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Report to Sen. Abraham Ribicoff, Chairman, Senate Committee on
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The World Food Program has provided almost \$1.8 billion in food aid to developing countries with the United States, its biggest contributor, donating \$640 million to the program.

Findings/Conclusions: The program is attempting to focus on the poorest nations and on development projects, but it lacks a long-range programming system and a clear system of priorities. This sometimes allows countries better able to administer large volumes of food aid to receive preferential treatment, and results in resources going to projects easier to administer instead of those with greater development uses. Proposals for large-scale projects and expansions, which must be approved by the program's governing body, are often submitted too late for review by member governments. The program relies on recipient governments for data to review project progress, and does not have the right to audit projects at the country level.

Recommendations: The Departments of State and Agriculture and the Agency for International Development should (1) work for a clear set of program priorities; (2) propose to the governing body that projects must be submitted for member governments' review; and (3) make efforts to obtain audit rights for the program. (HTW)

02240-2434



**REPORT TO THE SENATE
COMMITTEE ON GOVERNMENTAL
AFFAIRS
BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

**The World Food Program--
How The U.S. Can Help
Improve It**

**Departments of Agriculture and State,
Agency for International Development**

The World Food Program provides food aid to developing countries. The United States, its largest contributor, has a compelling interest in the success of the Program.

Although demand for World Food Program assistance is high, the Program doesn't have an adequate long-range planning system. Priorities are needed so that its aid reaches the poorest nations, as defined by the United Nations. Improvements are also needed in the Program's audit procedures.

GAO is making recommendations to help the World Food Program establish long-range planning procedures, develop a system of priorities, and expand its audit coverage.



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

B-159652

The Honorable Abraham Ribicoff
Chairman, Committee on Governmental
Affairs
United States Senate

Dear Mr. Chairman:

Your letter of July 30, 1976, advised us of the Committee's current examination of United States involvement in international organizations and asked us to update our previous work in this area. This report responds to your request for our current views on the World Food Program.

In this report we review several aspects of U.S. participation in the World Food Program and make a series of recommendations aimed at helping the United States to improve Program operations. We suggest the need for a clear system of priorities, a long-range programming system, improved auditing procedures, and increased audit coverage.

In order to expedite the report, we did not follow our usual practice of obtaining written agency comments on the draft report. We did, however, discuss the report matters with responsible officials of the agencies concerned and considered their views in finalizing the report.

This report contains several recommendations to the Secretaries of State and Agriculture and the Administrator, Agency for International Development, concerning improvements needed in various management areas. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations within 60 days and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

B-159652

As agreed with your office, we plan to distribute this report to the agencies involved and other appropriate congressional committees.

As always, we stand ready to render further assistance on the matters presented in this report.

Sincerely yours,

A handwritten signature in black ink, reading "Rumer A. Atkins". The signature is written in a cursive style with a large initial "R" and "A".

Comptroller General
of the United States

COMPTROLLER GENERAL'S REPORT
TO THE SENATE COMMITTEE
ON GOVERNMENTAL AFFAIRS

THE WORLD FOOD PROGRAM--HOW
THE U.S. CAN HELP IMPROVE IT
Departments of Agriculture
and State, Agency for
International Development

D I G E S T

The World Food Program has provided almost \$1.8 billion in food aid to developing countries since 1963 when it was created by the United Nations and the Food and Agriculture Organization. The United States, its biggest contributor, has donated \$640 million (35 percent).

Overall, the Program has met a wide variety of emergency, social, and economic needs throughout the world. However, some management improvements, noted below, could increase the Program's effectiveness.

Today, the Program is attempting to focus on the poorest 40 to 50 nations that can neither grow nor purchase their full food needs and projects with a high development payoff. However, it lacks a long-range programming system to direct its resources to these dual goals and a clear system of priorities among its varying types of projects. To some extent, this situation allows countries better able to administer and absorb large volumes of food aid to receive preferential treatment. Also, it results in program resources going to projects easier to administer but having lesser development uses.

To achieve the stated goals, GAO recommends that the Departments of State and Agriculture and the Agency for International Development work for a clear set of program priorities and a long-range programming system. (See ch. 2.)

The Program's governing body, composed of the United States and 29 other governments, reviews and approves all proposed large-scale projects (\$1-million) and major expansions. However, as GAO first reported in 1969, the Secretariat (executive agency) often submits projects or expansions too late for review by member governments. *GAO recommends that U.S. agencies propose to the governing body that no project or expansion be approved unless submitted for member governments' review within a specified time. (See ch. 3.)*

Recipient governments are primarily responsible for management of the projects. The Program relies on them to provide the data it needs to review project progress. It does not reserve the right to audit projects at the country level, and data on commodity losses, for example, is not being verified. *GAO reported this problem in 1969 and recommends that U.S. agencies redouble their efforts to obtain audit rights for the Program. Current audit procedures also should be reviewed. (See ch. 5.)*

State, Agriculture, and Agency for International Development officials have reviewed this report and generally agree with its recommendations.

C o n t e n t s

		<u>Page</u>
DIGEST		i
CHAPTER		
1	WORLD FOOD PROGRAM--WHAT IT IS AND WHAT IT DOES	1
	Origins and purpose	1
	Organizational structure	1
	Growth of WFP resources and U.S. contributions	4
	U.S. legislation and policy toward the Program	5
2	THE PROGRAM NEEDS CLEAR PRIORITIES AND LONG-RANGE PLANNING	8
	Too many priorities	8
	Long-range planning needed	11
	Conclusions	13
	Recommendations	14
3	NEED FOR IMPROVED PROJECT DEVELOPMENT AND APPROVAL PROCESS	15
	Project development	15
	Project approval system	18
	U.S.-WFP coordination during project formulation	21
	Recommendations	22
4	PROJECT MONITORING	24
	WFP project monitoring process	24
	U.S. monitoring and reporting responsibilities	26
	Conclusions	26
5	NEED FOR IMPROVED AUDITS AND EVALUATIONS OF PROGRAM ACTIVITIES	28
	Audits of Program activities	28
	WFP Evaluation Service	31
	U.S. role in evaluating projects	35
	Conclusions	35
	Recommendations	36
6	AGENCY COMMENTS AND PROPOSED ACTIONS	37

	<u>Page</u>
CHAPTER	
7 SCOPE OF REVIEW	38
APPENDIX	
I Letter dated July 30, 1976, from Chairman, Senate Committee on Governmental Affairs	39
II Principal U.S. officials currently responsible for managing U.S. participation in the World Food Program	40

ABBREVIATIONS

AID	Agency for International Development
FAO	Food and Agriculture Organization of the United Nations
GAO	General Accounting Office
WFP	World Food Program

CHAPTER 1

WORLD FOOD PROGRAM--WHAT IT

IS AND WHAT IT DOES

ORIGINS AND PURPOSE

The World Food Program (WFP) provides food aid to the developing countries of the world, and it strives to stimulate and advance economic and social development. The Program's long-term goal is to help developing countries become capable of producing or purchasing the food their people require. To achieve this goal, WFP provides food to projects which are carried out by recipient countries and which are relevant to the countries' development needs. Projects funded include food for work (e.g., construction of roads, irrigation ditches, reforestation), feeding of pregnant and nursing women, and feeding of pre-school and primary school children. Food aid is also provided to countries victimized by emergencies such as earthquakes, floods, and severe droughts.

