

July 1990

**FOREIGN  
ASSISTANCE**

**Non-Emergency Food  
Aid Provided Through  
Private Voluntary  
Organizations**





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

National Security and  
International Affairs Division

B-239471

July 24, 1990

The Honorable E (Kika) de la Garza  
Chairman, Committee on Agriculture  
House of Representatives

The Honorable Dante B. Fascell  
Chairman, Committee on Foreign Affairs  
House of Representatives

The Honorable Patrick J. Leahy  
Chairman, Committee on Agriculture,  
Nutrition and Forestry  
United States Senate

This report responds to your requests that we review non-emergency food aid programs sponsored by private voluntary organizations (PVOs) and cooperatives,<sup>1</sup> under title II of Public Law 480. You were concerned about the recent termination of several PVO-sponsored projects in Sub-Saharan Africa. You asked us to determine whether (1) PVOs are less willing than in the past to sponsor non-emergency projects, particularly in Africa, and (2) PVOs encounter problems implementing non-emergency food aid projects that affect their willingness to continue to sponsor title II projects, and could the problems be addressed by legislative or administrative action. In addition, we reviewed U.S. government audits of food aid projects sponsored by PVOs and cooperatives to determine whether the financial management systems of these organizations are adequate to account for food aid commodities donated by the U.S. government. Appendix I provides a more detailed discussion of the non-emergency food aid program.

## Results in Brief

We found that PVOs and cooperatives remain willing to sponsor non-emergency food aid programs using U.S. commodities, but they do not have plans to expand their participation in the next 5 years. We also found that PVOs have requested less food for their non-emergency programs in Africa and they are choosing to sponsor different types of food aid projects.

<sup>1</sup> A cooperative is a private sector organization, owned and controlled by its members, who share its services and profits. It provides business services and outreach in cooperative development for its members.

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food aid projects. The principal sponsors have been Catholic Relief Services (CRS) and Cooperative for American Relief Everywhere (CARE), which together distributed about 85 percent, or about 330,000 metric tons each, of the non-emergency commodities given to PVOs in 1989. Sponsors usually work in a country through local partners, such as local PVOs or national ministries, to implement projects.

Food donated under title II consists of bulk grains; bagged commodities, such as lentils and beans; and processed foods, such as cornmeal, soy-fortified bulgur, and vegetable oil. These commodities can be distributed to targeted individuals or sold to generate funds for approved purposes.

Food aid sponsors have typically distributed title II commodities through the following types of projects.

- Maternal and child health projects that provide supplementary food to children and pregnant and lactating women to ensure an adequate diet and improve nutritional status.
- Food-for-work projects that provide take-home rations or on-site meals to unemployed or underemployed individuals or communities who participate in community construction projects, such as building schools, roads, irrigation systems, or improving land through reforestation or terracing.
- School feeding programs that generally provide meals to the poorest primary schools to improve the health, learning capability, attendance, and nutritional status of students. Meals are also provided to adults who attend training courses.

AID administers title II activities, establishes the regulations governing the program, and monitors how sponsors implement projects. The Department of Agriculture determines the types and quantities of commodities available for title II programs and procures the commodities for delivery to program sponsors.

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## PVOs Not Withdrawing, but Title II Projects Are Changing

We found that PVOs continue to have a strong commitment to the non-emergency, title II program and are not withdrawing from it. Worldwide, the volume of food aid provided through non-emergency, PVO-sponsored title II projects in 1989 was about the same as provided in 1986. PVOs have requested the Congress to set aside more food for their projects in the next 5 years. However, we found that they do not have specific plans for using more food during this period.

## AID Works With PVOs to Revise Title II Regulations

During our review, PVO officials told us that the United States overregulated the title II program, and that regulations, which had not been revised since 1979, were outdated and made non-emergency food aid projects unnecessarily difficult to manage. In December 1988, AID published a proposed revision of its regulations for review and comment and received numerous recommendations from PVOs for additional changes. AID worked with PVO representatives and incorporated many of their recommendations into new regulations, which were issued in June 1990. AID officials said that changes were made for clarity and to account for inflation, provide additional operational flexibility, and streamline some reporting requirements. However, they stated that the revised regulations continue to focus on the food aid sponsor's responsibilities for commodity control, as well as program effectiveness, in order to address the accountability problems identified in AID Inspector General reports. We did not evaluate the new regulations.

