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Report to Congressional Committees

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FOREIGN ASSISTANCE

Disaster Recovery Program Addressed Intended Purposes, but USAID Needs Greater Flexibility to Improve Its Response Capability

G A O

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Abbreviations

CDC	Centers for Disease Control and Prevention
DOT	Department of Transportation
EPA	Environmental Protection Agency
FEMA	Federal Emergency Management Agency
GAO	General Accounting Office
HUD	Department of Housing and Urban Development
INL	International Narcotics and Law Enforcement Affairs (State Department)
NOAA	National Oceanic and Atmospheric Administration
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USGS	U.S. Geological Survey

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

July 24, 2002

The Honorable Robert C. Byrd, Chairman
The Honorable Ted Stevens, Ranking Member
Committee on Appropriations
United States Senate

The Honorable C. W. Bill Young, Chairman
The Honorable David R. Obey, Ranking Member
Committee on Appropriations
House of Representatives

In the fall of 1998, Hurricanes Mitch and Georges struck Central America and the Caribbean. The storms left thousands dead and many more homeless; damages were estimated at more than $10 billion. The United States and other donors initially responded by providing emergency relief, such as food, water, medical supplies, and temporary shelter. In May 1999, the international donor community pledged $9 billion to assist in the recovery and reconstruction of hurricane-affected countries in Central America. Also, in May 1999, the Congress passed emergency supplemental legislation that, among other things, provided $621 million for a disaster recovery and reconstruction fund for the affected countries as well as reimbursement funds to U.S. government departments and agencies for costs incurred during the immediate relief phase.[1] The U.S. Agency for International Development (USAID) and numerous other U.S. departments and agencies used this funding to implement disaster recovery and reconstruction activities. In discussions with congressional staff, USAID agreed to complete the program and expend the supplemental funds by December 31, 2001.

Congressional staff, concerned about the history of corruption in the region and the prior misuse of foreign aid for relief and reconstruction, asked us to concurrently monitor the delivery of assistance through frequent field visits to assist in their oversight responsibilities. The

[1]Public Law 106-31, enacted May 21, 1999, also provided recovery funds for countries affected by other natural disasters, including $10 million for Colombia in the aftermath of a January 1999 earthquake. In addition, USAID allocated $6.1 million for several Caribbean islands affected by Hurricanes Floyd and Lenny in the fall of 1999.

emergency supplemental legislation provided $500,000 for us to monitor the assistance provided.[2] This report is a summary of our monitoring activities since July 1999. Our objectives were to determine (1) whether the programs and projects funded by USAID and the other U.S. departments and agencies addressed the intended purposes of disaster recovery and reconstruction, (2) whether USAID coordinated with other U.S. government entities and other international donors to avoid duplication, (3) what USAID did to help the affected countries strengthen their audit institutions' capabilities to resist corruption, and (4) the challenges and obstacles faced by USAID in delivering the assistance.

To address these matters on an ongoing basis, we made numerous trips to the region, focusing most of our visits on the three countries that received the most U.S. assistance—Honduras ($293.1 million), Nicaragua ($94.1 million), and the Dominican Republic ($29 million). We also made at least one visit each to four other countries that received U.S. assistance as a result of Hurricane Mitch or Georges.[3] While we addressed all the research questions during our field work, we focused most of our efforts on whether the disaster recovery funds were spent for intended purposes. On our trips, we visited numerous project sites at varying stages of progress. We traveled to some of the most remote areas, talked with many of the people seriously affected by the hurricanes, and monitored the progress of numerous USAID projects and those of the other U.S. departments and agencies across a wide range of sectors. We briefed USAID officials on our findings during these trips and provided our observations on the progress of the disaster recovery activities so that USAID could take corrective action, if needed. (See app. I for a more complete description of our scope and methodology.) We also asked USAID missions and the other U.S. departments and agencies about their experiences in implementing the disaster recovery program. Their responses are summarized in appendixes II and III, respectively.

Results in Brief

As of December 31, 2001, USAID and the other U.S. departments and agencies had expended about $553.1 million or about 89 percent of the disaster recovery funds. The U.S. disaster recovery assistance program

[2]The legislation also provided $1.5 million to USAID's Office of the Inspector General for additional audit coverage.

[3]Costa Rica, El Salvador, Guatemala, and Haiti.

made significant achievements in helping the affected countries rebuild their infrastructure and recover from the damage caused by the hurricanes. Although programs varied by country, USAID and the other U.S. departments and agencies generally used the disaster recovery assistance to bring about economic recovery, improve public health and access to education, provide permanent housing for displaced families, and improve disaster mitigation and preparedness. To achieve these broad objectives, USAID funded infrastructure construction and repair, technical assistance and training, loans for farmers and small businesses, and some equipment. In addition to its normal controls, USAID added some precautions to help ensure that funds were spent for intended purposes. For example, USAID channeled much of the assistance through organizations and contractors with proven track records, contracted with management and financial services firms to handle disbursements to vulnerable partners (including host governments), and hired contractors to monitor project progress and quality. In addition, the USAID Inspector General conducted numerous audits and we monitored many projects in process. Although some activities did not go as smoothly as planned, the missions and other U.S. government entities responded to concerns identified through these oversight measures. For example, USAID hired engineers to oversee road repairs, developed a system to track services for housing projects, ensured that a rural health clinic was staffed and operating, improved irrigation for a reforestation project, and installed new latrines at a school undergoing classroom repairs. Other U.S. agencies also provided more accountability over their funds as a result of increased oversight.

USAID coordinated its activities with 12 other U.S. departments and agencies that were allocated about $96 million for disaster recovery efforts. Many had little or no previous overseas experience and their involvement placed a burden on USAID mission staff at the outset as they helped these other U.S. entities plan their activities in accordance with the mission's strategy and provided them administrative support. USAID also coordinated with other bilateral and multilateral donors through formal consultative group meetings and informal contacts among mission staff and other donors. In contrast to most donors, USAID concentrated its activities in rural areas and smaller cities reducing the likelihood it would duplicate other donor efforts. We found no evidence that USAID activities duplicated those of the other U.S. departments and agencies or other international donors.

USAID attempted to strengthen the capacity of host government audit institutions as a means to resist corruption. For example, it provided

$1.5 million to the Controller General's Office in Honduras to continue an effort to strengthen the office's capacity to audit USAID-funded activities. In other cases, however, USAID cannot point to much success in this area, mostly due to country conditions. For example, in Nicaragua, the government diluted the office's independence by creating a panel of five appointees to oversee its activities. USAID subsequently terminated its regular program with the Controller General's Office because it declined the advice of USAID's technical advisors. USAID also contributed $4.2 million to the Inter-American Development Bank to establish financial inspection units, similar to U.S. inspector general offices, in Honduras and Nicaragua. According to USAID, the Honduras unit began operations in June 2002, and the Nicaragua unit should begin operating in September 2002.

Although USAID and its U.S. partners carried out a large-scale disaster recovery program, mostly within agreed-upon time frames, USAID faced numerous challenges and obstacles that affected the pace of initiating the program. As a result, USAID did not begin expending the supplemental funds until January 2000, 7 months after the appropriation was enacted. Some of the factors that added time included arranging for additional program staff and contractor support; ensuring that financial controls and other oversight measures were in place; coordinating with and planning for the involvement of numerous other U.S. departments and agencies; and providing the opportunity for U.S. contractors and other organizations to compete for most of the contracts, grants, and cooperative agreements that were awarded. Moreover, the program was neither short-term emergency relief nor long-term development assistance—more typical USAID programs. Overall, USAID did not have the "surge capacity" to quickly design and initiate a large-scale infrastructure and development program with relatively short-range deadlines while at the same time providing emergency relief, initial reconstruction assistance, and managing its regular development program.

The USAID Administrator recently approved several program and procedural reform proposals to facilitate planning and implementing activities in post-crisis or post-emergency situations. To help ensure that USAID has the flexibility to respond more quickly to future disaster recovery efforts, we recommend that the Administrator expedite implementation of the approved reforms and consider ways to more readily augment overseas staff and facilitate coordination with other U.S. departments and agencies.

Background

In late October and early November 1998, Hurricane Mitch struck Central America, producing more than 6 feet of rain in less than a week, mostly over Honduras. The heavy rainfall caused flooding and landslides that killed thousands of people; left tens of thousands homeless; and devastated infrastructure, agriculture, and local economies. In addition, in September 1998, Hurricane Georges hit several eastern Caribbean islands and the island of Hispaniola, which comprises the Dominican Republic and Haiti. Hurricane Georges also caused the deaths of hundreds of people and severely damaged infrastructure, crops, and businesses. See figure 1 for a map of the region and the countries affected by Hurricanes Mitch and Georges that we visited.

Figure 1: Map of Central America and the Caribbean Showing the Hurricane-Affected Countries Visited by GAO

Source: GAO.

U.S. relief efforts began immediately and USAID began providing limited reconstruction assistance using redirected program funds and other sources. However, the Congress and the administration recognized the need for longer-term assistance for recovery and reconstruction. In March 1999, President Clinton visited Central America and promised to help these countries rebuild their economies and social sectors. At the same time,

USAID began developing a recovery plan for each hurricane-affected country, which outlined USAID's funding estimates and proposed programs. In late May 1999, the Congress passed and the President signed an emergency supplemental appropriation that provided, among other things, $621 million for the countries affected by Hurricanes Mitch and Georges. In general, the funds were to be used to rebuild infrastructure, reactivate host country economies, and restore basic services.

Disaster Recovery Program Addressed Intended Purposes

USAID was the primary agency responsible for carrying out the U.S. disaster recovery program. Of the $621 million authorized, USAID was directly responsible for about $587 million, including about $62 million in agreements with other U.S. departments and agencies, such as the U.S. Department of Agriculture and U.S. Geological Survey. The remaining $34 million was transferred directly by USAID to other U.S. departments and agencies, such as the Departments of Housing and Urban Development and State. Based on an informal agreement with congressional staff, USAID agreed to expend all the funds by December 31, 2001—about 30 months from enactment of the supplemental appropriation. As shown in table 1, USAID and the other U.S. departments and agencies had completed most of their programs by the deadline. Some activities, such as a $40 million urban water and sanitation program in Honduras, are still being implemented.[4] Appendix IV contains further details on funding and expenditures for USAID and the other U.S. government entities.

[4]USAID extended part of its urban water and sanitation program due to a suspension of five contracts in February 2001 while the USAID Inspector General investigated how they were awarded. The contracts were eventually withdrawn. USAID is negotiating with the Honduran government for a new unit to implement the program. The program is currently extended through February 2003; USAID plans to request an additional extension.

