



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

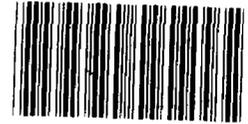
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INTERNATIONAL DIVISION

B-203453

JUNE 10, 1981

The Honorable M. Peter McPherson
Administrator, Agency for International
Development



115449

Dear Mr. McPherson:

Subject: Managing Assistance for Foreign
Disaster Reconstruction (ID-81-40)

We have examined foreign disaster reconstruction activities in several countries where the United States has been a recent and principal provider of assistance. We identified some issues and made some observations, which we believe should be brought to your attention. The enclosure to this letter contains the information we developed and our conclusions and recommendations for your consideration.

- AID should consult with the Congress, following major disasters, and should suggest that the level of funding await an assessment of the needs in the affected areas.
- Some aspects of AID in-country monitoring of disaster reconstruction projects should be improved.
- The countries receiving U.S. assistance for disaster reconstruction should give public recognition of the source of the assistance, as required by AID policy.

We have discussed the information developed during our review with officials in various AID missions and at headquarters and have incorporated their views where appropriate.

This report contains recommendations to you on pages 9 and 11. 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 not later than 60 days after the date of the report 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. We would appreciate receiving copies of your statements to the committees.

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We are sending copies of this report to the four committees mentioned above and to interested House and Senate authorization subcommittees.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Frank C. Conahan". The signature is written in a cursive style with a large initial "F".

Frank C. Conahan
Director

Enclosure

Managing Assistance for Foreign
Disaster Reconstruction

BACKGROUND

The American people traditionally have responded generously to the victims of earthquakes, floods, drought, storms, civil strifes, and other calamities. Over the years, the U.S. Congress has reflected that humanitarian concern through the authorization of funds for disaster relief programs in many of the affected countries. Since 1976, for example, the United States--through the Agency for International Development (AID)--has provided more than \$700 million for disaster relief, rehabilitation, and reconstruction assistance.

The U.S. policy has been to provide emergency relief to disaster victims, to assist in rehabilitating vital facilities and services, and to provide reconstruction assistance in cases of severe social and economic disruption. The basic authority for providing disaster relief assistance is contained in the Foreign Assistance Act (FAA) of 1961, as amended. Sections 491, 492, and 493 of the act authorize short-term relief and rehabilitation to countries which have suffered from natural and man-made disasters. The Administrator of AID has been designated as the Special Coordinator for assistance in cases of international disaster. When damage is extensive, long-term reconstruction assistance is frequently provided, primarily under FAA authority, Sections 495 and 106.

The AID Office of Foreign Disaster Assistance (OFDA) and the Chief of the U.S. diplomatic mission have the responsibility for initiating and coordinating international relief and rehabilitation assistance efforts. When long-term disaster reconstruction assistance is authorized, AID geographic bureaus assume responsibility for project planning and implementation. U.S. disaster assistance has funded such projects as permanent buildings for housing, schools, roads, and medical, electrical, and agricultural facilities.

U.S. disaster relief to any country begins when the U.S. Ambassador determines that the situation is serious enough to warrant U.S. assistance. Following this determination, mission personnel assess damages and plan and coordinate the delivery of short-term relief and rehabilitation. The OFDA staff may also participate in the planning for follow-up, long-term reconstruction programs which the AID geographic bureaus will manage.

AID procedures, reflecting the intent of the Congress, separate disaster assistance into three categories:

- Emergency disaster relief is assistance given to immediately alleviate the suffering of disaster victims or to repair and restore essential services. Normally, the emergency period is 60 days.

--Short-term rehabilitation is assistance given to repair or reconstruct roads, bridges, schools, communication and other facilities necessary to restore a country's equilibrium and the self-reliance of disaster victims. This phase may extend to an additional 90 days after plans are formulated and funds are made available.

--Long-term reconstruction is assistance to reconstruct public facilities, agriculture, housing, and economy back to or beyond the pre-disaster levels.

This report deals only with long-term disaster reconstruction. Assistance for disaster reconstruction provided to developing countries where AID has overseas missions, usually involves AID in-country mission personnel, working closely with OFDA and AID geographic bureaus. In other countries, assistance for disaster reconstruction is administered in several different ways (based on any unique requirements or political considerations), and can entail establishing a special AID office, providing assistance through the United Nations or through private and voluntary organizations.

