

Donor-funded project financial management: Lessons from global development initiatives for U.S. community-based programs

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Abstract

This paper examines the ways the global donor practices may enlighten and support financial governance of nonprofits based in the U.S. The paper relies on the comparative analysis of international development systems and domestic nonprofit issues and is able to establish major lapses in financial accountability, reporting consistency, and measuring outcomes. The literature and emergent case studies review shows that globally embraced mechanisms, including the adoption of AI-enhanced risk management systems, performance-based disbursement models, and standardized monitoring and evaluation (MandE) mechanisms, hold the potential to enhance transparency and donor trust immensely. Through the critical analysis and review of donor requirements and nonprofit compliance in the global and U.S. environment, the study points out a harmonized reporting framework and ethical inclusion of the use of digital tools. The paper advises that the domestic social programs should be aligned with the globally tested approaches such as real-time donor dashboards, universal metrics, and cross-sector concerted funding models. Such interventions have the ability to enhance resource optimization, service delivery quality, and organizational strength. The paper ends with a recommendation that policymakers and nonprofit leaders need to pour investments into digital innovation, responsible financial management, and long-term accountability mechanisms.

Keywords: Community-based, Donor-Funded ; Financial; Initiatives; Management; Programs

1. Introduction

Funding by donors has over the years been revolutionary in terms of curbing many social, economic, and health-related issues in the developing nations. International donor financing has paneled successful sustainable development outcomes, to include community health initiatives in sub-Saharan Africa, education and infrastructure improvements in South Asia, global nutrition, health care, and the impacts of climate change. Global development actors have over the years established effective financial management systems to help maintain accountability, transparency, and efficiencies in the utilization of such funds (Kwayie, 2023; Ilesanmi and Afolabi, 2022). Nonetheless, fragmented financial management, weak monitoring resources, and irregular donor management engagements still plague numerous community-based organizations in the U.S., regardless of advances made overseas (Kotloff and Burd, 2012; Sontag-Padilla et al., 2012).

The reason for such a study is that the financial management strategies of different internationally donor-funded development programs can be explored with the aim of setting up and improving the nonprofit financial management of the United States. This paper will provide some relevant insights on how American community organizations can

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work towards improved fiscal transparency and long-term sustainability by drawing lessons learned from the global donor frameworks and success factors in the context of East Africa, Southeast Asia, and Latin America.

The study fills an important void between the fecundity that exists in monetary operations in internationally funded programs and what are relatively dispersed and commonly underfinanced monetary tools of numerous U.S.-based societal programs. Though international efforts have begun adopting strategic management tools like blockchain-based traceability, AI-based risk management analytics, and community-based financial oversight, a substantial portion of domestic organizations utilize outdated reporting procedures and spontaneous assessment (Waititu et al., 2022).

The purpose of this paper regarding its two main objectives is as follows: the first is to identify and compare the best financial management practices in the donor-funded programs worldwide, and the second one is to develop a roadmap of the above strategies in order to optimize transparency, donor trust, and the impact measurements applied to the U.S. nonprofits and community-based organizations.

The value of such an investigation is that the knowledge sharing can be fruitful when it comes to the relationship between international development finance and national nonprofit practices. As a result of adopting foreign best practices, the programs in the U.S. may enhance their credibility, encourage more sustained donor engagement, and yield outcomes that are measurable and sustainable, including participatory budgeting, digital tracking of funds, and performance-based disbursement (Rocha Valencia et al., 2014; Jackson, 2023). Additionally, this paper is part of an emerging discussion of how international experience can be used to benefit local reactions, and it provides U.S. organizations with a route to financial sustainability and programmatic success.

2. Global donor-funded financial management: lessons learned

Decades of learning experiences in the world development contexts around Africa, Asia, and other parts of relevance by the international NGOs have shaped donor-funded financial management. Mostly characterized by a shortage of resources and being prone to political or infrastructural uncertainties, these environments have forced organizations to devise flexible yet dependable financial practices. Sub-Saharan African countries, such as these, have developed financial networks that highly value transparency and involvement of the local community due to their history of issues with corruption and a lack of oversight. Kwayie (2023) recounts that participatory budgeting and outcome-based reporting served numerous donor-funded projects successfully in Ghana by continuing to have the same donor keep donor confidence and achieve community acceptance. Ilesanmi and Afolabi (2022) similarly state that, in Nigeria and Kenya, decentralization of financial decisions has enhanced ownership within the community, where managed programs are better sustained, leading to increased efficiency and a stronger impact.

