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Statement of
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before the
Subcommittee on Africa
of the
House Committee on Foreign Affairs



on

HSE 01122

cc
The [Food-For-Peace Program and
The Foreign Military Sales Program in Zaire]

Mr. Chairman and Members of the Subcommittee:

We are pleased to provide you the results of our reviews of the Food-For-Peace Program and the Foreign Military Sales Program in Zaire, which were done at your request.

FOOD-FOR-PEACE PROGRAM

First, I would like to discuss the Food-For-Peace Program, highlighting the rice distribution program, the management of counterpart funds, and some of the advantages and disadvantages of various alternatives to the present rice program.

The Public Law 480 program has become an increasingly important part of U.S. economic assistance to Zaire. Since 1976, about \$66.8 million has been programmed under title I

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which provides for the concessional sale of agricultural commodities. In addition, about \$7.3 million has been programmed under title II which authorizes food donations to meet famine or other urgent requirements.

Rice distribution and monitoring

As you know, the U.S. effort to control and monitor the in-country distribution of rice provided under title I of Public Law 480 is unique to Zaire. Normally, the United States ends its involvement upon delivery of the commodities to the recipient country.

The U.S. Mission--including the AID Mission, the Embassy, and the Agricultural attache--became extensively involved in planning and monitoring the distribution of rice in Zaire as the result of abuses in previous programs, such as sales at inflated prices, blackmarketing, and diversion of rice from authorized sales channels. The plan for distributing the 1978 program rice, established by the Government of Zaire with the agreement of the U.S. Mission, was designed to minimize such abuses and to better ensure that the rice reached the populace at official or controlled prices. Under this plan, 15,700 metric tons of rice were distributed during calendar year 1979.

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U.S. officials believe that abuses were fewer and the distribution to the public was better during 1979 than during prior years. There is very little evidence to either substantiate or refute this conclusion. The Mission did not have complete receipt and sales information and the limited information that was available could not be verified. In addition, the U.S. Mission had only limited capability to monitor the receipt, storage, transport, and sale of 15,700 tons of rice in Kinshasa and five other provinces. Thus, it is impossible to measure how well or how badly the agreed-upon distribution plan was followed.

The monitoring efforts of the U.S. Mission and of the Government of Zaire, even though limited, disclosed instances of sales at higher-than-official prices, improper sales to government officials, and diversions of rice to blackmarkets. Notwithstanding these identified abuses, monitoring also indicated that many people benefited from rice sales at official prices.

The distribution plan for 1979 program rice, which is now being distributed in Zaire, provides a clearer understanding for distributors of their obligations and for more systematic reporting at various steps in the distribution process. Whether these requirements will be met and, more importantly, whether they will serve as a better control is an open question.

Properly documenting and reporting upon the receipt of rice at the ports has been a problem. In addition, considerable amounts of rice are lost from torn sacks, spoilage, and theft or from disappearance at the ports and on the rail and barge network. These problems have not yet been resolved.

Other commodities

Wheat, cotton, and tobacco were also imported under the Public Law 480 program, but unlike rice, they are processed into other products before consumption. These commodities are handled by very few distributors and appear to be better controlled. The problems in controlling these commodities--from available indications--have been relatively minor compared to those for rice.

Counterpart funds

Controlling the deposit and the release of local currency--or counterpart funds--generated by the sale of title I commodities has been a problem. The Government of Zaire released counterpart funds, totaling the equivalent of \$1.3 million, to government officials without obtaining the required AID project approval. There are long overdue deposits owed to the fund.

The Government of Zaire has agreed to a restitution of the \$1.3 million in counterpart funds by bringing under the umbrella of the fund, other agricultural development projects which were being directly financed by that government.

The Government is also attempting to collect overdue deposits from distributors and has agreed to provide monthly reports of receipts and disbursements which, if submitted, can be used by the AID Mission to monitor deposits and withdrawals.

The problems of counterpart fund controls are not unique to U.S.-generated funds, however, because about 75 percent of the counterpart funds being generated in Zaire are the result of programs of other donor countries. Therefore, a coordinated effort among all donors may be necessary to strengthen management controls and to make certain that the funds are used for intended purposes.

Program alternatives and questions

The U.S. Mission has noted that without the leverage provided by title I food assistance, it is doubtful whether the United States could encourage a program of agricultural development or whether short-run political and economic stability could be maintained unless alternate supplies of food were assured.

