

115599

18574

BY THE COMPTROLLER GENERAL

# Report To The Congress

OF THE UNITED STATES

## Food For Development Program Constrained By Unresolved Management And Policy Questions

The U.S. food for development program has not been widely accepted by the developing countries it was meant to help, even though repayments for food aid loans may be forgiven. The program was established under Public Law 480, Title III in 1977 to provide recipients an incentive to take greater self-help measures in return for multi-year food aid commitments and debt forgiveness. Only six agreements have been signed. Other food aid programs offer highly concessional assistance (grants or loans with easy credit terms) for less development effort.

GAO believes an overall policy framework needs to be established, more closely linking the degree of concessionality of U.S. assistance with recipient country development efforts, regardless of the title under which the food is provided. GAO also believes the Agency for International Development (AID) should be given lead agency responsibility for the development aspects of this complex, multiagency administered program.

ID-81-32  
JUNE 23, 1981

017353





COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

B-203073

To the President of the Senate and the  
Speaker of the House of Representatives

We have reviewed the implementation of the 1977 Food for Development, title III amendment to Public Law 480, the principal legislation under which the United States provides concessional food aid to friendly countries. We did this review because of emphasis in recent years on more closely relating U.S. food aid with recipient country self-help efforts and because of some congressional concerns that the food for development program had not been implemented more rapidly and on a larger scale.

Copies are being sent to the Director, Office of Management and Budget, and to the other agencies participating in the inter-agency administration of the program.

  
Acting Comptroller General  
of the United States



D I G E S T

The Food for Development Program, even with repayment forgiveness, has had limited acceptability as a means of better linking U.S. food aid to recipient country development efforts. This program's record is not likely to improve until basic management and policy questions are solved and its incentives are coordinated with those of other food aid programs.

About \$30 billion in U.S. commodities has been provided to friendly countries since 1954 under Public Law 480, the principal vehicle for providing food aid. Concessional sales, loans made with low interest rates and long repayment periods, are made under title I and donations are made under title II. To provide an incentive for recipient countries to take greater self-help measures in alleviating their food problems, title III (Food for Development) was added in 1977. It authorized a multi-year food aid commitment under title I loan terms. If a country agrees to use the commodities or the local currency proceeds for development activities that it otherwise would not undertake the loan is forgiven.

The program is administered on an interagency basis with participation by the Department of Agriculture (USDA), the International Development Cooperation Agency (IDCA), the Agency for International Development (AID), the Office of Management and Budget (OMB), and the Departments of State and Treasury. No one agency has lead responsibility and decisions are reached by consensus.

Only six agreements have been signed in 3 years. Some developing countries more capable of undertaking title III have not found it attractive in comparison to highly concessional and less demanding title I loans. The poorer countries, with the most urgent needs to overcome inadequate agricultural production, have been the least capable of meeting title III requirements. Use of U.S. food aid for development has been made difficult by a number of administrative problems.

ID-81-32

Demanding, complex, multiple program requirements have caused some countries to avoid the program. Countries have the choice of food aid within the title III framework or of the already highly concessional food aid under title I with less demanding requirements. (See pp. 6 to 9.)

For example, Indonesia objected to title III requirements and saw title I as less demanding, while highly concessional. No title III agreement was reached, but title I assistance was continued. (See p. 16.)

Interagency administration and disagreements within AID have complicated the program, delayed individual program approvals, and caused confusion among AID missions and candidate countries as to what constitutes an acceptable program. (See pp. 9 to 11.)

Lack of interagency agreement delayed an April 1979 proposal for Sudan until December while U.S. agencies debated the adequacy of proposed Sudanese policy reforms. Similarly, a May 1980 agreement with Senegal was signed a year after the proposal was received in Washington and after at least three major revisions. (See pp. 17 to 19.)

USDA and AID lacked planning and analysis staffs to program food aid for development at the time the legislation was passed. Such staffs have now been organized at USDA and AID headquarters level raising the potential for overlap. Overseas missions remain understaffed which hinders their efforts to assist recipient countries in necessary analysis, and program design, implementation, and evaluation. (See pp. 11 to 13.)

AID, USDA, and OMB have initiated new procedures to better program food aid for development. These actions include more systematic assessments of food aid needs and revised guidelines for the preparation of title III proposals. However, these actions are in the preliminary stages, do not provide for leadership in resolving interagency differences; and, most importantly, do not address the underlying problem that title I continues to offer an alternative of highly concessional assistance with less demanding self-help requirements.

## CONCLUSIONS AND RECOMMENDATIONS

There is a need to fix responsibility and authority for the design, review, approval, and evaluation of the multi-year development plans under the title III program with one lead agency--namely AID--which could draw upon USDA and other outside technical expertise in dealing with development planning and implementation. Perpetuation of a decisionmaking process whereby every agency--and yet no single agency--is in charge raises doubts in the minds of U.S. mission and recipient government officials as to what specific additional development efforts will meet Washington approval. This conclusion reaffirms and refines GAO views on this matter as contained in two previous reports on U.S. food aid programs. GAO is making further recommendations in this report. (See pp. 23 to 25.)

U.S. policy makers face the dilemma of persuading recipient governments to take difficult self-help measures in return for U.S. food aid, which they may perceive that they will get anyway. Agencies also face the problem of getting maximum impact of food aid on development under title III with its stringent requirements in an environment of highly concessional alternative food aid under title I with less stringent requirements. The multiple objectives of the Public Law 480 program--foreign policy, market development and humanitarian and development concerns--accent this problem. A means for dealing with this dilemma is critical to the expanded use of food aid for development purposes, regardless of title. (See pp. 27 to 29.)

A policy framework for linking the concessionality of food assistance to self-help measures needs to be established. Such a policy, if it is to be meaningful, will require close cooperation among the concerned departments and agencies and will require appropriate consultation with congressional committees.

GAO recommends that the Secretary of Agriculture, in the Department's role as chair of the interagency Food Aid Subcommittee establish or refine as necessary, standards

--for tailoring the terms and self-help measures of food aid to the purposes for which such assistance is provided and to the needs of recipient countries, and

--for basing the concessionality of future assistance on the degree of recipient countries self-help performance.

#### AGENCY COMMENTS

GAO concluded there was a need to address the overall policy questions in its draft report. The concerned agencies generally agreed that further consideration needs to be given to self-help measures and other terms and conditions of the title I program and their impact on the use of food aid for development purposes, including title III. Based on its analysis of the agency comments, GAO is recommending that standards be established.

There is strong disagreement among agencies on providing AID with lead agency responsibility or of altering the basic interagency decision-making process for title III agreements. IDCA and AID have agreed with this recommendation but other agencies--the Departments of Agriculture, State, the Treasury, and OMB--believe the present process best serves the multiple objectives of the Public Law 480 program and is necessary if each agency is to meet its respective responsibilities under the program. GAO continues to believe that lead responsibility for the development design and evaluation aspects of the program should be assigned to AID. Such an assignment of responsibilities would not prevent the other agencies from exercising their responsibilities for the country allocation, commodity supply, financial and budgetary, and other aspects of the program. (See pp. 25 to 30.)



### ABBREVIATIONS

AID	Agency for International Development
DCC	Development Coordination Committee
GAO	General Accounting Office
IDCA	International Development Cooperation Agency
OMB	Office of Management and Budget
RLDC	relatively least developed country
USDA	U.S. Department of Agriculture

## C o n t e n t s

		<u>Page</u>
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	Agency responsibilities	3
	Objectives, scope, and methodology	4
2	FOOD FOR DEVELOPMENT: A TROUBLED PROGRAM	6
	Title III candidates must meet three sets of requirements	6
	Multiple-agency approval complicates program administration	9
	U.S. agencies not fully staffed to program food aid for development	11
	Country examples of programing difficulties	14
	Actions to enhance the use of food aid for development	19
	More systematic assessments of food aid needs	20
	Revised guidelines	21
3	CONCLUSIONS, RECOMMENDATIONS AND AGENCY COMMENTS	23
	Lead agency responsibility needs to be established	23
	Recommendations	25
	Agency comments and our response	25
	Development efforts and self help	27
	Agency comments and our response	28
	Recommendation	30
APPENDIX		
I	International Development Cooperation Agency and Agency for International Development comments	31
II	Department of Agriculture comments	35
III	Department of Agriculture, Office of Inspector General comments	38
IV	Department of State comments	42
V	Department of Treasury comments	46
VI	Office of Management and Budget comments	49

## CHAPTER 1

### INTRODUCTION

Especially since the 1974 World Food Conference, it has been recognized that a growing world hunger problem would have to be met by increasing production and incomes in developing countries. Food aid alone, even though essential, could never meet the growing gap between food needs and production. In August 1977, a new title was added to the U.S. food aid legislation--popularly known as Public Law 480 <sup>1</sup>--to establish a program that more closely linked U.S. food aid and developmental efforts of recipient countries. About \$30 billion in food aid has been provided to foreign nations since the enactment of Public Law 480 in 1954.

Title I of Public Law 480 provides for the concessional sale of agricultural commodities financed by long-term, low-interest dollar repayable loans. Title II authorizes the donation of agricultural commodities to combat malnutrition or other extraordinary relief requirements and to promote economic and community development. The new title III is designed to strengthen the linkage between food aid, specifically that provided under title I, and agricultural and rural development and to go beyond the often unenforced self-help provisions typically included in title I agreements. As an inducement for title I food aid loan recipients to undertake development efforts, title III authorizes a multi-year food-aid commitment and a forgiveness of the debt if certain conditions are met.

The House and Senate were originally in disagreement over how fast programs under title III should be implemented. The Senate originally sought to restrict title III programs to no more than 15 percent of all title I loan agreements during a year on the assumption that the U.S. Government should move cautiously and expand the program only after a few pilot projects had been proven successful. The House, on the other hand, sought minimums of 5, 10, and 15 percent in fiscal years 1978, 1979, 1980, and thereafter, respectively, and urged the executive branch to encourage maximum use of the title even beyond those minimums. The House version was adopted.

Since 1978, congressional committees have repeatedly expressed concern that the program has not been implemented more rapidly although the legislative minimums essentially have been met, as shown in the table on the following page.

---

<sup>1</sup>The Agricultural Trade Development and Assistance Act of 1954, Public Law 83-480 (7 U.S.C. 1691 et. seq.).

FOOD FOR DEVELOPMENT AGREEMENTS AND ALLOCATIONS  
FISCAL YEARS 1978 THROUGH 1981

<u>Country</u>	<u>Date signed</u>	<u>Length of agreement (years)</u>	<u>Allocations by fiscal year</u>				<u>Estimated 1981</u>
			<u>Amount</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	
Bolivia	5/31/78	5	\$ 75.0	\$10.8	\$12.0	\$17.3	b/ \$18.4
Bangladesh	8/02/78	3	a/ 150.0	26.0	56.0	68.0	c/ 63.6
Honduras	2/27/79	2	4.0	-	2.0	2.0	-
Egypt	3/20/79	3	45.0	-	15.0	15.0	15.0
Sudan	12/27/79	5	100.0	-	-	20.0	b/ 20.0
Senegal	5/16/80	3	<u>21.0</u>	-	-	<u>7.0</u>	b/ <u>7.0</u>
Total title III allocations			<u>\$395.0</u>	<u>\$36.8</u>	<u>\$85.0</u>	<u>\$129.3</u>	<u>\$124.0</u>
Total title I program				<u>\$811.9</u>	<u>\$741.4</u>	<u>\$867.1</u>	<u>\$770.9</u>
Title III as a percent of title I				4.5%	11.5%	14.9%	16.1%
Legislative minimums as a percent of title I				5.0%	10.0%	15.0%	15.0%

a/Original agreement stipulated in tonnage, not dollars. Agreement called for 800 million metric tons of wheat then estimated to cost \$104 million.

b/The agreements extend into future years.

c/Estimated amount for first year of anticipated new agreement.