## Audits Disclose Control Weaknesses

Through its audits of food aid projects, AID's Inspector General has concluded that PVOs generally lack adequate management control systems to account for commodities and the funds generated from the sale of commodities, and that these projects are vulnerable to fraud, waste, and abuse. We also found, during our field work in Africa, examples of the difficulties PVOs face in trying to ensure that title II commodities are accounted for and used as intended.

The Inspector General attributed these weaknesses, in part, to financial constraints that precluded PVOs from spending adequate funds on financial management. The Inspector General suggested that PVOs should be required to use a portion of the local currencies they generate from sales of title II commodities to improve their financial management systems. AID officials agree that this suggestion would be useful, but had no specific plans for implementing it.

To help PVOs resolve common food aid management problems, AID provided a \$500,000 grant to a major PVO food aid sponsor to support a consortium of PVO food aid sponsors to identify common implementation problems and seek mutually acceptable solutions. The group held its first workshop in January 1990 and decided to focus initially on "accountability issues."

## Recommendation

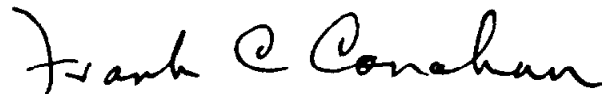
To make food aid projects less vulnerable to fraud, waste, and abuse, we recommend that the AID Administrator consider the adequacy of food

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appropriate. However, in accordance with your wishes, we did not obtain written comments on a draft of this report.

Copies of this report are being provided to the Secretary of Agriculture; the Administrator of the Agency for International Development; appropriate congressional committees; the Director of the Office of Management and Budget, and other interested parties. Copies will be made available to others upon request.

This report was prepared under the direction of Harold J. Johnson, Director, Foreign Economic Assistance Issues. He can be reached on (202) 275-5790, if you or your staff have any questions. Other major contributors are listed in appendix II.



Frank C. Conahan  
Assistant Comptroller General

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or a development project that does not include a feeding component); and (3) AID's willingness to make its food aid more attractive to PVOs by imposing fewer conditions and reporting requirements. AID officials told us that, although its regulations were recently revised for clarity, and to (1) account for inflation, (2) revise some reporting requirements, and (3) provide more flexibility to PVOs, title II regulations continue to focus on commodity control and program effectiveness to ensure that U.S. assistance is used for intended purposes.

### Food Aid Needs in Africa Increasing, but PVOs Distributing Less Food

Food aid experts predict increasing food aid needs in Africa during the 1990s. However, the volume of U.S. non-emergency food aid requested by PVOs and cooperatives for projects in Africa decreased each year, between 1986 and 1989. Furthermore, less food was distributed through traditional feeding programs targeted to needy children and pregnant and lactating women, and more food was sold to generate funds to pay project costs.

### PVOs Requested Less Food Aid for Projects in Africa

The National Research Council's panel of food aid experts warned, at their October 1988 meeting, that during the 1990s

"Africa will continue to be the important focus of concern for food aid—and the region of greatest uncertainty—because of continuing conflict, locust plagues, cycles of drought and flood, and low economic growth combined with high rates of population growth."

Rather than increasing food aid to meet these predicted needs, recent distribution levels suggest a different trend is developing. AID statistics show that, rather than increasing, the volume of food requested by PVOs for non-emergency projects in Africa has decreased each year since fiscal year 1986. Table I.1 shows that PVOs received about 10 percent less food aid for these projects in fiscal year 1989 than in fiscal year 1986.

**Table I.1: Non-Emergency, Title II Food Aid Received by PVOs and Cooperatives, by Region, Fiscal Years 1986-89.**

Region	1986	1987	1988	1989
Africa	126,995	116,603	116,370	114,819
Asia/Near East	477,285	401,178	513,490	456,588
Latin America	147,290	166,477	163,719	198,945
<b>Total</b>	<b>751,570</b>	<b>684,258</b>	<b>793,579</b>	<b>770,352</b>

Source: AID

for feasibility studies. However, new projects of other PVOs have been mostly food-for-work or development projects, rather than maternal and child health or school feeding projects. The shift from maternal and child health projects in Africa reduced the estimated number of individuals participating in those projects from about 1.8 million to about 545,000.

AID commissioned a study of maternal and child health projects, in response to the declining number of these projects, to review their role and effectiveness and to suggest changes to improve them. Based on an analysis of evaluations of maternal and child health projects and interviews with PVO and other food aid officials, the study identified the following possible reasons why PVOs may be less willing to sponsor this type of project than in the past.