Table 1: Disaster Recovery Assistance Budgeted and Expended as of December 31, 2001

Dollars in millions

USAID activity	Budgeted	Expended	Percent expended
Country and regional programs	$517.6	$460.9	89
Interagency agreements	62.2	54.2	87
Direct transfers to other agencies	33.7	32.2	96
Operating expenses[a]	7.5	5.8	77
Total	**$621.0**	**$553.1**	**89**

[a]Includes $1.5 million for USAID's Office of the Inspector General and $500,000 transferred to GAO.

Source: GAO analysis of USAID data.

USAID and the other U.S. government entities implemented disaster recovery activities that helped the hurricane-affected countries rebuild their infrastructure and restore economic activity. USAID's overall objectives were to help bring about economic recovery, restore and improve basic services, and mitigate the effects of future natural disasters. Each country's program varied based on country conditions and the USAID mission's approach. In general, the funds were used for

- repairing or rebuilding the infrastructure needed for reactivating economies (e.g., roads and bridges), public health infrastructure (e.g., potable water systems, sewage and drainage systems, and health clinics), housing, and schools;
- providing loans, credits, and technical assistance for small- and medium-sized farms and businesses;
- strengthening disaster mitigation efforts such as civil defense, early warning and prevention, and watershed management; and
- strengthening accountability.

In Honduras and Nicaragua, USAID financed the repair of 2,817 kilometers (about 1,756 miles) of secondary and tertiary roads. In Honduras, USAID funded the repair of 62 municipal water and sanitation systems and 1,211 rural water systems. In the Dominican Republic, USAID funding repaired 1,514 houses and constructed 2,248 new homes (see fig. 2). The activities of

other U.S. agencies ranged from installing stream gauges for early flood warning to equipping national public health laboratories. These and many other projects resulted in improved transportation, agricultural land restored to productive use, improved health through potable water and sanitation systems, increased access to health care and education, increased employment through credit programs, and improved capabilities to mitigate the effects of future disasters.

Figure 2: Damaged and Permanent Housing in the Dominican Republic

Source: GAO.

USAID attempted to ensure that projects and activities would be sustainable after its disaster recovery activities were completed. For

example, in Honduras, USAID funded training for municipal officials and local water boards to provide them with the management and budget skills to operate and maintain new water and sanitation systems. Also, the Honduran government ministry responsible for road maintenance gave USAID-funded roads priority in its 2-year maintenance schedule. However, the hurricane-affected countries are poor and in debt and, in many instances, plagued by bureaucratic inefficiencies and corruption. It is too early to determine if national governments and local officials will have the resources or political will to maintain the infrastructure rebuilt with USAID funds.

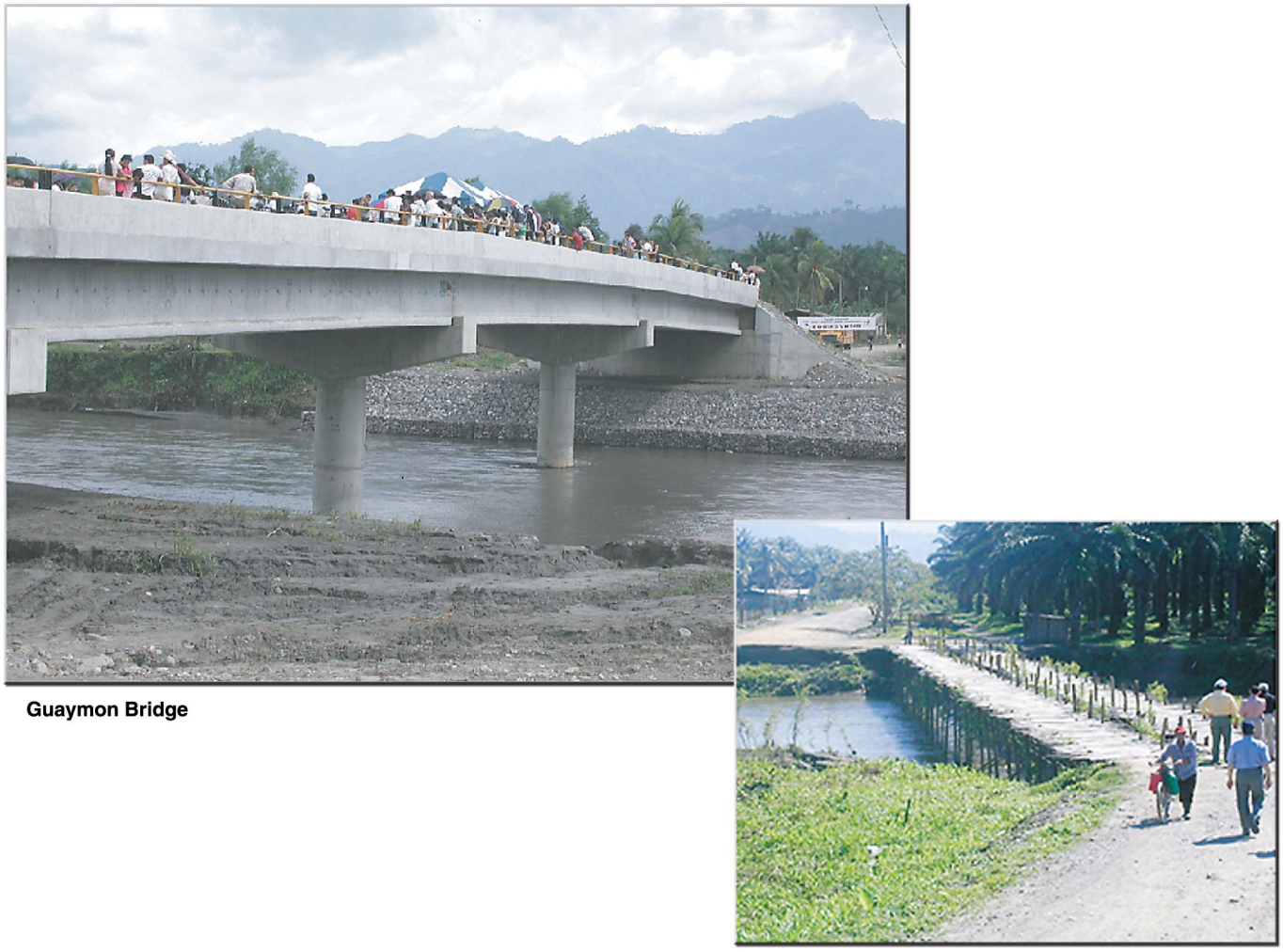
Additional Oversight Measures Established

Due to widespread concerns that such a large program with a 30-month time frame would be susceptible to misuse or corruption, USAID missions were cautious from the outset of the program. In addition to its regular program and financial controls, USAID set up some additional oversight measures, such as hiring accounting firms to oversee a host country's expenditures. In addition, the supplemental legislation provided funds for USAID's Office of the Inspector General and for us to monitor the provision of the assistance. This additional oversight and monitoring resulted in instances of problems being identified and addressed by USAID and other U.S. government departments and agencies as activities were under way and changes could still affect the success of the program or project. USAID missions generally said that the additional oversight measures were useful in enhancing accountability but that the time required by staff to comply with numerous auditors was burdensome and sometimes affected program implementation.

In Honduras, the major infrastructure construction programs—totaling about $135 million—were implemented primarily by the Honduran Social Investment Fund, a government agency established to ease the impact of structural adjustment policies through employment generation and social programs. To help protect the U.S. assistance from potential misuse, the mission established a separate oversight unit within the fund for its $50 million road and bridge program (see fig. 3). A U.S. project manager headed the unit with a U.S. chief engineer and local technical and support staff. For both the road and municipal water and sanitation system programs, the mission contracted with financial services firms to handle disbursements to the fund following approvals by USAID and the oversight unit. For the water and sanitation program, USAID relied on the U.S. Army Corps of Engineers to provide technical oversight. For its school construction program, USAID only reimbursed the fund after units were

completed and inspected by USAID and its oversight contractors (see fig. 4). Finally, in many instances, the Honduran mission hired U.S. management services firms and private voluntary organizations to oversee other activities implemented by local entities.

Figure 3: Guaymon Bridge Constructed in Honduras



Guaymon Bridge

Temporary bridge erected after hurricane

Source: GAO.

Figure 4: School Under Repair in Honduras

Source: GAO.

USAID's program in Nicaragua was mostly implemented by U.S. and international voluntary and local implementing organizations that had a proven track record with the mission and whose ongoing cooperative agreements were easily amended. For its only program with the Nicaraguan government—a $2.1 million municipal infrastructure program implemented by the Emergency Social Investment Fund (an entity similar to the Honduras fund)—USAID hired a U.S. management services firm to provide oversight and technical assistance. USAID also relied on the Corps of Engineers and the U.S. Department of Agriculture to review municipal infrastructure designs and make recommendations accordingly.

A primary component of oversight is having sufficient staff to monitor project activities and spending and identify any problems that may occur along the way. As USAID's direct-hire foreign service staff levels have declined over the years, it has turned increasingly to using personal services contractors to conduct most of the day-to-day oversight of its programs, including the disaster recovery program.[5] USAID hired numerous personal services contractors to help oversee its activities and provide technical and administrative support. In Honduras, the program office and technical officers throughout the mission shared responsibility for oversight. The mission hired 33 additional personal services contractors to oversee its program and provide administrative support. In Nicaragua, USAID contracted for a reconstruction coordinator and hired 40 additional personal services contractors. In the Dominican Republic, the mission set up a separate reconstruction team comprised mostly of contract staff.

In addition to our monitoring, the Regional Inspector General's Office in El Salvador contracted with the Defense Contract Audit Agency and local affiliates of international accounting firms to conduct concurrent audits of vulnerable programs and regular audits of many other activities. It also hired five full-time personal services contractors to oversee its financial audit activity. According to the Deputy Regional Inspector General, as of December 31, 2001, its office had conducted 165 financial audits covering $218 million in USAID-managed funds. The Regional Inspector General's Office also conducted 14 performance audits in 6 countries and provided fraud awareness training in 7 countries to 2,141 participants. The USAID Inspector General gave the USAID missions generally high marks for their financial management of the disaster recovery program, noting that the small amount of questioned costs identified by its audits (about $5 million,

[5]USAID defines its work force as comprising those individuals with whom it has an employer-employee relationship. The Federal Acquisition Regulations define a personal services contract as one that makes the contractor appear as a government employee by the nature of the relationship that is established. USAID is authorized by section 636(a)(3) of the Foreign Assistance Act of 1961, as amended, to contract with individuals for personal services abroad. USAID's personal services contractors may be U.S. citizens, host country nationals, or third country nationals.

or 2.2 percent as of December 31, 2001) demonstrated the effectiveness of ongoing oversight.[6]

USAID Took Corrective Action During Implementation

Through increased oversight of this program, potential or ongoing problems were identified as project implementation was under way. In many cases, the USAID mission staff responsible for program oversight identified problems and took immediate action to keep their programs on track. In other instances, our visits, regional inspector general audits, and others with technical expertise identified concerns that USAID corrected.

