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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Changes Needed In The Administration Of The Overseas Food Donation Program

The overseas food donation program is not completely meeting its objective of distributing food to improve the lives of the poorest people in the poorest countries. In addition, program planning should be expanded to contribute to development in these countries.

The program's split administration by AID, Agriculture, and OMB needs to be centralized. The Congress should enact legislation to achieve this and should establish full authority and responsibility for Title II of the Agricultural Trade Development and Assistance Act of 1954 in AID and its new umbrella agency--the International Development Cooperation Agency. Further, the Congress should consider transferring the new title III food-for-development program to these agencies.



ID-79-25

OCTOBER 15, 1979



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

B-159652

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

This report assesses how well the U.S. food donation program abroad is achieving congressional objectives of assisting needier countries and people and contributing to the development process. It addresses specific recommendations to the Administrator of the Agency for International Development. More fundamentally, however, our report recommends that the Congress centralize full authority and responsibility for the program in the Agency and its new umbrella organization, the International Development Cooperation Agency. We believe this would strengthen the Agencies' ability to administer the program and would improve accountability to the Congress. The report further suggests that the new title III food-for-development program also be considered for similar transfer to the Agencies.

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretaries of State and Agriculture; and to the Director, International Development Cooperation Agency; and the Administrator, Agency for International Development.


Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

CHANGES NEEDED IN THE ADMIN-
ISTRATION OF THE OVERSEAS
FOOD DONATION PROGRAM

D I G E S T

The "New Directions" foreign assistance legislation of 1973 mandates that U.S. aid be used for programs aimed directly at improving the lives of the poorest people in the poorest countries. The overseas food donation program is not yet doing this effectively. It is restricted by shortcomings in the voluntary-agency and host-country storage, transport and distribution networks. To a lesser extent, it also tends to be driven by availability of commodities.

For example, GAO surveyed six countries and found that the program, enacted under title II of the Agricultural Trade Development and Assistance Act of 1954, is not being planned as an integral part of our development assistance effort and that not enough of the food is being distributed to the highest priority groups. It should be channeled away from more advanced countries and used to expand the program in poorer countries. (See ch. 3.) To remedy the above situation, the Agency for International Development (AID) needs to substantially improve the planning, programing and administration of the program. (See ch. 3.)

More fundamentally, however, GAO has concluded that, to better achieve title II's humanitarian and developmental objectives, the authority and responsibility for the program and its appropriations should be centralized in one agency--AID, our foreign development agency, and its new umbrella organization, the International Development and Cooperation Agency (IDCA). In the existing management arrangements, several agencies--AID, United States Department of Agriculture (USDA) as well as the Office of Management and Budget (OMB)--share most operational decisionmaking authority, and USDA controls the appropriations and the commodities, and

is responsible for reporting to the Congress. This archaic system fragments AID's authority to conduct the program and clouds accountability for the use of the title II monies and the accomplishment of the New Directions mandates. (See ch. 2.)

The recently enacted title III food-for-development program--where repayments under title I concessional purchases of U.S. agricultural commodities may be partially forgiven if a country agrees to make available equivalent amounts of currency for agreed-upon development projects--is also primarily developmental in nature. It should also be considered for transfer to IDCA/AID. (See ch. 2.)

The executive branch agencies do not agree with GAO's proposals to transfer program responsibility to IDCA/AID. They see little to be gained by transferring authority and responsibility for these programs, and they argue that the current interagency system is working well and protects the interests of each agency. They further stated that title III is too new at this time and too interrelated with the title I concessional sales program to consider separating them.

The administration's own studies have concluded that the interagency system fragments authority and clouds accountability for the title II program, and those studies further criticized the system as unnecessarily complex, time-consuming, and cumbersome. To achieve the best results, the title II program should be planned, programmed, and implemented by IDCA/AID as an integral part of our foreign assistance program. Therefore, the Congress should enact legislation that will centralize authority and responsibility for title II in IDCA/AID. (See p. 20.)

GAO has not yet reviewed the title III program in depth, and is not prepared to formally recommend its transfer. It is clear, however, that to maximize title III's development contribution, it should also be

planned, programed and implemented as an integral part of the foreign assistance program. GAO, therefore, believes that the Congress should consider making IDCA/AID responsible for title III as well. (See p. 20.)

Whether or not program responsibility is transferred, the Administrator of AID should

- require that title II be planned and programed as an integral part of each country assistance program,
- establish a long-range planning and programming system to direct more food aid away from more advanced countries and expand the program in poorer countries,
- develop better means of identifying where and who the neediest people are in each country and focus our food on them, and
- work with the voluntary agencies and host governments to build up the necessary country-level infrastructures that will be required to support expanded food aid programs in the poorer countries.

AID generally agreed with the thrust of these recommendations.

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ABBREVIATIONS

AID	Agency for International Development
CARE	Cooperative for American Relief Everywhere
CCC	USDA Commodity Credit Corporation
CRS	Catholic Relief Services
CWS	Church World Services
DCC	Development Coordination Committee
FFPO	AID Food for Peace Officer
GAC	General Accounting Office
GNP	gross national product
IDCA	International Development and Cooperation Agency
MCH	maternal and child health
OMB	Office of Management and Budget
USDA	United States Department of Agriculture
WFP	United Nations World Food Program

CHAPTER 1

BACKGROUND

The principal vehicle for U.S. food assistance is the Agricultural Trade Development and Assistance Act of 1954, as amended, commonly known as Public Law 480 and often referred to as the Food for Peace Program. Public Law 480 was initially intended as a temporary measure to help other nations with their foreign exchange shortages and to allow the disposal of U.S. agricultural surpluses. Over the years, though, the Congress has periodically extended and amended the act, and today several distinct programs with differing objectives are conducted under Public Law 480.

The major subject of this report is the donation program conducted under title II of the act. Basically, title II authorizes the donation of U.S. food commodities to voluntary relief agencies, international organizations, and friendly governments for free distribution abroad. The legislative objectives include (1) reaching the poorest people in the poorer countries, especially children, and (2) contributing to the overall development process in the poorer countries. The legislation also provides that food may be made available

- to meet famine or other urgent or extraordinary relief requirements;
- to combat malnutrition, especially in children;
- to promote economic and community development in friendly developing areas; and
- to feed needy persons and those in nonprofit school lunch and preschool feeding programs.

Today, three main types of planned feeding programs are conducted under title II, and three main categories of recipients are being reached. These also represent the ordering of priorities established by the executive branch for the use of title II food. They are, in descending priority, programs aimed at

- improving the nutrition and health of infants and preschool children, and women of childbearing age;
- promoting economic and community development through food-for-work activities; and

--feeding primary school children.

Some title II food is also reserved for emergency and disaster relief contributions.

Although the title II program is the main concern of this report, Public Law 480 also has two other important titles. Title I of the act authorizes sales of both food and nonfood U.S. agricultural commodities to developing nations on concessional terms. It is the most significant program in dollar terms, and since 1954, billions of dollars of U.S. farm commodities have been made available to developing nations at low interest rates, with long repayment terms. Title III, the recently enacted Food for Development Program, permits the use of funds generated from local sales of title I commodities for mutually agreed upon development purposes. Although several such agreements have been signed, this program is still in its early stages.

WHO ADMINISTERS TITLE II?

The Agency for International Development (AID) and the U.S. Department of Agriculture (USDA) manage most day-to-day operations of the title II program, and an interagency staff committee framework composed of staff members from the agencies involved serves as the principal forum for program planning and overall policy. With AID and USDA, this committee includes representatives from the Departments of State, Commerce, the Treasury, and the Office of Management and Budget (OMB). Chapter 2 assesses the administration of the program.

The basic planning and implementation of individual program activities in the developing countries is the responsibility of program sponsors. These consist of (1) nonprofit voluntary agencies, (2) friendly governments operating under bilateral agreements with the United States and (3) the United Nations World Food Program (WFP).

The legislation requires that at least 75 percent of title II food be distributed through WFP and nonprofit voluntary agencies (hereafter referred to as volags). The principal volags administering title II programs include the Cooperative for American Relief Everywhere (CARE), Catholic Relief Services (CRS), Church World Services (CWS), Lutheran World Relief, and Seventh Day Adventist Welfare Service.

STATISTICAL TRENDS

Although the monetary value of title II commodities remained fairly constant between fiscal years 1969 and 1976, averaging \$300 million per year, the volume of commodities and the number of recipients have declined substantially since 1973 as prices for foodstuffs have continued to rise. (See graphs.) To counter this trend, the Congress established a minimum tonnage requirement for title II in 1975, and the volume of title II donations has subsequently increased. The number of maternal and child health (MCH) recipients has increased while the number of recipients in all other categories continued to decrease.

The authorization for appropriations was increased from a \$600 million to \$750 million maximum per year, beginning in fiscal year 1978. Title II is financed through the revolving fund of the Commodity Credit Corporation (CCC) and the amounts provided in each annual appropriation for title II are not fully controlling. The law permits the Government to enter into agreements involving expenditures which must be financed from subsequent appropriations. Appropriations greater than actual needs are used to reduce future appropriation requests.

The Congress appropriated \$646 million for title II for fiscal year 1978. The estimated expenses of shipments, including commodity costs and ocean transportation, was about \$540 million in addition to another \$2 million for the purchase of foreign currencies for use in self-help activities. Total estimated program costs for fiscal year 1979 are \$573 million.

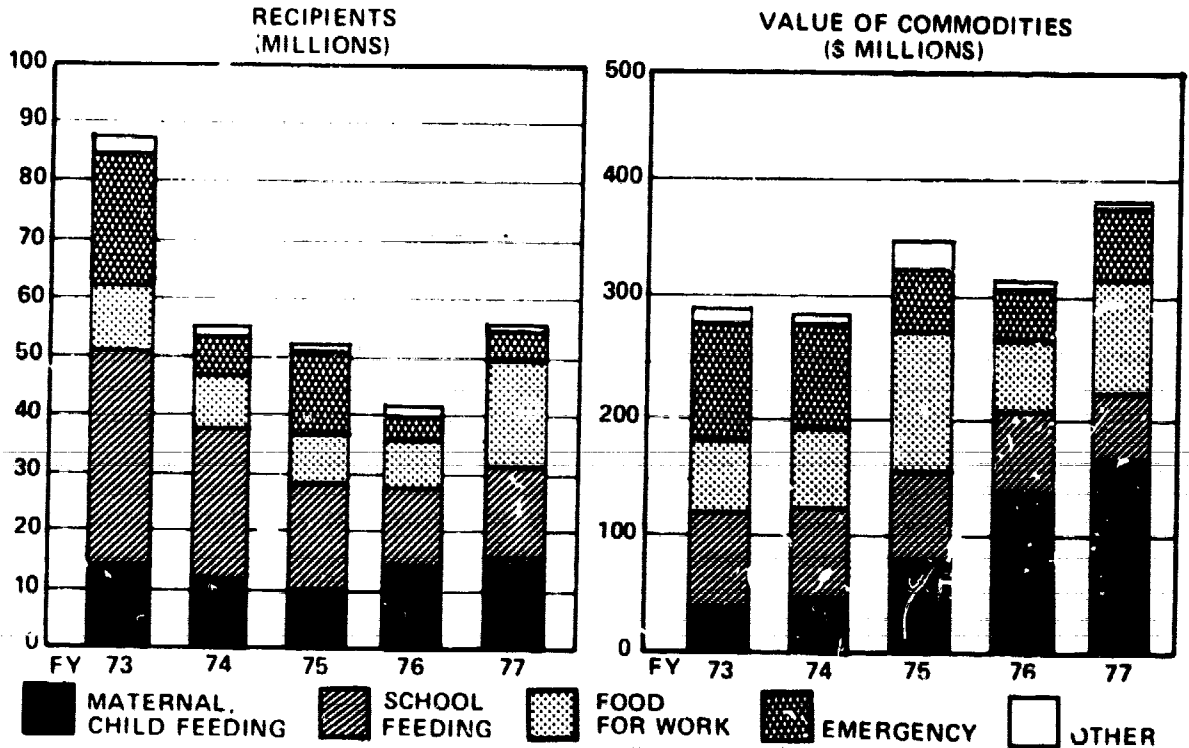
SCOPE OF REVIEW

The primary objective of our review was to assess the extent that the title II program is reaching the poorest people in the poorer countries and contributing to the overall development process.

Other objectives of our review were to assess the management and administration of the title II program both at the country and Washington levels--including the roles and responsibilities of the major parties involved; program planning and review processes; resource allocations and their adequacy; and the effectiveness and efficiency of program management processes, including monitoring, reporting and accountability. Our review did not assess the effectiveness or efficiency of the USDA domestic procurement and ocean shipping functions.

OVERSEAS FOOD DONATION PROGRAM

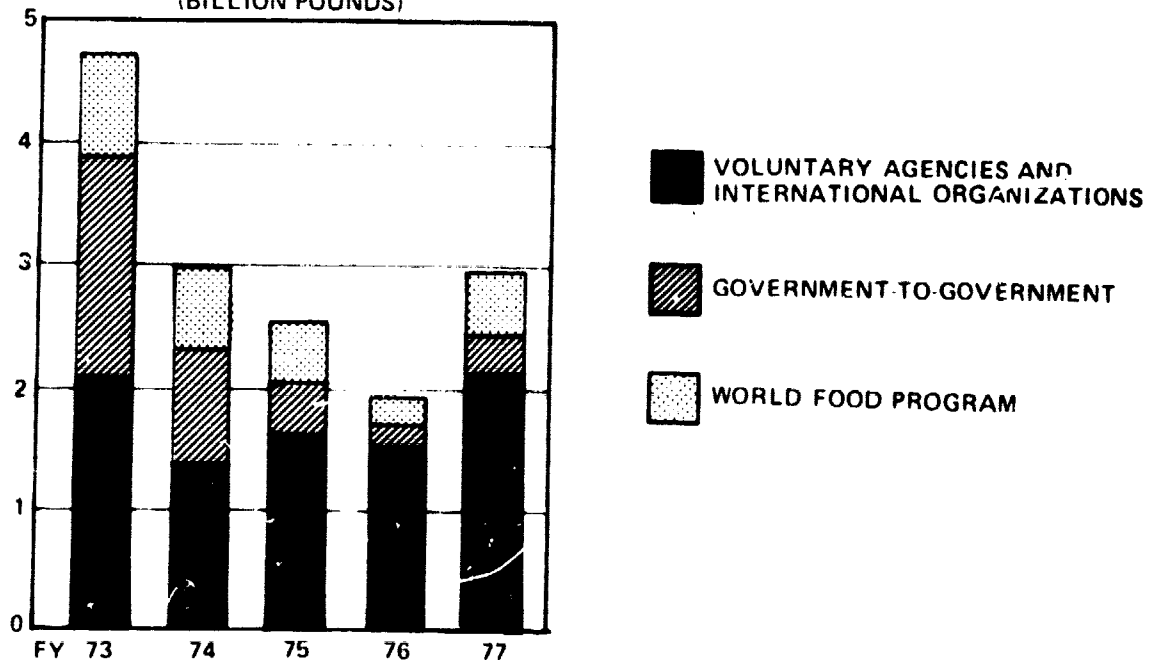
FISCAL YEARS 1973 - 1977
BY PROBLEM TYPE



OVERSEAS FOOD DONATION PROGRAM

FISCAL YEARS 1973 - 1977

VOLUME OF COMMODITIES BY PROGRAM SPONSOR
(BILLION POUNDS)



Audit work in Washington was performed during the period September 1977 to February 1978, primarily at AID, USDA, and State. Discussions were also held with the headquarters organizations of the three private American volags who carry out most of the programs overseas.

