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FOREIGN ASSISTANCE
ACT

Comments on New Policy
Framework for Foreign Aid

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Mr. Chairman and Members of the Committee:

I am pleased to be here to participate in this discussion of how the U.S. foreign assistance program should be reformed to meet the challenges of the post-Cold War world. These are very important discussions because they are directed at defining a new agenda and new approaches to the development and management of our foreign assistance program. The end of the Cold War provides the Administration and the Congress with a unique opportunity to reinvent foreign assistance.

The advancement of a coherent and comprehensive foreign assistance policy that is based on our national interests is one of the most important challenges facing the U.S. government. With the end of the Cold War, there are many new fragile democracies that are struggling to move from command to market economies. To meet the challenges of the new world requires new thinking, new approaches, and new management. The proposed legislation represents a framework for revamping our foreign assistance program to meet these challenges.

Although you asked us to comment specifically on titles II and III of the draft legislation, my comments apply to other portions of the draft as well. Moreover, further study is required to clear up ambiguities and uncertainties as to the intent of the legislation.

We are generally supportive of the flexibility the revised act would provide the executive branch. However, we do have concerns with (1) accountability for program results, (2) how programs authorized will be implemented, and (3) some specific provisions of the draft legislation related to arms transfers.

Before I discuss these issues, I would like to take a moment to talk about why we believe it is important at this time to reassess our broad foreign assistance objectives. My remarks are based on a number of reports we have issued during the past year, including our general management review of the Agency for International Development (AID), our report on U.N. peacekeeping operations, and our prior testimony on foreign assistance reform efforts.¹

REASSESSING FOREIGN ASSISTANCE OBJECTIVES AND STRATEGY

Over the more than 30 years since its enactment, the Foreign Assistance Act of 1961 has been frequently amended, often to add new objectives or to refocus old ones. The proliferation of foreign aid objectives and programs over time has seriously

¹Foreign Assistance: AID Strategic Direction and Continued Management Improvements Needed (GAO/NSIAD-93-106, June 11, 1993); U.N. Peacekeeping: Lessons Learned in Managing Recent Missions (GAO/NSIAD-94-9, Dec. 29, 1993); and Foreign Assistance: Reforming the Economic Aid Program (GAO/T-NSIAD-93-20, July 26, 1993).

affected AID's ability to satisfactorily accomplish any of them. Recent efforts to articulate a policy rationale for assistance by outlining a limited number of priority objectives--promoting U.S. prosperity, building democracy, promoting sustainable development, promoting peace, providing humanitarian assistance, and advancing diplomacy--represent an important first step, but maintaining this focus will take the continued vigilance of the Administration and the Congress.

One thing is clear--post-Cold War problems are varied and many, and the dollars available to deal with them are few. Thus, there is a need to make sure that the limited funds available are prioritized and properly targeted to the most effective activities. We are particularly concerned that virtually all of the existing foreign assistance programs and projects could fit into one or more of the six broad objectives that the Administration has outlined. It is our hope that the Administration, in consultation with the Congress, will establish some priorities among the six broad objectives so that limited resources can be directed to the most important ones.

ACCOUNTABILITY

I would now like to turn to the broad issue of accountability for foreign assistance program results. The draft legislation does a good job of summarizing overall foreign policy assistance objectives, and leaves developing and implementing specific strategies and programs to the administering agencies. We believe this approach provides needed flexibility; one criticism of the current Foreign Assistance Act has been the proliferation of directives, controls, and reporting requirements. However, the executive branch still needs to be held accountable for the success and impact of programs and strategies it implements. Our suggested approach would be to put the responsibility for accountability on the executive branch--make them say what impact and accomplishments they expect from the programs they finance and then hold them accountable for achieving those results.

Managing for Results

We believe that programs and projects receiving funds authorized by the proposed legislation should be designed with measurable objectives and expected impacts. As currently written, however, the Managing for Results provision in the draft legislation, which requires assessments of progress, effectiveness, and impact, is only applicable to development programs (title I, chapter 1, sec. 1102). The proposed legislation should include assessments of progress and effectiveness for other initiatives. Therefore, we suggest that the Managing for Results concept of the draft legislation be required for all assistance authorized in the act.

We further suggest that the legislation require AID (or the State Department) to develop a plan for achieving the legislation's broad objectives. This plan should include specific programs and projects for each objective. Each program or project would have its own accountability measures that the Congress (and the Administration) could use to hold the various implementing agencies accountable.

