

GAO

September 1986

TIME-CRITICAL AID

Questionable Use of
Disaster Assistance
Funds for Peru



036847

**National Security and
International Affairs Division
B-220921**

September 30, 1986

The Honorable M Peter McPherson
Administrator, Agency for
International Development

Dear Mr McPherson

As part of our overall review of U.S disaster reconstruction assistance provided to Bolivia, Ecuador, and Peru in response to the effects of the weather phenomenon called El Nino in 1982-83,¹ we observed that the Agency for International Development (AID) provided the government of Peru with \$60 million in two equal cash transfers from the international disaster assistance account for balance-of-payments purposes. This represents a departure from the normal use of disaster assistance funds, and we believe AID's use of the funds for balance-of-payments purposes is questionable

Prior to the February and June 1983 official declarations of disaster in Peru resulting from floods and drought, respectively, AID expressed serious concerns about Peru's worsening economic condition. As early as May 1981, Peru's weak financial position, level of extensive external debt, and position with regard to International Monetary Fund requirements were of great concern to AID, the World Bank, the Inter-American Development Bank (IDB) and other donors. During 1983, AID developed a proposal for a \$60-million, balance-of-payment loan from the Economic Support Funds to establish a private sector working capital fund within the system of the Central Reserve Bank of Peru. But economic support funds were not available for programs in Peru and this proposal was not approved within the executive branch.

The Congress granted AID a supplemental appropriation in 1983 (Supplemental Appropriation Act, 1983; Public Law 98-63, 97 Stat. 301, 303 (1983)) which gave it authority to reobligate certain deobligated funds for "relief, rehabilitation, and reconstruction activities in the Andean region." The special provision for aid to the Andean countries was added to section 403 of the Supplemental Appropriation Act, 1983, by the Conference Committee. The Conference Report stated that

"The conferees intend that this language shall also apply to funds deobligated in fiscal year 1983 and that these funds shall be available for reobligation. In regard to

¹A report to the Administrator, Agency for International Development on Time-Critical Aid Disaster Reconstruction Assistance-A Better Delivery System is Needed (GAO/NSIAD-87-1) is forthcoming.

the Andean region, the conferees intend for this to be limited to the countries of Bolivia, Ecuador and Peru " (H R No 308, 98th Cong , 1st Sess 70 (1983))

AID's deobligation/reobligation authority was also included in the 1984 continuing resolution (Public Law 98-151, §101 (b)(1), 97 Stat. 964, 968 (1983)). Under the language of the statute, however, AID could reobligate funds only for the same purpose and the same country as originally obligated or "for relief, rehabilitation, and reconstruction activities in the Andean region." Based on that authority, over \$124 million previously obligated for use in other countries, primarily Syria, and subsequently deobligated, were placed in AID's international disaster assistance fund in fiscal year 1984 for relief, rehabilitation, and reconstruction activities in the three Andean countries

Neither the statute itself nor the legislative history of the reobligation provision declares precisely what the Congress means by "relief, rehabilitation, and reconstruction". That phrase, however, appears elsewhere in the United States Code (See 22 U.S.C. §2292h (1982) in reference to assistance for Italian earthquake victims; 22 U.S.C. §2292k (1982) in reference to assistance for earthquake victims in Turkey; and 22 U.S.C. §2292p (1982) in reference to assistance to victims of strife in Lebanon.) Each code section using that phrase also includes a requirement that the assistance be provided in accordance with the authority of 22 U.S.C. §§2292 or 2292a, the basic authorizing language for International Disaster Assistance

Disaster Reconstruction Assistance—Peru

In 1983 and 1984, AID reobligated about \$120 million of the deobligated U.S. commitments for economic development in Syria and other countries for disaster reconstruction assistance to Peru. Of that total, \$60 million was programmed and disbursed under a balance-of-payment loan agreement. As required by the reobligation authority granted in the 1984 continuing resolution, AID duly notified the Congress of its intentions to reobligate funds for Peru and referred to the funds being used as international disaster assistance funds. AID further stated that the reobligation authority made funds available for international disaster assistance in the Andean countries