REVIEW OBJECTIVES, SCOPE, AND METHODOLOGY

In this review, we examined AID overall management of disaster reconstruction programs, with special emphasis on how well reconstruction projects are planned, implemented, and monitored. We also attempted to determine whether the programs are undertaken based on carefully identified needs, especially to further developmental objectives in stricken countries and to focus on disaster victims. We reviewed these programs because of the frequent occurrence of major disasters, which has necessitated congressional action, and the significant expenditures for disaster reconstruction.

The review was performed principally by examining records and by interviewing responsible AID officials in Washington, D.C., and at locations in six countries where the United States provided disaster reconstruction assistance: Cyprus, Dominica, the Dominican Republic, Italy, Nicaragua, and Romania. From October to November 1980, we visited each of these countries, examined AID and U.S. Embassy records relating to the reconstruction assistance projects, discussed the implementation of these projects with AID, Embassy, U.N. and host-country officials and visited several sites where reconstruction projects were in progress. Information recently developed by the AID Inspector General on disaster reconstruction programs in Guatemala, Honduras, and Nicaragua was also made available and was used in developing this report. To include a variety of countries and types of disasters, and because over \$400 million has been authorized in reconstruction assistance for these countries, we selected specific reconstruction programs which are now in progress. A list of these programs follows on the next page.

DisasterCountries

Earthquake
Hurricane
Civil strife

Italy, Nicaragua, Romania
Dominica, the Dominican Republic
Cyprus, Nicaragua

We reviewed authorizing legislation and legislative histories on disaster assistance activities as well as AID procedures and practices. Because disaster reconstruction projects are generally implemented under AID development assistance project procedures, we updated the actions AID has taken to implement our earlier recommendations 1/ for improved project planning and monitoring.

Because of OFDA's key role in the initial phases of U.S. disaster assistance, and as a means of identifying those recent disasters for which U.S. reconstruction assistance has been provided, we examined appropriate OFDA records relating to expenditures for relief and rehabilitation. We also interviewed several OFDA personnel regarding their involvement in the specific disaster reconstruction projects we selected for our review. We did not review OFDA relief and rehabilitation operations and practices.

FUNDING RECONSTRUCTION PROGRAMS

In recent years, the Congress has provided special authorization for relief, rehabilitation, and reconstruction following disasters. In some cases, funds are authorized before the extent of damage and reconstruction needs have been ascertained. In December 1980, AID was granted authority to borrow funds from its economic assistance programs for disaster relief. This authorization gives AID added flexibility in providing emergency relief in major disasters and should lessen the need for the Congress to immediately authorize funds for reconstruction programs before damage and reconstruction needs have been assessed.

We recognize that inherent in most disasters are emergency situations which usually involve human suffering and that the urgency to provide immediate relief and rehabilitation to the victims is great. However, reconstruction assistance does not usually need to be provided with the same urgency. Past experience shows that the delivery of some reconstruction assistance often continues for many years beyond immediate relief.

The amount of U.S. funds has been established in specific disaster authorization legislation in recent years, before ascertaining the need of a country for assistance. For example, an earthquake struck the Friuli region of northern Italy in May 1976. In responding to this disaster, the Congress authorized \$25 million for relief and reconstruction assistance prior to any meaningful

1/"AID Slow In Dealing With Project Planning And Implementation Problems," (ID-80-33, July 15, 1980).

assessment of damage and need. In another case, an earthquake struck Bucharest, Romania, and other cities on March 4, 1977. On April 18, the Congress authorized \$20 million for post-earthquake assistance. It was not until about a week later that an AID team was sent to Romania to assess the damage and determine how the \$20 million could be used in assisting the earthquake victims.

In a more recent example, on November 23, 1980, a major earthquake struck Southern Italy. One week later, congressional hearings were held on the need to authorize funds for disaster relief and reconstruction there. The amount of assistance--\$50 million--was established during congressional deliberations, based on the severity of the earthquake and the number of victims. A U.S. assessment team went to Italy in late December 1980 to make an assessment of the damage and to determine what use might be made of the \$50 million. In April 1981, plans were still being formulated as to how the assistance would be used in affected areas of Italy.

We are questioning neither the need for assistance nor the eventual use of the funds. However, in our opinion, there may be benefits in identifying reconstruction needs before funding levels are established. For example, in the normal AID project planning and funding cycle, specific needs and target areas are usually identified as a foundation and justification for requesting funds. Reversing this cycle, as in past disaster authorizations, may result in less scrutiny and justification in determining which disaster projects the United States undertakes or supports.

Moreover, requests for reconstruction assistance, based on adequately established needs and included in AID's regular budgetary review and approval process, would provide the Congress an opportunity to more thoroughly evaluate the funding needed.