Honduras

During a trip to northern Honduras in October 2000, we traveled a road repaired with USAID funds that had been poorly compacted. As a result, recent rains had turned the road to mud and it was nearly impossible to drive on. This road is an important access route for transporting African palm oil to the coast for export and for local commerce. The U.S. engineer responsible for technical oversight agreed with our concerns and took prompt action to ensure that the road was repaired properly. On a subsequent visit, we noted that the road had been repaired and was in excellent condition.

In July 2000, during a visit to El Pataste in northern Honduras, we observed a housing project with well-constructed houses but no firm plans for potable water, despite a contractual obligation to ensure that key services were incorporated into housing communities. USAID eventually was successful in having the implementing organization negotiate a way to provide potable water. To better track and report on the progress of its housing program, USAID also developed a matrix for each housing project that specified how water and other infrastructure were to be provided as well as proof that an environmental assessment had been completed (see fig. 5).

[6]Statement of Everett L. Mosley, Inspector General, and Timothy E. Cox, Regional Inspector General, USAID, before the House Committee on Appropriations, Subcommittee on Foreign Operations, March 21, 2001.

Figure 5: Temporary Shelters and Permanent Housing at El Pataste, Honduras

Source: GAO.

USAID provided $2.5 million to a Honduran agricultural lending cooperative for loans for small- and medium-sized farms despite a record of concerns about its management problems and financial viability. According to USAID, this was the only organization available to provide credit for smaller producers. USAID hired a management services firm to handle loan disbursements and provide technical assistance for implementing management reforms, but the problems persisted. Based on USAID's continuing oversight and our review, USAID strongly encouraged the organization's Board of Directors to accept major restructuring of its organizational, management, and financial framework. In January 2001, the

Honduran minister of finance signed a memorandum of understanding with the lending organization outlining these changes and the likely consequences if the reforms were not made. USAID subsequently released $500,000 of the $2.5 million loan fund that it had suspended pending the signing of the memorandum.

Nicaragua

In Nicaragua, we visited numerous sites where four international private voluntary organizations were implementing USAID's cash-for-work and food-for-work rural road rehabilitation projects. After consulting with project engineers and Corps of Engineers staff, we pointed out several deficiencies in the quality of the work, including roads not properly crowned to prevent standing water, ditches not adequately dug to facilitate drainage of water, and roadbed materials not suitable for withstanding traffic and weather. Based on these observations, the private voluntary organizations hired engineers to oversee road activities. We observed a noticeable improvement in USAID's road projects on subsequent visits (see fig. 6).

Figure 6: Rural Road Near Jinotega, Nicaragua

Source: GAO.

USAID, in an effort to further improve the quality of road repairs in Nicaragua, decided that the four nongovernmental organizations would use heavy machinery on the more difficult roads. These cash-for-work and food-for-work programs initially emphasized income generation, and USAID's plan was that the nongovernmental organizations would only use hand labor. However, USAID and the Corps of Engineers soon realized that some roads could not be adequately repaired using only hand labor and would not withstand normal weather and traffic. USAID subsequently required the organizations to use both heavy equipment and hand labor and the road quality improved substantially. In addition, some organizations

later coordinated their roadwork activities and shared equipment, resulting in lower costs.

In October 2000, we visited a health post in rural Nicaragua where a private voluntary organization constructed a residence for medical personnel and rehabilitated a clinic. USAID had been told that the work was completed, the Ministry of Health had assigned medical personnel, and the post was in operation. However, when we arrived, the facility was vacant and evidently had been so for months. We questioned whether USAID should be involved in such a project, given the ministry's lack of support. In January 2001, we returned to the clinic unannounced and found that the clinic was operating and a doctor was present and living at the residence. He had been assigned following our earlier visit.

Other Affected Countries

In December 2000, we visited a reforestation and agricultural project in El Salvador. With USAID disaster recovery funding, a U.S. nongovernmental organization was teaching farmers to grow cashews and lemon trees to increase their incomes and provide erosion protection. Although a well was nearby, the community leader pointed out to us that the farmers needed a pump to irrigate the new plantings during their first dry season. We saw that some trees had already died and others would soon die without irrigation. In response, USAID committed to finance a new pump. In October 2001, we returned to the community and observed that the pump had been installed and that the plantings were growing.

In May 2000, we visited a school in the Dominican Republic that was undergoing repairs with disaster recovery funds. The initial project included only classroom repairs. However, the sanitation facilities had also been destroyed and we were told that students were using the nearby field. After we reported the apparent oversight, USAID responded by adding latrines to the project. New latrines were in place when we visited in August 2001.

Several USAID officials stated that our oversight and monitoring not only encouraged specific improvements, but also provided a continuous deterrent effect because contractors, grantees, host government officials, and project beneficiaries were actively aware of U.S. congressional scrutiny over the program. One mission director added that our visits were used to encourage contractors and grantees to stay on track and comply with the terms of their agreements. The acting mission director at another mission noted that, although the multiple layers of auditing were

sometimes overwhelming, the audit findings helped the mission manage the program and report to the Congress on its progress.

Two U.S. Departments Reprogram Funds

We also monitored the pace of expenditures and the activities of most of the other U.S. departments and agencies. In June 2001, we attended meetings of the Office of Management and Budget, USAID, and the other U.S. departments and agencies. At the time, it was apparent that a few departments and agencies were not expending their funds in a timely manner and that they likely would not meet the December 31, 2001, deadline for completing their activities.

Department of State

In early September 2001, an official with the State Department's Bureau for International Law Enforcement and Narcotics told us that, of the $923,600 the bureau planned to spend in the Dominican Republic, $400,000 would be reprogrammed for an assets forfeiture project in the Dominican Republic and the remaining $523,600 would be reprogrammed for a de-mining program in Central America. However, the necessary arrangements to implement those proposals had not been completed. After our inquiries, on September 30, 2001, the bureau completed the paperwork to reprogram the $400,000. In January 2002, the bureau told us that the remaining $523,600 would not be reprogrammed and that it had returned $514,242 to the U.S. Treasury.

Department of Housing and Urban Development

In March 2001, the Department of Housing and Urban Development (HUD) canceled a $1.1 million housing micro-credit project in Honduras because the in-country organization tasked to implement the project did not have the capacity. When we followed up in August 2001, HUD had not finalized plans for what it would do with these funds. Subsequent to our inquiry, in September 2001, HUD modified the housing finance contract to specify how the funds were to be used for two different projects in the Dominican Republic and El Salvador. The work in the Dominican Republican began soon after the contract was modified. In El Salvador, a contract with a private lender to capitalize a revolving loan fund for a housing micro-credit program was signed in December 2001.

USAID Coordinated with U.S. Government Entities and International Donors

USAID worked with the 12 U.S. departments and agencies that implemented about $96 million in disaster recovery activities to help plan their efforts and provide administrative support. Because many of these agencies had little or no experience working in developing countries, their involvement in the program was time-consuming and burdensome for USAID staff in the beginning stages. USAID officials noted, however, that some agencies provided needed technical expertise. The other agencies generally acknowledged that it took time to incorporate their activities into USAID's program but added that it had been a positive experience overall. USAID also coordinated with other bilateral and multilateral donors through formal consultative group meetings and informal contacts among mission staff and other donors. In contrast to many donors, USAID concentrated its activities in rural areas and smaller cities, making duplication with other donor efforts unlikely. We found no evidence that USAID activities duplicated those of other U.S. departments and agencies or other international donors.

USAID Coordination with Other U.S. Departments and Agencies Was Initially Burdensome

Many of the U.S. government entities involved in the disaster recovery program had little or no prior experience in working overseas. At the outset, USAID staff spent considerable time incorporating these agencies into USAID's disaster recovery program and helping the agencies develop work plans in accordance with USAID's development approach. In addition, the agencies' administrative requirements, such as office space, residences, vehicles, equipment, and supplies, had to be coordinated with the respective U.S. embassy's overall administrative services account. According to USAID officials, coordinating with numerous other U.S. entities was demanding and time-consuming for USAID staff, particularly at the outset of the disaster recovery program when staff were involved in initial relief and reconstruction activities.

Nevertheless, USAID officials generally agreed that many agencies added value once the initial coordination problems were resolved. In particular, USAID officials most often cited the four agencies with scientific, technical, and engineering expertise not available at USAID— the Corps of Engineers, the National Oceanic and Atmospheric Administration, the U.S. Department of Agriculture, and the U.S. Geological Survey—as those that added the most value to the USAID recovery program. For example, these agencies provided engineering advice on infrastructure projects and carried out a number of activities designed to mitigate the effects of future natural disasters, such as conducting watershed management studies,

installing stream gauges to monitor river flooding, and providing technical assistance on early warning and prevention systems to host government staff.

Officials from the other U.S. departments and agencies expressed concerns about the time it took to incorporate a relevant program into USAID's framework and the administrative constraints of operating overseas. Officials from some agencies noted that each USAID mission and embassy operated a little differently, and some missions asked for additional paperwork that may not have been required at another mission. One agency official told us that it received varying information on the need for country clearances for travel. Another noted that the missions and USAID headquarters sometimes provided conflicting information on the work plan and reporting requirements. One agency reported that it had some difficulty coordinating with the missions. However, as summarized in appendix III, most agencies noted that working with USAID was a positive experience and that USAID had been very helpful in guiding them through the reconstruction program.

USAID Coordination with Other International Donors

USAID regularly coordinated with international financial institutions, multilateral organizations, and other bilateral donors. For the Hurricane Mitch countries, the highest level of coordination occurred at the international consultative group level. At a consultative group meeting held in May 1999 in Stockholm, Sweden, the governments of Central America and the international community developed the guiding principles and goals for reconstruction, known as the "Stockholm Declaration." The overriding goal of reconstruction, as stated in the declaration, was to reduce the social and ecological vulnerability of the region. At subsequent meetings, donors and recipient countries, including civil society representatives, reviewed the progress toward reconstruction. Although no consultative groups were formed to assist the Dominican Republic, Haiti, and other Caribbean islands affected by Hurricane Georges, USAID similarly coordinated with its counterparts in the international donor community.