In preparing for the reobligation of the \$60 million to Peru, AID recast the proposed \$60-million, balance-of-payment loan which was under consideration in 1983 and placed greater emphasis on the economic effects of El Niño in Peru. The amended proposal was used to justify the use of international disaster assistance funds to finance the economic

support loan U S and Peruvian representatives signed the loan agreement in May 1984. One of the conditions precedent to the initial disbursement of U S funds was that the government of Peru would furnish the United States with a statement from the International Monetary Fund that its Board of Directors had approved Peru's balance-of-payment stabilization program and a standby agreement for Fund assistance. When Peru met that condition, the loan funds would be disbursed in two segments of \$30 million each, spaced 6 months apart. The government of Peru, having use of the dollars as foreign exchange, would make an equivalent amount of local currency available for private sector business loans and Peru's counterpart funding of various World Bank, IDB, and other donors' development assistance projects.

Peru obtained the official statement from the International Monetary Fund in June 1984, and shortly thereafter the first \$30 million was disbursed. The second disbursement, due in December 1984, was delayed because Peru had not fully complied with all the international organization's conditions precedent, which were based solely on Peru's ability to pay its debts rather than its need for disaster assistance. Another 6 months elapsed before the U.S. mission in Peru cabled AID headquarters in Washington on June 10, 1985, that conditions precedent to disbursement of the loan's unliquidated balance of \$30 million had been met. The \$30 million was disbursed on June 12, 1985.

In our view, the use of the phrase "relief, rehabilitation, and reconstruction activities" by the Congress in authorizing AID to reobligate funds for Andean relief provides strong support for the view that the Congress intended that funds derived from the Andean relief reobligation authority be used in the same manner as other international disaster assistance funds. Our review of AID's prior use of disaster assistance funds revealed that in no instance had such funds been used to finance a balance-of-payment type of economic support assistance. Thus, the \$60-million loan to Peru represents a departure from past practices. Further, the relevant statutes and legislative history indicate that the Congress intends that international disaster assistance funds be used to meet the needs of individual or specific groups of disaster victims, not the general economic needs of a country. International disaster assistance funds are to "provide assistance for the relief and rehabilitation of people and countries" affected by "natural and man-made disasters" (22 U.S.C. §2292 (1982)). The statute, particularly subsections (a) and (b) indicate that such relief is intended to alleviate human suffering caused by the disasters. Furthermore, subsection (c) provides that such assistance by the United States is to "the greatest extent possible" intended

to reach disaster victims most in need of relief and rehabilitation. The Senate Committee on Foreign Relations has reported that the purpose of international disaster assistance is to provide prompt U.S. assistance to disaster victims (S Rep No 406, 94th Cong., 1st Sess 14 (1975)).

Conclusions and Recommendations

We do not question Peru's need for external assistance in handling its foreign debt or its need for disaster reconstruction assistance. Nor do we doubt that some El Nino disaster victims in Peru have benefited, or will benefit, to some degree when their government is partially relieved of its foreign debt burden and overall economic problems. We also recognize that balance-of-payments aid to Peru may well mitigate some of the negative economic effects of El Nino.

The Congress, however, provided AID with deobligation/reobligation authority specifically for disaster "relief, rehabilitation, and reconstruction activities" in the three Andean countries. Balance-of-payments assistance traditionally has been funded from the Economic Support Fund. It is questionable whether the \$60 million in funds reobligated for "relief, rehabilitation, and reconstruction activities" were an appropriate source of funding for AID's Peruvian balance-of-payments loan in these circumstances. Prior decisions of the Comptroller General have generally not permitted agencies wide latitude in funding similar activities from different appropriations in the absence of clear congressional intent to provide such latitude. Therefore, we recommend that AID seek clarification from the Congress as to whether international disaster assistance funds may be used for programs, such as balance-of-payments support, normally financed from the Economic Support Fund.

After reviewing a draft of this letter, AID commented that the Congress and executive branch were afforded adequate opportunity to clarify the points we have raised and that it does not agree that it needs to seek clarification on whether international disaster assistance funds may be used for balance-of-payments support normally financed from the Economic Support Fund.