One of the inherent elements of success in international development finance and financing is high community participation. According to Mwende et al. (2025), projects that incorporated local stakeholders during the budget planning process and monitoring of expenditure have reduced possibilities of fund diversion and proved to meet the needs of the community more. In addition to inclusion, the application of lean financial management principles has also become effective. With special regard to health and education multilateral programs in Southeast Asia, Richard (2025) attaches importance to lean systems and how they help to minimize administrative costs and match spending with the desired effects. Complementing these approaches are strengthened internal control systems. Mupa et al. (2024) established that multi-levels of controls, such as independent audits and employee rotations, played a fundamental role in fraud reduction and enhanced confidence among donors.

Nevertheless, donor-funded projects of an international nature still have critical challenges regardless of these best practices. The scandals on moral pitfalls, especially in the management and reporting of funds, have discredited various major development projects. Aror and Mupa (2025) document the cases in East Africa where several non-disclosures of the conflict of interest cases and misrepresentations of financial information, otherwise known as ETHICAL FAILURE, resulted in the withdrawal of donors and collapse of the programs. Mankambila and Marwa (2024) continue that misuse of funds, which in most cases is as a result of bad procurement management or insufficient documentation, is still one of the issues, as is evident in post-conflict areas. Additionally, sustainability is a growing issue. Matsa et al. (2023) evaluate such issues by arguing that most of the donor-funded projects fail after external financing stops working mainly because of the absence of capacity-building and the fact that recipient organizations do not have long-term financial planning.

To restore and support donor confidence, several facilities have embraced superior accountability standards and incorporated digital devices. Agarwal et al. (2025) follows the idea of how ledger systems created on blockchain are trialed in humanitarian initiatives to follow grant spending in real-time, increasing not only transparency but also

responsiveness of reporting. A similar theme is reported by Zarkasi and Sriyono (2024), who emphasize the increase in the usage rate of cloud-based accounting systems amongst NGOs across Southeast Asia, easily making it possible to do analytics in real time, have preset compliance checks, and accept field officer access on mobile devices. The tools enhance data-driven decisions and donor relations due to instant reporting dashboards, along with increased operational transparency.

Strong performance measurement systems are equally important in managing donor-funded project systems. Monitoring and evaluation (MandE) has come further through donor-dictated requirements and is now a primary element of strategic learning and accountability. According to Mohamud and Nyandoro (2024), participatory MandE frameworks provide the community members with the opportunity to determine the performance indicators and expressively contribute to outcome measurements, moreover, strengthening the perception of ownership and relevance. Alomba (2020) builds on this and notes that there is a need to incorporate the integration of qualitative and quantitative measures, which enables the project to assess both the concrete result and more complex social contributions, like empowerment or inclusion.

Collectively, these international experiences provide fascinating glimpses into the basic elements of effective financial management: community fit, lean systems, ethical discipline, technological engagement, and sound assessment. Although the situations of the donor-funded projects in the Global South are not comparable with domestic U.S. nonprofit work, the donor-based fund practice involving the donor entity and domestic nonprofit operations is transferable as well as noteworthy. Subsequent discussions will address the ways in which the described lessons can be used to inform practical changes to stir up the needed adaptations to U.S.-bound community-based programs with their current financial fragility and trust shortages.

3. Comparative Analysis: International Strategies vs. U.S. Community Programs

Community-based programs have been very critical in dealing with local health care, education, housing, and social needs in the United States, but community-based programs still have a financial management challenge. Such fragmented funding systems, uncoordinated reporting requirements, and administrative burdens feature prominently among the major challenges to the strategic and operational performance. According to Kotloff and Burd (2012), U.S. nonprofits have often been hamstrung by the short-term nature of funding cycles, siloed grants, and the negative impacts on long-range planning and system-wide service delivery. Likewise, Sontag-Padilla et al. (2012) add that most community organizations in the U.S. lack sufficient infrastructure to collect and report performance data in a systematic manner, and this is a weakness that projects a low confidence in the donors and fails to enhance evaluation in terms of outcomes. Such observations hold to this day a decade later, indicating that no significant changes have occurred in the domestic nonprofit financial systems. On the contrary, numerous donor-based initiatives across Africa, Asia, and other parts of the world have adapted more efficient and transparent financial systems to counteract equally complicated funding situations.

