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MULTILATERAL ASSISTANCE

Accountability for U.S. Contributions to the World Food Program

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the results of our review of the Agency for International Development's (AID) management of U.S. food donations to the World Food Program (WFP).[1] This review responds to your request that we examine AID's accountability for U.S. donations to WFP and comment on the United States' responsiveness to WFP emergency food requests. My testimony will focus on the problems we identified, the recommendations we made to correct these problems, and the agencies' responses to our recommendations. I want to emphasize at the outset that we recognize the importance of WFP's work. Throughout the world WFP has helped save millions of lives. We hope that our review will help WFP perform its important work more efficiently and effectively.

We found that millions of dollars of U.S. commodities donated to WFP through AID were lost, stolen, or mishandled. The losses went unchecked because AID relied on ineffective WFP accountability procedures and did not effectively monitor the donations' distribution or use. WFP's commodity loss reports to donors were incomplete and inaccurate and did not adequately highlight distribution problems or the need for corrective actions.

We also found that the United States often did not respond quickly to WFP emergency food requests because the requests were not treated as emergencies. However, we found no evidence that the recipients of the emergency assistance suffered because of the slow U.S. responses.

Mr. Chairman, I will now discuss our findings and recommendations in more detail and comment on AID's and WFP's responses to them.

POOR ACCOUNTABILITY FOR U.S. DONATIONS

WFP, a U.N. agency, obtains and distributes large amounts of food for humanitarian emergency feeding activities and for food-for-work and other development projects throughout the world. To implement its programs, WFP turns donor contributions over to recipient host governments and nongovernmental organizations for receipt, storage, delivery, distribution and reporting on the projects' results. Historically, the United States has been one of WFP's largest donors, with contributions totaling over $370 million in fiscal year 1992. Approximately $228 million of that amount was contributed through AID's Office of Food for Peace.

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[1] Foreign Assistance: Inadequate Accountability for U.S. Donations to the World Food Program (GAO/NSIAD-94-29, Jan. 28, 1994).

AID Established Few Oversight Requirements for WFP Donations

AID has specific regulations for most organizations implementing food aid programs. These regulations are intended to safeguard commodities, ensure proper accountability over their use, and provide AID the necessary information to determine whether they are being used effectively. The regulations apply to private voluntary organizations to which AID provides commodities and funds. Because WFP is a U.N. agency, it is exempt from AID's accountability regulations. According to AID, the United States relies on the management, audit, and procurement policies and procedures of international organizations, such as WFP, when making contributions to them. Officials at AID, the State Department, and the Department of Agriculture told us that once the United States donates food to WFP, the commodities belong to WFP and not to the United States. The officials noted that they exercise oversight over WFP operations through membership on WFP's governing board, and they rely on, and have confidence in, WFP's accountability structures and audit capabilities to ensure proper commodity management.

We found, however, that none of the U.S. officials we spoke with at AID, State, or Agriculture were familiar with WFP's accountability procedures or audit reports. None of these officials had assessed WFP's accountability procedures, knew the WFP loss rates for U.S. commodities, or were aware of accountability problems cited in WFP audit reports. These officials had participated on WFP's governing board and approved WFP projects and were considered the most knowledgeable U.S. officials on WFP management issues.

AID has established only a few oversight requirements for WFP donations. One requirement is that AID officials assess WFP projects to determine whether they are technically sound and carefully planned. In doing this, the U.S. delegation to WFP's governing body, headed by an AID official, can recommend improvements in WFP projects on the basis of AID, Agriculture, and State analyses of the projects. Another requirement is that AID mission officials be aware of mismanagement in WFP projects and report such matters to AID/Washington for resolution.