At Stockholm, the international community pledged $9 billion, including the U.S. pledge of $1 billion.[7] However, these pledges have not been fully paid. According to USAID officials, commitments totaling about $5.3 billion are still considered firm as of May 2002. We were unable to obtain information on the status of other donors' actual expenditures. Based on discussions with officials of USAID, host governments, nongovernmental organizations, and other donors, USAID was among the first to expend funds and complete most of its program. In Honduras and Nicaragua, we saw evidence of the contributions of other bilateral donors, particularly bridges and other infrastructure built by the Swedish and Japanese aid agencies.

Coordination among USAID and other donors was evident at the country level. In Honduras and Nicaragua, donor representatives met regularly to discuss their respective aid programs and emerging issues.[8] In addition, USAID technical staff coordinated with their counterparts at the program and project level. For the most part, USAID targeted its activities in rural areas where other donors had little or no activity. In instances of potential duplication, we found that USAID took action to ensure that its activities added value. For example, when USAID began public health activities in a remote area of northern Nicaragua along the Honduran border, it found that the Organization of American States was conducting similar health-related activities in the same region. After several meetings and with guidance from the Nicaraguan Ministry of Health, USAID and the organization's representatives agreed to target their activities to avoid duplication. Specifically, the Organization of American States agreed to continue its monthly training with community health agents, and USAID agreed to focus its funds on sexual and reproductive health, disaster prevention and mitigation, and other activities not covered by the organization's project.

[7]Besides the $621 million in disaster assistance, the supplemental appropriation also reimbursed the Department of Defense and USAID's Office of Foreign Disaster Assistance and Office of Transition Initiatives nearly $300 million for assistance provided immediately after the hurricanes, such as water, food, shelter, and transportation.

[8]For Honduras, the initial Stockholm Group of 5, formed in May 1999, consisted of Canada, Germany, Spain, Sweden, and the United States. It expanded to the Group of 15 with the addition of four international financial institutions, the European Union, the United Nations Development Program, and four bilateral donors. In Nicaragua, the bilateral donor group consisted of Canada, France, Japan, Spain, Sweden, and the United States; multilateral institutions also participated in donor group meetings.

Although coordination existed within the international community, some USAID officials stated that coordination with the host governments was less than optimal. Each Central American country developed its plan for hurricane reconstruction with assistance and support from the donor community. However, according to U.S. and other donor officials, in practice, some governments generally did not maintain up-to-date information on donor activities or prioritize their proposed projects.

USAID's Efforts to Strengthen Host Government Audit Capabilities Were Limited

The conference report accompanying the legislation for the supplemental appropriation directed USAID to help the affected countries develop an institutional capacity to resist corruption.[9] USAID's efforts to combat corruption through assistance to audit institutions had mixed results. In Honduras, USAID provided $1.3 million to the Controller General's Office to strengthen its capacity to audit reconstruction programs and promote enhanced awareness of the importance of vigilance over public funds. This funding for equipment, technical assistance, and training continued institutional strengthening efforts initiated before Hurricane Mitch. However, in other instances host government realities limited USAID's overall progress in this area.

- The Nicaraguan government diluted the independence of its Controller General's Office by creating a panel of five appointees representing two parties to oversee the office's activities. USAID subsequently terminated its regular program with the office 9 months later when it became apparent that the panel would not take the advice of USAID-funded technical advisors. Similarly, USAID terminated its program with the Dominican Republic Controller General's Office because it lacked independence.

- USAID also contributed $4.2 million to the Inter-American Development Bank to establish independent oversight units within the Honduran and Nicaraguan governments.[10] These units are intended to oversee the operations of government ministries and independent government agencies, similar to U.S. government offices of inspectors general. In early June 2002, USAID released $1 million to the bank to contract for the consulting services for the Honduras unit. According to USAID, the

[9]H. Rept. 106-143.

[10]USAID designated $3.2 million for Honduras and $1 million for Nicaragua.

unit in Honduras began operating in June 2002 and the remaining $2.2 million should be disbursed by the end of 2002. In Nicaragua, according to USAID officials, the implementation of this unit was slowed by the bank's lengthy project approval process, the time needed to gain financial support from other donors, and the previous government's lack of commitment. The government elected in November 2001 supports the project and proposed some modifications to strengthen local capacity building rather than merely hiring contractors to implement the unit. USAID expects the unit to begin operations in September 2002 with USAID's $1 million covering the initial costs.

USAID Had to Overcome Numerous Challenges to Initiate Disaster Recovery Assistance

USAID faced numerous challenges in initiating this large-scale disaster recovery program that affected the pace of implementation in the beginning phases. USAID had to balance the competing interests of expediting implementation of the program with ensuring that appropriate oversight and financial controls were in place and procurement actions were open and transparent. Overall, USAID does not have the "surge capacity" to quickly design and implement a large-scale infrastructure and development program with relatively short-range deadlines. The reasons are institutional, systemic, and long-standing and will require deliberate and sustained actions if USAID is to improve its ability to respond more quickly to such situations in the future.

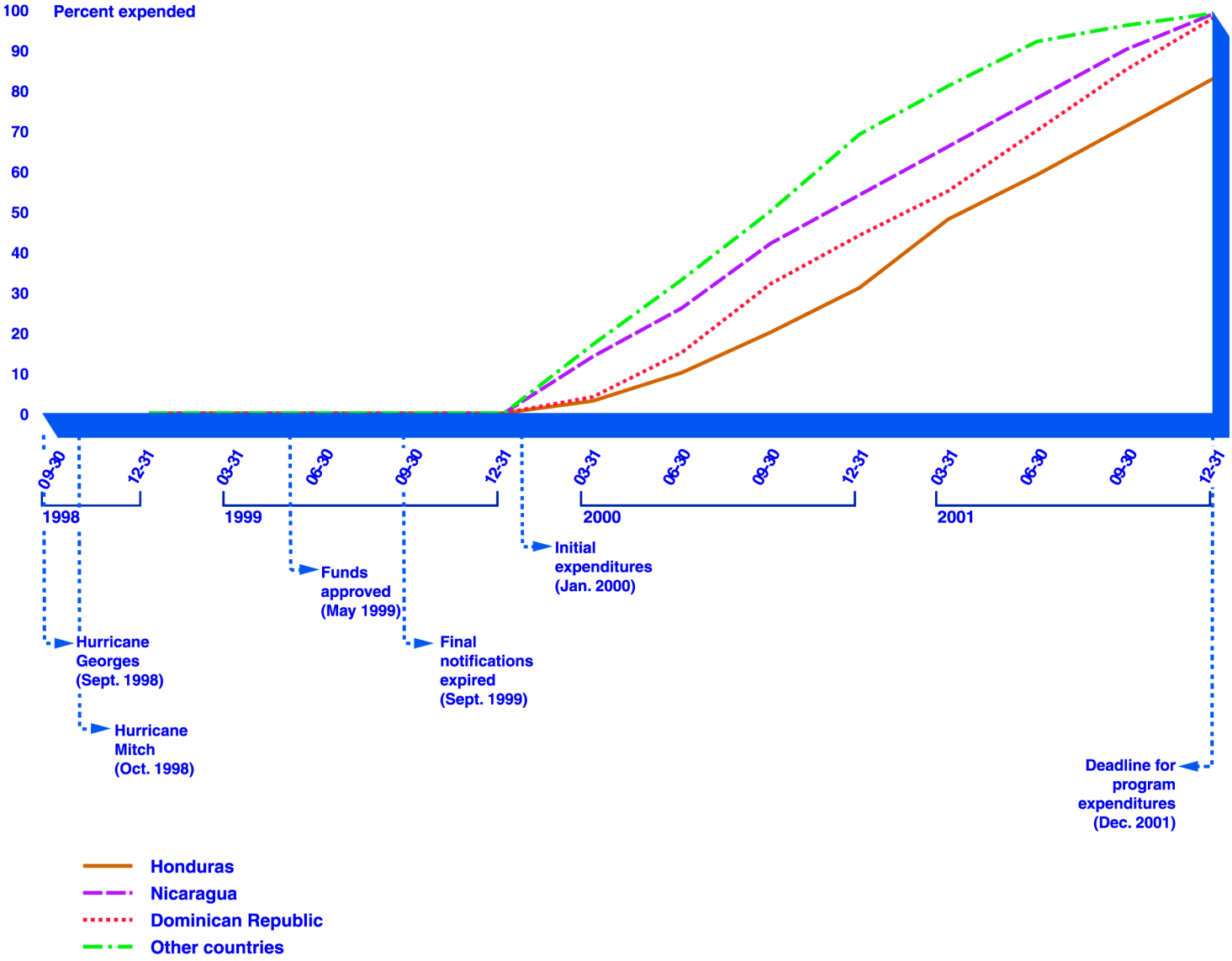
USAID Did Not Begin Expending Supplemental Funds Until 2000

With a few exceptions, USAID began expending disaster recovery funds from the supplemental appropriation in January 2000, about 7 months after the supplemental appropriation of $621 million was approved.[11] (See fig. 7 for a timeline illustrating USAID's expenditures.) Some of this time was used to notify the Congress about how the supplemental funds were to be expended.[12] In most cases, the funds were available during July and August of 1999. USAID then had to complete its contracting processes and ensure that program management and oversight were in place.

[11]According to USAID, about $10 million in supplemental program funds had been spent as of December 31, 1999, but had not been disbursed.

[12]The supplemental legislation required USAID to notify the Congress on how it planned to use the supplemental funds. If the Congress did not contact USAID regarding a particular notification within 15 days, the funds were available for expenditure.

Figure 7: Timeline Illustrating USAID's Disaster Recovery Expenditures Funded by the May 21, 1999, Supplemental Appropriation, through December 31, 2001



Source: GAO analysis of USAID data.

During 1999, before the supplemental funds were available for use, USAID missions used $189 million in other funds for emergency relief and initial reconstruction programs, such as food-for-work activities to rebuild

infrastructure in hurricane-affected areas.[13] During this time, USAID missions were also operating with the staff resources allocated based on their regular programs, and they also had to deal with the rotation of several senior-level staff during the summer of 1999.

Start-up Challenges and Obstacles Slowed Program Initiation

Before Hurricane Mitch, the Honduran and Nicaraguan missions were managing annual programs of about $23 million and $30 million, respectively. The Honduran mission had recently been considerably reduced in size and it took many months to fill the positions needed to oversee the disaster recovery program. In particular, the Honduran mission did not have a permanent contracts officer—it had been sharing one with the Nicaraguan mission—until October 1999, a year after Hurricane Mitch. Other missions also shared contracts officers. As noted in appendix II, the missions in Honduras, Nicaragua, and the Dominican Republic said the absence of full-time contracts officers led to delays.

