



CONFIDENTIAL

13/05/2005

To: James T. Morris
Executive Director
(Executive Summary only)

Through: Adnan B. Khan
Inspector General, Director Oversight
Services Division, OSD

From: Vernon Archibald
Senior Inspections and Investigations Officer, OSDI

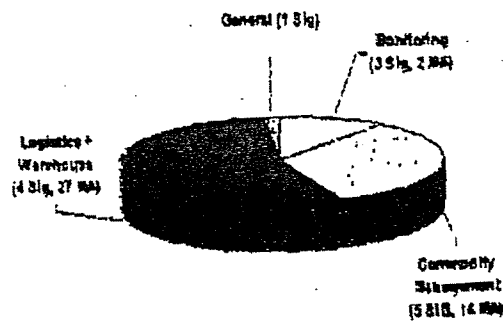
Ref. num: OSDI/592/05

Subject: REPORT OF INSPECTION: WFP ALGERIA (3 to 17 MARCH 2005)

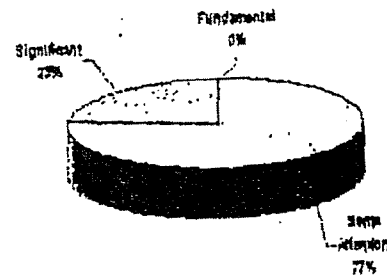
EXECUTIVE SUMMARY

MODERATE IMPROVEMENTS NEEDED

Findings by Functional Area



Findings by Risk Severity



The inspection was limited to logistics, commodity management, and programming between Jan 04 and Feb 05. It did not include verification of refugee numbers. The inspection took place at the same time as a review mission from the Office of Inspector General (IGO) UNHCR. The two missions were independent but coordinated.

The inspection noted a number of weaknesses in controls and management practices within both the logistics chain and distributions, and concludes there is a risk of objectives not being achieved. However, it must be noted that the staffing of the Sub-Office in Kindouf has recently been enhanced with the addition of a Logistics Officer (PO), two Food Aid Monitors (G-5) and two drivers. The CO had therefore already begun to review some of

CC: Grasse (Executive Summary only)
Powell (Executive Summary only)
Stayron (Executive Summary only)

Morton
Damos
Anyanful
(above with Annexes)

the weaknesses noted in this report and taken corrective action, especially with regard to increased monitoring in the camps.

Background

The current two year PRRO 10172.1 was an expansion of the previous PRRO and commenced on 1 Sept 04. It assists 158,000 beneficiaries and has a budget of approximately \$40 million. Although the funding of the previous PRRO was only 69% of requirement, and both PRROs were operational in 2004, the actual amount of food programmed to meet targets in 2004 was 52,773 MT. This figure coincides with the amount which CRA reported as being distributed. It can therefore be concluded that the amount of food distributed in 2004 was sufficient to feed the planned caseload figures. The difference between the actual funding received by WFP (69%) and the full distribution achieved may have been partially made up by bilaterals (9% in 2004), by loans from the ECHO bufferstock, or by not meeting planned distributions in 2003.

In this regard, it should also be noted that Standard Project Reports (SPR) for 2003 and 2004 confirm that the actual number of beneficiaries reached was 100% of the planned number and the actual nutritional intake exceeded the target in both PRRO's by a small percentage. The PRRO document submitted to the Executive Board in 2004 stated that the target distribution was being met.

Major Findings

1. Formal Agreements. Croissant-Rouge Algerien (CRA) is WFP's implementing partner in Algeria. CRA implements the logistics from the port to the beneficiaries. At the EDP CRA sub-contracts to Croissant-Rouge Saharaoui (CRS) – the beneficiaries – for warehousing, secondary transport, and distribution. At the time of the OSDI mission there was no formal agreement between the CO and CRA, nor between the CO and the Government, as both had expired with the previous PRRO on 31 Aug 04.

In addition, in accordance with the global memorandum of understanding with UNHCR, the management of food aid for refugees falls under UNHCR's responsibility as soon as it leaves the warehouse. The division of responsibilities concerning monitoring should be included in a country level agreement between UNHCR and WFP, but unfortunately there has never been such an agreement.

The lack of the agreements, particularly with UNHCR locally, leads to confusion over control and must be addressed.

2. Port and Primary Transport. Some weaknesses were noted in operations at the port in Oran and transport between Oran and the EDP. The transit time from Oran to the EDP should be a maximum of five days, but OSDI noted that 39 trucks spent an average of 25 days in transit. OSDI recommends that the CO investigate these delays and rigorously monitor transit times in future. Though these weaknesses were considered significant, OSDI did not find a pattern which would result in a major cause for concern in port operations and primary transport.

3. Warehouse Operations. In 2003 a Logistics Officer from WFP Chad spent six months improving warehouse operations. Visits to the warehouse were also made by the Regional Logistics Officer in 2002 and 2003 and by the Chief of ODCL in 2002. In spite of these visits and their recommendations, many significant weaknesses were still evident to the

controls were virtually non-existent.

OSDI recommends that the CO assume responsibility for management of the warehouse and that a new warehouse is established close to the SO in Tindouf. Pending this, the CO must bring existing warehouse arrangements up to an acceptable level. Again though the issues raised were individually of concern no overall pattern was detected by OSDI which would indicate significant diversions.