Fieldwork was also conducted beginning in six countries in September 1977 and ending in January 1978: Ghana (West Africa); Tanzania (East Africa); India (South Asia--the world's largest title II program); Sri Lanka (South Asia); and the Dominican Republic and Peru (Latin America). The country work focused primarily on the storage, transport, and distribution of title II food to intended recipients, and included extensive reviews and inspections of port and inland storage conditions, and especially the effectiveness of the distribution systems in meeting the food needs of each country and those of individual recipients.



FOOD AID IS OFTEN POORLY TARGETED. STUDENTS OF THIS PRIVATE SCHOOL IN GHANA RECEIVED U.S. FOOD, WHILE THOSE AT A SIMILAR SCHOOL 150 YARDS AWAY DID NOT. IN GAO'S VIEW, NEITHER GROUP QUALIFIED AS A HIGH PRIORITY FOR TITLE II FOOD. DETAILS PP. 23-26.

CHAPTER 2

RESPONSIBILITY FOR DEVELOPMENT AND HUMANITARIAN

ASPECTS OF PUBLIC LAW 480 SHOULD BE REFOCUSED

The management structure of the overseas food donation program is neither consistent with title II's current humanitarian and developmental objectives nor conducive to effective management or proper accountability and control. This condition exists largely because authority and responsibility for the program is fragmented among several agencies. The foundation of the present organizational structure was created before the humanitarian and developmental aspects of title II were mandated. Although the mandate has shifted to emphasize these humanitarian and developmental aspects, the organizational structure of the program has not. The program could be administered more effectively if authority and responsibility were centralized under AID and its news umbrella organization--the International Development and Cooperation Agency (IDCA).

Although an examination of title III was not within the scope of this review because of its humanitarian and developmental aspects, we believe equal consideration should be given to centralizing its administration under IDCA/AID.

LEGISLATION HAS EVOLVED A NEW HUMANITARIAN AND DEVELOPMENTAL MANDATE

The current humanitarian and developmental aspects of Public Law 480 are a result of years of legislative action. During the 1960s and 1970s, the Congress decisively shifted the direction of Public Law 480 from its emphasis on disposal of surplus agricultural commodities to a humanitarian and developmental concern.

The Congress began this process in 1960 by amending title II, which was originally limited to famine and emergency relief programs. Under the amendment, title II was designed to promote development by allowing food as payment for the poor and jobless in public works projects. Title II resources were also made available to WFP which was established in 1961 within the United Nations to provide food to needy countries and to promote economic development.

By 1967 agricultural commodities no longer had to be surplus before being eligible for sale or donation, and the CCC was authorized to pay for enrichment and fortification

of the donated commodities. Today, enriched and fortified foods form an important part of title II programs, especially for the high priority MCH areas, and WFP receives a substantial portion of title II food.

Perhaps the most significant changes in the Public Law 480 mandate, however, have occurred as a result of the foreign assistance legislation since 1973, when the Congress enacted far-reaching reforms on the purposes and operations of AID programs. The 1973 act, known as the New Directions legislation, was particularly important because it directed that U.S. bilateral assistance programs, including food assistance, focus directly on improving the lives of the poorest inhabitants of the poorest nations.

The International Development and Food Assistance Act of 1975 strengthened further title II's humanitarian and development objectives. The Congress mandated a general policy in the 1975 act giving priority in meeting urgent food needs abroad to those countries most seriously affected by food shortages and to those countries unable to meet those requirements through normal commercial purchases. To ensure that this policy would be implemented, the Congress specified that a minimum of 1.3 million metric tons of U.S. food be donated yearly to poor nations under title II, and that at least 1 million tons of this minimum be distributed through nonprofit volags and WFP.

The International Development and Food Assistance Act of 1977 continued this emphasis by (1) raising the minimum annual distribution requirement to 1.7 million tons by 1982, (2) requiring that assistance be directed toward community and other self-help activities, (3) providing that indigenous workers be employed to distribute our food to "the most remote villages," and (4) requiring that priority be given to malnourished children and people in the poorest regions of the countries.

The 1977 Public Law 480 legislation added a Food for Development Program in title III which considerably broadened the ways for using revenues generated from title I sales. The new legislation authorizes multiyear supply agreements with poorer countries to support mutually agreed upon development objectives. The Congress has mandated that a 5-percent minimum of fiscal year 1978 title I sales be used to carry out food-for-development programs. For fiscal year 1979, the minimum is 10 percent; and for fiscal year 1980 and thereafter it is 15 percent.

Thus, over the years the Public Law 480 title II program has become a program which seeks to alleviate human need and promote social and economic development in poor countries. Now, title III adds even greater impetus to a basic human needs concept by supporting longer term development in developing countries. These predominant humanitarian and developmental objectives should determine how titles II and III should be administered and what the major considerations and policies should be in formulating and implementing these programs.

FRAGMENTED MANAGEMENT SHOULD BE CENTRALIZED

Although the emphasis of the title II program has shifted, the management structure has not been altered to conform with this new emphasis. AID has primary responsibility for administering title II, yet key authorities and functions for the title II program are diffused and fragmented among several other agencies. The result is that no single agency has full authority for the program; nor is any agency held fully responsible or accountable for the results. This management structure is neither efficient nor in line with the humanitarian and developmental goals of the title II program today, and the situation looks the same for the newly emerging title III program. The major management functions for titles II and III should be centralized in IDCA/AID to remedy this situation.

Interagency administration

Since title II's inception in 1954, an interagency staff committee and its title II subcommittee have been making the key title II program decisions. Although changes in the name and structure of the committee and subcommittee have been made, their operating method has not been significantly altered. The AID responsibility for administering title II has been rendered less effective by the decisionmaking role of the committee and title II subcommittee.

The original overseer of Public Law 480 was the Interagency Staff Committee on Agricultural Surplus Disposal, chaired by USDA. Although the Committee name was later changed to the Interagency Staff Committee on Public Law 480, the only organizational change for the next 7 years was the delegation of primary responsibility for title II matters to the State Department in 1961. The State Department in turn delegated responsibility for title II to the newly formed AID.

The latest organizational change came in May 1978 when the committee and subcommittee were made a part of an expanded Development Coordination Committee (DCC), chaired by AID and charged with coordinating all U.S. development assistance. A new organizational layer, a food aid subcommittee chaired by USDA, was established under DCC to develop policy and coordinate programs and budgets for all food assistance issues--for development, humanitarian, foreign policy, and market development purposes. A food working group, also chaired by USDA and including State, AID, and OMB, was established under the subcommittee and has essentially replaced the interagency staff committee in reviewing and coordinating Public Law 480 programs. This working group approves the title II subcommittee recommendations, resolves disputes between the agencies as they arise, approves the overall program budget level for submission to OMB and the Congress, and sets overall policy.

The title II subcommittee, chaired by AID and including USDA and OMB, continues to perform development and review functions for the title II programs and recommends approval of individual country programs to the working group. In reaching decisions, both the subcommittee and the food working group operate on a consensus basis. Each agency must agree to proposed actions, and any agency may block or veto actions under this system.

This organizational structure fragments AID's authority and responsibility and has reduced program management effectiveness on both the committee and subcommittee levels. Committee participants told us, for example, that the former committee's major focus and interest during its weekly meetings was on title I, that only a few minutes were allocated for title II program decisions, and that the committee basically approved the recommendations of the title II subcommittee without further deliberation. In fact, committee representatives of several other departments--Defense, Commerce, and the Treasury--told us that they have not had significant interest in the title II program. One representative said that committee involvement in title II was not warranted and was counterproductive to the planning and programming process.

The role and processes of the title II subcommittee present similar problems. Each title II project and country program is reviewed and again, must be approved by each of the three major subcommittee members--AID, USDA, and OMB. Moreover, because the specific areas of interest or responsibilities of each individual agency on the committee have not been defined, either OMB or USDA may raise questions or objections at any time and can delay or block approval of

a foreign assistance project that AID has planned and that AID must administer. Indeed, although much subcommittee business has been conducted by telephone, our review of those subcommittee meeting minutes that have existed showed that USDA and OMB have asked several detailed questions on specific programs that delayed and limited the AID decision-making authority and responsibility for title II. Thus, the subcommittee is more a decisionmaking forum than a vehicle for interagency coordination. In our view, this diffusion of authority and responsibility is neither consistent with the legislative goals of title II today, nor is it conducive to good program management.

Two recent executive branch studies have reached similar conclusions. A 1977 task force report on the AID organizational structure judged that the interagency staff committee review structure was ineffective and should be replaced by a mechanism allowing programming of Public Law 480 activities to reside in AID where development expertise exists. Another report on U.S. foreign food assistance completed in 1978 by a task force chaired by USDA stated some of the problems more precisely.

"* * * The procedures for decisionmaking have become too complex and time consuming. Further, the Interagency Staff Committee approach diffuses agency responsibility and hampers operational efficiency."

In short, we agree with the main point of both reports. The organizational structure controlling the title II program is unwieldy and unnecessary.

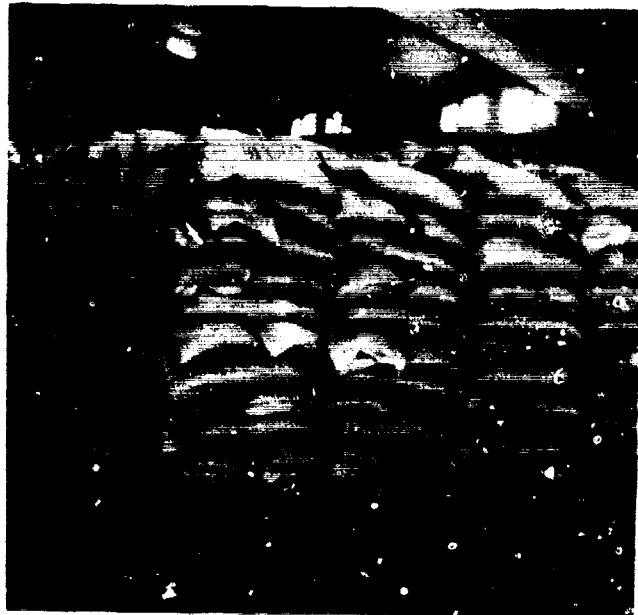
Program budget and justification

Titles II and III today are primarily foreign assistance programs, not USDA programs, and AID has responsibility for conducting these programs. Yet, USDA requests, justifies, and controls the appropriations for these programs although USDA is not in the best position to determine how effective or efficient these programs are in terms of fulfilling their developmental and humanitarian objectives. As administrator of the programs, AID has the operational expertise, yet is not required to fully justify the programs to the Congress. In fact, until the fiscal year 1979 budget cycle, AID and USDA prepared separate budgets. AID had to negotiate with USDA over the size of the appropriation USDA would request for the program AID must administer.

In the normal range of USDA activities, humanitarian and developmental considerations are secondary to export market development. The existing organizational structure, wherein USDA in effect controls the purse strings and calls the shots, accords to AID overseas missions neither a mandate nor an incentive to initiate, improve, or expand Public Law 480 food development programs.

The fact that USDA controls both appropriations and commodity availability also gives rise to some skepticism within AID and among volags about whether title II really is a foreign assistance program or still a surplus disposal program. As a result, AID has tended to treat title II as a separate program. This is illustrated by the relatively little interest and progress AID has made in integrating title II with its other programs.

OMB has also become much more involved with respect to the title II program than would normally be the case. Appropriations for Public Law 480 are made to the USDA CCC wherein revolving funds are used to finance the program, with reimbursement made from the next year's appropriation. Consequently, net Public Law 480 budget costs and program levels are generally not the same. Such flexibility, purposely built into the program to allow quick disbursement of this type of aid, allows the U.S. Government to respond promptly to unprogrammable emergency food assistance needs as well as provide political and balance-of-payments support where warranted. However, this system seriously diminishes financial accountability and responsibility for the title II program, and it has resulted in a degree of involvement by OMB that OMB officials themselves acknowledge is rare in the foreign affairs area.



BULK STORAGE WAS A SERIOUS PROBLEM IN SEVERAL COUNTRIES. HOWEVER THESE FACILITIES AT KUMASI, GHANA, WERE AMONG THE BEST SURVEYED BY GAO, PROVIDING CLEAN, DRY, VENTILATED AND PALLETIZED STORAGE. DETAILS ON PP. 41-52.

Full responsibility and authority for title II and the emerging title III program should be placed in the agency responsible for achieving their developmental and humanitarian objectives--IDCA/AID. This would enable AID to better meet these objectives, and would require AID and its bureaus and missions to be more concerned with how funds are used and what humanitarian and developmental results are achieved.

Commodity availability and procurement

In fulfilling its title II responsibilities over the years, USDA has been able to exert a direct and strong influence on the selection and procurement of title II commodities. USDA's interests and responsibilities in this area are to dispose of surplus commodities and to keep domestic prices stable, or at reasonable levels.

If USDA receives bids on a particular commodity that it considers too high, it may reject the bids, or only procure part of the amount needed up to a certain price, and can then cease purchasing. For example, during the inflationary period in 1973-74 following the huge wheat sale to Russia, USDA delayed and even suspended purchasing for the title II program for a substantial period. This delegation of responsibility is not in line with present title II objectives.

Currently, milk and rice are surplus U.S. commodities and USDA has urged AID to use these commodities for title II. Although some program sponsors told us that they welcome the reintroduction of milk to their programs, others told us that this would involve substantial problems, including taste acceptability, education on reconstituting milk, and the possibility of diversion and sale of this valuable commodity to commercial sources. Several volag representatives said that they plan to resist reintroduction of milk, but they also felt it was a losing battle and that a changing domestic surplus picture would force them to ultimately accept this commodity.

Although domestic considerations might have been more important in the program's early years when surplus disposal was the driving force, today title II procurements, for example, are small both in physical and dollar volume. In total they constitute less than 2 percent of annual American commercial agricultural exports. Therefore, allowing AID to make the basic decisions for commodity selection and procurement--with USDA advice, counsel, and procurement facilities--should

not have any substantive effect on domestic prices or availabilities. Moreover, the legislated minimum annual shipping requirements seem to call for greater flexibility for IDCA/AID if they are to provide the specific commodities needed for the program and meet the legislated minimum as well.

Increased flexibility would better enable IDCA/AID to plan for the future and further regularize the commodity supply picture for the program. Changes in types and quantities of commodities not only make it difficult to plan and implement country programs, but can also cause a credibility problem in volag relations with host countries when governments must be told that a particular commodity will no longer be available or find themselves promoting another commodity because it is now surplus in the United States. In any event, the importance of our overall national interests strongly suggests the need for AID/IDCA to consult with USDA in making planning and programing decisions, particularly on such aspects as commodity availabilities and prices.