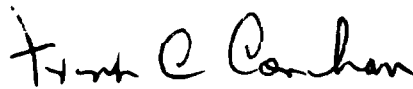
We recognize that the proposed economic support loan was discussed within the executive branch and that AID notified the Congress of its intentions to use international disaster assistance funds to finance the loan to Peru. We continue to believe that appropriation accounts, such as the International Disaster Assistance fund and the Economic Support

Fund, are established for specific purposes and their funds are not normally used interchangeably. Usually, using funds for purposes inconsistent with the purpose of the appropriation account from which they were drawn violates the integrity of the account. Accordingly, we believe that when funds are drawn from one account and spent for purpose(s) normally financed from another account the legislative authority for such transactions should be clearly set forth. The full text of AID's comments and our evaluation are included in appendix I.

As you know, 31 U.S.C. §720 requires the head of a federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

Copies of this report are being sent to the Chairmen, Senate Committees on Appropriations, Foreign Relations, and Governmental Affairs and House Committees on Appropriations, Foreign Affairs, and Government Operations and to the Secretary of State and the Director of the Office of Management and Budget.

Sincerely yours,



Frank C. Conahan
Assistant Comptroller General

Comments From the Agency for International Development

Note GAO comments supplementing those in the report text appear at the end of this appendix

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D.C. 20523

ASSISTANT
ADMINISTRATOR

JUL 23 1986

Mr. Frank C. Conahan
Director
National Security and International
Affairs Division
General Accounting Office
Room 4804
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Conahan:

This is in reference to your letter of January 14, 1986, to the A.I.D. Administrator, Peter McPherson, regarding A.I.D.'s use of \$60 million from International Disaster Assistance funds to finance an economic support loan (527-F-093) to the Government of Peru in 1984. After a series of discussions between our staffs, the draft GAO Letter Report was submitted to us for formal response on July 16, 1986. Mr. McPherson has asked that I reply to your letter.

The loan in question was carefully considered by A.I.D. at the time it was made and, given the importance and size of the project, was reviewed by senior officials in the Agency. The loan was authorized, based on the recommendation of the Bureau for Latin America and the Caribbean and concurrence of other senior officials, including our General Counsel.

Following receipt of your letter of January 14, our General Counsel was asked to undertake a thorough review of the appropriateness of the loan in question. The attached memorandum of law provides our General Counsel's opinion that A.I.D. appropriately exercised its authorities in approving the \$60 million loan to Peru. You may consider the memorandum as A.I.D.'s response to the draft Letter Report.

Sincerely,



Dwight Ink
Assistant Administrator
Bureau for Latin America and
the Caribbean

Attachment: a/s

**Appendix I
Comments From the Agency for
International Development**

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

23 JUL 1986

GENERAL COUNSEL

MEMORANDUM OF LAW

SUBJECT: GAO Draft Letter Report, "Disaster Assistance Funds
Used for Balance-of-Payments Loan to Peru."

This Memorandum responds to the issues and conclusions in the draft letter from the General Accounting Office (GAO) to the Administrator of the Agency for International Development (AID or "Agency") submitted to the Agency July 16, 1986 concerning the Agency's use of \$60 million to finance a balance-of-payments loan from funds made available for the purpose of "relief, rehabilitation and reconstruction activities" for Peru.

A. Background

In response to an unprecedented disaster in the Andean region, Congress in 1983 authorized the Agency to reobligate deobligated funds for "relief, rehabilitation, and reconstruction activities" in the Andean region. This authority was contained in the Supplemental Appropriations Act of 1983 (Pub. L. No. 98-63, 97 Stat. 301, 303 (1983)) (hereinafter the "Supplemental Appropriations Act"). Sixty million dollars of the deobligated funds were used to provide a balance-of-payments loan to Peru on May 11, 1984.

B. The Agency Appropriately Obligated Funds for Reconstruction in Peru in Accordance with the Supplemental Appropriations Act

The primary issue is whether the \$60 million balance-of-payments loan was an appropriate response to the disaster in Peru and fell within the scope of the phrase "relief, rehabilitation, and reconstruction activities," the authorizing language of the Supplemental Appropriations Act. There is no dispute as to the enormity of the economic crisis that faced Peru or that balance-of-payments support was an appropriate response. The GAO argues, however, that in effect Congress provided traditional disaster assistance which in their view would not include such support. We strongly disagree.