4. Secondary Transport, Distribution & Monitoring. Although these are UNHCR responsibilities, OSDI noted a pattern of significant issues in these areas which made verification difficult and could facilitate diversion. This combined with CRS - the beneficiaries - being responsible for the warehouse management, secondary transport, and food distribution is considered an undesirable state of affairs. OSDI recommends the CO not only urgently address these issues with UNHCR, but also take corrective measures to enhance WFP verifications and control.

a) Secondary Transport. Despite the fact that the refugee camps are situated close to the EDP - 3 no more than 50km - secondary transport took up to 4 weeks, reportedly due to an aging fleet and frequent breakdowns. In addition, OSDI noted that for more than 50% of the commodities waybills were not available. Although UNHCR has responsibility for distribution they are not taking the lead in obtaining the waybills and checking against food distributions. It is commendable that the WFP SO has assumed this role. Nevertheless there was minimal evidence of the SO taking follow-up action with either UNHCR, CRA or CRS regarding discrepancies.

OSDI considers these secondary transport issues as significant control failures and recommends that the CO ensure that UNHCR addresses the transport problems, assumes the responsibility for checking distributions against waybills and for taking necessary follow-up action.

b) Distribution Monitoring. Although UNHCR is also responsible for primary distribution monitoring, it was reported that this has not been done since 2001. In addition, as the Saharaoui leadership has refused to allow verification or registration of refugees, ration cards are not in use, and refugees do not sign for receipt of food.

OSDI considers this a fundamental control weakness of UNHCR and recommends that the CO work with UNHCR to find a solution.

c) Oversight. Regular WFP "verification" monitoring and reporting only commenced in the camps in Feb 05. Monitoring records for 2003 are virtually non-existent and in 04 there is evidence of only 11 visits. In the PRRO document presented to the EB, it states that WFP would pay particular attention to the end use of its commodities, and would regularly oversee distribution in the camps. This is echoed in the SPRs for 2003 and 2004.

OSDI considers that the amount of monitoring by both UNHCR and verification by WFP has been unacceptably low. The CO must ensure that this situation is reversed.

Finally, the current CD visited Tindouf on only one occasion since he became CD in August 2004, citing non-acceptance of his credentials until January 2005. OSDI recommends that the CD visit the SO, camps and warehouse more frequently, and at least on a monthly basis.

TABLE OF CONTENTS

	Page
EXECUTIVE SUMMARY.....	1-3
I. BACKGROUND.....	5-7
II. INSPECTION MISSION.....	7
III. FINDINGS.....	8
A. Logistics.....	8-11
B. Commodity Management.....	11-18
C. Monitoring.....	18-19
IV. RATING.....	19

ANNEXES (Available upon request)

- Annex A: Transit Time of Trucks
- Annex B: Food Distributed in 2004
- Annex C: Action Plan – Logistics
- Annex D: Action Plan – Warehouse
- Annex E: Commodity Management
- Annex F: Monitoring
- Annex G: General

2. BACKGROUND

(i) Context of the PRRO

1. Since 1975, tens of thousands of West Saharan refugees have taken refuge in temporary camps in Algeria in the desert in the southwest part of the country. For almost ten years, between 1975 and 1984, the Algerian Government sustained the burden of the aid to the refugees, with some help from other countries. In the mid-1980s the international community and the United Nations were requested by the Algerian Government to provide relief assistance to the refugees. WFP has assisted the Government of Algeria in meeting the basic nutritional needs of the refugees since 1986.
2. The current PRRO 10172.1 began on 1 September 2004 and is an expansion of the previous PRRO 10172.0 which is a continuation of previous ones that preceded it. PRRO 10172.0 was assisting 155,430 beneficiaries. This number is based on figures established by MINURSO¹ in the repatriation planning of the refugees to Western Sahara carried out in 2000.
3. PRRO 10172.1 is assisting 158,000 beneficiaries and according to the PRRO document presented to the EB: "WFP and UNHCR carried out a population assessment during their mid-term evaluation in September 2003. Using child vaccination and primary school attendance records together with the list of eligible voters compiled by MINURSO, they concluded that the total number of refugees was closer to 158,000" Donors also participated in this assessment. The host government sent a note verbal to WFP in February 2004 requesting WFP to assist 157,821 refugees. The figure of 158,000 is rounded off from 157,821.
4. The key strategic goal of the PRRO is to ensure the timely delivery of basic food commodities to sustain the livelihood of the refugee camp population, and to contribute to the improvement of nutritional status of at risk children and women suffering from malnutrition. The budget of the current PRRO totals \$40,288,335 representing 69,168 MT.

(ii) Quantities of Commodities and the Food Basket

5. The current PRRO includes the following commodities:

	MT
Canned fish	270
Cereals and grains	51,903
High energy biscuits	425
Iodised salt	577
Oils and fats	3,047
Pulses and vegetables	7,728
Sugar	3,583
Wheat-soya blend (wsb)	1,635
Total Approved Commodities	69,168

6. These commodities are meant to provide 2,100 Kcal per person per day. The PRRO targets the entire refugee population as they all face the same critical food shortage and dependency on food aid and other basic humanitarian assistance for their livelihood and survival. There is no targeting with regards to basic food distributions. All the beneficiaries receive the same food basket.
7. Conscious of the recurrent food shortages and delays in deliveries which plagued the PRRO in prior years, a consultation meeting between ECHO and WFP/UNHCR was held in February 2001 to come up with an arrangement that would minimise the food shortages in the camps during an eventual breakdown of the food supply pipeline. ECHO agreed to establish a three month buffer stock of 3,100 tons of basic food commodities to serve as a "revolving fund" and a last resort window from which borrowings could be effected by WFP under stringent conditions. The first of such borrowings was approved by ECHO in June 2001. Other borrowings have been effected since then with a total of 31 borrowings representing 22,500 MT taking place in 2004.
8. Bilateral donations of food to the refugees amounted to approximately 3,200 MT in 2004. These donations were included in the monthly food release notes (FRN's). The bilateral donations represented approximately 9 % of food distributed in 2004. CRA informed OSDI that there has never been an annual plan of donations put forward by the bilateral donors but they more or less reflect a recurring pattern.