As we suggested in our general management report on AID, such an approach is the way strategic planning is intended to work. Congress and the executive branch should agree on program objectives and then hold agencies accountable for achieving them.

Evaluation and Monitoring

We do not believe that section 7306 of title VII (Evaluation and Monitoring of Program Performance) is broad enough. It imposes performance monitoring requirements only on AID and only for sustainable development, and not on other agencies or programs that receive funds either directly or indirectly through foreign assistance appropriations. For example, such requirements are not imposed on the U.S. Information Agency, which has responsibility for various programs related to the bill's provisions on promoting democracy. We would hope that the broad intent of this bill is not to restrict performance monitoring requirements only to sustainable development, and that such requirements would be more broadly applied where appropriate.

PROGRAM IMPLEMENTATION ISSUES

We all recognize that the passage of this or similar legislation will not in itself result in a coherent or successful foreign assistance program. Success depends on effective program design and implementation, and there may also be some inherent limitations on what can be achieved. In this context, we have some general observations concerning the specific titles in the draft legislation.

Democracy Programs

Assistance for democratic development is provided by several U.S. agencies, such as AID, the State Department, the Department of Defense, and the U.S. Information Agency. Other organizations include the National Endowment for Democracy and the Asia Foundation. We recently reported that there is no central U.S. governmentwide democracy program, no overall statement of U.S. policy regarding U.S. objectives and strategy for democratic development, no specific and common definition of what constitutes a democracy program, and no specificity regarding the roles of the

foreign affairs and defense agencies in promoting democratic objectives.²

The flexibility this legislation provides the executive branch to implement democratic institution-building projects does not lessen the need to ensure that implementing agencies are accountable for what is achieved. Terms like building democracy describe broad areas of potential activity, which if not clearly defined or described and properly managed, could result in overlap of programs, duplication, and waste. The Committee may want the Administration to define the roles and activities of the individual agencies and provide an appropriate mechanism for coordinating these activities. We were advised that as early as April 1993 the National Security Council was in the process of developing a policy directive addressing these issues, but no directive has been issued as yet.

Student exchange programs, which will continue to play an important part in the new democracy initiatives, also illustrate our concerns with coordination. Our prior work on this program identified 16 U.S. agencies operating 75 programs.³ The agencies reported spending about \$655 million on their student exchange programs in fiscal year 1992. We reported that the large number of programs created the potential for program duplication, overlap, and fragmentation. Officials from AID and the U.S. Information Agency acknowledged that the potential for overlap exists, and described an overlapping of responsibilities between the two agencies although they did not view that overlap as a serious problem. The Foreign Relations Authorization bill for fiscal years 1994 and 1995 includes a provision requiring strengthened coordination for these programs. Congress may want to consider whether the draft legislation should also emphasize the need for U.S. agencies to better coordinate their programs.

Another concern is the limitations on foreign affairs agencies' ability to design, implement, and manage democratic institution-building activities authorized in the draft legislation. Our concern is based on our examination of AID's Administration of Justice programs. Among the lessons that emerged from our work on programs in Central America⁴ are that (1) imposing judicial reform

²Promoting Democracy: Foreign Affairs and Defense Agencies Funds and Activities--1991 to 1993 (GAO/NSIAD-94-83, Jan. 4, 1994).

³Exchange Programs: Inventory of International Educational, Cultural, and Training Programs (GAO/NSIAD-93-157BR, June 23, 1993).

⁴Foreign Assistance: Promoting Judicial Reform to Strengthen Democracies (GAO/NSIAD-93-149, Sept. 1, 1993).

on a country that is not ready for or receptive to change is generally ineffective and wasteful; (2) addressing technical problems without confronting political and institutional obstacles to reform is usually not productive; and (3) having adequate staff with experience in judicial reform is essential. Agencies will likely continue to face these limitations as they attempt to implement democracy programs. Thus, this is another reason why we believe that the executive branch should be required to explain what it wants to accomplish and how it plans to do so.

Police Training and Assistance Issues

The authority and direction for foreign police training is scattered throughout titles II, III, and VII of the bill, and it is unclear what the Administration's overall policy on the issue is and how such assistance should be implemented. Although the draft includes an overall police training prohibition (as in section 660 of the current Foreign Assistance Act), separate authorities sprinkled throughout the draft legislation authorize almost any type of police assistance, likely rendering the prohibition meaningless. The draft then includes authorization for "such other assistance as the President determines to be appropriate," which in effect would permit almost any police training assistance anywhere.