The number of USAID direct-hire staff in general, and contracts officers in particular, has declined in recent years and USAID had difficulty finding qualified personnel to manage this large-scale emergency program on an expedited basis. This problem was compounded by some USAID senior-level staff (for example, contracts and administrative officers) rotations during the summer of 1999. Although USAID's headquarters office attempted to ease the burden by providing temporary staff in the hurricane-affected countries, the missions lacked needed continuity, and, according to the Honduran mission, the lack of travel funds precluded timely assistance for some activities. The Honduran mission emphasized that the need to obtain qualified staff more quickly is one of the most important lessons learned from the hurricane reconstruction program.[14]

[13]USAID conducted emergency relief and initial reconstruction activities with funds from its Office of Foreign Disaster Assistance and its Office of Transition Initiatives. Missions also redirected funds from other sources, such as child survival programs.

[14]Having the right people in the right positions at the right time has been a continuing concern for USAID. In 1993, we reported that USAID had not taken the steps needed to restructure its work force to reflect changing responsibilities and priorities. We recommended that the USAID administrator develop and implement a comprehensive work force planning process and management capability as a systematic, agencywide effort. See our report entitled *Foreign Assistance: AID Strategic Direction and Continued Management Improvements Needed* (GAO/NSIAD-93-106, June 11, 1993).

USAID also does not have any procedures to expedite the hiring of personal services contractors. As a result, acquiring personal services contractors with the requisite language and technical skills to manage the reconstruction program often took 6 months to more than a year. The process involves revisions in position descriptions and scopes of work, internal and external position announcements, screenings, interviews, and medical and security checks. For example, the Nicaraguan mission experienced major delays in security clearances—one person accepted a job elsewhere after waiting more than a year for a clearance. The hiring and clearance process also precluded the timely arrival of in-country staff from other U.S. departments and agencies to conduct their programs. Because contractor and other U.S. agency staff provided much of the day-to-day management of the program, these delays were burdensome for the USAID staff on board and slowed the pace of implementation.

In addition to building up staffing levels, the missions in some countries decided to implement certain accountability measures prior to program implementation. For example, before it began its host country contracting programs for major infrastructure projects, the USAID mission in Honduras advertised for and selected a U.S. engineering and project management firm to oversee the technical aspects and a third-party accounting firm to handle disbursements to the Honduran government.

Although USAID missions had the authority to waive full and open competition for awarding contracts and grants, it was used sparingly. The Honduran mission used the waiver authority to bypass the normal requirement to advertise in the *Commerce Business Daily*, which saved 60 days in awarding some contracts. In many instances, missions amended existing cooperative agreements and contracts to accelerate the procurement process. However, although using sole source awards would have speeded up the award process, it may have precluded U.S. firms from being awarded contracts. The Honduran mission, for example, redesigned much of its municipal water and sanitation program to allow U.S. firms to compete, resulting in a later start date.

The involvement of numerous other U.S. government departments and agencies presented a challenge for which the USAID missions were unprepared. Mission staff told us that, at the beginning of the program, coordinating with officials from other agencies, helping them with their work plans, and facilitating their administrative needs took considerable time away from their already busy workload. The burden eased as some agencies assigned in-country personnel, but it took considerable time for

these people to arrive because their positions had to be approved by the embassy and they needed security clearances. Some U.S. entities did not assign staff in country and USAID had to coordinate temporary duty tours for these personnel as well.

Program Observations from USAID and Other U.S. Departments and Agencies

During our review, USAID and the other U.S. government entities provided their observations on lessons learned and some ideas for improving the delivery of disaster recovery assistance in the future. USAID and the other agencies almost unanimously agreed that the December 31, 2001, deadline was a major factor in how they planned, designed, and implemented their disaster recovery activities, and it also affected the extent to which sustainability could be built into the program. USAID missions suggested limiting the number of other U.S. government entities involved, using umbrella agreements and indefinite quantity contracts to hasten the procurement process, avoiding host country contracting, and relying on organizations that are already working with USAID in the country. Other U.S. government entities noted that they had learned much about coordinating an interagency program overseas and had come to appreciate the complexities of working in developing countries. Some noted the need for a simpler method of dealing with administrative costs while in country—one suggestion was for USAID to create one account for charging all administrative, logistical, financial, and procurement services for future emergency programs. (As previously noted, see apps. II and III for more detailed summaries of the responses from the USAID missions and other U.S. departments and agencies.)

USAID's Proposals to Improve Response Capability

USAID officials in the overseas missions and in USAID's Washington, D.C., headquarters generally agreed with our observations on the obstacles it faced in getting the disaster recovery program off the ground. They emphasized that the lead role that USAID was expected to perform in planning and implementing the disaster recovery program was a significant challenge.

In mid-2000, USAID's Bureau for Latin America and the Caribbean drafted a "lessons learned" analysis of the disaster recovery program's start-up and offered recommendations for the systemic and procedural changes needed for a similar response in the future. It suggested options for funding flexibility, staff mobilization, program design and planning, accountability, and the role of other U.S. government agencies and the private sector. The USAID administrator subsequently formed the Emergency Response

Council to conduct an agencywide review of its experiences with international emergencies.

In December 2001, the council proposed several program and procedural reforms to provide more flexibility in planning and implementing activities in post-crisis or post-emergency situations. In particular, the memorandum proposed that USAID

- missions include in their development strategies and implementation instruments (such as contracts, grants, and cooperative agreements) a "crisis modifier" clause to provide resources more quickly;
- consider funding alternatives in the absence of supplemental appropriations, such as increased borrowing authority to use available USAID resources programmed for other activities;
- develop a package of procurement waivers for reconstruction activities, allowing, among other things, the purchase of certain commodities without regard to source and origin;
- develop strategies for addressing legislative authorities to obtain more flexibility in reconstruction programming; and
- develop a skills database of internal resources available for deployment on reconstruction design teams.

In May 2002, the USAID administrator approved the council's recommendations in the areas of strategic planning and programming, funding alternatives, and staffing. In addition, also in May 2002, a USAID contractor hired to independently assess the agency's response to Hurricanes Mitch and Georges outlined numerous and sometimes detailed actions that USAID can take to improve its response to future reconstruction programs. These recommendations included options for program design, staff mobilization, procurement, interagency coordination and administrative support, and accountability.

Conclusions

USAID and the other U.S. departments and agencies provided disaster recovery assistance that helped the affected countries recover from the devastating effects of Hurricanes Mitch and Georges. USAID's programs and projects and those of the other U.S. government entities spanned all sectors and affected countries, helping to rebuild infrastructure, restore

economic activity and access to basic services, and mitigate the effects of future disasters. Increased oversight of the disaster recovery program helped ensure that funds were spent for intended purposes and not misused.

However, USAID faced numerous obstacles and challenges. Primarily, USAID did not have the flexibility to readily replace key staff—primarily contracts officers—or the ability to expeditiously hire personal services contractors to help plan for and initiate the disaster recovery program. Available USAID mission staff were also involved in providing emergency relief, initial reconstruction assistance, and continuing regular development programs. USAID missions in some countries also implemented certain measures to help ensure accountability over the assistance funds prior to program implementation. In addition, coordinating with and helping the other U.S. departments and agencies develop their programs was burdensome and time-consuming for the missions. As a result, the initial pace of implementation was slowed as USAID took steps to obtain adequate staff, incorporate oversight and accountability measures, and coordinate the activities of other U.S. government entities.

USAID will likely be called upon to deliver and oversee disaster recovery assistance again as natural and man-made disasters continue to occur. The proposal for USAID to oversee and implement a rebuilding program in Afghanistan after more than two decades of war is the most immediate but not the only example.[15] USAID's Emergency Response Council and an independent contractor have examined USAID's response to Hurricanes Mitch and Georges and made numerous recommendations and proposals for improving the agency's response to disaster recovery programs. Our review further demonstrates that more flexible mechanisms and better interagency coordination procedures are needed to facilitate initiation of large-scale disaster recovery programs and could allow USAID to improve its response time in future similar situations while maintaining adequate oversight and accountability.

[15]USAID is implementing a $170 million earthquake recovery assistance program in El Salvador after two earthquakes struck the country in January and February 2001.

Recommendations for Executive Action

We recommend that the USAID administrator expedite implementation of the Emergency Response Council's proposals approved in May 2002 to help ensure that USAID has the flexibility and resources needed for a timely response to future disaster recovery and reconstruction requirements. To further improve USAID's ability to respond in similar situations, we recommend that the administrator develop and implement procedures that would (1) allow USAID to quickly reassign key personnel, particularly contracts officers, in post-emergency and post-crisis situations; (2) allow missions to hire personal services contractors to augment staff on an expedited basis; and (3) facilitate coordination of efforts with other U.S. departments and agencies that may be involved in future programs.

Agency Comments and Our Evaluation

USAID provided written comments on a draft of this report, noting that the report is comprehensive and constructive (see app. V). USAID concurred with the report's findings and conclusions on both the success of the program and the challenges and impediments faced by USAID, particularly in the initial phases. USAID stated that it has carefully considered the lessons learned from the reconstruction experience in Latin America and will continue to identify changes in its structure and functioning to make it more flexible in responding to future similar crises.

USAID did not comment on our recommendations. USAID elaborated on recent steps taken to address three of the five council recommendations in the areas of strategic planning and programming, funding alternatives, and staffing. We note, however, that these efforts are just beginning and that USAID did not address the other two council recommendations on expanded procurement waivers and legislative authorities. We further note that these efforts do not address our recommendations to develop procedures to (1) expedite the reassignment of key direct-hire personnel, such as contracts officers, in post-emergency situations and (2) facilitate coordination with other U.S. departments and agencies. As our report demonstrates, these are important issues for future emergency response situations and we urge USAID to address these areas.

In addition to USAID, we requested comments from the nine U.S. departments and agencies that responded to our questionnaire summarized in appendix III. The Centers for Disease Control and Prevention, the Department of Agriculture, and the Department of Housing and Urban Development suggested minor technical clarifications that we have

incorporated into the report as appropriate. The other departments and agencies had no comments.

We will send copies of this report to interested congressional committees as well as the Administrator, USAID; the Director, Office of Management and Budget; and the heads of other U.S. departments and agencies that participated in the disaster recovery assistance program in Latin America. We will also make copies available to others upon request. In addition, this report will be available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-4128 or at FordJ@gao.gov. Other contacts and staff acknowledgments are listed in appendix VI.