(iii) Set-Up of WFP Algeria

9. The WFP Algeria operation consists of an office in the capital Algiers and a sub-office in Tindouf which is approximately 1,800 km from Algiers. The only CO programme is the refugee operation. The refugees are based in four main camps near Rabouni which is approximately 25 km from Tindouf. There is a Government checkpoint on the road in between Tindouf and Rabouni which marks the unofficial "border" between Algeria and the refugee's territory. WFP commodities arrive at the Port of Oran and are transported by road to the warehouse in Rabouni.
10. There are 3 national staff and the Country Director based in the CO in Algiers. The CD, Mr. Mamadou Mbaye, took up his assignment in August 2004 although he was not officially accredited by the Government until January 2005. The sub-office in Tindouf (SO) has up until recently been staffed by a Programme Officer (P3), Programme Assistant (G-6), Logistics Assistant (G-6), and a driver. Recently the staffing of the SO was enhanced with the addition of a Logistics Officer (P3), 2 x Food Aid Monitors (G-5) and two drivers.

(iv) Oversight Visits to the CO

11. The most recent internal audit was conducted in 1997. A further audit was planned to take place in 2005 but was obviated by the inspection. A mid-term self evaluation of PRRO 10172.0 was conducted in September 2003. This covered the 12 month period to August 2003. OEDE has not conducted an evaluation of any of the PRROs.

(v) Implementing Partner

12. The CO has appointed Croissant-Rouge Algerien (CRA) as the CO's implementing partner. This is stipulated in the agreement between the CO and the Government of Algeria. CRA implements the logistics of the PRRO from the Port all the way through to the beneficiaries. WFP pays CRA an amount of Dz5, 877 per MT - approximately \$82 per MT. The import of food is consigned to CRA apparently due to the fact that only CRA are allowed to import on a duty free basis. (Neither WFP nor any other UN agency are apparently recognised as duty free importers).
13. CRA is also the sole implementing partner for the logistics food chain for ECHO and the bilateral donors as well as being the implementing partner for UNHCR for secondary transport from the EDP and final distribution. The inspection mission was unable to determine if the amounts paid to CRA by WFP, UNHCR, and NGO's represented a uniform rate since the basis for the rates differs between each entity. For example, according to CRA, UNHCR pay CRA for specific expenses incurred such as office rent and salaries of certain staff while some NGO's apparently pay per truck delivered and ECHO pay the actual cost of transport plus Euro 12/MT.
14. Food is transported by truck to the EDP warehouse in Rabouni. From this point onwards, CRA sub-contract to Croissant-Rouge Saharaoui (CRS) for warehousing, secondary transport, and distribution. Thus, WFP has a contractual relationship with CRA but not with CRS. CRS is staffed by the refugees. Thus, the warehouse management, secondary transport, and food distribution are all managed and operated by beneficiaries. OSDI considers this an undesirable state of affairs due to the potential for conflict of interest and recommends that the CO find an alternative solution in order to improve transparency and accountability.
15. At the time of the OSDI mission, there was still no formal agreement between the CO and CRA and between the CO and the Government - both had expired when the previous PRRO ended on 31 August 2004. There has never been a country level agreement between WFP and UNHCR (although a draft has been prepared by the CO). OSDI also consider this an undesirable state of affairs and recommends that the CO rectify this as soon as possible.

(vi) Micronutrient Survey

16. In February-March 2005, a Micronutrient status survey was performed in the refugee camps. The results showed that there has been quite a large increase in anemia rates in both women and children. The report only highlights the need to improve the quality of the food basket. PDPN have requested a more in depth analysis of the causes for this increase.

II. INSPECTION MISSION

17. The inspection took place in Algeria from 3 to 17 March inclusive with follow-up work being conducted at HQ thereafter. OSDI visited the CO in Algiers, the port of Oran, the SC in Tindouf, the warehouse in Rabouni, and the refugee camps. The OSDI mission took place at the same time as a review mission from the Office of Inspector General (IGO) UNHCR. The OSDI and IGO missions were independent but coordinated and in areas of overlapping interest was shared.

18. The purpose of the inspection was to review WFP operations to determine if there were weaknesses which might enable diversion of commodities. The scope was thus limited to logistics, commodity management, and programming between January 2004 and February 2005 although information and data from prior years was reviewed where considered pertinent. The inspection did not include verification of numbers of refugees.

