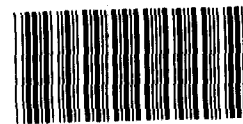


August 1991

CAMBODIA

AID's Management of Humanitarian Assistance Programs



144696



**National Security and
International Affairs Division**

B-244720

August 28, 1991

The Honorable Claiborne Pell
Chairman, Committee on Foreign Relations
United States Senate

The Honorable Robert C. Byrd
Chairman, Committee on Appropriations
United States Senate

As you requested, we reviewed U.S. humanitarian assistance in areas of Cambodia controlled by the Phnom Penh government and in areas controlled by the Cambodian noncommunist resistance.¹ This report discusses whether the Agency for International Development (AID) can provide reasonable assurance that assistance to the resistance groups and others is being used efficiently and effectively and for the purposes intended by Congress.

Results in Brief

AID's ability to account for assistance supplied to the Cambodian noncommunist resistance groups has improved since 1990,² but it still cannot attest to the end use of some of its assistance in many areas in Cambodia. AID continues to rely largely on reports from the resistance groups to determine what commodities are needed and how they are used in Cambodia, but the reports are largely unverifiable.

AID has almost no oversight of the use of the \$2 million in humanitarian assistance that the Congress directed be provided to children in areas controlled by the Phnom Penh government. AID has been unable to observe or monitor how the United Nations Children's Fund (UNICEF) is spending funds, and the program being implemented by World Vision is only now just beginning. There are indications that some patients are being inappropriately charged for AID-funded inoculations under the UNICEF program.

¹The Cambodian noncommunist resistance is composed of two groups, the Khmer People's National Liberation Front and the National United Front for an Independent, Neutral, Peaceful and Cooperative Cambodia.

²We testified on September 19, 1990, before the Subcommittee on East Asian and Pacific Affairs, Senate Committee on Foreign Relations, that accountability had been poor but was improving; nevertheless, AID could not provide assurance that the assistance was being properly used. Cambodia: U.S. Nonlethal Assistance and Status of the Cambodian Seat at the United Nations (GAO/T-NSIAD-90-63).

Background

In fiscal year 1986 the United States began to support the Cambodian noncommunist resistance groups, which at that time were located primarily in camps along the Thai-Cambodian border. These groups have had a common objective with the Khmer Rouge to remove the Vietnamese-installed government in Phnom Penh.³ From October 1986 to June 1991, \$20.3 million in nonlethal military assistance was provided to the noncommunist resistance groups under the International Security and Development Cooperation Act of 1985.⁴ In addition, since 1987 these groups have received about 200 tons of commodities, primarily surplus medical supplies and equipment from the Department of Defense's Humanitarian Assistance Program, and \$1.6 million to ship, store, repair, or otherwise process these commodities.

In 1990 the five permanent members of the United Nations Security Council designed a plan whereby the noncommunist resistance groups, the Khmer Rouge, and the Phnom Penh government would demobilize under United Nations supervision until free elections could be held.⁵ At the same time, the United States began to provide humanitarian assistance to civilians throughout Cambodia. Legislation enacted for fiscal years 1990⁶ and 1991⁷ provided for aid to children and victims of war in areas controlled by the Phnom Penh government. The legislation for fiscal year 1991 requires that AID administer assistance directly in Cambodia whenever possible. During Senate floor debate on the legislation,⁸ sponsors indicated that AID should improve its ability to account for its assistance in Cambodia. The sponsors also indicated that AID's assistance should serve as leverage to encourage all parties—the noncommunist resistance groups as well as the government in Phnom Penh—to support the United Nations Security Council's efforts to bring peace to Cambodia.

³The Khmer Rouge, officially known as the Party of Democratic Kampuchea, ruled Cambodia as a communist government from April 1975 until late 1978, when Vietnam invaded Cambodia. Reportedly, as many as 3 million Cambodians were murdered by the Khmer Rouge during this period.

⁴Nonlethal military assistance provided under this program consisted primarily of medical supplies and equipment purchased in Thailand and training, although other activities were also supported.

⁵The five permanent members are the United States, Great Britain, France, China, and the Soviet Union.

⁶Direct Emergency Supplemental Appropriations Act of 1990 (P.L. 101-302).

⁷Foreign Operations Appropriations Act for Fiscal Year 1991 (P.L. 101-513).

⁸Congressional Record (Oct. 12, 1990), pp. S-15137 to S-15145.