The multi-year supply agreements under title III may be made for up to 5 years. Recipients agree to use the commodities provided under title I or the local currency proceeds from the domestic sale of such commodities for programs they would not otherwise undertake. Title III activities are to complement, but not replace, development efforts being sponsored by assistance from other U.S. programs, other donors, and the recipient government-- a concept known as additionality. These programs may include agricultural development; aid to small farmers, share-croppers and landless farm laborers; nutrition; health services; and population planning. The amount used by the recipient for the agreed development purposes will be considered repayment toward its debt incurred under title I financing, i.e., the United States will forgive the loan. Special incentives may be offered to the relatively least developed countries (RLDCs) 1/ listed by the United

1/RLDCs are chosen on the basis of critical economic and social indicators including per capita income, literacy, and their relative share of manufacturing in total output. As of February 1980, there were 30 countries designated as RLDCs.

Nations Conference on Trade and Development. These include U.S. financing of ocean freight and, in the case of landlocked countries, delivery to points of entry. In addition, the requirement for additionality may be waived.

To qualify for a Food for Development Program a country must meet the criteria used to determine basic eligibility for development loans of the International Development Association of the International Bank for Reconstruction and Development. Beginning in mid-1980, this requirement, which is revised periodically, was a per capita income of \$680 or less. Public Law 480 requires that 75 percent of title I food aid be provided to countries meeting this criteria. In fiscal year 1980, such countries received about 80 percent of total title I allocations with the remaining 20 percent going to 11 countries with per capita incomes above \$680 per year.

Of the 65 countries meeting the income criteria during 1980, 22 received title I aid and 53 received title II aid. All 22 countries receiving title I also received title II assistance. Bilateral agricultural development assistance was provided to 33 of the eligible countries, including 17 title I aid recipients.

An approximation on a dollar basis of this assistance to countries eligible for a food development program is as follows:

	Fiscal year		
	1978	1979	1980
	------(millions)-----		
Title I	\$636	\$566	\$721
Title II	266	326	340
AID bilateral agricultural assistance	382	408	423

This brief outline of assistance gives rise to a paradox. These countries have a need for food and for development assistance, yet, only six agreements have been signed in 3 years to use about \$400 million in food aid under title III for developmental purposes to stretch over a 5-year period.

#### AGENCY RESPONSIBILITIES

The Presidential authority for administering the title III program has not been specifically delegated to any single department or agency. The program has been administered on an inter-agency basis with the primary participants--U.S. Department of Agriculture (USDA), Office of Management and Budget (OMB), and Agency for International Development (AID).

The appropriations for Public Law 480 are made to USDA. Prior to May 1978, USDA chaired the Interagency Staff Committee--the decisionmaking body for titles I, II, and III. Its members were USDA, AID, OMB, State, Treasury, and Commerce. USDA was the

lead agency for title I and AID for title II. Lead agency responsibility for title III was never delegated by Executive order but was shared by both AID and USDA.

In May 1978, by Presidential Directive, the Development Coordination Committee (DCC) was reorganized in anticipation of the establishment of the International Development Cooperation Agency (IDCA). The reorganization abolished the Interagency Staff Committee and created a DCC Food Aid Subcommittee chaired by USDA. The regular participants were USDA, AID, OMB, and State. Treasury and Commerce attended Subcommittee Working Group sessions according to their need to be involved in the issue under discussion.

In September 1979, after the establishment of IDCA was legislatively approved, an Executive Order formalized the results of the May 1978 Presidential Directive, established the Director of IDCA as the chairperson of the DCC, and made IDCA a member of the Food Aid Subcommittee. IDCA also participates in the Working Group. Rather than having a lead role in title III's implementation, IDCA became one more participant in the shared responsibility. In June 1980, the Executive order delegating administrative authority for Public Law 480 was revised and reissued, taking into account the creation of IDCA. At that time, USDA proposed that title III be delegated specifically to the Secretary of Agriculture, as had much of title I, on the basis that title III authority is used exclusively in financing sales of agricultural commodities under title I. However, the Executive order was issued without any specific reference to title III, and it remains under the joint administration of USDA and AID with the review and approval procedures of the Food Aid Subcommittee and the Working Group, where decisions must be reached by consensus.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

This report deals with the efforts of the U.S. Government to seek greater development impact from U.S. food aid programs. The Food for Development program is specifically designed to better link U.S. food aid to recipient country development efforts. Our objectives were (1) to identify the major reasons why the Food for Development Program has not been used more extensively to increase the developmental impact of the annual billion dollar concessional food aid program under Public Law 480 and (2) to determine what measures were needed to enhance the use of food aid for development purposes.

To determine the incidence and chronology of problems in the expansion of the program and the responses of the agencies to those problems, we reviewed reports and records and interviewed officials of IDCA, AID, USDA, and OMB and obtained the views of the Departments of State and the Treasury. This information covered the proposal, design, and the interagency review and approval process for 13 countries. We did not examine in the recipient countries the implementation or development impact of the six existing agreements because of the comparatively recent signing of most such agreements.

This selection of 13 countries included 9 countries which AID had listed in its congressional presentations for fiscal years 1980 and 1981 as actual or potential title III recipients, including 6 countries which had signed such agreements. It also included seven countries where no title III agreement had been reached. These countries have wide geographic dispersion and vary widely in size, per capita income, administrative capabilities, and agricultural potential. These countries are identified and discussed in Chapter 2.

As part of our review of records and interviews of agency officials in Washington, D.C., we obtained information on (1) Washington headquarters agencies and field missions perceptions of what additional development efforts would meet title III requirements; (2) U.S. officials' and recipient-government officials' views on the incentives and requirements of title III in comparison to alternative programs; (3) how the individual agencies and the interagency process dealt with these issues; (4) the staffing and organization of the principal programming agencies (AID and USDA) to program and evaluate the use of food aid for development purposes and the changes in such staffing and organization since the passage of the title III legislation; (5) agency efforts to analyze and assess food aid needs and recipient country willingness and capability to utilize title III; and (6) agency efforts to develop policy and program guidance.

The resulting conclusions of this report on clarifying the responsibility and authority of concerned agencies are consistent with but further refine those contained in two previous reports we issued on U.S. food aid programs. Both reports dealt with the interagency administration of food aid programs, the first with the title II food donation program 1/, and the second with the broader policy issues involving the coordination of U.S. development assistance programs. 2/ This report makes further recommendations to enhance the use of food aid for development.

OMB, IDCA, AID, and the Departments of Agriculture, State, and Treasury provided comments on this report and they have been taken into account in arriving at the final report. A summary of these comments is included in Chapter 3, and they are included in their entirety as Appendices I through VI.

---

1/U.S. General Accounting Office, "Changes Needed In the Administration Of The Overseas Food Donation Program," (Oct. 15, 1979, ID-79-25).

2/U.S. General Accounting Office, "Coordinating U.S. Development Assistance: Problems Facing The International Development Cooperation Agency," (Feb. 1, 1980, ID-80-13).

## CHAPTER 2

### FOOD FOR DEVELOPMENT: A TROUBLED PROGRAM

Will the Food for Development Program prove to be a more widely accepted program for helping to alleviate the chronic underlying problems of poverty and hunger in the developing world? The odds are not good.

Only six agreements have been signed with food aid recipients in the 3 years of the program's existence. With only marginally better benefits to recipients than provided under title I, the program has struggled under a myriad of complex program requirements; varying and conflicting interpretation of those requirements within and among the agencies participating in the administration of the program; the lack of an agency with primary responsibility and authority; and inadequate U.S. government programming organization and staffing to deal with developmental uses for food aid.

The mounting competing demands on Public Law 480 resources to meet emergencies, continued foreign policy commitments, and budget constraints--compounded by rising commodity and transport costs--are further constraints to major expansion of food for development programs. Unless these problems and constraints can be overcome, the food aid program will remain just that--food aid--and not a widely accepted program for development.

Under the current program, the obstacles to using title III programs for development have been most pronounced among RLDCs. It is among these countries, particularly in Africa, that chronic food deficits and declining production levels are the most severe. The institutional capacity of these countries to undertake additional development efforts and to meet the planning, reporting, and monitoring requirements of title III is often limited. The legislation permits waivers of these requirements, yet the use of such waivers means less assurance of significant development impact from the program and none have been approved.

The following sections of this report discuss the detailed requirements imposed by the program, the interagency difficulties in administering the program, and program difficulties in individual countries. The report also details some actions to enhance the use of food aid for development, recommends further actions for a smoother program, and raises some basic policy questions which lie at the heart of increasing the use of food aid for development.

#### TITLE III CANDIDATES MUST MEET THREE SETS OF REQUIREMENTS

Food for Development programs operate under three interlocking sets of requirements which form a complex, demanding, and frequently confused program framework. The program must comply



with title I and III statutory requirements, and perhaps most demanding, with the interpretations placed on these requirements by the officials participating in the intra-agency and inter-agency review and approval processes.

The title I requirements include

- considering the self-help efforts of recipients toward greater self-reliance,
- determining that adequate storage and marketing facilities exist to handle the commodities,
- determining that a substantial disincentive to local production will not result,
- safeguarding the commercial markets of the United States and other friendly supplier countries, and
- preventing the unauthorized resale or transshipment of commodities imported under title I.

In addition to these title I requirements, a food-for-development candidate must meet these following title III requirements. The candidate must

- be at or below the per-capita income level (currently \$680 per capita per year) required to qualify for development loans of the International Development Association of the International Bank for Reconstruction and Development;
- have a need for external resources to improve its food production, marketing, distribution and storage system;
- be able to utilize effectively the resources made available by the sale of the food commodities;
- indicate the willingness to take steps to improve its food production, marketing, distribution, and storage system;
- use either the commodities or the local currency commodity proceeds to support activities over and above what otherwise would have been undertaken;
- formulate (with U.S. assistance if requested) a multi-year proposal including the value or amount of commodities to be financed, and a plan for the intended annual uses of the commodities or the funds generated by the sale of the commodities (The proposal is to specify the nature and magnitude of problems to be affected by the effort, present targets in quantified terms, insofar as

possible, a description of the relationships among the various projects, activities or programs to be supported, a statement of how this assistance will be integrated into and complement that country's overall development plans and other forms of bilateral and multilateral assistance, and set up a special account to control disbursements of local currency which will be deemed to be payments against the title I loan.); and

--submit an annual comprehensive report on the activities and progress achieved under the program.

To make the Food for Development Program more available to the RLDCs, the Congress passed several amendments under which the United States may

--pay ocean freight and, in the case of landlocked countries, land transportation for Public Law 480 commodities;

--apply debt forgiveness to current title I debts becoming due to the extent that title III local currency expenditures in any 1 year exceed the dollar debt due under the title III agreement; and

--waive requirements for project additionality, and multi-year planning, reporting, and monitoring.

AID Food-for-Peace officials have discouraged any use of the waiver authority and no waivers have been approved. Widespread use of waivers, according to one AID official, would mean justifying, on humanitarian grounds, what are supposed to be development objectives. These objectives would be difficult to pursue unless planning was conducted and additionality maintained.