Public Law 96-533 was enacted on December 16, 1980, (FAA, Section 492, as amended), to give AID further flexibility in responding to major disasters. The legislation authorizes AID to transfer up to \$50 million from other economic assistance accounts into the international disaster assistance account in any fiscal year. This amendment allows AID as much as \$50 million in additional funding for disaster relief and rehabilitation, as needed. The accounts against which obligations are incurred would be reimbursed from subsequent disaster assistance appropriations.

This new authority may give AID additional flexibility to fund disaster relief and rehabilitation and to lessen the need for the Congress to rush through special disaster relief legislation, as in the past.

We understand that AID was still studying the effect of the new legislation in May 1981. Some AID officials stated that use of development assistance accounts as a means of funding

reconstruction programs may increase in the future. Other officials were uncertain about whether the new borrowing authority would produce the desired flexibility, particularly when funds are short in the development assistance accounts.

Observation

We understand the need to promptly demonstrate the desire of the American people to help victims of major disasters. We believe, however, that the amount of long-term disaster reconstruction assistance need not be set until the damage has been adequately assessed and the need for assistance can be fully evaluated. Establishing a dollar level for long-term assistance without adequate assessment of the damage and evaluation of needs, close coordination among the donors, and careful consideration of the broader AID developmental role in each stricken country, may not provide the most appropriate recovery approach.

In our view, the urgency in authorizing disaster reconstruction programs has been lessened with AID's new authority for funding emergency relief from other AID accounts. We believe that AID needs to quickly assess the needs in each affected area following major disasters and then consult with the Congress on the appropriate level of U.S. response.

MONITORING DISASTER RECONSTRUCTION PROJECTS

AID has a responsibility to monitor the implementation of AID-funded disaster reconstruction projects. AID personnel in overseas missions and in AID Washington headquarters are responsible for exercising adequate oversight over the implementation of reconstruction projects.

Our review of reconstruction projects disclosed that in some cases, project monitoring is not being carried out adequately. Implementation problems in reconstruction projects are not being identified nor is corrective action being taken on a timely basis. The result is that the recovery efforts of countries suffering from disaster damage are hampered. The following examples illustrate this point.

Nicaragua

On June 19, 1980, AID and the Government of Nicaragua signed a \$15-million disaster-related loan agreement intended to provide balance-of-payment support and to stimulate production and employment. The funds were credited to a Government of Nicaragua account in the United States on June 24. According to the loan agreement, the Government of Nicaragua was to

- establish a special account for the local currency counterpart of the \$15 million;

- in 1 year's time, import U.S. goods or services of a developmental, non-luxury nature equal to at least the amount of the loan;
- make at least 60 percent of the loan amount available to private industry in Nicaragua; and
- maintain books and records in accordance with generally accepted accounting principles.

In September 1980, AID reviewed the information supplied by Nicaragua on using the U.S. funds and certified that the Government was complying with the loan terms and conditions. Our review in November 1980, however, showed that several key conditions had not been met, as illustrated below.

- Although Government of Nicaragua officials reported that the funds were readily available, they had not established a separate account for counterpart funds.
- Recordkeeping was done poorly and the amounts of purchases reported by the Government were not verified. One list of commodities totaling over \$11 million overstated their value by about \$400,000.
- The commodities imported under the program occasionally included items that, in our opinion, were not developmental in nature. For example, items such as orange-crush and kola-champagne concentrates should only be considered acceptable for loan purposes after higher priority needs--grain, foodstuffs, and spare parts for farm machinery--are met.

The AID officials responsible for monitoring Government use of loan funds said that because they intended to perform a more thorough review at a later time, they only superficially examined the information provided. At the time of our visit, they had not performed such a detailed review.

Following the certification that the Government had complied with loan conditions, AID and Government officials signed an agreement on October 17, 1980, for a second economic recovery loan for \$55 million. The loan agreement stipulated that disbursement of funds would depend upon a review and certification that the purposes and conditions of the assistance were being met. AID should closely monitor this loan to ensure full compliance with loan conditions.

Romania

To carry out the \$20-million reconstruction assistance program in Romania, AID procured much of the equipment to be used to demolish damaged buildings. The General Services Administration was responsible for procuring medical and school equipment, and

the U.S. Geological Survey was to identify and procure seismic equipment. The AID Near East Bureau was responsible for monitoring these activities.