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The GAO concedes that the term "reconstruction" is not defined anywhere in foreign assistance legislation, but chooses to cite reconstruction assistance authorized for the victims of disasters in Lebanon, Turkey, and Italy as support for the proposition that "reconstruction" does not include balance-of-payments support. Those cases are clearly distinguishable from that of Peru, however, both in terms of the nature of the problem and how Congress chose to respond.

(1) Congress Did Not Enact Disaster Assistance

The GAO position rests on the proposition that by using the words "relief, rehabilitation, and reconstruction" the Congress "intended that funds derived from the Andean relief obligation authority be used in the same manner as other International Disaster Assistance Funds." (GAO Draft Letter at 5-6). From this the GAO argues that the funds in this case must be used to reach disaster victims most in need of relief and rehabilitation, and specific disaster victims rather than the general economic needs of the country, in accordance with 22 U.S.C. Section 2292 (the authorizing provision for International Disaster Assistance.)

The GAO attempts to define "relief, rehabilitation and reconstruction" by noting the use of the phrase elsewhere in the United States Code. It appears in various sections of the International Disaster Assistance Account (22 U.S.C. Section 2292(h) regarding assistance for Italian earthquake victims; 22 U.S.C. Section 2292(k) regarding assistance for earthquake victims in Turkey; and 22 U.S.C. Section 2292p regarding assistance to victims of strife in Lebanon). But, as the GAO itself notes, "each code section using that phrase also includes a requirement that the assistance be provided in accordance with the authority at 22 U.S.C. Section 2292 or 2292a, the basic authorizing language for International Disaster Assistance." GAO Draft Letter at 3.

In this case, the Congress did exactly the opposite. Congress did not incorporate the language of the International Disaster Assistance Authority (Section 2292), as it specifically did in the three cases the GAO cites, Italy, Turkey and Lebanon.

Over the years, Congress has responded to particularly severe disasters in many countries including Cyprus, Italy, Turkey, Cambodia and Lebanon, and to specific regional problems such as African resettlement, Caribbean hurricane relief and displaced persons in Central America by enacting separate sections in Chapter 9 of Part I of the Foreign Assistance Act of 1961, as amended, authorizing appropriations for disaster assistance. In every instance, Congress specifically incorporated the provisions of Section 2292.

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See comment 2

In this case Congress totally broke from that pattern. It neither authorized nor appropriated new funds. It did not amend Chapter 9. It did not incorporate Section 2292 by reference. It did not appropriate funds for the International Disaster Assistance account.

Instead, Congress authorized AID to deobligate old funds (in the case of Peru, Economic Support Funds were used) and to reobligate them for Peru and other Andean countries. It authorized their use for relief, rehabilitation and reconstruction "activities" (a word not previously used in connection with the cases cited by the GAO), and neither stated nor implied any limitation on how AID should address the serious problems facing the region.

It is noteworthy that in the same Supplemental Appropriations Act, Congress did specifically authorize the use of funds under the International Disaster Assistance authorities for Africa. It did so by transferring \$15 million from the State Department Migration and Refugee Assistance account to the International Disaster Assistance account for use in Africa. (Supplemental Appropriations Act of 1983, Pub. L. No. 98-63, Title I, chapter V.)

See comment 3

The GAO points to no legislative history to support its interpretation. Moreover, we know of no rule of statutory construction which would require reading into this self-contained statute specific requirements and limitations contained in other legislation. This is particularly true in light of the history of specific incorporation by Congress of the International Disaster Assistance authorities on many occasions, and the specific transfer of \$15 million to the International Disaster Assistance account in the very Act in question. It is elementary that statutes must be read as written unless to do so yields an absurd result. The Congressional action in this case, omitting any reference to disaster assistance, must be read solely in accordance with its terms. AID has done so, and the result is eminently reasonable in terms of response to the crisis in Peru that the Congress sought to address.

(2) Congress Addressed Wide-Scale Economic Crisis

See comment 4

The Peru case involved a large-scale economic disaster. Our estimates are that Gross Domestic Product fell about 12 percent. Fully half that loss, based on Agency estimates, can be attributed to the effects of El Nino. We believe that the term "reconstruction" must take its meaning from the circumstances that give rise to the need for assistance. The circumstances in Peru were not analogous to those of an earthquake in Italy or Turkey where the locus of damage could

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be fixed and the victims easily identified. On the contrary, the disaster in Peru was long-term, continuous and nation-wide. It affected every segment of society and caused a precipitous drop in economic productivity to the extent that Peruvian per capita incomes were forced down to 1965 levels. Under these unique circumstances AID, after consulting with Congress, determined that this was a macro economic crisis which would be best addressed if Peru were provided with the foreign exchange resources it needed to rebuild (i.e., reconstruct) its shattered economy.

