

March 1995

FOREIGN AID

Actions Taken to Improve Food Aid Management





United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-259723

March 23, 1995

The Honorable Richard G. Lugar
Chairman
The Honorable Patrick J. Leahy
Ranking Minority Member
Committee on Agriculture,
Nutrition, and Forestry
United States Senate

The Honorable Pat Roberts
Chairman
The Honorable E (Kika) de la Garza
Ranking Minority Member
Committee on Agriculture
House of Representatives

The Honorable Benjamin A. Gilman
Chairman
The Honorable Lee H. Hamilton
Ranking Minority Member
Committee on International Relations
House of Representatives

The 1990 Agricultural Development and Trade Act (P.L. 101-624) requires us to periodically review food assistance programs authorized under titles II and III of the act. In July 1993, we issued a comprehensive report that made 13 recommendations to the Administrator of the U.S. Agency for International Development (USAID) to improve the management of food aid programs.¹ As agreed with your offices, this report focuses on actions USAID has taken to implement the recommendations made in that report.

Background

For over 4 decades the United States has provided agricultural commodity assistance, or food aid, to foreign countries to combat hunger and malnutrition, encourage development, and promote U.S. foreign policy goals. The primary legal framework for U.S. food aid is provided under the Agricultural Trade Development and Assistance Act of 1954, as amended, commonly known as Public Law 480.

¹Food Aid: Management Improvements Are Needed to Achieve Program Objectives (GAO/NSIAD-93-168, July 23, 1993).

The 1990 Agricultural Development and Trade Act made several major changes in the U.S. food aid program. One of the changes involved providing agricultural commodities to developing countries to enhance their "food security", that is, access by all people at all times to sufficient food and nutrition for a healthy and productive life." Title II (Emergency and Private Assistance Programs) of the act authorizes food donations in response to famines and other emergencies and food aid grants to private voluntary organizations (PVO) and cooperatives, intergovernmental organizations, and multilateral institutions for nonemergency uses.² The act also restructured the program to eliminate government-to-government programs, except those for emergencies. In addition, the act provided for nonemergency commodity assistance to be distributed through PVOs, cooperatives, and intergovernmental organizations. Title II commodities may be distributed to needy people, sold, exchanged, or distributed by other appropriate methods.

Title III (Food for Development) of the act is intended to support economic development and, if commodities are sold, to use the resulting local currency revenues for development purposes. Title III provides multiyear, government-to-government grants to least developed countries. The title III legislation gives USAID considerable flexibility in designing food aid programs that complement its overall country development activities.

USAID's Office of Food for Peace is responsible for managing title II programs, which are implemented overseas by PVOs, recipient government agencies, or intergovernmental organizations.³ USAID's regional bureaus are responsible for title III programs, and overseas missions negotiate agreements with recipient countries and monitor the implementation of both titles II and III programs in the host countries.

In fiscal year 1994, title II commodities went to 55 countries, and title III commodities went to 13 countries. The most commonly provided commodities were wheat and wheat flour, corn, corn-soya blend, rice, and vegetable oil, but non-food commodities, such as tallow, were also provided. In fiscal year 1994, USAID distributed over 2 million metric tons of agricultural commodities under title II and over 1 million metric tons under title III. USAID's fiscal year 1994 pledge to the World Food Program

²USAID's regulations exempt the World Food Program from regulations governing transfers of food to other cooperating sponsors and from USAID oversight. This program was the subject of a separate report, *Foreign Assistance: Inadequate Accountability for U.S. Donations to the World Food Program* (GAO/NSIAD-94-29, Jan. 28, 1994).

³In USAID's organizational structure, the Food for Peace Office is under the Bureau for Humanitarian Response.

was approximately 475,000 metric tons, or about 22 percent of the title II commodities, for activities in 33 countries.

Results in Brief

In our July 1993 report, we identified a number of problems involving USAID's compliance with the 1990 Agricultural Development and Trade Act and its management of Public Law 480 titles II and III food aid programs. These problems included USAID's lack of criteria and guidance for implementing food aid programs, USAID's inability to demonstrate the impact of food aid on food security, and USAID's failure to ensure accountability for food aid resources. We made a number of recommendations to the USAID Administrator. In particular, we recommended that USAID establish criteria and guidance on how food aid should be programmed, managed, and accounted for; assess the efficiency of food aid for achieving food security; and evaluate the impact of food aid on food security.

USAID has fully or partially implemented 11 of the 13 recommendations made in our 1993 report. One of the major impediments to greater USAID action on these recommendations has been the absence of a clear policy as to how titles II and III food aid is to be used to enhance food security, which was one of our major recommendations and which had not been implemented until February 1995. USAID has not implemented two of the recommendations. These recommendations focused on (1) establishing criteria as to when U.S. procurement and shipping regulations could be waived and (2) reporting to Congress on the efficiency of food aid for achieving food security. Table 1 summarizes the status of USAID's implementation of the recommendations.

Table 1: Summary of USAID's Implementation of Recommendations

	Recommendation	Status	Prior report page numbers	Current report page number
1	Definition and procedures for declaring an emergency	PI	18-19, 26, 27	8
2	Criteria to bypass procurement and shipping regulations	NI	19-20, 26, 27	8
3	Guidance on how food aid programs enhance food security	FI	28-29, 35	9
4	Methodologies, indicators, and data to evaluate impact	PI	32-36	10
5	Determining and reporting on the efficiency of food aid	NI	32-36	11
6	Operational guidance for food aid programs	PI	37-38, 45-46	12
7	Local currency guidance for loan reflows	FI	37-38, 45	12
8	Adequate and properly trained staff	PI	38-39, 45	13
9	Complete and accurate title II records	PI	39-40, 45	14
10	Accountability for monitoring programs and verifying reports	PI	40-42, 45	14
11	Local currency for indigenous nongovernmental organizations	PI	43, 45	15
12	Review of title II proposals within 45 days	PI	43-46	15
13	Submission of commodity requests within 15 days	FI	43-46	16

Note: FI, fully implemented; PI, partially implemented; NI, not implemented.

Appendix I provides more detailed information about the extent of USAID's efforts to implement these recommendations.

Agency Comments

In its comments on a draft of this report, USAID pointed out that, in four cases, it differed with our characterization of its implementation of the recommendations. In each of these cases, USAID provided additional details on actions taken and expressed the opinion that it had done enough to be considered at a higher level of implementation. We incorporated the additional details into the report where appropriate. In two cases, the additional information was sufficient to persuade us to upgrade our characterization of the status of the recommendation's implementation.

USAID's comments appear in their entirety in appendix III, along with our evaluation.

Scope and Methodology

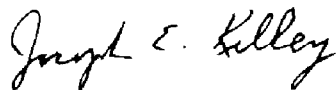
We reviewed relevant USAID policy and operational guidance; records and documentation from USAID and PVOS, including proposals and approval schedules; and evaluations of food aid projects. We interviewed USAID officials in the Bureau for Humanitarian Response, Office of Food for Peace, regional bureaus, and other relevant USAID organizations and representatives from several PVOS. We did not verify the accuracy of commodity shipment data USAID provided.

In determining the status of a recommendation, we considered factors such as resources expended, formal guidance issued, and research and policy development efforts made. This enabled us to characterize each recommendation as fully implemented, partially implemented, or not implemented.