III. FINDINGS

A. LOGISTICS

(i) Review of Transport and Logistics from Oran to Rabouni

19. COMPAS is not operational at the Port - data entry on arrivals is entered in Algiers. The CO do not have a permanent WFP presence in the port. OSDI recommends that a WFP staff member is appointed in Oran and that COMPAS becomes operational in the port. This was also recommended by the ODC Regional Logistic Officer in June 2002.
20. OSDI observed partial destuffing of containers taking place at a transporter's yard outside the port in order to comply with local legislation which prohibits road transport of loads exceeding 20MT. This partial destuffing is taking place in an uncontrolled environment and there were no waybills for the commodities leaving the port or evidence that the commodities were in the custody of CRA. OSDI recommends that the CO take corrective action.
21. OSDI reviewed a sample of seven Bills of Lading to check whether the commodities had been received in Rabouni. A total of 245 original truck waybills were reviewed by OSDI representing approximately 4,900 MT. All waybills were properly entered in COMPAS at the SO in Tindouf. The Logistics Assistant based in Tindouf collects the truck waybills as the trucks arrive at the EDP but he does not physically check the commodities on the trucks. Until February 2005, only a photocopy of the waybill was provided to the SO.
22. The transit time from Oran to the EDP should be a maximum of five days. OSDI noted that in the period January 2004 to February 2005, thirty nine trucks spent between 15 and 49 days in transit with the average of these thirty nine trucks being 25 days in transit. The list of these trucks is attached at Annex A. All trucks were transporting wheatflour which represents the majority of food transported and therefore a few trucks being delayed may not raise immediate cause for concern. OSDI recommends that the CO investigate these delays and rigorously monitor transit times in future.
23. During a visit to MSC shipping line in Oran, OSDI became aware that CRA had incurred demurrage charges of \$30,000 in 2004 with respect to containers of WFP food. A 21 day grace period is allowed by the shipping line. MSC reported that ALL containers are eventually returned to them. While such costs are not paid direct by WFP, OSDI considers that there should be no reason why CRA should incur these costs.
24. There is also no consolidated tracking system between WFP and other Donors involved with food supply to the refugees through CRA - both from Port to EDP and EDP to FDP. OSDI recommends that the CO ensure consolidation of data with other donors and Agencies.

25. WFP standard waybills are not used by CRA (nor are they used by CRS for secondary transport from the EDP) – this is in spite of a recommendation to do so in the ODC Logistic Officer's mission report in June 2002 and the printing of WFP waybills in Algeria. OSDI recommends that the CO ensure that CRA use standard WFP waybills.
26. CRA contract only two transporters, SNTR (state owned) and TMT. There appears to be no reason to limit their short-list to only two transporters. The CO has requested ODC to field a mission to Algeria to review the capacity of the local transport market and consider the feasibility of the CO assuming responsibility for logistics from the Port.

(ii) Warehouse Operations at the EDP in Rabouni

27. The EDP in Rabouni is owned and managed by CRS. The capacity of the warehouse is 10,355 MT. WFP has, over the past two years, incurred \$80,000 in construction of new warehouse buildings in the complex.
28. There is unrestricted access for CO staff to the warehouse. A Logistics Officer from Chad CO went on a six month TDY to Rabouni in 2003 to reorganise the warehouse and improve warehouse operations. Visits to the warehouse were also made by the Regional Logistics Officer in 2002 and 2003 and by the Chief of ODTL in 2002. In spite of these visits and their recommendations, the following weaknesses were observed during the OSDI mission:
 - The warehouse was disorganised and messy with many hundreds of containers strewn across the warehouse compound. Containers with broken doors are used as separators, making it difficult to determine at first sight which containers are used for storage and which are used as separators. This makes inspections and inventories very difficult and is also undesirable given the extremely high temperatures during the day.
 - Due to the low level of stacking of bags, the warehouse capacity was not taken full advantage of. Also the stacking is not as per WFP standards, therefore making stock counting difficult.
 - The warehouse is divided, in principal, into three sections: UNHCR/ Bilateral section, WFP sections and ECHO section. However, due to operational constraints, WFP food cannot always be stored in WFP section and ECHO food in ECHO section. These operational constraints include the warehouse space constraints, i.e. arriving food is stored where a free location is found and sometimes a WFP reimbursement to ECHO happens when the food is already stacked inside the warehouse, i.e. the food stacks change "owner".
 - The stacks are not aligned equally making the stock counting difficult. Food is not stacked by SI but by commodity into WFP and ECHO stacks. Thus, food from the same SI is often stacked separately. Many stacks of food were lying on the ground and were not on pallets. The stacks are not built higher than 12 layers thus occupying a lot of space.

- The documentation for receipt of commodities does not take into account that WFP commodities should be tracked by SI's. WFP waybills, tally sheets, and LTI's are not used.
 - Since the stock cards do not record SI numbers, there is no audit trail to enable follow-through of receipt of food in the warehouse and subsequent despatch. There is therefore a lack of transparency.
 - ECHO loans, reimbursements and stock ventilation also make it difficult to track commodities.
 - There were hardly any physical stock counts undertaken.
 - Warehouse staff were reported to be illiterate therefore unable to complete warehouse documents. The staff were at first unable to advise OSDI whether particular stacks belonged to ECHO or WFP. The warehouse staff are unpaid – although there is an amount included in the LTSH rate for their wages.
 - Despatches from the warehouse are not recorded in COMPAS. OSDI was informed that both CRA and CRS agreed to implementation of COMPAS and that the CO have the equipment available.
 - There are no unloading plans for receipt of commodities; trucks are offloaded when they arrive if the CRS personnel are available. The number of trucks available for secondary distribution also varies daily.
 - Deliveries to the camps are made commodity by commodity – instead of dispatching a complete food basket. This is inefficient and creates a waste of time and energy. This problem was noted in the mid-term self evaluation conducted in September 2003 and the joint WFP-UNHCR assessment mission in January 2004.
29. OSDI performed a physical stock count at the warehouse (although the results cannot be considered as completely reliable since some stacks had to be estimated due to their poor physical construction). The stock count was reconciled to CRS stock records which revealed that for all commodities counted, the actual stock count was less than the amounts reported by CRS. The differences were as follows:

WFP stock

Wheatflour – 268 MT
 Lentils 42 MT
 Veg. oil 15,875 litres

ECHO stock

Wheatflour: 145 MT
 Sugar: 104 MT
 Veg. oil 12,640 litres

30. The CO has been requested to investigate the differences. Thus, in spite of poor warehouse management, there were only relatively small differences noted in the actual stock records (approximately 2% of food distributed).