Jess T. Ford, Director
International Affairs and Trade

Scope and Methodology

To determine whether the program and projects funded by USAID and the other U.S. departments and agencies addressed the intended purposes of disaster recovery and reconstruction, we conducted work at the headquarters offices of USAID and other U.S. government entities and made more than 30 trips to the countries affected by Hurricanes Mitch or Georges.[16]

- In Washington, D.C., we held frequent meetings with officials of USAID's Bureau for Latin America and the Caribbean to discuss program oversight and the status of USAID's activities. We coordinated with USAID's Office of the Inspector General (and its regional office in El Salvador) to minimize duplication of effort and share information. We also attended the April 1999 meeting of USAID's mission directors from Mitch-affected countries at which they discussed their respective disaster recovery strategies and we reviewed program strategy documents. We met with officials from the other U.S. departments and agencies to discuss and document how the USAID-provided funds were being spent and the status of their programs.[17] We coordinated with the Office of Management and Budget regarding its oversight and attended meetings it held in June 2001 with USAID and most of the other U.S. departments and agencies to review the status of their activities and the pace of their expenditures as the December 31, 2001, deadline approached. We also visited the Centers for Disease Control and

[16]Based on discussions with congressional staff, we did not conduct field work to monitor the use of $10 million provided for earthquake reconstruction activities in Colombia or the $6.1 million in funding redirected for the Bahamas and several Caribbean islands affected by Hurricanes Floyd and Lenny in the fall of 1999. However, we did review the quarterly reports and tracked the expenditures of these programs to determine if they were on schedule to meet the December 31, 2001, deadline.

[17]We met with officials from the Departments of Agriculture, Housing and Urban Development, State, and Transportation; the Environmental Protection Agency; the Federal Emergency Management Agency; the National Oceanic and Atmospheric Administration; and the U.S. Geological Survey. We did not review the activities of the Peace Corps, the Export-Import Bank, or the Overseas Private Investment Corporation because their funding amounts were relatively low, their programs were independent of USAID, the pace of their programs appeared adequate based on their expenditure rates, and they were experienced in overseas operations.

Prevention in Atlanta, Georgia, and the U.S. Army Corps of Engineers in Mobile, Alabama, for the same purposes.[18]

- To conduct the overseas work, we made 11 trips each to Honduras and Nicaragua, 7 trips to the Dominican Republic, 2 trips each to El Salvador and Guatemala, and 1 trip each to Costa Rica and Haiti. In each country, we reviewed USAID's strategies, work plans, and applicable contracts, grants, and cooperative agreements and discussed with USAID and other U.S. officials how their respective programs addressed reconstruction needs. We monitored USAID's activities in all sectors in all hurricane-affected areas, including the remote Caribbean coast regions of Honduras and Nicaragua. We also visited projects implemented by other U.S. departments and agencies. In many instances, we visited and photographed sites before the projects began, during implementation, and after completion to provide a basis for comparison.

  During these trips, we interviewed representatives of contractors, nongovernmental organizations, and other entities responsible for day-to-day project implementation. Our Spanish-speaking staff interviewed the intended recipients of U.S. assistance. We asked how their homes, livelihoods, and communities had been affected by the hurricanes and how the U.S.-funded projects were helping them rebuild their infrastructure, restore their livelihoods, and provide basic services.

  We also reviewed USAID's procedures for oversight and financial controls and met regularly with the personal services contractors, firms, and organizations hired by USAID to provide program oversight. We followed up with USAID mission staff and the other U.S. departments and agencies to determine whether concerns raised by us and others were being addressed.

To determine whether USAID coordinated with other U.S. departments and agencies and other international donors, we met with USAID officials in Washington, D.C., and at the overseas missions to discuss their procedures

[18]The Corps' Mobile office is responsible for programs in Latin America and part of the Caribbean. The Corps' activities in the Antilles (including the Dominican Republic and Haiti), Puerto Rico, and the U.S. Virgin Islands are supervised by its Jacksonville, Florida, office. In Mobile, we met with the project director for the Corps' programs in the Dominican Republic and Haiti.

for incorporating the activities of the other agencies into their programs and coordinating with multilateral and other bilateral donors. We also met with officials of the other U.S. agencies involved in the program to get their perspectives on agency coordination. Through documentation provided to us and our field visits, we reviewed the activities of all the U.S. departments and agencies to ensure that they did not duplicate one another. For the other international donors, we attended the consultative group meetings for Honduras in February 2000 and for Nicaragua in May 2000 and reviewed the documentation from other key donor meetings. We met with officials from the Inter-American Development Bank and the World Bank and several donor countries. We discussed their respective programs and reviewed their documentation. Finally, we met with host government officials, including mayors and other local officials, to discuss their procedures for ensuring donor activities did not conflict or overlap and their views on donor coordination.

To determine what USAID did to help the affected countries strengthen their institutional capability to resist corruption, we interviewed the Controllers General in the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua. We discussed the organization and resources of their offices and their relationship to other entities in the national government. Although USAID also funds other anticorruption and financial management efforts at host country institutions, we did not include these activities within our scope.[19] We also met with officials from USAID and the Inter-American Development Bank in Honduras and Nicaragua to discuss the status of the financial inspection units.

In addition to the above efforts, we sent a "pro forma" set of questions to six USAID missions and to the nine U.S. departments and agencies that were most closely tied to USAID's program to obtain their views on the lessons learned in planning, implementing, coordinating, and overseeing the disaster recovery program.

We conducted our work between April 1999 and May 2002 in accordance with generally accepted government auditing standards.

[19]For example, see our report entitled *Foreign Assistance: U.S. Rule of Law Assistance to Five Latin American Countries* (GAO/NSIAD-99-195, Aug. 4, 1999).

Summary of Disaster Recovery Experiences: USAID Missions

As the disaster recovery assistance program was coming to a close, we asked USAID's missions for their views on how the program proceeded. To help provide a framework for answering our questions, we developed a pro forma questionnaire and sent it to the USAID missions in the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, and Nicaragua.[20] All six replied. We grouped their responses into five broad topics: (1) program planning and implementation, (2) staffing, (3) accountability, (4) coordination, and (5) lessons learned that could be applied in future disaster recovery and reconstruction situations. Our analysis of their responses shows that all the missions had similar experiences, but the three missions that received the largest amounts of funding—Honduras, Nicaragua, and the Dominican Republic—encountered some unique problems and issues. The following is a summary of their responses.

Program Planning and Implementation

All six USAID missions reported that they made certain planning and implementation decisions based on the December 31, 2001, expenditure deadline and took actions to reduce start-up time. These actions generally helped ensure that the program would be completed by the deadline. However, missions reported that, in some instances, nongovernmental organizations and host governments were unprepared to meet the demands of the disaster recovery program and its relatively short time frame.

- All six missions reached agreements with organizations that were already in these countries and with which they had previously worked or actively engaged in the mission's regular development programs. In doing so, the missions were confident that projects would be implemented by organizations familiar with USAID and with proven capabilities and track records. However, the Nicaraguan mission entered into some agreements that called for organizations to undertake activities they had not done before. This led to some problems. For example, one nongovernmental organization agreed to rehabilitate rural roads. After some initial work, we and several others pointed out that the roads were unlikely to stand up to normal traffic and weather. The organization subsequently hired engineers and the quality of the rehabilitated roads improved substantially.

[20]USAID does not have a mission in Costa Rica. USAID's regional office in Guatemala hired a personal services contractor, posted at the U.S. embassy in Costa Rica, to oversee the education program financed with disaster recovery funds.

- Two missions—Nicaragua and Haiti—reported that they combined relatively small activities that could have been awarded separately into larger agreements. This helped streamline the start-up process because the paperwork was reduced and USAID staff only had to deal with one organization rather than several. The mission in Haiti also reported that having one grantee enhanced communication, reporting, and accountability.

- The Nicaraguan mission transferred $16.6 million—nearly one-fifth of its total disaster recovery funding—to USAID's Bureau for Global Programs, Field Support, and Research.[21] This allowed the mission to bypass the process for soliciting and reviewing proposals and negotiating agreements. The mission acknowledged, however, that while using such global agreements is faster and the program quality is high, the services provided are generally more expensive than separately funded agreements.

- The Honduran mission used host country contracting—a mechanism whereby USAID transfers funds to the host government, which then enters into contracts with implementing organizations—for some large infrastructure projects in an attempt to speed up implementation. However, USAID regulations for host country contracting required numerous approvals and were difficult to mesh with Honduran government regulations. The mission also said that some host country counterpart ministries were bureaucratic and inefficient.

- The Guatemalan mission noted that, due to the deadline, it limited its monitoring and reporting to project outputs during implementation and did not seek to measure impact as it would have for a longer-term effort. The mission added that, for its watershed rehabilitation activities, a period of more than 2 years is required to assess impact.

Staffing

The three USAID missions that received the largest amounts of reconstruction funding—Honduras, Nicaragua, and the Dominican Republic—reported staffing problems, primarily the absence of a contracts officer at critical times during the disaster recovery program. In contrast,

[21]The bureau maintains open agreements, called indefinite quantity contracts, with numerous organizations worldwide; USAID missions have the option of "buying-in" to these agreements where appropriate.

the three missions receiving smaller amounts of funding—El Salvador, Guatemala, and Haiti—reported no staffing problems. Problems noted by the missions included the following.

- The Honduran mission reported that the absence of a permanent contracts and grants officer until October 1999 was a serious constraint due to the important role that a contracts officer plays during the life of a program, particularly during the start-up phases. The mission noted that a contracts officer is needed for negotiating and signing agreements and providing valuable advice during the design process on issues such as the selection of appropriate implementation mechanisms and acquisition instruments.

- The Nicaraguan mission reported that the absence of a contracts officer was a problem during the closeout phase.[22] In particular, although temporary-duty contracts officers were sent from headquarters, their efforts did not prevent some activities from slowing down as the program approached the December 31, 2001, deadline.

- The mission in the Dominican Republic reported that the absence of a permanent contracts officer greatly affected its program. Some actions were delayed because the local-hire assistant contracts officer was also responsible for the mission's regular program contracts and for contracting actions at the USAID mission in Jamaica.

- The mission in the Dominican Republic reported that the majority of staff hired for its reconstruction effort had no prior USAID experience. As a result, initial implementation slowed as new staff learned the USAID management system.

- The Honduran and Nicaraguan missions reported that getting qualified staff on board was a lengthy process. The Honduran mission noted that the process to hire staff was long and burdensome and that nearly all activities had delays or start-up difficulties due to staff shortfalls. The Nicaraguan mission reported that it experienced major delays in obtaining security clearances for staff it had hired. In one instance, the mission selected a person who eventually accepted a job elsewhere after waiting more than a year for a security clearance.