We conducted our review from August to December 1994 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Administrator, USAID; the Director, Office of Management and Budget; the Secretary of State, and other interested congressional committees. We will also make copies available to others on request.

If you or your staff have any questions concerning this report, I can be reached on (202) 512-4128. Major contributors to this report were Ronald A. Kushner; George A. Taylor, Jr.; Elizabeth Nyang; and Margaret Gaddy Morgan.



Joseph E. Kelley
Director-in-Charge
International Affairs Issues

Contents

Letter	1
Appendix I Status of USAID's Implementation of Recommendations	8
Appendix II Countries With Titles II and III Food Aid Programs in Fiscal Year 1994	17
Appendix III Comments From the U.S. Agency for International Development	20
Tables	
Table 1: Summary of USAID's Implementation of Recommendations	4
Table II.1: Title II Programs Worldwide for Fiscal Year 1994	17
Table II.2: Title III Programs Worldwide for Fiscal Year 1994	19

Abbreviations

FFP	Office of Food for Peace
PVO	private voluntary organization
USAID	U.S. Agency for International Development

Status of USAID's Implementation of Recommendations

Recommendation Number 1

Definition and Procedures for Declaring When a Food Deficit Becomes an Emergency

The U.S. Agency for International Development (USAID) Administrator should develop a working definition and procedures for declaring when a food deficit constitutes an emergency under title II.

Status: Partially implemented.

USAID has clarified some of its operational guidance regarding the declaration of emergencies. Specifically, USAID has identified specific officials who are authorized to determine that emergency assistance is needed and/or warranted; identified organizations and entities that may request food for emergency assistance; and stated that USAID missions may propose emergency programs before the required receipt of a formal request. However, USAID has not defined the specific criteria to be used by officials and organizations for determining when an ongoing food deficit is no longer considered to be an emergency.

Under title II, which encompasses both emergency and nonemergency programs, USAID gives priority to emergency programs and allocates commodities to emergency programs first. Under this prioritization system, nonemergency programs do not compete for resources equally with emergency programs. Some emergency programs have evolved into sustained feeding programs that include few, if any, developmental aspects. For example, USAID has been providing title II emergency food aid for at least 5 years in six locations around the world.

Recommendation Number 2

Adherence to General Procurement and Shipping Regulations to Respond Quickly to Emergencies

The USAID Administrator should develop criteria for exercising the discretionary authority to make procurements and shipments to respond quickly to food emergencies without adhering to general procurement and shipping regulations.

Status: Not implemented.

The USAID Administrator has not developed criteria for exercising the discretionary authority to make procurements and shipments to respond quickly to food emergencies under title II emergency programs without

adhering to general procurement and shipping regulations. During neither our previous review nor this follow-up review did we find that USAID had exercised its discretionary authority. USAID officials told us that they could adequately expedite procurements and shipments for long-term title II emergency programs by taking other actions, including "early programming" of commodities before formal budget approval; borrowing commodities from local stocks, private voluntary organizations (PVO), or multilateral organizations; transferring commodities from other title II programs; and diverting commodities from U.S. sea ports or ships en route to another title II program.

USAID officials provided us with two reasons why USAID does not use its discretionary authority. First, the approval process within USAID would be lengthy, thus defeating the purpose of expediting procurements and shipments. Second, USAID would offend many major supporters and constituents of food aid, such as farmers, processors, baggers, and shippers, if it did not adhere to procurement and shipping regulations. USAID, however, wants to retain the emergency procurement and shipping authorities. In the event of a rapid-onset emergency, such as an earthquake or flood, USAID would procure non-U.S. commodities or ship them on non-U.S.-flag ships if the agency received an order from the President, USAID Administrator, or other high-level official with the appropriate authority.

Recommendation Number 3

Guidance on How Food Aid Programs Enhance Food Security

To ensure that USAID's food aid programs emphasize food security, as required by the 1990 amendments to Public Law 480, the USAID Administrator should clarify and provide guidance on how titles II and III food aid programs are to meet the legislation's food security objective.¹

Status: Fully implemented.

On February 27, 1995, USAID issued a food aid and food security policy. This policy is expected to help clarify and provide guidance on how food aid can be used to achieve food security. The policy outlines the following objectives: (1) allocating food aid to countries most in need; (2) enhancing agricultural productivity and improving household nutrition; (3) integrating food aid to a greater extent with other USAID resources;

¹U.S. policy, expressed in Public Law 101-624 (Nov. 28, 1990), calls for the United States to use its abundant agricultural productivity to promote U.S. foreign policy by enhancing the food security of the developing world.

(4) strengthening USAID's cooperating partners, such as PVOS and the World Food Program; (5) ensuring that emergency programs do not drain food aid away from development programs; and (6) placing greater emphasis on the "relief to development" continuum. USAID circulated a draft of its policy to PVOS in September 1994 to solicit their comments.

In addition to issuing written policy, USAID has been involved in several other activities focusing on developing a food security policy and strategy. These activities include conferences, retreats, and seminars with USAID officials, PVOS, legislative staffs, and representatives of other organizations.

USAID has also developed and issued other policy guidance specifically for titles II and III programs. For example, USAID issued title II guidance for fiscal year 1995 program proposals submitted by PVOS, which states that title II programs must address the linkage between their food aid activities and the food security policy and broad-based sustainable development strategies of the recipient countries and USAID missions. The guidance also requires that PVOS discuss and justify in detail the criteria for measuring program effectiveness in terms of food security. In addition, USAID issued title III policy guidance, which states that, beginning in fiscal year 1995, all new title III programs will be concentrated in countries with the greatest need and that the programs will focus on policy reforms and activities directly affecting or improving food production and consumption, including nutrition.

Recommendation Number 4

Monitoring and Evaluating Impact; Collecting Data for Evaluations

To ensure that USAID's food aid programs emphasize food security, as required by the 1990 amendments to Public Law 480, the USAID Administrator should develop and systematically apply methodologies and performance indicators to monitor and evaluate the impacts of food aid programs on food security and direct that missions and PVOS collect data necessary for such evaluations.

Status: Partially implemented.

USAID is currently in the process of developing methodologies and performance indicators for monitoring and evaluating impact. The Office of Food for Peace (FFP) has developed and established an overall "management for results" approach that changed its program focus from measuring program outputs to measuring impacts. FFP has also initiated

efforts with USAID's Center for Development Information and Evaluation and other organizations to assist it in more clearly linking FFP's program goals and objectives to eventual outcomes and impacts. In addition, FFP officials have sponsored and participated in numerous group meetings, such as workshops, conferences, and seminars, that focused on the importance of demonstrating impact. In many of these meetings, USAID worked closely with PVO and other officials. According to some USAID officials, the lack of an overall food security policy hampered USAID's efforts to develop and apply methodologies and indicators.

USAID officials also told us that USAID missions utilize USAID's Performance Information and Strategic Management System to assist in identifying objectives and indicators for measuring progress. The officials acknowledged that the system has been somewhat useful but that it does not provide adequate guidance to missions and PVOs because it does not include specific food aid methodologies and performance indicators for monitoring and evaluating the impact of food programs. The officials told us that they were currently working toward integrating food-related impact indicators into the system. USAID officials acknowledged that measuring impact will not be easy but that measuring it will not be possible without relevant data.