31. OSDI considers that overall warehouse management is unsatisfactory and internal controls are weak and virtually non-existent. Even in June 2002, the ODC Logistics Officer stated in his mission report "Overall the operation as it is currently implemented by the Red Crescent, in particular the poor warehouse management in Tindouf, does not meet standard WFP criteria, up to a point where it can potentially be damaging for WFP's credibility. Significant improvements are expected from the Red Crescent..."

32. The expected improvements have not taken place. Thus, OSDI recommends that the CO assume responsibility for management of the warehouse and that a new warehouse is established close to the SO in Tindouf. Pending this, the CO must bring existing warehouse arrangements up to an acceptable level. OSDI notes that the SO Logistics Officer and Logistics Assistant have recently begun to work in an office close to the warehouse which is clearly a step in the right direction.

B. COMMODITY MANAGEMENT

(i) Quantity of Food Distributed

33. In line with the terms of the global MoU between UNHCR and WFP, the management of food aid falls under UNHCR's responsibility as soon as it leaves the warehouse.

34. A Food Co-ordination meeting takes place in Algiers once a month consisting of representatives of WFP, UNHCR, CRA, CRS, ECHO, and the Government. During this meeting, a plan is outlined concerning the amount of food to be released from the warehouse. Based on this a food release note (FRN) is prepared. The FRN indicates where the food is to be obtained for the forthcoming month and this typically includes WFP stocks, borrowings from the ECHO buffer stock, and bilateral contributions. It was explained to OSDI that the FRN includes bilateral contributions since they contribute to the total food basket requirement of 2,100 kcal per person per day².

35. The FRN authorises distribution to a planned caseload which amounted to 155,430 refugees in the two years up to 31 August 2004 and 158,000 refugees thereafter.

36. In the calendar year 2004, the actual amount of food programmed through the FRN in order to achieve the target of 2,100 kcalories per person per day was 32,773 MT. The actual amount which CRA reported as being distributed was 32,537 MT. We can therefore reasonably conclude that the amount of food reported to be despatched from the warehouse in 2004 was virtually sufficient to feed the planned caseload figures mentioned above.

² PRRC 10172.2 presented to the EB in May 2004 stated "... to avoid duplication of resource allocations, the Executive Board agreed when approving PRRC 10172.0 in May 2002 that if bilateral donors or NGO's provided basic food assistance to refugees in the camps, WFP would reduce its deliveries accordingly. The same arrangement is proposed for the expansion phase"

37. Standard project reports for 2003 and 2004 all state that the planned number of beneficiaries was met 100% in both PRRO's and the actual nutritional intake exceeded the target in both PRRO's by a small percentage. The PRRO document presented to the EB in May 2004 for PRRO 10172.1 stated: "Thanks to a combination of WFP supplied commodities, bilateral contributions and buffer stock...it has been possible to distribute a monthly food basket providing 2,100 kcal per person per day...under PRRO 10172.0, WFP has provided aid to 155,430 refugees in the camps...In 2002-2003, contributions from multilateral and bilateral sources and the availability of ECHO buffer stock enabled WFP to provide standard rations regularly."

38. The following extract from the report on the mid-term self evaluation of PRRO 10172.0 which was conducted by the CO in September 2003 and covered the twelve month period to 31 August 2003 is also relevant:

"The resource situation of the operation has been quite satisfactory as evidenced by the 99.3% attainment of the Kcals requirements set in the PRRO. The contribution of 10,000 tons of rice made by the Algerian Government has provided a breathing space to the operation until December 2003... The combination of WFP food, ECHO Plan Global food and buffer stock, bilateral donors food and better co-ordination of food distribution among the implementing partners have contributed to the meeting of the requirement target. As mentioned earlier, the rate of coverage is 99.3%...With a case load of almost double of 155,430; the current PRRO has achieved a commendable performance. By replenishing almost entirely ECHO Buffer stocks of 3,100 tons of basic food, resource mobilisation could be viewed as satisfactory if not remarkable. The PRRO has helped meet the refugees basic food requirements as the resource situation during the period covered by this evaluation has been the best since WFP started this string of operations in 1986...The Ministry of Foreign Affairs and all those who took part in the mission and/or debriefing were satisfied by the achievements of the PRRO and the improvement of the nutritional conditions of the refugees".

39. The above findings were restated by the joint WFP-UNHCR assessment mission carried out in January 2004.

40. A distribution plan is prepared by CRS for each month. OSDI reviewed the plans for virtually all months in 2004 and noted that the CRS distribution plan always matched the total planned number of refugees. The distribution plan indicated the population levels of each camp. For January to June 2004 inclusive, the population figures in each daira did not change. In July, the population varied in three of the camps but the total remained the same at 155,430. OSDI did not receive a distribution plan for August, however the plan for September showed an increase in population levels in most camps with the total number of refugees being 158,000 - the planning figure included in the PRRO which commenced on 1 September 2004.

41. The population figures in the distribution plans for September, October, and November remained unchanged whilst the figures for December showed a change in the levels in all camps but with the overall total remaining at 158,000.

42. OSDI considers it somewhat surprising that the camp population figures as per the CRS distribution plan are always exactly the same as the planned number of refugees.