See comment 5

AID's response to the economic disaster was clearly authorized as a "reconstruction activity." As noted above, the legislation does not incorporate the disaster assistance provisions or otherwise limit assistance to that which would directly benefit specific victims of El Nino. In all other instances where "reconstruction assistance" has been authorized by statute, the assistance has been required to be directed to alleviate the suffering of the victims of those disasters. For example, the legislation authorizing disaster assistance for Turkey provides funds for "relief, rehabilitation, and reconstruction assistance to the victims of the recent earthquakes in Turkey" (emphasis added). This makes sense when the disaster is finite. When the disaster affects all segments of society, however, and all sectors of the economy, forms of assistance which can effectively address the circumstances of a disaster of that magnitude are required.

The uniqueness of this legislation is further evidenced by Congress' use of the word "activities" in connection with the authority to reobligate for the Andes; it has not used that term in the context of other reobligations. By using the term "activities" Congress broadened the scope of assistance beyond discrete projects. When Congress has wanted to limit the use of reobligation authority only to project assistance, it has so directed in statute. For example, the Continuing Resolution of 1984, Pub. L. No. 98-151, §101(b), 97 Stat. 964, 968 (1983) in providing reobligation authority, states that such authority may be used for

"development project assistance...for the same general purpose and for the same country as originally obligated or for relief, rehabilitation, and reconstruction activities in the Andean region". (Emphasis added)

It is significant that in reenacting the reobligation authority for the Andes in 1984, Congress chose to limit only the general use of reobligation authority and not the authority to provide assistance for the Andes. In light of the

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notifications and consultations that surrounded the provision of assistance for Peru under the Supplemental Appropriations Act, the FY 1984 language can be viewed as a virtual ratification of the Agency's actions.

(3) Congress Provided Assistance to Meet Objectives; It did not Specify The Mode

See comment 6

The GAO's analysis misses a fundamental element in the way foreign assistance funds normally are provided. Assistance is provided to meet objectives. These may include increased agricultural production, family planning, or even the promotion of economic stability. The mode of meeting those objectives is largely left to the President. The FAA authorizes assistance to be provided by the President "on such terms and conditions as he may determine" in order to meet authorized objectives. No one account is limited to a single mode of assistance. Nor is a single mode of assistance limited to any one account. So long as the assistance being provided bears a reasonable relationship to the purposes for which it was authorized, then we believe that that mode of assistance may be used.

See comment 7

Non-project assistance (i.e., commodity import financing or budget support assistance) is not the exclusive province of the Economic Support Fund (ESF) account. It can be used, and has been used, as a means to address the objectives set out in other provisions of the FAA. A general economic crisis, in large part brought about by the effects of a weather disaster, in which one of the most pressing needs of the Peruvian economy was for foreign exchange, justifies the provision of balance-of-payments assistance.

See comment 8

Such assistance clearly falls within the meaning of "reconstruction" as contained in the Supplemental Appropriations Act. However, we believe this conclusion would be no different even if that Act had made specific reference to the International Disaster Assistance account and had directed that funds be used for, among other things, reconstruction purposes. This view is supported by the legislative history of the International Disaster Assistance account. For example, the Senate Foreign Relations Committee, in commenting on the FY 1978 authorization for disaster assistance, drew a distinction between short-term relief for victims of a disaster and "long-term reconstruction" activities. The Committee stated: "Long-term reconstruction may cover a period of several years. Its objective is to bring the system of public facilities, infrastructure, agriculture, and the economy in general back to its pre-disaster level." (emphasis added) S.Rep. No. 95-161, 95th Cong., 1st. Sess. 47-48 (1977).

