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**REPORT TO THE FOREIGN OPERATIONS
AND GOVERNMENT INFORMATION
SUBCOMMITTEE
COMMITTEE ON GOVERNMENT
OPERATIONS
HOUSE OF REPRESENTATIVES**



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**Aspects Of U.S. Assistance
To Disaster-Stricken East Pakistanis**

B-173651

Agency for International Development
Department of State
Department of Agriculture

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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JUNE 29, 1972



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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Dear Mr. Chairman:

As requested in your letter of October 7, 1971, we have examined into aspects of U.S. assistance to disaster-stricken East Pakistanis in India and East Pakistan. This inquiry covered the relief program up to the outbreak of the India-Pakistan war in December 1971.

We have not followed our customary practice of submitting a report draft to the concerned agencies for their formal comments. However, we have made the draft available to the concerned agencies for the purpose of obtaining a review of the security classifications of the material presented.

We believe that the contents of this report would be of interest to other committees and members of Congress. However, release of the report will be made only upon your agreement or upon public announcement by you concerning its contents.

Sincerely yours,

James B. Staats

Comptroller General
of the United States

The Honorable William S. Moorhead
Chairman, Foreign Operations and
Government Information Subcommittee
Committee on Government Operations
House of Representatives

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ABBREVIATIONS

AID	Agency for International Development
CCC	Commodity Credit Corporation (corporation under USDA)
GAO	General Accounting Office
GOEP	Government of East Pakistan
GOI	Government of India
GOP	Government of Pakistan
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
USDA	U.S. Department of Agriculture

D I G E S T

WHY THE REVIEW WAS MADE

At the request of Congressman William S. Moorhead, Chairman of the Foreign Operations and Government Information Subcommittee of the House Committee on Government Operations, the General Accounting Office (GAO) examined into certain aspects of U.S. assistance to disaster-stricken East Pakistanis in India and East Pakistan. (See app. III, p. 43.)

GAO was asked to examine into

- the appropriateness of providing wheat to rice-eating East Pakistani victims in India and East Pakistan,
- the use of wheat provided to India for refugee relief feeding,
- the extent to which U.S.-owned excess foreign currencies could have been used instead of dollars to finance relief assistance, and
- the alleged use of vessels (financed by the United States) for military purposes rather than for the intended transportation of refugee relief supplies.

This report deals with the assistance authorized for East Pakistani victims prior to the outbreak of hostilities between India and Pakistan in December 1971.

The new nation of Bangladesh (formerly East Pakistan) was officially recognized by the United States in April 1972. Consequently some of the assistance authorized, pursuant to agreements with GOP, obviously will not be provided. Other assistance has been and is being authorized for Bangladesh. GAO has not followed its usual practice of obtaining advance agency comments on this report.

FINDINGS AND CONCLUSIONS

Appropriateness of providing wheat
to East Pakistani victims

Several factors indicate that it was appropriate for the United States to provide wheat to rice-eating East Pakistani victims. Although rice is

-favored as food grain, East Pakistanis accept wheat for consumption. Moreover, wheat is slightly more nutritious than rice. Unmilled wheat was considerably less costly and was much more abundant than milled rice for use in U.S. relief assistance programs. East Pakistan produced over 95 percent of its rice but imported most of its wheat.

Agency records indicate that, for fiscal year 1972, GOP requested wheat from the United States because of cost considerations. Rice exported by the U.S. Department of Agriculture (USDA) is more costly (but of higher quality) than rice imported by East Pakistan in fiscal years 1970 and 1971. (See pp. 8 to 15.)

Use of wheat provided to India for
refugee relief feeding

No wheat was provided to the Government of India (GOI) for refugee feeding. Because of its plentiful wheat supply in 1971, GOI withdrew a request for 1 million tons of U.S. wheat in August 1971, to limit fiscal year 1972 imports. In December 1971, GOI canceled 400,000 metric tons¹ of an April 1971 Public Law 480 title I sales agreement for 1.5 million metric tons of wheat. That agreement was not part of the U.S. refugee relief program.

Under its Public Law 480 title II donations program, the United States provided approximately 35,000 metric tons of wheat, valued at about \$2 million, to the voluntary agencies (such as CARE) to replenish food stocks used to feed the refugees. (See p. 16.)

Extent of use of U.S.-owned excess
currencies for relief assistance

In Pakistan dollar assistance was used to finance the foreign exchange costs of items not available within that country. In contrast, almost one-half, about \$13.7 million, of the U.S. dollar assistance given to India through the United Nations was used to buy goods and services within the country and the result was additional free foreign exchange for India. (See pp. 17 and 25.)

Prior to the India-Pakistan war, the United States authorized an equivalent of \$133.8 million in Pakistani rupees for relief and rehabilitation projects for cyclone and civil strife victims in East Pakistan and projects were being implemented which would use the equivalent of \$4.8 million. GOP, however, was reluctant to accept about \$100 million of these rupees because it did not consider the grant as real economic assistance. The establishment of Bangladesh precluded the use of any of these rupees. (See pp. 18 and 20.)

Use of U.S.-owned Indian rupees for refugee assistance has been limited to grants equivalent to \$800,000. Department of State officials informed GAO that the commitment of U.S.-owned rupees would represent a charge to existing resources rather than provide new resources to India and thereby would create additional inflationary pressures on the Indian economy. GOI, therefore, would not regard such a commitment as real assistance. (See pp. 25 and 26.)

¹A metric ton is equal to 2,205 pounds.

Prior to the outbreak of the India-Pakistan war in December 1971, the United States made about \$50.6 million available for humanitarian relief for East Pakistanis, about \$39.2 million in cash and \$11.4 million in nonfood commodities and services. Of the \$50.6 million, about \$14.9 million (\$11 million in cash and \$3.9 million in nonfood commodities and services) was for relief in East Pakistan and \$35.7 million (\$28.2 million in cash and \$7.5 million in nonfood commodities and services) was for assistance in India. About \$23.9 million of the cash contributions for relief in India was donated by the United States, U.N.; the remainder, \$4.3 million, was granted to voluntary agencies to pay for commodities and services. (See pp. 17 and 26.)

Opportunities to provide
commodities in lieu of dollars

In two instances, the United States reduced dollar grants to the U.N. by providing about \$5 million worth of blankets rather than dollars. In two other instances, however, the United States might have provided trucks and nonfat dry milk from U.S. sources and might have reduced its dollar outflow by about \$3.3 million. (See pp. 30 and 31.)

Alleged diversions of U.S.-financed vessels
in East Pakistan

About fifty 16-foot assault boats, furnished by the United States at a cost of \$63,000 for relief assistance after the November 1970 cyclone, were confiscated by the West Pakistan military at the outbreak of civil hostilities in late March 1971.

The United States granted about \$4.4 million to assist in financing the foreign exchange cost of chartered vessels and crews to help transport food grains and other relief supplies to the inland areas of East Pakistan. These vessels were to augment Pakistan's relief transport capacity. In October 1971 it was reported that the U.S.-provided grain shipment capability apparently permitted Pakistani coastal vessels, previously engaged in food shipment, to be used for other cargo assignments. No data was available to either confirm or disaffirm the allegations concerning the Pakistani military's use of these U.S.-financed vessels intended to assist in the distribution of refugee relief supplies. (See pp. 33 to 39.)

CHAPTER 1

INTRODUCTION

Congressman William S. Moorhead, Chairman of the Foreign Operations and Government Information Subcommittee of the House Committee on Government Operations, requested the General Accounting Office (GAO) to examine into certain aspects of U.S. assistance to disaster-stricken East Pakistan.¹

In accordance with the Chairman's request and discussions with Subcommittee staff members, we examined into (1) the appropriateness of providing wheat instead of rice to East Pakistani victims in India and East Pakistan, (2) the use of wheat provided to India for refugee relief feeding, (3) the extent to which U.S.-owned excess foreign currencies instead of dollars could have been used to finance relief assistance,² and (4) the alleged use of U.S.-financed vessels for military purposes rather than for the intended transportation of refugee relief supplies.