AID Does Not Follow Its Own Accountability Requirements

We found that AID was not meeting either of these requirements. The U.S. delegation often was not adequately prepared for WFP project review sessions, and we found only a few formal position papers that consolidated or formalized the U.S. delegation's position on projects we examined. Moreover, the U.S. delegation often was not aware of serious commodity management problems; however, even when they were aware of problems, as in the case of

Ethiopia, they did not raise them during project renewal discussions. We found, also, that the AID missions were generally not assessing whether WFP and the host governments could effectively monitor and manage the projects and, for most of the projects we examined, were generally unaware of serious commodity management problems, including theft of food. AID mission assessments were important inputs to the U.S. delegation's preparations for WFP project reviews.

WFP's Accountability Procedures Were Inadequate

To test WFP's ability to safeguard U.S. contributions, we examined WFP's accountability procedures for five projects, including protracted refugee operations in Ethiopia, Pakistan, and countries bordering Liberia, and development projects in India and Pakistan.

We found that WFP's accountability procedures were inadequate. Accountability requirements were vague and did not provide sufficient mechanisms for ensuring that donations were properly safeguarded. Moreover, in most cases WFP was not meeting its stated requirement to observe commodity distributions to beneficiaries. As a result, WFP was unable to identify or halt the continuing loss or theft of commodities in some of the projects we examined.

What follows are examples of accountability problems we found at three of the five projects we examined:

-- WFP provided food for up to 400,000 ineligible people in Ethiopia because it relied on inaccurate census information from the United Nations High Commissioner for Refugees (UNHCR) and the host government. In one camp alone, WFP provided food for about 250,000 people when only about 80,000 were in the camp. Moreover, some of that food was diverted from intended recipients, and the poorest people sometimes got left out of the distribution. UNHCR officials estimated that 40 percent of the food distributed to the camp was diverted to Somalia for sale in markets there.

-- From 1987 to 1992, WFP provided food to over 270,000 fraudulently registered Afghan refugees in Pakistan. This amounted to wheat and edible oil valued at about $35 million; during this period, the United States provided 40 percent of all wheat contributions and most of the oil. Although U.S. officials worked with WFP to eventually reduce the fraudulent registration, this only occurred in 1992, 10 years after WFP officials believed the registrations were inflated.

-- Between 1988 and 1990, a Pakistan food-for-work project lost, through theft or misappropriation, about 2,200 metric tons of food. This represents about 70 percent of the 985,000 workdays of food WFP provided for this project during this period. WFP never reported these thefts as losses, and U.S. officials were unaware of them.

We found that the accountability procedures for the remaining two programs were generally effective. However, it is important to note that WFP did not impose these effective procedures. Rather, in the case of the project in India, the government imposed its own accountability system. In the case of the Liberia refugee project, the Red Cross implemented its own system of controls that had higher standards of accountability.

AID's and WFP's Responses to Our Recommendations

In our January 1994 report, we made several recommendations aimed at improving accountability for resources provided to WFP. For example, we recommended that the U.S. agencies--AID, State, and Agriculture--work with other WFP donors and WFP's Executive Director to (1) develop effective procedures for distributing, monitoring, and safeguarding donated commodities; (2) require complete and accurate commodity loss reports to donors on a project-by-project basis; (3) include in WFP's project evaluations commodity management problems and actions taken by WFP to correct project deficiencies; and (4) require annual reports on the status of applicable external and internal audit findings and recommendations.

To strengthen the U.S. delegation's ability to assist WFP in establishing more effective accountability procedures, we also recommended that the Administrator of AID

-- ensure that missions fulfill their requirements to periodically assess and report on host government and WFP capabilities to manage and monitor WFP projects, and

-- require that the U.S. delegation to WFP develop comprehensive position papers for project proposal review meetings on WFP project proposals, including comments on host government and WFP capabilities to ensure adequate accountability practices.

AID generally agreed with our recommendations for improved accountability for U.S. donations and indicated that certain actions, such as strengthening the project approval process and improving program and financial accountability at WFP, were already underway. However, AID said that the United States relies on international organizations to manage, audit, and maintain accountability when it makes contributions to them and

that AID is therefore not responsible for program accountability for U.S. contributions. AID also commented that WFP management problems and commodity losses were not as severe as we portrayed them and stated that, even if some losses did occur, we did not sufficiently appreciate the management challenge WFP confronted in a difficult and sometimes hostile operating environment.