The third set of requirements--those stemming from the review and approval process conducted under the DDC Subcommittee on Food Aid and its Working Group--focus on the policy constraints to increased production and consumption. The candidate country with U.S. mission support must prepare a thorough analysis of the agricultural sector with a view toward developing a package of policy changes and project activities to overcome the identified constraints to development in that sector.

This sector level focus for title III programs stands in contrast to the project orientation of U.S. direct-dollar assistance and has been compared to the sector lending approach utilized by AID earlier in the 1970s. The New Directions and Basic Human Needs doctrines of U.S. foreign assistance focused U.S. direct-dollar assistance on achieving measurable results among an identified target group of beneficiaries. Agricultural sector lending--and title III--have sought to focus on a recipient government's policies such as those subsidizing urban food consumption at the expense of rural producers and associated marketing and pricing systems.

The results of these three sets of requirements have been to

- raise the level of U.S. involvement with recipient governments, particularly when compared to title I;
- increase the research and analyses necessary to formulate country-specific title III proposals and multi-year plans; and
- delay the process of designing, reviewing, and approving title III agreements as agencies and bureaus disagreed over the extent to which title III can or should require major policy reforms.

A potential title III program recipient must weigh the administrative, economic, and policy implications of all the requirements against the value of loan forgiveness and a multi-year commitment of commodities. Title I loans are made at varying rates of concessionality, but the most concessional of these has been cited for some time by USDA as yielding a nominal grant element of 68 percent over the term of the loan. The loans are made for 40-year terms with 2-percent interest during a 10-year grace period, and 3-percent interest during the subsequent 30-year repayment period. More recent calculations by USDA show that such loans today would yield a grant aid element as high as 80 to 90 percent.

For most major title I recipients, it is doubtful whether title III offers significantly greater assurance of a multi-year commitment of commodities. There were 22 countries receiving title I assistance in fiscal year 1980 that were eligible to receive title III. Of these 22 countries, 11 received title I assistance in every fiscal year from 1977 to 1980. These 11 countries, including 3 title III recipients, received about 73 percent of total title I allocations in fiscal year 1980. Moreover, although recipients under title III have a multi-year commitment with priority in allocations, such commitments beyond the first year are dependent upon annual assessments of performance and, like title I, budgetary constraints and the availability of commodities.

Title I can be supplied more rapidly because of title III's lengthier design, review, and approval process. As such, it can respond more rapidly to food import requirements, the need to provide fast balance-of-payment relief, and the need to generate local currency funds for budget support. Some countries (specifically Egypt and Honduras, see p. 15) have requested title I assistance during or after prolonged title III negotiations in order to secure commodities and funds on a more timely basis.

#### MULTIPLE-AGENCY APPROVAL COMPLICATES PROGRAM ADMINISTRATION

The interagency review and approval process under the DCC Subcommittee on Food Aid and the Working Group works by consensus.

No one agency has the final authority to approve title III proposals. Approvals must be reached through each agency finally agreeing to the proposals and related stipulations, allowing any agency to delay or to veto a proposal.

The Food for Development Program review procedures were agreed on in early 1978. Proposals were to be forwarded from U.S. missions and were to be reviewed by the AID regional bureaus with participation of its Office of Food for Peace, Bureau for Policy and Program Coordination, and General Counsel, and the technical levels of USDA and OMB. Once receiving approval at this level, proposals were to be submitted to the Subcommittee on Food Aid and its Working Group for formal approval.

The means of reaching title III's broad development objectives--improving the quality of the lives of the poor by improving food production, protection, and use--have been the subject of substantial intraagency and interagency disagreements in the review of specific proposals. In particular, USDA, AID, and OMB have had trouble agreeing on the extent to which a proposed program is likely to make a significant additional contribution to equitable development. Although these disagreements may be the result of efforts to improve program proposals, they have been a major factor in prolonging title III proposal reviews and confusing U.S. missions and recipient governments, as will be shown in the country examples starting on page 14, particularly in the cases of Senegal and Sudan.

The USDA Inspector General has also noted during recent reviews that the fragmentation of agency responsibilities has confused AID and USDA staffs in Egypt and Bangladesh. As a result of not knowing who was in charge, the respective staffs were uncertain about where to direct field inquiries, seek guidance, or obtain backstopping.

Differing agency views on proposal quality have tended to be principally in terms of a proposal's policy reform emphasis versus its project activities, and how much of each--as additional development effort--is reasonable and desirable in a title III program. Major differences of professional opinion arose both among AID officials and among the different agencies on the validity of analysis and the adequacy of supported policy changes in addressing significant and complex development issues.

One IDCA official has noted a strong similarity of title III programs to sector lending as practiced by AID during the early 1970s. Both types of efforts have required substantial sectoral analysis, additionality of effort, multi-year commitments, and successive-year funding linked to performance measured against targets. Both also have experienced two common major problems: (1) they addressed highly complex situations such as entire economic sectors and (2) recipient governments have been reluctant to accept strong conditions and performance targets.

Some policy proponents have believed that the most significant development occurs through the creation, expansion, or modification of broad-reaching institutions or national government food production, price, or distribution policies. Project activities, in their view, are only localized in their beneficial results and are so small in scale that the recipient government might have found funds for them in any event, i.e., projects are uncertain proof of meeting the title III additionality requirement. Underlying these views is the assumption that title III truly is a significant transfer of resources which provides developing countries with major incentives to undertake new development initiatives, possibly unpopular with the citizenry, which they would not otherwise attempt. The most consistent proponents of major policy content in title III proposals have been USDA, OMB, and AID headquarters staff in the Bureau for Program and Policy Coordination and in the Office of Food for Peace. Even among these policy proponents there have been disagreements over the appropriateness of specific proposed policy reforms.

Project proponents have felt that requiring major policy shifts in return for title III food is a rigid, unrealistic approach, especially when the proposed food volume is fairly small relative to total consumption or relative to donor assistance. Not only are sovereign governments sensitive about donors seeking to influence their policies, but title III programs require more rigorous justification and analysis than other types of assistance. Project proponents in AID have felt more comfortable with emphasis in title III agreements on sponsoring additional projects, because this is the major type of activity among mission staff and, thus, could be more closely integrated with other AID programs and strategies. They believe projects to be more capable of showing tangible measurable results than policy reforms, which a developing-country government might reverse with the next economic or political crisis. Project proponents have tended to cluster principally in AID missions and in AID Washington regional bureaus.

#### U.S. AGENCIES NOT FULLY STAFFED TO PROGRAM FOOD AID FOR DEVELOPMENT

When Food for Development authorizing legislation was passed in 1977, the U.S. Government was not specifically organized or staffed to address the use of food aid for development purposes. Both USDA and AID now have organized headquarters planning and analysis offices to examine title III proposals and other ways of using food aid for development purposes, raising the potential for duplication in programming responsibilities. Overseas field offices remain understaffed. This hinders their helping developing country governments to design, implement, and evaluate such broad complex programs.

A September 1978 report of the Special Task Force on the Operation of Public Law 480 recommended that (1) AID and USDA carefully examine their budget and staff support needs for Food for Development programs and other responsibilities and

(2) strengthen their program management and technical and analytical capability, including agricultural and rural development specialists.

USDA moved to strengthen its staff before the Task Force report was finished. In May 1978, it established the Office of International Cooperation and Development to coordinate USDA efforts to reduce hunger and improve food production in developing countries. Part of this overall responsibility is to help formulate and evaluate Food for Development proposals, using a development planning and analysis staff organized in fiscal year 1981.

In December 1979, USDA combined its principal Public Law 480 programing organization, the Office of the General Sales Manager with the USDA Foreign Agricultural Service. This move was to strengthen the General Sales Manager's role in making export policy and in implementing export credit and market development programs. USDA officials believe that its program planning and analysis staff has been strengthened, particularly by the addition of several new positions for development economists with less-developed country expertise. Combined with the expertise of the food and agricultural country oriented research analysts in its Economics Statistics and Cooperatives Service, USDA is seeking to develop a more thorough and comprehensive individual country food/agricultural data and policy information base.

The USDA Office of Inspector General has recently raised its concerns over potential duplication of efforts in title III programing responsibility within USDA and potential overlapping of such responsibilities between USDA and AID. USDA is presently working to define such responsibilities internally.

AID has lagged behind USDA in organizing its staff to undertake food-for-development programs and to address the complex array of related issues. For almost 3 years after title III was passed, the title I section of the Office of Food for Peace handled food-for-development responsibilities as additional duties.

In June 1980, the AID Administrator authorized a program planning and evaluation division in the Office of Food for Peace as part of an AID-wide effort to fully integrate Public Law 480 efforts with other development assistance. This division will provide analysis and guidance on the developmental and humanitarian uses of all Public Law 480 titles. In September 1980, the Administrator directed the Bureau of Program and Policy Coordination to establish a focal point for agency food policy and to chair an intra-agency food policy committee.

Most AID geographic bureaus have incorporated title III programing tasks under their procedures for reviewing and approving regular development assistance loans and grants. Due to the greater potential for expansion in Africa, however, the Africa Bureau created a two-person title III office in Washington and

staffed each regional economic development support office with an agricultural economist trained specifically in title III. The bureau also embarked on a study of sub-Saharan food aid opportunities which resulted in a more systematic analytical methodology for determining food aid priorities among and within area countries.

At the mission level, food developmental program, design and implementation requirements severely taxed field staff. Missions in small countries needed substantial help from headquarters to perform the requisite preliminary in-country economic analysis and background research, and to design and modify proposals as required by the review process. AID and USDA provided the needed expertise from Washington. Once the food-for-development proposals were detailed enough for missions to foresee their effect on staff workload during program implementation, several mission directors believed that they were unprepared to monitor and evaluate these complicated endeavors. The Mission Director in Indonesia, facing the impact of a \$50 million proposed title III program, noted his staff was already fully occupied with the regular assistance program, and, therefore, in no position to undertake an additional and administratively complex program.

In Africa, mission staff shortages are the most acute. The number of field agriculturalist positions declined from 98 to 85 during the past decade while the number of missions with agricultural development projects increased from 8 to 26. The average number of such positions per mission declined from 12 in 1970 to 2 in 1980 with vacancies of 43 percent for agricultural economists and 35 percent for agricultural development officers.

During the 1970s, AID direct-hire agricultural staff was cut by one-third while funding for agriculture and rural development assistance efforts increased from 19 percent of development assistance in 1970 to over 50 percent in 1980. Agricultural development officers and economists are central to analyzing and developing agricultural and rural development issues and programs and for providing the information needed for sound program planning. AID has used the services of USDA and others in doing these things.

This decline in AID's agriculture staffing has been noted in various reports, including the spring 1978 report to the President by the World Hunger Working Group and the March 1980 Report of the Presidential Commission on World Hunger. The latter report recommended that AID strengthen its competence in this area and seek more effective use of expertise in other agencies, such as USDA.

AID and IDCA officials have noted that title III and the effort to more closely integrate food assistance into development planning will require a restaffing of AID with the macroeconomic capabilities it has lost, in part, as a result of the project orientation stemming from the New Directions approach. This problem is now under study by AID.

## COUNTRY EXAMPLES OF PROGRAMING DIFFICULTIES

Our summary observations on the 13 countries that we reviewed are followed by more detailed discussions of each country.

Bangladesh, Bolivia,  
Egypt, Honduras

--The four initial agreements in the first 2 years of the program were with those countries which for the most part, were already capable and willing to undertake the effort required by title III. Although the programing process for these agreements appeared to be relatively problem free as compared to the other countries, delays were experienced and political sensitivities aroused.

Guyana, Haiti,  
Indonesia, Sri Lanka

--Consideration of title III was suspended in these countries because the program's conditions were deemed too onerous or inappropriate. Title III was viewed by some of those countries as having only marginally greater concessionality than title I.