Our review included discussions with U.S. officials in Washington, D.C.; in Islamabad, West Pakistan; in Dacca, East Pakistan; in New Delhi and Calcutta, India; with officials of U.S. voluntary agencies; and with U.N. officials. We also reviewed Department of State, Agency for International Development (AID), and U.S. Department of Agriculture (USDA) files made available to us and reports of the United Nations, the voluntary agencies, and the Government of Pakistan (GOP).

¹This report deals with the assistance authorized for East Pakistani victims prior to the outbreak of hostilities between India and Pakistan early in December 1971. The new nation of Bangladesh (formerly East Pakistan) was officially recognized by the United States in April 1972.

²Both India and Pakistan are excess-currency countries; that is, the United States owns and has available for use a supply of these countries' currencies which exceed in amount normal U.S. requirements for a period of 2 to 3 years or more.

East Pakistan suffered from unusually heavy rains during the period from July through September 1970 that flooded and reportedly damaged and/or destroyed about 324,000 homes. According to reports about 100,000 metric tons of rice and an unknown number of lives were lost.

The cyclone that swept up the Bay of Bengal on November 12 and 13, 1970, affected a total area of nearly 4,000 square miles within East Pakistan, which had an estimated population of 4.8 million. The most severely ravaged area, the delta islands and low-lying coastal plains, measures about 1,700 square miles. The area contained about 2 million people. U.S. officials estimated the death toll at about 300,000 from the storm. Economic losses of houses, rice, livestock, and fishing boats were estimated to be \$188.6 million.

In March 1971, after political leaders of East and West Pakistan failed to agree on the main provisions of a constitution, the meeting of the assembly, elected primarily to develop a constitution for returning Pakistan to civilian rule, was postponed indefinitely by the President of Pakistan. The postponement led to protest strikes and demonstrations by East Pakistanis. On March 25, 1971, Pakistani Armed Forces were ordered to reestablish central government authority in East Pakistan amid charges that East Pakistani political leaders were planning secession.

After March 25, 1971, East Pakistan was torn by civil strife. East Pakistani political leaders developed a guerilla movement to fight for an independent country. The military retaliated with acts of violence. By mid-November 1971, according to Government of India (GOI) officials, nearly 10 million persons had fled to India, and there was considerable movement of an unknown number of persons to the rural areas within East Pakistan. The economy of East Pakistan and its civil administration were disrupted, and the internal transportation system was crippled.

In response to these disasters, the United States authorized the following assistance for the East Pakistani victims prior to the December 1971 India-Pakistan war.

<u>Type of relief</u>	<u>Authorized contributions for victims</u>		
	<u>In Pakistan</u>	<u>In India</u>	<u>Total</u>
	(millions)		
Food assistance (in- cluding ocean freight costs)	\$128.0 ^a	\$58.0	\$186.0 ^a
U.S.-owned local cur- rency	133.8 ^b	.8	134.6 ^b
Dollar grants	11.0	28.2	39.2
Nonfood commodities and services	<u>3.9</u>	<u>7.5</u>	<u>11.4</u>
Total	<u>\$276.7</u>	<u>\$94.5</u>	<u>\$371.2</u>

^aAs of January 31, 1972, about \$72.2 million (including \$11.6 million in ocean freight costs) of this assistance was not implemented.

^bAbout \$129 million of this assistance was not implemented prior to the India-Pakistan war.

The implementation of an effective relief program in East Pakistan was hampered by the unsettled political and military situation which restricted the internal movement of relief supplies and necessitated the diversion of some relief supplies to other countries. The deterioration of this situation ultimately resulted in the war between India and Pakistan, the withdrawal in December 1971 of U.N. personnel, and the cessation of U.S. relief shipments to East Pakistan.

The new nation of Bangladesh was officially recognized by the United States in April 1972. Consequently some of the assistance authorized pursuant to agreements with GOP, such as food assistance under Public Law 480 title I sales agreements and use of excess U.S.-owned Pakistani rupees, obviously will not be provided. Other assistance has been and is being authorized for Bangladesh.

CHAPTER 2

APPROPRIATENESS OF PROVIDING WHEAT

TO EAST PAKISTANI VICTIMS

Prior to the outbreak of the India-Pakistan War, the United States had authorized the sale or donation of about 909,000 metric tons of wheat and 215,000 metric tons of rice to meet the needs of East Pakistani disaster victims in East Pakistan and India. Of these authorized quantities, approximately 309,000 metric tons of wheat and 140,000 metric tons of rice were being made available, as of January 31, 1972. The remaining authorizations had not been implemented. (See app. II, p. 42.)

Among the factors we considered in our attempt to assess the appropriateness of providing wheat to rice-eating East Pakistanis were (1) the acceptability of wheat as a food by East Pakistanis, (2) the relative availabilities and costs of wheat and rice used in Public Law 480 programs, (3) the sources of wheat and rice to East Pakistan, and (4) the relative nutritional values of these commodities.

Although rice is preferred as a food grain, East Pakistanis apparently consume wheat. Also unmilled wheat used in Public Law 480 programs was considerably less costly than the milled rice used in these programs. However, we have not compared the availabilities or relative costs of providing these commodities in their edible form since wheat is ground into flour in India and Pakistan. Unmilled wheat available for use in Public Law 480 programs was much more abundant than was milled rice. Moreover, wheat has slightly more nutritional value than rice.

During fiscal years 1965 through 1971, East Pakistan produced over 95 percent of its rice but imported most of its wheat. Also USDA exported rice is more costly but of a better quality than that imported by East Pakistan in fiscal years 1970 and 1971. In view of these factors, we believe that it was appropriate for the United States to furnish wheat to the East Pakistanis.

ACCEPTANCE OF WHEAT AS FOOD
BY EAST PAKISTANIS

According to U.S. officials, East Pakistanis eat rice as the principal item in their diet. The following table shows that rice is their main food grain staple but that some wheat has been produced and imported since 1965. In fiscal year 1971 wheat accounted for about 8.3 percent of East Pakistan's total food grain supply, an increase of about 5.4 percent over fiscal year 1965.

East Pakistan Food Grain Supply
Fiscal Years 1965-71

Fiscal year	Net production (note a)			Imports (note b)		Total		Total supply	Wheat percentage of total supply
	Rice	Wheat	Other	Rice	Wheat	Rice	Wheat		
(in thousands of long tons)									
1965	9,339	29	14	109	250	9,448	279	9,741	2.86
1966	9,335	29	14	353	529	9,688	558	10,260	5.44
1967	8,480	52	15 ^c	350 ^c	612	8,830	664	9,509	6.98
1968	9,890	52	15 ^c	305	712	10,195	764	10,974	6.96
1969	10,040	83	15 ^c	241	814	10,281	897	11,193	8.01
1970	10,550	93	15 ^c	501	965	11,051	1,058	12,124	8.73
1971	10,440	100 ^c	15 ^c	593	900 ^c	11,033	1,000	12,048	8.30

^aObtained from schedule prepared by AID's Office of Agricultural Policy in Pakistan.

^bIncludes shipments from West Pakistan.

^cEstimates.

The table shows that most of East Pakistan's wheat supply has been imported. Moreover, a significant portion of that wheat was imported from the United States under Public Law 480 title I sales agreements.

According to a USDA official, purchasing countries normally designate which of the available commodities they wish to buy under title I of Public Law 480. AID correspondence indicates that, for fiscal year 1972, GOP requested wheat from the United States because of cost considerations.

A study entitled "Possibilities For Cereal Fortification" made in East Pakistan, published in March 1970 by USDA in cooperation with AID, states:

"*** large quantities of imported wheat are distributed by the food ration system of East Pakistan and in turn substantial numbers of people consume a relatively large proportion of wheat ***"

This study later states:

"In recent years, wheat distributed by the Food Department has been two to three times the quantity of rice distributed."