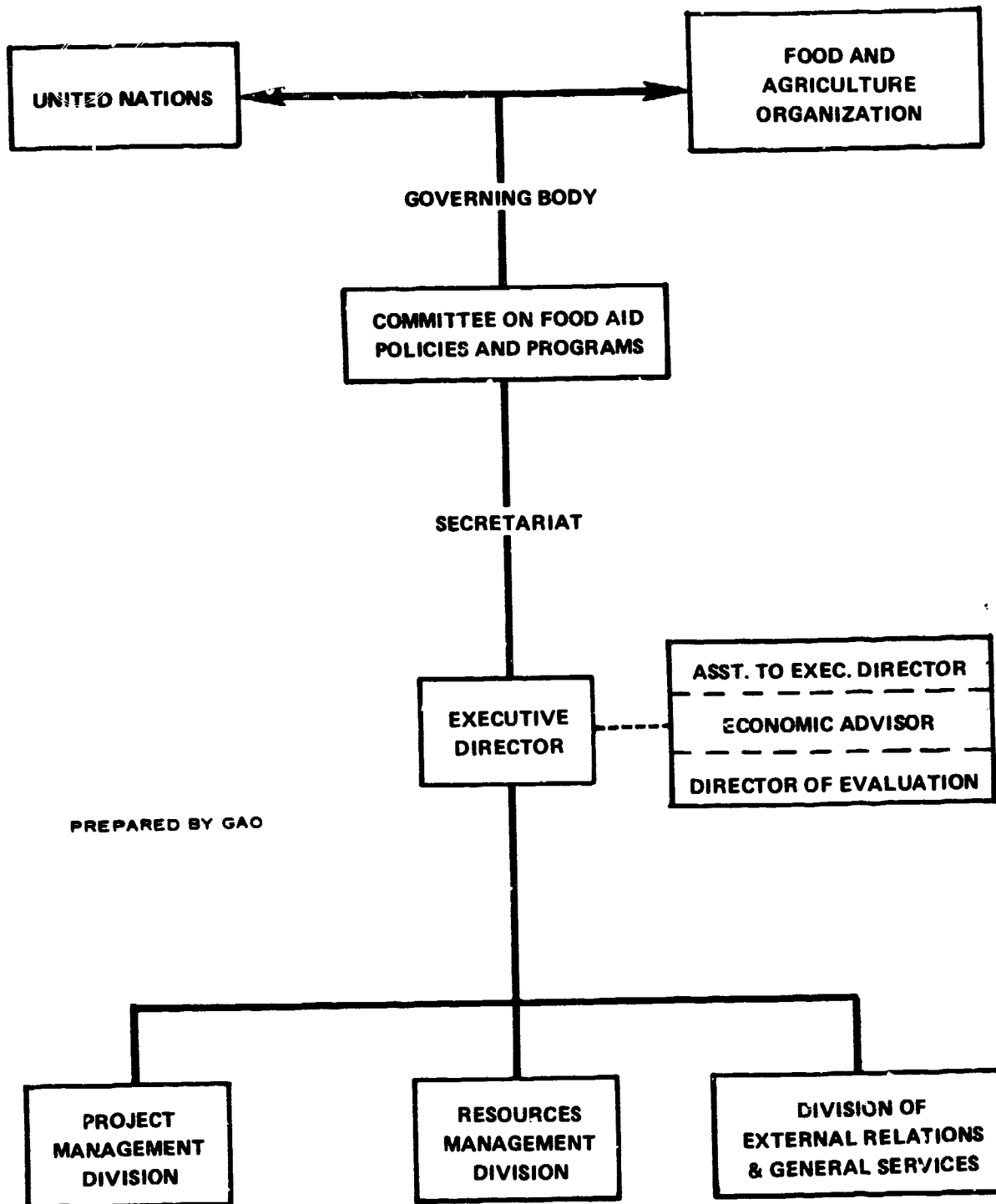
The U.N. General Assembly and the Food and Agriculture Organization (FAO) Conference (governing body), by adopting parallel resolutions late in 1961, established WFP as the multilateral agency for food aid. WFP officially began operating on an experimental 3-year period on January 1, 1963, with \$100 million in pledges of commodities and cash. In 1965 the U.N. General Assembly and FAO Conference decided to continue the Program "for as long as multilateral food aid is found feasible and desirable."

Through December 31, 1975, WFP has provided about \$1.36 billion in aid through its projects. During the 1975-76 biennium, donor pledges totaled about \$616 million. The pledging goal for 1977-78 has been set at \$750 million.

ORGANIZATIONAL STRUCTURE

WFP consists of a governing body called the Committee on Food Aid Policies and Programs (formerly the Intergovernmental Committee of the World Food Program) and a Secretariat headed by an Executive Director, own on page 2.

WORLD FOOD PROGRAM
ORGANIZATION AND MANAGEMENT STRUCTURE



PREPARED BY GAO

Governing body

The governing body provides general guidance on policy administration and operations, examines and approves proposed projects and administrative budgets, and reviews the execution of approved projects. As a result of the World Food Conference in 1974, the governing body is beginning to evolve and coordinate short-term and long-term food aid policies.

The governing body consists of 30 member governments (including the United States), half of them selected by the FAO Council and half by the U.N. Economic and Social Council. Regular sessions are held twice a year and special sessions may be called as necessary. The first session for 1976 was held in April and May and the second in November.

Secretariat

The Secretariat, headquartered in Rome, Italy, administers WFP operations. It is headed by an Executive Director and has an authorized staff of about 238--93 professional and 145 secretarial/clerical positions. In addition, there are about 129 professional and 3 secretarial/clerical field positions in developing nations. WFP's administrative expenses for the 1974-75 biennium were about \$13.7 million. The administrative budget for 1976-77 is about \$21.6 million. These administrative expenses do not include administrative costs associated with individual field projects

The Executive Director is appointed for 5 years by the U.N. Secretary-General and the FAO Director-General after consulting with the FAC governing body. WFP's former Deputy Executive Director has been appointed Executive Director ad Interim until the end of June 1977. At that time, WFP will have to fill both of its top positions. A U.S. national has held the Deputy Executive Director's position for the last 5 years.

The work of the Program is carried out by the following three operating divisions.

--Project Management is divided into five branches and is responsible for the development, formulation, appraisal, and progress monitoring of projects.

--Resource Management has two branches and coordinates the availability of commodities for upcoming projects and the shipment of commodities for ongoing projects.

--External Relations and General Services has two branches and handles public relations and general administrative services.

The Program also purchases a broad range of administrative services from FAO, including internal and external audit, personnel, documents and publications, financial services, computer services, technical support, and maintenance. Expenditures for these services during the 1974-75 biennium were about \$4.4 million. About \$7.7 million has been budgeted for 1976-77.

GROWTH OF WFP RESOURCES AND U.S. CONTRIBUTIONS

WFP depends on the voluntary donations of member governments which every 2 years pledge the amount of food, services, or cash they will donate over the succeeding 2 years. The following table shows the history of donor pledges and the U.S. share of these pledges.

	<u>Target</u>	<u>Total pledged</u>	<u>U.S. share</u>	
			<u>Amount</u>	<u>Percent</u>
		(millions)		
1963-65	\$ 100	\$ 84.5	\$ 43.6	51.5
1966-68	275	187.2	95.9	51.2
1969-70	200	320.0	99.6	31.1
1971-72	300	249.7	125.0	50.0
1973-74	340	361.2	136.0	37.7
1975-76	<u>440</u>	<u>616.0</u>	<u>140.0</u>	22.7
Total	<u>\$1,655</u>	<u>\$1,818.6</u>	<u>\$640.1</u>	35.2

At a pledging conference held in New York on February 4, 1976, 45 donor countries pledged about \$523 million toward the 1977-78 target of \$750 million. The U.S. pledge is \$188 million--\$155 million in commodities, \$30 million in services, and \$3 million in cash.

Pledges for the 1975-76 biennium are highly concentrated. The top five donors (Canada, the United States, Saudi Arabia, the European Economic Community, and Denmark) account for about 76 percent of the pledges, and the top 10 donors account for about 94 percent. Cash pledges rose sharply in 1975-76, from \$53 million for the previous biennium to \$137 million, largely as a result of a \$50 million pledge from Saudi Arabia, an increase of \$11.5 million in the United Kingdom's cash

pledge, and a new pledge of \$3 million from the United Arab Emirates. The U.S. cash contribution is about \$1.5 million annually.