Cape Verde, Mauritania,  
Somalia

--Consideration of a title III program was dropped in Cape Verde and Mauritania because the governments were unprepared to deal with the requirements. It is still under consideration for Somalia, but is being delayed because of a mounting refugee problem.

Senegal, Sudan

--The programing processes for the December 1979 agreement with Sudan and the May 1980 agreement with Senegal are the most vivid illustrations of difficulties. They also are illustrative of some innovative approaches to seeking policy change.

Bolivia and Bangladesh signed the first two agreements in May and August of 1978 and were seemingly well prepared to undertake a title III program. Bolivia was to undertake a set of projects already identified as needed for agricultural development but which would have gone unfunded but for title III. Some policy reforms increasing the budget for agriculture and reorganizing the agriculture ministry were added before the agreement was signed.



The Bangladesh program, by contrast, was a policy oriented agreement from the start. The additional effort was to center on reforming the system of producer price incentives and initiating market sales of food grains. While hardly uncontroversial, the need for these policy reforms as a means of rationalizing production and consumption of food grain was a fairly widely shared perception among United States, Bangladesh, and international development authorities and had been extensively studied well beforehand.

The Honduras program stemmed from an earlier unconcluded set of negotiations for a loan forgiveness program--authorized in 1975 under a Public Law 480 title I predecessor program to title III. The prolonged time between submission of the proposal in late 1977 and signing of the agreement in February 1979 appeared to be more a function of making the switch in programs and of inclusion of more detailed plans and benchmarks for monitoring progress rather than of any disagreements over objectives among U.S. agencies.

The agreement encompassed the establishment and operation of an agricultural marketing institute which was established while these deliberations were going on and prior to the signing of the title III agreement. According to one AID official the Government of Honduras expressed concern over the heavily qualified U.S. commitment whereby future year funding depends not only on annual performance assessments but also on commodity availabilities and budgetary constraints. Concern over title III restrictions was also apparent when, early in 1980, Honduras requested a supplement to the ongoing title III agreement, but specifically asked that the supplement be financed under title I rather than title III because of title I's more flexible use of local currency funds and the speedier processing of title I loan agreements. This request was not approved but consideration was to be given to a fiscal year 1981 title I agreement while efforts were underway to design a new title III agreement for future years.

The Government of Egypt came to view title III as providing little benefit over title I when it learned that because it was not an RLDC it would not be permitted to apply local currency expenditures to past title I debt. Because there would be little immediate foreign exchange benefit to Egypt, the agreement amount was scaled down. Then in March 1978, the Government of Egypt decided to forego temporarily a title III program because negotiations might delay wheat imports under an existing title I agreement. The agreement was finally signed in March 1979. Whether or not there was any title III agreement at all may have been more a function of U.S. Government efforts to meet legislative minimums than of Egyptian Government desires for a program.

In Haiti and Guyana, the U.S. missions believed it would be necessary to provide commodity amounts in excess of those normally received under title I to provide sufficient incentives for these countries to undertake the policy reforms and the administrative burdens required under title III. In Guyana, the Usual Marketing

Requirements of title I, whereby past levels of commercial imports are protected, prevented increasing its program, which averaged about \$2.1 million under title I since fiscal year 1978. Usual Marketing Requirements were also a potential problem in considering an increased program for Haiti from its annual title I level of about \$11 million in fiscal years 1977 and 1978. However, further consideration of a title III agreement for Haiti has been postponed by the United States in view of difficult policy reform questions. Haiti has continued to receive about \$9 million a year under title I in fiscal years 1979 and 1980.

The Government of Indonesia and the AID mission, during negotiations in 1978 and 1979, objected to the continued insistence of U.S. officials in Washington on an agreement encompassing a broad food and agricultural framework. Indonesia also objected to U.S. participation in the administration of local currencies and to the special accounting required, and it viewed the small additional concessionality provided by title III over title I as not worthy of the effort required to accommodate title III's administrative requirements. Because Indonesia was disgruntled with U.S. pressure to link food aid to macroeconomic policy initiatives, eventually a draft agreement was negotiated which was weighted heavily toward construction projects. However, in May 1979--17 months after the mission's first submission to Washington--further pursuit of a title III agreement was postponed because of political sensitivities.

Sri Lanka was likewise sensitive to U.S. emphasis on policy changes, especially after discovering that title III debt forgiveness would not apply to past title I agreements and so would not provide immediate debt relief. Nevertheless, with AID Asia Bureau encouragement, the U.S. mission proposed a title III program which would support a number of innovative Sri Lanka policies and programs being undertaken in local and rural development, including reduction of wheat imports, improved production of rice and other staples, and irrigation efforts. The mission designed this proposal to support, among other things, commodity price reforms recommended by the International Monetary Fund. The mission viewed initial interagency reaction to the proposal as indicating that both policies and project activities had to be additional, while interpreting available guidance from AID as stating that additionality of either category would suffice.

At the same time that the interagency group was meeting to discuss this proposal, AID's Operations Appraisal Staff published a report on AID programs in Sri Lanka. Because of the effect of title III requirements on Sri Lanka policymaking and of continuing Sri Lanka sensitivities about domestic policies being influenced by external sources, the report noted that a title III program held little appeal to the Government of Sri Lanka and seeking an agreement did not seem appropriate. Thus, in June 1979, 14 months after Sri Lanka first showed interest in a title III program, no agreement had been reached and the mission and the Government of Sri Lanka decided to redesign the proposal to emphasize productivity and employment-generating activity for possible approval in future years.

In Cape Verde, Mauritania, and Somalia consideration of title III has been dropped or postponed. Cape Verde was considered for title III only after the use of title II-generated local currencies for development projects was legislatively prohibited. Since the restoration of that authority in 1979, AID has been developing a possible multi-year title II proposal to fund ongoing rural works projects in lieu of title III. Cape Verde does not have experience in administering title I commodity procurement and shipping, and cannot afford to pay shipping costs. The small program has been viewed by the Africa Bureau as unlikely to elicit the major policy reforms normally required for title III.

The U.S. mission in Mauritania began consideration of a title III program in June 1978 for fiscal years 1980-84. Mauritania's lack of experience in handling commodity procurement and shipping and the absence of any significant policy reforms to be pursued, led AID to consider pursuing the proposed title III activities under a multi-year title II program. In this way, Mauritania could possibly graduate from a title II to a title III agreement after gaining program administration experience.

AID is still considering a possible future title III program in Somalia; however, the mounting refugee problem has strained that Government's administrative capabilities and is delaying the formulation of a title III proposal.

The last two title III agreements, which were with Senegal and Sudan, demonstrate the difficulties as well as some innovative approaches to seeking major policy reforms in connection with title III agreements.

The review process for these agreements provides the most striking examples of divergent headquarters and mission views of proposal quality in terms of project or policy content. Over a period of 5 months ending April 1979, the AID mission in the Sudan prepared a draft proposal outline in which the interagency working group in Washington reviewed and cabled recommendations for mission consideration. The mission completed the proposal with the help of headquarters AID and USDA staff. The proposal principally detailed the agricultural and rural development project activities on which commodity proceeds would be spent but which would not otherwise be funded, due to austerity measures which the Sudan adopted under an International Monetary Fund foreign exchange stabilization program. In addition to the development projects, the title III proposal was designed to support the International Monetary Fund inspired Sudanese policy reforms by (1) providing wheat and wheat flour, allowing Sudan's farmers to grow more exportable, foreign-exchange-earning crops and (2) allowing Sudan to invest its hard currency, formerly borrowed to finance commercial wheat imports, in export-earning or import-substitution projects.

After the first interagency review of the proposal, OMB and AID's Food for Peace Office believed that it was not linked clearly enough to Sudan's performance under the Monetary Fund

stabilization program and suggested that the proposed 5-year title III agreement be made coterminous with the 3-year stabilization program. The Office of Food for Peace also suggested that the proposal's policy content be strengthened by including studies of current Sudanese policies known to be inadequate or counter-productive, but for which neither the United States nor Sudan was able to recommend specific alternatives. In this way, title III's additionality requirement would be fulfilled by both increased project activity and focus on policy issues.

Eventually, however, OMB and USDA insisted that U.S. food aid be even more directly tied to the Sudan's implementation of International Monetary Fund agricultural reforms. Although compromise language on this issue was eventually agreed on, AID's Bureau of Policy and Program Coordination expressed concern that this emphasis on policy content in meeting the law's additionality requirement exceeded earlier headquarters guidance and would make future title III proposals in Africa difficult to approve for countries not already undertaking policy reforms.

In December 1979, just over a year after the mission began preparing a program proposal outline, a 5-year \$100 million program agreement with Sudan was signed, calling for various project activities, policy analysis, and continued Sudanese policy efforts in its stabilization program to increase farm production, export earnings, and rural incomes, in return for 525,000 metric tons of wheat and wheat flour to be delivered over the life of the program. During these deliberations, regular title I assistance was provided to assure timely arrival of needed food imports.

Like the Sudan proposal, the AID mission's Senegal food-for-development proposal was principally project oriented. As a result, headquarters agencies emphasized the need to build substantive policy issues into the proposal to maximize title III's development impact in areas known to constrain equitable growth and where policy reforms are consistent with U.S. capabilities and strategic objectives.

Although AID and USDA representatives, in a June 1979 preliminary review, characterized the Senegal proposal "one of the best received in Washington to date," 2 months later it was criticized by AID's Bureau for Program and Policy Coordination for lack of an appropriate focus on Senegal's agriculture and rural development policies. OMB, USDA, and the AID Office of Food for Peace agreed that the projects should be related to host government development goals and policies, especially in regard to determining which policy or other changes the Senegalese should focus on during the course of the title III program.

To address these concerns, the Bureau for Program and Policy Coordination and the Africa Bureau proposed listing in the title III agreement the development policy topics to be discussed during annual AID and Government of Senegal reviews of the agreement. An Africa Bureau official told us that at this point in late July 1979, there was a written consensus on the Senegal proposal among

all Working Group members. This consensus evaporated, however, by the time all agency representatives could be assembled in early September to formally draft the agreement, apparently due to misgivings expressed by some on the lack of a central theme or policy focus among the proposed projects.

AID's Bureau for Program and Policy Coordination and Office of Food for Peace, USDA, and OMB had met in the meantime in August to discuss unresolved title III policy issues in general, and they agreed that policy studies and analysis should be built into title III agreements when neither the United States nor the recipient government could recommend specific alternatives to current policies recognized to be ineffective. Governments would thereby be encouraged to examine alternatives and reach agreements on a specific course of action to carry out the policy reform within the specified period of the title III proposal, not to exceed 2 to 3 years. (However, OMB was still inclined to withhold approval of a title III program until a recipient government had identified and adopted specific policy changes.)

The Bureau for Program and Policy Coordination outlined four specific analytical studies to be conducted as part of the agriculture sector planning project under title III in Senegal. These studies are to provide basic information for increased management capability and future project design, direction, and budget allocations. Eventually these studies were incorporated into the title III agreement.

While the Africa Bureau worked to revise the title III proposal to include policy analysis, the Office of Food for Peace pressed for a reduced 2-year agreement; USDA insisted on deleting two projects to more closely focus the program on agricultural production and distribution; and OMB reversed its position, now stressing greater project detail and implementation plans in lieu of its historical emphasis on policy reform. Ultimately, the Africa Bureau proposed a 3-year program, agreed to delete two projects, and sought the added project detail and implementation plans from the mission. However, it requested interagency approval of each project, so that the mission could negotiate with Senegal in good faith. Ultimately, a title III agreement with Senegal was signed in May 1980, a year after the original proposal was received in Washington and after at least three major revisions.