Our discussions with U.S. officials and with U.S. medical doctors who served in East Pakistan during the cyclone and civil strife periods revealed a consensus of opinion, based on personal observations, that the East Pakistanis ate rice as their primary food grain and used wheat as a supplement. Their belief was that, during periods of low rice stocks, such as immediately prior to rice harvests, the proportion of wheat in the East Pakistani diet increased markedly.

Also, our auditors in India observed East Pakistani refugees eating chappaties--a local bread made from wheat.

COMPARATIVE AVAILABILITY AND COST OF WHEAT
AND RICE USED IN PUBLIC LAW 480 PROGRAMS

USDA officials estimated that, during fiscal year 1971, there were about 10.4 million metric tons of wheat and 1.1 million metric tons of rice available for use in Public Law 480 programs, or about nine times as much wheat as rice. Their estimate for fiscal year 1972 is that there will be about 15 times as much wheat as rice available for these programs.

Whole grain wheat and milled rice were the food grains programed by the United States for the relief assistance programs in India and East Pakistan. The acquisition costs of these commodities used in Public Law 480 programs during fiscal year 1970 and 1971 are shown in the following schedule.

Average Commodity Credit Corporation (CCC)
Acquisition Cost per Metric Ton of Wheat
and Rice Utilized in Public Law 480 Programs

<u>Commodity</u>	CCC cost per metric ton in <u>fiscal year</u>	
	<u>1970</u>	<u>1971</u>
Wheat (unmilled but husked) (note a)	\$ 48.75	\$ 48.51
Milled rice	209.25	206.61

^aAccording to USDA officials, whole grain wheat, when milled, will yield about 98 percent of the whole grain weight in whole wheat flour, rolled wheat, and cracked wheat, or about 72 percent of the whole grain weight in white flour.

USDA officials told us that they expected fiscal year 1972 costs for these commodities to follow the trend of costs in fiscal year 1970 and 1971.

Unmilled wheat is shipped and ground into flour in India and Pakistan. Therefore we have not made a comparison of the relative availabilities or costs for providing these commodities in their edible form.

SOURCES OF WHEAT AND RICE TO EAST PAKISTAN

Wheat

Although internal wheat production has been increasing, the East Pakistani needs for wheat are met largely by imports. (See table on p. 9.) The following schedule prepared from USDA records shows the sources and quantities of Pakistan's wheat imports for fiscal years 1970 and 1971.

<u>Source of imports to East and West Pakistan</u>	<u>Quantity in fiscal year</u>	
	<u>1970</u>	<u>1971</u>
	(in thousands of long tons)	
United States (Public Law 480 programs)	783.5	682.7
Australia	125.7	131.5
Canada	60.2	108.9
France	15.0	15.0
Italy	16.7	11.7
United Kingdom	21.8	12.7
Netherlands	-	30.3
West Germany	58.0	76.1
Other	<u>4.5</u>	<u>.1</u>
Total	<u>1,085.4</u>	<u>1,069.0</u>
Total imports to East Pakistan	965.0	900.0 ^a

^aEstimated by AID.

Although USDA and AID officials in Washington could not provide us detailed information concerning the quantity by source of East Pakistan's wheat imports, our computations, based on the above information, show that at least 69 percent of its fiscal year 1970 wheat exports and 57 percent of its fiscal year 1971 wheat imports were from U.S. Public Law 480 programs.

Rice

From fiscal year 1965 through fiscal year 1971 over 95 percent of East Pakistan's rice has been produced internally (See table on p. 9.) During the past few years, West Pakistan has supplied over one-half of East Pakistan's rice imports. The following schedule shows the sources and quantities of East Pakistan's rice imports during fiscal years 1970 and 1971.

<u>Sources</u>	<u>Quantity in fiscal year</u>	
	<u>1970</u>	<u>1971</u>
	(in thousands of long tons)	
West Pakistan (note a)	371.5	361.5
Burma (note a)	29.9	.5
Japan (note a)	99.3	107.8
Peoples Republic of China (note b)	<u>-</u>	<u>123.3</u>
Total	<u>500.7</u>	<u>593.1</u>

^aCoarse rice imports.

^b35 to 42 percent,
broken grains.

USDA officials informed us that during fiscal year 1970 the rice imports to East Pakistan from Burma cost about \$103 per metric ton. Although no definitive 1971 cost information was available for rice from the above countries, USDA officials estimated this quality rice to be approximately \$90 per metric ton. During fiscal year 1971, we were told, much of the East Pakistan rice imports from Burma, Japan, and the Peoples Republic of China was on concessional terms and on barter arrangements in response to East Pakistan's disaster needs.

The foregoing costs are considerably lower than the cost of USDA-milled rice shown on page 11. USDA officials informed us that the United States did not produce export

rice of the quality (coarse and 35 to 42 percent, broken grains) imported by East Pakistan and that USDA rice was of a much higher quality.

In August 1971 USDA officials stated that, after making appropriate adjustments for quality, U.S. export prices for rice were considerably higher than the prices from some competing foreign origins. They stated that:

"While U.S. rice can be expected to become more competitive, USDA will exercise restraint in making upward adjustment of export payment rates so as not repeat not depress world market prices."

U.S. rice was not expected to become commercially competitive in Asian and other markets where price is the prime consideration.

NUTRITIONAL VALUES OF RICE AND WHEAT

According to AID officials, wheat generally has more nutritional value than rice but neither commodity provides an adequate diet by itself. They provided us with the following data which shows the critical nutrients of each commodity.

Nutrients per 100 Grams of Edible Portion

	Unit of <u>measure</u>	<u>Rice</u>		<u>Wheat</u>	
		<u>Brown</u>	<u>White</u>	<u>Hard Red</u>	<u>White</u>
Calories	-	360	363	330	335
Protein	Grams	7.50	6.70	12.30	9.40
Calcium	Milligrams	32.00	24.00	46.00	36.00
Iron	"	1.60	2.90	3.40	3.00
Thiamine	"	.34	.44	.52	.53
Riboflavin	"	.05	-	.12	.12
Niacin	"	4.70	3.50	4.30	5.30

According to AID officials, a complete change in the diets of East Pakistanis from rice to wheat could cause temporary digestive problems but they are unable to determine the exact effects. They stated that the introduction of a gradual supplement of wheat to those who have not eaten wheat should not cause any medical problems.

CHAPTER 3

USE OF WHEAT PROVIDED TO INDIA

FOR REFUGEE RELIEF FEEDING

We found that no wheat had been provided to GOI for refugee feeding. During 1971 India experienced record wheat production and greater-than-expected reserve stocks which resulted in serious storage problems. Because of this plentiful wheat supply, in August 1971 GOI withdrew a Public Law 480 title I request for 1 million tons of wheat to limit fiscal year 1972 imports. In December 1971 GOI canceled 400,000 metric tons of an April 1971 title I sales agreement for 1.5 million metric tons of wheat. That agreement was not part of the U.S. refugee relief program.

Under its Public Law 480 title II donations program, the United States provided approximately 35,000 metric tons of wheat, valued at about \$2 million, to voluntary agencies to replenish the food stocks they had used to feed the refugees.

CHAPTER 4

EXTENT OF USE OF U.S.-OWNED EXCESS CURRENCIES

FOR RELIEF ASSISTANCE IN EAST PAKISTAN

The United States allocated the equivalent of \$133.8 million of U.S.-owned Pakistani rupees for relief assistance programs in East Pakistan. It also used about \$14.9 million in dollars to provide nonfood commodities and cash grants for East Pakistan, as shown below.

	<u>Amount</u> (millions)
Nonfood commodities and services	\$ 3.9
U.S. dollar grants	<u>11.0</u>
Total	<u>\$14.9</u>

The \$14.9 million was used for foreign exchange costs of items not available in Pakistan.

Details concerning the various types of nonfood assistance are discussed in the following sections.

U.S.-OWNED EXCESS CURRENCIES USED FOR RELIEF PURPOSES IN EAST PAKISTAN

Prior to the outbreak of the war between India and Pakistan in December 1971, the United States had authorized grants of about 642.4 million Pakistani rupees, equivalent to about \$133.8 million,¹ for relief, rehabilitation, and reconstruction projects for cyclone victims and for persons affected by civil strife in East Pakistan. Of these authorized amounts, the AID Mission reported that projects totaling 619.5 million rupees (\$129.1 million equivalent) had not been

¹Converted at the rate of 4.8 Pakistani rupees to a U.S. dollar.

implemented. The following schedule, prepared from AID Mission reports, shows the authorized items and projects completed or in process and those not implemented.

U.S. Local Currency Grants for Use in East Pakistan
Authorized Prior to The December 1971 India-Pakistan War

<u>Item or project</u>	<u>Authorized amounts</u>	
	<u>Rupees</u>	<u>Approximate dollar equivalent</u>
	(000 omitted)	
In process or completed:		
Ambassador's grant	250	52
Tube wells for drinking water	722	150
Replacement of fishing nets	482	100
Rehabilitation of living conditions	3,590	748
Medical survey	100	21
Child-feeding program	1,050	219
Miscellaneous support costs	101	21
U.N. administrative costs	<u>16,653</u>	<u>3,470</u>
Total	<u>22,948</u>	<u>4,781</u>
Not implemented:		
Public works	50,000	10,416 ^a
Construction of low-cost housing	35,000	7,292
Administrative costs, CARE low-cost housing	7,000	1,458
Rice price support	24,000	5,000
Purchase of trucks	20,000	4,167
Relief, rehabilitation, and reconstruction of cyclone area budget support	480,000	100,000
Education support	<u>3,500</u>	<u>729</u>
Total	<u>619,500</u>	<u>129,062</u>
Total	<u>642,448</u>	<u>133,843</u>

^aThe AID Mission reports state that these projects were not implemented but show that the funds were released to GOP and transferred to East Pakistan prior to the outbreak of the India-Pakistan war. We learned also that public works projects related to this grant had been undertaken before the outbreak of that war.

Note: No additional Pakistan rupee grants have been authorized by the United States. These currencies are not available for use by the Government of Bangladesh.

Source: Reports of the AID Mission in Pakistan.

As shown in the above schedule, a U.S.-owned rupee grant of up to \$100 million has been authorized by the Congress for reconstruction in the cyclone area. It was proposed that the first \$21 million released be used for rebuilding coastal embankments; establishing agricultural and fishing cooperatives; replacing fishing boats; and constructing housing, roads, schools, and hospitals. GOP, however, was reluctant to accept the proposed grant because it did not consider the grant as any real economic assistance.

An AID official reported in March 1971 that GOP viewed the expenditure of large amounts of U.S.-owned rupees as a substantial political problem involving a decision at the highest level. No agreement was reached with GOP prior to the India-Pakistan war concerning the \$100 million grant, and these local currencies are not available for use by the Government of Bangladesh.

U.S. RELIEF ASSISTANCE FOODS SOLD AND
RUPEE PROCEEDS GRANTED TO GOP

As part of its relief assistance program for the victims of the cyclone and the civil strife in East Pakistan, the United States agreed in August and September 1971 to sell wheat, rice, and vegetable oil to GOP under title I of Public Law 480 and to accept rupees in payment for these foods. (See app. I for quantities and other details concerning these sales.) The United States further agreed to grant 93 percent of the rupee proceeds of these sales to GOP to finance labor-intensive public works projects. Shipments of these foods were to be channeled into the Government of East Pakistan (GOEP) Food Department system for sale through ration shops and/or for relief feeding programs.

We questioned whether title I sales could appropriately be considered to be relief assistance because (1) we understood that title II donations were ordinarily used to feed the needy in emergency and disaster situations, (2) there appeared to be no assurances that title I foods could immediately be acquired or purchased by the destitute victims, and (3) the financing of public works projects by the United States could have been otherwise accomplished by using the substantial quantities of Pakistan rupees owned by the United States.

AID officials told us:

- These title I agreements were to be considered as relief assistance to disaster victims.
- Food assistance for relief purposes could be provided to GOP under either title I or title II of Public Law 480.
- Both titles could be used to further the purposes set forth in section 2 of the act and the purposes described in section 2 included the use of U.S. agricultural commodities to combat hunger and malnutrition.

--The people of the area needed food to avert hunger; many were able to pay for food if it were available at a reasonable price; and the sale proceeds were to be granted to Pakistan and earmarked for labor-intensive projects to provide purchasing power to many who otherwise could not buy food in the market.

The U.S. Coordinator for Relief in South Asia (AID Deputy Administrator) told us that two factors had been considered to determine the choice of title in supplying food to people in danger of hunger or malnutrition. He said:

"The first of these is whether the recipients can be expected to pay for the food or whether free distribution is required and is feasible. Although exceptions are permitted, after Congressional consultation, the general rule is that Title II is used when free distribution is needed and can be implemented, but not when market sale of the commodity is intended. This condition was present in the case of the Title II authorization of November 17, 1970 for cyclone relief, and again in the case of the authorization of September 18, 1971 [note 1] in which instance, for the first time, the UN was prepared to and able to supervise free distribution. The need and conditions for free distribution were not present to a controlling degree in the cases of the several Title I agreements." (Underscoring supplied.)

"A second consideration in choice of title is that of budgetary impact. Full ocean transport costs are borne by the U.S. under Title II while only the premium cost of shipment of 50% of the food on U.S. flag vessels is charged to the U.S. under Title I. This consideration was not controlling, but it appropriately entered into the decision. In cases where the balance suggested that Pakistan could and should share in the cost of the food aid, all other things being equal, Title I is preferred."

¹As of February 1972, this agreement had not been signed or implemented.

Agency officials also informed us that the title I agreements (of August 6 and September 10, 1971) were authorized because of the tight Public Law 480 budget constraints and, in particular, the exceptionally heavy demand on title II funding, including the large donation program for East Pakistan refugees in India.

According to AID officials, fiscal considerations within East Pakistan were also a factor influencing the use of title I sales for local currencies with a grant of most of the proceeds rather than a donation under title II and a concurrent grant of U.S.-owned excess Pakistan rupees. Also the fiscal effects of using the latter method would have been highly disruptive; i.e., it would increase, by the amount of the grant, the currencies in circulation and thus would contribute to inflation, but the fiscal effects of using title I with a grant of the local currencies generated for relief and rehabilitation assistance would be neutral.

Although AID officials stated that many people in East Pakistan were able to purchase their food, we noted from correspondence that there were many who lacked purchasing power. Approximately 7 to 10 million East Pakistanis were identified by a U.N. representative as living in "pockets of need." Mission correspondence corroborated this need by pointing out that one of the main problems of the populace was its lack of purchasing power, and consequently as of August 1971 only 66 percent of the rural ration shops were operating. In two of the 19 districts, Mission officials reported that the ration shops were operating at 25 to 50 percent of their 1970 levels. Field officials pointed out that the payment of wages in cash to workers, coupled with the free distributions of food, in certain food deficit areas would not create inflationary tendencies because of the existence of poverty and destitution.

As previously mentioned by AID officials, title I sales would be distributed through the regular marketing system to those with the immediate ability to pay. However, field officials stated a timelag would exist before local funds are generated from these sales to undertake projects which would create employment and would give certain destitute people purchasing power.

Officials of the Office of Management and Budget informed us that, in view of the President's commitment to provide assistance to the disaster-stricken people in East Pakistan, budgetary restraints were not a limiting factor in providing relief under Public Law 480 regardless of title. Later, an AID official confirmed that the Public Law 480 budgetary restraints were never a restrictive element.

NONFOOD RELIEF ASSISTANCE IN
EAST PAKISTAN FUNDED BY U.S. DOLLARS

In response to the needs of the people in East Pakistan after the November 1970 cyclone and the onset of civil strife in March 1971, the United States gave \$14.9 million in goods, services, and dollar grants to GOP and the U.N. for relief programs. The following schedule shows the programs for which the grants were intended.