[22]During the start-up phase a permanent contracts officer was at the mission. He left in June 2001 and was not replaced.

- The Honduran mission reported it did not have the flexibility to reassign existing mission staff to some reconstruction activities. In addition, the mission had difficulties in obtaining temporary staff for its education activities because USAID headquarters either did not have the staff available or it lacked travel funds.

Accountability

All USAID missions reported that they took certain actions to ensure accountability for disaster recovery assistance funds. Some missions cited minimizing the funds provided directly to host governments as an example. Missions noted that the extensive audit and oversight coverage required a substantial commitment from mission staff already heavily involved in planning and implementing reconstruction projects.

- The Dominican Republic mission reported that it limited funds provided directly to the Dominican government to speed up the implementation process and reduce potential misuse of funds. It noted that the host government required more time to plan its budget and disburse funds. For example, government-funded potable water and sanitation systems for several housing projects were delayed when contractors did not receive payment from government institutions.

- The USAID missions in Honduras and Nicaragua hired consulting and management firms to handle funds and provide program oversight. The Honduras mission used eight organizations to provide oversight and technical assistance over various components of its disaster recovery program. The Nicaragua mission also hired several firms to provide oversight but one firm encountered problems in doing so. Specifically, the Nicaragua mission hired a U.S. management and consulting firm to oversee about $3.6 million provided to the Nicaraguan government for more than 20 small municipal infrastructure projects. However, the firm's lack of engineering expertise and experience led to substantial delays in several projects. Ultimately, about half the projects were canceled and only $2.1 million was expended. The remaining funds were reprogrammed and used for other reconstruction efforts.

Coordination

USAID missions noted numerous problems resulting from working with the other U.S. departments and agencies. They did not cite any problems in coordinating with other international donors.

- The missions in the Dominican Republic, Honduras, and Nicaragua reported that integrating the programs of the other U.S. entities was time-consuming and burdensome for USAID staff. The mission in the Dominican Republic further noted that coordination and implementation were challenging because the other departments and agencies did not have sufficient staff in country and did not spend enough time during visits.

- The USAID missions in Honduras and Nicaragua also reported that problems arose because some U.S. departments and agencies lacked an understanding of the complexities of working in a developing country environment and overseas missions—some agencies developed reconstruction plans without reference to local conditions. The Honduran mission further noted that providing administrative support for some agencies was particularly cumbersome and required the establishment of a separate mechanism for cost sharing, even though the program was relatively short-lived.

Lessons Learned

All USAID missions reported numerous lessons learned and indicated these lessons could be applied in future disaster reconstruction situations. Some examples follow.

- The missions in Honduras and the Dominican Republic reported delays in getting qualified contractor staff on board and the Nicaraguan mission reported major delays in obtaining U.S. and local security clearances for its contracted staff. The Dominican Republic mission suggested that the ability to hire personal services contractors and other staff—and get them to the mission—more quickly would be a great help in rapidly designing and implementing future emergency response and disaster assistance programs.

- All missions emphasized that a longer implementation period would have better ensured project sustainability. In addition, the Honduran mission reported that it had avoided activities involving institutional development and other complex reforms that would have required more time to complete. It also noted that, by paying relatively little attention to policy issues and emphasizing construction, it was unable to adequately address some of the underlying issues that had prevented Honduras from being prepared to respond adequately to disasters. The mission in the Dominican Republic acknowledged that it selected some types of activities that it knew could be completed by the expenditure

deadline. It did so despite recognizing that other activities might have achieved greater sustainability, especially those with more cost sharing with the host government and other implementing organizations.

- Reaching agreements with established organizations with an in-country permanent presence with whom USAID had previously worked was a good mechanism that generally resulted in expediting program start-up and ensuring project quality and financial accountability.

- According to the Honduran mission, host country contracting should be used with caution in a disaster recovery program with relatively short time frames because these projects generally took longer to be completed.

- The Guatemala mission reported that using fixed amount reimbursable contracts was a very efficient implementation mechanism through which the implementing organization was periodically reimbursed for activities it had successfully completed only after the activities were inspected and certified by USAID-selected personnel. The mission also noted that this mechanism limits the likelihood of corruption and increases transparency when concurrent audits are also conducted.

- The missions in Honduras and the Dominican Republic reported that certain types of agreements with other U.S. departments and agencies worked better than others. The Honduran mission noted that participating agency services agreements worked better than interagency agreements. Such agreements allowed the mission to define the terms of reference, which helped make other U.S. government programs more compatible with the broad objectives of USAID's reconstruction program and local conditions. The Dominican Republic mission reported that agencies working under participating agency services agreements and interagency agreements were more receptive to coordination and teamwork than those agencies that had their funds directly transferred to them by USAID.

- The mission in Honduras reported that USAID needs to do a better job in immediately identifying staff with the skills needed for reconstruction activities, rather than relying on staff within the mission or region. The mission further suggested including a human resources specialist in the first response team who could also assist the mission in filling staffing needs.

- The Honduras mission reported that its authority to redirect reconstruction funds within its own mission program contributed to successful project implementation. The mission noted that, based on progress and the changing needs of certain projects, it moved funds from some activities into others and strongly stated that all missions should retain this flexibility and authority.

Summary of Disaster Recovery Experiences: Other U.S. Departments and Agencies

As we did with USAID's missions, we asked the other U.S. departments and agencies that implemented reconstruction activities for their views on how the program proceeded. We provided a pro forma questionnaire to nine U.S. departments and agencies.[23] All nine replied. We grouped the responses into five broad topics: (1) program planning and implementation, (2) staffing, (3) accountability, (4) coordination, and (5) lessons learned that may apply to future disaster recovery efforts. In general, the agencies encountered a variety of problems and issues but noted that they gained valuable experience in implementing disaster recovery and reconstruction programs overseas. The following is a summary of their responses.

Program Planning and Implementation

The ability of the other U.S. departments and agencies to plan and implement their programs was affected by various factors, particularly the December 31, 2001, deadline. For some, the deadline had little effect on design and planning decisions but they could have used more time for training or to reinforce efforts to make their programs more sustainable. Other agencies reported that they designed their activities around the deadline. Other factors that affected project planning and implementation included administrative delays and host country conditions.

- NOAA reported that if the deadline had not been in place, it would have designed similar activities but would have included more training and sustainability-related activities. NOAA further noted that it did not have enough time at the beginning of the project to do a complete needs assessment to determine and prioritize activities. DOT also reported that, while the deadline did not affect the initial planning and designing of its program, other uncontrollable local factors, such as land acquisition and weather conditions, delayed some phases of DOT's projects. USGS said that it could have used more time for additional

[23]We sent our questions to the six agencies that had interagency agreements with USAID—the Environmental Protection Agency (EPA), the Centers for Disease Control and Prevention (CDC), the Federal Emergency Management Agency (FEMA), the National Oceanic and Atmospheric Administration (NOAA), the U.S. Department of Agriculture (USDA), and the U.S. Geological Survey (USGS). We also sent our questions to three agencies that received direct transfers from USAID and participated in the June 2001 meetings with the Office of Management and Budget—the Department of Housing and Urban Development (HUD), the Department of Transportation (DOT), and the State Department's Bureau for International Narcotics and Law Enforcement Affairs (INL). We did not send the questions to the Export-Import Bank, the Overseas Private Investment Corporation, or the Peace Corps. Their programs were independent of USAID and they did not participate in the June 2001 meetings.

feedback and to reinforce the methods and concepts of the training it provided.

- USDA reported that the deadline affected the design of its program technically and administratively. USDA had to identify projects that were feasible within the time frame and partners with sufficient capacity to successfully undertake the work. In addition, various administrative and bureaucratic delays, such as hiring staff to manage the program, hindered initial project implementation. HUD also reported that it would have designed its disaster mitigation activities somewhat differently if the deadline had not been imposed.

Staffing

Most agencies did not report staffing problems, although USDA reported that deploying permanent staff took some time and was a constraint in starting up its program. USGS, NOAA, USDA, HUD, and INL reported that they had full-time personnel in country, especially in the countries where they had larger programs. CDC, EPA, FEMA, and DOT used contractors and grantees or permanent staff that traveled on temporary duty to carry out their work. USGS had full-time staff in Honduras and Guatemala and relied on temporary duty personnel in other countries. USDA had full-time personnel in Honduras and Nicaragua—both USDA direct-hire staff and personal services contractors. USDA also used temporary duty personnel in all countries in which it worked.

Accountability

USAID's Bureau for Latin America and the Caribbean and mission staff, the Office of Management and Budget, and we conducted most of the oversight and review of the other U.S. departments and agencies. DOT and FEMA were the only agencies that were audited by their respective inspectors general—both reported positive audit outcomes. Staff from USAID's Bureau for Latin America and the Caribbean conducted most of the oversight of interagency agreements. In general, agencies reported that the oversight and reviews did not adversely affect program implementation and were, in fact, helpful.

- Most agencies reported adequate oversight of their programs and added that the reviews did not affect program design or the pace of implementation. An exception was FEMA, which reported that

responding to inquiries, mostly from its inspector general's office, took time away from project activities.

- Most agencies reported that the oversight and reviews provided valuable input. For example, USDA reported that the additional oversight by USAID and us was not overly intrusive and was welcomed by division management. USGS also noted that meetings and field visits allowed its staff to discuss expectations with auditors and comply with regulations. However, EPA noted that, although the oversight helped ensure accurate recordkeeping, it received little feedback on its performance.

Coordination

Eight of the nine agencies, including the six agencies that had interagency agreements with USAID, reported that they designed their program to complement and supplement USAID's program and that USAID had provided valuable assistance in helping them formulate their strategies. The same agencies reported that they also received a significant amount of logistical and administrative support from USAID and several noted that their programs would not have been as successful without USAID's programmatic and administrative assistance.[24] However, one agency reported that its contractor encountered some problems in coordinating with USAID.

- Most agencies reported that they took into account USAID's expertise and guidance in planning and implementing activities. USGS reported that its program was developed in consultation with USAID missions and that it had made significant changes in its initial design in response to suggestions from USAID. FEMA noted that it would not have been as successful without the support and guidance it received from USAID's Bureau for Latin America and the Caribbean. However, CDC's contractor for its laboratory equipment and training project reported that sometimes the missions' priorities differed from those of the health ministries or the national laboratories and the contractor had to change its approach.

[24]Staff responsible for the INL program in El Salvador reported that coordination and interagency relationships did not apply to its office. INL's program, which focused mostly on counternarcotics and law enforcement efforts, was managed by the embassies' political affairs and/or narcotics affairs sections.

