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## Testimony

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# MULTILATERAL ASSISTANCE

## U.S. Participation in FAO's Technical Cooperation Program

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Issues, National Security and International Affairs Division



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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss our review of the Food and Agriculture Organization's (FAO) Technical Cooperation Program (TCP). In response to the Committee's request, we reviewed (1) the degree to which FAO has conformed to its established criteria in selecting TCP projects, (2) FAO's management of TCP, and (3) the role of FAO's governing bodies, and of the United States, in overseeing TCP and following up on auditor and evaluator recommendations. While we did not evaluate the impact of TCP projects, we did obtain the views of government officials who received TCP projects about the usefulness of the projects to their countries.

We are in the process of preparing a report on this work which should be available by November. My testimony today will summarize that work.

#### BACKGROUND

Before discussing our results, some background on FAO and TCP may be useful. FAO was established as a specialized United Nations agency to deal with issues in the fields of agriculture, fisheries and forestry. Its agriculture program seeks to bring about sustained improvements in nutrition, food security, and rural incomes; its fishery program promotes improved management and use of fishery resources; and its forestry program, among other things, seeks to find a balance among environmental concerns and increased demand for forest products.

FAO's total budget for the 1992-93 biennium is about \$1.5 billion--\$645.6 million from assessed contributions and about \$880 million from voluntary contributions. The U.S. assessment is 25 percent of the total regular budget; the U.S. net contribution for 1992-93 will be about \$159 million. In addition, the United States has contributed \$3.5 million in 1991-92 and \$3.8 million during the first 7 months of 1993 for extrabudgetary support.

TCP was established in 1976 to finance projects in developing countries at the request of their governments. The projects provide such services as advising governments, training local officials, preparing investment proposals, and assisting in emergencies. The TCP allocation for 1992-93 was about \$77 million, or 12 percent of FAO's regular budget. Unlike the rest of FAO's regular budget activities, TCP is not programmed in advance--that is, when the governing bodies approve a total allocation for TCP, they do not approve a distribution of the allocation to program areas or to geographic regions.

We conducted our review of TCP at FAO headquarters in Rome and in eight countries in Asia, Africa, and Central America. This included examining a representative sample of 85 TCP projects

approved in 1989, 1990, and 1991 and interviewing FAO and government officials concerning 123 projects in the eight countries we visited. Throughout our review we received the cooperation of FAO and of government officials.

## RESULTS IN BRIEF

Our field work in eight countries indicated that the governments which have received TCP projects were generally satisfied with the program and found most of the projects useful. Government officials told us that they had used at least some of the results of 70 percent of the projects, and about 40 percent of the projects had served as a catalyst in generating additional funding from either external sources or national budgets for larger scale activities. FAO has not developed formal standards to measure the success of TCP's results, but it believes this success rate would be difficult to match under any comparable program.

While recipient governments expressed satisfaction with the program, we found that some of FAO's stated goals for TCP are not consistently reflected in the criteria it has established to govern the selection of projects. Since the inception of the program, FAO has defined TCP's goal as responding to the urgent and unforeseen needs of developing countries with rapidly implemented, short-term, low-cost projects that have catalytic effect. Yet some of these goals, such as that projects provide rapid responses or that projects meet unforeseen needs, are not consistently reflected in the selection criteria. Also, some of the criteria that have been established for all projects lack specificity. For example, all projects are required to meet "urgent" needs, have an "overall duration" that does not exceed 2 years, and "where possible," generate "catalytic effect," but these criteria have not been defined.

We found that with certain minor exceptions, most of the projects we reviewed met some TCP criteria. For example, projects were requested by governments, they had budgets of under \$400,000, and they had clear short-term objectives and expected results. However, we also found that most projects did not meet some criteria, particularly the requirement that projects meet urgent or unforeseen needs, which was a primary justification for TCP's unprogrammed feature. In other cases, we found that FAO did not obtain evidence of adherence to criteria, such as that (1) projects complement other development activities without duplicating them, (2) the most effective and least costly method of project execution was adopted, and (3) projects were followed up by governments.

We found some weaknesses in the program and financial management of TCP, including delays in the procurement of consultants and equipment, which delayed project implementation; lack of

compliance with some competitive purchasing requirements; and the absence of impact evaluations. Financial management weaknesses included delays in releasing unused funds from completed projects, FAO's practice of carrying over about half the TCP allocation from one biennium to the next, and the charging of expenditures on newer projects back to earlier underutilized appropriations. Many of these weaknesses have been noted by evaluators and auditors since 1978, and have been raised by the United States and other members at governing body meetings, but the governing bodies have not required that these practices be changed.