For fiscal year 1994 title III program proposals, USAID required that the programs include a standardized monitoring and evaluation system to determine the programs' impact on food security. However, USAID did not include detailed procedures describing the specific types of data to be collected or the methodology for processing the data to determine impact. Several PVO officials told us that, due to the lack of specific and clear guidance, they were uncertain whether their current methodologies and performance indicators would satisfactorily demonstrate impact.

Recommendation Number 5

Reporting to Congress on the Efficiency of Food Aid

To ensure that USAID's food aid programs emphasize food security, as required by the 1990 amendments to Public Law 480, the USAID Administrator should report to Congress on whether food aid is the most efficient means for addressing food security.

Status: Not implemented.

To date, USAID has not determined and reported to Congress on whether food aid is the most efficient means for addressing food security. FFP officials told us that FFP was planning a project to analyze the efficiency of food aid. The officials also stated that an efficiency analysis would be included in all future FFP reviews of food aid program proposals that include a monetization component.

Recommendation Number 6

Issuance of Complete Operational Guidance

The USAID Administrator should issue complete operational guidance for titles II and III food aid programs that reflect the 1990 legislative changes to Public Law 480.

Status: Partially implemented.

USAID developed and issued guidance that incorporates the legislation's emphasis on food security into its operational procedures. In November 1994, USAID issued interim guidance in its revised Handbook 9.² The revised handbook includes a broad discussion of food aid as it relates to food security, as mandated in the 1990 legislation. USAID officials acknowledged, however, that USAID still needed more specific guidance in several areas, including methodologies and performance indicators for measuring and assessing the impact of food aid on food security. The officials told us that developing guidance without a formal food aid and food security policy has been difficult. USAID, in cooperation with PVOS, is currently in the process of trying to formulate policies and determine the types of data needed to provide a basis for its operational guidance.

Recommendation Number 7

Issuance of Local Currency Guidance for Loan Reflows

The USAID Administrator should clarify the July 1991 local currency monitoring guidance to specify whether missions are required to monitor only the initial use of local currency or whether they are also required to monitor subsequent uses when loan funds are repaid and lent again.

²USAID officials told us that USAID was phasing out its entire series of printed handbooks because they are cumbersome and hard to use and become outdated soon after being issued. USAID plans to replace the handbooks with a series of directives disseminated to USAID missions on compact discs and accessible by mission staff on compact disk—Read Only Memory (also known as CD-ROM). The officials estimated that USAID could begin introducing new procedures for implementing the directives as early as October 1995.

Status: Fully implemented.

In December 1994, USAID issued guidance clarifying local currency monitoring. The guidance states that (1) the monitoring responsibilities of USAID missions must be identified in the agreement; (2) USAID missions are responsible for monitoring projects involving local currency through the completion date of the project agreement; and (3) at a minimum, USAID missions must monitor the first use of local currency, and continued monitoring of reflows depends on the development objectives of the activity.

**Recommendation
Number 8**

Ensurance of an Adequate and Properly Trained Staff

As part of the integrated workforce management system, the USAID Administrator should ensure that the agency has an adequate and properly trained staff to manage food aid programs.

Status: Partially implemented.

FFP has taken several actions to train USAID and PVO staff involved in food aid programs, but all needs have not been met. FFP designed and conducted an orientation course for staff who have little or no working knowledge of FFP's mission and procedures. FFP also conducted a 1-week food aid training session in September 1993 that was attended by USAID headquarters and field staff and PVO staff involved in food aid programs. FFP officials told us they plan to continue conducting at least two staff training sessions annually. However, as of December 1994, only 20 of 54 USAID staff involved in managing food aid programs had received Food for Peace Officer training.

FFP has also hired two officers with food-related experience to fill vacancies created through attrition. FFP officials told us that FFP was also in the process of recruiting another trained specialist for its staff. However, as of December 1994, 6 of FFP's 25 direct-hire professional staff positions were vacant.

Within USAID, the Bureau for Management is responsible for training activities. However, Bureau for Management officials told us in October 1994 that funding for FFP training had not been included in their budget for several years because of competing demands from other USAID components. In January 1995, the Bureau for Management agreed to

manage and finance several training courses for Food for Peace staff in fiscal year 1995.

Recommendation Number 9

Maintenance of Title II Records

The USAID Administrator should direct FFP to develop a system to maintain complete and accurate records to document its title II program oversight activities.

Status: Partially implemented.

FFP designed a new filing system to maintain title II records. In this system, information for title II programs is to be organized by country and functional category and maintained in one central location. FFP officials told us that the new system was designed to provide a uniform method for staff to easily identify and track title II program information. In addition, FFP is planning to include an automated index for the filing system. FFP officials said they are in the process of instituting the new system in all title II country program files. For the 20 fiscal year 1994 title II emergency programs, however, only 1 country file had been organized under the system as of November 1994. During our review, we examined the one reorganized title II emergency program file and found that it was properly organized and contained adequate documentation for FFP to conduct its oversight activities.

Recommendation Number 10

Accountability for Monitoring Food Aid Programs and Verifying PVO and Recipient Government Reports

The USAID Administrator should hold USAID's principal officers at overseas missions accountable for ensuring that food programs are adequately monitored and reports for PVOs and recipient governments are verified or at least spot-checked.

Status: Partially implemented.

USAID has continually maintained that its existing mission management structure makes it clear that principal officers at overseas missions are accountable for ensuring that food programs are adequately monitored and reports for PVOs and recipient governments are verified or at least spot-checked. USAID is in the process of undertaking actions that should

enhance principal officers' accountability, including revising its performance evaluations to include an assessment factor on food security and linking the allocation of food aid resources more closely with missions' food security objectives. We believe that the actions planned, if fully implemented, will address our concerns.

Recommendation Number 11

Title III Provision of Local Currency to Indigenous Nongovernmental Organizations

The USAID Administrator should develop systems to ensure compliance with Public Law 480 requirements that minimum allocations of title III-generated local currency are provided to indigenous nongovernmental organizations.

Status: Partially implemented.

In November 1994, USAID's Bureau for Humanitarian Response issued guidance requiring USAID missions to report annually on certain aspects of local currency, including the percent of local currency used to support indigenous nongovernmental organizations, the percent of local currency used to support U.S. PVOS, and the types of projects supported with title III local currency. To date, however, USAID has not systematically collected data or reported on local currency allocations to indigenous nongovernmental organizations.

Recommendation Number 12

Timely Review of Title II Proposals

The USAID Administrator should develop systems to ensure compliance with Public Law 480 requirements that title II proposals are reviewed and approved or denied within the required time frame.

Status: Partially implemented.

In 1993, FFP developed and established an automated system to identify the number of days from the date USAID receives a title II nonemergency program proposal until the date the proposal is either approved or denied. However, we reviewed the system in November 1994 and found that, for all fiscal year 1995 title II program proposals received by FFP, none were approved or denied within 45 days, as required.

**Recommendation
Number 13**

**Timely Submission of Title II Commodity Requests to the
Department of Agriculture**

The USAID Administrator should develop systems to ensure compliance with Public Law 480 requirements that mission commodity requests are submitted to the Department of Agriculture on time.

Status: Fully implemented.