- PVOs and host governments now emphasize community-based development projects rather than charitable transfers of food that do not address, and may delay, long-term solutions.
- The high costs of implementing effective maternal and child health projects are not met by donors or host governments.
- Local organizations have limited technical, managerial, and operational abilities to implement effective health and education projects.
- Most evaluations of maternal and child health projects have been inconclusive or negative, giving PVO and host government officials the perception that these projects are ineffective in improving nutritional status.

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## More Food Aid Was Sold

PVOs are permitted to sell all or a portion of the title II commodities they receive from the United States to generate local currencies to support approved projects. In fiscal year 1990, about 32 percent of the value of food aid shipped to PVOs for their African programs will be sold, whereas in fiscal year 1987, about 14 percent was sold. According to AID and PVO officials, factors that affect the level of sales in Africa include

- weak transportation, health, and education infrastructures that make food distribution projects difficult, expensive, and less attractive to implement than projects without feeding components;
- the use of sales proceeds to buy local products can reduce inland transportation and storage costs, and encourage local agricultural production;
- PVOs' need for funds for the operational costs of feeding projects because government and other local support for health and nutrition programs has been limited; and



where and how much food was sold, and how PVOs used the local currencies generated by these sales. These reports are due by February 15 of each succeeding year. The report for fiscal year 1987 showed that most sales proceeds were used to support feeding programs. Because similar reports had not been prepared for fiscal years 1988 or 1989, we were unable to determine the extent to which local currencies were used to support feeding programs or other authorized purposes in those years. AID officials told us that they were preparing a report on fiscal year 1989 sales that would be issued shortly and would include some information on 1988 sales. They explained that AID overseas missions had not submitted sufficient information on sales activities to permit the preparation of a full report for 1988.

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### AID Provides Some Grants to Food Aid Sponsors

AID provides dollar grants to PVOs to help support food aid projects. The current program is designed primarily to provide grants to help PVOs enhance the development impact of their projects, although funds can also be provided for logistical costs. The total amount of funding available depends on other AID development priorities, but has increased somewhat in recent years, and has ranged from \$5 to \$7 million annually. However, PVO officials told us that they will need significantly more dollars from AID or other sources in the future to (1) improve commodity and fund control systems and (2) expand food aid programs in Africa.

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### PVOs Seek Legislation to Ensure Reliable Grant Funding

Because the Coalition for Food Aid believed that substantial increases in AID's budget for grants to food aid sponsors seemed unlikely, it asked the Congress to provide an additional source of dollar grants for PVOs. It recommended that the Congress amend Public Law 480 to provide that not less than 2 percent of the title II budget be made available to PVOs to "assist them in meeting the requirements of this title, expanding and establishing new programs under this title, and meeting administrative, management, personnel, and internal transportation and distribution costs" for carrying out title II programs. Currently, none of the title II budget is used for these purposes.

The Coalition's request was developed with limited analysis of the unfunded costs of administering food aid projects. The Coalition told us that it reviewed the grant applications submitted to AID in early 1989 by food aid sponsors. The Coalition found that these multi-year requests averaged about \$12 million annually, which it estimated was about 2 percent of the total title II budget for that year. We do not believe that the Coalition adequately supported its request that PVOs be given grants

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## Regulations Require Full Accountability and Impose Financial Penalties for Noncompliance

AID's regulations hold PVOs responsible for ensuring that title II commodities and program funds received from the U.S. government and distributed to their partners in recipient countries are used in accordance with regulations established by AID, and an operating plan approved by the U.S. government. In accordance with these regulations, food aid sponsors are responsible for providing adequate supervisory personnel to (1) make internal reviews, warehouse inspections, inventories, and end-use checks and (2) review records maintained by their local partners to document commodity transactions.

A PVO must refund the value of any commodities, monetary proceeds, or program income that were used for unapproved purposes, or if the PVO was responsible for their loss, damage, or misuse. Program sponsors are relieved of liability, if AID determines that the loss, damage, or misuse could not have been prevented by proper exercise of the sponsor's responsibilities. However, if the loss, damage, or misuse was caused by a third party, the sponsor will be held financially liable unless it pursues reasonable collection action against the liable party for all claims exceeding \$500.