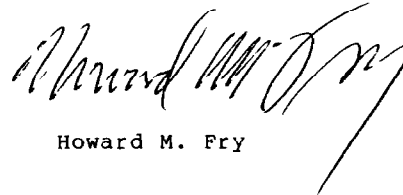
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C. Conclusion

We believe that the balance-of-payments assistance provided to Peru in the wake of the El Nino disaster would have been appropriate even if Congress had directed that the funds be employed in accordance with the provisions of the International Disaster Assistance Account. However, because the Congress did not so direct but, on the contrary, provided only that the funds be used for "relief, rehabilitation, and reconstruction activities," we do not agree with the GAO's recommendation that the Agency "seek clarification from the Congress as to whether disaster assistance funds may be used for programs, such as balance-of-payments support, normally financed from Economic Support Funds." GAO Draft Letter at 7-8. We believe the Congressional Notification procedures which were followed prior to the obligation of the balance-of-payment loan to Peru, adequately afforded the Congress and Executive branches the opportunity for clarification on the points raised by the GAO. Any future obligation planned by the Agency with similar issues would be subject to the full notification process mandated by law.

See pp 4 and 5

Now on p 5



Howard M. Fry

The following are GAO's comments on the Agency for International Development's letter dated July 23, 1986.

GAO Comments

1. Although Congress has not specifically defined the phrase "relief, rehabilitation, and reconstruction," that phrase is used several places in the United States Code. See, e.g., 22 U.S.C. § 2229(h) (1982) (assistance for Italian earthquake victims); 22 U.S.C. § 2292(q) (1982) (assistance to victims of strife in Lebanon). In every case, the Code section using the phrase "relief, rehabilitation, and reconstruction" is in Part IX of Chapter 32 of Title 22, entitled "International Disaster Assistance", and each Code section includes a requirement that the disaster assistance be provided in accordance with the authority of 22 U.S.C. §§ 2292 or 2292(a), the authorizing statutes for International Disaster Assistance.

It is a well established rule of statutory construction that words or phrases in a statute which were used in a prior statute pertaining to the same subject matter will be construed in the same way. See Sutherland, Statutory Construction, § 51.02. The previous consistency in the use of the phrase, "relief, rehabilitation, and reconstruction," by the Congress constitutes a strong indication that Congress intends that phrase to mean disaster assistance provided in accordance with the International Disaster Assistance authority of 22 U.S.C. § 2292. Congress has never used the phrase "relief, rehabilitation, and reconstruction" to mean anything but disaster assistance. There is no reason to conclude that Congress intended a different meaning for "relief, rehabilitation, and reconstruction" with regard to Andean disaster relief than in any of its previous uses of that phrase.

2. AID stated that in the El Nino case, "Congress totally broke from that pattern". The Agency relies heavily on the fact that, unlike previous statutory provisions authorizing "relief, rehabilitation, and reconstruction," the Congress did not specifically provide that the reobligated Andean relief funds were to be used in accordance with the requirements of 22 U.S.C. § 2292. However, to accept AID's views would require a determination that it was the intent of Congress to establish in an appropriation act an entirely new category of foreign aid, not governed by authorizing legislation. This new category would fit neither of the established categories of Economic Support authorized by 22 U.S.C. § 2346 or International Disaster Assistance authorized by 22 U.S.C. § 2292.

In our view, the fact that the Congress did not specifically provide that the Andean relief funds be used in accordance with section 2292 does not overcome the strong probative value of the consistency in Congress's previous use of the phrase "relief, rehabilitation, and reconstruction." Nor does it suggest that a new category of aid was intended

3. AID correctly points out that "GAO points to no legislative history to support its interpretation." However, there is very little legislative history of the Andean relief authority available and AID is similarly unable to support its position by reference to legislative history. For that reason, we have recommended that AID seek congressional guidance

It is noteworthy that AID, like us, interpreted the Andean relief authority to provide international disaster assistance funds. From the start, it held the reobligated funds in the International Disaster Assistance account. Further, in AID's notice to Congress that it was reobligating funds for Peru, it repeatedly referred to the funds as "International Disaster Assistance Funds", and it stated that the reobligation authority made funds available for "International Disaster Assistance in the Andean countries."