The first phase of the program, consisting of urgently needed construction and medical equipment valued at \$7 million, was implemented in approximately 10 months. We found, however, that various problems in selecting, ordering, and maintaining equipment needed have significantly delayed delivery of reconstruction assistance during the second phase of the program. For example, the requisitioning and ordering of seismic equipment, which was valued at over \$800,000, was not completed until late in 1980--more than 3 years after the earthquake. Further, the delivery of this equipment could take as long as a year. These delays were attributed to poor communication and lack of person-to-person contact between U.S. and Romanian technical experts and persons responsible for project monitoring.

The delay of another item of assistance--a \$370,000 medical computer--was attributed to the inability to obtain a U.S. export license. This equipment, originally ordered in 1978, will not be delivered; the order was cancelled in November 1980. In addition, serious hardware problems with some defective construction cranes have affected the delivery of reconstruction assistance. These cranes have been inoperative for long periods of time and have had continuing maintenance problems. In January 1981, AID and manufacturing representatives visited Romania to resolve these problems.

Reconstruction assistance is given to help the affected country's recovery from disaster damage. Serious delays in identifying and ordering the necessary equipment adversely affect desired results. Monitoring responsibility requires that adequate time be devoted to assisting the host countries in solving implementation problems and in providing the appropriate technical information to help them select and obtain needed equipment.

We were told that monitoring the Romanian assistance program was informal because the Romanian Government was sensitive about allowing inspection of AID-supplied equipment. Because AID has no permanent representatives in Romania, routine monitoring was done by the U.S. Embassy personnel, and AID made no periodic visits to Romania after mid-1979. At the time of our visit to Romania in November 1980, the Embassy had little material available in its files concerning the early phase of the program.

AID Inspector General findings

The AID Inspector General has found monitoring problems in recent audits of disaster reconstruction activities which were conducted in Nicaragua, Honduras, and Guatemala, including the following observations.

--In Honduras, AID did not inform the responsible host-government agencies in writing of appropriate

project reporting requirements and format to be used, therefore, agency reports were not in sufficient detail.

--In Guatemala, the AID mission did not plan for continuity in reporting the progress of assistance programs after the 1976 earthquake. Long-term disaster relief assistance programs were not incorporated into regular development assistance. When the AID officer-in-charge left, subsequent project information was submitted sporadically and was incomplete.

--In Nicaragua, the auditors found that the Government did not use funds according to the original plan for the grain price stabilization program. Lack of testing equipment and grain storage facilities resulted in a high percentage of waste.

The problems which the Inspector General noted confirm our observation that monitoring disaster relief reconstruction programs needs to be strengthened and improved. Some of the principal causes of the monitoring problems follow.

--Although a disaster reconstruction project may significantly increase the level of U.S. assistance in the affected country, there is no comparable increase in the AID staff.

--When responsible AID individuals leave a post, there is no replacement or the replacement may be unfamiliar with monitoring procedures, resulting in lack of personnel continuity.

--Inordinate delays by AID in issuing standards for monitoring may lead to this function being performed differently at each post.

--The host-government agency responsible for implementing a project is unfamiliar with reporting procedures and AID does not provide them sufficient guidance in these areas.

Some of these situations are discussed below.

In countries where AID has overseas missions, the monitoring of AID regular programs is generally the responsibility of the various project managers and the Controller's office. However, in disaster situations, the staff may be unable to perform the regular duties concurrently with disaster-related projects.

For example, in Nicaragua, the AID staff size was reduced considerably during the civil strife period. In fiscal year 1978, when U.S. assistance to Nicaragua was approximately \$13 million, the AID staff at the Controller's office consisted of 4 Americans

and 13 local employees. Also in September 1978, the number of AID direct-hire American employees in all divisions at the post was 24, and in September 1980 it was 14. In January 1981, the Controller's office had 2 Americans and 14 locals. From July 1979 to October 1980, the assistance expended on various AID programs in Nicaragua, including disaster assistance, amounted to about \$107 million. AID also planned a \$79-million assistance program for Nicaragua for fiscal year 1981. Compounding the problem in Nicaragua is the presence of a new, inexperienced government which was installed following civil strife. AID's experience with this government has been limited and the monitoring abilities are unknown.

In Italy, Romania, and Cyprus, AID was not represented at the time of disasters. To provide reconstruction assistance, AID assigned staffs to Italy and Cyprus. Monitoring of these reconstruction programs appeared to be adequate. In Romania, informal monitoring of the project was done by various U.S. Embassy officials and an occasional AID/Washington visit.

Our prior review of AID project implementation disclosed that inadequate monitoring continues to be a problem, causing project delays. We recommended in 1980 1/ that AID speed the process of issuing adequate project monitoring guidelines and AID expressed its intention to establish and publish monitoring guidance.