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## Audits Show Need for Improved Controls and Oversight

Audits by AID's Office of the Inspector General have shown that food aid projects are subject to fraud, waste, and abuse, partly because PVOs lack good financial management and internal control systems. The Inspector General concluded in a 1986 review of its past audit reports that PVOs generally lacked adequate control systems to account for commodities and funds generated from project activities. Recent Inspector General reports indicate that some PVOs and their local partners still have inadequate control systems and can neither account for large quantities of commodities nor prove that commodities were delivered to the intended beneficiaries. In addition, the Inspector General continues to find instances, of varying significance, of fraud, waste, and misuse of commodities in PVO-sponsored programs.

We reviewed 20 Inspector General audit reports of PVO food aid projects issued after 1986. Of the 20 audits, 17 audits found commodity control deficiencies, 7 found fund control deficiencies, 10 found noncompliance with loss claims procedures, 10 found noncompliance with commodity destruction procedures, 8 found noncompliance with reporting requirements, and 13 found inadequate targeting of beneficiaries.

Internal control weaknesses allowed significant fraud or misuse of commodities to go undetected. Recent audits of a major program sponsored

Because food aid programs are vulnerable to fraud, waste, and abuse, the Inspector General has suggested that PVOs be required to allocate a percentage of local currencies generated by selling title II commodities to strengthen their management capabilities. AID officials agreed that this would be useful.

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### Examples of Commodity Control Problems Encountered by Food Aid Sponsors

During our field work in Africa, we found examples of the difficulties facing food aid sponsors in trying to control and account for all commodities in widespread food aid projects. Among the problems we noted were inaccurate, unreliable reporting and improper distribution of commodities by local staff at final distribution sites.

We interviewed staff of CRS and its local partners in Burkina Faso, Togo, and Kenya and visited numerous distribution sites, including primary schools, training schools, maternal and child health centers, and food-for-work project sites. CRS' partners in Burkina Faso and Togo were largely host government agencies, but in Kenya, it worked through Catholic Church diocesan and parish organizations.

In each country, local officials responsible for distributing food to targeted beneficiaries told us that they had no difficulty in preparing the monthly inventory and distribution status reports submitted to CRS. However, we found that these reports were not necessarily accurate. For example, a school teacher in Burkina Faso told us that he had falsified reports he sent to CRS to show that commodities had been correctly distributed according to the 5-month distribution schedule designed for his school. He had, in fact, stretched the rations over a longer portion of the 10-month school year. Another teacher told us that his reports had not disclosed that he had distributed title II commodities to an unauthorized village youth group at the direction of village elders. When we observed that some students were not receiving food at another school, we were told by the new teacher that he withheld food from students who had not yet paid their school fees, and distributed their share among the students who had paid.

A CRS official in Togo said that although reports submitted by maternal and child health project directors in Togo appeared perfectly balanced, he believed that minor thefts occurred and were concealed. In Kenya, we found that a center director calculated the amount of food distributed by using a formula that would eventually cause the reports and the center's actual on-hand inventory to differ significantly.

- Work with AID to prepare a consolidated statement on food program costs for the Congress.

A group spokesman told us that the group hopes that by adopting reasonable food management standards and identifying the actual costs of implementing good control systems, donors will (1) provide additional funds and develop greater confidence in the ability of PVOs to control commodities and (2) focus their attention on different issues, such as project effectiveness.

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### **Coalition for Food Aid Proposes Additional Forum for PVO and AID Coordination**

The Coalition for Food Aid has asked the Congress to establish a food aid regulatory review committee composed of representatives from the Department of Agriculture, AID, and all title II food aid sponsors. This group would, therefore, include PVOs who are not part of the AID-sponsored consortium. The group's first task would be to review and revise AID's regulations to ensure that (1) they reflect current law, (2) requirements and processes are streamlined, and (3) standards for accountability are realistic and appropriate for the conditions found in developing countries, and can accommodate diverse food program objectives. The Coalition asked the Congress to set a deadline for convening the group and completing the initial review process. In fiscal years 1992 through 1995, the group would meet biannually to review the effectiveness of regulations and procedures governing PVO-sponsored title II programs.

AID believes that adequate avenues for collaboration already exist and that AID and PVOs have demonstrated the ability to work together without the review committee suggested by the Coalition. We did not fully evaluate how the proposed review committee would differ from the food aid consortium currently sponsored by AID, although it would have more members. However, we note that the consortium's eight members include the largest PVO food aid sponsors, which handled more than 90 percent of all non-emergency title II commodities in fiscal year 1989. In view of AID's sponsorship of the consortium and its ability to work with PVOs and cooperatives, as demonstrated by its recent collaboration with these organizations to revise title II regulations, it appears that AID may be correct in its belief that adequate avenues for coordination already exist and that there is no need to establish another group.