We believe that freeing the program, to the greatest extent possible, from the constraints of the domestic surplus situation and the commodity availability limitation would help achieve title II humanitarian and developmental objectives, and is a change that should at least be considered.

Responsibility for reporting

The 1954 Public Law 480 act established a requirement for an annual report to the Congress by the President on all Public Law 480 activities. By executive order, the President delegated this responsibility to the Secretary of Agriculture and this same requirement continues today. In our opinion, however, the annual report on Public Law 480 activities does not contain an adequate exposition of progress AID has been making, or the problems it faces in achieving the program's humanitarian and developmental objectives. It does not discuss, for example, the nutritional or developmental impact of title II programs, and there is little indication of AID success, or the problems involved, in identifying or reaching the neediest people, particularly the rural areas.

We think the Congress should have more in-depth reporting on title II. The foreign assistance legislation of 1977 will strengthen reporting by requiring a 5-year cross-section evaluation of the development effects of

selected projects under titles II and III. However, even this change will not provide the Congress with current assessments of how well IDCA/AID is carrying out such day-to-day responsibilities.

We believe that the reporting requirement, along with the appropriation and commodity and procurement control, should be assigned to IDCA/AID for two additional reasons. First, it should increase AID's sense of responsibility for, and identity with, titles II and III. Second, it should provide the Congress with a more direct means of holding IDCA/AID responsible for its performance in administering these programs.

CONCLUSIONS

Although the Congress has changed the title II food donation program over the years from a domestic surplus disposal program to a humanitarian and developmental foreign aid program, there has not been a comparable shift in the assignments of authority, responsibility, and functions within the executive branch for this program.

AID has been delegated primary responsibility for administering title II and has taken the lead in initiating title III activities. However, the interagency review structure, which has been recast essentially unchanged under the DCC subjects each project proposed by AID to review and approval by USDA, OMB, and each of the other member agencies. In addition, USDA, not AID, controls the title II appropriation, determines the types and amounts of commodities to be made available for Public Law 480 programs, controls the procurement of these commodities, and is basically responsible for preparing reports to the Congress on the programs.

This organizational structure is not consistent with the humanitarian and developmental thrust of titles II and III today and, in our view, is not conducive to effective or efficient management, nor to proper accountability and control.

To normalize the management structure, and bring it more into line with the primary foreign assistance objectives of titles II and III, we proposed in our draft report that the Congress should consider legislation to centralize the key functions for both programs in the administering foreign assistance agency. We also urged AID, OMB, and USDA, the principal agencies involved, to get together and make a concerted effort to reduce or eliminate some of the jointly

administered operational and management functions of title II discussed above which are clearly within the purview of the foreign aid agency.

AGENCY COMMENTS

The full texts of the agencies' comments are contained in the appendixes. Although their comments vary, following is a summary of their main points, together with our evaluation.

Title II

The agencies conceded that there are serious problems with the title II program, but disagreed that our proposals for centralizing responsibility for title II in IDCA/AID would resolve these problems. They stated that:

- The expanded DCC is functioning effectively and allows AID to take the lead in title II matters. Moreover, the DCC system is consistent with the strong role proposed for IDCA.
- Assigning budgetary responsibility to AID would eliminate the continuous availability of agricultural commodities through the CCC.
- Pressures from producer and processor groups to ship their particular products will continue no matter where title II is administered.
- Shifting legislative/budgetary responsibility to AID would create opportunities for program trade-off with other AID activities. However, the minimum annual tonnage and maximum utilization of American volag requirements sharply limit such potential and together with the volags' independent nature as private organizations with their own objectives--are the cause of title II being treated as a separate program by AID.
- AID is already accountable to the Congress for title II. The Senate Agriculture Committee and, in the House Agriculture and Foreign Affairs Committees share jurisdiction, and AID already provides all the title II input for the annual report to the Congress on Public Law 480 activities.

OUR EVALUATION

In general, we see little in the agencies' comments to warrant changing our views. The expanded DCC, for example, is said to be working well. Yet the DCC is essentially a more formal version of the former Public Law 480 inter-agency staff committee, with still another layer of review added and the administration's own task force study concluded that that Committee and its processes were too cumbersome, complex, and time consuming, and have resulted in fragmented responsibility and a lack of accountability. Moreover, AID and OMB both acknowledge that the current system could be simplified and streamlined.

Although AID is said to have lead responsibility in this system, we cannot agree that a system which gives several other agencies veto power over the size and commodity and dollar composition of its budget, and over country and individual program allocations within that budget, can reasonably be said to accord AID lead responsibility for the title II program. As for the IDCA role, it is evident that the President's reorganization has effected only relatively limited improvements in the authority and instruments available to the development coordinator. Rather, we believe that IDCA should be viewed as an initial step toward improved development coordination and that continued efforts should be made to strengthen and change that structure.

Nor do we agree that AID, or any other executive branch agency, is fully accountable to the Congress for the title II program. The title II program is funded as part of the USDA appropriation. Although the agencies noted that the House Foreign Affairs Committee has made substantial contributions toward improving the program, it is equally true that title II is not being reviewed by the other committees of the Congress normally concerned with foreign assistance programs--the Senate Foreign Relations Committee and the foreign affairs subcommittees of the House and Senate Appropriations Committees. Thus, important congressional oversight is lacking, and moving the appropriation to AID would not only put title II on a normal footing, as other government programs are, it would permit much better congressional review and cross-comparisons of the program with other AID programs. In our view, such oversight would promote greater achievement of the program's legislated objectives, and it would also offer the opportunity to consider program tradeoffs, notwithstanding the existence of the minimum tonnage and volag utilization requirements. Further, we believe that it would force AID officials at all levels to be more concerned with just how title II food is programmed and utilized, and just how it fits into our foreign assistance

programs. The reporting requirements would undoubtedly be strengthened if title II were included in the AID foreign assistance appropriations.

As concerns the agencies' comments regarding potential administrative problems, if AID were given responsibility for commodity selection and procurement, we agree that AID should consult closely with USDA and volags on commodity needs, and we equally agree that USDA should handle the actual procurements. Indeed, we share OMB concerns about the cost-effectiveness of the title II program and believe that if AID were fully responsible for commodity selection, and directing the purchase of commodities using AID appropriations, this should help to promote a sense of cost consciousness on AID's part. Maintaining the continuous stream of commodities for the program such as the use of the CCC revolving fund now permits, is a mechanical question that need not be an impediment but that can be worked out on a reimbursable or other appropriate basis. And although the agencies maintain that pressures from commodity producers and processors would continue, we tend to believe that shifting the title II appropriation to the foreign assistance area might help to reduce unwarranted pressures and, notwithstanding USDA's comment, might even help generate additional support for the foreign aid program, rather than resulting in cuts in that budget, as USDA suggests.

In sum, although transferring full responsibility for the title II program to IDCA/AID would inevitably result in a number of problems and accommodations that would need to be worked out, we would generally view the benefits as certainly outweighing the effort needed to make these changes and, in the longer run, it is the poor and mainourished people of the developing world who should reap the real benefits involved.

Title III

AID stated that it would not be appropriate for it to comment on our proposal since extensive consideration had been given to alternative interagency relationships during the recent reorganization efforts and the President specifically decided not to alter the current DCC system. The other agencies, however, specifically disagreed with our proposal. They also cited the President's decision, and added that the DCC system allows State and USDA to preserve what they view as their "significant interests" in title III. They made two other comments:

--Since title III is so new, any decision to revise its budgetary or decisionmaking processes should be deferred until the executive branch has gained more experience with it; and, since title III is financed from and is an integral part of the title I program, splitting them could result in two competing programs, with conflicting decisions and ineffective management.

OUR EVALUATION

As we stated earlier, we do not fully agree with the results of the President's plan for reorganizing our foreign assistance programs, and feel that it is not broad-based enough to yield the kind of improvements in planning and administration that a broader reorganization should have made possible. Therefore, that decision need not be deemed irrevocable. Beyond that, however, we believe the other comments of the agencies also warrant introspection. Although they maintain that title III should not be split out because it is financed out of and is an integral part of title I, the legislation for the two programs makes clear they have differing objectives. Title I is sales and market development oriented, although recent amendments to the legislation are also giving it a greater humanitarian and developmental orientation. Title III, however, is clearly a development program. Therefore, we see no bar to splitting it from title I, nor can we agree with the agencies that doing so need result in competing programs. As for the financing, if title III is to be administered as a development program, then in our opinion it, like title II, should also be funded as part of AID's appropriation.

We have not reviewed the title III program or the decisionmaking processes for it in depth, and are therefore not making any formal recommendations on it at this time. However, we do not agree with the agencies that it is premature to consider centralizing responsibility and authority for title III in AID/IDCA. Indeed, to a great extent, which agency administers a program will determine how that program is administered. The legislation for title III indicates that it is to operate as a forgiveness of title I loan payments proceeds in exchange for a developing country's agreement to make available equivalent amounts of monies for mutually agreed development projects. Under that concept we tend to believe that the planning and administration of the development projects need not be tied to the original title I loans. We further believe that if those development projects are to have maximum impact, they should be planned and administered by our foreign assistance agency, IDCA/AID,

as an integral part of our foreign assistance program. In this way, they will have the best chance for success and for assisting in the development process of the beneficiary countries.

RECOMMENDATIONS

We recommend that the Congress enact legislation that would transfer to IDCA/AID responsibility and authority for (1) the title II program, 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.



BETTER TARGETING OF FOOD IS NEEDED. THESE HEALTHY LOOKING, WELL-DRESSED SCHOOL CHILDREN IN SRI LANKA'S CAPITAL RECEIVE TITLE II FOOD WHILE THEIR POORER COUNTERPARTS ON RURAL TEA ESTATES GO HUNGRY. DETAILS ON PP. 23 - 26.

CHAPTER 3

CHANGES NEEDED IN PLANNING, PROGRAMING, AND IMPLEMENTATION OF TITLE II

To achieve the basic human needs and New Directions objectives of aiding the poorer countries and the poorest people, there is a need for AID to restructure the way food assistance is allocated, programed, and delivered within developing countries. Our review shows that often little effort is made to identify the neediest people within a country, particularly in the more rural areas, and that the food assistance is not used as an integral part of the overall development program for a recipient country.

Although some progress has been made in channeling more food to the poorer countries, particularly in Africa, the lack of a long-range planning system for allocating and directing more food to the poorer countries has resulted in much available food going to the same country, area, or target group year after year, including relatively better off middle-income countries, instead of reassessing the programs and reallocating the food to those most in need. More often, the food donation programs have been allowed to be driven or limited by transport, storage, and distribution networks wherein the volags run the programs with a minimum of AID mission or host government participation. And although our observations in six countries show that U.S. food is helping many people, it is not making the kind of development contribution that should be possible--largely because title II is not yet widely perceived as a development resource by AID, the volags, or the recipient governments.

MORE FOOD TO POORER COUNTRIES

Essentially, title II is being programed at the country level. Although this is, to a considerable extent, necessary and appropriate because of many social and environmental factors, there is also a strong tendency for a program to become self-perpetuating and--in the absence of some extraordinary event--to continue unabated without regard to changes in the social or economic environment, or changes in AID priorities or in host countries' needs, or needs elsewhere in the world. Thus, countries that are relatively more economically advanced or that have demonstrated an ability to use title II food assistance tend to continue being large-scale recipients while poorer or relatively less advanced countries which lack a track record, or the necessary resources and infrastructure

to support an expanding title II program, tend to receive little of our food.

To illustrate, the number of Latin American nations receiving title II food has dropped from 17 in fiscal year 1975 to only 10 for fiscal year 1979. Yet, the level of food programed to these fewer countries is as much as title II food programed for all of Africa. In fiscal year 1977, Chile, a recognized middle-income country as developing countries go, received title II food valued at about \$18 million. As a further example, in 1976, over 50 percent of title II food assistance worldwide was concentrated in four countries-- India, Morocco, the Philippines, and Tanzania. Although three of the four are recognized poor countries, Morocco is commonly recognized today as a middle-income country, as is Tunisia, another relatively advanced North African nation and longtime title II recipient. Morocco received some \$17.2 million in title II food and was programed to receive \$16.0, \$13.3, and \$9.6 million, respectively, for fiscal years 1977 through 1979.

A computer analysis of title II programing further demonstrates that the program is not very responsive to the needs of the poorest countries. For a period of three fiscal years--1976-78--we compared the per capita size of each country program with gross national product (GNP), life expectancy, and infant death. So the effects of country populations would be minimized, these poverty indicators were expressed in per capita terms.

We found that there was little correlation between need and the size of the title II country programs. Whereas one could expect that countries with relatively higher per capita GNPs and longer life expectancies would have smaller food assistance programs, such is currently not the case. Regarding infant deaths, our statistics show that countries with higher mortality rates tend to have smaller food assistance programs. Although the general trend of the three indicators is somewhat favorable, it is quite apparent that considerable room for improving the focus and targeting of food assistance exists.

FOCUS ON NEEDY GROUPS

Although the title II program is reaching many people today in the countries we visited, it is also clear that food is not reaching the rural areas or the high priority MCH category as much as it should. Further, whether many of the

recipients are among these countries' poorest is questionable. In Tanzania, for example, the goal of the Government's MCH program, to which the United States contributes title II food, is to have a dispensary within reach of each rural village by 1981; but the Ministry of Health's program director told us that no analysis has been conducted to determine the total number of potential title II beneficiaries. In 1976, participating districts reported some 234,700 "at risk" diagnosed children who are potential title II recipients, and 1977 reports from participating districts indicate that the total number of children eligible for the program could be double the 1976 figure. He emphasized that his figures relate only to those children who have actually attended clinics and that he does not know how many more might be eligible. In addition, geographic gaps in coverage exist--some quite large. The Rukwa region in western Tanzania, for example, has only two Government-operated clinics, compared with 1,260 or more clinics for the other 18 regions. A good survey of needs, therefore, would probably justify a substantial expansion in the total program level.

CRS policy for its MCH program is to target all children under 6 years of age on the grounds that a continuing nutrition program to cure and prevent malnutrition is needed. Established CRS projects tend to be concentrated along Tanzania's main roads to facilitate transportation. These projects are also heavily centered in the traditionally food-surplus southern region around Iringa. Based on their knowledge of the CRS program and Government plans, AID officials have suggested a shift in CRS projects to traditionally food-deficient areas around Dodoma, further north. Because people in the Iringa region appeared to be in better health and were better dressed, and because food seemed to be more readily available than in the other regions we visited, we believe the CRS geographic coverage should be reevaluated.

In Sri Lanka, CARE officials believe 600,000 recipients is the maximum the MCH program can currently reach through the existing health system. However, this would mean that only 450,000 of the approximately 1 million preschool children and only about 150,000 of the estimated 250,000 moderately and severely anemic, pregnant women estimated to need nutritional intervention would be reached.

