							
Belize	1,500.0	\$650.7	\$317.4	\$968.1	32.8	21.2	0.8
Bolivia	7,177.0	2,556.0	3,156.0	19.0	19.0	8.4	1.6
Costa Rica	120,582.0	629.0	4,149.3	4,778.3	86.8	3.4	10.9
Dominican Republic	40,000.0	850.0	908.6	1,758.6	51.7	2.3	2.4
E. Caribbean Regional	9,500.0	3,169.7	301.3	3,471.0	8.7	3.2	0.8
Ecuador	20,110.0	1,600.0	200.9	1,800.9	11.2	1.0	0.5
El Salvador	147,000.0	1,400.0	3,693.5	5,093.5	72.5	2.5	9.7
Guatemala	47,350.0	1,020.0	350.5	1,370.5	25.6	0.7	0.9
Honduras	61,248.0	2,553.4	1,753.4	4,288.8	40.5	2.8	4.6
Jamaica	58,000.0	632.2	2,335.7	2,967.9	78.7	4.0	6.2
Subtotal		\$15,061.0	\$14,592.6	\$29,653.6	49.2		38.5
Total		\$51,188.5	\$37,911.0	\$89,099.5	42.5		100.0

^aCash transfer and CIP programs.

^bNot applicable.

**Appendix I
Mission Operating Expense Budgets**

Table I.5: Mission Operating Expense Budget Actual as of September 30, 1987

Dollars in thousands

	Obligations		Trust fund	Total obligations	Percent trust fund/total obligations	Percent trust fund/ESF budget	Percent of trust fund total
	ESF budget ^a	Operating expense budget					
Africa Region							
Kenya	\$14,495.0	\$3,400.0	\$571.6	\$3,971.6	14.4	3.9	1.0
Madagascar	0.0	135.0	48.2	183.2	26.3	^b	0.1
Mozambique	9,835.0	500.0	131.8	631.8	20.9	1.3	0.2
Somalia	15,125.0	2,210.0	1,364.2	3,574.2	38.2	9.0	2.5
Sudan	0.0	3,280.0	10,173.8	13,453.8	75.6	^b	18.5
Uganda	0.0	670.0	90.4	760.4	11.9	^b	0.2
Zaire	0.0	2,955.2	575.8	3,531.0	16.3	^b	1.0
Zambia	12,422.0	875.0	505.9	1,380.9	36.6	4.1	0.9
Zimbabwe	0.0	1,315.0	68.0	1,383.0	4.9	^b	0.1
Subtotal		\$15,340.2	\$13,529.7	\$28,869.9	46.9		24.6
Asia/Near East Region							
Bangladesh	0.0	\$3,149.5	\$104.7	\$3,254.2	3.2	^b	0.2
Egypt	315,000.0	7,850.0	2,826.1	10,676.1	26.5	0.9	5.1
Indonesia	0.0	4,021.8	350.3	4,372.1	8.0	^b	0.6
Jordan	74,000.0	1,168.3	1,127.5	2,295.8	49.1	1.5	2.0
Nepal	0.0	2,373.0	28.3	2,401.3	1.2	^b	0.1
Pakistan	58,000.0	1,798.1	7,294.6	9,092.7	80.2	12.6	13.3
Philippines	150,000.0	1,763.0	2,341.0	4,104.0	57.0	1.6	4.3
Subtotal		\$22,123.7	\$14,072.5	\$36,196.2	38.9		25.6
Latin America Region							
Belize	1,665.0	\$883.0	\$124.1	\$1,007.1	12.3	7.5	0.2
Bolivia	7,160.0	3,083.0	117.7	3,200.7	3.7	1.6	0.2
Costa Rica	119,750.0	1,312.0	11,272.9	12,585.4	89.6	9.4	20.5
Dominican Republic	13,835.0	882.1	2,033.6	2,915.7	69.7	14.7	3.7
Ecuador	18,815.0	1,875.6	936.7	2,812.3	33.3	5.0	1.7
El Salvador	187,000.0	3,517.1	4,093.6	7,610.7	53.8	2.2	7.4
Guatemala	90,750.0	745.0	2,005.1	2,750.1	72.9	2.2	3.6
Haiti	33,000.0	3,325.0	1,633.6	4,958.6	32.9	5.0	3.0
Honduras	100,000.0	1,944.7	2,646.2	4,590.9	57.6	2.6	4.8
Jamaica	23,000.0	458.0	2,409.5	2,867.5	84.0	10.5	4.4
Uruguay		40.0	136.0	176.0	77.3	1.2	0.2
Subtotal		\$18,066.0	\$27,409.0	\$45,475.0	60.3		49.8
Total		\$55,529.9	\$55,011.2	\$60,541.1	49.8		100.0

^aCash transfer and CIP programs.

^bNot applicable.

Countries With ESF-Generated Local Currencies That Did Not Negotiate Trust Funds in Fiscal Year 1987

Country	Reason
Africa Region	
Gambia	ESF program does not generate local currency.
Liberia	ESF local currency used to pay the country's civilian service employees. Country cannot afford an operating expense trust fund.
Niger	The purpose of the ESF program is to generate CFAs ("hard" currency tied to the French franc) and establishing a trust fund would invalidate the program.
Senegal	Same as for Niger.
Tanzania	Country trying to recover from severe debt repayment problem. Mission attempting to negotiate trust fund for fiscal year 1988.
Asia/Near East Region	
Portugal	The ESF is part of a base right agreement with the United States.
Thailand	ESF grant provided to offset the cost of the refugee program along the Thailand/Cambodia border and does not generate local currency.
Tunisia	The ESF program does not generate a substantial amount of local currency.
Latin America/Caribbean Region	
East Caribbean Regional	The trust fund negotiated in fiscal 1986 was for the mission in Grenada. AID diminished the staffing at that mission in fiscal year 1987, thus decreasing the need for a trust fund.

Requests for copies of GAO reports should be sent to:

U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.

United States
General Accounting Office
Washington, D.C. 20548

Official Business
Penalty for Private Use \$300

First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100