#### ACTIONS TO ENHANCE THE USE OF FOOD AID FOR DEVELOPMENT

Several actions have been initiated by the executive branch to enhance the developmental use of food aid. These efforts are designed to lay a better foundation for judging a country's need, capability, and willingness to undertake an effort such as required by title III. This includes the mix of policy reforms and projects that would be most appropriate. Such actions should provide a more thorough justification of program proposals to meet the needs of the interagency review process and, thereby, assist these agencies to achieve a consensus on proposals more rapidly

than in the past. However, most of the actions are in the preliminary stages of being carried out, and there is little indication whether these actions will be molded into a coherent plan for achieving a developmental impact from concessional food aid.

#### More systematic assessments of food aid needs

Since early 1979, AID's Africa Bureau has been a principal initiator of country and region-specific analyses of food aid's role in development. In March 1980, the Bureau published a study suggesting various approaches for determining the right kind of Public Law 480 program(s) to promote development in Sub-Saharan Africa. This document analyzed (1) food assistance programs and (2) country food, financial, and administrative capabilities, culminating in a food aid priority ranking procedure which accounts for each country's relative food need and probable program effectiveness. It also recommended first, second, and third choices for the kind of Public Law 480 program which each country could most effectively manage. Even though many countries are eligible for a title III program, a broad conclusion that can be drawn from this study is that few of the countries are genuinely prepared to undertake the planning and administrative requirements of the program.

In June 1980, the AID Administrator asked each geographic bureau to develop a plan for fully integrating each mission's Public Law 480 food aid into country development strategies. A month later, the Africa Bureau provided the most detailed analysis. Other bureaus submitted no statistical evaluations or country food aid priority rankings, but they did submit brief discussions of existing and planned programs and regionwide problems in integrating food aid into other assistance efforts.

The major prospects for expansion of title III, in terms of the number of eligible countries, are in Africa. Of the 22 countries receiving title I assistance in fiscal year 1980, 12 are in Africa, 4 of which are RLDCs. An additional 16 of the 30 countries ranked as RLDCs are in Africa and per capita food production among many of these countries has been declining in recent years.

AID initially determined that the poorest African nations were unlikely candidates for food for development. Typically, they have few government analysts and managers not already involved full time in development activities. This limit on their ability to absorb further assistance is accompanied by a lack of data needed for developing title III proposals and by a poverty level which would limit potential sales of foodstuffs. Also, in many cases U.S. mission staffs are too small to provide the technical and administrative help needed on a continuous basis to plan, monitor, and evaluate a complex program.

As a result, AID has begun to assess the possibilities of using the title II program to promote agricultural development.

Contrary to regular title II feeding programs which prohibit the sale of foodstuffs, section 206 of that title authorizes the sale of donated foods among developing-country populations during famines and emergencies, or if the recipient country undertakes self-help measures similar to those stipulated for title I. Title II, section 206 recipients also agree to use the sales proceeds to alleviate the causes of food shortages <sup>1/</sup> or to set up programs to improve food distribution and increase the availability of section 206 funded food to the neediest. AID favors title II assistance rather than title III for the poorest African nations, because it could be better adapted to the needs and capabilities of these countries and is less encumbered by complex requirements.

National food sector strategies, which were endorsed by the U.N. World Food Council in September 1979, might provide much of the data and policy analysis needed to formulate acceptable title III proposals. Developing countries have been encouraged, and helped by developed countries and multilateral organizations in devising strategies to look at their food situation as a whole and provide a rational framework in their national development programs for high-priority action on food and nutrition problems. Food strategies should identify food production, reserves, distribution, and nutrition objectives and policies, and information gaps needing further research. Over 30 developing countries, half of which are African, have expressed interest in developing a food sector strategy--including four title III program recipients. AID supports the food strategy concept and is considering assisting several developing countries, possibly in collaboration with other donors.

#### Revised guidelines

Since early 1980, AID, in collaboration with OMB and USDA, has been formulating a comprehensive set of guidelines for food for development programs which it hopes will result in improved analyses and documentation and in reduced time and effort in approving such programs. The program design, review, and approval experience showed the need to improve the (1) analyses supporting title III proposals; (2) integration of title III programs with overall AID and host country development strategies, and other donor assistance; and (3) preparation of programing documents.

This draft guidance will reportedly set forth an interagency consensus on a food and agricultural development focus (rather than nutrition, health services, or population planning which are permitted by the legislation), on a sectoral policy reform approach (rather than on individual project activities), and on a standardized system of documentation.

---

<sup>1/</sup>The underscored section was added in 1979 by the International Development Cooperation Act, further emphasizing and broadening the developmental goals of this section.

Although this revision may eventually receive interagency clearance and provide better focus for the programs, it should be noted that the uncertainties, confusion, rivalries, and frustrations with the Food for Development Program have not been in the absence of guidance. AID's initial November 1977 guidance to the field, which had interagency concurrence, noted that an analysis of recipient government food and agricultural policies may lead to a conclusion that a critical change in policy, possibly politically difficult, may be the single most important measure required to improve progress toward the overall goals of title III. Similar language had been contained in AID guidance on the earlier title I loan forgiveness program. In November 1978, guidance again stressed that title III could provide a substantial incentive to governments to undertake additional policy changes and associated program activities in areas that would benefit the rural poor. Implementing equitable growth strategies and making needed reforms in policies and programs which constrain development were to be emphasized. Illustrative reforms included food price stabilization; reduction in basic food subsidies; increases in a recipient governments' agriculture budget; and support of land tenure reform.



## CHAPTER 3

### CONCLUSIONS, RECOMMENDATIONS, AND AGENCY COMMENTS

The Food for Development Program under title III of Public Law 480 offers little hope for significantly increasing the use of food aid for development unless the problems of program leadership and the relative incentives of other programs are addressed. Assignment of lead agency responsibility for the development aspects of the program would offer a more coherent approach to development planning, program integration, and the provision of guidance and technical assistance. More important, however, than assignment of lead agency responsibility, without strengthening self-help measures and performance, title I will continue to offer an easy alternative of highly concessional assistance providing little incentive for recipients to undertake serious development efforts.

#### LEAD AGENCY RESPONSIBILITY NEEDS TO BE ESTABLISHED

The perpetuation of a decisionmaking process whereby every agency and yet no single agency is in charge is likely to continue to raise doubts in the minds of U.S. mission and recipient government officials as to what specific additional efforts will meet Washington approval. U.S. missions were confused over Washington emphasis on policy reforms in title III proposals and became frustrated when they found this emphasis ill-defined and subject to varying and changing agency interpretations. This confusion was also noted by the USDA Inspector General during recent reviews in Egypt and Bangladesh.

Using food aid to promote rural and national development is an inherently complex and time-consuming effort. Not only are the problems it attempts to tackle deep-rooted and interrelated to other economic and social problems, but basic statistical information and the talent to analyze it are often scarce or nonexistent. As U.S. missions and headquarters agencies discovered, creation of the title III program requires considerable planning and analyses.

During the early 1970s, the United States decided to follow a less "directive" and a more "collaborative" development assistance policy. Overall development policies of recipient governments were to be assessed by international financial institutions and assistance negotiations conducted in the context of donor consortia and other international forums. The advent of the "New Directions" and "Basic Human Needs" philosophies tended to focus assistance on project level activities where the impact on target groups--mainly the rural poor--could be more easily programed and measured.

The prospects for enhancing the use of food aid--including title III--for development purposes will depend at least in part on the quality of specific country program planning in integrating

food aid with other U.S. assistance, and other bilateral and multilateral efforts. Within the context of such plans consideration could also be given on a case-by-case basis to a more flexible use of title III waivers, greater use of title II section 206, and to the needs of some countries above the income criteria for a title III type effort. It will also depend on the confidence of U.S. missions and potential recipients that their specific proposals can be expected to meet Washington approval without repeated and time-consuming revisions. Without such confidence, enthusiasm for undertaking more rigorous development efforts under any title of Public Law 480 may wane even further.

Based on the above we have concluded that there is a need to fix both responsibility and authority for design, approval, and evaluation of the development dimensions of this program, with that agency responsible for the country programming of U.S. development assistance--namely AID. This conclusion builds upon and refines similar conclusions in two previous reports we made on U.S. food aid programs.

In our October 15, 1979, report on the title II donations program, we recommended that Congress enact legislation that would transfer to IDCA/AID responsibility and authority for the title II program (1) including the appropriation, (2) determining title II commodity selection and procurement in consultation with USDA, and (3) reporting the results of the food donation program to the Congress. That report expressed our belief that transferring this responsibility for title II and title III to AID would provide a clear signal not only to AID, but to recipient governments and implementing voluntary agencies as well, that food aid is an integral part of our foreign assistance program, and that it shall be administered to make the best possible contribution in meeting basic humanitarian and developmental needs of the world's poorest citizens.

Our February 1, 1980, report on the coordination of U.S. development assistance provides an indepth discussion of the broad policy issues involving the interagency administration of Public Law 480 programs. With respect to title III, existing arrangements were fairly widely recognized to be unsatisfactory and competition continued between USDA and AID for control of programming. To clarify the lines of authority, we recommended that IDCA/AID be given final responsibility--not subject to veto by other agencies: (1) to review and approve the multi-year title III proposals submitted by eligible countries, and (2) to monitor program implementation. Judgement was reserved on other aspects of title III. This recommendation recognized the multiple purposes of Public Law 480. It also recognized that, while titles I and III are closely related, the development agency should have primary responsibility for development programming.

There has been no agreement among the responsible agencies in carrying out these recommendations and the executive branch has not acted to place primary authority in the development agency nor to clarify the lines of authority, especially for title III.

In harmony with our two prior reports we continue to believe that lead responsibility should be assigned to one agency and that this agency should be the development agency. We also believe that OMB's role should be confined to broader policy issues and to budgetary implications of the overall program. If final program authority and responsibility were assigned to AID, developing the requisite data base and policy evaluations will continue to require extensive AID and USDA cooperation and coordination on the development aspects of the program.

### Recommendations

We continue to believe that AID should be given final responsibility--not subject to veto by other agencies but in consultation with the other agencies: (1) to design, review and approve multi-year development plans under title III proposals and (2) to monitor and evaluate program implementation as recommended in our prior reports. We recommend that in carrying out this responsibility, AID, drawing upon USDA and other technical expertise, should

- develop specific country food and agriculture analyses to serve as the foundation for program planning, not only for title III but for the larger issues of integrating U.S. food assistance with other U.S. assistance programs and those of other donors;
- prepare the detailed guidance to U.S. overseas missions for the preparation of specific title III proposals; and
- provide technical assistance, when requested, to U.S. missions and recipient governments in the preparation of specific title III proposals and in the evaluation of progress made under specific title III agreements.

### Agency comments and our response

There is strong disagreement among the concerned agencies on providing AID with lead agency responsibility or of altering the basic interagency decisionmaking process for title III agreements. OMB, USDA, Treasury, and State noted that the consensus approach of the interagency decisionmaking process reflected the realities under which the program must operate; best served the multiple objectives of the Public Law 480 program; was intended to produce programs which would optimize benefits to the United States and to recipients; and was not the sole or main problem affecting the expansion of title III. Disagreements on how best to achieve program benefits were not an inherent disadvantage in the process, but demonstrated concern on each agency's part to promote sound programs, and were to be expected, given the

newness of the title III program. Measures to improve the program approval, review, and implementation process were under consideration within the DCC Subcommittee on Food Aid.