An analysis we requested indicates that many infants and preschool children of low-income families in rural areas were not being reached. For example, only 18 to 22 percent of the children in rural, low-income families in the districts of Colombo, Matara, and Kurunegala were estimated to be in the MCH program. These districts are among the eight districts

identified in the 1976 report by the Economic and Social Commission for Asia and the Pacific as having a high prevalence of malnutrition in preschool children.

Notwithstanding the needs in the critical preschool category, school feeding has been the major CARE program in Sri Lanka since 1956. Schools in the program were selected based on a 1973 study of primary school children, using a height-arm circumference measurement which provided an index of malnutrition in each school. Over 1.1 million school children aged 6 to 12 years were surveyed in 8,082 schools, and approximately 40 percent of the primary school children had below normal growth measurements. However, the 950,000 program recipients represent about 75 percent of all children in grades 1 through 5 (aged 6 to 10 years), and comprise about 7,350 of a total of approximately 9,200 schools.

For the future, the Government plans to admit children to primary schools beginning at age 5. This would increase enrollment in grades 1 through 5 considerably above the AID-approved recipient level of 950,000 children. CARE has suggested that as an alternative, it could feed all children in grades 1 through 3, except for certain urban schools.

In view of all the factors considered, the mission official responsible for title II agreed with us that CARE needs to better identify target groups for school feeding. He also believed that, overall, the CARE program may be too large in view of Sri Lanka's level of social development. It is important to note that the country's social programs include free food and food subsidies, health and education programs, and other services which have resulted in infant mortality rates, life expectancy, and literacy rates comparable with many developed countries. For example, based on the physical quality of life index ¹/ developed by the Overseas Development Council, Sri Lanka ranks relatively high despite low personal income levels. The American Ambassador, however, indicated that because of the improved relations between the two countries, a reduction in the title II program would not be encouraged even if relevant criteria suggested such action was appropriate.

Based on our own fieldwork in Sri Lanka, however, (see ch. 4), we concluded that the school feeding program

¹/This measure is based on infant mortality rate, average life span and literacy rate. Sweden ranks highest with an index of 100 and Sri Lanka 83. The U.S. has a ranking of 96.

is overprogramed and should be reassessed, particularly in favor of expanding the weak preschool MCH program. There is also a need to improve the targeting of recipients and schools within the school feeding program so the neediest children are assisted.

HOW INFRASTRUCTURE AFFECTS THE PROGRAM

Our country results clearly demonstrate that, rather than true needs or priorities determining the size, geographic composition, and type of title II program, all too often volag and host-country infrastructures are key factors in determining or limiting what the program can do. Correcting this situation will not be easy, and it will take time. If our food assistance is to be directed toward the greatest needs of the developing countries, however, then AID will have to begin working now with the volags and host governments to build up those infrastructures to reach those most in need of that food, particularly those in the MCH category and the rural areas. It is important to note that in some cases volag infrastructures are the key determinant or limitation, while in others the host government organization, or purely physical factors--such as storage and transport system inadequacies--are more significant.



TRANSPORT WEAKNESSES AFFECT DISTRIBUTION TO RURAL POPULATIONS. THIS RURAL MCH CLINIC IN SRI LANKA WAS ONE OF SEVERAL THAT HAD HAD NO FOOD TO DISTRIBUTE FOR MORE THAN 6 WEEKS. DETAILS ON PP. 52 - 58.

To illustrate, in Tanzania the weak transport system was repeatedly cited to us as a major program limitation. The limited rail system is overloaded and not reliable for transporting food to hungry people. Therefore, CRS got around the problem by relying primarily on commercial truckers to deliver its food. Our field tests also showed that while storage at the final distribution points was generally adequate to handle the small amounts of food involved, bulk storage conditions in Dar Es Salaam left much to be desired. Too, the bulk storage problem was not limited to the port area, because at one area, Dodoma, in the more northern food deficit area of Tanzania, we were told that much more storage capacity was needed and that notwithstanding the needs of the people in this area, there was no way that significantly larger volumes of food could be handled at present. Yet, despite these limitations and the greater needs further north, the CRS distribution infrastructure--schools, clinics, etc.--was heavily established in the more southerly food surplus area around Iringa, and CRS was resisting AID Mission and Tanzanian Government efforts to relocate to these areas of greater need. Thus, the CRS infrastructure, as well as inadequacies in the physical storage and transport sectors, are seriously affecting the title II program ability to reach the neediest people in Tanzania, or to expand.

In Sri Lanka, the infrastructure is again affecting the program, but in somewhat different ways. There, the school feeding program has been allowed to grow and the infrastructure has been built up over the years. As a result, about 75 percent of all school children in grades 1 to 6 are being fed today. At the same time, however, the higher priority preschool programs have not really had the same emphasis or growth and CARE believes that the current prospects for expanding the MCH program in Sri Lanka is limited by the existing infrastructure. Our own field tests indicate that the school feeding program has become overextended and is feeding a lot of children who really are not that needy and that, conversely, there are much greater needs in the MCH sector that are not being met adequately. Moreover, as chapter 4 discusses, we feel that, by comparison, other countries in Africa would be more worthy recipients of some of the food now going to Sri Lanka, which has a fairly high quality of life index and which is relatively more advanced than a number of other developing countries. Yet, neither AID nor the volag has taken the necessary steps to phase down or reorient the program in Sri Lanka and divert some of this food to higher priority programs and countries. Thus, the ready availability of the school infrastructure to serve as a distribution outlet for title II food has, to a large extent, continued to drive the program.

To an extent, the infrastructure problems in India affect the program in much the same way as in Sri Lanka. For example, program budget request documents state that protein-calorie malnutrition is widespread in India, particularly among preschool children who account for 17 percent of the population but 40 percent of total deaths. Yet CARE noted that although the Indian Government would like to emphasize MCH programs, 1978 increases were only anticipated in three states because of infrastructure limitations. Conversely, significant increases in school feeding were being justified largely on the basis that the state governments view school feeding as a top priority, even though AID has often noted that children from the lowest strata often do not attend school. CRS, which administers a much smaller program than CARE, similarly noted that leverage to change or redirect programs has been limited by India's infrastructure, thus resulting in the continued reliance on school feeding systems that have been in place for years.

The India program is by far the largest title II program in the world. Although it obviously would take a substantial amount of time, effort, and resources to turn the program around, in the long run, this is what must be done if it is to more effectively reach the highest priority groups and areas than at present. The same can be said for Sri Lanka and the other countries we visited. Decisions are needed, and the support and cooperation of the volags and host governments will be needed, to make the necessary changes from an expediency-oriented program to one which will maximize assistance to the poorest and highest priority groups. We believe that an effective and cooperative restructuring of the present system can be accomplished, with good results.

USE FOOD AS A DEVELOPMENT RESOURCE

The Public Law 480 legislation today seeks to use food assistance, including title II, not only to combat hunger and malnutrition, but also to promote economic and community development in host countries. Although AID is interested in doing this, our review shows that little progress has been made in this area. Contributing factors include (1) a lack of emphasis and guidance from AID/Washington for using food assistance within the overall development process, (2) AID reluctance to allocate the necessary staff and financial resources for planning and supporting innovative projects, and (3) the tendency for AID to look upon title II as a program planned and administered by volags rather than as an AID development resource.

The current management structure, under which AID shares responsibility for directing and administering food assistance programs with other agencies, also inhibits progress in this area. And the fixed nature of some volag organizations along with the lack of incentives for the volags to reorient their programs are further obstacles to integrating food assistance with development efforts.

The 1975 foreign assistance legislation reemphasized the concept of tying in title II assistance with other development programs to achieve a development as well as a humanitarian contribution. That legislation guaranteed for the first time that a consistent supply of commodities would be made available for the title II program each year. This in turn was designed to permit and encourage the volags and AID to plan broader, more comprehensive programs on a multiyear basis.

AID has made some efforts to promote both multiyear programming of title II food, and greater integration of title II projects into AID's overall country development plans and host government priorities. These efforts have included programming guidance to the field, various meetings, seminars, and papers on integration. The degree of interest and effort in doing this has not been consistent, and to date, AID has achieved only scattered success in its efforts to utilize title II as both a humanitarian and a developmental resource.

In the countries visited, we found that basically, AID missions are not involved enough in planning to ensure a development impact from title II programs. In the Dominican Republic and Peru, the volags and their local volag counterparts are basically making program planning decisions, and in India, the title II programs are being carried out exclusively by the volags.

A good example of how to integrate title II into development projects may be the Government-run MCH program in Tanzania. Title II food is to be distributed through health dispensaries to malnourished infants and women in hundreds of new rural villages being established by the Government. The goal is for these villages to become self-sufficient in food production within a few years, with the title II food being used to supplement the diets of only those who actually need it. The AID Mission and other donors have financed much of the basic equipment necessary for these dispensaries. Thus, the AID Mission has demonstrated its willingness to combine title II food with AID dollar-funded development projects, a situation that does not often occur.

AID has not found ways in which title II could be integrated into Sri Lanka and Ghana development programs. The major portion of title II in Sri Lanka is committed to a general school feeding program which has been allowed to expand and remain at high levels partly because of the ease in administering this type program. The AID Mission in Ghana had not considered combining food programs with other projects to assist national family planning and development of a rural health system. Title II has been treated as a separate program, planned and administered by the volags.

Inadequate guidance and emphasis on program integration at the Washington level are important reasons why only minimal progress has been made in integrating title II into AID development programs. Part of the problem may be a lack of staff, knowledge, or technical expertise at the mission level about planning such programs. Washington officials have offered to sponsor seminars and are considering sending mobile teams to assist missions in planning, but AID geographic bureaus, with the possible exception of the Africa Bureau, are not involved very much in title II matters. They acknowledge, however, that they should be more involved. Further, Bureau officials say it would be very difficult to integrate title II because of small mission staffs, volag weakness in planning such projects, and the need for more resources.

The availability of resources can be a problem. Integrating title II of necessity means that the food commodities must be combined with other resources. In our view, then, AID must decide on the level of support needed and on its willingness to make funds available from its food and nutrition budget to fully incorporate title II into the Agency's overall development planning and programming.

AID does make grant funds available to volags for general support and specific project purposes. For example, development-oriented contractual services through CRS and CARE for fiscal year 1978 exceeded \$40 million. We learned, however, that little use has been made of these funds for title II activities. In general, the volags feel that obtaining AID development program grants or operational program grants is too difficult to make the effort worthwhile. On the other hand, AID officials feel that the volags are not experienced enough in developing and justifying proposals for obtaining and utilizing these grants. This particular problem is not new, and suggests the need for both AID and the volags to work together to determine a better system that will provide the volags adequate incentives to seek such funds to support development uses of title II.

In fiscal year 1979 for the first time, AID is allocating \$3 million directly in support of country-level title II operations. This sum is intended as seed money to assist volags in developing worthwhile programs and to assist with operations in such areas as transport and distribution. We believe if title II is to be used as a development resource, it must be programed with the other AID appropriations and administered at the country level by AID missions as part of their overall development program for host countries.



WHO BEARS THE BURDEN? RATIONS WERE CUT IN HALF AT THIS MCH CLINIC IN GHANA WHEN THE U.S. SUSPENDED THE TITLE II PROGRAM DUE TO WIDESPREAD IRREGULARITIES. CLINIC WAS TREATING SERIOUSLY MALNOURISHED INFANTS. DETAILS ON PP. 62 -64.

COMMODITIES STILL INFLUENCE PROGRAM

Due to its surplus disposal orientation, title II has depended heavily on residual commodities to supply its program needs. Thus, determining types and quantities of commodities for the program has caused AID and the volags problems for years.

Even after the Congress eliminated the surplus requirement in 1966 and allowed USDA more flexibility in making commodities available, sharp increases in U.S. commercial exports in the early 1970s again resulted in severe cutbacks in the food available for distribution under title II. The program never fully recovered these losses, but to guarantee a food supply, in 1975 the Congress enacted the requirement that a minimum 1.3 million metric tons of agricultural commodities be distributed annually under the program. The 1977 amendments increased the distribution minimums in graduated amounts to 1.7 million metric tons each year by 1982.

Although the title II program has changed, it continues today to be subject to undue influence from the commodity side. Further, we believe that full authority and responsibility for administering the program, including control over the actual commodity types and amounts, should be vested in AID, but that AID should consult USDA on its needs and USDA should actually continue to procure the commodities. The current influences are different from those of prior years and arise more from the availability of certain surpluses and the pressures of the minimum tonnage requirement.

To illustrate, currently rice and nonfat dry milk are surplus, and USDA would like AID and the volags to utilize as much of these commodities as possible for the title II program. AID agreed, but first sought a 5-year guarantee of availability from USDA, a precondition that we were told was a "first."

Some volag officials welcomed the return of these two commodities to the program, citing the nutritional value of milk in particular and the fact that rice is a staple food in many poor countries. Other volag officials, however, noted the serious problems that they have experienced with milk in the past, including (1) its easy diversion to commercial markets, such as ice cream, (2) the need for proper equipment and potable water to properly reconstitute milk, and (3) the fact that milk is too rich for the diets of many young children and has caused severe diarrhea, particularly in Africa. They said they planned to resist the reintroduction

of milk to their program but, because domestic stocks were building up, they felt it was a foregone conclusion that they would ultimately be forced to use it.

The manner in which these two surplus commodities were made available and programed further suggests that, at least initially, surplus disposal was more an objective than was directing the food to those who most needed it. Basically, they were offered as "add-ons" or free additions for the fiscal year 1978 programs, whose ration levels and commodity mixes had already been approved by AID and the Interagency Staff Committee. For fiscal year 1979 and beyond, the milk and rice would have to be planned and programed by the volags as part of their regular title II programs, and it would be charged against the title II country program dollar and commodity levels. Thus, at least for the first year, the commodities would tend to just increase the ration level for ongoing programs, rather than permit expanding title II programs into new areas or countries that were not being reached by the program.

The minimum tonnage distribution requirement is also putting pressure on AID and the volags to distribute more commodities. For example, India officials recently told the volags that they would assume responsibility for much of the volag food-for-work programs. This decision was apparently designed to use up some of India's existing wheat surpluses, which are becoming huge. As soon as this decision had been made, however, AID and the volags programed substantial increases for MCH and school feeding in India which essentially made up for the shortage. This indicated that the desire to maintain existing worldwide program levels because of the minimum tonnage requirement was a strong motivating force in reprograming. AID officials acknowledged that without the India reprogramings, they could not have met the legislated minimum.

Although the example is somewhat unusual due to the size and significance of the India program, in our view it is another illustration of what will likely continue to happen in the future unless some fundamental changes are made in the way title II is planned, programed, and implemented. The current handling of commodity availability and selection is poor and continues to cause skepticism among volag and AID officials about whether title II is a humanitarian and developmental assistance program or a surplus disposal program. This is another reason why the Congress should centralize responsibility for title II and title III in IDCA/AID.

CONCLUSIONS

Our review shows that the title II program is not adequately reaching poorer countries or the needier people in the six countries we visited, particularly rural areas and the high priority MCH category. Nor is this food assistance being planned or programed in a way to contribute to the overall development process in these countries. Instead, the program is today being driven more by infrastructure availability or limitations and, to an extent, commodity availability, than by real needs.

We have concluded that fundamental changes are needed in the way title II food is planned, programed, and administered at the country level. We further believe that AID, and particularly its overseas missions, should become much more involved in food programing. In our draft report we proposed that AID strengthen title II by

- requiring that title II be planned and programed as an integral part of each country assistance program;
- establishing a long-range planning and programing system to direct more food assistance away from more advanced countries and expanding the program in poorer countries;
- developing better means of identifying where and who the neediest people are in each country, focusing our food assistance on them; and
- working with the volags and host governments to build the necessary country level infrastructures that will be required to enable expanded food assistance programs in the poorer countries.

It must be recognized that making the above changes will take time and resources. Equally, we believe that, to achieve these objectives, AID will not only need full authority to carry them out, but AID should also be held fully accountable for achieving results. An AID that controls the program's resources would have that authority, and this is why we are recommending that the Congress transfer responsibility for the title II program to AID. (See ch. 2.) We believe that it would provide a clear signal not only to AID, but to host governments and volags as well, that title II 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. We believe that title II can become this type of program, and that the potential results would be beneficial.

AGENCY COMMENTS AND OUR EVALUATION

AID commented that although the principal thrust of most of our proposals is sound and reasonable, various steps to improve the title II program have already begun. Following is a summary of our proposals, AID comments, and our evaluation.

1. That title II be programed as an integral part of each country assistance program.

AID quoted extensively from its fiscal year 1981 budget guidance to AID missions which requires them to analyze and justify how title II relates to or is integrated with the 5-year country development strategy statement. In addition, regional workshops are being held to discuss the use of food assistance as a development resource, according to AID officials. AID disagreed with our criticisms of the planning for the India program, stating that the volags should plan and administer title II programs, particularly for one the size of India. AID further disagreed with our report statement that increases in the MCH and schoolfeeding programs were attributable to decreases in the food-for-work program, and maintains that this occurred because the Government of India announced that it would assume responsibility for food-for-work, primarily because of its wheat surplus.

We recognize that the AID Food for Peace Office has been emphasizing integration in its annual budget guidance to the field. Indeed, AID had been doing this for several years prior to our review, and AID has held other regional workshops in the past as well. This chapter shows that the results of these efforts to date have been less than successful, however, and that title II programs are only occasionally being integrated in any meaningful way into our broader foreign assistance programs.

We believe that not only the AID Food for Peace Office but AID officials at all levels--particularly the geographic bureaus and the overseas missions--should be concerned with title II and should treat it as a part of the AID program. As for program planning, we agree with AID that the volags should do the basic planning. Our review, however, shows that the AID missions have not been involved enough in

channeling these programs to the poorest countries or the most needy areas or in working with the volags to develop title II projects or overall programs that make substantial contributions to the overall U.S. assistance program. Instead, the volag programs are being allowed to expand just because infrastructure permits or conversely, they are left to limp along because adequate transportation, for example, is not available, and the AID mission is not making the necessary effort to program title II into its regular AID dollar-funded program, or support title II with the use of those monies. This is again a major reason why we believe AID missions need to become more involved in program planning. As for India, the facts are that because of the tremendous size of the program, when the India Government decided to assume responsibility for food-for-work, the size of the title II program would have declined substantially. Equally, worldwide AID would have had substantial difficulty distributing the minimum tonnage required by the legislation had AID not programmed increases either in the other title II programs in India, or in other countries.

2. That AID establish a long-range planning and programing system to direct more food away from more advanced countries and expand it in poorer countries.

AID stated that it has been successful in doing this, and cited the following statistics.

- For fiscal year 1979, over two-thirds of title II food will go to countries with an annual per capita GNP of \$280 or less.
- Programs in the three middle-income countries we cited (Chile, Morocco, Tunisia) reached 5.3 million recipients in fiscal year 1969 (about 7 percent of the total), but this has been reduced to 2.4 million recipients or 4.4 percent of the total for fiscal year 1979.
- While the Latin American program funding levels varied throughout the 1970s, the fiscal year 1980 planning figure is \$46 million, and the programs have been phased out of more advanced countries in favor of the poorer countries. Moreover, the \$18 million for Chile in 1977 was the high point for that program, the proposed 1980 level is \$4 million, and the entire program is to be phased out in 1982.

Although the statistics cited by AID do indicate substantial progress in phasing down title II programs in some relatively more advanced countries, we believe that individual statistics alone are unreliable and that the results of our review adequately demonstrate the need for longer range, systematic planning of title II food. To illustrate, AID cites statistics indicating that the Chile, Morocco, and Tunisia programs have been phased down considerably, but elsewhere in its comments AID acknowledges that title II programs in the latter two countries were recently reevaluated with the goal of either redirecting the programs to accomplish specific nutrition goals or to establish firm phase-over dates. Meanwhile, in fiscal year 1980, Morocco is still scheduled to receive some \$10.4 million worth of title II food. Although the Chile program is said to be scheduled for phase-over by 1982, AID acknowledges that the Latin American program levels have varied all over the lot, and we have noted that other country program phaseovers have similarly been so scheduled, and then delayed, and rescheduled. And, for fiscal year 1980, 15 countries in Latin America, some of them admittedly poor, will receive about \$46.2 million worth of title II food, while the \$63.6 million title II programed for Africa--excluding the more advanced north African nations like Morocco--will be split among 34 countries. Therefore, whether AID will phase down title II in relatively more advanced countries like Chile, Morocco, and Tunisia where it has become entrenched, and redirect this food to the poorer countries remains to be seen. Expanding title II programs in Africa, however, will require time, and planning, and resources other than food to build the distribution system. We, therefore, believe longer-range planning and systematic programming is needed, and that AID needs to integrate title II as much as possible into the planning of our overall AID programs in the poorer countries.

3. That AID develop better means of identifying who and where the neediest people are in each country, and focus our food on them.

AID commented that it has developed a worldwide title II evaluation system to identify the needy and determine program effectiveness. With four evaluations completed, including Morocco and Tunisia, and the fifth (India) underway, AID's goal is to conduct an in-depth evaluation of all title II programs during the next 3 to 5 years. As part of the India evaluation, a statistical sampling technique is being developed and by fiscal year 1981, AID expects to have in place a data collection system that will provide more definitive

information on program impact and effectiveness. AID further commented that it is also financing a project in three African countries which will help determine if the food assistance is getting to the right people.

AID efforts now underway to identify and target title II recipients in India, and the three African countries more precisely, as well as its efforts to refocus or phase-over the Morocco and Tunisia programs will, we hope, eventually result in improved country programs that better focus limited title II resources on the most poor. To yield real results, these evaluation and surveillance studies will have to be followed, in a number of cases, by difficult decisions. In any event, we concur in AID initiatives to improve the distribution and targeting of U.S. food assistance.

4. That AID work with the volags and host governments to build the necessary country level infrastructures that will be required to support expanded food aid programs in the poorer countries.

AID commented that it has approved a 3-year "Title II Outreach Project," totaling \$9 million, to help the volags meet the logistical support costs of establishing or expanding feeding programs in rural areas. In fiscal year 1979, about \$3.4 million of this is to be used to finance warehouse construction, purchase trucks, and hire warehouse workers in five African and two Latin American countries. Similar activities are planned for four or five countries over the life of the project, and AID stated that if additional resources are made available, more countries can be reached.

AID further commented that while infrastructure is a serious problem area, particularly in Africa, substantial resource inputs would be needed to effect major improvements, and it should be recognized that the infrastructure problem is a much broader issue that affects national capabilities, and not just title II. OMB also commented that it concurs with our position that the title II infrastructure needs to be strengthened.

As our report demonstrates, infrastructure often is a serious limitation to program expansion, and, if title II is to reach more people in these poorer countries, then resources other than food will be needed to permit it to expand. Therefore, AID's plan to allocate AID appropriated funds to support expansion of title II programs is a step forward.

We believe however, that, where possible, attempts should be made to solicit other donor support for such items as trucks or construction of warehouses. This has been done, for example, in the recent massive purchases of trucks by the European Community for the Ghana emergency food program. At the time of our fieldwork in Tanzania, we were told that various donors were considering jointly contributing to a major warehouse construction program there. In this way, multidonor pooling of resources may permit much broader improvements than would obviously be possible through just one donor's efforts. We also hope that the use of such separate funding as this Outreach Project, which will presumably be programmed by the AID Food for Peace Office, will not become a substitute for, or alternative to, integrated planning of title II with AID development programs. AID has indicated, for example, that the current outreach project should help support title II logistical systems in seven countries, and stated that if additional funds are made available, more countries could be reached. Thus, it is clear that \$9 million, or even double that amount, is not going to solve the transport and storage problems in Tanzania or Ghana.

Providing isolated amounts of funding on a one-shot basis can solve small problems but cannot, in our view, be expected to solve major problems. Rather, we believe that integrating title II into AID's regular development programs offers much greater potential for solving title II's infrastructure, as well as other, problems and for promoting program expansion. By pursuing a broader, integrated approach, much greater amounts of resources, either from AID's foreign assistance appropriations or from other food-assistance donors, can be brought to bear on the problems which affect not only title II but all development programs in a particular country. Conversely, title II food, particularly food-for-work projects, can be used on projects which help solve the infrastructure problems, such as, constructing bulk storage in Tanzania. Strengthening the organization for title II in the poorer countries will take a concentrated effort, but we hope that AID will make that effort.

RECOMMENDATIONS

With respect to actions we believe can be initiated at this time, we recommend that the AID Administrator take the following steps to improve the title II food donation program:

- require that title II be planned and programmed as an integral part of each country assistance program;

- establish a long-range planning and programing system to direct more food assistance toward poorer countries;
- develop better means of identifying where and who the neediest people are in each country, and focus our food on them; and
- work with the volags and host governments to build the necessary country-level infra-structures that will be required to support expanded food assistance programs in the poorer countries.

CHAPTER 4

PROGRAM OPERATIONS IN SIX COUNTRIES--PROBLEMS

IN STORAGE, TRANSPORT, AND DISTRIBUTION

Our review focused on three crucial areas--storage, transport, and distribution--in which all six countries seemed to have some difficulties. Not surprisingly, these difficulties could often be traced to the problems discussed in chapter 3. We believe these areas could be improved if IDCA/AID were given full responsibility for the title II program and were encouraged to integrate it with other AID programs.

STORAGE CONDITIONS AND PROBLEMS

Because of the potential food loss or deterioration due to insects, dampness, theft, and other factors, storage conditions at the country level are important. In fact, because of storage problems in the past, the Bellmon amendment was enacted in August 1977 to ensure that U.S. food is adequately protected.

"No agricultural commodity may be financed or otherwise made available under the authority of this Act except upon a determination by the Secretary of Agriculture that (1) adequate storage facilities are available in the recipient country at the time of exportation of the commodity to prevent the spoilage or waste of the commodity * * *."

In practice, AID/Washington is asking the overseas missions to verify that adequate storage is available. Although the Bellmon amendment was enacted just prior to our fieldwork the following results of our inspections of title II storage conditions in the six countries we visited between September 1977 and January 1978 show that AID, the volags, and WFP should give increased attention to storage.

Ghana

The program in Ghana illustrates how generally adequate physical facilities but poor security or control over receipt, storage, issuance, and transport of the food, can result in the loss and diversion of a substantial portion of our food to unauthorized uses. In Ghana we were able to visit a variety of facilities. Whether we were inspecting 6,000 bags of non-fat dried milk in bulk storage at Takoradi port, or 43,000 bags

of sorghum stored at the Kumasi regional storage center, or small quantities of food at CRS distribution centers, most storage facilities were dry, clean, well-ventilated, and food was properly stacked on pallets. In addition, of the 93 CRS end-use reports we reviewed, only 4 indicated that storage was not satisfactory. The most serious problem reported was that pallets were not used.

Even though the physical condition of the facilities appeared satisfactory, however, both the title II government-to-government emergency program and the CRS regular program in Ghana have suffered because of (1) poor control over receipt and distribution of food and (2) inadequate monitoring by AID or volags. For example, at the port of Takoradi numerous people had access to the storage sheds. An AID contract employee told us that pilferage had been a constant problem. The workers purposely mishandled or slit the sacks while onboard the vessels, during unloading, and while trucks were loaded. In fact, while inspecting the food, we noticed several partially full bags which appeared to have been deliberately slit.

When the title II emergency program began, the AID mission contracted for three temporary personnel to monitor the program. Although the AID mission monitored the port and reported heavy pilferage there, the extent of theft apparently was not fully recognized until the AID Area Auditor General audited the program. During this time, the AID mission had not been monitoring CRS or WFP program operations. Unfortunately, CRS was unknowingly experiencing heavy losses of its food--both in the port and during transport.

The AID mission had suggested that WFP audit its Ghana program because of the high probability that it was also incurring serious losses and diversions. We were told that the AID mission has periodic meetings with the WFP resident representative, who has no staff. For the most part, however, the mission feels they should not get involved with WFP because of its international character, and several mission officials also felt that AID regulations were not certain about how involved the mission should become.

Subsequently, in October 1977, the AID Area Auditor General for Africa reviewed (1) all shipments from the port to regional staging points and (2) the food distribution in three of the fourteen affected districts. His review showed that 410 metric tons (9,046 bags), or 7 percent, of the title II food delivered to Ghana was either lost in the port or lost enroute to the up-country locations. His report also stated that another 278 tons (6,119 bags) were missing during

shipment from the regions to the district level. A later AID audit showed that high losses had occurred in the CRS program as well.

As a result of the audits, AID suspended the emergency program in November 1977, pending government reforms. In addition, CRS planned to tighten controls and place a permanent staff at the port to administer its program. It was obvious, however, that good program administration should have included tighter government controls and much more monitoring of the port situation by AID and CRS early in the program. As concerns WFP's program, we were later informed that an audit was planned. In our view, AID and volag attention to daily program operations, and greater attention to WFP's administration of programs involving U.S. title II food is needed.

Dominican Republic

The four major food storage facilities are located in Santo Domingo and are provided by the Government. We believe the facilities were satisfactory, although we did note that one volag facility had water leakage which could potentially damage the food. The facilities appeared to be adequately guarded and warehouse personnel were available at established periods to distribute title II food. Storage facilities at individual project sites were also adequate. The only deficiencies we identified were one instance of food not being separated from nonfood items and the failure of a regional warehouse to place food on pallets.

Peru

We visited ten title II warehouse facilities used by the Government and two volags. Although the facilities were generally clean, dry, and well organized, we did note deficiencies. Of the ten storage facilities, for example, three were not storing food on pallets, and damaged or spoiled food had not been removed from usable commodities at other facilities. We identified about 1,100 pounds of spoiled title II food provided to WFP which was also not removed from usable food. In addition, four storage facilities were not fumigating to combat rats or insect infestation.



PERU. PORT STORAGE AT LIMA. ALTHOUGH UNDER ROOF, OUTSIDE STORAGE CONTRIBUTES TO FOOD DETERIORATION, AND DAMAGED COMMODITIES WERE NOT SEGREGATED FROM GOOD FOOD.

We also visited the Port Customs storage facilities at the Port of Callao. Title II food is stored in an uncovered area surrounded by a metal fence with controlled entry. We were informed by the Custom Warehouse Chief and the Assistant Food for Peace Officer (FFPO) that this uncovered storage results in commodity deterioration, although the extent of damage is difficult to determine.

India

Although in general U.S. food was adequately stored at the locations we visited in India, we did observe some problems. We also observed other problems associated with storage involving poor distribution practices and inadequate supplies of certain title II foods for distribution.

Title II commodities are unloaded at several ports in India and as of December 1977, the volags had over 4,000 storage areas in the country. These included 250 CRS consignee warehouses and CARE's district warehouses. In addition, there were over 3,400 subdistrict or block storage facilities in the CARE program.

In Madhya Pradesh, we visited two district warehouses CARE constructed in 1969 which were ultimately turned over to the State Government. The warehouses were used to store both title II and other food. Although very little title II food was in these warehouses at the time of our visit, we noted some evidence of insects and spoiled food. In our opinion, however, these facilities appeared to be generally adequate for storing title II foods.

**THE GOOD STORAGE PRACTICES
AT THIS DISTRICT WAREHOUSE
WERE TYPICAL OF CONDITIONS
OBSERVED IN INDIA.**



In Kerala, we visited CARE's central depot, three district and four subdistrict storage facilities, and the storage facilities of five CRS consignees. CARE commodities, transported and stored by the Kerala State Warehousing Corporation, seemed reasonably well cared for. The worst problem was that two storage areas were dirty and had some spoiled food. Facilities of the five CRS consignees were fairly adequate for short-term storage, but could be viewed as marginal if food were stored for prolonged periods. Garages and cellars were also used in some instances. Main problems included a storage area which was dirty, showing evidence of insects and damaged and improperly stacked food. Another area appeared to have rodents and a third had mold on food packages.

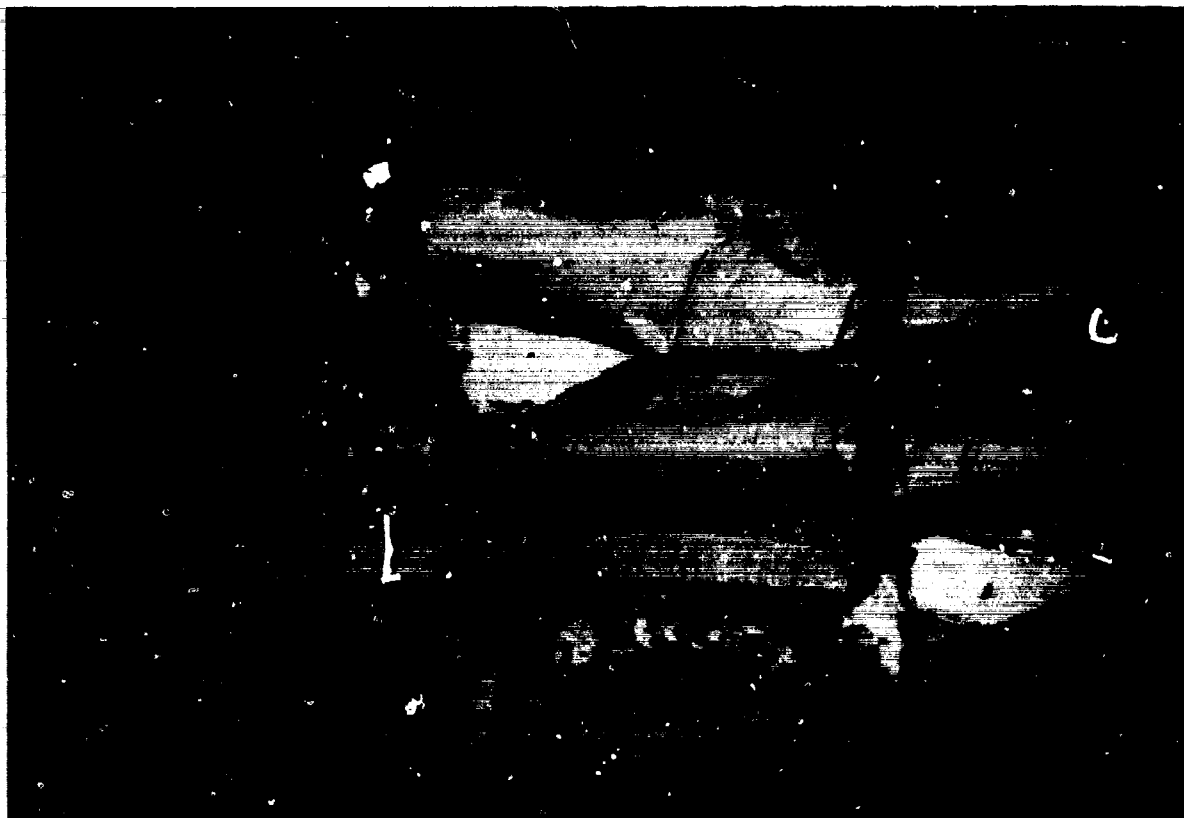
The Chief of the AID Mission's Program Division told us that the Indian Government now has a major program to increase the volume and improve the quality of food grain storage facilities throughout India. The storage capacity should increase by 1984, for example, from 5.5 to 11.5 million metric tons.

If this increase occurs, the adequacy and availability of warehouses should be substantially improved.

Sri Lanka

In our opinion, conditions at the primary storage areas in Sri Lanka were inadequate. Better monitoring of storage also seems warranted, but the AID mission had a staff of only four officers at the time of our review.

CARE normally uses two government-owned warehouses for storage of title II commodities in the Colombo area--the Beira Lake Stores warehouses and the Chamblers Granaries. CARE also uses a privately managed warehouse (Delmege Stores) for commodities after they are blended. According to a September 1977 management consultant's report on food and grain storage practices in Sri Lanka, there were bird and insect infestation problems in varying degrees at these facilities and at the Colombo Port facilities.



BIRDS WERE PECKING THROUGH THE BAGS AND EATING AND CONTAMINATING THE FOOD IN THIS MAJOR TITLE II WAREHOUSE IN SRI LANKA. BROKEN BAGS ARE ALSO EASY TARGETS FOR INSECT INFESTATION.

CARE records indicated that the Government has been notified of the conditions at Beira Lake Stores and that actions would be taken to improve conditions. During our own visits to the facility, we noted that some repairs were in process but birds were still entering the warehouse through doors left open to provide ventilation. Our visit to the port warehouse showed that

- CARE and WFP title II food was improperly handled;
- the warehouse was dirty, and food was not placed on pallets;
- broken bags of title II food were on the floor; and
- bird and insect damage was severe, contributing to further food losses.

Problems such as these indicate a need for increased attention to the primary storage problem in Sri Lanka.

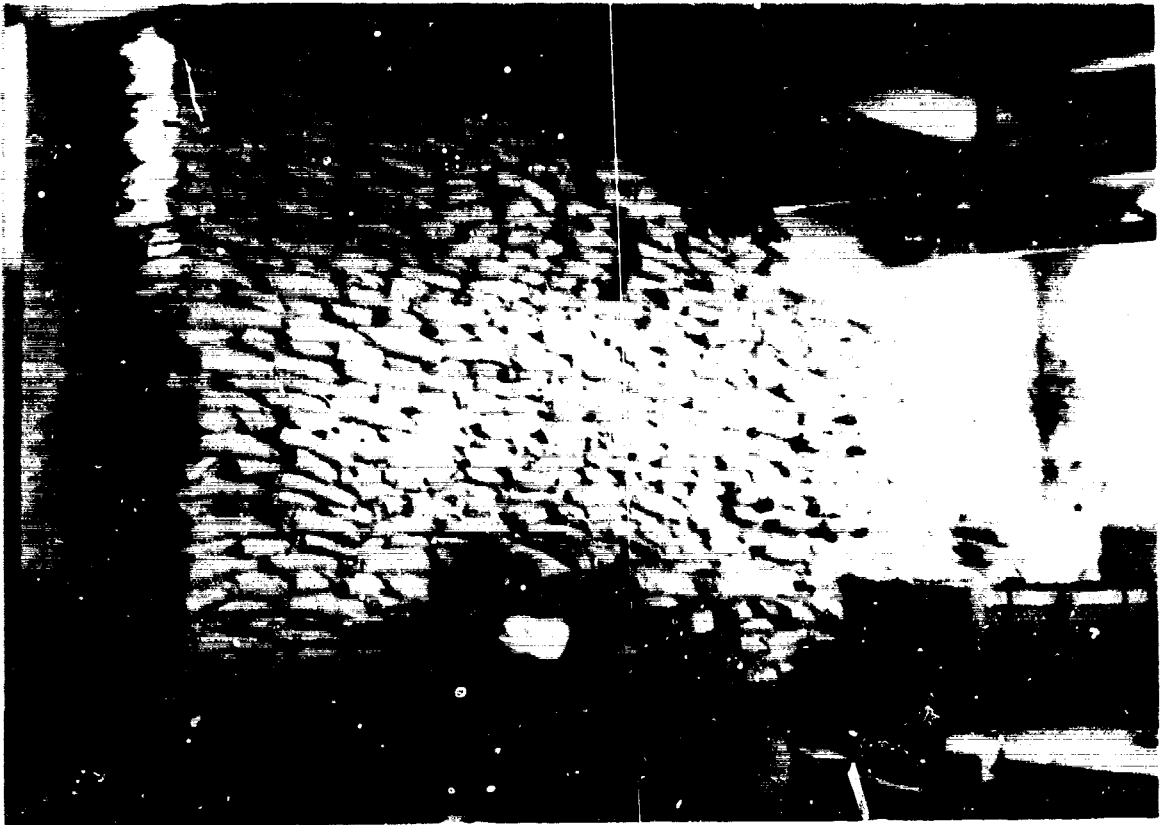


SOME OF THE MANY BROKEN BAGS AND LOOSE SWEEPINGS THAT WERE CREATING SERIOUS INFESTATION PROBLEMS AT THE COLOMBO, SRI LANKA, PORT WAREHOUSE.

Tanzania

Storage conditions were often inadequate in Tanzania. In November 1977, for example, we inspected the Dar es Salaam port facilities for title II food and found that substantial improvements were needed. The warehouse floors were coated with mud and paper scraps and the warehouses were accessible to anyone working at the port. The buildings often housed numerous items besides food. Large amounts of food were also stored outside, although at the time of our inspection, none was of U.S. origin.

Some of the bags of food in the port were also damaged. The FFPO said that this resulted from the use of nets rather than pallets to offload the ships. He said the nets put stress on the bags and they break open. In addition to the damage from nets, bags of food and containers of oil have been damaged at the port by the workers, according to FFPO and CRS supervisors. The CRS supervisor stated that past experience indicates a 10-percent damage rate for U.S.-donated food caused by rough handling.



DAR ES SALAAM, TANZANIA. FOOD WAS USUALLY STACKED MUCH TOO HIGH IN WAREHOUSES IN TANZANIA.

In Dar es Salaam, the CRS forwarding agents' warehouses were adequately large and clean, although in one instance milk was not properly stacked or placed on pallets. The CRS and Government up-country storage facilities located in the five regions that we visited were also generally neat, clean, and secure. In a few cases, however, we noticed evidence of rodent and insect infestation.

A district warehouse we visited in Manyoni which functioned as the storage facility for the Singida Diocese was in less satisfactory condition. The warehouse was crowded, dirty, and disorderly, with food spilled on the floor. On one stack of food we noticed that rodents had chewed through several bags and that most of the food was not on pallets. The CRS representative with us said he had discussed the poor storage conditions with the Diocese Director and was considering sending food directly to the Diocese subcenters as a consequence. In addition, at a CRS day-care center we visited, the food was not stacked properly, and some of it was insect-infested.



TANZANIA. STORAGE CONDITIONS WERE POOR THROUGHOUT TANZANIA. GOVERNMENT WAREHOUSES WERE DIRTY AND INSECT RIDDEN, AND THOUSANDS OF BAGS WERE OUTSIDE IN HIGH HEAT AND HUMIDITY. HERE, GAO AUDITOR INSPECTS SOME OF A 1,000-CARTON SHIPMENT OF SALAD OIL THAT HAD BEEN STORED OUTSIDE FOR A MONTH.

We also visited storage facilities for the Government MCH program. In Dar es Salaam we observed that the Medical Supply Stores facilities did not have room to store food shipments for the MCH program. The two warehouses we inspected were full but contained no title II food. Instead, about 1,000 cartons of title II peanut oil had been stored outside for a month, and some were damaged. Similarly, only two of four Government MCH centers we visited had U.S. food. Both centers were clean, well-secured, and the food was neatly stacked.

Regarding storage for the Government title II emergency food programs, the FFPO reported to AID/Washington in October of 1976 that his inspections showed the Tanzanian Government is properly storing U.S. emergency food donations. However, our review in November of 1977 at three major locations showed that this was not always the case. At the Manyoni warehouse location, for example, about one-third of the approximately 165,000 bags were stored outside, but the food appeared in good condition and it was covered with tarpaulins and was on pallets. At Dar es Salaam, however, the U.S. food was stored outside on the ground under dirty tarpaulins and some of it was haphazardly stacked. At all three locations, the food was stacked too high, putting pressure on the bottom bags, preventing air flow, and causing damage to falling bags.



TANZANIA.

**THIS MANYONI DISTRICT
WAREHOUSE WAS DIRTY,
AND RODENTS HAD CHEW-
ED THROUGH SOME OF THE
BAGS.**



BULK STORAGE CONDITIONS WERE A SERIOUS PROBLEM AREA IN AT LEAST 2 COUNTRIES. HERE GAO AUDITOR POINTS TO ONE OF MANY INFESTED BAGS OF TITLE II FOOD IN BULK STORAGE WAREHOUSE, SRI LANKA.

The Dodoma manager stated he required over 20,000 tons more storage space to meet his needs. He said he did not receive all the U.S. food consigned to him because of inadequate storage space. During our visit to the Dodoma warehouses, the outside storage was filled with locally produced food.

At Dar es Salaam, there were insects flying or crawling around the warehouses where food was stored. Generally, air vents were not screened, allowing easy entrance of insects and rodents. Most of the warehouses were dirty and obviously had not been cleaned in some time. Food was spilled on the floor and there was a considerable amount of dirt, dust, and cobwebs. Contaminated food and open bags were stored next to good food, and hundreds of broken bags needed rebagging.

The FFPO made two extensive field trips early in his tour. He had not, however, made further inspections in the 9 months before our review. He had no one to assist him, and he noted that he had only been able to devote about 31 percent of his time to the title II programs in Tanzania because of other duties, including visits to Burundi, Somalia, and Mozambique. Volag monitoring was obviously also weak, because many feeding centers had not been visited or inspected at all.