FFP developed and established an automated system to identify the number of days from the date USAID receives a title II nonemergency commodity request until the date the commodity request is submitted to the Department of Agriculture. The system is well documented and includes written instructions and documentation for administering it. We reviewed the system and found that, for all programs approved during the 1-year period of June 1993 through June 1994, all commodity requests had been submitted to the Department of Agriculture within 15 days, as required.

Countries With Titles II and III Food Aid Programs in Fiscal Year 1994

This appendix lists the countries worldwide with titles II and III food aid programs in fiscal year 1994. Table II.1 shows title II programs, and table II.2 shows title III programs.

Table II.1: Title II Programs Worldwide for Fiscal Year 1994

Region/country	Commodities (in metric tons)	Value ^a (in thousands)
Africa		
Angola	71,320	\$45,452.5
Benin	5,020	2,189.8
Botswana	6,000	1,698.0
Burkina Faso	18,190	7,768.5
Burundi	48,130	40,302.1
Cape Verde Islands	18,760	3,455.9
Central African Republic	200	85.6
Chad	6,760	3,274.9
Eritrea	65,400	24,861.7
Ethiopia	177,590	67,100.8
Gambia	3,360	1,925.2
Ghana	34,820	8,362.3
Guinea Bissau	1,060	571.3
Kenya	45,170	20,326.7
Lesotho	7,900	3,381.2
Liberia	98,160	56,396.5
Madagascar	6,920	3,821.2
Malawi	25,000	8,775.0
Mali	600	219.4
Mauritania	2,610	1,334.0
Mozambique	50,320	15,966.1
Niger	12,020	3,978.6
Rwanda	57,970	44,235.9
Sao Tome	570	204.1
Sierra Leone	21,400	10,586.0
Somalia	24,000	16,807.6
Sudan	135,480	66,330.4
Togo	7,720	2,347.8
Uganda	2,000	2,113.8
Subtotal	954,450	\$463,872.9
Asia		
Bangladesh	110,990	\$26,074.5

(continued)

**Appendix II
Countries With Titles II and III Food Aid
Programs in Fiscal Year 1994**

Region/country	Commodities (in metric tons)	Value^a (in thousands)
India	244,333	117,672.6
Indonesia	34,840	9,061.1
Pakistan	30,800	7,108.0
Philippines	51,393	15,706.2
Sri Lanka	2,060	432.6
Subtotal	474,416	\$176,055.0
Europe		
Bosnia-Herzegovina	187,900	\$86,271.0
Croatia	16,250	8,367.3
Slovenia	2,440	1,023.3
Subtotal	206,590	\$95,661.6
Latin America and the Caribbean		
Bolivia	49,783	\$20,722.7
Costa Rica	1,525	988.7
Dominican Republic	7,060	4,847.9
Ecuador	14,390	3,058.4
Guatemala	40,225	14,732.8
Guyana	1,850	732.1
Haiti	57,650	25,305.4
Honduras	46,070	12,898.8
Mexico	26,000	5,378.7
Nicaragua	6,020	3,062.4
Panama	150	138.8
Peru	174,120	80,360.1
Subtotal	424,843	\$172,226.8
Near East		
Egypt	27,560	\$9,646.7
Gaza	1,500	792.7
Jordan	400	242.0
Morocco	620	375.1
West Bank	1,770	918.4
Subtotal	31,850	\$11,974.9
Total	2,092,149	\$919,791.2

Note: Figures include title II contributions to the World Food Program.

^aDollar values include commodity and freight.

Source: USAID.

**Appendix II
Countries With Titles II and III Food Aid
Programs in Fiscal Year 1994**

**Table II.2: Title III Programs Worldwide
for Fiscal Year 1994**

Region/country	Commodities (in metric tons)	Value* (in thousands)
Africa		
Ethiopia	210,085.8	\$44,699.8
Ghana	22,373.0	8,299.9
Guinea	25,004.0	9,000.0
Mozambique	70,180.0	14,999.9
Uganda	15,107.1	9,350.0
Subtotal	342,749.9	\$86,349.6
Asia		
Bangladesh	184,171.0	\$44,815.8
Sri Lanka	95,000.0	24,999.3
Subtotal	279,171.0	\$69,815.1
Latin America and the Caribbean		
Bolivia	100,000.0	\$14,892.0
Guyana	29,140.0	6,000.0
Haiti	35,300.0	15,000.0
Honduras	59,757.0	11,000.0
Nicaragua	44,916.9	13,026.1
Peru	130,548.0	23,000.0
Subtotal	399,661.9	\$82,918.1
Total	1,021,582.8	\$239,082.8

*Dollar values include commodity and freight.

Source: USAID.

Comments From the U.S. Agency for International Development

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



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

FEB 3 - 1995

Mr. Henry L. Hinton, Jr.
Assistant Comptroller General
United States General
Accounting Office
441 G Street, N.W. - Room 5055
Washington, D. C. 20548

Dear Mr. Hinton:

I am pleased to provide the U. S. Agency for International Development's (USAID) formal response on the draft GAO report entitled "FOREIGN AID: Actions Taken to Improve Food Aid Management" dated February 1995.

Thank you for the opportunity to respond to the GAO draft report and for the courtesies extended by your staff in the conduct of this review.

Sincerely,

A handwritten signature in dark ink, appearing to read "Larry E. Byrne".

Larry E. Byrne
Assistant Administrator
Bureau for Management

Enclosure: a/s

cc: OMB, Alice M. Rivlin
A/USAID, J. Brian Atwood

120 TWENTY-FIRST STREET, N.W., WASHINGTON, D.C. 20523

Appendix III
Comments From the U.S. Agency for
International Development

USAID COMMENTS ON THE GAO DRAFT REPORT
"FOREIGN AID: Actions taken to Improve
Food Aid Management"
Dated February 1995 (GAO/NSIA-95-74)

The Agency for International Development (USAID) appreciates the opportunity to comment on GAO's draft report on actions taken to improve food aid management. This report is a follow-up to GAO's July 1993 review of food assistance programs under P.L. 480, Titles II and III.

In the 1993 report, GAO made 13 recommendations to improve USAID's management of food aid programs. The follow-up review found that USAID has fully or partially implemented 10 of the 13 recommendations.

General Comments

GAO's prior report provided a useful benchmark in assessing food aid management. In late 1993/early 1994, USAID initiated a thorough review and reform of procedures used in the management, programming and evaluation of PL 480 food. One such reform was the "Food for Peace Transformation Program," which contained an Action Plan to address the recommendations in the 1993 GAO report. Among the specific tasks were: re-defining and focusing food security strategic objectives; a new project design and review process; a new food aid monitoring and evaluation plan; development of a "core" set of food aid performance indicators; a new monetization policy to ensure the most efficient use of food aid; streamlined Title II procedures; and an improved response to emergencies.

We are pleased that the GAO draft follow-up review acknowledges many of the actions taken by the Agency. In reviewing the subject report, however, USAID does have several differences of fact and interpretation which we believe the GAO should reflect in its final report.

The following comments are arranged in order of GAO's initial recommendations.

Recommendation No. 1: The AID Administrator should develop a working definition and procedures for declaring when a food deficit constitutes an emergency under Title II.

Status: Partially implemented.