According to these agencies, providing one agency with sole responsibility for the entire program would be impracticable and unwise, although State did not object to a stronger AID role in certain stages of the process and Treasury said IDCA/AID should have lead responsibility on development issues. Ending the veto power of any agency in this process would not work given their respective responsibilities for budget implications, commodity availability and composition, foreign indebtedness to the United States, and foreign policy considerations. Further, development objectives were served by and required the coordination of AID country knowledge with USDA agricultural expertise and should be related as well to U.S. interests in trade and market development, world agricultural conditions, international economic and financial conditions and institutions, and multilateral development assistance.

The Office of Management and Budget noted further that options for IDCA/AID organizational arrangements are currently under review within the Administration and that any additional comments on the issue of title III program management would be deferred until that review is completed.

IDCA/AID comments were in agreement on assigning the development agency lead agency responsibility for the design, approval, monitoring and evaluation of the multi-year development plans under title III programs. They excluded from this responsibility and reserved to the present interagency process such areas as country allocations, program duration, commodity composition, and oversight of procurement. As such, lead agency responsibility would mean using essentially the same design, review, and analysis process for the development plans under title III as are employed for development assistance programs. This would facilitate integration of the respective programs. AID would continue to draw upon outside resources, particularly USDA, as well as others. While lead agency responsibility should reduce delays in decision-making, it would not affect the level of U.S. involvement with recipient governments nor decrease the research and analysis necessary to develop sound programs.

We acknowledge the intent of the concerned agencies to optimize program benefits through the interagency review process. Substantive disagreements are not inherently disadvantageous, but a process which does not have a means for their speedy resolution may well be a drawback. We understand that measures under consideration to improve the process include closer control over the time taken in reviewing proposals. What is not readily measurable is the extent to which U.S. missions and host governments may be reluctant to initiate or pursue title III proposals because they are uncertain what development efforts will meet Washington approval and, as pointed out by the Inspector General of USDA, confused as to where to direct field inquiries or seek guidance and

backstopping. We do not believe that this problem has been the main or sole reason affecting the use of title III, rather, as we noted in the report, the underlying problem is that title I offers a still highly concessional level of assistance with far fewer requirements.

We agree that the small number of agreements does not by itself reflect the programs success or impact but we do believe it demonstrates that the program has not been widely accepted as a mechanism for better linking food aid to recipient-country development efforts.

We have not and do not take the position that one agency should have sole responsibility for all aspects of the title III program. Rather, as we have recommended, one agency--the development agency--should have lead responsibility for the design and evaluation of development plans under the program. We believe that such lead agency responsibility for the development aspects of the title III program could build on progress toward enhancing the use of food aid for development purposes. It offers a more coherent approach to development planning, facilitates the integration of food assistance with other forms and sources of development assistance, and assures a focal point for the provision of guidance and technical assistance to U.S. missions and recipient governments. In so doing, it also establishes clearer responsibility and accountability for program results.

#### DEVELOPMENT EFFORTS AND SELF-HELP

Without vigorous action to strengthen self-help requirements under title I and to increase compliance with those requirements, title I will continue to offer an easy alternative of highly concessional assistance which provides little or no incentive for recipients to take the often difficult steps necessary for their development, such as removing or modifying the institutional and policy constraints to development.

On the other hand, little can be accomplished through title III that cannot be achieved through title I if the United States were so inclined. The legislation allows for multi-year commitments of title I. Self-help conditions could be so formulated as to form the basis of a coordinated and concerted effort to attack underlying problems of rural and agricultural development. A more formal framework for linking self-help to concessionality could end the need for any separate title III. But performance under these self-help conditions would have to be as important for continued U.S. assistance as are foreign policy, market development, or humanitarian concerns. Strong title I self-help performance, however, has tended to give way to other U.S. policy interests.

Requiring better design of and compliance with self-help efforts under title I poses U.S. policymakers with a dilemma. Exacting changes--often politically difficult--may well be resented by recipient governments as has been the case in recent title III efforts. At the same time the developmental impact of such

assistance may be limited without a recipient government policy framework to assure its proper usage and focus on basic problems. Some countries may be reluctant to undertake development actions required under title III, because of continued availability of highly concessional food under other titles with less demanding performance criteria.

#### Agency comments and our response

The agencies generally agree that title III incentives may not be sufficient to induce more recipients to undertake difficult policy reforms especially where title I terms are available and that the poorest of the developing countries are least able to meet the complexities of the program. They also generally agree that greater attention needs to be given to self-help measures and other terms and conditions of title I assistance. Of particular interest was the suggestion by the Department of State that we add a recommendation for an interagency policy level review of the underlying issues and mechanisms of title III.

The Departments of State and Treasury, however, caution against making title I less attractive simply to force countries in the direction of title III regardless of specific country situations. State argues that improving self-help measures under the title I program should be pursued as a good policy in its own right and that it might be improved by a more flexible approach to loan terms and duration. Treasury notes that making title I less attractive could have a number of implications for the overall program and for the poorer developing countries least able to implement title III conditions; that the purpose of title III is not to provide quick disbursing funds for development (such as for balance of payments and budget support which is provided under title I) and that title III should not be measured in this context.

State and USDA also believe that we have given insufficient weight in the report to the multi-year nature of title III noting that this feature of the program should make it increasingly attractive if projections of tighter global food supplies prove true and, as a consequence, the United States finds it increasingly difficult to meet food deficit requirements.

We note the statements of the concerned agencies that they will be reviewing these issues. However, we would add that the demands on title I resources to provide quick disbursing balance of payment assistance are unlikely to diminish. The longer-term structural problems of many less developed countries, experiencing balance of payments problems, are also unlikely to diminish. The quick disbursing character of title I assistance relates to the ease with which it can be negotiated in contrast to the time and analyses necessary to negotiate meaningful self-help measures and/or multi-year development plans under title III. We do not seek to make title I terms and conditions less attractive simply to improve the attractiveness of title III regardless of specific country situations. Rather, we are concerned about the extent to

which the United States can or will motivate recipient countries to address longer-term structural problems affecting their ability to become more self-reliant as opposed to providing such countries concessional food assistance, year after year, as has been the case, simply to meet recurring balance of payment problems or for other reasons. As we have noted, little can be accomplished with its forgiveness provisions that cannot be accomplished through title I if it were to be so used.

Putting greater focus on the longer-term problems, however, requires specific country plans and analyses which can serve as the foundation for program planning, not only for U.S. food aid but for all U.S. assistance, and which can enable the United States, in concert with other donors and recipient governments, to negotiate agreements addressing these difficult problems on a more timely basis. Technical assistance may be required for assisting the poorest of the less developed countries in preparing such analyses and plans. Better integration of U.S. food assistance with other forms and sources of development assistance is a function which we believe can best be carried out under the leadership of the development agency.

More importantly, a longer term focus requires a policy framework within which the terms and conditions of assistance (in this case food aid) are linked to the willingness of recipients to undertake meaningful self-help measures and to their performance in meeting such measures. Just as is the case for adjustment assistance from international financial institutions, U.S. policy can link the concessionality of assistance to the persistence and severity of the adjustment problem on a case-by-case basis.

U.S. agencies have begun to address a number of problems affecting the programming of food aid for development purposes. We believe assignment of lead agency responsibility will serve to further strengthen these institutional and procedural changes which hold the promise of a smoother running program. Such changes, however, do not alter the relative incentives among Public Law 480 food aid programs, which in our view, are a basic reason for lack of greater interest in development programs under title III. We believe the United States must address the basic policy questions inherent in leveraging better self-help performance through providing food aid, regardless of title, if there are to be sufficient incentives to developing countries to undertake such reforms.

A policy framework for linking the degree of concessionality of U.S. food assistance to the degree of meaningful self-help efforts on the part of recipients needs to be established. This conclusion is consistent with State's suggestion for a policy framework study as well as with statements by USDA, OMB, Treasury, and AID that further consideration needs to be given to strengthening self-help measures along with other terms and conditions of the title I program.

Because of the several departments' and agencies' interests in Public Law 480 programs, the difficulties in reconciling these interests in formulating an overall U.S. Government policy, and the program complexities, formulation of a meaningful policy framework for all Public Law 480 programming would require close cooperation among the concerned departments and agencies and appropriate consultation with congressional committees.

#### Recommendation

We concluded that there was a need to address the overall policy questions regarding food aid in our draft report. As a result of our analysis of the agency comments on the draft, we believe a recommendation to this effect is necessary. Accordingly, we are recommending that the Secretary of Agriculture, in the Department's role as Chair of the DCC Subcommittee on Food AID, establish or refine as necessary, standards

- tailoring the terms and self-help measures of food aid to the purposes for which such assistance is provided and to the needs of recipient countries, and
- basing the concessionality of future assistance on the degree of recipient countries self-help performance.

The Department of Agriculture informed us that it would welcome such a recommendation.



UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON, D.C. 20523

OFFICE OF  
THE ADMINISTRATOR

March 27, 1981

Dear Mr. Fasick:

On behalf of the United States International Development Cooperation Agency (IDCA), and the Agency for International Development (A.I.D.), I am transmitting herewith IDCA/AID comments on the GAO draft report, "The Food for Development Program: Program Complexities, Policy Dilemmas, and Interagency Indecision," dated February 24, 1981.

We appreciate the opportunity to comment on the conclusions and recommendations regarding improving the administration of the Public Law 480, Title III program. We hope the comments provided will be useful to you and your staff in preparing the final report.

If you should have any questions concerning the enclosed comments or if we can be of further assistance, please let me know.

Sincerely yours,

A handwritten signature in cursive script, which appears to read "Joseph C. Wheeler", is written over a circular stamp. The stamp contains the name "Joseph C. Wheeler" and the title "Acting Administrator" in a serif font.

Joseph C. Wheeler  
Acting Administrator

Enclosure: Comments on GAO Draft Report

Mr. J.K. Fasick, Director  
International Division  
U.S. General Accounting Office  
441 G Street, N.W.  
Washington, D.C. 20548

International Development Cooperation Agency and  
Agency for International Development  
Comments on the General Accounting Office (GAO) Draft Report  
"The Food for Development Program: Program Complexities, Policy  
Dilemmas, and Interagency Indecision," dated February 24, 1981

We appreciate the opportunity to review GAO's draft report on the P.L. 480, Title III Food for Development Program and present our comments and suggestions on the report's findings and recommendations. In general we agree with the draft report and believe it reasonably reflects the problems and difficulties encountered in developing, approving, and implementing the P.L. 480, Title III Food for Development program. More specifically we agree with the following GAO recommendations. IDCA/AID will cooperate with OMB, USDA and State to improve the programming process and management of Title III Food for Development programs.

GAO's Recommendations

"Accordingly we restate our recommendations that IDCA/AID be given final responsibility--not subject to veto by other agencies but in conjunction with other agencies: (1) to review and approve the Title III proposals and (2) to monitor program implementation. In carrying out this responsibility, AID, drawing upon USDA technical expertise should:

- develop specific country food and agriculture analyses to serve as the foundation for program planning, not only for Title III but for the larger issues of integrating U.S. food assistance with other U.S. multilateral and bilateral assistance.
- prepare--not subject to the veto of other agencies--the detailed guidance to U.S. overseas Missions for the preparation of specific Title III proposals.
- provide technical assistance, when requested, to U.S. Missions and recipient governments in the preparation of specific Title III proposals and in the evaluations made under specific Title III agreements."