We discussed various options to the rice program with U.S. officials here and in Zaire. One alternative would be to decrease rice and increase wheat and wheat flour, and to a lesser extent, other commodities. Some advantages of this include:

- providing the same or increased balance-of-payment support;

- freeing foreign exchange for commercial rice purchases or other uses;
- maintaining the generation of counterpart funds for agricultural and other development projects; and
- lessening, to some extent, the need for AID Mission monitoring and for time-consuming confrontations with the Government of Zaire.

This approach, however, may tend to favor the urban areas at the expense of the more remote areas because bakeries are concentrated in the major urban centers.

Another alternative could be the auctioning of title I rice at the port of Matadi to eliminate the opportunity for windfall profits and to enlarge the counterpart fund. However, such a system might result in much higher prices to consumers because retail price controls would be dropped.

Another consideration is possibly expanding the use of religious and other groups under title I. As discussed in our report, religious groups were reportedly relatively successful in carrying out title I distributions in Bas Zaire and Kinshasa. The extent to which it is possible or practical to expand the use of such organizations is not apparent. Further, if such use were expanded, the extent to which monitoring would be required is also unknown.

Considerable discussion has centered on transferring rice from a title I program to a title II program administered by private voluntary organizations. Such a transfer would diminish the generation of counterpart funds for development projects. The limited experience under title II has been largely in areas near the ports with resulting shorter inland transport requirements. This experience has not shed much light on whether an expanded title II donations program could cope with inadequacies of the transport networks in the more distant parts of the country, nor on the capabilities and willingness of private voluntary organizations to carry out such a program. It should be noted, however, that AID has recently hired a Food-for-Peace officer in Zaire whose duties include assessing the feasibility of expanding title II programs and the possibility of a food-for-work program.

In summary, the appropriate commodity mix and means of distribution for U.S. food assistance to Zaire may require a choice of

- whether to pursue the primary objective of economic and political reforms through title I or other balance-of-payment support programs without attempting to control distribution, or
- whether to pursue balance-of-payment support while also attempting an equitable distribution of title I foodstuffs at less-than-market prices.

It is questionable whether food can be provided at less-than-market prices in the food-scarce situation, without some abuses. The vastness of Zaire, the lack of adequate storage and transportation facilities, the economic conditions which have fostered an extensive blackmarket, along with the limited capability of the U.S. Mission in monitoring the program, raise serious questions about the extent to which program abuses and commodity losses can be controlled. In this situation, we believe that the extensive involvement of the U.S. Mission with the Government of Zaire in planning, implementing, and monitoring commodity distribution--in spite of its limitations--may be necessary if abuses are to be minimized and if equitable distribution is to be promoted.

To conclude, our review raises the following questions about the program in Zaire:

- To what extent can abuses be controlled or tolerated in the context of U.S. objectives?
- To what extent should the United States be involved in planning, implementing, and monitoring commodity distribution under title I, and is it willing to bear the cost of such involvement?
- Can the United States achieve, in concert with other donors, a more coordinated approach to defining specific food needs in Zaire and the most appropriate means to distribute this food?

--Can the United States develop and successfully promote more definitive standards of performance for, and the means to assist, the Government of Zaire in better managing commodity distribution and the use of counterpart funds?

FOREIGN MILITARY SALES CREDIT PROGRAM

I would now like to discuss the results of our review of U.S. efforts to monitor the use of foreign military sales (FMS) credit equipment for legally designated purposes and the use and maintenance of the equipment.

In 1963, the United States and Zaire, then the Republic of the Congo, concluded a Mutual Defense Assistance Agreement. Under this agreement the United States agreed to provide Zaire with military equipment and assistance. The two countries also agreed to establish a U.S. military mission to Zaire. The U.S. grant-aid program between 1963 and 1970 amounted to about \$30 million, primarily for aircraft and vehicles.

Zaire no longer receives grant-aid military equipment from the United States, but instead purchases military equipment from the United States using FMS credit funds. Sales of military equipment to Zaire using FMS credit funds are concluded under FMS agreements and are made under provisions of both the Arms Export Control Act (P.L. 90-269) as amended, and the 1963 Mutual Defense Assistance Agreement. FMS credits are long-term, government-to-government loans using

funds authorized by the Congress. Funds totaling about \$100 million were appropriated between fiscal years 1971 and 1980 for the FMS credit program to Zaire. The major military equipment purchased under the sales credit program were vehicles and aircraft.