Agency Response: USAID does have a working definition of when a food deficit constitutes an emergency. It is whenever there is a disaster declared by the U.S. Ambassador in which food aid is necessary or whenever there is an appeal by a multilateral

See comment 1.

Appendix III
Comments From the U.S. Agency for
International Development

2

organization like UNHCR or the World Food Program which requires emergency feeding. USAID's Office of Food for Peace (FFP) would then determine the appropriate U.S. response based on a variety of considerations, including need, competing requirements, availability of resources, and foreign policy concerns. FFP would utilize FAO/WFP food needs assessments or USAID's own assessments of requirements in making such determinations.

GAO also states that USAID should develop criteria for deciding "when an ongoing food deficit is no longer an emergency." In situations like protracted drought or civil strife "some emergency programs have evolved into sustained feeding programs that include few, if any, development aspects." USAID agrees that feeding programs are often classified as emergency for extended periods. Generally, these programs provide food for refugees or the victims of natural or man-made disasters. Today's world is increasingly characterized by complex, man-made emergencies. One characteristic of these "emergencies" is that they are prolonged over periods of years, not just months. USAID recognizes the protracted nature of these requirements does raise legitimate questions about whether these are "emergency" activities in the conventional sense of responding to sudden or unexpected needs.

However, USAID does not believe it is useful to try to define a line in this case. The legislation allows appropriate flexibility to respond to requirements. Section 201(1) of P.L. 480 authorizes USAID to provide Title II commodities to "address famine or other urgent or extraordinary relief requirements." Although there is substantial overlap, this authorization is broader than section 202(a) of P.L. 480 which states that "[n]otwithstanding any other provision of law, the Administrator [of AID] may provide agricultural commodities to meet emergency food needs under this title..." Clearly, extraordinary relief requirements can extend for a prolonged period.

Since programs under section 201(1) and 202(a) can be very similar, especially as they begin, both are administered by FFP's Emergency Division. Separate administrative categories are not maintained since the only legal difference is the "notwithstanding clause" that is available for emergency programs. (FFP has not used this extraordinary notwithstanding authority in any event.)

USAID's administration of the authorities in sections 201(1) and 202(a) has not caused legal, regulatory or administrative problems. Hence, there seems to be no benefits to additional criteria. If it becomes necessary, USAID will be prepared to justify use of the "notwithstanding" authority.

However, there is another important dimension GAO raises in observing that "some emergency programs have evolved into

Appendix III
Comments From the U.S. Agency for
International Development

3

sustained feeding programs that include few, if any, development aspects." USAID agrees that transition from emergency assistance to effective development programs is critical. USAID is addressing this issue. First, we are establishing strategic objectives for both emergency and development programs to help us determine when an emergency program's objectives have been met. Second, the new Food Aid and Food Security Policy paper accords greater priority to the relief to development continuum. We recognize that food insecure countries must be prepared to cope with recurring disasters and political conflict. Relief programs must ensure that families are able to return as quickly as possible to productive lives. Third, as we completed our reviews of development programs in July/August 1994, we initiated a series of similar reviews of our emergency programs, with the participation of the State Department, to examine each political context and determine whether these programs could move beyond the strictly relief stage to incorporate post-relief, rehabilitation and development activities. We recognize that this is difficult in such war-ravaged countries as Liberia or Bosnia, but for others, like Mozambique and Ethiopia, where political and security concerns have subsided, our programs are moving toward post-relief and development activities. Finally, we have scheduled a food aid and food security workshop for the Greater Horn of Africa (GHA) in March in Addis. The workshop will help USAID, PVOs, the World Food Program and major food donors define how food resources can best be used to support food security objectives in the region, and devise strategies to move programs from strictly relief to rehabilitation and sustainable development. In short, we are working on "operationalizing" the relief-to-development continuum.

In the discussion, GAO also asserts that priority is given to emergency programs over development programs. While it is true that USAID has made every effort to respond to emergency or famine or other extraordinary relief requirements, it is also true that we consider development programs a priority and have made a special effort to preserve funding for them. In effect, additional funding for emergencies has come from transfers and other sources outside Title II. As a result, the funding level for Title II development programs has remained steady for the past several years.

We acknowledge that this situation may not continue. Overall funding for food aid programs is declining and new recipient countries in the NIS and Eastern Europe are now claiming resources. USDA's Section 416(b) surplus commodities that have been used for emergency responses are no longer available, placing even greater strains on limited Title II food aid resources. Nevertheless, USAID sees the PVO development programs as an important resource for preventing emergencies in the first place, and we will make every effort to preserve funding for them. The new policy paper states explicitly that new mechanisms

See comment 2.

need to be developed to cope with emergencies.

Recommendation No. 2: The AID Administrator should develop criteria for exercising the discretionary authority to make procurements and shipments to respond quickly to food emergencies without adhering to general procurement and shipping regulations.

Status: Not implemented.

Agency Response: USAID does not agree that development of such criteria would speed delivery of commodities in emergency situations. USAID already has a variety of mechanisms available for expediting commodity deliveries. In its previous report, GAO noted that there was no evidence that recipients had suffered because of delays in delivery of commodities.

USAID continues to shorten the commodity pipeline for emergency programs by requesting special procurement outside the monthly Title II procurement, by early programming, and by borrowing commodities already at or near the emergency's location or "on the high seas" bound for another Title II program. These actions have been successful in reducing the delivery time of U.S. agricultural commodities through Title II.

Also, USAID frequently consults with the World Food Program to make interim arrangements for borrowing food aid from WFP's far larger resources to meet immediate and pressing requirements in specific cases when Title II resources could not reach the emergency so quickly or are otherwise not so readily available. As the largest donor to WFP, U.S. views are given considerable weight in such cases, especially when the real priority is delivering food rapidly to save lives as opposed to an individual donor's being identified with early arrivals.

Another alternative is to work with those affected countries who have sufficient foreign exchange to allow for increased purchases from nearby markets so that imported food can fill all or some of the food gap until donors' contributions arrive. This recourse was deliberately followed in some countries affected by the 1992 southern Africa drought.

Other examples of alternative sources are the World Food Program's Immediate Response Account (IRA) and the United Nation's Central Emergency Revolving Fund (CERF). During the Rwanda emergency in FY 1994, CERF funds were used for the immediate response and Title II special procurements were activated. While there were reports of death from disease, there were no reports of death from starvation. USAID's Office of Foreign Disaster Assistance (OFDA) may also procure food locally to meet emergency requirements.

Appendix III
Comments From the U.S. Agency for
International Development

5

In short, USAID is able to draw on the resources of the larger humanitarian assistance community or on the resources of affected countries to provide immediate response to emergency situations until Title II (or other donor countries') commodities arrive.

USAID is not being obstinate in concluding additional criteria are unnecessary. Nor does the Agency believe, as GAO states, that the approval process within USAID would be a burden or that outside entities such as farmers and shippers would be offended. It is simply the case that the Agency does not see how additional criteria or regulations would improve commodity delivery. It is also our experience in the few instances where we have waived general procurement and shipping regulations that delivery periods are not shortened significantly.

Recommendation No. 3: To ensure that AID's food aid programs emphasize food security as required by the 1990 amendments to Public Law 480, the AID Administrator should clarify and provide guidance on how Title II and III food aid programs are to meet the legislation's food security objective.