We believe that AID has a fundamental responsibility to protect U.S. government resources by ensuring that proper accountability for U.S.-provided assistance is maintained. In our opinion, AID is not relieved of this responsibility simply because a recipient, in this case WFP, is an international organization not subject to AID regulations. In the case of WFP, AID could have protected U.S. funds by ensuring that WFP had the capability and systems to properly manage and safeguard U.S. donations before the donations were made. The severity of WFP's management problems and the losses that occurred are matters of judgment, but in our view the problems were significant. We fully appreciate the difficult challenge WFP faces in meeting emergency and development needs; however, even WFP acknowledges that this is not an excuse for inadequate accountability procedures.

WFP agreed with our findings and observations and provided us with a positive and detailed statement of corrective actions already taken or planned. These actions, approved by WFP's governing body as part of the organization's 1994 budget, included

-- improving financial management capabilities in field offices, including the installation of a Field Controller system and the hiring of dedicated financial officers in the field;

-- increasing resources for accountability functions in headquarters, including doubling the number of internal auditors and placing greater emphasis on commodity control and accountability;

-- increasing headquarter's Financial and Information Systems functions to enable Country Offices to carry out these accountability functions;

-- decentralizing the budget system so that managers will be responsible and accountable for managing their resources; and

-- strengthening WFP's capacity for monitoring emergency programs and introducing emergency training to implement efficient delivery systems for relief operations.

WFP's Executive Director noted that WFP's ability to resolve many of the problems identified in our study are hindered by a

shortage of operating funds. WFP receives no cash contributions from the United Nations, and the major donors (including the United States) are not contributing sufficient funds to cover necessary operating expenses. The United States has provided only $1 million to $2 million annually to cover WFP's operating expenses. As a result, WFP's operating budget is severely constrained.

AID officials agreed that the United States should provide WFP additional funding for operating expenses to safeguard U.S. commodities; however, so far this has not been possible. They said U.S. policy is to provide only food and transportation costs. According to the State Department, the U.S. position has been that other donors should contribute cash for WFP's administrative costs. However, other donors' cash contributions have not kept pace with WFP's rapid increase in emergency operations. AID acknowledged that its policy on this matter may have a negative affect on WFP's ability to closely monitor the program's rapid expansion.

U.S. RESPONSES TO WFP EMERGENCY REQUESTS

Mr. Chairman, most of my remarks have focused on accountability problems. Now, as you requested, I will say a few words about the United States' responsiveness to WFP emergency food requests. Because the United States does not pledge to WFP emergency

approved separately. During our review, WFP officials told us that while the United States is a generous donor--donating about 157,000 metric tons of commodities valued at almost $55 million in fiscal year 1992--it has one of the slowest emergency response rates of any donor country.

We found that the United States did respond quickly to some WFP requests. For example, AID responded quickly to the 1992 regional drought in southern Africa. But, on average, the United States responded almost 8 months after WFP's requests during fiscal year 1992. A WFP request for 40 metric tons of corn-soya milk for Bhutanese refugees in Nepal, for example, arrived 11 1/2 months after the request was made.

Slow responses were due to (1) AID's not giving priority to many requests and (2) the Department of Agriculture's generally using the same procurement and shipping procedures for emergency and nonemergency requests. However, as I noted earlier, we found no cases in which victims of emergencies went without food as a result of the slow U.S. responses. This was because WFP used other stocks until U.S. donations arrived.

To improve U.S. responsiveness, we recommended that AID establish procedures for expediting approval of emergency requests and

pledge, on a test basis, limited commodities to WFP's International Emergency Food Reserve. AID agreed, in concept, with these recommendations and agreed to pursue them.

Mr. Chairman, this concludes my prepared remarks. At this time, my colleagues and I would be happy to respond to any questions you or the other Subcommittee Members might have.

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