(ii) Comparison of Authorised Distributions to CRA Distribution Reports

43. Each month, CRA provide a report to UNHCR showing opening stock, receipts, distributions, losses, and closing stocks ("the CRA distribution report"). UNHCR then forward this report to WFP.
44. OSDI compared the amount of food authorized for distribution by the ERN's with the amounts reported to be distributed by CRA for each month in 2004. Regarding food issued under the general distribution, OSDI found that out of 32,773 MT authorized for distribution, 32,557 was reported as distributed by CRA. Thus, a difference of 236 MT was incurred which is mostly made up of small amounts of unauthorized/excess distributions of sugar and oil. For the majority of commodities distributed; wheat/flour, rice, pasta, and lentils totaling 23,756 MT, the amount which CRA reported as distributed exactly matched the amount authorized to be distributed (one small difference of 2 MT was noted regarding lentils) Specific details are attached at Annex B. A summary of areas where there were differences is as follows:
45. Sugar: a total of seventeen distributions were authorized during 2004 for the general distribution and the nutrition programme. For all of the twelve distributions under the general distribution, the amount which CRA reported as distributed exactly matched the amount authorized to be distributed. For four distributions under the nutrition programme the amount distributed was less than the amount authorized by a total of 43 MT whilst in another distribution, there was an unauthorized distribution of 1 MT. Thus, further releases of sugar were authorised when the amounts authorised in previous months had not been distributed.
46. Oil: a total of nineteen distributions were authorized during 2004 for the general distribution and the nutrition programme. For six of those distributions, the amount which CRA reported as distributed exactly matched the amount authorized to be distributed. For another seven distributions, the amount distributed exceeded the amount authorized. The total of these amounts to 29,033 litres. For another four distributions, the amount distributed was less than the amount authorized and this totaled 56,393 litres. Both discrepancies represent a weakness by the CO in monitoring authorised distributions against actual distributions; in particular, the authorising of further releases of oil when the authorised quantity for prior months has not been distributed. The total quantity distributed was 1,728,198 litres.
47. Dried skimmed milk (DSM): a total of thirteen distributions were made during 2004 - twelve for the complementary feeding programme and one for the nutrition programme. For eight distributions, the amount which CRA reported as distributed exactly matched the amount authorized to be distributed. These distributions were all made from WFP stock. Regarding the other five distributions, these comprised mainly unauthorized distributions from a Spanish bilateral donor who were implementing a specific project which was not monitored by the CO. The total quantity distributed was 1,442 MT.
48. Wheat soya blend (WSB): 440 MT of WSB arrived in Rabouni in September 2003 for a UNHCR administered nutrition programme. The WSB was provided by WFP. The amounts authorized to be distributed did not match the amounts reported to be distributed. In addition, 310 MT WSB was put in the general distribution in May and June 2004. It had been intended for a nutrition programme administered by UNHCR but due to the late

commencement of the programme, a reduced caseload and a short shelf life, 310 MT was put in the general distribution in May and June. Whilst OSDI agrees that it was preferable to put the WSB in the general distribution rather than wait for it to expire and written off as a total loss, OSDI believes that the inclusion of such a high value commodity in the general distribution is a waste of donor's resources as well as leading to unrealistic beneficiary expectations. The difference in FOB price between WSB and wheatflour is \$50 per metric ton therefore the additional cost of distributing 310 MT WSB instead of wheatflour amounts to \$15,500.

49. Given the weaknesses in the food distribution system, OSDI considers it surprising to note that the total quantity of food reported by CRA as distributed is almost exactly the same as the total quantity authorized to be distributed. OSDI asked CRA to produce evidence of the amounts they reported to be distributed. They were unable to do so and at first stated that they merely obtain this information from CRS by looking at their computer records once in a while. Later, the Head of CRA in Tindouf said he could provide such documents and approximately two days after the meeting with OSDI, he forwarded to OSDI a monthly stock report prepared by CRS. This stock report had mostly the same distribution data as the CRA distribution report although there were some unexplained differences.
50. Thus, OSDI endeavoured to obtain an opinion on the availability of documents to support the distribution figures reported by CRA.

(iii) Comparison of CRA Reported Distributions to Warehouse Despatch Records

51. CRS prepare a waybill for secondary transport (locally known as "albaron") when the truck is offloaded at the final delivery point in the camp. The head of the ³daira is supposed to sign for receipt of the food. Within each daira, there are a number of groups consisting of 150 beneficiaries. Each group has a female group leader who is also supposed to sign the albaron when the food arrives. One copy of the albaron is supposed to remain with the head of the daira whilst the other copy should be retained by the truck driver for submission to CRS.
52. The SO Programme Assistant reported that she tries to obtain the albarons from CRS and then prepares a summary of them. The Programme Assistant also advised that she has great difficulty in obtaining all the albarons and cited that the truck drivers often lose them or disregard them since they do not appreciate their significance. OSDI also ascertained from CRS that they prepare a list of the albarons but only began doing so since November 2004.
53. OSDI compared the CRA distribution reports with the albarons received by the Programme Assistant and noted the following discrepancies:

- WFP had not received any albarons for January, August, September, and October 2004.
- Wheatflour - albarons were not available for 6,360 MT, i.e. approximately one-third of the quantity distributed.

³ A daira is similar to a province within each camp - there are between four and seven dairas in each camp.

- Lentils – albarons were not available for 1,506 MT – i.e. 42% of the total quantity distributed.
- Veg. Oil – albarons were provided for only three months in 2004, thus albarons were not available for 1,266,000 litres of oil representing 73% of the oil distributed.
- Sugar – albarons were not available for 1,207 MT – i.e. 65% of the sugar distributed.
- Rice – albarons were not available for 2,671 MT – i.e. 45% of the rice distributed.
- Wheat soya blend – albarons were not provided for 279 MT – i.e. 60% of the wheat soya blend distributed.
- Dried skimmed milk (DSM) – albarons were not provided for 1,068 MT – i.e. 74 % of the DSM distributed.

54. OSDI considers that the above findings represent a significant control weakness – the food is reported by CRA as being distributed yet the SO did not obtain proof of delivery for at least more than 50% of the commodities said to be distributed.

55. The problem is further complicated by the fact that UNHCR has responsibility for distribution yet they do not appear to be taking the lead in obtaining the albarons and checking against food distributions. The SO has assumed this role although there was minimal evidence of the SO taking follow-up action with either UNHCR, CRA or CRS regarding discrepancies. The SO do not submit information on albarons received to the CO in Algiers.

56. OSDI considers this a significant control failure and recommends that the CO ensure that UNHCR assume the responsibility for checking distributions against albarons and taking necessary follow-up action.

57. OSDI further recommends that the CO make all efforts to obtain from CRS all albarons for 2003 and 2004 and perform a comparison against reported distributions and follow-up any discrepancies.

58. OSDI managed to obtain additional albarons from CRS as follows:

- Wheatflour for September 2004 – none of the albarons obtained by OSDI had been obtained by the SO beforehand.
- Wheatflour for November 2004 – OSDI obtained albarons for an additional 260MT beyond which the SO had originally received.
- Lentils for December 2004 – OSDI obtained albarons for an additional 119 MT beyond which the SO had originally received.
- Sugar for October 2004 – none of the albarons obtained by OSDI had been obtained by the SO beforehand.
- Wheat soya blend for June 2004 – OSDI obtained albarons for an additional 45 MT beyond which the SO had originally received.

59. The net result when comparing the total of the albarons originally received by the SO plus the additional ones obtained by OSDI with the authorized distributions is as follows:

- > Wheatflour for September 2004 - no albarons to support 47 MT said to be distributed.
- > Wheatflour for November 2004 - excess of 42 MT distributed.
- > Lentils for December 2004 - excess of 5 MT distributed.
- > Sugar for October 2004 - virtually no difference in quantities.
- > Wheat soya blend for June 2004 - excess of 10 MT distributed.

60. The above exercise illustrates that some missing albarons could be obtained from CRS thus facilitating a more accurate analysis to be performed by the CO as recommended above.

61. OSDI noted that for nine months in 2004, no albarons were obtained for oil. OSDI therefore requested all 2004 albarons from CRS. These albarons were obtained just prior to finalizing this report. OSDI has requested the CO to prepare a summary of these albarons and compare to the CRA distribution reports.

62. OSDI also reviewed all albarons for January and February 2005 and noted the following weaknesses:

- > January 2005 - out of the total of 350 albarons checked, the entire amount did not have the group leader's signature for receipt of the commodities whilst 58 did not state the quantity received.
- > February 2005 - out of the total of 316 albarons checked, the entire amount did not have the group leader's signature for receipt of the commodities whilst 30 did not state the quantity received.

63. As stated above, OSDI recommends that the CO make all efforts to obtain from CRS all albarons for 2003 and 2004 and perform a comparison against reported distributions and follow-up any discrepancies. As part of this process, the CO should verify whether the information on the albarons is complete and correct.

(iv) Other Observations Regarding Despatch of Food

64. CRA made an unauthorized borrowing of 158,000 litres oil from the ECHO buffer stock in January 2005. The CO found out and informed ECHO. OSDI considers this a significant control weakness and recommends that the CO monitor this closely in future.

65. The FRN for March 2005 was issued on 9 March whilst CRS had already begun distributing on 1 March. OSDI was informed that the CD gave a verbal go-ahead to the President of CRS to proceed with the distribution pending release of the FRN. OSDI concludes that this represented a control weakness and sets a poor example to CRS.

66. Several other errors and omissions were noted in CRA distribution reports. OSDI recommends that the CO request UNHCR/CRA to ensure complete and accurate reporting.

(v) Distribution of Food in the Daira's

67. As the Saharaoui leadership has refused to allow verification or registration of refugees, ration cards are not in use in the refugee camps. The Head of CRA informed OSDI that beneficiaries sign for receipt of food but his assertion is not correct. The refugees do not

sign (or give their thumbprint) for receipt of food. There is therefore no definitive evidence to prove whether individual beneficiaries received their food. OSDI considers this a fundamental control weakness and recommends that the CO work with UNHCR to find a solution.

68. Although secondary transport is not part of WFP's responsibility, the performance of secondary transportation was reported to be poor with an aged fleet and frequent breakdowns. This appears to be a recurrent bottleneck to the operations and is part of the reason why distribution takes so long – up to four weeks. Notwithstanding this, the excessive distribution period is a cause for concern since three of the refugee camps are situated no more than 50 kilometres from the EDP and the fourth is only 160 km away. OSDI considers this a significant control failure which could enable food diversion and recommends the CO address the issue with UNHCR.
69. OSDI and UNHCR's senior investigator visited two refugee camps and interviewed refugees and attended food distributions. All refugees interviewed knew the amount of their ration entitlement although they did not appear to know the name of the donor. Only one refugee interviewed said that she thought the food came from ECHO. Another claimed it was from the Polisario. WFP's name and logo could not be seen in any of the camps visited. Whilst the refugees claimed they received the food every month, they also claimed the rations were insufficient.
70. Up until January 2005, the food distributions were undertaken on a monthly basis starting from the 20th of the month. Since then, the distributions have begun on the 1st of each month. Deliveries to the camps are made commodity by commodity – instead of dispatching a complete food basket. This is inefficient and creates a waste of time and energy. The refugees stated that they were informed about distributions about one hour before they took place by way of loudspeaker. OSDI observed the following from the distributions:
- The food was simply offloaded from the trucks and stacked in the open air – there was no FDP.
 - There were no weighing scales in use, although the refugees interviewed claimed they could easily estimate the total amount.
 - Each district within the camp (daira) is sub-divided into groups of individuals. Each group has 150 refugees with one "open" group which has less than 150. Each group is headed by a group leader who is always a woman. The group leader receives the food from the Head of the daira for all of the refugees in her group.
 - At the place of distribution, the group leader sub-divides the food amongst members of her group. It was reported to OSDI that if a family is unable to attend the distribution, the group leader keeps the food until she can collect it.
 - It was also reported to OSDI that the families are closely knitted and the solidarity which exists among the refugees ensures that no one is left out.
71. There is an office within each Daira- "the distribution office" in which is kept all the documents pertaining to the groups and the distributions. A document called "Distribucion de Alimentos" indicates the population of each daira and the quantity of food distributed is based on this document. There are also documents posted on the walls of the distribution offices which indicate the names of the group leaders and the numbers of beneficiaries