Status: Partially Implemented

Agency's Comments: USAID has accepted this recommendation wholeheartedly. The new USAID Food Aid and Food Security policy paper will be issued on or about January 31, 1995--before this report becomes final. This paper will satisfy GAO's recommendation. The status of this recommendation should be changed to "Fully Implemented" in GAO's final report

Preparing this policy paper took a bit longer than initially expected, in part because the subject involved a range of complex technical issues. In a real sense, providing guidance on this topic will be a continuous process as the global development environment changes and USAID acquires additional experience with food security. Moreover, the policy could not be drafted and adopted in a vacuum. It required a process of meticulous consensus-building within USAID and with our PVO partners and constituents.

Even before the policy paper was finished, the Agency held extensive Multi-Year Operational Program (MYOP) reviews in July and August of 1994. These reviews, which had long been perfunctory paper exercises, permitted all regional and central Agency bureaus, PVO headquarters and field staff, the Office of Management and Budget, and USDA to scrutinize each program proposal to determine whether it contained performance indicators to measure the impact of the program on more sharply focused food security objectives. As a result, thirteen proposals were not approved.

See comment 3.

See comment 4.

Appendix III
Comments From the U.S. Agency for
International Development

6

USAID is also taking additional steps to improve documentation of the impact of food aid programs on food security. Over the past several months, the Agency has held an extensive dialogue with the Food Aid Consultative Group (FACG), Cooperating Sponsors, USAID Missions and USAID/W Bureaus, to replace standard operational reports with a new, streamlined system for the preparation, review, approval and monitoring of Title II development projects. New guidance, which has been advertised in the Federal Register for comment, requires new program proposals to define food security objectives consistent with the new Food Aid and Food Security policy paper and to establish monitoring and evaluation systems that will document the impact of these programs.

To help ensure Title III programs also emphasize food security, the USAID Administrator issued new Title III guidance in May of 1994. This guidance stated that priority would be given to the neediest countries and to programs which increase agricultural production and consumption.

Recommendation No. 4: To ensure that AID's food aid programs emphasize food security as required by the 1990 amendments to Public Law 480, the AID Administrator should develop and systematically apply methodologies and performance indicators to monitor and evaluate the impacts of food aid programs on food security and direct that missions and PVOs collect data necessary for such evaluations.

Status: Partially Implemented

Agency's Comments: As noted in the draft GAO report, the Agency is currently developing methodologies and performance indicators for monitoring and evaluating impact as part of its commitment to install strategic planning and to "manage for results." This will permit USAID, our PVO colleagues and the recipient countries themselves to demonstrate and document the impact of food aid in a routine and sustained way in the future. This is a complex and sometimes costly process, however, and will require patience and time.

USAID will continue to draw on technical assistance from Management Systems International (MSI) under the Agency's PRISM contract to assist the Agency in refining food aid objectives and performance indicators. This technical assistance has been critical in furthering USAID's--and our PVO colleagues'-- understanding of the strategic planning process. In January, 1995, the Food for Peace Office contracted the services of the International Food Policy Research Institute (IFPRI) to provide us with technical assistance to help us on the substance of setting food security objectives and determining performance indicators. We expect that this "marriage" between MSI and IFPRI will permit us, as suggested by the GAO, to integrate food aid

Appendix III
Comments From the U.S. Agency for
International Development

7

indicators into PRISM.

For Title III programs, USAID will require that each program establish and rigorously implement a monitoring and evaluation (M&E) plan to assess the program's impact on food security. Many of the largest on-going Title III programs, in Bangladesh, Honduras, and Sri Lanka, have well-established M&E systems that have permitted the Agency to document the very significant impact these programs have had on such important policies as food consumption subsidies, agricultural pricing, and food grain production.

Once the process of establishing performance indicators for food aid programs is in place, USAID field missions and PVOs will have the shared responsibility of collecting baseline data as part of a routine monitoring and evaluation process.

Recommendation No. 5: To ensure that AID's food aid programs emphasize food security as required by the 1990 amendments to Public Law 480, the AID Administrator should report to Congress on whether food aid is the most efficient means for addressing food security.

Status: Not Implemented

Agency's Comments: It is true that USAID has not prepared a comprehensive report to Congress on whether food aid is the most efficient means for addressing food security. However, we disagree with the GAO that USAID has not attempted to determine whether food aid is the most efficient means to address food security objectives. We are working on this issue and will provide Congress a report when we have been able to resolve remaining issues and review our conclusions with the PVOs, the World Food Program and others. A status report on our progress will be transmitted by June 30, 1995. The status of this recommendation should be changed to "Partially Implemented."

It is clear food security has many dimensions and there are many ways to achieve food security. By extension, there are many programs and different resources which might be used to enhance food security. Depending on the circumstances, food aid may or may not be the most efficient resource. USAID has already concluded in the Food Aid and Food Security policy paper that food aid by itself is rarely sufficient to achieve sustained improvements in food security. Additional, complementary resources are almost always required, as are favorable national policies which will support development progress over time. Thus the efficiency of food aid can depend on the availability of these additional resources. USAID field missions with food aid programs will be expected to provide these complementary resources.

See comment 5.

Appendix III
Comments From the U.S. Agency for
International Development

8

One of the priorities USAID established in the Food for Peace Transformation Program adopted in May, 1994, was to ensure that food, as an expensive and "premium" resource, was used only when it could be demonstrated that it was an efficient means to address food security. This issue figured prominently in the extensive program reviews conducted last summer. USAID found that food was often not the most efficient resource for certain kinds of activities such as vocational training or micro-enterprise development where direct cash grants, especially local currency, would be a more efficient means to fund activities. The issue of food aid efficiency was a major criterion in making resource allocation decisions. New Title II proposals that did not make a convincing case that food was an efficient resource to use were not approved, while on-going programs were either phased out or new commodities introduced.

The factors we used to make decisions when "monetization" proposals were submitted were: (1) the price negotiated for the commodity; and (2) the need for food, rather than dollars or local currency, as a resource. We insisted, for example, that the price received had to reflect the program costs, including procurement, freight, storage and handling. We simply could not justify programs to Congress and the taxpayer that recovered only 70 cents on the dollar. We also required that food aid proposals demonstrate that food has an intrinsic value as food and would not be used simply as a substitute for dollar resources. Other criteria such as the impact on food prices in the local market, and the effect on local production of food were also examined. These criteria were included in cables transmitted to field Missions during and after the program reviews.

In addition, USAID has recently initiated an evaluation of monetized PL 480 Title II programs. Among the objectives of the evaluation as described in the Scope of Work is to "identify and clarify the comparative advantages of monetization. In doing so, develop a framework for determining when and to what extent monetized food is more efficient and effective than dollar resources. Of particular concern is a comparison to Title II monetization programs to DA-funded programs which use dollars converted to local currency."

While additional work remains to be done to ensure that food aid is used only when it is the most efficient means for addressing food security, we have certainly begun the process. The status of this recommendation should be changed to "Partially Implemented."

Recommendation No. 6: The AID Administrator should issue complete operational guidance for Title II and III food aid programs that reflect the 1990 legislative changes to Public Law 480.