#### FAO'S CONFORMANCE WITH TCP PROJECT SELECTION CRITERIA

FAO's Guidelines, approved by its governing bodies, state that all TCP projects must meet several criteria. For example, all projects must

- meet an urgent and specific problem;
- complement, but not duplicate, other development activities;
- use the most effective and least costly method of execution;
- have well-defined objectives and expected results;
- be accorded high priority by the requesting government;
- have budgets not exceeding \$400,000;
- be of short duration, preferably less than 3 months, but not exceeding 24 months; and
- where possible, serve as catalysts for larger scale activity.

Also, governments must assure FAO that follow-up action will be taken on projects.

We found that some of these criteria lack specificity, and the Guidelines do not provide definitions or clarifying examples. For instance, the Guidelines provide no definition of "urgent" problems or needs and no explanation of how projects other than responses to emergencies might meet this criterion. At governing body meetings, the United States has conveyed its concerns about the vagueness of certain TCP criteria, particularly the requirement that projects meet urgent problems. Similarly, the Guidelines do not specify what is to be included in the overall duration of project activities--for example, whether "overall duration" applies only to field activities or whether it also applies to project activities that occur before and after the field activity. The Guidelines require all projects to serve as

catalysts for larger scale activity "where possible," but provide no further definition of what is expected or a standard to measure when this objective is achieved.

Also, we noted that FAO's Guidelines contain no criteria at all in some areas essential to meeting the stated goals for TCP. For example, one of FAO's consistently stated goals for TCP is to provide rapid responses to government requests, but the Guidelines contain no criterion regarding the timing of project implementation. FAO also states that TCP's goal is to respond to unforeseen and urgent problems and offers this goal as a principal justification for TCP's unprogrammed feature. However, while the Guidelines require that all projects meet urgent problems, they specifically provide that unforeseen needs be used as justification only for emergency and advisory projects. Since all of TCP is unprogrammed, there appears no reason why only advisory projects, and not training or investment projects, for example, should meet unforeseen problems.

We found that most of the TCP projects in our sample met one or more of FAO's criteria, but except for projects categorized as emergencies, most projects did not meet urgent or unforeseen problems. This is not to say that the projects were not worthwhile, because according to government officials we interviewed, most projects served a useful purpose. However, the fact that most projects did not meet urgent or unforeseen needs is important because this is a fundamental justification for the unprogrammed feature of TCP. In other words, most of the projects we reviewed, except those categorized as emergencies, could have been programmed through the normal budgeting process where the governing bodies would have had some input to the decision-making process.

FAO does not obtain evidence that projects adhere to some criteria. Although the Guidelines state that all projects must complement other development activities without duplicating them, most proposals for projects in our sample did not provide any evidence of coordination with other development activities. Similarly, although the Guidelines require that the most effective and least costly method of project execution be adopted, only one project in the sample provided a rationale in these terms for the method of execution.

Finally, the Guidelines require a government proposing a TCP project to assure FAO that follow-up action will be taken and to describe the project's catalytic role. Yet, governments did not indicate any planned follow-up or catalytic effect in their proposals for about two-thirds of the projects in our sample. Although the Guidelines also state that completed projects, where possible, should serve as catalysts for larger scale activity, records at FAO headquarters contained no information about

follow-up or catalytic activity for about 75 percent of the completed projects in our sample.

Although FAO does not systematically track the effects of completed projects, government officials in the countries we visited told us they had used some of the results of 70 percent of the projects we reviewed. While the countries had not generated additional funds for most projects, we noted that additional funding from external sources was obtained for about 28 percent of the projects, and that about 11 percent of the projects generated additional funding from the governments themselves. The TCP criteria do not provide standards to measure the success of these results, but FAO believes this is an achievement difficult to match under any comparable program.

Some TCP criteria were nearly always met. Every project in our sample was requested by a government, which in that sense gave it high priority. Projects generally had clear short-term objectives and expected results, though most did not have clear longer term objectives. Finally, every project we reviewed met the \$400,000 budget ceiling, and most were considerably below this maximum. We noted that FAO does not include all its costs in project budgets, but even if it did so, most budgets would still not have exceeded the ceiling.

#### SOME TCP MANAGEMENT PRACTICES ARE WEAK

There has been very little real growth in the allocation of FAO resources to TCP. However, certain management weaknesses have inhibited effective use of the TCP resources. Many of these weaknesses have been reported before.