The 1990 legislation authorized up to \$5 million in assistance in areas controlled by the Phnom Penh government to benefit the immediate needs of children. AID has funded two projects under this legislation: one is run by World Vision at a cost of \$800,000, and the other is run by UNICEF at a cost of \$1.2 million. The fiscal year 1991 legislation provides for up to \$20 million in humanitarian and development assistance for both noncommunist resistance civilians and civilians living in areas controlled by the Phnom Penh government. As of July 1991, AID had obligated \$7 million of this amount for the noncommunist resistance groups but had not obligated any funds for use in Phnom Penh government-controlled areas.

Assistance to the noncommunist resistance groups is managed by an AID office in Bangkok, Thailand. Assistance to Cambodians in areas controlled by the government in Phnom Penh is managed by AID from its Washington, D.C., headquarters and is implemented through specific project grants to UNICEF and World Vision.

Accountability of AID to Noncommunist Groups Improved, but Use Cannot Be Fully Verified

The U.S. assistance program provides the Cambodian noncommunist resistance groups with commodities such as medicines and medical supplies, food, cooking utensils, and fuel. The program also pays for specific projects such as a school for orphans, construction of a hospital in Cambodia, ongoing medical and other programs, and certain administrative costs of each group.

Commodities purchased or received in Thailand for the noncommunist resistance groups are maintained at AID warehouses in Bangkok and controlled through AID inventory control procedures. As the groups request commodities from these warehouses, AID reviews the requests using a computer data base that shows prior consumption. It then arranges to transport the commodities to warehouses maintained by the resistance groups on the Thai-Cambodian border. AID officials told us that they routinely inspect the resistance groups' warehouses in Thailand and assist them in taking quarterly inventories of commodities.

AID has recently installed a requisition and stock control system at resistance group warehouses near the Thai-Cambodian border. As commodities leave the groups' warehouses for locations in Thailand and Cambodia, AID continues to account for these commodities but has had varying degrees of success. AID compares warehouse inventory release records with receipt documents provided by the user, visits warehouse and medical facilities in Thailand, and spot-checks reported activities

such as the number of patients being served in hospitals. AID then compares the activities with reported commodity usage. In addition, AID has recently stationed three individuals, working under personal services contracts,⁹ closer to noncommunist resistance groups' sites at the Thai-Cambodian border to monitor the use of the assistance.

Until January 1991 AID relied entirely on the noncommunist resistance groups for end-use reports for commodities that left their warehouses in Thailand for locations in Cambodia. Since January 1991, AID personnel have been permitted to travel into areas in Cambodia controlled by the noncommunist resistance groups. However, to do so, AID needs specific permission from the U.S. Ambassador to Thailand and the Royal Thai Army, which secures the safety of AID personnel across the border. Between January 1991 and May 1991, permission to travel was granted, and AID officials made five trips to monitor end use. However, travel into areas controlled by the noncommunist resistance groups is generally hazardous, and officials have not visited many locations where U.S.-provided commodities are distributed.

During site visits, AID officials observe how only some commodities are used. For example, they may visit a school or observe an inoculation program, but they cannot verify that all commodities supplied under the program are necessary or used as intended because they directly observe only a few specific activities. As a result, AID relies on reports from the resistance groups to account for the end use of commodities they do not observe. On occasion, supporting information is provided, but AID generally cannot confirm it. AID officials informed us that security conditions in Cambodia would have to improve significantly before further progress can be made in directly verifying and monitoring end-use assistance to the resistance groups but that in the meantime they continually work with and train the resistance to improve their record-keeping.

In addition to providing direct commodity support, AID also established bank accounts from which the resistance groups can withdraw funds for specifically approved purposes. Receipts are required before the accounts are reimbursed for the expenditures. A recent AID Inspector General audit found that, although AID's Office of Khmer Affairs closely monitored activities financed under these accounts, it did not thoroughly document its internal control systems and procedures or review

⁹The Federal Acquisition Regulation defines a personal services contract as one that makes the contractor appear as a U.S. government employer by the nature of the relationship that is established.

vouchers submitted by the resistance. AID officials informed us that these problems had been corrected.

AID Does Not Monitor Assistance in Phnom Penh Government-Controlled Areas

The Dire Emergency Supplemental Appropriations Act of 1990 established a program to assist Cambodian children in areas controlled by the Phnom Penh government and specified that up to \$5 million could be used for this purpose. Under this program, the assistance could only be provided through international organizations operating in Cambodia, and the funds were to address the needs of children whose access to international assistance had been severely limited.