Status: Partially Implemented

Appendix III
Comments From the U.S. Agency for
International Development

9

Agency's Comments: USAID has issued a revised food aid Handbook, operational guidance for Title II, guidance for local currency usage and guidance on program priorities for Title III. The process for issuing guidance will be ongoing. However, USAID believes adequate basic operational guidance is now in place. The status of this recommendation should be changed to "Fully Implemented."

See comment 6.

GAO's draft report notes the need "...to develop and issue more specific guidance in several areas, including developing methodologies for measuring and assessing the impact of food aid on food security." USAID missions and Cooperating Sponsors have been told in Agency guidance of the need to demonstrate the impact of their food aid programs. As mentioned in the comments under recommendation no. 4, the Agency is currently working to develop evaluation methodologies and performance indicators that will lead to additional operational guidance to field Missions and PVOs on appropriate data to be collected. Evaluation methodology is continuously evolving, and this guidance will be important. However, there is no doubt that new procedures and requirements will arise which will require continued updating of guidance.

As a matter of practice the Agency issues annual guidance related to both Title II and Title III program submissions. Guidance for FY 96 Title II Documentation for Development Projects has been streamlined by FFP in consultation with the Cooperating Sponsors, field missions and the appropriate Bureaus of USAID. The FY 96 guidance notification was sent to the Federal Register on January 13, 1995. It is also important to understand that the impact of USAID "reengineering" changes on project documentation, process and substance is not known in detail at this time, so guidance is interim until the reengineering changes are known. USAID is also developing with the PVOs a computerized Annual Approval and Procurement Schedule (AAPS) form to replace the Annual Estimate of Requirements (AER). The AAPS will be available on computer macro.

In short, in a dynamic and decentralized environment, there will always be need for guidance. USAID believes basic operational guidance is in place, and what will be required in future is refinement and updating of that guidance. USAID believes it has complied with this recommendation.

Recommendation No. 7: The AID Administrator should clarify the July 1991 local currency monitoring guidance to specify whether missions are required to monitor only the initial use of local currency or whether they also monitor subsequent uses when loan funds are repaid and lent again.

Status: Fully Implemented

Appendix III
Comments From the U.S. Agency for
International Development

10

Agency Response: N/A

Recommendation No. 8: As part of the integrated workforce management system, the AID Administrator should ensure that the Agency has an adequate and properly trained staff.

Status: Partially Implemented

Agency's Comments: One of the principle objectives of the Food for Peace Transformation Program is to develop a formal professional development program for USAID food aid management staff, including Foreign Service and Civil Service direct hires, Foreign Service Nationals (FSNs), and Personal Service Contractors (PSCs). Nevertheless, USAID acknowledges that more needs to be done before a true "career path" is established for food aid managers that provides incentives to attract and retain qualified staff.

USAID agrees with GAO that a number of Food for Peace positions remain vacant and that we will continue to be vulnerable until the Agency provides sufficient staff to manage the PL 480 program. The challenge for the Food for Peace Office is to find highly qualified, committed staff. However, notwithstanding the constraints imposed by the Agency's overall downsizing, FFP has made significant progress. FFP recently recruited an individual with field experience from the Peace Corps and identified a very qualified GS employee, both for the Development Program (DP) division. Management has also approved a new GS position in the Program Operations Division (POD) and FFP is in the process of identifying candidates. FFP has selected three candidates for new PSC positions in the Emergency Relief (ER) Division, and two will be on-board by the end of January. Two Foreign Service Officers have been assigned to FFP and will start work when their current field tours are completed at the end of this summer. The Agency brought on board a new class of International Development Interns (IDIs) last year, and two are currently working in FFP prior to assignment overseas. Additional IDIs are now being recruited for FY 95. USAID expects FFP to be fully staffed by this summer.

Some progress has also been made in staff training. As noted by the GAO, in the past year the USAID Food for Peace Office designed, conducted and evaluated a two-week Basic Food Aid Management Course, a three-day Orientation Course, and two one-day workshops. These programs will continue in FY 95. USAID's Office of Human Resources/Training Division has agreed to manage and finance these courses.

Recommendation No. 9: The AID Administrator should direct FFP to develop a system to maintain complete and accurate records to document its Title II program oversight activities.

See comment 1.

Appendix III
Comments From the U.S. Agency for
International Development

11

Status: Partially Implemented

Agency Response: When the GAO's original review of Title II and Title III was issued in July 1993, FFP had just completed an office reorganization. Since that time, with the assistance of personnel from USAID's Records Management Unit, FFP has made progress in reviewing file inventories, reorganizing materials and destroying significant quantities of working files that are no longer needed. FFP and Records Management are also working together to update Handbook 21 to facilitate file retirement for PL 480 materials.

At the time of the GAO review, FFP/Development Program Division had in place and continues to maintain comprehensive official country/sponsor files documenting Title II non-emergency program review and approval. While official files are in place for Title II Section 202(e) grants and Institutional Support Grants, FFP is in the process of consolidating them into the central filing system.

FFP has also made limited progress in establishing a unified Emergency Division filing system. Country/Sponsor official files have been established for fiscal years 1994 and 1995. However, staff vacancies and turnover have impeded efforts to assure filing of complete documentation.

Several other areas of FFP oversight responsibility were not addressed by GAO's comments. FFP maintains comprehensive and up to date official files related to automated budget tracking and transportation account management. Additionally, FFP has and continues to maintain comprehensive and up to date official files on World Food Program country projects, proceedings of the semi-annual WFP governing body meetings, and WFP policy discussions.

In conclusion, FFP has given priority to maintaining and establishing functioning systems within the four operating units of the office. To the extent possible and appropriate, selected filing functions are being centralized.

Recommendation No. 10: The AID Administrator should hold AID's principal officers at overseas missions accountable for ensuring that food programs are adequately monitored and reports from PVOs and recipient governments verified, or at least spot checked.

Status: Not Implemented

Agency Response: USAID holds field mission directors accountable for all USAID resources in their countries, including ensuring that food programs are adequately monitored. This monitoring should include ensuring reports from PVOs and recipient governments are reviewed and, where necessary, verified. USAID missions are directly responsible for Title III

See comment 1.

Appendix III
Comments From the U.S. Agency for
International Development

12

programs; they are required to review and recommend approval of Title II programs; and they certify the management capacity of the PVOs. As part of each mission's annual vulnerability assessment, conducted under the Federal Managers Financial Integrity Act, field missions are required to report on the status of their food aid management plans and related oversight of food aid.

USAID does not believe there is any question Mission Directors are accountable for effective food aid management. The status of this recommendation should be "Fully Implemented."

See comment 7.

It appears GAO has given too much weight to review of individual performance plans in assessing the status of this recommendation. USAID mission directors have many responsibilities, so it is not remarkable that food aid management is not singled out in their performance plans, even for missions with large food aid programs. Mission directors are held accountable for oversight of food aid programs just as they are held accountable for oversight of dollar-funded programs.

Mission director accountability in management of food aid programs will be further enhanced through the improvements to USAID evaluation systems detailed under recommendation 4. Introducing these new systems is already beginning to give food aid a more prominent role as a development and humanitarian resource within USAID. Also, perceptions of the importance of food aid are changing. More missions are adopting food security objectives, and missions with significant food resources will be required to adopt a food security objective as a condition for receiving future allocations. As part of the Agency's "re-engineering" exercise, the achievement of a Mission's strategic objectives will become the basis of a performance "pact" between the USAID Administrator and each mission director. Monitoring performance against this "pact" will further enhance field managers' accountability for food aid resources.