<u>Program or project</u>	<u>Amounts</u>		
	<u>Nonfood commodities and services</u>	<u>Dollar grants</u>	<u>Total</u>
	(millions)		
Emergency relief following cyclone:			
Helicopter service	\$0.9	-	\$ 0.9
Small boats with motors, 50	.1	-	.1
Chartered airlifts	.6	-	.6
Other	.2	-	.2
Total	<u>1.8</u>	-	<u>1.8</u>
Reconstruction and rehabilitation:			
Low-cost housing and cyclone shelters	-	4.4	4.4
Coastal embankments	-	.3	.3
Vegetable seeds	.1	-	.1
Total	<u>.1</u>	<u>4.7</u>	<u>4.8</u>
Transportation assistance:			
Trucks, 200	2.0	-	2.0
Charter of coastal vessels	-	4.3	4.3
Total	<u>2.0</u>	<u>4.3</u>	<u>6.3</u>
U.N. administrative and foreign exchange costs	-	2.0	2.0
Total	<u>\$3.9</u>	<u>\$11.0</u>	<u>\$14.9</u>

The \$14.9 million was used for the procurement of airlift services, building materials, boats, equipment, and other support items not readily available within Pakistan.

CHAPTER 5

EXTENT OF USE OF U.S.-OWNED EXCESS CURRENCIES

FOR RELIEF ASSISTANCE IN INDIA

The United States used only a small amount of U.S.-owned Indian rupees, equivalent to \$800,000, for refugee relief programs in India; whereas a substantial amount of U.S. dollars, \$35.7 million, was used to fund nonfood relief program costs of that country. The dollar assistance was allocated, as follows:

	Amount (<u>millions</u>)
Nonfood commodities and services	\$ 7.5
U.S. dollar grants	<u>28.2</u>
Total	<u>\$35.7</u>

Almost one-half, about \$13.7 million, of available U.S. dollar assistance was given to the United Nations High Commissioner for Refugees (UNHCR) and was used for the procurement of goods and services in India.

U.S.-OWNED EXCESS CURRENCIES USED
FOR RELIEF IN INDIA

In India the use of U.S.-owned Indian rupees for refugee assistance was limited to grants equivalent to \$800,000¹ to Catholic Relief Services and Cooperative for American Relief Everywhere for local costs of their bread-baking and wheat-milling projects.

At our request, the Department of State furnished us with a policy statement on the use of U.S.-owned Indian rupees for refugee assistance in India. This November 1971 statement emphasized the economic effects of using these currencies, as follows:

¹Converted at the exchange rate of 7.5 Indian rupees to a U.S. dollar.

"Commitment of U.S.-owned rupees which have been accumulated from past aid would not provide any new resources for India. Instead it would represent a charge on present Indian resources, thereby creating additional inflationary pressures on the Indian economy. The GOI would therefore not regard such a commitment as real assistance."

A more detailed discussion of the economic considerations concerning the utilization of excess currencies in India is included in our report on "Opportunities for Better Use of United States-Owned Excess Foreign Currency in India" dated January 29, 1971 (B-146749).

NONFOOD RELIEF PROGRAM COSTS
IN INDIA FUNDED BY U.S. DOLLARS

The United States granted \$35.7 million of commodities, services, and dollars for assistance to Pakistani refugees in India. The majority of this U.S. nonfood assistance was in the form of dollar grants, \$23.9 million, to UNHCR and \$4.3 million to several voluntary agencies for the procurement of commodities and services. The remaining \$7.5 million according to Mission records, consisted of the following commodities and services which were provided directly to GOI:

	Amount (<u>millions</u>)
Blankets	\$5.3
Airlifts	1.8
Medical supplies	.2
Miscellaneous	<u>.2</u>
Total	<u>\$7.5</u>

U.N. procurements

Although U.S. dollar grants of \$23.9 million were made directly to UNHCR, actual procurements were made by other U.N. agencies, primarily the United Nations Children's Fund (UNICEF). Also certain procurements, made in India, were financed by a direct transfer of dollars from UNHCR to GOI.

We did not have access to actual procurement records of the U.N. agencies. Consequently we prepared, from information contained in various UNHCR and U.S. reports and communications, the following schedule of U.N. procurements made with U.S. dollar grants.

U.N. Procurements with U.S. Dollar Grants

<u>Commodities procured</u>	<u>Source</u>				<u>Total</u>
	<u>United States</u>	<u>India</u>	<u>Other countries</u>	<u>Source data not available</u>	
	(millions)				
Trucks and jeeps	\$0.6	\$ 2.5	\$1.7	\$2.4 ^a	\$ 7.2
Tents, tarpaulins, and plastic sheeting	1.5	.5	-	-	2.0
Basha (reed) huts	-	5.0	-	-	5.0
Water supply (construction and material)	-	2.8	-	1.1	3.9
Clothing	-	1.8	-	-	1.8
Medical supplies	-	.5	.4 ^b	-	.9
Salaries of medical teams	-	.2	-	-	.2
Blankets	-	-	.8	-	.8
Balahar (food supplement)	-	.4	-	-	.4
Warehouses	.3	-	-	-	.3
Miscellaneous	<u>.3</u>	<u>-</u>	<u>-</u>	<u>1.4</u>	<u>1.4</u>
Total procurements	<u>\$2.4</u>	<u>\$13.7</u>	<u>\$2.9</u>	<u>\$4.9</u>	<u>\$23.9</u>

^aIncludes about 900,000 for jeeps procured from India and/or the United States.

^bSome supplies were taken from World Health Organization stocks.

Source: UNHCR and U.S. reports and communications.

Procurements within India

UNHCR transferred an estimated \$13.7 million of U.S. dollar grants to GOI for the purchase of items in India. As shown in the schedule, these items included tents, tarpaulins, basha (reed) huts, balahar (food supplement), clothing, medicines, medical teams, rental and purchase of vehicles, and construction of and materials for water supply systems.

Although we believe that most of these costs could have been paid for with Indian rupees, some items contain some foreign exchange costs. For example, there are some foreign exchange costs associated with the trucks procured in India because imported components account for about 10 percent of the value of Indian-made trucks.

Medical teams, recruited within India and paid in Indian rupees, did not require any direct foreign exchange costs to India.

In our opinion, the procurements made in India with U.S. dollar grants to UNHCR resulted in additional free foreign exchange for India. Although it is not possible to determine the exact amount of free foreign exchange, we believe it to be the major part of the estimated \$13.7 million of procurements made within India.

Procurements within other countries

Of the U.S. dollars turned over to UNHCR, we found that about \$2.9 million had been used for purchases of trucks, blankets, and medical supplies from other countries.

In July 1971 UNHCR submitted a list to U.S. officials of items to be procured from AID funds intended to be used for mutually acceptable purposes. The list included 304 Japanese trucks, costing \$1,748,000.

The list submitted to Washington by the U.S. Mission in Geneva on July 21, 1971, included the following comment:

"While we appreciate consideration must be given to such factors as unit price,

availabilities and shipping cost, all of which probably make Japanese vehicles attractive, [the] Department will no doubt wish [to] encourage UNICEF to Buy American to fullest extent possible especially when expenditures being made from U.S.G.[United States Government] contribution."

AID's response of July 22, 1971, was "Do not believe we can gracefully raise Buy American issue with UNICEF in this context." Therefore the matter was dropped and orders were placed by UNICEF for trucks from Japan.

On November 4, 1971, the Department of State's Acting Inspector General of Foreign Assistance expressed his concern over this grant of AID funds to UNHCR for the procurement of foreign-made vehicles because he believed such dollar outflow worsened our already unfavorable balance-of-payments position. He stated that, for balance-of-payments reasons, it was AID policy not to procure vehicles from Japan and other developed countries and to maximize procurements from the United States. The decision to not raise the U.S.-source issue was made during a period when U.S. balance of payments had sharply deteriorated, one of the conditions which shortly thereafter led to the President's announcement of a new economic policy.

In response to the Acting Inspector General's report, AID officials stated that the purchase of foreign vehicles was fully justified because of the urgent need and availability of delivery dates of these vehicles to fill the immediate and pressing needs.