On September 27, 1990, AID awarded an \$800,000 grant to World Vision to renovate several facilities at the National Pediatric Hospital in Phnom Penh and establish community-based pediatric clinics. One day later, a \$1.2 million grant was awarded to UNICEF to fully fund its ongoing program, which supports the Phnom Penh government's nationwide immunization project, and to build a new wing on the National Rehabilitation Center in Phnom Penh. We were advised that the remaining \$3 million authorized for use in Phnom Penh government-controlled areas will not be used.

We found that AID had awarded grants to World Vision and UNICEF without knowing whether their field organizations in Cambodia could meet AID's accountability and delivery requirements. AID officials told us that it had moved quickly to award the grants because it was nearly the end of fiscal year 1990 before the State Department authorized AID to release the funds and AID needed to obligate the funds by September 30, 1990, to avoid losing its authority to spend the money. Also, AID officials stated that they wanted to avoid criticism that the Agency was not being responsive to the congressional sense of urgency.

AID did not use its typical bid solicitation and award process for these grants. World Vision and UNICEF submitted unsolicited proposals that AID accepted because (1) both groups already had programs in Cambodia providing assistance to children, (2) AID had prior experience with these agencies elsewhere, and (3) AID believed these organizations were the only ones that met the statutory requirements. These requirements were that the assistance be provided by international relief agencies in Cambodia and that they meet the needs of the children immediately. AID headquarters managers told us that they had discussed with World Vision and UNICEF headquarters officials how the grants should be accounted for; however, they stated that they had not confirmed that

World Vision and UNICEF officials in Cambodia who administered the programs understood AID assistance delivery and accountability requirements or were able to meet them.

World Vision's grant proposal, which AID accepted, states that the organization works "in partnership" with Phnom Penh's Ministry of Health. UNICEF's grant proposal, which AID also accepted and which was incorporated into the grant agreement, states that the immunization program would be implemented "in collaboration with national and provisional government agencies."

In December 1990, 3 months after the grants were awarded, AID officials met with World Vision and UNICEF representatives from Cambodia and discussed the requirements of the grant agreements. AID officials told us that they emphasized to the representatives that the assistance was not to support the Phnom Penh government and that cooperation with higher-level Phnom Penh government personnel should not occur.

AID headquarters officials told us that, despite the language of the grant proposals and agreements, they were surprised to learn in April 1991 (at a meeting in Bangkok with these organizations) the extent to which the Phnom Penh government was involved and that the UNICEF program was actually being implemented through the Phnom Penh government's Ministry of Health. AID learned that local health agencies performed the inoculations and that UNICEF's role was to use AID funds to purchase vaccine and train Ministry of Health workers for the Phnom Penh government's national immunization program. UNICEF purchased the vaccine and, upon receipt, immediately turned it over to Ministry of Health officials for storage and distribution to local and field clinics.

Because the Phnom Penh government actually delivered the assistance, UNICEF had only limited opportunities to directly monitor program effectiveness. In Cambodia, UNICEF had two people assigned to the AID-financed project. It relied on Ministry of Health officials for information on how well the program was being managed. While UNICEF officials occasionally traveled to field locations to observe immunization programs, they could do so only with the permission of the Phnom Penh government and were dependent on the government for their security.

UNICEF received monthly Ministry of Health reports on the number of vaccines withdrawn from the warehouse for delivery to local health providers in and around Phnom Penh. We were told that these data could be verified against actual inventory but UNICEF had not made such

a verification. However, inoculations were also performed by provincial and local health officials outside of Phnom Penh. According to UNICEF, these government workers did not routinely provide inventory and usage data; therefore, UNICEF could not track either the end use of the assistance or its effectiveness. UNICEF officials told us that they had no assurance that inoculations were being given correctly or that vaccines were being properly stored. However, these officials told us they did not intend to become more directly involved in this program. AID officials informed us that they were also surprised to learn at the April 1991 meeting the limited extent to which UNICEF monitored the program.

UNICEF and World Vision are required to provide quarterly and end-of-project financial and program operations reports to AID. At the time of our review, AID had not received the December 1990 and March 1991 quarterly progress and financial reports or other program information relating to these grants. Subsequently, in June 1991, the two reports due earlier were submitted by World Vision, and UNICEF also submitted a report. Both organizations' reports dealt with constraints hampering project implementation and did not address delivery systems and oversight.

AID's Concern Over Accountability

In implementing the program to assist children and war victims in Cambodia, AID decided to manage the program from its Washington headquarters rather than from its mission in Bangkok, Thailand. AID officials explained that this decision was made because AID wanted to maintain a clear distinction between the assistance to the noncommunist resistance groups—which is managed from Bangkok—and the assistance provided in areas controlled by the Phnom Penh government.