USAID does acknowledge that there is room for improvement in the Agency's current, general system for assessing personnel performance. Development of a new system was begun in May 1993 and will be fully implemented in April 1995. However, this does not mean that responsibilities are currently unclear or that managers are not held accountable.

Recommendation No. 11: The AID Administrator should develop systems to ensure compliance with Public Law 480 requirements that minimum allocations of Title III-generated local currency are provided to indigenous NGOs.

Status: Partially Implemented

Agency Response: USAID accepts this recommendation and is

Appendix III
Comments From the U.S. Agency for
International Development

13

introducing such a system.

On November 9, 1994, FFP instructed USAID field missions with the largest Title III programs to provide information regarding the percentage of local currency generations which were provided to indigenous NGOs. Thus far four of the 13 missions have replied: Bolivia, Ethiopia, Peru and Sri Lanka. The Title III program commodities in Ethiopia do not generate local currencies. The other responses were as follows: Bolivia 4.03 percent, Peru 18.43 percent, Sri Lanka 10.0 percent. USAID sent a follow-up cable seeking comparable information for the remaining missions with Title III programs on January 26, 1995.

Existing Agency Title III guidance instructs Missions to submit Annual Progress Reports. New guidance included in the above cited cable requires that "missions with Title III programs also provide the above information in their future Title III annual progress report cables." Based on these reports, BHR in consultation with appropriate regional bureaus will prepare a consolidated report. Program performance, or lack thereof against this benchmark, i.e. local currency programming for indigenous NGOs, will be discussed in the Agency review of each Annual Progress Report.

Recommendation No. 12: The AID Administrator should develop systems to ensure compliance with Public Law 480 requirements that Title II proposals are reviewed and approved or denied within the required time frame.

Status: Partially Implemented

Agency Response: The draft GAO update states that FFP has not issued clear written instructions and documentation for administering the 45-day clock. While they are not extensive, written instructions related to administration of the 45-day clock are included in USAID's cable guidance for preparation of FY 1995 Title II proposals. It is our intention to amplify these instructions; nonetheless, it is not a certainty project approval will be expedited as a result. Ultimately project approval is dependent upon availability of commodities, an authorized P.L. 480 Title II appropriation, an Agency approved operating year budget and substantive review of individual projects.

Although FFP did not consistently issue "official" documentation regarding decisions taken on Title II proposals in a timely manner, it informally notified Cooperating Sponsors of decisions made on FY 95 Title II proposals prior to the expiration of the 45-day clock for most submissions. The GAO was informed of the following actions that were taken by FFP to ensure that FY 95 Title II proposals were reviewed and approved or denied within a reasonable time frame:

See comment 8.

Appendix III
Comments From the U.S. Agency for
International Development

14

1) Central to the FY 1995 Title II review process were face-to-face meetings between USAID/W and Cooperating Sponsor staff where individual country programs were discussed in detail. In most cases, this involved review of several proposals, since most Cooperating Sponsors operate in more than one country. Issues were discussed and Cooperating Sponsors were informed of FFP's position regarding proposal merit. These sessions were held during July/August 1994, with one Cooperating Sponsor handled each session. Larger Cooperating Sponsors required multiple sessions. Nearly all of the 45 day period--in some cases more--was required by this comprehensive period of review and consultation.

2) Immediately after the conclusion of the Cooperating Sponsor Title II review meetings, an internal FFP meeting was held during the first week of August to finalize resource decisions on all Title II development programs.

3) Throughout the review process, FFP/DP staff remained in close contact with Cooperating Sponsor Headquarters staff with regard to status of their FY 95 Title II submissions. In particular, Cooperating Sponsors were verbally informed of the decisions made immediately following the internal FFP meeting on all Title II proposals.

4) During FY 95 particular attention was given to on-going programs in order that current beneficiaries received a steady flow of Title II commodities. In other words, the delays in official documentation notifying Cooperating Sponsors of decisions made did not result in any rupturing of commodity pipeline to the field and end-users.

FFP provided the GAO with the following support documentation: Title II review meeting schedule, review meeting minutes, tracking documents used to monitor the 45-day clock, and the detailed operating procedures report entitled "FY 95 P.L. 480 Title II Review and Approval Process" dated May 10, 1994.

See comment 9.

Recommendation No. 13: The AID Administrator should develop systems to ensure compliance with Public Law 480 requirements that mission commodity requests are submitted to USDA on time.

Status: Fully Implemented

Agency Response: N/A

P:\FHAPUB\DOCS\GAOD2.FFP

The following are GAO's comments on USAID's letter dated February 3, 1995.

GAO Comments

1. The report text has been modified to reflect this information.
2. Although the funding level for title II development programs has remained steady, the overall funding level for food aid-supported development programs has declined because funds programmed for title III and section 416(b) programs have been reprogrammed for emergencies.
3. We continue to believe that our July 1993 recommendation remains valid because such criteria could function as a decision-making tool and identify appropriate emergency responses to be made based on the nature and severity of the situation. Under normal circumstances, commodity procurement and shipping can take several months, which could be too late to meet the immediate needs of emergency victims. For example, as we reported in 1992, PVO officials in Angola and Mozambique reported that food shipments were delayed to the detriment of some programs. In one of these cases, the food aid did not arrive until 6 months to 1 year after the request.¹ Additionally, despite USAID's beliefs that the approval process would not be a burden and that outside entities such as farmers and shippers would not be offended, the FFP officials involved in the day-to-day management of food aid programs believe that would be the case if the normal procurement procedures were bypassed and non-U.S. commodities and non-U.S.-flag carriers were used.
4. On February 27, 1995, USAID issued a food aid and food security policy. The status of the recommendation was upgraded to fully implemented.
5. As of December 1994, we had found no evidence that USAID had made progress toward determining the efficiency of food aid. Thus, we maintain our characterization of the recommendation as not implemented.
6. We did not change our characterization of this recommendation to fully implemented because a number of persons responsible for implementing food aid programs, namely PVO officials, told us that current USAID guidance found in both the revised Handbook 9 and the draft Food Aid and Food Security Policy paper is too broad and that more details regarding the specific methodologies and indicators to be used for

¹Foreign Disaster Assistance: AID Has Been Responsive but Improvements Can Be Made (GAO/NSIAD-93-21, Oct. 26, 1992).

**Appendix III
Comments From the U.S. Agency for
International Development**

measuring the impact of food aid on food security have to be identified either with additional guidance or addressed in current guidance.

7. Based on the information USAID provided, we upgraded the status of the recommendation to partially implemented. However, we believe that actions taken to date do not represent full implementation.

8. PVOs should not be expected to begin implementing programs based on informal notification from USAID. USAID does not seem to recognize that an informal approval presents an awkward situation for a PVO because it would not be prudent for a PVO to program resources and/or initiate program activities without formal approval from USAID.

9. The supporting documentation USAID referred to is the basis for our conclusion that USAID has not been approving or denying program proposals within 45 days, as required.

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015**

or visit:

**Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC**

**Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066, or TDD (301) 413-0006.**

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (301) 258-4097 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Mail
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested