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
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CRS headquarter officials told us that reporting discrepancies by their local partners do not necessarily reflect fraud on the part of their partners. They said the discrepancies are generally unintentional or insignificant. In addition, they said that staff of some of their local partners adjust their inventory records to hide normal operating losses simply to avoid the program's loss claims procedures, which they find cumbersome.

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### AID Sponsors PVO Consortium to Seek Solutions to Common Problems

A recent AID grant may help PVOs resolve common accountability problems. In an effort to improve the efficiency and effectiveness of food aid, AID awarded CARE a \$500,000, 2-year grant to sponsor a five-member consortium of PVO food aid sponsors. The group later expanded its membership to eight PVO food aid sponsors. The group is expected to identify supervisory, management, and food aid issues, and seek mutually acceptable solutions. The work will be accomplished, in part, through workshops involving field and headquarters personnel.

The group's first workshop was held in January 1990, and focused initially on "accountability issues," particularly those pertaining to commodity control activities, such as port operations, warehouse management, commodity tracking, and end-use monitoring. The group will review the systems used by its members and other food aid sponsors, and identify features or standards that constitute good food aid management practices. A report from its first workshop stated that

"accountability requirements are often unrealistic in the field context, costly to administer, and counterproductive to program goals and objectives. The cost implications of meeting accountability requirements are often not recognized by the [food aid sponsor], or the donor, resulting in inadequate accountability."

The workshop report suggested that, among other effects, poor accountability strained sponsor and donor relationships and caused unwarranted criticism of food aid. It also reported that donors do not provide sufficient funds to food aid sponsors because they are unaware of the actual costs of food programming and tend to overestimate the resources of sponsors. The group decided to address these issues in the following manner.

- Establish a common set of accountability standards and encourage their adoption by sponsors and AID.
- Convince sponsors to document the actual costs of food programs and the level of funds they can contribute.



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**Appendix I**  
**Non-Emergency Food Aid Programs**  
**Sponsored by PVOs**

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by the CRS in India disclosed that CRS' local partners had falsified their inventory records to conceal that (1) rations were generally about 15 to 20 percent smaller than authorized; (2) most commodity losses were not reported to the sponsor but were recorded as distributed to recipients; and (3) most attendance records were inaccurate and, in one example, inflated by as much as 400 percent. The auditors determined that CRS had not adequately monitored the activities of its partners and therefore was unaware of the losses, misuse, and falsified records. The auditors and CRS agreed that inaccurate and missing records did not necessarily mean that commodities had been misused or that fraud had occurred.

AID began working with CRS to correct its management weaknesses. In May 1990, at AID's urging, CRS submitted a grant proposal to AID stating that, beginning in July 1990, it would need U.S. dollar grant funding to undertake management and programmatic improvements to correct deficiencies noted during audits of its programs in India. CRS proposed that AID provide a 3.5-year, \$4.165 million grant to help it improve its institutional capabilities and those of its local partners. Further, CRS stated that commodity sales might be a viable method of obtaining additional funding for the program in the future, but that it could take as long as 3 years to negotiate sales agreements, obtain U.S. government approvals, receive and sell the commodities, and distribute the proceeds. In the interim, the program needed funds. At the end of our review, AID headquarters and field officials were considering whether the proposal adequately addresses the problems identified in the audit reports.

As a result of another Inspector General review, AID issued bills of collection, totaling more than \$1.6 million, to the Adventist Development and Relief Agency for the unauthorized sale and misuse of title II commodities. The Inspector General found that the country director for the Adventist agency had used title II food to pay labor costs for the construction of his residence and a tennis court. Other staff members had also used donated food and funds for their personal gain.

AID's Inspector General believes that, because PVOs are "financially constrained," they

"only provide the bare minimum to financial management. PVOs are more concerned with providing needed services to needy people. Consequently, audits of the title II program consistently find significant problems in the distribution and delivery of these commodities."

equal to at least 2 percent of the title II budget. Neither AID nor the PVOs have collected data on actual and unfunded costs of food aid projects. Although it seems reasonable that a stable source of dollar funding for PVOs would help make title II projects more effective, without empirical evidence, we could not independently determine what amount would be appropriate.

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## AID Worked With PVOs to Revise Title II Regulations

During our review, PVO officials told us that the non-emergency title II program had been overregulated by the U.S. government and that regulations were outdated and made non-emergency food aid projects unnecessarily difficult to manage.