The Arms Export Control Act places certain restrictions on the use of military equipment sold under the FMS credit program. The act provides that military equipment be used solely for internal security, legitimate self-defense, participation in regional or collective arrangements consistent with the charter of the United Nations, or in other activities helpful to the economic and social development of the country.

Monitoring of equipment

You asked that we determine the organizational capacity of U.S. agencies in Zaire to monitor both the maintenance of FMS equipment and its use for legally designated purposes. You also asked whether there was any realistic way to prevent diversion or misuse of FMS equipment.

Unlike the grant-aid material program which requires Department of Defense representatives to routinely inspect equipment to insure that it is being used for the purposes provided, no such requirement exists for equipment sold under FMS credit arrangements. Neither the Arms Export Control Act nor the Departments of Defense and State specifically require U.S. agencies to monitor and report on the use or maintenance of FMS equipment.

Although the requirements for monitoring equipment use and maintenance are not explicit, directives permit and encourage monitoring if the U.S. Military Mission has sufficient resources to do so. Presently the U.S. Military Mission in Zaire has six military staff members. The U.S. agencies in Zaire perform limited and unscheduled monitoring of FMS equipment and maintenance. The U.S. Military Mission and the U.S. Embassy are not staffed with sufficient personnel or equipped with the transportation required to routinely monitor FMS equipment in a country the size of Zaire. The U.S. Military Mission Chief told us that with more staff and their own aircraft, Mission personnel could certainly observe much more FMS equipment. The Mission Chief believed, however, that effective monitoring is just about impossible because of the size of the country and the dispersion of the equipment.

U.S. officials in Zaire were in overall agreement that U.S. efforts to monitor the whereabouts and the maintenance of small numbers of highly visible and centrally located FMS equipment (such as, C-130 aircraft) are far more successful than keeping track of widely dispersed, large quantity ground force equipment, such as trucks and jeeps. U.S. personnel, however, are not close enough to the actual loading and operation of the aircraft to routinely determine the type of cargo

being carried and its intended end use. Similarly, U.S. officials are unable to determine whether use of FMS vehicles is for military or non-military purposes.

U.S. officials informed us that they would increase their informal monitoring within the existing organizational capacity to develop more information on the use and maintenance of FMS equipment. From a practical point, however, we see no realistic way for U.S. officials to monitor, even with increased staff, so that diversion and misuse of FMS equipment will not occur. Zaire is just too large, the equipment is too widely dispersed, and available transportation and communications are too inadequate and unreliable to carry out an effective U.S. monitoring program.

Use of equipment

You asked us to examine and report on the extent to which--over the past two years--FMS aircraft, vehicles, and other equipment have been systematically diverted from their legally designated military roles for use in private, non-military undertakings. We were also asked if Zaire's use of FMS equipment has resulted in substantial violation of U.S. arms sales laws and FMS agreements with Zaire.

There are indications from both U.S. and Zaire officials that Zaire has used FMS equipment, to some extent, for unauthorized purposes. Zaire officials cited specific examples of equipment misuse and acknowledge that recent congressional

criticism has been justified. President Mobutu recently ordered the Zaire military to stop misusing FMS equipment. How effective this order will be remains to be seen.

We did not find any documentation in U.S. agencies' files, did not receive any statements from U.S. officials, and did not develop any evidence to indicate that within the past two years systematic diversion of FMS equipment has occurred or that Zaire's use of FMS equipment has resulted in violation of U.S. arms sales law and FMS agreements. In the absence of an effective U.S. monitoring capability, we found little, if any, information available to the United States to independently determine the extent to which FMS equipment is being diverted from its legally designated role. We recognize, however, that without a capability to monitor equipment use, diversion and misuse could have occurred in Zaire.

We examined Zaire's use of the C-130 and the Cessna aircraft. Zaire has purchased seven C-130 aircraft. One C-130 crashed in 1974. We noted that a C-130 is used to fly cobalt to Europe. Flights occur weekly and on a scheduled basis. According to Zaire officials, the financial proceeds from these cobalt sales are to be deposited in the state treasury. We believe that past agreements between the United States and Zaire regarding the purposes for which FMS equipment can be used appear to permit Zaire to use C-130s for legitimate economic development, including the transport of cobalt.