AID officials in Washington, however, acknowledged that this decision had created some problems, and they expressed concern about their inability to directly or indirectly monitor assistance in Cambodia. They also expressed concern that their reliance on World Vision and UNICEF (which have limited direct oversight of their own programs) to deliver assistance and account for it leaves AID vulnerable to criticism. AID officials noted that State Department policy prohibiting executive branch officials from traveling into areas controlled by the Phnom Penh government, as well as the distance and lack of communication between Washington and Cambodia, is a major problem. They stated that it is rare to have an AID assistance program without either an AID presence in the country or a means to directly oversee the program's implementation.

AID officials believe that its grantees can take a more hands-on approach to managing the programs. They told us that they had evaluated all grant applications for fiscal year 1991 appropriations on the basis of the applicants' ability and intention both to directly deliver assistance and to meet AID's control and accountability requirements.

World Vision Program Is Just Beginning

The World Vision grant provides funds for hospital or clinic renovation projects at Phnom Penh government-managed facilities. AID officials informed us that they did not know until a December 1990 meeting with World Vision officials in Bangkok that the program had yet to get under way. At the time of our visit in May 1991, World Vision had hired a project manager, recruited staff, collected preliminary data, and developed a needs assessment, but had spent only \$4,000 of the \$800,000 grant. Consequently, we could not assess World Vision's direct management of program activities. World Vision officials told us that the delay in starting this program had resulted from difficulties in finding qualified staff.

Some Recipients Were Required to Pay for Inoculations

UNICEF managers in Phnom Penh believe that some health workers in the countryside are charging parents for their children's vaccinations. They believe that these charges are not established fees levied by clinics, but are instead amounts levied by some individual health care workers in return for inoculations. We were told that the Phnom Penh government had not paid these health care workers a salary for months because there were insufficient local funds to run the program and that these charges essentially were unauthorized salary supplements. AID believes that charging patients for health services may be a common practice in Cambodia and that those who cannot afford the cost probably do not receive any medical care. For example, while care at the National Pediatric Hospital in Phnom Penh is supposed to be free, World Vision staff informed us that patients must often purchase medication or food or are advised to visit doctors at their private practices.

Recommendations

Oversight and monitoring of humanitarian assistance to Cambodia are essential to complying with the objectives of the congressionally directed program. Therefore, to increase accountability for the program in Cambodia, we recommend that in addition to the limited monitoring by officials at Washington headquarters, the Administrator, Agency for International Development, require that AID officials in Thailand directly

manage grants in areas of Cambodia controlled by the Phnom Penh government. We also recommend that until the State Department rescinds its prohibition against executive branch officials' travel into Phnom Penh government-controlled areas, the Administrator establish a better reporting mechanism to monitor grant activities.

Scope and Methodology

We conducted our review in Washington, D.C.; Thailand; and Cambodia. We interviewed officials from AID and the Department of State, as well as the U.S. Ambassador to Thailand and other mission officials in the embassy and AID's Office of Khmer Affairs. In both Washington and Thailand we reviewed documents dealing with the assistance programs, cables, accounting records, a draft Cambodia Needs Assessment, AID procurement and grants management guidance, and memoranda and other documents to determine how the assistance program is managed.

We met with noncommunist resistance officials and visited some of their operations in both Thailand and in areas controlled by them inside Cambodia, including warehouses, a youth camp, a village, and a field hospital. In addition, we observed the resistance groups' medical personnel giving U.S.-funded childhood immunizations in Cambodia.

In Phnom Penh we interviewed officials from World Vision and UNICEF to determine how they were managing and controlling projects. We could not assess the adequacy of controls on the World Vision project because funded activities were just starting at the time of our review. In addition, we interviewed officials and observed activities at the National Pediatric Hospital, the Expanded Project of Immunizations, and the National Rehabilitation Center. We also interviewed officials of the Phnom Penh government's Ministry of Health.

We performed our review from March to July 1991 in accordance with generally accepted government auditing standards.

We did not obtain written agency comments on this report; however, AID program officials provided oral comments that have been included where appropriate.

We are sending copies of this report to the Administrator of AID, the Secretary of State, and other interested parties. Copies will also be made available to others upon request.

Please contact me at (202) 275-5790 if you or your staff have any questions concerning this report. Major contributors to this report were Donald L. Patton, Assistant Director; Joan M. Slowitsky, Evaluator-in-Charge; and Brian J. Lepore, Evaluator.



Harold J. Johnson
Director, Foreign Economic
Assistance Issues

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