Regulations governing the transfer of title II commodities to food aid project sponsors are found in title 22, part 211, of the Code of Federal Regulations, and are commonly called "AID Regulation 11." At the time of our review, Regulation 11 had not been revised since 1979 and no longer reflected current law or procedures. In December 1988, AID published a proposed revision of these regulations in the Federal Register for review and comment, and PVOs submitted numerous recommendations for additional changes. AID worked with PVO representatives to incorporate many of the recommendations into a final revision, which was issued in early June 1990. We did not evaluate the new regulations, but AID believes that they address most of the concerns raised by PVOs.

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## Additional Funding and Collaboration May Help PVOs Improve Accountability

Food aid sponsors are responsible for ensuring that title II commodities and program funds are used as intended. As one PVO official said during a congressional hearing,

"The American people have a right to accountability when they pay the bills; the government has a responsibility to demand it and the beneficiaries and users of government goods and services should be able to reasonably expect that high standards will be set and met."

The AID Inspector General has found that PVOs have not always been able to fulfill this responsibility, in part, because they lack funds to improve their financial management systems. As a result, title II commodities have been wasted or misused. To help PVOs resolve food aid management problems, AID has provided grant funding to support a consortium of food aid sponsors to identify major issues and seek mutually acceptable solutions.

- some more recent title II sponsors are not traditional food aid distributors, and primarily use title II commodities to generate local currencies for development projects.

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## PVOs Seek Additional and Reliable Funding for Project Costs

PVOs are responsible for ensuring that all costs of implementing title II programs are covered. They receive funds to implement these programs from private donations, host governments, voluntary contributions from project beneficiaries, and the U.S. government through cash grants and sales of title II commodities. Although PVOs indicate continuing interest in sponsoring non-emergency food aid programs, they told us that it has become increasingly difficult to pay the high costs associated with food distribution projects. We were told that the private donations of some PVOs have declined, some host governments are less able or willing than in the past to support food aid projects, and project costs have increased as PVOs expand their monitoring activities in response to increasing U.S. emphasis on commodity control and accountability.

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## Commodity Sales Have Not Provided Funds for All Expenses

PVOs can obtain local currencies to pay overseas project costs by selling title II commodities. Public Law 480 was amended in December 1985 to explicitly permit such sales by PVOs and established a minimum sales level equal to 5 percent of the aggregate value of the commodities distributed under non-emergency programs each year. In December 1987, the law was expanded to specifically include cooperatives and increase the minimum sales level to 10 percent. The permissible uses of local currencies included support for income-generating projects, agricultural or community development, health, and nutrition projects. AID guidance, however, states that the U.S. government will give precedence to sales proposals that support feeding programs.

Although commodity sales have been used successfully to generate local currencies, they have not been practicable in all countries. PVO officials told us that convertible currency, such as U.S. dollars, is needed to pay local costs in countries where commodity sales have not been practicable, for example, when hyper-inflation would quickly erode the value of local currencies generated from commodity sales. PVOs also say that some expenses, such as U.S. staff salaries, some vehicles, equipment, and supplies, can only be paid with dollars.

Beginning in fiscal year 1987, legislation requires the President to submit an annual report to the Congress outlining, among other things,

**Appendix I  
Non-Emergency Food Aid Programs  
Sponsored by PVOs**

PVOs indicated that they are not unwilling to sponsor non-emergency food aid projects in Africa. However, they told us that long-standing problems, such as the lack of transportation, health, and education infrastructure; the need to develop new program models for Africa; and the lack of host government and donor funding for project expenses limit their ability to expand.

**PVOs Distributed Less Food Through Feeding Programs**

During fiscal years 1986-89, PVOs changed the way they used title II commodities in Africa. In fiscal year 1989, PVOs requested 72 percent less food for traditional maternal and child health projects, 11 percent less for school feeding projects, and 19 percent more for food-for-work projects than they did in fiscal year 1986. Significantly more food aid was requested for sale. Table I.2 shows the distribution of food aid requests, by project type, worldwide, and in Africa, in fiscal years 1986 and 1989.