Monitoring of WFP projects was almost nonexistent, and WFP also had storage problems. The WFP representative told us that Tanzania receives WFP food for 2 other countries besides Tanzania. He and his only assistant had spent most of their time since his arrival there in January 1977,

identifying the WFP food in storage and trying to expedite its movement. He said that although he had reconciled all shipments since January 1977, he had visited the port with the FFPO and CRS representatives and they found approximately 5,000 bags of corn-soy-milk consigned to CRS and WFP that had been in port warehouses for well over a year, unknown to them. He said this food was unfit for human consumption, that good food was being mingled with it and becoming contaminated, and that the FFPO was trying to help him establish ownership and dispose of it. The food was apparently intended for other countries and he lacked proper shipping documents, so he could not establish ownership for WFP. We believe the above situations illustrate the need for greater attention to storage and to program monitoring in Tanzania.

TRANSPORT--A SERIOUS PROBLEM

Our review shows that inland transport is a fairly widespread problem and that it is impeding the effectiveness of title II operations in at least four of the six countries. Inadequate transport capacity particularly affects the ability of the volags and host governments to reach the poorer people in rural areas, and in the critical MCH category which is AID's top priority. The problem is often caused by an inadequate number of vehicles. Although the problem can be remedied to some extent, in some cases, the inadequate road systems or the inaccessibility of certain areas, particularly during the rainy season, can be a serious obstacle to the effective delivery of title II food.

We believe that AID needs to consider ways of increasing transport capacity, including multidonor solutions. Although strengthening that capacity will take time and resources, we believe this is necessary if title II is to expand in the poorest countries, as contemplated by the legislation.

Ghana

According to mission records and officials' statements, inadequate transport has always been a problem. When the emergency in 1977 caused the title II food shipments to triple, the transportation system proved inadequate. Several AID mission trip reports indicate that shortages of trucks, fuel, and spare parts, in addition to an inadequate road network hindered distribution to the northern districts. The scarcity of diesel fuel in the north caused hardships and competition among the transporters and farmers. The AID Auditor General reported that Government officials in the northern

region were unable and unwilling to provide vehicles to transport the food commodities from the regional headquarters in Tamale to the various districts and villages. As a result, the needy districts had to hire their own transport.

AID mission field trips indicate numerous instances of food being delayed or diverted as the following examples show.

--In Gambaga, Government officials were unable to distribute food directly as planned because of limited transport capability.

--Tumu mission expected 1,000 sacks of grain and received only 120.

--The Catholic mission in Lasra had not received any emergency food and was using the regular food provided under the school feeding program for the emergency.

--Vehicle and fuel shortages and bad roads compounded by rain caused some villages to be inaccessible.

The international community attempted to alleviate the transport problem in 1977 when the British Government and the European Economic Community donated trucks for use in Ghana. AID mission officials told us, however, that they really hoped the United States would not get involved with transportation of the food. In the case of Ghana, however, it appears that our food assistance was programmed without adequate consideration of the transportation needs, and that the Government obviously could not do the job alone. Under these circumstances, we believe that efforts should have been made earlier to improve transport, and that these efforts could have been pursued on a multidonor basis, as the European Economic Community later did with its substantial contribution of trucks.



FOOD TRANSPORT PROBLEMS SERIOUSLY LIMIT THE TITLE II PROGRAM IN 4 OF 6 COUNTRIES SURVEYED, AND CAUSED THESE PRESCHOOLERS IN INDIA TO RECEIVE ONLY A MAKESHIFT GRUEL. DETAILS PP. 56 - 57.

Tanzania

Officials we talked with at CRS, the Government's Ministry of Health, and the AID mission generally agreed that the transportation network in Tanzania is the major problem with the title II program. They said the lack of sufficient railway cars presents the biggest bottleneck in the distribution system. Further, because the rail system consists of a single track, service can be slow, especially to remote regions. Due to the usual unavailability of rail cars, it took at least 1-1/2 months for most distribution centers to receive their wheat shipments and some centers still had not received food by that time. At certain times of the year, such as harvest time, the availability of trucks is also especially limited. Tanzania has mostly unpaved roads making truck transport difficult and sometimes impossible. In addition, because fuel is expensive, truck transportation is more expensive than rail.

In Dar es Salaam, as of November 30, 1977, the CRS forwarding agent's warehouse contained about 2,600 bags of food which had arrived in August 1977. The forwarding agent said only one or two rail cars a month are available for making shipments to main distribution points. The agent also said a rail car can handle about 550 containers of food (at 50 pounds each). If only rail transport were used, therefore, the food shipments would require five rail cars and would take about 3 to 4 months to complete. However, the Dodoma Diocese feeding project requires at least two rail cars a month to ship its supplies.

The CRS coordinator in the Arusha Diocese indicated that he normally received food 24 hours after a shipment from the port of Tanga, but also stated that food shipments had been delayed for several weeks due to a shortage of rail cars.

According to the CRS Director in Dar es Salaam, rail shipments beyond Dodoma to the Western regions averaged from 3 to 6 months in reaching their destinations. Bad roads in these areas further hampered timely food deliveries.

The Government official responsible for distribution in Dar es Salaam for the Government-run MCH program stated that he needs trucks to solve his distribution problem. The Ministry had only two trucks at its medical stores facility which were used solely in Dar es Salaam. Officials in Dodoma said that the region lacks sufficient transport for distributing MCH supplies and food because only three vehicles are available for reaching 70 MCH clinics.

Various officials in Tanzania told us that distribution for the MCH program had not been very effective because (1) like CRS, the Ministry of Health faces the same general lack of transportation assets in Tanzania; (2) the Government has other high priorities and the Ministry of Health lacks the influence to get the transportation assets it needs; (3) food supplements are not looked upon very favorably by the Government; and (4) the Health Ministry lacks sufficient financial resources to distribute the food. Because of the transport situation, CRS started using commercial freight channels. CRS, however, has been forced to pass these costs on to the ultimate recipients. The charges ranged from 1.5 to 5 Tanzanian shillings a month (19 cents to 63 cents) for MCH recipients. At one day care center, participants pay up to 17 Tanzanian shillings (\$2.13). Moreover, center officials expect charges to increase because transportation costs are increasing.

Receipt of food by the center is also based on payment. One coordinator said centers have been refused food for inability to pay but that this does not occur often because center personnel usually have the money.

This situation is undoubtedly preventing CRS from reaching the poorest people and from expanding its program into more rural areas. In fact, the CRS Director stated to us that he cannot reach the more remote areas at all. We also noted that in an audit of the program, the AID Area Auditor General for Africa stated his view that title II program objectives did not intend that recipients pay for food they receive. The report recommended that CRS devise a program

under which recipients would not have to pay the commodity transportation cost, and stated that if CRS is unable to pay the cost, the Government should absorb it.

Both CRS and U.S. AID mission officials mentioned that AID/Washington had a program in the proposal stages to provide grant assistance for the transportation of title II donated food. The CRS Director said the CRS African Coordinator had already instructed him to prepare an estimate of his requirements.

Transport of title II food within host countries is usually the responsibility of host governments. It must be recognized, however, that some countries either cannot afford these costs, or have a limited transport system. Elsewhere in this report we noted that AID has available in fiscal year 1979, for the first time, a fund to support country-level operations. Also, the legislation now permits limited sales of Public Law 480 food to help improve food distribution and storage systems. In general, however, we believe that Tanzania is an outstanding example of the need for applying and programming food aid together with nonfood resources, to foster a more effective title II program that can carry out its legislative mandate.

India

Although the system for transporting and distributing title II food in India varies somewhat depending on the volag and particular program, the food is basically moved by way of Government-run transport systems. Because of the size of the volag programs in India, we obviously could not test more than a small sample of the transport/distribution network. Our tests indicated, however, that problems were fairly widespread in the State of Kerala at the time of our review.

Various CARE officials in Kerala told us that the State is very poor and that although the title II food was badly needed, they were having problems keeping enough food in the pipeline. They attributed the problems partially to bunching-up of shipments from the United States, which caused internal warehousing and transport problems. However, the primary problem appeared to be the State Government's policy of only transporting full truckloads of food for reasons of economy.

The officials stated that because the State Government is very poor, it will only authorize shipments of full truckloads of grain or oil from the depot to district or subdistrict level. Moreover, once the grain or oil reaches the

district or subdistrict level, it is not redistributed, for the same reasons of economy. We were told that this situation tends to result in the grains being shipped to one end of the State, and oil to another. As a result, both CARE and CRS were experiencing a widespread lack of oil. We were told--and our field visits confirmed--that this was causing disruptions in the title II programs because some recipients would not eat the grain when prepared with water.

We noted that some district and subdistrict storage areas had no oil in stock. Other areas had large stocks of oil which had not been distributed because of inadequate grain supplies to distribute. Still other locations had almost no grain or oil. For example, one CARE subdistrict warehouse we visited on January 4, 1978, had almost 700 bags of title II grain on hand, but no salad oil. We were told that the salad oil stocks had been exhausted on November 5, 1977, and that the remaining stock of grain was largely due to the fact that some headmasters had not been picking up the grain for their schools because of the lack of oil to prepare it with. Another CARE warehouse contained 76 cartons of oil (carton=6 U.S. 1-gallon cans), but only 75 bags of title II blended foods. This warehouse serves some 55 schools.

Similarly, a CRS warehouse we visited on January 6, 1978, had 3,000 bags of grain, but had been out of oil for 3 months. Yet, other CARE and CRS warehouses that we visited in Kerala had large stocks of grain or oil, or both. For example, one CRS consignee had about 2,850 bags of title II food and 872 cartons of salad oil, and a CARE central depot had distributed all its grains but had 998 cartons of oil on hand. In summary, our tests indicate that the transport situation in the India program warrants greater consideration in the planning stage and increased monitoring by AID and the volags.

Sri Lanka

Sri Lanka also has experienced some transportation difficulties. The inland transportation system in Sri Lanka consists primarily of roads and railways, but road transport is favored because of the country's topography and small size--the maximum length and width of the island are only 270 miles and 140 miles, respectively. There are about 13,000 miles of road in Sri Lanka, most of which can be traveled by motor vehicles. CARE has noted, however, that vehicles are often difficult to procure.

We learned of some food distribution problems. For example, we were told that a shortage of trucks contributed to

prolonged storage of commodities at the port storage facility, adding to food losses in fiscal year 1977. During a visit to a district health unit, for example, we were told that although sufficient quantities of title II food were arriving at the district level, transportation to local clinics and to remote areas was often not available. In contrast, we learned that the tea estates have their own trucks and have no difficulty obtaining enough title II food for their recipients.

Delivering the correct amounts of commodities to the various schools to support the feeding program has also been a problem. A Ministry of Education official attributed these to the following.

1. Numerous regional offices responsible for distributing food in the school feeding program had difficulty in communicating with and receiving feedback from individual schools on food requirements.
2. Headmasters at each school had difficulty in estimating feeding requirements because school attendance fluctuated.

DISTRIBUTION PROBLEMS

Although MCH is AID's top program priority, we found that MCH programs consistently lacked sufficient food to feed their target populations. Rural poor are often not being adequately reached by the program. Several of the countries we visited appear to warrant larger title II programs to meet the needs, yet AID missions have not demonstrated an interest in programing this food together with nonfood resources to support transport, storage or program expansion. In general, the title II programs still continue to focus heavily on food giveaways, rather than seeking new ways to use this food to help the developmental process and stimulate self-reliance.

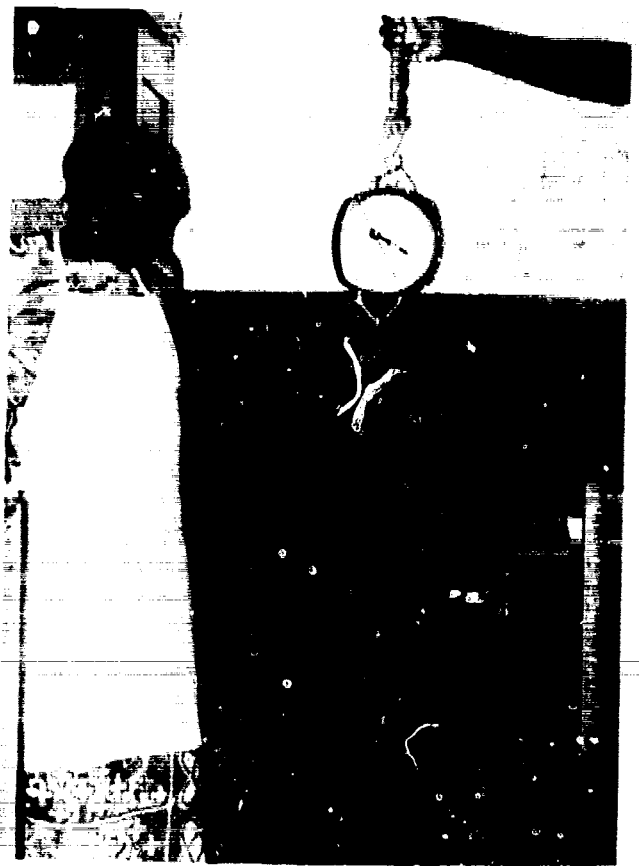
WEIGHT, HEIGHT, AND AGE CRITERIA FOR DETERMINING ELIGIBILITY FOR MCH FOOD WERE OFTEN NOT FOLLOWED IN TANZANIA. FREQUENTLY, ANY CHILD BROUGHT TO THE CENTER WAS FED

Tanzania

The title II food program in Tanzania is having difficulty reaching the neediest people and areas, and could be better focused. Our review of CRS center records showed major examples of food delivered to unauthorized recipients. For example, records at the main distribution center for the Iringa Diocese showed that 17 schools received 170 bags of wheat. AID and CRS, however, had not authorized any school feeding for the diocese.

CRS field reports showed that 22 schools participating in the school feeding program in the Tanga Diocese had never been authorized to do so. Because 21 authorized schools were only attending half days, they were receiving more food than required, and the excess food was sent to the unauthorized schools. CRS subsequently corrected the distribution quantities. The Diocese Coordinator in Dodoma also told us he shipped 30 bags of wheat to a food-for-work project which the diocese started. CRS, however, had not approved the project.

CRS field representatives also reported that at some clinics monthly rations were not being followed and, thus, recipients were receiving less food than approved. CRS reports did not give any reason for the diminished ration. The reason given by one center official was that if the correct ration were distributed, the center would run out of food.



One CRS official indicated that centers which cannot afford transportation costs sometimes request food for only some of the attendees they expect to participate in the program, then distribute food to all participants at reduced ration levels.

We also learned that because of an administrative error, CRS in Tanzania had failed to request part of its annual allocation from the United States. Thus, the combination of a less-than-full annual allocation and the centers' practices of feeding more recipients than were authorized caused many recipients to be fed less than their authorized rations.

At the Government MCH centers, established policy was being followed. Food was distributed only to children and mothers that had been clinically diagnosed as "at risk," although most were borderline underweight cases. As at the CRS centers, the recipients we observed receiving title II food generally looked to be healthy. The clinics also provided nutrition instruction to mothers as well as birth control instructions and contraceptives to mothers with eight or more children.