The global development projects, especially those that are funded by big international donors, have developed financial management practices that directly address most of the shortcomings identified in the nonprofit environment in the United States. It is worth noting that the application of context-sensitive tools and adaptive funding regimes has enabled the local implementer to own the project results. According to Jackson (2023), the U.S. systems of nonprofits are too rigid when compared to the learning-based and adaptive models that are becoming more common in the international environment, as the former would never succeed in adapting to the evolving needs of the community. The authors of the study under scrutiny substantiate this fact by pointing to the lack of donor oversight systems in the U.S. community programs, which is drastically different from the context internationally, where donors are immersed in a feedback circle and that of an output-based system of disbursement. The comparison highlights a more fundamental structural issue because, whereas the donor relations set up by the global initiatives are sometimes positioned as collaborative partnerships based on shared accountability, the U.S. programs tend to exist in a top-down, compliance-oriented fashion, reducing flexibility and innovation.

One of the most important spheres of disagreement is the interest in financial literacy and community empowerment. Kyeyune and Ntayi (2025) analyze donor-sponsored health initiatives in Uganda and illustrate that community education in cost-benefit analysis, purchasing procedures, and expenditure monitoring made invaluable contributions to not only improving transparency but also the sustainability of the program. Their results are dismally different in the case of the U.S., where agencies based in the community (CBOs) are the least participating in determining budget-making structures, yet they are the ones who stand closest to the populations served. Similarly, Netshifhefhe et al. (2024) demonstrate that in South Africa, the empowerment of stakeholders by means of financial education promoted an increase in accountability and retention of donors. Such considerations critique the American norm of centralized

financial authority in the leadership of the nonprofits and indicate that empowering more financial responsibility to the many actors in the community would benefit accountability and ownership.

Case studies also show the implications of these alternative approaches empirically. Results by Dada et al. (2025) in the healthcare industry of the United States suggest that nonprofit clinics in low-income urban communities are often subject to chronically unstable funding conditions because of frequent unstable funder relationships and ineffective cost-control systems. Their study has shown that there is a mismatch between the service delivery and the financial strategy—an issue that international programs have solved through incorporating financial planning during all phases of the project design. According to Onifade et al. (2024), the same difficulties are outlined in food insecurity programs in the U.S., where lack of feedback and effective supply chain use resulted in overlapping provisions and waste of resources. Such cases resemble the initial issues faced by international development initiatives, especially in post-conflict or high-poverty areas, but with the difference that most of the foreign development programs have since institutionalized performance indicators and adaptive practices, which remain absent in U.S. programs.

Many donor-funded projects around the world are unique because they depend on dynamic monitoring systems and participatory evaluation frameworks. According to Ilmu and Maesaroh (2024), there is a common practice in Southeast Asian projects, namely community scorecards and real-time financial dashboards, which all donors and beneficiaries can use to track the progress and costs of a project at the same time. This promotes a sense of shared accountability that is alien to the U.S. community-based programs that only monitor financial information during the auditing process or at the end of any year. Furthermore, though U.S. donors tend to focus on regulatory compliance, international donors are nowadays putting greater stress on learning-based evaluations, which promote mid-course adjustments. Such disparity points to larger philosophy gaps in responsibility; as international projects begin to pursue shared solutions and create joint opportunity, U.S. programs regularly stay bound to hard grant requirements and punishing oversight.

4. Adapting Global Best Practices for U.S. Nonprofits

Transferring global financial management practices to the realm of nonprofits in the U.S. context mandates significant consideration as to those that can be transferred, those that must be modified, and the extent to which they suit the domestic context. In Africa, Asia, and Latin America, donor-funded projects are frequently conducted and, as such, require a high level of accountability, good use of resources, and solutions anchored in the communities. Most of these innovations, particularly those related to procurement, compliance, internal controls, and community engagement, can be significantly adapted to U.S.-based community programs that are increasingly struggling with transparency, sustainability, and financial literacy.