**Table I.2: Approved PVO and Cooperative Food Aid Requests, Fiscal Years 1986 and 1989**

Project Type	In metric tons			
	Worldwide		Africa	
	1986	1989	1986	1989
Maternal and child health	399,483	347,952	110,128	30,346
School feeding	133,158	100,885	15,798	14,004
Other child feeding	29,296	37,135	3,104	1,964
Food-for-work	247,920	233,794	29,122	34,605
General relief	17,894	45,331	4,809	8,641
Other	16,722	41,556	745	10,146
Sales	26,998	124,455	553	26,756
<b>Total</b>	<b>871,471</b>	<b>931,108</b>	<b>164,259</b>	<b>126,462</b>

Note: These figures are based on planned and not actual distribution levels. As a result, the annual totals do not match those in table I.1

Source: AID

The decrease in food distributed through maternal and child health projects in Africa appears to be due, largely, to the termination or reduction of CRS projects in several Sub-Saharan countries between 1986 and 1989. CRS officials said that the terminations were caused by a variety of country-specific reasons, including changes in host government development priorities.

According to AID and PVO officials, AID became concerned over the declining volume of food requested for Africa and actively encouraged other PVOs to begin projects in Africa, and provided grants to some PVOs

# Non-Emergency Food Aid Programs Sponsored by PVOs

Public Law 480 currently requires the U.S. government to provide a minimum of 1.9 million metric tons of food each year through title II programs. The law further requires that a "subminimum" of 1.425 million metric tons of food will be distributed through PVOs, cooperatives, and the World Food Program for non-emergency programs. The current minimum and subminimum have been in effect since fiscal year 1987.

## PVOs Request More Food, but Plans for Its Use Are Uncertain

The Coalition for Food Aid, an organization representing U.S. PVOs and cooperatives sponsoring food aid programs, has asked the Congress to gradually increase the annual minimum tonnage to 2.65 million metric tons and the subminimum to 1.8 million metric tons by fiscal year 1995. The Coalition based its request on National Research Council projections of increased global needs for food assistance during the 1990s<sup>1</sup> and the general intentions of the Coalition's membership to expand their programs to help meet those needs. The Coalition did not contact the World Food Program to ask for its plans when it estimated the new subminimum requirements included in its proposal.

Based on interviews with Coalition and PVO officials, we found that PVOs do not have specific plans for using the increased volume of commodities requested by the Coalition. Several PVO officials did not see the need to increase the subminimum at the present time because it seems unlikely that PVOs will be able to use more food aid for non-emergency programs in the near future.

PVOs cited several factors that could limit their food aid requests in the next few years. A CARE official, for example, told us that CARE may reduce the number of beneficiaries in some of its feeding programs, so that it can increase the rations given to the remaining beneficiaries to enhance nutritional impact. They said that this process might initially result in a decrease in the amount of food aid requested. The official also said that future expansion depends on additional U.S. dollar grants for operational costs.

Officials of other PVOs also told us that expansion of their food aid projects depends on (1) receipt of additional funds for project costs; (2) U.S. development priorities and willingness to approve the types of programs that are proposed (e.g., a secondary school feeding program,

<sup>1</sup>Food Aid Projections for the Decade of the 1990s, Report of an Ad Hoc Panel Meeting, October 6 and 7, 1988, Board on Science and Technology for International Development, Office of International Affairs, National Research Council.

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## Abbreviations

AID	Agency for International Development
CARE	Cooperative for American Relief Everywhere
CRS	Catholic Relief Services
PVO	Private Voluntary Organization

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aid sponsors' financial and management systems when reviewing their requests to sell title II commodities to generate local currencies, and if such systems are inadequate, ensure that sufficient sales proceeds are set aside for improving those systems.

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## Scope and Methodology

To determine whether PVOS are leaving the title II program, we reviewed AID statistical reports for fiscal years 1986 through 1990 and analyzed changes in the volume of non-emergency food aid requested by PVOS. We did not verify the accuracy of these statistics. We also asked officials of two organizations representing multiple food aid sponsors about the activities and future plans of their members.

To identify the problems encountered by PVOS in implementing title II non-emergency programs, we asked officials of several PVOS sponsoring title II programs about their projects, funding, and control systems. We also interviewed officials of the (1) Coalition for Food Aid to obtain information on the legislative proposal it submitted to the Congress on behalf of food aid sponsors and (2) the food aid management consortium sponsored by AID about its efforts to identify problems encountered by PVOS and its plans to seek solutions for those problems. We also visited three countries in Sub-Saharan Africa, Burkina Faso, Togo, and Kenya, and interviewed AID, PVO, host government, and other local officials and observed food aid programs in operation. While in Africa, we also interviewed officials of PVOS not sponsoring U.S. food aid programs to determine why they were not participating. We pursued issues raised by PVO country directors in Africa with PVO headquarters officials in the United States. We interviewed AID and Department of Agriculture officials to obtain their perspective on the problems and issues raised by PVOS.