#### Delays in Procuring Consultants and Equipment

The amount of time FAO headquarters requires to field consultants and to procure and deliver equipment or supplies has delayed project implementation, and many original project start dates have had to be postponed. FAO relies heavily on consultants for most TCP projects. Between 1989 and mid-1992, 1,307 consultants worked on at least one TCP project. However, for more than 40 percent of the projects in our sample, the consultant could not arrive in the field as quickly as originally planned, requiring FAO to postpone the project start date. Similarly, equipment and supplies were ordered by FAO headquarters an average of 4-1/2 months after the projects' originally planned start dates and were not delivered to the field for another 5 months, on average.

Some of the delays were outside FAO's control. For example, consultants may not have been available at short notice; FAO headquarters must follow competitive bidding procedures which can be time consuming; and deliveries to project sites in developing countries take time. Although FAO begins its consultant

recruitment process quickly after projects are approved, we believe that delays could be reduced if FAO implemented recommendations that have been made in the past, for example, by increasing and more frequently updating consultant rosters. We also believe that FAO could plan project start dates to more realistically take account of the difficulties it faces in deploying consultants. FAO has taken steps to improve the procurement of equipment and supplies at headquarters by centralizing the process in one division. FAO said it hopes this will reduce the delays it has experienced.

#### Procurements in the Field

FAO field officers can purchase equipment and supplies from local suppliers, up to a specified dollar limit, using the field office imprest accounts. The regulations require field officers to include a written explanation in the project file in cases where these purchases are not competitive. If a purchase is between \$500 and \$5,000, quotations from more than one source should be obtained wherever feasible, but if the purchase is over \$5,000, multiple quotations are required. When multiple quotations are not obtained for any purchase over \$500, an explanation must be placed in the file.

We reviewed files on 65 imprest account purchases and found evidence that multiple quotations were obtained for only 18 percent of the lower value purchases and 13 percent of the higher value group. The files for both the lower and higher value purchases seldom contained an explanation for not obtaining multiple quotations.

#### Project Impact Is Not Evaluated

FAO's evaluations of TCP have generally focused on the degree to which projects met program criteria, were efficiently implemented, and generated follow-up and catalytic effect, not on the impact of TCP over a number of years in any given region, country, or program area. For example, the evaluations did not inform FAO about the impact after 5 years of TCP advisory projects in Africa, or of training projects in areas such as food safety standards. Moreover, since TCP project proposals do not specify measurable longer term impact, it would not be possible under current circumstances to evaluate whether actual impact compared favorably with what was anticipated. Expected impacts need to be specified during the project planning and development phase in order to know whether the projects ultimately achieved those results.

According to FAO, its policy has been to evaluate the impact of field programs overall and not to focus its impact evaluations on TCP because TCP projects are short-term. We agree that FAO should evaluate the impact of its overall field programs in a



given country or program area; however, in the absence of evaluations focusing on TCP, as distinct from other FAO efforts, the Secretariat and member states lack information about the program's impact or effectiveness.

#### TCP Allocation Carryover

Since 1986, FAO has not obligated or spent about one-half the TCP allocation in the biennium of appropriation. The carryover is authorized by FAO's financial regulations, but the high percentage of carryover has raised questions about FAO's management of TCP funds. Since the inception of the program, U.S. representatives have raised objections to TCP's carryover feature, which is unique among U.N. agency regular budget technical cooperation programs. U.S. officials told us that the carryover (1) suggests that the TCP appropriation for each biennium is larger than the program can use, (2) casts doubt on the argument that TCP is necessary to meet urgent needs, and (3) makes it difficult for member states to track the use of TCP funds at any given time. TCP's carryover feature was initially justified on the basis that the program was experimental; however, TCP is now over 18 years old and is no longer experimental. The large carryover indicates that the TCP allocation is not used quickly to meet government requests, even though FAO maintains that requests greatly outnumber the resources available to meet them.

We found that even after FAO has carried over funds from one biennium to the next, it still does not obligate or spend all the allocation by the end of the second biennium. FAO regulations require that funds not obligated by the end of the biennium following the appropriation must be transferred to miscellaneous income. In some recent biennia, FAO has avoided returning a portion of the unused TCP allocation to miscellaneous income by charging projects approved in later biennia back to the underused earlier one. For example, to avoid surrendering a portion of the 1988-89 appropriation at the end of 1991, FAO charged completed projects, totalling over \$5 million, to the appropriation, even though the projects had originally been approved under the 1990-91 appropriation. In 1980, FAO's external auditor questioned this practice after FAO had made such a transfer for the 1976-77 appropriation. FAO referred the issue to the governing bodies, which retroactively authorized the transfers, and any future ones, stating that funds appropriated for TCP should be spent for TCP.