Even if AID were correct that the funds made available under the Andean relief authority were not limited by the terms of that authority to use in accordance with the International Disaster Assistance authorizing statute, AID would nonetheless be limited to using the funds in accordance with the International Disaster Assistance authority by its decision to hold the funds in the International Disaster Assistance account. Appropriated funds may not be placed in an appropriation account "administratively" and then used for a purpose inconsistent with the purpose of the account. Such a procedure does violence to the requirement that Federal agencies maintain the integrity of their fund accounts. See GAO, Policy and Procedures Manual for Guidance of Federal Agencies, Title II, ch. 3, § 7.1 (Oct. 31, 1984).

4. We do not dispute the severe nature of the disaster in Peru or the desirability of balance-of-payments support for that country. It is not clear, however, that the specific funds which AID used to provide that support were available for that purpose. AID contends that the balance-of-payments support was authorized under the Andean relief authority as "reconstruction." Even accepting AID's analysis that the inclusion of the term "reconstruction" in the Andean relief authority extended that authority beyond the limits of International Disaster Assistance, the balance-of-payments loan would not appear to constitute "reconstruction."

given the common understanding of that term. Similarly, the use of the word "activities" in the Andean relief authority does not appear to alter our conclusion that the Andean relief funds were for disaster assistance. We do not contend that the Andean relief funds should have been used only for "project assistance," but rather that they should have been used only for disaster assistance. The inclusion of the word "activities" in the authorizing language is not relevant to this conclusion.

5. We do not agree with AID's suggestion that because the Peruvian disaster was not "finite," the typical limits of the use of disaster assistance funds were not applicable. Almost any natural disaster can be shown to have had a widespread, long-term effect throughout a country's economy and society. Under AID's analysis, virtually any form of assistance would qualify as "disaster assistance" if a case could be made that an adverse condition was somehow related to a natural disaster. In our view, this concept of disaster assistance is too broad, and probably beyond what Congress contemplates when it appropriates disaster assistance funds, particularly since Congress has separately authorized and regularly appropriates funds for economic assistance.

6. AID's contention that the President is authorized to provide assistance "on such terms and conditions as he may determine in order to meet authorized objectives," is apparently referring to 22 U.S.C. § 2151t(a) (1982) which provides that

"In order to carry out the purposes of this part, the President is authorized to furnish assistance, on such terms and conditions as he may determine, to countries and areas through programs of grant and loan assistance, bilaterally or through regional, multilateral, or private entities."

This section, on its face, concerns "development assistance" furnished under Part I of Subchapter I of Title 22. Further, the provision allows the President to set conditions in development assistance loan and grant agreements with recipient nations. It does not provide an exception to any of the laws governing the use of appropriated funds.

7. We do not agree with AID's contention that "so long as the assistance being provided bears a reasonable relationship to the purposes for which it was authorized, then we believe that that mode of assistance may be used." It has been the long-standing position of the Comptroller General that an agency is not permitted to fund a given program from any appropriation which is arguably related but rather must select the

appropriation which is most particularly suited to the program in question See 36 Comp Gen 526 (1957) The balance-of-payments loan here in question would more reasonably have been funded with economic support funds, which are intended to "promote economic or political stability in the recipient countries" (22 U S C § 2346(a)(1) (1982) The balance-of-payments loan is more closely related to the promotion of economic stability than to disaster relief and rehabilitation, notwithstanding whatever impact the El Nino phenomenon may have had on the economy of Peru. It is significant that AID apparently reached the same conclusion, since in 1983 it initially developed the balance-of-payments for Peru to be funded with economic support funds This proposal did not gain approval within the executive branch. (See pp. 1 and 2 of this report.)

Even if AID were correct that a balance-of-payments loan nominally would be an authorized use of funds from the International Disaster Assistance account, it is a long-standing principle of appropriations law that once an agency has elected to use a certain appropriation account to fund a particular activity, the continued use of the selected appropriation to the exclusion of any other for the same purpose is required in the absence of changes in the appropriation acts (see 59 Comp Gen 518 (1980)). Here, AID previously used economic support funds for similar balance-of-payments support Accordingly, having elected to use economic support funds for balance-of-payments support, AID, absent a clear change in congressional intent, should use that appropriation to the exclusion of any other, including International Disaster Assistance

8 As we pointed out on pages 4 and 5 of the report, we do not share AID's view that the balance-of-payments loan was clearly a proper use of funds from the international disaster assistance account. Therefore, we recommended that AID should seek clarification of the congressional intentions concerning the use of the international disaster assistance funds for balance-of-payments support

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