Commenting generally to the Acting Inspector General on the subject of untied grants (grants not requiring procurements from U.S. sources) to UNHCR, the AID Assistant Administrator for the Near East and South Asia stated that the consequences of the United States not taking the lead in untied aid would probably have been:

- "1. Extended delivery time--a probable consequence of tied aid--could have seriously impeded the refugee relief program.

"2. Tied aid generally raises overall costs which would reduce the actual help to the refugees.

"3. Other donors might tie their aid."

Most of the assistance provided through UNHCR had been untied as requested by UNHCR and the Chairman of the Aid to India Consortium, he said.

We do not have the cost and availability information which reportedly justified the UNICEF decision to purchase Japanese trucks. Nor do we have information concerning the availability of U.S.-made trucks at the time of this procurement.

Procurement source data not available

Of the \$4.9 million provided to UNHCR for which we do not have procurement source data, \$1.5 million was to reimburse UNHCR for trucks and jeeps already procured. An additional \$900,000 of U.S. funds was used for the procurement of jeeps which available U.N. reports show were procured in India and in the United States. The reports do not show how many were purchased in each country.

AID officials were unable to provide us with any information on where the well-drilling equipment and water piping costing about \$1.1 million and various miscellaneous items costing about \$1.4 million had been procured. However, U.N. reports indicate that some water piping was procured in Burma and that the drilling equipment was acquired from Sweden, India, and the United States.

Opportunities to provide commodities in lieu of dollars

We noted two instances in which the United States reduced dollar grants to the U.N. by providing about \$5 million worth of blankets during October and November 1971 in lieu of dollars. The Department of State's Acting Inspector General of Foreign Assistance reported on November 4, 1971, that UNHCR had procured through the World Food Program \$1.6 million worth of nonfat dry milk

from the Netherlands. The price paid in the Netherlands slightly exceeded the price of such milk available from the United States. Funds for this procurement were provided by many countries, including the United States.

The Acting Inspector General reported that a U.S. grant of nonfat milk would have reduced the foreign exchange requirements of UNHCR and possibly would have allowed a corresponding reduction of a subsequent \$5 million U.S. cash grant to UNHCR.

Commenting on the Acting Inspector General's report, AID officials stated that U.S. cash contributions were for nonfood items only. They assumed that the nonfat dry milk had been purchased with funds provided by other donors. They stated that, if the United States had substituted nonfat dry milk in place of a portion of its cash grant, such action would have been inconsistent with the intended purpose of the cash contribution--i.e., the purchase of nonfood items and encouragement of untied contributions by other donors.

On the acquisition of Japanese trucks for India as discussed on pages 28 to 30, we noted that the United States was to provide 200 trucks to East Pakistan from U.S. military stocks in Germany. (See p. 23.) Therefore a similar provision of U.S. trucks for relief assistance in India may have been possible. If so, the United States could have reduced its dollar contribution to UNHCR by about \$1.7 million and could have avoided the balance-of-payments outflow represented by the procurement of Japanese trucks.

The foregoing examples illustrate that possibilities existed for the United States to provide commodities instead of dollars. The provision of commodities would have resulted in significant balance-of-payments advantages to the United States as well as benefited certain sectors of the economy.

Cash grants to voluntary agencies

As shown in the following table the United States authorized \$4.3 million for relief assistance through

voluntary agencies. As of December 15, 1971, about \$2 million of the \$4.3 million had not been used by these agencies.

	<u>Authorized amount</u>	Portion unexpended by voluntary <u>agencies</u>
	(millions)	
Catholic Relief Services	\$1.4	\$0.2
Church World Service-Lutheran World Relief	1.0	1.0
Cooperative for American Relief Everywhere	1.4	0.4
International Rescue Committee	<u>0.5</u>	<u>0.4</u>
	<u>\$4.3</u>	<u>\$2.0</u>

In December 1971 discussions held with the director of the Christian Agency for Social Action, the Indian agent for Church World Service-Lutheran World Relief, he stated that his agency had not used the \$1 million U.S. grant because they had received more funds than expected from the World Council of Churches and other sources. However, he anticipated that disbursements would begin in early 1972.

About 90 percent of the \$1.5 million spent by the voluntary agencies was for procurement of items, such as shelter material, blankets, soap, and clothing in India. These agencies normally make purchases with rupees received through an exchange of dollars at the U.S. Embassy in New Delhi. Thus the transactions would have no adverse balance-of-payments effect on the United States.

CHAPTER 6

ALLEGED DIVERSIONS OF U.S.-FINANCED

VESSELS IN EAST PAKISTAN

Fifty 16-foot assault boats, furnished for relief assistance after the November 1970 cyclone, were confiscated by the GOP military at the outbreak of civil hostilities in late March 1971. However, because of the limited data available, we can neither confirm nor disaffirm the allegations that have been made on the Pakistani military's use of other U.S.-financed vessels (coastal vessels and small freighters) that were to be used to assist in the distribution of refugee relief supplies.

We understand that few U.N. and/or AID personnel were available to monitor the use of these vessels; subsequent hostilities between India and Pakistan caused these few personnel to be withdrawn from East Pakistan. Moreover, these hostilities precluded us from making direct observations or otherwise obtaining relevant data in East Pakistan.

After the cyclone and tidal wave struck in the Bay of Bengal area in November 1970, Pakistan was faced with the task of transporting food grains and supplies to about 2 million people who lived in the disaster area. At that time many locations hit by the cyclone disaster could be reached only by air or water transportation.

As a result of the civil strife which began in March 1971, the water transportation system throughout East Pakistan was severely weakened. Crews fled from their vessels, and an unknown number of Pakistani coasters were commandeered for military use. By June 1971, according to AID, only four or five coasters were moving food grains; whereas, normally, Pakistan's fleet of 21 coasters handled about one-third of inward food grain transport.

As shown below, the United States granted about \$4.4 million to GOP to assist in financing the foreign exchange cost of chartered vessels (and crews) which were to transport food grains and other relief supplies to the inland areas of East Pakistan. These vessels were provided

within the framework of the U.N. and were to augment Pakistan's relief transport capacity. The GOEP Food Department, and/or the GOEP Inland Water Transportation Authority, was to be responsible for the operation of the equipment.

<u>Date of grant</u>	<u>Item</u>	<u>Quantity</u>	<u>Approximate capacity per unit (tons)</u>	<u>Amounts granted (millions)</u>
Nov. 1970	Assault boats ^a	50	2	\$.06
June 1971	Coastal vessels ^a	9	790	1.00
June 1971	Coastal vessels	8	790	1.00
Aug. 1971	Small freighters	9	3,300	2.00
Sept. 1971	Tugboats	2	-	<u>.33</u>
Total				<u>\$4.39</u>

^aOriginally authorized for cyclone disaster area.

All charter agreements were between GOP and private companies furnishing the vessels with AID's approval. Agency records show that all chartered vessels operated under flags foreign to the United States and Pakistan.

ASSAULT BOATS

AID, as part of its cyclone disaster relief assistance, furnished GOEP with 50 U.S. Army assault boats (16-footers with 2-ton capacities) at a cost of \$63,000. Although the boats arrived in Dacca on November 23, 1970, about 72 hours after they had been requested, they were not sent to the disaster area until 2 weeks later. The police, the military, and the GOEP Inland Waterways Commission all wanted to take possession of the boats, and all intended to retain them after the relief operation ended. The boats were finally assigned to the relief commissioners for use in the three districts hardest hit by the cyclone.

An AID official reported in January 1971 that the boats were being efficiently used, but AID did not receive operational reports from GOEP on the use of the boats.

At the outbreak of civil strife in March 1971, the boats were seized by the West Pakistan military. After an unsuccessful effort to persuade the military to return the boats to Pakistan civilian officials, United States officials attempted to arrange for their transfer to the U.N.