-2-

Administrative and Management Improvements of Title III

We agree with GAO's conclusions that there have been problems in administering Title III. We further concur that there is a need to fix responsibility and authority within one agency--the development agency--and to utilize the capabilities of both IDCA/AID and USDA in analyzing food and agricultural needs and in planning, developing, and implementing programs.

The draft GAO report recommendations center on assigning responsibility for the design, approval, monitoring and evaluation of the multi-year development program. This responsibility would exclude those aspects of the program which would remain a regular function/responsibility of the inter-agency approval process (e.g., country allocation level, program duration, commodity composition, Bellmon requirements, oversight of procurement, etc.). We believe it is imperative that clear authority and accountability for the developmental dimension of these programs be assigned to the agency with the principal mandate for meeting overseas economic development objectives. The same policy, economic, social and technical analyses, and basically the same design, review, approval and evaluation processes which AID employs for development assistance, should be applied to the developmental efforts under Title III. This facilitates integration of P.L. 480 programs with country development programs in order to achieve broad objectives under the USG and country development strategy. As has been the case with development assistance in the past, we would continue to collaborate with OMB, USDA and State in developing programs.

Careful analysis of individual country food needs, food production situations, and agricultural policies will continue to be essential in designing sound programs. AID will continue to draw on outside resources, particularly USDA, for food and agriculture assessments in P.L. 480 recipient countries. We will continue to work closely with USDA, State and OMB in carrying out this responsibility, and will solicit their suggestions as to how these relationships could be strengthened.

The draft report notes that Title III programs are burdened with three interlocking sets of requirements. The program must comply with Title I requirements, Title III requirements, and the interpretations placed on these requirements by the multiple agencies participating in the review and approval process. The report goes on to indicate that these requirements

-3-

have resulted in raising the level of U.S. involvement with recipient governments, in increasing the research and analysis necessary to formulate specific Title III proposals and multi-year plans, and in delaying the process of design and approval. We agree that the assignment of final responsibility for the developmental aspects of Title III to one agency should reduce the delays in the design/review/approval process. It should not, however, affect the level of U.S. involvement with recipient governments nor is it likely to decrease the research and analysis that is necessary to develop sound programs.



United States  
Department of  
Agriculture

Foreign  
Agricultural  
Service

Washington, D. C.  
20250

April 1, 1981

Mr. F.C. Conahan  
International Division  
U.S. General Accounting Office  
Washington, DC 20548

Dear Mr. Conahan:

Thank you for the opportunity to comment on GAO's interesting draft report on Food For Development. Since the findings and views expressed in the report are quite similar to two earlier reports to which the Department prepared rather lengthy responses, this reply primarily takes issue with the tone of the report. As you realize, the Executive Branch has not agreed with these earlier reports.

This report concludes in the cover summary, that Title III "has had minimal success in generating a development effort. The program offers insufficient incentives relative to other food aid programs, is complex, and requires multiple agency administration." The report then, if we interpret it correctly, goes on to conclude that the multiple-agency approval process is at fault and, therefore, the development agency (AID) should be given total authority to review, approve and monitor Title III proposals and agreements. The report also cites the small number of Title III agreements (Bolivia, Bangladesh, Honduras, Egypt, Sudan and Senegal) implemented since 1978 as one of the indications of the need to streamline management of the program.

USDA does not agree with the report's contention that the Title III program has been a minimal success in generating a development effort nor with its recommendation. Title III should not be judged on the basis that six agreements have been implemented out of the approximately thirteen proposed programs. We do, however, agree that the amount of loan forgiveness available under a Title III may not be perceived as sufficient incentive to undertake politically sensitive agricultural policy reforms. Clearly, this is not so much a problem of the interagency approval process as it is the larger problem of taking a new look at Title I concessional sales terms. This is a subject the Administration will be reviewing. Also the importance of the multi-year commitment may not be sufficiently appreciated. If projections of increasingly tight global food supplies prove correct, this aspect will become even more important.

The fact that a substantial amount of time goes into developing workable Title III Food For Development (FFD) programs does not imply that the interagency approval process is cumbersome. Title III, in terms of both its objectives and language, is not a simple or quick program. The benefit of undertaking worthwhile FFD programs, with as much chance for success as possible, merits the time and attention of the responsible agencies. There are at least two kinds of knowledge important to the efficient administration and the

-2-

effectiveness of the Title III program as a development tool. One is the incountry development experience, which AID has. The second is detailed and up-to-date assessment of world and domestic agricultural and commodity price conditions, and a technical understanding of agricultural development, which the Department of Agriculture has. The combination of these two kinds of knowledge, in the past, has helped to keep the program on track, and we believe improved the quality of Title III programs. In fact as the report notes, it is USDA which has provided additional staffing to undertake this difficult task.

The fact that primary administrative and programing responsibility for Public Law 480 resides in or is shared with the Department of Agriculture does not mean that USDA does not recognize the legitimate concerns of the other government agencies involved in the program. We believe that the inter-agency relationships, in which overall responsibility rests with the DCC Food Aid Subcommittee, have worked well. We, of course, realize that procedures can always be improved and will continue efforts to improve the food aid decision-making process. However, this coordinating group reflects the realities under which the program must operate. For these reasons, we believe that current relationships for Title III should not be changed. Further, we believe the arbitrary separation of Title III from Title I is not feasible and would, if tried, be detrimental to the objective we all support --enhancing the development prospects of developing countries.

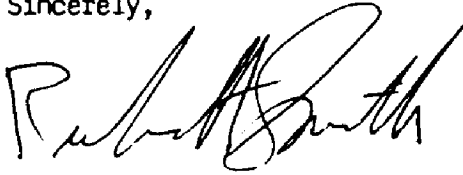
Political support for Public Law 480 rests on the linkage between U.S. agricultural production and provision of commodities under P.L. 480. This linkage is recognized by section 401 which requires the Secretary of Agriculture to determine commodities available for P.L. 480. The role of USDA helps to maintain this vital political support. Since Title III authority is a subset of Title I, the current arrangement probably prevents excessive Congressional control, already a problem for AID program implementation, while helping to maintain Congressional support.

A cohesive development program that reflects the interest of both the United States and the developing countries can not be formulated in isolation from such significant areas of concern as foreign policy, trade and market development, economic and financial conditions, and world agriculture. We would in fact suggest that isolation, which can result from organizational arrangements, reduces the likelihood of promoting effective development programs. An interagency approach, can at least try to deal with development in this broader context. Finally, we would note that only USDA can play the operational role related to supplying commodities to implement Title III activities; it also is responsible for the financial aspects of forgiveness. It is not really practicable to separate all the pieces of Title III programing and hope to maintain effective management of resources.

Despite strong reservations with the report findings, USDA appreciates GAO's continued interest in identifying ways in which to make food aid a more effective tool for promoting agricultural development. We do have a number of

specific comments and suggestions we would like to share with the authors of the report, and would hope to meet with them in the near future. I would hope that your final report will reflect these concerns.

Sincerely,

A handwritten signature in cursive script, appearing to read "Richard A. Smith". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

Richard A. Smith  
Acting Administrator



United States  
Department of  
Agriculture

Office of  
Inspector  
General

Washington,  
D.C.  
20250

March 26, 1981

Mr. Frank C. Conahan  
Director, International Division  
General Accounting Office  
441 G Street, N.W.  
Washington, D.C. 20548

Dear Mr. Conahan:

We have reviewed your draft report entitled "Food for Development:  
Program Complexities, Policy Dilemmas, and Interagency Indecision,"  
and have previously sent our comments to the auditor who was in  
charge of the project.

Since we have no further comments, I am enclosing those comments  
as our formal reply.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert E. Magee".

ROBERT E. MAGEE  
Acting Inspector General

Enclosure





United States  
Department of  
Agriculture

Office of  
Inspector  
General

Washington, D.C.  
20250

Date: March 13, 1981

Reply to

Attn. of: ID-81-32

Subject: Comments on Draft Report - Food for Development:  
Program Complexities, Policy Dilemmas, and  
Interagency Indecision

To: Doug Toxopeus

We read your draft report with interest and concluded that it identifies major problems affecting the implementation of the Title III program, and some of the Title I conditions.

We believe the report is self-explanatory and do not have specific recommendations for change. Also, the applicable Agencies provide the best sources for comments on specific items. However, although we have not formalized our reports, we have some observations based on our recent experiences with respect to Title III.

There is somewhat of a paradox in that, as your draft notes, USDA has staffed up for Title III development activity at the Headquarters level whereas our field work in Bangladesh and Egypt noted that AID, due to available resources, took the lead in on-site Title III activities. While we may not fully concur with recommendations relative to assigning overall leadership to AID, we do agree that the fragmentation of responsibilities in Washington has adverse impacts on the program.

You might want to add something to the effect that during recent USDA/OIG work in Bangladesh and Egypt, a primary question raised by AID and USDA staffs was -- Who is in charge of Title III in Washington? The adverse impacts, in addition to the delays noted in your draft, include confusion on where to direct field inquiries or seek guidance and obtain backstopping.

As for the leadership role, USDA agencies are in the best position to respond. Our subjective position is that we are somewhat uncomfortable with solutions that may not be fully consistent with performance. This was our similar concern with prior recommendations pertaining to Title II and III. In essence, our concern with the prior recommendation to transfer responsibility and authority for the Title II program to AID was that it was, in part, based on the conclusion that an important reason for identified weaknesses in AID administered Title II segments was AID's attitude toward the program.

A somewhat similar situation has apparently developed per your report at AID Headquarters levels as respects going forward with Title III development. Additionally, as the law now stands, it appears that linkage between Title I/III needs to be considered.

Although we have subjective reservations as to increasing responsibilities of any Agency prior to demonstrated performance, these are just that -- reservations. We have not done sufficient work to offer alternatives at this time.

Another point for your consideration is the avoidance of duplicative staffing and efforts. Such a potential exists under current or revised alignments since cross-agency cooperation and expertise is required. Thus, we have no objection to inclusion in your report of a comment on the potential for overlapping efforts and costs and the need to avoid these regardless of specific assigned responsibilities.

With respect to development in general, our subjective conclusion based on limited observations is that a more effective strategy would be to have a small core development staff in Washington backstopping a small staff in-country that works directly with the host government. One of our concerns is that Title III development projects may be formulated and packaged in Washington and thrust on host countries during intermittent TDY visits. This, we believe, increases the difficulties of selling the program.


We obviously cannot comment effectively on overseas AID staffing but believe that in view of personnel constraints the primary emphasis should be on redistributing current resources as opposed to increasing staffs. In this vein, transfer of staff from Headquarters to the field (if MODE ceilings can be adjusted) in certain countries and/or transfer of staff between countries (heavily staffed countries to newly developed countries) is, in our opinion, a viable alternative. This would assure closer identification with host countries and allow increased in-country development of local capabilities, under the guidance of USG specialists, rather than all encompassing program implementation by USG staff. If any event, this would be our recommendation if discussing USDA staff.

It was not clear whether GAO was supporting policy or project oriented agreements. I assume this was intentional since this is in itself a policy issue. We believe a problem with policy oriented agreements is that they are more easily abrogated than project oriented ones, in that any change in participating country political or economic (including agricultural) situation can be the basis of decisions to not implement the policy objectives. This, coupled with the historic sensitivity that precludes agreement termination limits the potential of agreements concentrating on policy revisions. Also, policy changes noted in agreements have been slow in coming -- i.e., Bangladesh. A balanced mix of policy and projects would be our recommendation.

3

On the subject of utilizing waiver provisions for individual countries, this is a very tough area that could have offsetting benefits by causing problems with countries not receiving waivers. Thus, implementation of such waivers would be very difficult and is probably a major reason why this has not been attempted.