attached to their groups. It would be possible to perform a reconciliation between the total quantity sent to each daira as per the truck albarons and the total amount of food distributed according to the "distribution de aliments". This would require a significant investment of time.

C. MONITORING

72. UNHCR is responsible for distribution monitoring. It was reported to OSDI that UNHCR have not conducted any distribution monitoring in Algeria since 2001. The division of responsibilities concerning monitoring should be included in a country level agreement between UNHCR and WFP but unfortunately there has never been such an agreement (although UNHCR have not expressly abdicated responsibility for monitoring) This is a major weakness which must be addressed.
73. However, regular WFP "verification" monitoring and reporting only commenced in the camps in February 2005 (2 x FAM's were recruited in January 2005). In 2004, there is evidence of only 11 monitoring visits. Monitoring records for 2003 are virtually non-existent. OSDI considers that the amount of distribution monitoring by both UNHCR and verification by WFP has been unacceptably low. OSDI considers this as a fundamental control weakness of UNHCR and recommends that the CO work with UNHCR to find a solution. The CO must ensure that this situation is reversed. This situation was found all the more unacceptable given the following statements:
- The project document for PRRO 10172.1 presented to the Executive Board in May 2004 stated: "WFP will monitor food movements by tracking deliveries and distribution. It will pay particular attention to the end-use of its commodities and prepare a consolidated report in consultation with implementing partners. WFP will regularly oversee food distribution in the four camps. In accordance with the memorandum of understanding between UNHCR and WFP, both agencies will jointly monitor operational activities. They will continue to adopt the direct and random beneficiary contact approach to ascertain whether beneficiaries have received their food entitlement..."
 - Regarding a meeting between representatives of ECHO, UNHCR, and WFP which took place in Tindouf in September 2004, it was reported in the notes of the meeting "Regarding monitoring, ECHO wanted to know how WFP carries out its monitoring activities in the camps. The reply was that monitoring is done on a weekly basis for both food distribution and post delivery monitoring"
 - The 2003 SPR stated: "Post-delivery monitoring is carried out regularly through random beneficiary contact" The SPR for 2004 for both PRRO 10172.0 and 10172.1 stated: "Distribution and post-delivery monitoring is regularly carried out through random beneficiary interviews and household visits"
74. Furthermore, it is stated in the PRRO document: "women will head all the food distribution committees at the district and neighbourhood level and will be present during all the period of distribution, usually lasting about ten days in each camp. These women will fill in monitoring forms on the commodities distributed, any losses and the number of beneficiaries actually reached" OSDI did not find any evidence that the completion of the monitoring forms was taking place. This was also reported in the mid-term self evaluation of the previous PRRO in September 2003 and the joint WFP-UNHCR assessment mission in January 2004.

75. Staff in the SO reported that one of the major obstacles to conducting monitoring is that they do not have unrestricted access to the camps. However, UNHCR staff do have unrestricted access. OSDI recommends that the CO ensure that SO staff have free and easy access to the camps at all times.
76. The sub-office in Tindouf (SO) has up until recently been staffed by a Programme Officer (P3), Programme Assistant (G-6), Logistics Assistant (G-6), and a driver. Recently the staffing of the SO was enhanced with the addition of a Logistics Officer (P3), 2 x Food Aid Monitors (G-5) and two drivers. The two Food Aid Monitors are male and it is not clear why the CO did not comply with WFP gender policy in that at least 75% of local food aid monitor recruits should be qualified women.
77. SO staff reported the following factors preventing them from carrying out monitoring in the camps:
- CRS do not provide a daily distribution plan.
 - SO staff are only allowed to perform monitoring in camps if they are accompanied by staff members from CRA and CRS and this is often difficult to arrange. OSDI considers this undesirable – WFP monitoring must take place independently.
 - CRS do not permit SO staff to complete checklists in the camps but do allow them to take notes – again the CO should rectify this.
 - Insufficient number of SO staff.
 - Insufficient number of SO vehicles.
78. The current CD visited Tindouf on only one occasion since he became CD in August 2004. His visit to Tindouf took place in January 2005. The CD cites the reason for this being that he was not able to present his credentials to the Minister of Foreign Affairs until January 2005. OSDI considers this excuse as unsatisfactory given that the CD could still travel and review the CO operations without being accredited by the Government. In addition, the refugee operation is the only CO operation and therefore merits the immediate attention of the CD upon taking up his assignment. OSDI recommends that the CD visit the SO, camps and warehouse more frequently and at least on a monthly basis.
79. The previous CD only visited the SO on five occasions in the period from March 2003 to June 2004 for a total of 21 days. Again, the number of visits and duration of time spent at the SO was inadequate.

IV. RATING

Number of Findings by Functional Area and Risk Severity

Functional Area	Merita Attention	Significant	Fundamental	Total
General		1		1
Logistics - Warehouse	27	4		31
Commodity Management	14	5		19
Monitoring	2	3		5
TOTAL	43	13	0	56