U.S. LEGISLATION AND POLICY TOWARD THE PROGRAM

Title II of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) authorizes the President of the United States to furnish agricultural commodities to meet urgent relief requirements; combat malnutrition; promote economic and community development; and feed needy persons, school children, and pre-school children outside the United States. Public Law 480 was initially intended as a temporary measure, to be discontinued as surpluses of U.S. agricultural commodities diminished, but the act was later amended to remove the statutory requirement that agricultural commodities be surplus.

In accordance with the authorizing legislation, there are three channels for title II food aid: (1) American voluntary agencies (Catholic Relief Services, CARE, etc.), (2) the World Food Program, and (3) government-to-government bilateral program. While it is U.S. policy to consider the preference of the host government, the United States prefers to channel title II commodities through American voluntary agencies first, WFP as a close second, and government-to-government last. The relatively high preference for WFP was restated in a 1966 amendment to section 205 of the act, which states that "it is the sense of the Congress that * * * the United States should work for the expansion of the United Nations World Food Program beyond its present established goals" to combat world hunger and malnutrition. In 1975 1/ the Congress again expressed preference for the use of voluntary agencies and WFP, by amending section 201 of the Public Law 480 act to provide that

"* * * the minimum quantity of agricultural commodities distributed under this title shall be 1,300,000 tons of which the minimum distributed through nonprofit voluntary agencies and the World Food Program shall be one million tons in each fiscal year, unless the President determines and reports to the

1/International Development and Food Assistance Act of 1975 (Pub. L. No. 94-161).

Congress, together with his reasons, that such quantity cannot be used effectively to carry out the purposes of this title * * *."

In 1975, Public Law No. 94-161 also added the following language to section 2 of the act, thus formalizing the evolving policy in U.S. and world developmental circles that has come to place priority emphasis on assisting the poorest 40 to 50 nations of the world.

"In furnishing food aid under this Act, the President shall--

"(1) give priority consideration, in helping to meet urgent food needs abroad, to making available the maximum feasible volume of food commodities (with appropriate regard to domestic price and supply situations) required by those countries most seriously affected by food shortages and by inability to meet immediate food requirements on a normal commercial basis * * *."

Administering agencies and responsibilities

The U.S. Agency for International Development (AID) has primary responsibility for administering the Public Law 480, title II program. However, other agencies also have important responsibilities. Representatives from the Department of Agriculture, Office of Management and Budget, and various AID bureaus sit on the Public Law 480 Interagency Staff Committee-Title II Subcommittee, which is chaired by AID's Office of Food for Peace. Also, voluntary agency representatives are invited as appropriate. The Subcommittee evaluates each title II program and makes recommendations to the entire Committee.

Agriculture participates in the review and evaluation of all Public Law 480 matters; determines the types and quantities of commodities available for title II; and arranges for their purchase, processing-packaging, and delivery to U.S. ports of export.

The Office of Management and Budget participates in the review and evaluation of all title II proposals, monitors spending limits established by the Presidential budget, and influences program guidelines and policy directives.

U.S. and WFP priorities

AID's title II policy emphasizes overcoming malnutrition problems of vulnerable groups and development activities. The U.S. priorities for title II assistance are specific and ranked in the following order.

1. Maternal child health projects (including pre-school age child feeding).
2. Food-for-work projects.
3. School feeding projects.

WFP projects basically cover these same three primary areas. Although WFP has not ranked its projects in a specific priority order, Program officials stated that they consider food-for-work projects to be their highest priority.

It is possible that WFP could fund a project which the United States would not fund with title II commodities (see p. 12 for an example). AID officials stated that in these cases, the United States would not contribute commodities to the project and could object to the project through the governing body. A WFP official said that when the United States refuses to contribute, the project is usually accomplished by getting the commodities from other donors.

The United States recognizes that its policies and those of WFP might not be identical, since the Program receives its guidance from a multinational governing body. AID, while not changing its title II priorities, has instructed its representatives to recognize the unique character of WFP programming when they review WFP projects in developing countries.

CHAPTER 2

THE PROGRAM NEEDS CLEAR PRIORITIES

AND LONG-RANGE PLANNING

Over the years, the World Food Program's flexible system of priorities has evolved to the point where it is now conducting a wide range of emergency and human and economic development projects in about 90 countries. However, these same priorities appear to be too flexible, if not confused, in terms of focusing the Program's limited resources on the current recognized priority needs--the 40 to 50 poorest and hungriest nations of the world. At the same time, no comprehensive long-range planning system is operating within the WFP Secretariat or governing body to actively channel its food aid toward those developing nations which need it most.

The WFP Secretariat's attempt to focus on the poorest nations has achieved only limited success, and WFP continues to approve projects in the more affluent developing nations that are best able to plan, program, and administer its projects. On the other hand, WFP recognizes that maximizing its assistance to the high-priority countries will probably require other additional types of aid and techniques.

We believe that using WFP aid to help develop the poorest food-priority nations will require a maximum commitment by WFP and its member governments and may well require new approaches and additional amounts and types of aid, such as helping some developing countries to formulate sound project proposals and establish adequate procedures for project administration. Also, the Program needs to install a long-range programming and planning system that will actively direct and program WFP resources to those countries.

TOO MANY PRIORITIES

WFP's overriding goal has been to use its food aid to promote economic and social development in the developing nations. Thus, for example, it has emphasized food-for-work projects, particularly in agriculture. Also, an important objective of its pre-school and school feeding projects has been to develop the capability of the recipient governments to take over the projects and feed their own people. To achieve its goal, the Program's regulations define three broad project categories for which it will provide food:

(1) food-for-work projects, with particular emphasis on food and agricultural production, (2) feeding of pregnant and nursing women and pre-school and school children, and (3) emergency feeding projects.

Some changes have been made within these categories over the years; for example, WFP no longer approves secondary school feeding projects, and emergency projects have recently been allocated a greater dollar amount of its resources. Basically, though, the three broad eligibility categories have remained the same. Because no one category has been given priority, WFP has had flexibility to conduct a broad range of projects around the globe.

Since the early 1970s, however, U.N. (and also U.S.) development policy has gradually evolved into one which concentrates on maximizing aid to the poorest nations of the world. The United Nations has developed lists of the least developed and the most seriously affected countries, and recently the World Food Council has developed a list of 43 "Food-Priority" countries. The criteria for inclusion in these three lists differ somewhat, so not all of the same countries are represented on each list. Generally, however, the three lists comprise the 40 to 50 poorest and hungriest countries in the developing world today, and it is these countries which are being accorded the highest priority in U.N. and U.S. development programs.

The evolution of the U.N. priorities for these countries, when added to WFP's three basic project categories, resulted in the following statement of Program priorities, enunciated by WFP's governing body at its May 1975 session.

"First priority would continue to be given to LDC (least developed countries) and MSA (most seriously affected) countries and to special hardship areas, and to nutrition projects for pregnant women and nursing mothers, pre-school children and primary school children as well as to projects which can effectively contribute through labour-intensive works and through training to increase agricultural and particularly food, production. These priorities were in line with the recommendations of the World Food Conference."

In our view, the above statement of priorities is so broad and encompassing as to be almost meaningless. Our

discussions with various WFP and U.S. officials support this view. More importantly, however, WFP's recent project approvals demonstrate the lack of a clear system of priorities that focuses on the poorest countries. As noted earlier, the Agency for International Development has strictly ranked its priorities, but WFP has never ranked priorities among its categories of development projects. While a State Department official indicated that emergency feeding is stated first in WFP's charter, WFP has in fact allocated only about 10 percent of its resources for this purpose over the years. On the other hand, in September 1976 the Executive Director ad Interim told us that food for work, particularly for food production, is actually considered WFP's top priority, followed closely by vulnerable group feeding. He also felt there is a need for clearer directions on priorities from the governing body. When we asked, however, whether WFP plans to limit its food aid to the 43 food-priority countries which can neither grow nor afford to buy enough food for their people, a WFP official said that the Secretariat had given extensive consideration to doing just that but had decided against it because (1) these countries could not absorb much WFP food aid due to lack of infrastructure and management capabilities and (2) this would not permit WFP to feed pockets of poverty in other more advanced countries such as the Indians in northeast Brazil.

The Executive Director's latest annual report to the governing body also discusses some of the problems of maximizing WFP assistance to the poorest nations. He noted that the Secretariat's attempt to concentrate on the poorest nations has had only limited success. For example, about 83 percent of the new projects approved by WFP in 1975 were for the poorest nations, but these projects accounted for about 75 percent of food aid. He noted that a large proportion of this aid went to India, Pakistan, Sri Lanka, and Bangladesh because this is where the largest needs exist and, since these countries have been receiving food aid for several years, they have the necessary infrastructure (transportation, storage, distribution networks, etc.) to absorb large volumes of food aid.

He further reported that the Secretariat could expect difficulty in sustaining a high level of WFP aid to the poorest nations due to their limited ability to absorb large volumes of food aid. Many of these countries lack adequate infrastructures, and food aid must be accompanied by large amounts of non-food aid (e.g., technical assistance and money for transport) to help increase the absorptive capacity of the country. Also, overland transportation

to landlocked countries, as in Africa, is very expensive and must be considered in granting aid to such countries.

In our view, there is no question that WFP projects have helped the needy of the world, but the question is whether the Program should and could be doing more to reach the most needy of the recognized priority countries.

The current situation seems to indicate that WFP should more clearly define its priorities to focus on the recognized highest priority countries, develop an action plan, and obtain the necessary resources from member governments. This will probably lead to more projects in countries in the recognized priority categories, supplemented by other types of non-food aid.

LONG-RANGE PLANNING NEEDED

WFP's general regulations provide that it will only provide food aid upon receiving a request from a developing nation. In keeping with this concept, the Program basically relies on the potential recipient government or its own resident field officer in the country to suggest project ideas and develop the basic project proposal.

Operating under this philosophy, neither the Program's Secretariat nor governing body has a long-range planning and programming system to identify the priority needs and to actively program its limited resources to the priorities. Instead, the project development process has mostly relied on the potential recipient governments to take the initiative, and the governing body has been meeting every 6 months to approve individual projects on a one-by-one basis.

There have been a number of effects flowing from this ad hoc method of operation which, in our view, suggest the need for a better system of planning and programming WFP resources. One effect has been that it has resulted in WFP resources being concentrated in certain countries or geographic areas. For example, during the first 10 years of operation, some 38 percent of WFP development projects went to five countries--Egypt (\$147 million), India (\$130 million), Turkey (\$88 million), Algeria (\$78 million), and Mexico (\$63 million). In contrast, the countries of West Africa received less than 10 percent of the development projects during the same period. Similarly, as mentioned earlier, a considerable volume of WFP's development food aid in 1975 was concentrated in India, Pakistan, Sri Lanka,

and Bangladesh. The Executive Director and Interim told us that this has basically always been the case--namely, that WFP food goes to those developing countries who request it, and to a large extent, these are the countries which have the necessary infrastructures to carry out WFP projects, and the ability to plan and develop viable project proposals.

Another effect of WFP's ad hoc programming has been that often it must develop projects that will make a less than maximum contribution to the country's development. Program officials continually repeated this theme in our discussions with them, and they noted that, for example, it is often very difficult to implement nutrition feeding programs for pregnant or nursing women and pre-school children because of the lack of infrastructure or because the intended recipients are too scattered or too far up country, whereas in a school feeding project, the basic infrastructure usually already exists. However, unless WFP or others can furnish the necessary technical assistance and other non-food aid to reach higher priority recipients, the Program has little choice in the matter.

Perhaps the most important effect today is that ad hoc programming makes it difficult for WFP to maximize its contribution to the development of the 40 to 50 recognized priority countries.

For example, while considering a \$4.7 million project to Korea at its May 1976 session, the governing body questioned the propriety of granting aid to countries outside of the recognized priority groups. The project was approved, however, with the governing body noting the quality of the project, the importance given to it by the host government, and the fact that a number of countries with a per capita income higher than Korea were receiving and making good use of food aid. This same rationale has shown itself in other recent project approvals. For example, the governing body has approved a \$14.7 million project in Algeria, a \$7.5 million project in Liberia, a \$15.7 million project in Turkey, and other projects in countries which are not on any of the recognized U.N. priority lists over the past year.

Perhaps the most outstanding example of this attitude is the \$21.7 million for two projects approved by the governing body at its November 1976 session. The recipient is a relatively more advanced nation and is not on

any of the U.N. priority lists. One project will essentially be a follow-on to a previously existing school feeding project operated by a U.S. voluntary agency for AID. Under its agreement with AID, the recipient nation was to have assumed future responsibility for running the project but instead got WFP to accept it. The United States objected to approving these projects, citing the high cost of WFP projects in this country. The United States also informed WFP that it could not support the school feeding project since the country involved had the capability to implement it without outside assistance, and other hardcore countries had a greater need for available food resources. Nevertheless, the projects were approved.

In our view, WFP's approval of a large project for a non-priority country demonstrates the need for a long-range programing process that will identify the highest priority needs among and within developing countries and actively program WFP's limited resources to those priorities. Doing this may require additional contributions from WFP's member governments and different types of assistance and techniques. However, hard decisions must ultimately be made, and we find it difficult to believe that WFP cannot readily identify higher priority needs and better uses of its limited resources for the developing world today, than these two projects for \$21.7 million.

CONCLUSIONS

WFP currently faces multiple priorities and many demands on its food aid. Getting the maximum development impact out of each project will not be easy and channeling the maximum amount of aid to the poorest and hungriest nations that need it most will truly be a challenge. Achieving this may result in rising costs to the member governments. However, these are the recognized goals and if they are to be achieved, hard decisions must be made. The Program cannot hope to help all nations and all types of projects. Therefore, we believe that it must first develop a clear system of priorities for use of its limited resources, specifying what types of projects have priority and emphasizing the priority countries to be aided. Equally, to achieve these goals, the Program needs to develop a long-range programing system that identifies where the highest development priorities are, and that actively programs resources to priority projects, recipients, and countries. In this manner, the Program's specific objectives will be clear to all nations, and this should bring an increased response from the poorest nations.

RECOMMENDATIONS

We recommend that the Secretary of State, the Administrator of AID, and the Secretary of Agriculture work for the development of:

- A clear system of WFP priorities that will maximize the development impact of projects and in the poorest nations as defined by the United Nations.
- A long-range programming system that will identify the specific highest priority food aid needs and actively program resources to these priorities.

CHAPTER 3

NEED FOR IMPROVED PROJECT

DEVELOPMENT AND APPROVAL PROCESS

The World Food Program's operating procedures provide a rational system for developing, appraising, and approving project proposals and generally afford member governments an ample opportunity to judge the merits of each major project proposal. However, the review and approval process can be improved by providing for a more timely submission of project proposals to the governing body and by better coordination during the project formulation stage between WFP and U.S. agencies.

PROJECT DEVELOPMENT

Ideas for new development projects usually come from WFP representatives in the field or, in countries where WFP has no staff, from the U.N. Development Program representative. Project ideas which have a high priority in the recipient country's development plan and which are consistent with WFP's stated priorities are formulated into project proposals.

The Agency for International Development believes that the United States can best influence the technical aspects of a project when a country first submits a request to WFP. The Program has agreed to consult with the incountry AID Mission at an early stage of project development to insure that the project does not duplicate or infringe upon projects already being carried out by voluntary agencies or other sponsors and to anticipate any problems WFP's proposal might create.

AID Missions are instructed to keep AID/Washington informed of all significant WFP matters incountry and when WFP is considering a project. The Mission must report:

1. All information available on the nature of the proposal and commodity requirements.
2. Its views on the project's desirability.
3. Whether the project will supplement or conflict with U.S. objectives and other sponsor's programs.

4. The project's effect on current and developing markets, particularly on U.S. exports.
5. The recipient government's ability to manage the proposed project.
6. The WFP field staff's capacity to monitor the project.

Project appraisal

Interagency teams, comprised of personnel from participating U.N. organizations and WFP, appraise project proposals in the field when necessary. The Program has no technical expertise of its own and relies on the participating organization's personnel for assistance on a project's feasibility and technical soundness. For example, on a food-for-work food production project, Food and Agriculture Organization personnel may evaluate the feasibility of the project's food production objectives; the International Labor Organization may evaluate the labor force; and the World Health Organization may determine the health needs of the population served. The interagency teams determine the country's capability to implement the project (e.g., personnel, equipment, storage facilities, transportation, etc.) and its ability to take over the project when WFP aid terminates.

The AID/Rome representative stated that AID's review procedures for WFP proposals differ depending on whether or not the United States is asked to contribute commodities. If the United States is asked to contribute, WFP provides AID/Rome with a draft of the project proposal which is forwarded to the AID Mission or Embassy in the recipient country for their comments. The comments are sent to AID/Washington where the U.S. position is decided. If the United States is not asked to contribute, AID/Rome receives the same summary proposal documents as other member governments and forwards them to the AID Mission and AID/Washington for review. However, these documents have often been received too late to be given a comprehensive review.

An AID official said that he does not expect the AID Mission to make an indepth appraisal of the proposed projects because that is WFP's responsibility. The Mission is instructed to prepare comments on the proposals addressing the six points mentioned on page 15, and this information is considered sufficient in preparing a U.S. position on the proposal.

Our November 1969 report criticized the U.S. review of WFP proposals and recommended that the Secretary of State direct overseas offices to improve the quality of their reviews of proposed WFP projects, giving particular emphasis to those areas seen as recurring problems in WFP projects. In 1973, AID's Auditor General reported that AID had responded to this recommendation but that additional actions by the Coordinator of Food for Peace would lead to improved performance by WFP.

In reviewing the Mission comments on a limited number of WFP project proposals, we found that the comments would generally appear to be adequate for AID/Washington's purposes. The quantity and quality of the comments differed from project to project, and we were told that this was due to the importance of the projects, the extent of U.S. contributions, and the field officer's preception of how extensive his comments should be. For some of the more controversial proposals, five or six pieces of correspondence often passed between AID/Rome, Washington, and the Missions before the U.S. position was decided.

Commodity availability

The Program's Resource Management Division determines a "commodity ceiling" representing the total amount of WFP resources which will be available for projects to be approved in the next 12 months. This information is used by the Project Management Division in planning future projects.

The Resource Management Division also reviews proposed projects for (1) availability of requested commodities, (2) possibility of substituting commodities due to availability or to facilitate shipping, (3) reasonableness of the ration, and (4) reasonableness of purchasing commodities not available from donors. This information is needed by the Project Management Division in the project formulation stage.

Project summaries and clearances

Proposed projects are discussed at a pre-approval meeting attended by WFP division heads, FAO representatives, and a U.N. economic advisor. Detailed project summaries are prepared and distributed to appropriate organizations in the U.N. system and the FAO Subcommittee on Surplus Disposal for their comments.

Comments from the specialized agencies could result in more information being requested from the recipient government or in a recommendation to include specific provisions in the project agreement between WFP and the government. WFP policy requires clearance by the specialized agencies before project approval.

The FAO Subcommittee on Surplus Disposal is located in Washington, D.C. It reviews proposed projects to insure that the disposal of agricultural commodities does not displace potential commercial sales by other nations.

Upon receipt of a project summary, the Resource Management Division provisionally earmarks the commodities required by the project. Donor countries are consulted if availability is in doubt. One exception to this general procedure is that the United States is the only donor which requires WFP to request commodities on a project-by-project basis. Other donors allow WFP to assign commodities from their pledges to projects as needed. However, WFP is aware of any political restrictions donors may place on their pledges. WFP officials told us that such restrictions are few and do not significantly affect their efforts in obtaining commodities for projects.

PROJECT APPROVAL SYSTEM

After projects have received the necessary clearances, they are approved in one of the following ways.

--WFP's Executive Director may approve projects whose food value does not exceed \$1 million.

--Projects whose food value is more than \$1 million must be approved by the governing body either at its regular session or by correspondence. Under the correspondence procedure, projects are considered approved if no member objects within 45 days from the date the proposal is dispatched.

Approval at regular sessions is by a consensus vote. Member governments are given an opportunity to express their reservations on each project, but if a project reaches the floor, its approval is a foregone conclusion according to AID and WFP officials.

When a project is approved, WFP and the recipient government sign a formal agreement setting forth the obligations of each party.

Recipient government responsibilities

The recipient government must:

1. Implement the project--provide the personnel, premises, supplies, equipment, services, and transportation needed.
2. Use the commodities properly to include taking measures to prevent their unauthorized sale or diversion.
3. Provide facilities for WFP to observe the project.
4. Provide quarterly progress reports and other documents, accounts, records, etc., that WFP may request.
5. Continue the purpose of the project after assistance from WFP has ended.

It is difficult for some recipient countries, especially the least developed and most seriously affected, to fulfill the obligations of the agreement, and WFP recognizes that often they will not fulfill all of them. One WFP official stated that it is "wishful thinking" to expect many of the least developed and most seriously affected countries to continue the purpose of the project if WFP assistance terminates after 3 years. However, WFP does expect these countries to improve and to assume more responsibility before projects are extended beyond the initial agreements.

WFP responsibilities

WFP is responsible for delivering food to the country in specified installments over the period of the project agreement. It also provides advice on commodity handling, storage, transportation, and distribution. WFP reserves the right to evaluate projects in terms of their efficiency, accomplishment of purpose, effect on internal markets and production, and contribution to the country's nutrition and development.

Problems in project approval

Controlling commitments of resources

Commodity pledges are made for 2-year periods and most are expressed in terms of dollars rather than tonnage.

Therefore, when commodity prices rise, the tonnage of resources available is correspondingly reduced. This is one reason why projects are usually conditionally approved based on commodity availability. WFP found itself overcommitted in 1973 when a sudden price rise reduced its resources. WFP reduced deliveries to ongoing projects, and approval of new projects was based on a strict application of WFP priorities.

Although WFP's immediate resource position is favorable, the governing body and the Executive Director agree that the medium term position is unpredictable and that measures are needed to prevent overcommitment of resources in the future. To achieve this, approving projects with a relatively large initial disbursement, but short duration, will be emphasized.

Proposals to the governing body not timely

The United States has consistently received summary proposal documents too late to comprehensively review them. For example, 13 of 28 project proposals submitted for approval at the May 1976 governing body session were received too late to allow for a thorough analysis. The U.S. delegation has repeatedly stated its concern over this situation, which has existed for several years.

The governing body as a whole has expressed its regret that the Secretariat had been unable to provide the project documents sooner and that several documents were issued prior to the clearances of the specialized agencies and the FAO Subcommittee on Surplus Disposal. Because of this, one delegation felt that it had to abstain from discussing several projects.

The United States' position on the matter was

"to state generally that the Secretariat should not attempt to rush through projects for CFA (governing body) approval just to have them ready for an upcoming session. This is counter-productive to strengthening of project planning and improvement of programming expected to be accomplished by the CFA and tends to foster rubber stamp approvals."

Another delegation had previously suggested that the Secretariat make more use of the correspondence procedure to give member governments sufficient time to analyze projects before approving them.

U.S.-WFP COORDINATION DURING PROJECT FORMULATION

One objective of the informal U.S.-WFP consultations during project formulation is to avoid presenting projects to the governing body which have objectionable elements. These procedures apparently did not work adequately for a project approved at a recent governing body session. AID had ended the project a year earlier for two reasons--changing priorities and the willingness of the recipient government to take over the project.

An analysis of the actions taken on this project indicates a degree of indecision on the part of the United States and inadequate communication between the AID Mission, AID/Washington, and WFP.

Project formulation

WFP officials visited the recipient country in May 1976 to look into the possibilities of new projects. At that time, the AID Mission told them that it had no objection to the proposed project and no reservations about the recipient government's ability to administer it.