We would be glad to discuss these matters further with you.

  
ROBERT M. SPARKS  
Director, Foreign Operations  
Staff



DEPARTMENT OF STATE  
*Comptroller*  
Washington, D.C. 20520

Mr. J. Kenneth Fasick  
Director  
International Division  
U.S. General Accounting Office  
Washington, D.C.

Dear Mr. Fasick:

I am replying to your letter of February 24, 1981, which forwarded copies of the draft report: "Food for Development: Program Complexities, Policy Dilemmas, and Interagency Indecision".

The enclosed comments on this report were prepared by the Acting Deputy Assistant Secretary for International Resources and Food Policy in the Bureau of Economic and Business Affairs.

We appreciate having had the opportunity to review and comment on the draft report. If I may be of further assistance, I trust you will let me know.

Sincerely,

A handwritten signature in cursive script that reads "Roger B. Feldman".

Roger B. Feldman

Enclosure:

As Stated.

GAO DRAFT REPORT: "FOOD FOR DEVELOPMENT:  
PROGRAM COMPLEXITIES, POLICY  
DILEMMAS, AND INTERAGENCY  
INDECISION"

I am pleased to provide the views of the U. S. Department of State regarding the GAO draft report to Congress on "Food for Development: Program Complexities, Policy Dilemmas, and Interagency Indecision".

The draft report is very useful in the ongoing effort to improve Title III of PL 480. We fear, however, that it gives insufficient weight to the worth of the multi-year nature of Title III. This feature is of significant value; it provides the stability and predictability of resources in support of substantial recipient country undertakings, both of a project and policy nature. All agencies regard the multi-year element of Title III as basic, providing important insulation from cancellation or reduction in the absence of truly overriding considerations. We expect that LDC recognition of our increased difficulty in meeting their food deficit requirements given continued high commodity prices and ongoing budget stringencies will result in Title III's being viewed as increasingly attractive and desirable, particularly in light of its multi-year implications.

The draft report indicates (p.i) that "The more advanced developing countries, more capable of undertaking Title III, have often found it unattractive while the poorer of the developing countries, with the most urgent needs to overcome inadequate agricultural production, have been the least capable of meeting Title III requirements." Indeed, the more advanced developing countries are precluded by law from entering into a Title III agreement once they exceed the IDA poverty level. On the other hand, as the report correctly notes, the poorest of the developing countries are least equipped with the governmental infrastructure required to meet the complexities and demands of Title III. This may prove to be the major limiting factor in the overall utility of Title III. The solution, however, is not to make Title I less attractive, thus forcing countries in the direction of Title III regardless of the appropriateness of such a shift for specific country situations.

We believe that Title III will be better utilized, albeit within the limitation of eligibility criteria mentioned above, once the implementing agencies decide the Title's policy framework. We do not accept as a viable solution decreasing the attractiveness of Title I. The process of strengthening the

-2-

self-help measures of Title I, begun in recent years, should continue as good policy in its own right, not to make Title III more attractive by comparison. Likewise, the Title I program might be improved by a fuller utilization of the flexibility already contained in the Act regarding terms and program duration. We also cannot accept the statement in the report (p.30) regarding "the apparent reluctance of some countries to undertake development actions required under Title III because of continued availability of highly concessional food under other Titles without demonstrated performance", nor the conclusions drawn from the assertion that PL 480 acts as a disincentive to alleviating the underlying causes of poverty and hunger.

The draft report focuses on the difficulties experienced by the agencies in reaching consensus on the policies underlying the design and implementation of Title III agreements. In our view, the multi-agency approach to the administration of Title III has not of itself been the sole constraint on the Title's effectiveness. A substantial part of these difficulties reflects the newness of the Title, the unanimous recognition of the need to develop sound policies that insure compliance with the legislative intent, and the divergent views of agencies as to how this would best be achieved. While we would not object to one agency, such as A.I.D., being given a stronger role in certain stages of the process, we remain unconvinced that the assigning of sole authority to one agency while removing the veto power of all other agencies is the best way to resolve this very real problem identified in the draft report. In our case, foreign policy interests require that the State Department participate actively in all PL 480 policy deliberations regarding country allocations (including Title III), performance acceptability and other "non-operational" aspects.

Accordingly, we would suggest that the GAO draft report be revised to recommend that the interested agencies be tasked with a thorough, policy level, interagency review of the underlying issues and mechanisms, including recommendations for procedural, program and legislative change as appropriate. This suggestion is offered with the expectation that a resolution and clarification of the policy framework within which Title III is to operate would improve the effectiveness of the interagency process. It would be helpful to such a review if the GAO report clarified its view of the specific points in the PL 480 process where the agencies' veto is or is not justified

-3-

and desirable, as well as the areas where A.I.D. (and/or other agencies) should play a lead role. Such a revised recommendation would support the progress, recognized in pp. 26-29 of the draft report, that agencies have already achieved in increasing the speed and effectiveness of Title III decision making. It would also facilitate and move forward the agreement already reached by interested agencies to continue to seek ways to improve the mechanisms surrounding Title III.

Finally, the reference in the report to "a continuing though undefined high level of political commitments" (p.7) is itself undefined or explained and should be deleted.

We would be pleased to meet with the GAO informally in order to elaborate our views regarding the draft report.



Donald Hart  
Acting Deputy Assistant Secretary  
International Resources and Food Policy  
Bureau of Economic and Business Affairs  
Department of State



## DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

DEPUTY ASSISTANT SECRETARY

March 25, 1981

MEMORANDUM FOR MR. FRANK CONAHAN  
DIRECTOR, INTERNATIONAL AFFAIRS  
GENERAL ACCOUNTING OFFICE

Subject: Treasury Comments on Proposed Food for  
Development Report

As Treasury is a voting member of the Development Coordination Committee (DCC) which reviews the PL-480 program -- and since we also have substantive responsibilities for U.S. multilateral development assistance activities, as well as for continuing evaluation of the economic, financial, debt, and development prospects of key developing countries -- I believe you should be aware of our views on the draft GAO report on Food for Development, ID-81-32 (Code 471900). Briefly, Treasury cannot concur with your final recommendations as stated (p. 34 of draft report) which would give IDCA/AID sole decision-making responsibility for Title III and eliminate the possibility of veto by other agencies.

Our position is based on the following:

- The proposed structural change seems to assume the main problem of the Title III program is the delay in obtaining interagency consensus. However, the report clearly points out in most cases that national governments in developing countries have not been receptive to the politically unpopular policy steps necessary for Title III approval and, therefore, have decided against a Title III program. Speedier decisions from Washington, assuming the proposed change could accomplish that, are unlikely to make these tough policy choices any easier -- unless, of course, the proposed changes resulted in less consequential policy reforms as the condition for Title III programs.
- If developing countries prefer Title I over Title III for the reasons outlined in your draft report, then perhaps we should look at making Title I less attractive. For example, hardening the terms of



- 2 -

Title I would presumably encourage Title III usage. (On the other hand, such a step could have a number of implications for the overall program and for the poorer developing countries which -- as your report points out -- are least able to implement Title III programs. These would need to be carefully weighed.)

- Since Title III involves financial obligations to the U.S. Government, the Treasury, as the chief U.S. financial agency, properly must be involved in the decision-making process.


In addition to these main points, I suggest you consider the following secondary factors:

- The purpose of Title III is not to provide quick-disbursing funds for development or to replace Title I programs. The effectiveness and utility of Title III should not be measured within that framework.
- The Title III program is still relatively new and in the evolutionary stage. It should not be unexpected that there would be delays, disagreements, and inconsistencies in the initial stages. However, it is headed in the right direction; the interagency Working Group of the DCC Food Aid Subcommittee is aware of the problems you have cited and is considering measures to improve the program approval, review, and implementation process.
- IDCA/AID clearly should have the lead responsibility on development issues. However, it is difficult to isolate purely developmental issues from the concerns and areas of expertise of the other agencies in the DCC. Treasury maintains a special interest in the development assistance programs in terms of how they relate to loans and projects underway or being considered by the multilateral development banks and the IMF, as well as to Treasury's overall responsibilities with respect to foreign indebtedness to the United States.

Thus, although I concur with your conclusion that there are currently problems in achieving effective implementation of Title III, I do not agree that eliminating other agencies with legitimate interests from the decision-making process

- 3 -

would constitute an effective solution. Treasury does support the intent of the report to improve the effectiveness of Title III in order to address the longer-term structural problems of the least developed countries. I would hope that your final recommendations will be modified to reflect these concerns.



Thomas C. Dawson  
Deputy Assistant Secretary  
Developing Nations



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

Mr. William J. Anderson  
Director  
General Government Division  
General Accounting Office  
Washington, D.C. 20548

April 3, 1981

Dear Mr. Anderson:

I appreciate the opportunity to comment on your February 24, 1981, Draft Report, "Food for Development Program: Program Complexities, Policy Dilemmas, and Interagency Indecision". I believe the concerns reflected below are consistent with discussions held with your staff. I would hope that the final report could be modified to incorporate these suggestions.

Most of the problems raised by the report reflect the newness of the Title III program and, as indicated in the review of country cases on pages 18-25, are transitory in nature.

The report asserts that the Title III program has had only minimal developmental impact. This assertion rests on the small number of active Title III agreements and the number of Title III proposals withdrawn or not approved. We do not believe that such a quantitative approach to the issue is appropriate. The executive branch has proceeded deliberately with approving Title III programs in order to conform with the legislative intent that individual agreements would have a qualitatively greater development impact than would Title I programs to the same countries.

OMB agrees with the GAO conclusion that incentives under Title III may not be sufficient to induce more recipients to agree to commitments on major policy changes when Title I terms are also available. We also share the view that self-help measures should be strengthened along with other terms and conditions of the Title I program. The Administration will be reviewing these policy issues.

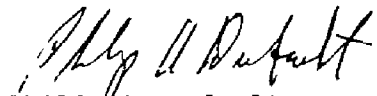
The draft report portrays the Title III program as "troubled" and offers as proof what it calls complex operational requirements, burdensome conditions and marginal benefits. Congress intended to link Title III operational requirements to those prevailing for loan and grant activities under the Foreign Assistance Act. Otherwise, Title III would be merely a slightly inflated variant of Title I. For this reason, AID has been very cautious in waiving requirements for project additionality, multi-year planning, reporting and monitoring. These are the critical components needed in demonstrating the developmental benefits of Title III. The report also fails to point out that all Title III agreements are, by law, subject to the same conditions as those required for Title I. These are not conditions established unilaterally by the various agencies.

The report seems to start with the assumption that substantive disagreement is an inherent disadvantage in the interagency process. The final report should demonstrate gains or losses to recipients and the U.S. Government as a result of interagency disagreement. We would contend that the resolution of interagency disagreements is intended to produce programs whose benefits to the U.S. and to recipients are optimized. The report does not contain any rigorous assessment of the quality of the individual agreements which would support its apparent contention that this is not the case.

GAO proposes that the veto authorities of State, Treasury, USDA and OMB be eliminated. It is our view that the consensus approach can lead to agreements that best respond to the several objectives of the P.L. 480 program. Most importantly, OMB cannot carry out its basic responsibilities if agencies are permitted formally to commit future budget resources without regard to evolving budget policy.

Finally, options for IDCA/AID organizational arrangements are currently under review within the Administration. OMB, therefore, defers additional comment on the issue of Title III program management until that review is completed.

Sincerely,



Philip A. DuSault  
Deputy Associate Director  
for International Affairs