- Several agencies reported that they provided technical expertise that complemented USAID's program. DOT implemented a port damage assessment project that focused on the entire transportation network supporting international trading ports in Honduras and Nicaragua. According to DOT, USAID did not have the capability to deal with transportation matters on a regional basis and DOT filled the void.

- Eight of the nine agencies reported that they received in-country logistical or program support from USAID missions. However, CDC's laboratory equipment contractor reported that administrative coordination with USAID missions was sometimes difficult because each mission required different information for issues such as country clearances and this created confusion for the contractor.

Lessons Learned

All nine departments and agencies reported that they learned lessons that could be applied in future disaster assistance programs. Most noted the constraints imposed by the December 31, 2001, deadline and suggested that future efforts include time for follow-on activities, such as training, to ensure more sustainability. Several also suggested that USAID develop an easier method of charging for administrative activities. In addition to working with USAID, several agencies noted the importance of good coordination among the various U.S. government entities providing disaster recovery assistance.

- Three agencies reported that the limited time for project implementation was a constraint, especially for follow-on activities and project sustainability efforts. HUD reported that the deadline did not allow enough time to complete efforts to train local entities in finding other sources of funding for continuing activities in a resettlement community in Honduras. According to NOAA, future projects should have follow-on activities to assess implementation of the technical guidance and training provided. NOAA further noted that more time and resources should have been devoted to training host country counterpart organizations. CDC had to obtain extensions for two training programs beyond the December 31, 2001, deadline to ensure that enough epidemiologists were trained and that laboratory equipment would be used and maintained properly.

- Three agencies reported that they would have preferred to have a different manner of dealing with administrative expenses in country.[25] Each suggested that USAID create a funding citation to charge each agency for all administrative, logistical, financial, and procurement services for future emergency programs. CDC and USDA recommended that USAID keep a portion of the funding before signing interagency agreements and that USAID provide all of the logistical and administrative support for the agencies, noting that this would allow for greater transparency and less confusion. Also, FEMA was not aware that administrative expenses were additional and had not budgeted for these costs.

- FEMA and USDA reported that a major constraint in overall planning was that the disaster recovery funds were not available prior to signing the interagency agreement to fund diagnostic, assessment, and planning activities. According to USDA, this led to significant delays in start-up activities. USDA suggested that USAID establish a rapid assessment fund, which it could use to reimburse other U.S. government agencies for their expenses.

- HUD reported that local community members are invaluable in locating work sites and then determining appropriate activities. Similarly, EPA reported that it learned to identify local partners to assist with logistics and technical support.

- EPA, INL, and CDC reported that they learned about working with host governments. EPA noted that it was important to get the host country governments involved from the very beginning and keep them involved throughout the program to help ensure sustainability. Staff responsible for INL efforts in El Salvador noted that projects work better if based on requests from host governments rather than on ideas developed in Washington, D.C. They added that one of INL's projects in El Salvador, which now is on track, might have avoided some initial problems if more attention had been given to country conditions. CDC noted the importance of ensuring that U.S. agency priorities do not conflict with the concerns of host governments.

[25]The U.S. government provides and shares the cost of common administrative support at overseas posts through the International Cooperative Administrative Support Services program. All agencies operating overseas are required to participate.

- USGS and CDC reported that they had learned more about working with other U.S. departments and agencies. USGS conducted a multidisciplinary program both within its agency and among other U.S. entities. USGS found that working with other agencies allowed it to share data among projects and programs, leading to more efficient and cost effective use of resources. CDC noted that clear coordination and communication from the very outset was important because agencies interpreted information differently. In addition, EPA suggested that greater efforts be made to help U.S. agencies create integrated programs in the same communities.

- HUD reported that it learned techniques and approaches to planning construction programs in poor communities that will allow for faster and more efficient reconstruction programs in the future.

Disaster Recovery Assistance Budgeted and Expended

The emergency supplemental appropriated $621 million to USAID and it was the primary agency responsible for carrying out the U.S. disaster recovery assistance program. In turn, USAID transferred almost $96 million[26] to 12 other U.S. departments and agencies that, for the most part, planned and implemented their own programs. USAID transferred funds in two ways as authorized by section 632 of the Foreign Assistance Act of 1961, as amended. Under 632(a), USAID has minimal responsibility for approving how the funds will be used, and program monitoring and evaluation is the responsibility of the receiving department or agency. Under 632(b), USAID and the receiving department or agency negotiate and agree on how the funds will be used, and USAID is responsible for program monitoring and evaluation; such transfers are implemented through interagency agreements. Table 2 shows the status of the disaster recovery funds through December 31, 2001, by the department or agency implementing the activities.

[26]This amount does not include funds paid for participating agency service agreements that USAID entered into with the U.S. Army Corps of Engineers, USDA, USGS, NOAA, DOT, and the Peace Corps; these funds totaled $29 million and are included in USAID's overall totals.

Table 2: Status of Disaster Recovery Assistance Funds through December 31, 2001

Dollars in thousands

Department or agency	Budgeted	Expended[d]	Percent expended
U.S. Agency for International Development:			
Program funds	$517,561	$460,875	89
Operating expenses[a]	7,500	5,837	78
USAID 632(a) transfers:			
Department of Housing and Urban Development	10,000	9,736	97
Department of State:			
Bureau for International Narcotics and Law Enforcement Affairs[b]	10,000	9,000	90
Bureau of Political-Military Affairs	2,000	1,900	95
Peace Corps	6,000	5,900	98
Export-Import Bank	2,697	2,697	100
Department of Transportation	1,992	1,970	99
Overseas Private Investment Corporation	1,000	991	99
Subtotal	**$33,689**	**$32,194**	**96**
USAID 632(b) transfers:			
National Oceanic and Atmospheric Administration	16,000	15,913	99
Centers for Disease Control and Prevention[c]	15,000	7,759	52
U.S. Geological Survey	13,250	12,895	97
Department of Agriculture	13,000	12,927	99
Federal Emergency Management Agency	3,000	2,781	93
Environmental Protection Agency	2,000	1,921	96
Subtotal	**$62,250**	**$54,196**	**87**
Total	**$621,000**	**$553,102**	**89**

[a]Includes $1.5 million for USAID's Office of the Inspector General and $500,000 transferred to GAO.

[b]More than $500,000 has been returned to the U.S. Treasury.

[c]CDC received an extension for its program to September 30, 2002. As of March 31, 2002, it had expended $13.4 million or 89 percent of its budgeted amount.

[d]We did not independently verify the accuracy of the expenditure data.

Source: GAO analysis of USAID data.

Comments from the U.S. Agency for International Development

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

JUN 28 2002

Mr. Jess T. Ford
Director
International Affairs and Trade
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Ford:

I am pleased to provide the U.S. Agency for International Development's (USAID) formal response on the draft GAO report entitled "Foreign Assistance: Disaster Recovery Program Addressed Intended Purposes But USAID Needs Greater Flexibility to Improve Its Response Capability" (June 2002).

USAID appreciates the comprehensive and constructive nature of this report. The positive role which the GAO has played during the course of the implementation of the Central American and Caribbean Emergency Disaster Recovery Fund (CACEDRF), created by Congress in May of 1999, has been very important to the success of this program. The level of cooperation and support between the GAO, USAID/Washington and our field missions has been exceptional.

The magnitude and scope of the U.S. government's supplemental reconstruction program, and USAID's leadership of it, were as unparalleled as Hurricanes Mitch and Georges themselves. It involved a massive job of coordination and decision-making among the international donors, twelve other U.S. departments and agencies, nine different countries and hundreds of local communities. Overcoming the planning, logistical and institutional obstacles was that much more significant given the widespread debilitation of country capacity and the commitment to "build back better."

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Moreover, efforts to establish an exceptional number of oversight and accountability mechanisms added to the challenge. We appreciate your confirmation of the importance of USAID's critical role in this process and that U.S. objectives were achieved.

While USAID is proud of what it accomplished under these difficult circumstances, your report correctly observes that over a period of years prior to the inception of the CACEDRF reconstruction program, USAID had downsized its staff and reduced its "surge capacity" to the point where meeting the emergency and post-disaster requirements posed by these events involved a near heroic response. This stretched USAID's human resources beyond anything previously encountered. We carefully considered the lessons learned from the reconstruction experience and have identified and will continue to identify changes in our structure and functioning which will make USAID more agile in responding to future similar crises. As the report also notes, the critical constraints were identified by USAID's own Hurricane Mitch Working Group and Emergency Response Council (ERC). We are pleased to inform you that the Council subsequently took the initiative to develop funding and staffing options and to put forward key program reforms to facilitate reconstruction activities in the future. In May of this year, the USAID Administrator approved all of the Council's recommendations for reconstruction activities in the areas of funding alternatives, staffing for design and implementation, and strategic planning.

On funding, the Administrator approved initiation of discussions within the Administration on "bridge financing" mechanisms for reconstruction activities. Large-scale infrastructure and other reconstruction activities usually require additional, extraordinary funding (which in the past has often come from supplemental appropriations). However, the time gap between the disaster relief phase and the receipt of the additional funds for moving to the reconstruction stage often spans several months, and the lengthy uncertainty about funding availability tends to hamstring planning and preparations in the interim. We are interested in pursuing a mechanism that would bridge this gap with assured funding.

To overcome staffing constraints, a USAID working group has identified several existing mechanisms that could make human resources more readily available for design,

implementation, and oversight of reconstruction activities. For procuring such services quickly, the working group has identified two contracting mechanisms that are available to operating units throughout the Agency. One is an Indefinite Quantity Contract for procuring short-term services. We have used it extensively and successfully for emergency activities. The other is an existing GSA contract for engaging both short- and long-term human resources. It has provided us with flexibility and quick turnaround time in procuring these services. In addition, to facilitate availability of USAID staff for reconstruction activities, we have contracted with a firm to establish a skills database of all Agency personnel, who would be available on short notice for deployment to the field.

The third area of reform, programming, involves guidance to the field, especially in "crisis-prone" countries, on the inclusion of a "crisis (or program) modifier" in country strategies. The crisis modifier has been used successfully in Eritrea and Ethiopia to avoid lengthy delays in revising USAID country plans, notifying the Congress of the changes, and negotiating these changes with host governments and other partners. The "crisis modifier" approach anticipates the need for redirecting USAID resources toward areas most affected by a disaster of either slow or rapid onset, and it ensures the necessary approvals long before the crisis occurs. The drafting of the guidance, for inclusion in USAID's Automated Directives System, on the use of this mechanism by field missions will begin soon.

In sum, this has been an extraordinarily successful reconstruction program with positive implications for USAID's future role in post-crisis reconstruction. We 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,

John Marshall
Assistant Administrator
Bureau for Management

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