On August 2, 1971, a GOP official cautioned that the establishment and maintenance of law and order in East Pakistan was and must remain the primary concern and that it was to be anticipated that the military would use equipment, such as the assault boats, to the extent to which the military considered it necessary.

An AID official informed us in late September 1971 that the military was still in control of these boats, even though a GOP official reported in August 1971 that 44 or 45 of these boats were available for service and that the majority were being used for relief work.

AID officials in Washington had no knowledge of the status and location of these boats. In February 1972, we were informed by an AID official that, because the United States had not recognized Bangladesh, AID could not make inquiries concerning the whereabouts of the assault boats. Later, in May 1972, an agency official told us that, because of the limited AID personnel at the Mission in Dacca

and other higher priority programs, no effort had been made to ascertain the status of these boats.

COASTAL VESSELS AND SMALL FREIGHTERS

AID granted GOP \$1 million in June 1971 to charter coastal vessels and crews. These vessels were to be used to move food and relief supplies into the cyclone disaster area.

Of nine coasters financed, two failed to reach Pakistan. One coaster went aground enroute to Pakistan while carrying 745 tons of Belgium wheat and was subsequently abandoned. The second coaster, according to agency correspondence, "collapsed" enroute to Pakistan. Funds intended to be used for the charter of these vessels were used to add another small freighter to the disaster relief fleet.

Reports show that, by mid-November 1971, five coastal vessels had completed 36 voyages and had carried about 23,000 metric tons of relief commodities since their arrival in East Pakistan.

AID, however, was unable to provide us with documentation as to whether two of the remaining coasters had carried tonnage in East Pakistan as of mid-November 1971 or that one of the two had arrived in East Pakistan.

In addition to the \$1 million grant for the nine vessels discussed above, AID granted a total of \$3 million to GOP for the chartering of additional vessels--\$1 million for eight coastal vessels and \$2 million for nine small freighters for a period of 180 days. GOP agreed that these 17 ships would carry only humanitarian relief commodities, such as food, medicine, fertilizer, and seed, throughout East Pakistan. The grant agreements also gave AID officials the authority to review the ships' logs and request such information as needed to monitor their movements.

The AID Mission in Dacca received weekly reports, prepared by the GOEP Inland Water Transportation Authority, showing the trips made and cargoes carried by the U.S.-financed chartered vessels.

According to available AID records, by mid-November 1971 four of the eight coastal vessels had arrived in East Pakistan and had made eight trips carrying about 4,800 metric tons of food grain. AID reported that by early December 1971 four additional coastal vessels had arrived.

As of mid-November 1971, according to AID records, eight of the nine small freighters had made 51 trips and had delivered about 84,500 metric tons of food grain. AID reported that, by the end of November 1971, two additional small freighters had arrived in East Pakistan.

TUGBOATS

Two tugboats were chartered by GOP on September 21, 1971, at a cost of \$325,000. These tugboats were to move food grain for a 6- to 8-month period as part of the U.N. relief effort. Funds to finance these tugboats were made available by a U.S. grant to GOP. The agreement required that these tugboats be used under the same conditions as the AID-financed chartered coastal vessels and small freighters. According to AID correspondence the two tugboats arrived in October 1971.

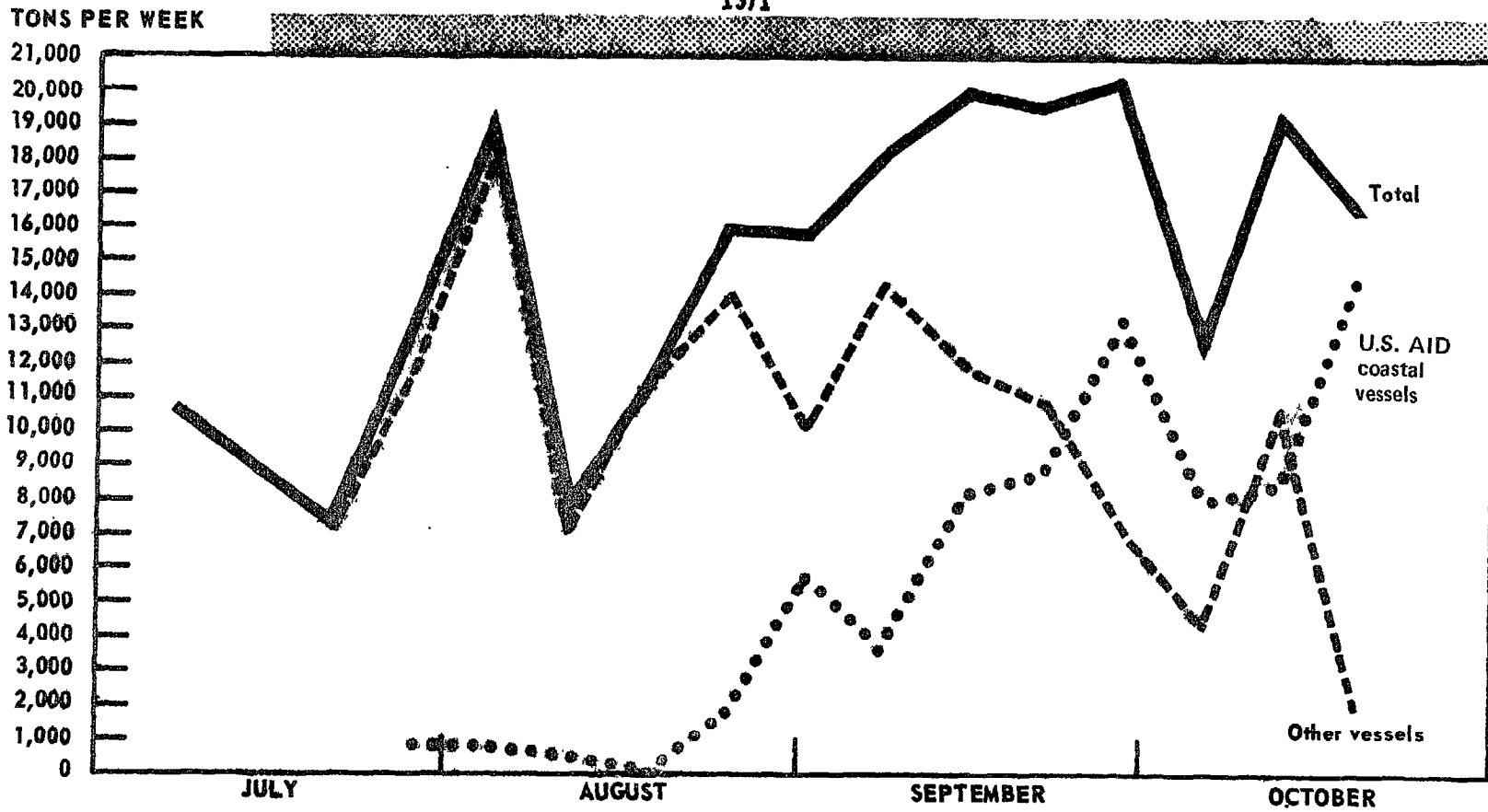
DIVERSION OF PAKISTANI VESSELS RELATED TO AVAILABILITY OF U.S.-FINANCED VESSELS

AID officials recognized, as early as May 1971, the need for water transport vessels for East Pakistan and reported that many Pakistani boats had been diverted to military use.

In October 1971 it was reported that, as a result of U.S.-provided grain shipment capability, it appeared that Pakistani coasters, previously engaged in food shipment, were being assigned other cargoes. A subsequent report showed that Pakistani vessels carried less food grain during October 1971--1,488 tons--compared with an average of 18,425 tons in each of the 3 prior months. This confirmed earlier indications that Pakistani vessels were carrying less grain although U.S.-financed vessels carried more. (See chart, p. 39.) AID officials stated that this might constitute a breach of terms of the grant agreements which provided that "Pakistan will continue to make available coastal vessels normally used for the transport of grain within East Pakistan." However, AID, stated that it had no way of checking what Pakistani vessels were actually carrying.

Information on food grain shipments made by Pakistani vessels after October 1971 was not available at AID offices in Washington.