To identify implementation problems and internal control weaknesses, we reviewed evaluations and AID Inspector General reports of food aid projects. While in Togo and Kenya, we identified the control systems used by the primary PVO food aid sponsor and its counterparts to account for commodities and funds; however, we did not test these systems and cannot express an opinion on the accuracy of reports generated from these systems.

Our work was conducted between September 1989 and April 1990, and was performed in accordance with generally accepted government auditing standards. The views of responsible agency officials were sought during the course of our work and are incorporated where

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During 1986-89, PVOS changed the way they used the food aid donated by the United States. Less food was given away through feeding projects targeted at mothers and children and more was given to individuals participating in community development projects. More food was sold to generate local currencies to support projects, with and without feeding components.

The reduction in food distributed through feeding projects was most apparent in Sub-Saharan Africa and was due, in part, to (1) changing opinions among PVOS and host governments about the effectiveness of feeding projects compared to community-based development projects, (2) the difficulties PVOS face in implementing feeding projects, caused by poor transportation, health, and education infrastructure and inadequate funding, and (3) the termination of several large maternal and child health projects. The increased volume of food being sold reflects the PVOS' need to generate funds to support both feeding programs and projects that do not use food.

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## PVOS Seek More Reliable Funding for Project Costs

PVOS say that food aid projects are expensive to implement and they need a reliable source of dollar grants to pay operating expenses, undertake needed management improvements, and expand their programs, particularly in Africa. They say that it has not been practicable for them to sell title II commodities to generate local currencies in all countries where they have food aid projects and need local currencies. In addition, some program costs must be paid with dollars. Although PVOS receive dollar grants from AID, the amount available for such grants has depended on AID development priorities. PVOS have asked the Congress to amend food aid legislation to provide that not less than 2 percent of the title II budget be given to them as cash grants to help pay program costs.

We found that the PVOS' request was based on a limited analysis of the unmet costs of administering food aid projects. Although a reliable source of dollar grants to help PVOS pay the costs of food aid projects may encourage PVO participation in the title II program and facilitate expansion and management improvements, we believe that PVOS have not adequately supported their need for grants equal to at least 2 percent of the title II budget. Neither PVOS nor AID have analyzed the actual costs of implementing food aid projects. However, a consortium of PVO food aid sponsors, funded by AID, is proposing to develop such data to help donors evaluate the need for funding to support food aid projects.



PVOS do experience difficulties implementing food aid projects, which they attribute, in part, to inadequate funding. PVOS said their ability to expand their programs and undertake management improvements identified by government auditors is contingent on the receipt of additional funds to pay the high costs of food aid projects. PVOS have asked the Congress to amend Public Law 480 to provide for a portion of the title II budget to be given to them as cash grants to support title II projects. However, neither PVOS nor the Agency for International Development (AID), which administers the title II program, has collected data on the additional amount of funding that may be needed. PVOS also said that U.S. regulations governing the transfer of title II commodities made non-emergency projects unnecessarily difficult to manage. AID issued revised regulations in June 1990 and believes that they address most concerns raised by PVOS. We did not evaluate the regulations.

U.S. government audits of non-emergency food aid projects indicate that these projects are vulnerable to fraud and misuse. The AID Inspector General has attributed this vulnerability, in part, to financial constraints that have precluded PVOS from spending adequate funds on their financial and management systems. To address this problem, the Inspector General suggested that PVOS should be required to use a portion of the local currencies they derive from selling title II commodities to improve their financial and management systems, if deemed necessary by AID.

## Background

The United States provides food assistance to (1) combat hunger and malnutrition, (2) encourage economic development, (3) expand export markets for U.S. agricultural commodities, and (4) promote U.S. foreign policy goals. Food assistance is provided under several legislative authorities, but primarily under the Agricultural Trade Development and Assistance Act of 1954, as amended, commonly referred to as Public Law 480, which expires in December 1990. Title II of the act authorizes food donations to cooperating sponsors

“to meet famine or other urgent or extraordinary relief requirements; to combat malnutrition, especially in children; to promote economic and community development in friendly developing areas; and for needy persons and nonprofit school lunch and preschool feeding programs outside the United States.”

Non-emergency food aid is provided through the United Nations' World Food Program, foreign governments, PVOS, and cooperatives. In fiscal year 1989, 13 PVOS and cooperatives, operating in 34 countries, received 770,000 metric tons of food valued at \$210 million, for non-emergency