One C-130 aircraft is used full-time to transport President Mobutu in his capacity as head of state and supreme commander of Zaire's military forces. From time to time, additional C-130 support is provided to the President to transport supplies and goods to the Presidential retreat in Gbadolite, Zaire. We could not determine the frequency of such additional C-130 support.

The Commanding General of Zaire's armed forces estimates that military missions, including those of a humanitarian or civic action nature, constitute 75 to 80 percent of the C-130's time. We were further informed that in the absence of a military mission requirement, the remaining C-130 time is devoted to economic missions.

Zaire's Air Force received 15 Cessna 310 aircraft in 1974 and 15 single-engine Cessna 150 aircraft in late 1976. The Cessna 150 aircraft were purchased specifically as flight training aircraft. Because of the Shaba wars, problems in operating the training base and acquiring aviation fuel, flight training had not been started at the time of our field visit. We inspected 9 of the 15 Cessna aircraft and found that they have rarely, if ever, been flown since their arrival in Zaire three years ago. We were informed that if fuel can be obtained, the Air Force expects to activate the flight training base in early 1980.

Under FMS, vehicle sales to Zaire have been mainly for heavy cargo-carrying 2 1/2-ton trucks, 1/4-ton utility jeeps, and ambulances. Since 1971 the United States has sold Zaire about 400 trucks, 450 jeeps, and 50 ambulances. Many of these vehicles are no longer operational or in the Zaire military inventory.

Utilization of FMS vehicles for military purposes was difficult for us to precisely determine. Trucks have a major role in moving all sorts of foodstuffs to support troop messes and commissaries; in moving military personnel during maneuvers; and in moving supplies between ports, airfields, and warehouses to the military bases. In general terms, we found that jeeps were used for administrative purposes such as moving headquarters and command personnel about the area.

Adequacy of maintenance and condition of equipment

You asked us to determine the extent to which equipment is adequately maintained and to report any particular problems related to maintenance.

Routine aircraft maintenance has not been much of a problem due primarily to the presence of Lockheed and Cessna technical representatives and to the availability of spare parts--both paid for with FMS credit funds. Aircraft maintenance personnel for both C-130 and Cessna aircraft are technically qualified and appear to be adequately maintaining the aircraft.

Zaire reportedly faces some serious maintenance problems, however, that could ground most of Zaire's Air Force C-130s unless sufficient funds are found to pay for expensive and overdue major overhaul work. It is not at all certain whether Zaire can insure the future proper maintenance of these aircraft. Two C-130s have not been flown for some time. One aircraft has been out of commission since July 1978 when it was involved in an accident; the other has not been flown since February 1979 because of unserviceable engines.

Zaire's military logistics system is not providing FMS vehicles with adequate spare parts. As a result, the vehicles are not being adequately maintained. A large number of vehicles are not in operating condition and many have been heavily cannibalized for serviceable spare parts.

The Zairian military does not have a reliable system of property accountability and could not readily tell us how many and what types of FMS vehicles were currently in inventory, or their operating condition. Thus, as a part of our site visits to Zaire military installations, we independently inquired about the condition of the assigned FMS vehicles. We found that of the 200 vehicles assigned to the units visited, about 100 were operational. Unit commanders complained to us about a lack of spare parts for vehicle repairs. During our field visits to Zaire military

warehouses in Kinshasa, we found FMS spare parts in storage that were needed by Zaire field units to meet their operational needs.

Zaire officials openly acknowledge a problem of communication and coordination among those military logistics elements responsible for insuring proper ordering and subsequent distribution of spare parts and other items. It appears that Zaire's military logistics experts do not know what equipment they have to support, or what spare parts they have in stock to support it with. Zaire has been the recipient of military equipment from many countries. We recognize that supporting equipment of diverse national origins presents a difficult problem even to Western countries with advanced supply systems.

Availability of trained vehicle mechanics does not seem to be a problem although spot shortages of senior level mechanics were reported.

In our opinion, the weaknesses of Zaire's military supply system present a serious limitation to the effective maintenance of FMS vehicles and other FMS ground force equipment. We understand that action is underway, with the assistance of Belgium, to improve Zaire's supply system.

This completes my statement, Mr. Chairman. We will be pleased to answer questions.