UP-COUNTRY MOVEMENT OF FOOD GRAIN BY RIVER 1971



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Prepared by the Joint Economic-Commercial Section: U.S. consulate, Dacca

BEST DOCUMENT AVAILABLE

DAMAGE TO U.S.-FINANCED VESSELS

We were unable to ascertain whether the chartered freighters or coastal vessels had been misused. According to agency correspondence, however, three of the small freighters and possibly one of the coastal vessels were damaged in November 1971 by mines. Although these freighters had U.N. insignias, insurgent forces stated that they would attack any ships that called on Chittagong or Chalna--the major ports of East Pakistan.

Agency correspondence stated that on November 5, 1971, a small freighter, with U.N. markings on only one side, was damaged by a mine. An AID transport team member observed this damaged freighter as it was being off-loaded at the port of Narayanganj.

Mission officials reported that, on November 23, 1971, two other freighters, anchored in the port of Narayanganj, were damaged by insurgency forces' mines. Both vessels had U.N. markings and were reported to be carrying about 1,700 tons of wheat. After the explosions, the wheat was off-loaded onto barges. Damage was not extensive, according to agency correspondence, and the freighters could be repaired and returned to the operating fleet.

Mission officials also reported that, on November 23, 1971, a coastal vessel was struck by a mine in the port of Patuakhali. As of late March 1972, AID officials in Washington could not confirm or disaffirm whether this incident had taken place.

An AID official informed us that use of the AID-financed vessels was terminated in early December 1971 when the India-Pakistan war began.

U.S. FOOD RELIEF ASSISTANCE AUTHORIZED
FOR FLOOD, CYCLONE, AND CIVIL WAR VICTIMS

(as of January 31, 1972)

Type of assistance	Pakistan		India	
	Quantity (metric tons)	Cost (millions)	Quantity (metric tons)	Cost (millions)
PUBLIC LAW 480 TITLE I:				
Concessional sales:				
Wheat	600,000 ^a	\$ 37.7 ^a	-	\$ -
Rice	50,000	10.3	-	-
Edible oil	25,000 ^a	9.8 ^a	-	-
Ocean-freight differential		4.9 ^a		
Total	675,000	62.7	-	-
PUBLIC LAW 480 TITLE II GRANTS:				
Wheat	258,524 ^b	18.5 ^b	34,985	2.1
Rice	75,000	13.4 ^b	90,000	16.0
Edible oil	8,096	3.2	53,806	16.3
Bulgur	-	-	15,000	1.7
CSM/WSB (note c)	35,000	7.1	41,186	8.3 ^d
Nonfat dry milk	-	-	2,921	2.3
Ocean freight	-	21.8 ^b	-	10.6
Total	376,620	64.0	237,898	57.3
OTHER GRANTS:				
Biscuits	635	.6	-	-
Sugar and flavoring for CSM/WSB (note c)	-	.7	-	.7 ^d
Total	635	1.3	-	.7
Total	1,052,255	\$128.0	237,898	\$58.0

^a Includes a September 10, 1971, agreement (for 500,000 metric tons of wheat valued at \$31.1 million and 25,000 metric tons of edible oil valued at \$9.8 million) which was never implemented. On January 31, 1972, the purchase authorization expired. Therefore the associated ocean freight costs of \$3.1 million have not been incurred.

^b Includes a proposed agreement (for 100,000 metric tons of wheat valued at \$6.3 million and 75,000 metric tons of rice valued at \$13.4 million) which had not been signed as of January 31, 1972. The related ocean freight costs of \$8.5 million had not been borne at that date. These amounts were reprogrammed for Bangladesh in March 1972.

^c Corn-soya milk/wheat-soya blend.

^d Since the India-Pakistan war substantial amounts of these commodities have been reprogrammed for Bangladesh because the refugees are returning home.

APPENDIX II

QUANTITIES OF AUTHORIZED PUBLIC LAW 480 WHEAT AND RICE ASSISTANCE

IN PROCESS OF IMPLEMENTATION

(As of January 31, 1972)

	<u>Pakistan</u>		<u>India</u>		<u>Total</u>	
	<u>Wheat</u>	<u>Rice</u>	<u>Wheat</u>	<u>Rice</u>	<u>Wheat</u>	<u>Rice</u>
	(metric tons)					
Authorized assistance:						
Title I	600,000	50,000	-	-	600,000	50,000
Title II	<u>258,524</u>	<u>75,000</u>	<u>50,000^a</u>	<u>90,000</u>	<u>308,524</u>	<u>165,000</u>
	<u>858,524</u>	<u>125,000</u>	<u>50,000</u>	<u>90,000</u>	<u>908,524</u>	<u>215,000</u>
Authorized assistance not implemented:						
Title I	500,000	-	-	-	500,000	-
Title II	<u>100,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>75,000</u>
	<u>600,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>600,000</u>	<u>75,000</u>
Authorized assistance in process of implementation	<u>258,524</u>	<u>50,000</u>	<u>50,000</u>	<u>90,000</u>	<u>308,524</u>	<u>140,000</u>

^aBulgur (15,000 metric tons) is included.

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225-3741

NINETY-SECOND CONGRESS

Congress of the United States
House of Representatives

FOREIGN OPERATIONS AND GOVERNMENT INFORMATION SUBCOMMITTEE
OF THE
COMMITTEE ON GOVERNMENT OPERATIONS
RAYBURN HOUSE OFFICE BUILDING, ROOM B371-B
WASHINGTON, D.C. 20515

October 7, 1971

The Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
Washington, D. C. 20548

Dear Mr. Staats:

As Chairman of the Foreign Operations and Government Information Subcommittee of the House Committee on Government Operations, I am requesting that the General Accounting Office initiate an immediate investigation into the economy and efficiency of certain U. S. assistance to the disaster-stricken East Pakistanis in India and East Pakistan.

Congressman Bill Alexander, a Member of the Subcommittee, has expressed his concern to me and in a speech on the House floor about reports that shipments of wheat to Pakistan and India are not being properly used under the P.L. 480 program. Recently documents came to his attention which raise questions about the wisdom of administrative decisions to supply wheat in large quantities and to provide only small quantities of rice to Pakistan for use of the victims of last year's cyclone and floods and this year's civil strife in East Pakistan. These documents also raise questions about whether the wheat shipped to India under this aid program is being used as intended, or even being used at all. I share Congressman Alexander's concern and request that GAO's review thoroughly cover the P.L. 480 programs to Pakistan and India. Title II donations to all agencies should be included as well as Title I sales. (See enclosure)

A review of situation reports regarding the subject assistance to Pakistan and India, raise additional--and serious--questions. As you know, large amounts of U. S. dollars are being expended--and additional funds have been requested--in India and East Pakistan to provide emergency relief for the

APPENDIX III

The Honorable Elmer B. Staats
Page Two
October 7, 1971

East Pakistanis. In view of the fact that India and Pakistan are two of the largest U. S.-owned excess foreign currency countries, it should be determined whether or not the maximum excess currencies are being utilized when possible instead of U. S. dollars.

A correlated area is the coordinating of international relief in East Pakistan and India by the United Nations. It should be determined what measures have been taken by the U. S. Government to pay any due--or additional--contributions to the United Nations organizations operating in East Pakistan or India in the form of excess foreign currency instead of U. S. dollars.

It is my understanding that GAO now has an audit team in the area to investigate the refugee problem. It seems the actions I am requesting could easily be included with that investigation.

I realize, of course, the broad dimensions of this request and the audit effort involved. However, when considering the possible savings to American taxpayers and the better utilization of U. S. humanitarian assistance, I believe that it is an investigation that must be undertaken without delay.

If there are any questions or additional details as to the scope of inquiry, they perhaps could be discussed in detail at the staff level.

I am most grateful for the work you and your staff have performed for this subcommittee during the past several years and hopeful our close cooperation can continue.

With best regards,

Sincerely,



WILLIAM S. MOORHEAD
Chairman

Enclosure

BEST DOCUMENT AVAILABLE