The green procurement system should be one of the most promising transfer areas since it has been in focus within donor-aided projects, with green procurement systems focusing on green procurement and cost-effectiveness. Baig et al. (2025) illuminate the way international development agencies incorporate the sustainability mission in procurement, making it transparent and with long-run efforts since the concept of resource waste can be kept at a minimum, and various stakeholders can be involved. These are not merely environmentalism but cost savings, providing the motivation to structure systems to meet donor demands and create audit-friendly documentation trails. In the U.S., although some nonprofit networks use similar language, there is bid implementation. The incorporation of green procurement systems, particularly in areas of housing, education, or health, might further support responsible expenditure as well as attract the planet-friendly donors and populations.

On the same note, global projects are more likely to have strong legal and regulatory compliance mechanisms, as they are answerable to multilateral donors. Netshifhefhe et al. (2024) point to streamlining legal compliance, especially in grant management and contractor accountability, enhancing organizational efficiency, and mitigating audit risk as one improvement approach. U.S. nonprofits usually do not have access to capacity-building assistance in this area, particularly at the grassroots level. The internationally tested models of compliance are possible to adopt in order to standardize the practices within small-to-mid-size organizations, many of which face the issues of the lack of coherent oversight and a lack of back-office capacity.

The other strategic adaptation area can be through AI-driven risk control mechanisms, as pointed out by Aror and Mupa (2025). Applications of AI in International Development Today, AI tools have become increasingly popular at identifying anomalies in the process of budgeting, disbursement, and procurement. Such technologies are improving the integrity of the financial operations and liberating human resources to deliver the core services. Although U.S. nonprofits worry about the cost and lack of skills that reduce their readiness to implement such systems, modular and low-cost AI products may be presented via common services facilities or by funder-based platforms. Such systems would need an

ethical framework and policy backing to integrate, but the potential benefits of reducing misuse and instilling greater trust in all stakeholders are very high.

Following on the essence of great financial systems, internal controls of the international small, medium, and micro-enterprise (SMME) systems are also quite pertinent. Adebisi et al. (2025) underline the efficacy of regionalized financial approaches, which could envisage mobile audit trails, tier review budgeting systems, and participatory financial tests and reviews in engendering ownership and urgency in small companies. Although the concepts are created business to business, they are applicable to the scope and capacity of operations of the many U.S. grassroots nonprofits. The implementation of these models would aid in providing budgeting, forecasting, and cash flow gaps and also provide increased confidence by donors in financial management.

In addition to systems and compliance, effective donor-funded programs have been highly focused on community participation and empowerment, which are underutilized in numerous U.S.-based funding models. Ngatia and Kihara (2018) and Komba and Kitole (2025) report on the positive impact of participatory training models in enhancing financial literacy, enhancing transparency, and meeting local interventions. Specifically, Komba and Kitole emphasize that community-led monitoring and reporting promote ownership and mitigate corruption. Such forms of participatory budgeting might be taken up by U.S. nonprofits, especially those that work with historically marginalized groups, to democratize the budget process and hold grant expenditure accountable to the very community in which it is benefiting. Community feedback loops might also be embedded into the financial reporting process, which may also question the culture of paternalistic funding connections that are more restrictionist in national contexts.

Nevertheless, adaptation should not only be a matter of copying; it entails cultural and ethical awareness. Almaqbol (2025) cautions that the transplantation of financial practices should not ignore local governance, legal standards, and cultural expectations since it can prove to be counterproductive. This is particularly true in instances where international models were constructed under assumptions of communal decision-making or government alignment, which may not be true in the U.S. context. Likewise, Willie et al. (2025) acknowledge that ethical considerations should be key in financial reforms, especially in societies that have never trusted institutions. The U.S. nonprofits should thus make sure that what is imported will not only work but will also work culturally and with legal approval. This involves translating technical documents into plain language, ensuring transparency tools are made available, and engaging community members in the adaptation processes.

5. Strategic Tools for Transparency and Accountability

Transparency and accountability are crucial in the effectiveness of the community-based programs, which are nonprofit in the United States. With the increasing number of sources of funding and with transparency and accountability to the masses, the inclusion of potentially effective strategic tools originally utilized in international donor-funded endeavors is a promising venture to be sought by nonprofits in the United States. This section discusses ways in which technological innovation, performance-based funding, compliance with the law systems, and transparency systems can enable financial governance in the domestic nonprofit practice.