#### FAO Reports on How Carryover Will Be Used Are Unreliable

Although approximately half the TCP allocation is not obligated by the end of the biennium of appropriation, FAO maintains that most of the allocation is "earmarked" for approved projects by

that time. We found that while the bulk of the allocation may be earmarked for approved projects, it is not necessarily spent for those projects. When we compared the carryover reported with that actually spent in the country during the following biennium, we found substantial variations for two-thirds of the countries in 1986-87 and for 57 percent of the countries in 1988-89. About 25 percent of countries in each biennium received either twice the reported "earmark" or less than half of it. Thus, at the very least, reported carryover is not a reliable indicator of spending in countries during the second biennium.

#### MANY RECOMMENDED CORRECTIVE ACTIONS HAVE NOT BEEN TAKEN

Evaluators hired by FAO, its external auditor, and its own Evaluation Service have previously noted many of the same weaknesses we found and have recommended corrective actions. For example, the consultants hired to evaluate the program in 1985 and the Evaluation Service in 1991 noted weaknesses in FAO's tracking of project follow-up and catalytic effect. The 1985 report recommended that FAO monitor follow-up after project completion, send final reports to governments more quickly, and enforce the requirement that governments respond with an account of their follow-up actions. With respect to the procurement of equipment and supplies, the 1985 consultants recommended that FAO increase the use of suppliers from the project country and determine the availability of required equipment and supplies before approving projects.

In his 1988-89 report, the external auditor recommended that FAO

- consolidate headquarters bidding processes by developing standard specifications for common equipment items and approaching suppliers periodically for fixed, longer-term prices, thereby reducing the number of separate competitions;
- provide field officers with more guidance on potential suppliers for particular commodities to increase their use of competitive procurement;
- monitor and compare equipment performance; and
- strengthen the Evaluation Service (an auditor recommendation in 1986-87 also).

FAO has taken some action in response to these recommendations. For example, FAO (1) authorized the procurement process to begin before project approval in certain cases; (2) increased the authority of field offices by delegating to them authority to approve projects up to a specified dollar limit and raising the dollar limit for field purchases; (3) added one position to the Evaluation Service in the 1990-91 budget; and (4) issued a revised procurement guide for field officers in September 1992

that details FAO requirements and provides indicative cost and delivery estimates for certain specified commodities. FAO also reports that it is now introducing "bulk buying" for certain products with sufficient and recurring demand.

However, FAO has not taken action on other recommendations. For example, it has not implemented recommendations to (1) improve its tracking of follow-up, (2) ascertain the availability of equipment and supplies before approving projects, (3) provide field officers with more guidance on potential suppliers in order to increase their use of competitive procurement, and (4) monitor and compare equipment performance.

While some member states, including the United States, have requested management improvements in addition to those pledged by the Secretariat, the governing bodies have not requested either continuing information on the implementation of pledged actions or action on the other recommendations. However, at the urging of the United States and the United Kingdom, the Conference directed the FAO Secretariat in 1991 to formally report on the corrective actions taken in response to external auditor recommendations. The first such response is expected at the November 1993 Conference.

#### OBSERVATIONS

In summary, our review of FAO's criteria for TCP and the application of that criteria has shown that since most activities currently funded by TCP were not responses to urgent or unforeseen needs, FAO and the governing bodies could have programmed them in advance through their established programming procedures. Most current TCP activities are the same kinds of activities that FAO and other U.N. agencies program through their regular budgeting process. As U.S. representatives to FAO have stated, programming would increase member state influence over the objectives, distribution, and coordination of TCP.

Incorporating TCP into FAO's regular budgeting procedures would not, in our opinion, produce a lengthy, detailed or inflexible TCP planning process. In 1991, FAO's Director General proposed that most of TCP be programmed by geographic area, but that proposal was not adopted by the governing bodies. We believe that most of TCP could be programmed by FAO substantive area, a position that has been advocated by the Departments of State and Agriculture, but that a percentage of the TCP funding allocation should remain unprogrammed for use in emergencies. We also believe that FAO should specifically define the other urgent and unforeseen problems for which the unprogrammed funds could also be used.

We would also urge the U.S. representatives to FAO to continue to work with the Secretariat and other member states to clarify and

enforce project selection criteria, such as requirements for follow-up and catalytic effect, that would be applicable to all TCP activities, both programmed and unprogrammed, and to strengthen governing body oversight of TCP, particularly regarding the Secretariat's implementation of actions to correct management weaknesses.

Mr. Chairman, this concludes my prepared remarks. We will be pleased to respond to any questions you or other members of the Subcommittee may have.

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