Our work has identified instances in which police training was extremely beneficial to the furtherance of democracy. However, rather than the set of authorities contained throughout the draft legislation, we would propose a clearer statement of the purpose of the different types of police assistance, the expectations for it, and more precise limitations on when such assistance should not be given.

Nonproliferation

Title III (chapter 2) contains seven broad nonproliferation and disarmament objectives that are generally consistent with existing and, in many cases, long-standing U.S. arms control and nonproliferation goals. The Department of Defense has been authorized in its authorization acts to spend up to \$1 billion on Cooperative Threat Reduction ("Nunn-Lugar") projects in four former Soviet republics in support of goals that are very similar to those in chapter 2. The executive branch should carefully determine how chapter 2 funds would be used to supplement, complement, extend, or substitute for Nunn-Lugar funds.

Peacekeeping Operations

Title III of the draft legislation reaffirms support for peacekeeping operations when they advance U.S. interests and points out that the United States has both multinational and bilateral options to help ensure international peace and security. The draft

also provides considerable flexibility to the Administration to commit the United States to assist in the promotion of peace.

On the basis of our prior and ongoing work, we have identified factors that have affected the success of past peacekeeping operations. These include

- the importance of operationally and politically feasible mandates;
- weaknesses in the United Nations' capability to implement peacekeeping missions, including problems with limited resources to plan operations and a limited capacity to provide logistical support;
- unreliable budgetary estimates of the costs of operations, leading to a reluctance on the part of U.N. member states to commit resources;
- concerns over the lack of basic peacekeeping training and preparedness of volunteer troops and civilian personnel; and
- inherent limitations in command and control mechanisms and limited coordination of military and civilian activities.

These factors can serve as important lessons for any future U.S. commitments as envisioned in the draft legislation.

ARMS TRANSFER-RELATED PROVISIONS

Mr. Chairman, you requested our views on titles II and III of the proposed legislation. We would also like to offer some views we have on title VIII--General Provisions related to end-use and retransfer assurances and approval of third-country transfers of U.S.-provided defense articles and services and title IX regarding the eligibility and penalty provisions in the Arms Export Control Act (AECA).

Sections 8212 and 8213 incorporate the basic end-use and retransfer provisions of Section 505 of the existing Foreign Assistance Act, and apply them to arms supplied under the proposed legislation. They also provide for termination of assistance for substantial violations. However, the proposed bill provides for significant exceptions to the retransfer restriction. It appears to allow foreign countries to retransfer U.S. defense articles and services without prior U.S. approval if: (1) a foreign country is incorporating U.S. components into its own defense equipment and then exporting the end-item, (2) the recipient is a NATO country, Australia, or Japan, (3) the U.S. components were not significant military equipment (dollar threshold), did not require congressional notification for the original transfer under the

AECA, and are not Missile Technology Control Regime items, and (4) the foreign country/person making the retransfers notifies the U.S. Government within 30 days following the transfer. We would note that section 505 of the existing Foreign Assistance Act contains no exceptions to the requirements for prior U.S. consent.

We have the following concerns regarding these exceptions. The first exception could permit countries to do what they have been unauthorized to do under the existing legislation-- incorporate U.S. parts into their weapon systems and then ship them without prior consent to destinations that the U.S. government itself would not sell to. The second exception treats all NATO countries alike when they do not behave equally responsibly (or in alignment with our national or regional security interests) in the world arms market. The third exception would allow countries to buy U.S. significant military equipment broken down into smaller components without being subject to retransfer restrictions. Our concern here is similar to that related to the first exception. Key U.S. components have been incorporated into weapon systems developed in the recipient countries who then sell the end items to countries the United States would not sell to. The fourth exception enables the U.S. Government to be notified only after the fact that its weapon componentry has been retransferred to a third country which may be an undesirable final destination from the U.S. Government's perspective.

Currently, section 3 of the AECA provides penalties and requires the President to report to the Congress substantial violations of restrictions on (1) offensive use or other unauthorized uses; (2) unauthorized retransfers to third parties; and (3) failure to maintain security of U.S. weapons sold abroad. The conforming amendments in section 9104 of the proposed legislation may limit the application of the penalties only to unauthorized uses of the weapons and not to unauthorized transfers or failure to secure them.

This concludes my statement. I would be happy to answer any questions.

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