This implies that technology integration has become a mandatory approach in world financial management. The use of blockchain technology in tracking and verifying funds is one of the most promising innovations. Agarwal et al. (2025) posit that with blockchain technology, there is transparency in the ledger system being tamper-proof, and every transaction can be traced to both donor and beneficiary. Besides decreasing the risk of misappropriation, it also provides donor confidence as real-time financial visibility is made possible. Similarly, there is a growing trend in the use of artificial intelligence to detect fraud and conduct audits. As indicated by Nkomo and Mupa (2024), AI has the potential of flagging the anomalies that are present in the financial reports, detecting the patterns that may include fraud in financial decision-making, and augmenting predictive analysis. These digital systems offer real-time risk mitigation and operational efficiency compared to the traditional auditing systems that most nonprofits in the U.S. employ, which are either reactive or manually done. Although nonprofits in the U.S. have started to implement digital accounting systems, the automation and thoroughness of AI- and blockchain-based systems being implemented in the work of international donors provide an upgraded and welcome improvement.

The other important mechanism that is gaining ground is performance-based funding, where money distributions are directly linked to the attainment of agreed-upon outcomes. Kuteesa et al. (2024) illustrate that these funding arrangements have achieved financial accountability and delivery of an impact within donor-funded programs in sub-Saharan Africa. On the same note, Rocha Valencia et al. (2014) report the application of results-based financing in Latin America as an incentive to service and stakeholder improvement. In contrast with a large number of U.S. nonprofits that continue to operate largely on up-front funds or receive lump-sum payments on an annual basis, performance-based

models bring the element of strategic discipline, which involves ongoing monitoring and evaluation. Although some critics believe that this type of model can be disadvantageous to programs operating in a highly complex environment where it is hard to quantify outcomes, it is, however, indisputable that such models are beneficial in promoting data-driven decision-making. In addition, contextual adaptation of these models may improve trust between American funders and community implementers.

Accountability is also enhanced through the application of legal compliance and internal auditing systems. In South Africa, Netshifhefhe et al. (2024) reveal that incorporating developed legal frameworks in SMME activities benefits the entities in terms of improved compliance and investor congruence. Similarly, Mupa et al. (2024) assert that effective internal controls such as recurrent internal audits and financial risk assessments can avert financial mismanagement in the governmental and nonprofit sectors. These tactics are apposite to the U.S. community-based organizations, which, frustratingly, face compliance issues regularly due to understaffing or insufficient training of nonprofit financial rules. Nonprofits can not only address internal risks but can also satisfy the growing demands of donors and regulatory agencies by institutionalizing routine audits, enforcing dual-authority systems of expenditures, and instituting whistleblower systems.

Additional information on international aid transparency initiatives offers yet another level of perspective regarding nonprofits in the U.S. that want to promote accountability. Pamment (2019) talks about the International Aid Transparency Initiative (IATI), which established global standards of aid information publication. Such standards have enhanced access to records of donor spending and the possibility of making comparative analyses of programs and countries. Although the U.S. is not currently requiring such in-depth public reporting on a nonprofit basis, emulating best practices in similar transparency efforts like open-access budgets and real-time expenditure markers, based on the IATI, could revolutionize stakeholder engagement and community confidence. This is especially crucial in communities that have been marginalized, as distrust towards outside entities might be an obstacle to cooperation and participation in programs.

There is a distinct trend that is evident when a comparative review of such tools is made; most of the projects that are funded by international donors tend to be proactive and based on systems-related transparency, whereas those projects and communities funded by the U.S. may still be based on the post factum analyses and reporting that is incoherent. Closing this gap by combining blockchain technology and AI-optimized auditing, as well as performance funding models and legal compliance procedures, U.S. nonprofits will be able to develop a stronger and more transparent base of operations. Nevertheless, technological investments would not be a sufficient condition to make a smooth transition, as capacity-building activities to train employees, theorize ethics, and induce culturally responsive implementation will be necessary to promote successful adaptation. Strategic incorporation of these tools with contextual improvement can provide a tremendous scope to alter the financial governance of the domestic nonprofit sector.