AID has been operating without adequate monitoring guidance for years. In June 1980, AID issued guidelines to project officers who monitor direct AID contracts and grants. However, clear and definitive instructions and standards for project officers who are monitoring host-country and contractor-implemented activities are still to be issued. An AID official told us in May 1981 that a draft of a monitoring guidance document is being circulated among the AID staff.

CONCLUSION AND RECOMMENDATION

In disaster situations especially, the need to alleviate destruction and human suffering places a special burden on AID to see that the reconstruction assistance is delivered quickly and smoothly. This requires that the assistance effort be adequately staffed and monitored.

We stated in our July 1980 report that AID actions underway and promised in issuing monitoring guidelines for the AID staff are positive moves to close a serious gap in AID operating procedures. We believe that AID should act quickly to complete these guidelines. Accordingly, we recommend that the Administrator, AID, act to assure that monitoring guidelines are issued in 1981.

1/"AID Slow in Dealing with Project Planning and Implementation Problems," (ID-80-33, July 15, 1980).

PUBLIC RECOGNITION OF U.S. DISASTER ASSISTANCE

AID policy requires that projects and commodities financed under AID programs be suitably marked to identify them as being provided by the United States. This requirement also applies to disaster reconstruction projects. The primary source of this requirement is FAA, Section 641, which states that programs under the act shall be identified appropriately as "American Aid." A similar requirement is also contained in Public Law 480, Section 202--the Food for Peace Act. Recently, the Congress urged AID to comply fully with this legislation. 1/

During our review, we noted varying degrees of compliance with the identification requirement. This visibility for U.S. assistance ranged from projects which clearly identified disaster-relief as being provided by the people of the United States to projects which did not acknowledge U.S. assistance.

For example, frequent recognition for the U.S. contribution for assistance to the Italian earthquake victims was gained through public ceremonies and permanent, prominently placed plaques on completed facilities.

The nature of the Romanian assistance program has not lent itself to widespread public ceremonies, but we did note that AID-financed medical equipment was marked with the AID clasped-hand emblem. It was generally agreed that the United States was widely recognized as a major donor in Romania.

In authorizing reconstruction assistance to Nicaragua, following the civil strife of 1978 and 1979, the Congress specifically stipulated in May 1980 that up to 1 percent of the funds would be used to publicize the extent of U.S. aid programs to the people of Nicaragua. We discussed with AID mission officials in October 1980 what recognition had been given or was planned for the assistance provided. They told us that publicizing U.S. assistance had been difficult through means other than press releases and media coverage when loan agreements are signed. In some locations where signs of AID support had been posted, they were removed shortly thereafter by nonsympathetic locals.

We noted that some publicity for U.S. assistance was given at the Managua urban reconstruction projects following the 1972 earthquake. In two of these projects we visited, signs and plaques were conspicuously posted, giving recognition of U.S. assistance to the project. By contrast, at reconstruction sites in Honduras, the AID Inspector General found few signs or markings to acknowledge U.S. participation in the financing of these projects. Likewise, the vehicles and equipment acquired with loan funds were not marked with appropriate emblems.

1/Conference Report No. 96-1471, dated November 20, 1980.

In Cyprus where U.S. reconstruction assistance is distributed through the United Nations High Commissioner for Refugees (UNHCR), public recognition for U.S. assistance is rarely given, even though the United States has been the only major international contributor in recent years. Further, the U.S. Embassy and AID have attempted to obtain wider recognition of this contribution. We did not see any display or public acknowledgement of U.S. assistance at any of the projects we visited. In addition, in dedicating recently completed housing for displaced people--constructed primarily with U.S. contributions--Government of Cyprus officials did not acknowledge U.S. assistance. One project, a handicrafts promotion center for which the U.S. contribution amounted to \$875,000, did have a plaque acknowledging the support of the Government of Greece and UNHCR but not the United States.

Both the U.S. Ambassador and the UNHCR Chief of Mission told us that Cypriot officials have been reluctant to acknowledge UNHCR and U.S. assistance. The UNHCR Chief of Mission said that he was going to lodge an official complaint to the Government of Cyprus, concerning the lack of recognition.

CONCLUSION AND RECOMMENDATION

Compliance with the legislative requirement that countries receiving reconstruction assistance acknowledge U.S. participation in these projects has been inconsistent. We believe that AID should insist that all U.S. directly financed equipment and materials provided at construction sites and other project locations be suitably marked and recognized as American assistance. Accordingly, we recommend that the Administrator, AID, establish more stringent procedures to assure that recipient host-countries appropriately acknowledge U.S. disaster assistance and U.S. participation in disaster reconstruction projects.