A WFP representative made it clear that he would be recommending a project valued at about \$25 million and it would run for 3 to 4 years. The substance of this discussion was transmitted to AID/Washington on May 18, 1976. However, this memo did not include all the information required by AID's reporting procedures and did not state clearly whether the AID Mission told WFP that the recipient government had agreed to take over the project.

On July 7, the AID/Rome representative forwarded the details of the proposed project to the AID Mission and AID/Washington for comments. Also, at this time, WFP requested the United States to supply various commodities in the event an agreement was signed.

On August 3, the AID Mission advised AID/Rome and AID/Washington that the project did not conflict with U.S. objectives and programs and recommended favorable consideration for the project. However, the AID Mission also pointed out that the Catholic Relief Service had ended a similar project in 1975 with AID's endorsement.

On September 10, AID/Washington informed AID/Rome and the AID Mission that it could not support the project because the Catholic Relief Service and the recipient government had agreed that the government was able and willing to continue the project. It added that WFP was aware of the phase-over of the project to the government. Therefore, the United States would not supply commodities for the project and was considering objecting to WFP taking over projects which recipient governments have agreed to take over themselves at the next governing body meeting.

Our observations

It is not clear where the communication breakdown occurred. The AID Mission stated it told WFP that the recipient government had agreed to take over the project. However, WFP stated that it was unaware of the government's agreement and did not expect U.S. resistance to the proposed project.

The AID Mission did not feel that the project conflicted with U.S. objectives, while 1 month later AID/Washington officials said that there was a conflict. Also, while AID/Washington knew as early as May 1976 that the project was being considered, no action was taken to immediately alert WFP of possible U.S. objections and it took almost 4 months for the United States to inform WFP of its official views on the project. We believe this example demonstrates the need for

- a more formal system whereby WFP notifies all members, very early during project development, of the types and locations of projects being processed through the project approval pipeline;
- clear and prompt reporting between AID Missions and AID/Washington so that a unified determination can be made as to possible conflicts with U.S. objectives; and
- AID/Washington to communicate its objections to WFP project proposals in a more timely manner.

RECOMMENDATIONS

Proper review of project proposals by WFP member governments is most important because the project approval procedure is the governing body's primary control over the programming of WFP resources. Therefore, the Secretary of State and AID

Administrator, with the assistance of the Secretary of Agriculture, should (1) propose to the governing body that no project or project expansion be presented for approval unless all proposed documents are submitted for member governments' review within a specified timeframe and (2) reemphasize the need for U.S. officials to communicate more effectively their views on proposed projects.

CHAPTER 4

PROJECT MONITORING

The World Food Program's project monitoring system is designed to periodically measure the progress of projects in accomplishing their quantitative goals and in using WFP food. WFP relies on its field representatives and recipient governments to provide the data needed to track a project's accomplishments.

WFP PROJECT MONITORING PROCESS

WFP's Project Management Division monitors ongoing projects. It has 43 authorized professionals at its Rome headquarters and consists of the following five branches.

- Latin America and the Caribbean.
- North Africa and the Near East.
- Western Africa.
- Europe and East Africa.
- Asia and the Far East.

Also, about 122 WFP field officers are associated with field projects in the individual developing countries.

Required reporting

Quarterly progress reports

The quarterly progress report, prepared by the recipient government, is the Program's basic project monitoring tool. The information to be provided by the recipient government is spelled out in the project agreement. The form to be used by the government and the annex to the agreement differs from project to project. For example, a resettlement project would report on the number of settlers coming into the target region, crop and livestock production, construction taking place, and amounts of WFP commodities coming into the region. The WFP field officer reviews the quarterly reports and forwards them with his comments to the appropriate division branch office in Rome.

WFP officials stated that the timeliness and quality of the progress reports differ from country to country because

of the countries' administrative capabilities. In 1974, the External Auditor reported on the high percentage of late progress reports (32 percent) outstanding as of December 31, 1973, and how late reports can contribute to excessive stock levels in recipient countries. However, WFP officials stated that they are not too concerned about late progress reports because their field representatives keep the Project Management Division informed of developments incountry.

The quarterly progress reports are basically internal management documents used to monitor project progress, and they are not available to the governing body. However, they are used as source documents by WFP's Evaluation Service in preparing project progress reports for the governing body every 2 years.

Field officer reports

Field officers are required to submit quarterly reports which include information on ongoing projects, future projects, the recipient country's food aid needs, relations with representatives of governments and organizations of the U.N. system, and a breakdown of how their time is spent. Field officers also submit projection sheets for each ongoing project, showing the commodity position on the last day of the calendar quarter. These reports are for internal management use and are not generally made available to the governing body or individual governments.

Headquarters responsibilities

Much of the Project Management Division staff's time is devoted to summarizing information received from the field into reports to inform the Executive Director, the governing body, and other bodies of WFP activities.

Another important duty of these officers is to visit recipient countries and report on such visits. All projects should be visited by WFP headquarters officers once a year.

Annual certified accounts

Recipient governments are also required to submit to WFP annual and final (at project termination) commodity accounts which have been audited and certified by a government auditor. WFP does not have the right to audit these accounts, and their accuracy is subject to question.

U.S. MONITORING AND REPORTING RESPONSIBILITIES

AID recognizes and respects the independence and multi-lateral character of WFP, and the AID Missions have no responsibilities for controlling, managing, or accounting for any WFP activity. On the other hand, AID recognizes the Missions' responsibilities for assuring optimal effective use of U.S. resources committed to WFP.

AID Mission officers have no authority to monitor or inspect WFP projects, but they are expected to know how well WFP projects are functioning in the host country. This seems to put the field officers in a difficult position since it is not clear how they are supposed to get this information. The field officer in the country we visited said he had never visited a WFP project because he had "never been invited."

AID/Washington has instructed the Missions to develop a close working relationship with WFP representatives to assure optimal coordination between ongoing title II bilateral programs and WFP projects. The Missions are also encouraged to be alert to any WFP program or commodity mismanagement.

If the Mission officer does observe problems and he cannot get corrective action locally, the matter is reported to AID/Washington which notifies the AID/Rome representative. The Rome representative said that he handles most followup problems informally with appropriate WFP officials. Serious matters, such as commodity sales or diversions, are handled by a formal memo to the Executive Director, but he said that this is necessary only a few times a year.

CONCLUSIONS

An indepth analysis of WFP's project monitoring system would be necessary to determine its effectiveness. However, it is obvious that for the system to be effective, the WFP field officers must do a good job, and the recipient governments must supply reliable information. Also, the success of a project depends upon the ability of the recipient country to implement it. Our discussions with WFP project managers indicate that many of the least developed and most seriously affected countries lack the management and administrative capabilities to do an adequate job. To some extent, the biennial evaluations of WFP's Evaluation Service provide the governing body with the information necessary to judge the effectiveness of ongoing projects, and we have noted instances

where WFP reported that it cut off assistance to projects experiencing administration problems. However, the work of the Evaluation Service looks toward the future and is more oriented toward evaluating a recipient government's capacity to perform than its actual performance. Therefore, we believe that a good audit system would provide this type of information but that WFP is presently relying on the recipient governments to provide performance data.

CHAPTER 5

NEED FOR IMPROVED AUDITS

AND EVALUATIONS OF PROGRAM ACTIVITIES

Our November 1969 report noted that World Food Program audit regulations did not insure complete and authoritative audit reports, and that WFP did not have the right to audit the project records of recipient governments. We concluded WFP audit procedures should be strengthened to establish their right to examine project records of recipient governments. We recommended that the State Department and Agency for International Development renew and intensify their efforts to improve WFP audit procedures, and expand the audit coverage to include reviewing and inspecting recipient country receipt, storage, and distribution records.

A discussion of the status of these recommendations and the state of current WFP audit and review procedures follows.

AUDITS OF PROGRAM ACTIVITIES

Audits, reviews, and inspections of Program projects and activities are made by the FAO external and internal audit service and the WFP division of program evaluation.

The Program reimburses FAO for costs incurred by the FAO External Auditor and for internal audits. For 1976-77 WFP will pay FAO about \$105,000 for the External Auditor and \$311,000 for internal audit.

FAO External Auditor

FAO's External Auditor is the Comptroller and Auditor General of the United Kingdom. He is responsible for annually certifying FAO's financial statements and, as part of his review, certifies the financial statements of WFP.

The External Auditor has a permanent staff of five professional auditors in Rome and they spend about 30 percent of their time working on WFP. They work closely with FAO's internal auditors and rely on them to certify WFP bank accounts and prepare the financial statements for the audit.

During the course of the annual audit, the External Auditor's staff visits one country, or occasionally two, where they review all FAO and WFP activities. Findings on

WFP projects are reported as volume III of the External Auditor's annual report to the FAO Finance Committee. The External Auditor submits his report to the WFP governing body after it is reviewed by the FAO Finance Committee.

FAO internal audits

The FAO internal audit staff consists of a chief and eight auditors. About 90 to 95 percent of the staff's time is spent on routine audit work, such as reviewing the controls on leave, payroll, and travel. The other 5 to 10 percent is spent on inspection type audits, such as management efficiency reviews or project evaluations which do not require any technical expertise.

The internal auditor's reports are not available to members of the governing body but are used internally by WFP's Executive Director and FAO's Director-General to take corrective action as needed.

Prior findings

The External Auditor's 1974 report noted two projects for which quantities of commodities earmarked by WFP far exceeded actual needs. WFP replied that, although the commitments for both projects had been initially overestimated, countries in the least developed category could not be expected to readily supply accurate data and that commodities for the projects could not be withheld without the government's approval. It stated that there were many examples of commodities being withheld when project performance was too slow, while in other cases, the project time period was extended so commodities could be used.

The External Auditor maintained that there was a need for WFP field officers to do all they could to verify the reasonableness of commodity requirement calculations made during project development.

The External Auditor's 1975 report noted storage problems when certain donors pledged large additional quantities of wheat and dried skim milk to be used without delay. Rather than refuse the commodities, WFP programed and shipped them despite the lack of suitable storage, hoping that favorable weather conditions would prevent deterioration. The External Auditor noted that WFP did take steps to reduce the possibilities of waste, but he felt that some difficulties might have been largely avoided had donor countries allowed more time before the commodities had to be shipped.

Lack of audit coverage

Doubts about the adequacy of audits of WFP activities are caused because (1) few field visits are made by the internal auditors and (2) auditors do not have the right to audit data provided by the recipient countries.

FAO's internal auditors are supposed to visit each WFP recipient country once every 5 years, or about 18 countries a year. However, an FAO internal auditor told us that they visited only eight countries in 1975, and are expected to visit seven in 1976. The External Auditor considers this internal audit coverage inadequate.

Since WFP does not have the right to audit its projects within recipient countries, the auditors do not have the right to verify data provided to WFP by the countries. An example of such data is the annual statement of commodity accounts.

The External Auditor's representative told us that he questions the accuracy of these statements because he knows that many recipient countries have poor transportation, storage, communications, and administrative capabilities. He stated that it is not unusual for the internal auditors to send the commodities statements back to the governments to make mathematical corrections.

The Program's Director of Evaluations told us of a government official in charge of the country's WFP projects who had no transportation or travel funds available. Therefore, he could not inspect the projects. He also said that this situation is not uncommon in the least developed countries. Despite these problems, the commodities statements show very small losses, averaging about 1.2 percent of all commodities handled for the year ending September 30, 1975.

The commodities statements are compiled and reported to WFP's governing body as an annex to the External Auditor's annual statement. However, the External Auditor's representative was careful to point out to us that, because of the aforementioned problems, the External Auditor does not certify these losses even though it is part of his report.

The losses are certified by WFP's Executive Director and the certification reads:

"I certify that the above information is an accurate reflection of losses subsequent to delivery which have been reported to me by recipient governments and through the Programme's Representatives. I cannot be certain however that all such losses have in fact been reported."

Thus, since the Executive Director isn't sure that all losses have been reported, there is no assurance that the very small losses being reported by WFP projects are accurate.

WFP EVALUATION SERVICE

A major source of WFP project evaluations is its own Evaluation Service, which has an authorized staff of eight professional evaluators and reports to the WFP Executive Director. The Evaluation Service depends heavily on the experts from organizations in the U.N. system to evaluate WFP projects. Four types of reports are made available to the governing body members by the Evaluation Service.

Interim evaluation reports

These reports form the bulk of the Evaluation Service's work and are prepared on (1) projects which are to be expanded, (2) large projects for which periodic reports are required (frequency is determined by the governing body), and (3) projects experiencing serious problems. Interim reports are usually the result of 2 to 3 week field missions. However, in the case of some projects, "desk" interim evaluations may be considered sufficient.

The following eight main aspects of the project are given particular attention.

1. Technical--were targets achieved?
2. Administration and organization--what was the quality of planning, formulation, and management of the project?
3. Food management--was transport, handling, storage, preparation, and use of commodities adequate?
4. Nutrition--how acceptable were the commodities and what was their nutritional impact?
5. Economic and social impact--was the effect of the project (e.g., number of acres irrigated or number

of people resettled, etc.) and the nutritional effect of the food aid, in line with project objectives?

6. Market displacement--was there any adverse impact as a result of the food?
7. How will the government assume a greater share of responsibility for the project?
8. What are the government's plans to continue the purpose of the project when WFP aid terminates?

Although individual interim reports might not cover all eight aspects, the eight reports we reviewed generally were quite critical, contained good information, and offered specific recommendations to correct problems. We also found evidence of the missions following up on the implementation of the recommendations.

The AID/Rome representative felt that the interim reports were the most useful of WFP's evaluations, because they are made while the projects are in progress which allows project managers the time to correct deficiencies.

Progress reports

Progress reports are submitted every 2 years to the governing body based on the quarterly progress reports from recipient governments and WFP field staff. The information in these reports differs from project to project because the individual project agreements specify what information should be provided in the quarterly reports.

Terminal reports

The main purpose of these reports is to (1) give a published account of how WFP's aid was used and (2) list the lessons learned during the implementation of the project. Hopefully, these lessons will be taken into account when formulating or implementing similar projects.

Terminal reports are usually prepared by a WFP field officer from the periodic reports of the recipient government, progress reports, interim evaluation reports, and any other reports or comments which may have been made by experts visiting or serving in the country. The format is similar to the interim reports. However, it is generally felt that the terminal reports are somewhat less thorough and useful,

since it is too late for the Program to implement corrective measures.

One problem being experienced by the Evaluation Service in trying to measure both project progress and impact is developing accurate base-line data immediately before WFP aid begins. Data is often in the original requests for aid, but it is often out of date by the time WFP aid arrives. It is seldom possible to get good base-line data for feeding projects without detailed nutritional surveys, which are very costly.

Sectoral evaluations

These are WFP's evaluations of selected sectors or groups of projects of the same functional type in the same economic or social sector in one or more countries. WFP has done sectoral evaluations on animal feeding, dairy production development, and forestry projects.

Sectoral evaluations also result from evaluation teams, and WFP relies heavily on the organizations in the U.N. system for team members.

Reporting responsibility

The Evaluation Service presents all its reports to the governing body. However, before releasing them, they are circulated to the specialized agencies involved and to WFP's Executive Director and the three operating division directors for comments.

The Evaluation Director's policy is to have the evaluator in charge of the report consider each comment and revise the report if necessary. He feels that the report review process allows him to adequately criticize WFP operations. However, the most important result of his work is the corrective actions taken and he tries to include them in his reports whenever possible.

Prior findings

The Evaluation Director feels that many of the findings in his reports should have been anticipated during the project appraisal process, so his personnel are now involved in project appraisal as a way to incorporate prior findings into the appraisal process.

Some recurring problems noted in Evaluation Service reports include:

- Unrealistic target setting, both too high and too low, often caused by the difficulty in establishing work standards in developing countries.
- Acceptability of food, when people do not eat the types of commodities sent.
- Absorptive capacity of least developed countries due to poor transportation and distribution channels.
- Inability of recipient governments to implement the project.

Evaluation Service experiencing problems

We believe the quality of the evaluation reports is generally good, but WFP is having problems releasing the terminal and interim reports in a timely manner.

The AID/Rome representative said that the terminal reports are often released 2 years after the project is completed and are not particularly useful to him. The Evaluation Director admitted that due to his workload there is a backlog of about 75 terminal reports; some of these overdue reports are for projects which terminated 3 years ago.

Perhaps a more serious problem is WFP's inability to have the interim evaluation reports prepared in time for governing body meetings. Those which are issued are sometimes received by the United States too late to obtain the comments of the AID Missions, which have prime responsibility for advising AID/Washington on the validity of these evaluations.

Interim reports are required for all projects being considered for expansion, but for a recent governing body session, we noted at least three cases for which the United States did not receive these reports in time to review them before voting. For the past several years, the U.S. delegation has expressed deep concern over this situation and suggested that WFP distribute their reports as they are completed, instead of waiting to have them reproduced for regular governing body sessions. We believe the U.S. delegation should be more emphatic in its efforts, and that AID should determine how many days are needed to adequately review interim reports. Once this is determined, the U.S. delegation should propose

to the governing body that no project be approved for expansion until a specified number of days after the interim evaluation is released. If this results in projects which the governing body can not approve during its regular session, then those projects should be approved under the correspondence procedure.

U.S. ROLE IN EVALUATING PROJECTS

The United States has long urged WFP to claim the right of audit in its agreements with recipient governments. However, the governing body has always rejected the proposal, principally at the insistence of developing countries who claim that this would be an infringement on their sovereignty and that recipient governments should supply audits.

In the past, the Department of State's Inspector General of Foreign Assistance and the AID Auditor General have reported on WFP projects. Some findings they have made are that (1) the United States paid higher than necessary freight costs, (2) commodities were sold illegally, (3) distribution records were not kept, (4) a recipient government failed to furnish matching funds, and (5) WFP resources were misused or lost, including unauthorized sales and diversion of commodities by recipient governments.

We found that AID/Washington generally took appropriate actions on such findings by handling the problems locally, notifying the WFP Secretariat, or taking a position during the governing body session. However, we also found that the Inspector General and Auditor General do not report on WFP activities very often--the last Inspector General's report was dated March 2, 1973.

CONCLUSIONS

The audit and review of WFP projects are still not adequate to permit the State Department and AID to carry out their responsibilities for insuring effective use of U.S. donations to WFP. The United States has attempted to influence WFP to increase the scope of field audits, but WFP has made no recent attempt to do so.

WFP audit procedures still do not allow for an independent review of the records of recipient countries. Certifications of commodity losses are accepted at face value and no attempt is made to verify the accuracy of reported losses.

The Evaluation Service's project evaluations are useful analyses of project results and accomplishments. But some of the reports are not released in a timely manner, which limits their usefulness.

RECOMMENDATIONS

We recommend that the Secretary of State and the AID Administrator, with assistance from the Secretary of Agriculture renew and intensify their efforts to improve WFP audit procedures and expand the audit coverage to include reviewing and inspecting recipient country receipt, storage, and distribution records.

They should also instruct the U.S. delegation to be more emphatic in its efforts to have the WFP Secretariat provide interim evaluations in a timely manner. AID should determine a reasonable time period to adequately review interim reports on projects to be expanded. Once this is determined, the U.S. delegation should propose to the governing body that no project for expansion be approved unless the governing body has had that amount of time to review the interim evaluation. If this results in approval being delayed until after the regular governing body session, then those projects should be approved under the correspondence procedure.

CHAPTER 6

AGENCY COMMENTS AND

PROPOSED ACTIONS

To meet the Committee's request for early issuance of this report, we did not provide it to the responsible executive branch agencies for formal comment. We did, however, discuss the substance of the report with appropriate officials of the Departments of State and Agriculture and the Agency for International Development.

These officials were in general agreement with the nature and thrust of our recommendations. They also informed us that a general review of the Program's management procedures is now underway, including an indepth study of the Program's evaluation procedures to streamline the process, eliminate unnecessary work, and insure that the new, higher level of Program activity will receive careful, periodic evaluation.

We were also informed that State, Agriculture, and AID would work toward improving the Program's priority and long-range programing system and are proposing that the Program place special emphasis on projects in the neediest countries.

CHAPTER 7

SCOPE OF REVIEW

This is one of a series of reports on U.S. participation in international organizations prepared at the request of the Senate Committee on Governmental Affairs. The Chairman specifically requested that our reports consider the status of "efforts to encourage the establishment of independent review and evaluation systems in international organizations."

Review work in Washington was primarily performed at the Food for Peace offices of the Agency for International Development and at the Departments of State and Agriculture. We reviewed and analyzed U.S. position papers, World Food Program reports and documents, and discussed U.S. objectives and the management of U.S.-WFP interests with responsible agency officials.

During field work in Rome, we discussed with the AID/Rome representative his duties and responsibilities and he accompanied us on our interviews with WFP officials. At WFP headquarters, we discussed operations and management systems with key Secretariat officials and with the FAO External and Internal Auditors. We also obtained the views of representatives of three other major donor governments.

We observed WFP activities in a developing country and discussed them with U.S. Mission personnel and representatives of WFP, the host government, and the United Nations Development Program.

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 BILL BROCK, TENN.
 LOWELL P. WEICKER, JR., CONN.

RICHARD A. WEGMAN
 CHIEF COUNSEL AND STAFF DIRECTOR

United States Senate

COMMITTEE ON
 GOVERNMENT OPERATIONS
 WASHINGTON, D.C. 20510

July 30, 1976

The Honorable Elmer B. Staats
 Comptroller General of the United States
 U. S. General Accounting Office
 441 G Street, N. W.
 Washington, D. C. 20548

Dear Elmer:

As you know, the Committee on Government Operations is currently reviewing United States involvement in international organizations.

We are familiar with the reports the General Accounting Office has issued, the testimony you have given before various Congressional committees, and your continuing concern with improving the management of U. S. participation in international organizations.

To assist the Committee I would request that GAO update its previous work by the middle of next February, including an update of your prior reports on the World Health Organization, the International Labor Organization, and the Food and Agriculture Organization. I hope you would be prepared to testify before the Committee, possibly in the early part of the next session, on your conclusions.

I would also like to have by next February a report on your current review of employment of Americans by international organizations and a report on the World Food Program and our participation in it. I would also be interested in any review you can do of the United Nations Educational, Scientific and Cultural Organization.

I hope that you can also consider in your work the overall management and budgetary systems of the U.N., and especially the status of your efforts to encourage the establishment of independent review and evaluation systems in international organizations.

I look forward with interest to learning your thinking in this important area.

Sincerely yours,


 Abe Ribicoff

PRINCIPAL U.S. OFFICIALS CURRENTLY
RESPONSIBLE FOR MANAGING U.S. PARTICIPATION
IN THE WORLD FOOD PROGRAM

(March 1977)

DEPARTMENT OF STATE:

Secretary of State
 Assistant Secretary of State for
 International Organization Affairs

Cyrus R. Vance

C. William Maynes
 (designee)

Director, Agency Directorate for
 Agriculture, Bureau of Inter-
 national Organization Affairs
 Office of FAO Affairs, American
 Embassy, Rome, Italy, Counselor for
 FAO Affairs

Paul J. Byrnes

Christopher A.
 Norred, Jr.

DEPARTMENT OF AGRICULTURE:

Secretary of Agriculture
 Administrator, Foreign Agricultural
 Service

Robert Bergland

David L. Hume

AGENCY FOR INTERNATIONAL DEVELOPMENT:

Administrator
 Coordinator, Office of Food for
 Peace

John J. Gilligan

Kathleen Bitterman