6. Enhancing Monitoring, Evaluation, and Impact Measurement

The Monitoring and Evaluation (MandE) systems are necessary to make sure that the community development activities are effective and answerable. Standardized MandE systems facilitate optimization of evaluating a project as it becomes more complicated and requires more resources. Inclusion of the universal indicators and the use of structured feedback loops, according to Mohamud and Nyandoro (2024), are essential in creating clarity in the context of diverse implementations. Such frameworks do not only benefit those who make project comparisons, but they also enhance active learning. Standardization, however, with its associated benefits of comparability, has the potential to limit the flexibility and responsiveness of localized programs, particularly in a culturally sensitive climate where there might be significant qualitative outcomes missed by defined indicators.

Demonstrating tangible results is one of the central objectives of MandE, as it assures donors of their delivery. As Ilmi and Maesaroh (2024) underline, the provision of professional, properly organized evidence on the results will contribute to the relationship of trust and possibly to a long-lasting financial relationship. Likewise, Zarkasi and Sriyono (2024) state that the level of transparency in the reporting of impacts, supported by both quantitative and qualitative information, will enhance stakeholder relationships and increase the legitimacy of a program. However, both studies warn that a focus on—and fixation on—impact measures has a danger of refocusing the emphasis on program-specific outcomes at the expense of organization-wide developmental change. As an example, the short-term numerical improvements can be emphasized at the cost of less demonstrable yet more transformative effects.

The technology has also changed the way the organizations carry out evaluations. As Nkomo and Mupa (2024) put it, they encourage the use of artificial intelligence and real-time analytics to monitor developments and adjust programs on the fly. Artificial intelligence can identify anomalies in the data, show which interventions are not as effective as one

might intuit, and even give a future trend on the available data. Such practices are more agile and accurate compared to the conventional assessment systems. However, technological dependency also opens up some unforeseen challenges, as the authors mention data privacy issues, the potential bias and discrimination of algorithms, and the abandoning of communities that do not have the digital infrastructure.

Both the potential and the limits of these frameworks are illuminated by the practical lessons of regional case studies. To illustrate, Ngatia and Kihara (2018) record positive initiatives of MandE application within education in East Africa, which includes the contribution of community-based data collection to ownership and relevance. In contrast, Alomba (2020) points out difficulties in changing policies based on MandE data due to inertness and capacity shortages in the institutional environment. Such opposite experiences may indicate that MandE tools are a necessary component of the reality; however, their effectiveness is preconditioned by the willingness of the institution to take actions and respond to the feedback based on the context.

7. Conclusion and Policy Recommendations

This paper has highlighted the necessity of applying the lessons of international donor frameworks to the U.S.-based nonprofit sector to enhance its accountability, transparency, and effect. Through critical analysis of literature and case studies at the international level, the study provides an insight on how standardized monitoring and evaluation (MandE), donor-oriented reporting, and technology-driven controls can fill the available gaps in domestic nonprofit financial management. As an illustration, the global solutions focusing on universal measures and feedback loops (Mohamud and Nyandoro, 2024) are the ones best suited to the needs of U.S. nonprofits who want to establish trust with their funders and enhance operational effectiveness. A strategic suggestion that can arise because of this analysis is to move towards AI-enriched risk management systems (Aror and Mupa, 2025) to identify financial anomalies, especially within the small organizations as well as community-based organizations. Moreover, when introducing a performance-based disbursement model where the grant money is tied to clearly described results, both donor satisfaction and the quality of services offered can be raised (Zarkasi and Sriyono, 2024). Improved donor reporting, including open dashboards and real-time financial reporting, should also be a standard practice, further strengthening organizational credibility and long-term donor relationships (Ilmi and Maesaroh, 2024).

The policy implications of these findings are significant. Structures for social programs in the U.S. would be improved by greater conformity towards universally accepted best practices. This entails institutionalizing MandE systems in the federal and state governments, the encouragement of funder groups to harmonize reporting standards, and the regulation systems that will incentivize data transparency and good financial governance. Finally, the paper urges policymakers, nonprofit executives, and charity fraternities to engage in investing in digital infrastructure, fostering cross-sector collaboration, and keeping ethical considerations on the frontline of all reorganizations of financial governance. This will not only enhance service delivery but also enhance the resilience and sustainability of the nonprofit ecosystem.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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