Center administrators told us that the title II food assistance was supplementing the diets of people who could not otherwise obtain the nutrition they needed. We noted, however, that title II food was not distributed to MCH districts on the basis of the number of eligible recipients. The MCH distribution official stated that the available quantity of food was simply divided equally among all districts. He said that until the Ministry completed its study of identifying the most needy areas, there was no other way to distribute the food.



FOOD OFTEN DOES NOT REACH AUTHORIZED RECIPIENTS. THIS VILLAGE IN DROUGHT-STRIKEN NORTHERN GHANA RECEIVED NO U.S. EMERGENCY FOOD BECAUSE OF A DISPUTE WITH LOCAL OFFICIALS. YET FOOD WAS ROUTINELY DISTRIBUTED TO GOVERNMENT EMPLOYEES. DETAILS PP. 62-64.

Our visits to three Government MCH clinics in the Dodoma region, including a hospital and two dispensaries, at least partially showed the effects of this policy. No food was available at the two dispensaries. Regional medical officers and clinic officials said no food had been available since August 1977. Nineteen severely malnourished children were confined to the children's ward which had only 20 bags of food. According to officials, the region has had shortages of food even for the severely underweight. One official estimated that the region received only 25 percent of its needs.

The WFP resident representative in Tanzania was also concerned over the Government's ability to administer a large day-care center program that WFP plans to take over from UNICEF. The program is intended to feed about 150 children of 3 to 6 years in 7,000 to 9,000 villages. The representative noted that the administering Tanzanian ministry had only two or three people to administer the overall program, and that each region and district usually has one person to handle the program in addition to other duties. He also stated that he could not adequately administer the program with his staff, nor did he feel the Government staff could do it.

Concerning the drought relief program in 1977, we learned that approximately 900,000 people in only seven of twenty regions received food. Over 775,000 of the recipients were in Dodoma and Singida. According to the Government's District

Development Director in the Manyoni region, he received sufficient food in fiscal year 1975 to provide for all famine-stricken people in his district, but he did not have accurate figures for 1977 since they had not been totaled. According to him, each director determines which villages have been affected by drought during the year. Each village prepares a list of people who need food which is verified at village, division, and district levels. However, the FFPO noted that district officials have sometimes tended to declare an entire district needy rather than carefully screening applications. In the future, therefore, the Government will have a special team evaluate village and district applications for relief.

Based on our tests, we believe that the title II program could be better focused on the neediest areas. Notwithstanding transport and other problems, we also believe Tanzania is a country where the title II program could be expanded. To permit this expansion, AID is going to have to work with the volags and Government to improve program effectiveness.

Ghana

Ghana is another poor country that has recently suffered severe food shortages. A drought in northern Ghana resulted in a title II emergency program. Yet, despite the severe needs, much of the title II food did not reach the intended target groups in Ghana during 1977.

The AID Area Auditor General's audit report on the emergency relief program, released in October 1977, concluded the following.

- Thirty-three percent of the food distributed was either unaccounted for or distributed in a manner not sanctioned by AID.
- The Government did not provide adequate financial and administrative resources to properly implement the program.
- The Government did not follow the agreed-to distribution priorities to nursing mothers, school-age children, and disabled, so much food went to lower priority groups.
- Food was routinely distributed to Government employees.

AID monitors for the emergency program reported that CRS distribution centers were also distributing large quantities of food to low priority groups. In the village of Wa, for example, over 800 bags of sorghum (roughly 40 percent of the available food) was distributed to civil servants and workers, and in the city of Bolgatanga, roughly 30 percent was distributed to persons outside the normal distribution channels. Further, there were some reports that officials in charge of emergency distribution did not equitably distribute food. When we visited Balungu, the chief told us that the village received no emergency food because of a tax dispute between the village and regional Government officials. The Government subsequently conducted an investigation, confirming the corruption in the program and resulting in the removal of four senior-level officials. Several lower-level Government employees were imprisoned.

Of equal significance, however, is the fact that because of these same irregularities, the United States suspended further food deliveries under the emergency program as of August 1977, and finally terminated the program in early November 1977. Unfortunately, the termination of the program could be expected to affect some of those most in need. For example, the medical doctor at a Government MCH clinic told us that he had been notified in August that there would be no further food deliveries for the rest of the year. As a result, he cut recipients' rations in half, and otherwise restricted distribution in order to stretch his remaining food. He felt it would work a serious hardship for those who were used to receiving full rations and we noted that the hospital was treating a number of malnourished children.

Documentation relating to distribution problems was quite limited for the regular CRS program because AID did not monitor this program to any extent. However, CRS end-use check reports indicate that ineligible people were receiving food. They also reported some cases of theft at the centers.

As in Tanzania, CRS personnel at feeding centers told us they expand the program as quickly as resources allow because so many preschool children need food. All preschool children brought to the center are served regardless of individual circumstances. On the other hand, officials at several centers told us mothers are not included in their MCH projects because only the children are considered needy. This policy is contrary to AID policy for the title II program.

We concluded that Ghana has many hungry people and needs much more food assistance. Moreover, the termination of the

title II program, although certainly justified in view of the widespread diversions and other irregularities that occurred, could only further contribute to the already generally poor condition of the people. In our view, a better case might have been made for continuing the program on at least a selected basis and for strengthening management controls and monitoring, to ensure that the food would reach the targeted groups.

India

Our field tests show that some distribution problems have occurred in the title II program in India. The primary problem has been attributed to a lack of sufficient resources to finance transport, which resulted in maldistribution of title II food in the warehouse system. Thus, some warehouses had excess stocks of grains to distribute, but little or no edible oil. Other warehouses had tremendous stocks of edible oil but little or no grain for distribution, and still others were almost completely out of oil and grains.

For example, at one location the assistant education officer told us that of the 55 schools serviced by one empty warehouse, six schools had stopped feeding because of a lack of food, and that several more would also soon have to cease operating. At one of two preschool feeding projects we visited in Kerala, serving 70 children and 14 mothers, food was not being distributed at the time of our visit. The preschool center teacher told us that there had been no food for 2 weeks. The other preschool project had no oil but was continuing to prepare corn-soy-milk as a gruel. We were told that the children and mothers did not care as much for the gruel, but ate it because they were hungry. A headmaster at a school told us that the food was much more acceptable to recipients if prepared with even 25 percent of the normal amount of oil, rather than as a gruel.

An AID mission review of title II operations in Punjab during August and early September 1977 indicated that food supply interruptions were also experienced at certain projects. The AID evaluator observed that one Government primary school serving over 500 children had exhausted the stocks of title II commodities and feeding programs had stopped. The evaluator noted that commodities were being withheld for another school feeding program serving over 3,000 children because of a delay in health certification by port of Bombay officials. We noted several similar instances during our field trips.

Although the sheer physical size of the program is a serious obstacle to comprehensive monitoring, we believe that current monitoring systems need improvement. The CARE program is so extensive, for example, that the primary monitoring device is the recipient status report received from each state, district, and individual feeding center. CARE requires that any deviation below 95 percent or above 105 percent of targeted feeding goals, or significant changes in inventories, be explained in writing by each distributing organization or area. However, these reports involve a 4-month data collection and assimilation period, and thus the data base is largely out of date for some decisionmaking, such as correcting inventory imbalances among warehouses. Improvements in the monitoring system could only improve the overall operation of the title II program in India.

Sri Lanka

We observed a number of problems associated with the distribution phase in Sri Lanka during our field trips. In our view, some of these problems relate directly to the way in which the school feeding program has been allowed to grow and to continue without any reassessment of (1) how great Sri Lanka's food needs really are, (2) geographic needs within Sri Lanka, and (3) MCH needs as opposed to school feeding.

For example, although the MCH program is expected to expand at a rate of 50,000 recipients each year to 1981, CARE believes that by that date, less than half (about 450,000) of the 1,000,000 preschool children and about 150,000 of the 250,000 pregnant women needing nutritional intervention could be reached under the current health system. During our own field trips to the Kandy region, one of the poorer yet accessible rural areas of Sri Lanka, we were told that some of the clinics in that area had not had any title II food to distribute for as long as 6 weeks. A lack of transportation resources allocated to the Ministry of Health was stated to be the reason.

In contrast, two tea estates located in the same area had their own trucks and therefore no problems getting their food delivered but cited other distribution problems. They described the workers and families as very poor, and one manager told us that because of the general lack of food and poor living conditions on his estate, there are many malnourished children, young women, and even elderly people. Constant disease is also a problem. He observed that many of these people are not eligible for the feeding programs. Moreover, at both estates, the MCH program assistants told us that a significant proportion (estimated at about 25 percent) of the

children did not gain weight as a result of participation in the program, indicating that they are not getting the food intended for them. In fact, at one estate the MCH assistant told us that because of these indications he has often inspected the food in the workers' shacks and found that it was consumed at a much higher rate than the approved ration, but that because of the extreme poverty of the workers and families, it is difficult for the family to restrict distribution to only the eligible children. Similar concerns were voiced by medical personnel at a district health clinic we visited.



MONITORING OF THE TITLE II PROGRAM IN SRI LANKA WAS GENERALLY WEAK. AS THE RAISED FINGERS SHOW, THESE STUDENTS WERE STILL RECEIVING 6 SMALL BISCUITS PER DAY INSTEAD OF THE 8 PER DAY AUTHORIZED 11 MONTHS EARLIER.

As still another illustration of the general distribution problem, the managers also noted that because the estates are independent entities, they are not permitted to supply food for a nearby village. Instead, we were told that pregnant village women have to walk an estimated 8 miles up the mountain and across the tea estate to another town to receive their MCH rations. The managers noted that this is a difficult walk, since tea estates are built generally at 2,500 ft. altitude and higher.

Delivering the right amounts of commodities to the various schools to support the feeding program has been a problem. A Ministry of Education official attributed this to communication problems and fluctuating attendance levels. Our own visits to two schools located in the heart of the capital city, Colombo, in mid-November 1977 confirm the communications problem. There, we observed that the children were being fed only six of the small fortified biscuits, instead of the eight-biscuit ration authorized the previous January. The headmasters were not aware of the ration change and said they would begin ordering at the eight-biscuit level. However, most children at both schools were fairly well dressed and, at one school, many had money to purchase ice cream from a passing vendor.

We believe that the school feeding program has been over-extended and that better targeting to poorer areas is needed both for MCH and school feeding. We noted that CARE has advised the Government that existing logistics would not support a larger school feeding program, and CARE has suggested instead that the younger grades be fed and older grades be dropped. However, contrary to CARE's position, in November 1977, WFP headquarters announced that it had agreed to provide 6,000 tons of milk powder a year for the school feeding program. CARE has opposed reintroducing milk into the school feeding program on the grounds that it is unfamiliar to and rejected by many poorer children, and that reconstituting the milk may cause health problems because of the generally poor quality of the water in Sri Lanka. We learned that the WFP agreement was a surprise to WFP representatives in Sri Lanka and, in view of the already tremendous scope of the school feeding program in Sri Lanka, we believe it questionable whether there are not better uses elsewhere for this food.

CONCLUSIONS

We have concluded that, overall, the title II program does help a lot of needy people in the six countries we visited. At the same time, however, it is also clear that a substantial amount of title II food is reaching neither the needier people in these countries nor those for whom it was targeted, especially the rural poor. To some extent, poor programming is the cause, but often problems in storage, transportation, and distribution are the immediate causes of the difficulties.

To strengthen the title II program's ability to effectively achieve its congressional mandate, several substantial changes are needed. Most of these changes and our proposed

recommendations are discussed elsewhere in the report. We believe, however, that AID missions will have to take a more active role in programing and in administering the program. AID missions, together with AID geographic bureaus, will have to integrate the title II program into their regular AID programing and work with the volags and host governments to strengthen transport, storage, and distribution at the country level. Finally, improved monitoring is also needed to ensure that programs remain on track.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

AUDITOR GENERAL

May 24, 1979

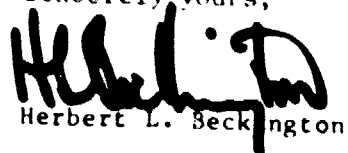
Mr. J. K. Fasick, Director
International Division
U.S. General Accounting Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Fasick:

Thank you for providing the GAO draft report "The Overseas Food Donation Program - An Assessment" for review and comment. The responsible Agency offices have reviewed closely the GAO's findings and recommendations. As there are many significant issues involved, it has taken longer to develop and coordinate the Agency's comments than the 30 days you allowed. We hope the comments herewith provided will be of use to you and your staff in preparing the final report. We believe they indicate the need for some revisions.

If we can be of any further assistance in this matter, please call upon us.

Sincerely yours,


Herbert L. Beckington

Enclosure

AGENCY FOR INTERNATIONAL DEVELOPMENT
Comments on the GAO Draft Report
"The Overseas Food Donation Program--An Assessment"

This statement is in response to the findings and recommendations contained in the General Accounting Office Draft Report, The Overseas Food Donation Program -- An Assessment, dated March 30, 1979.

Legislative Recommendations

The draft report contains the following legislative recommendations:

That the Congress enact legislation that would transfer to the foreign aid agency responsibility and authority (1) for the Title II program, including the appropriation, (2) for determining Title II commodity selection and procurement in consultation with USDA, (3) for the Title III food for development program, and (4) for reporting to the Congress on the results of the food donation and the food for development programs

GAO Recommendation (1)

The recommendation that responsibility and authority for Title II, including the appropriation, be transferred to A.I.D. is based upon the belief that this would result in greater flexibility for A.I.D. in allocating program resources, better accountability to the Congress, and more effective budgetary control over the program. The GAO also suggests that new interagency relationships be established by administrative action to make the programming process more efficient.

Appropriation and Budget Control

So far as Title II appropriation is concerned, the Executive Branch must request sufficient funds to cover the minimum tonnage requirements established by the Congress. While the legislation does not preclude a higher figure -- indeed the legislative history is clear that the minimum

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should not be regarded as a maximum -- the drive to reduce the budget deficit which seems likely to continue for the foreseeable future, practically rules out the possibility of a budget request which would provide much more than the minimum unless there were extremely large disaster relief requirements.

Moreover, the Congress now establishes annual maximum net outlays separately for Titles I and II each year. The statements in the draft report with reference to the flexibility formerly provided in the legislation to use CCC's borrowing authority if appropriations fall short of needs no longer obtains.

GAO suggests that transferring the Title II appropriation to A.I.D. would provide an opportunity to analyze the cost effectiveness of Title II vis-a-vis other A.I.D. programs. It is difficult to follow this line of reasoning in view of the fact that a minimum tonnage requirement exists for Title II which cannot be waived unless the total amount of food made available for P.L. 480 falls below the minimum. Conversely, the fact that the Title II appropriation covering the cost of food and transportation is made to USDA has not deterred A.I.D. from providing some funds to enhance the effectiveness of the Title II program.

In short, we do not believe that anything would be gained by transferring the Title II appropriation to A.I.D. Indeed it could cause time-consuming administrative problems, since USDA procures Title II commodities and in some cases arranges ocean transportation.

Allocations

As a general matter, A.I.D. believes -- and the GAO report itself acknowledges -- that it has the clear lead responsibility in making decisions with respect to the allocation of Title II resources among countries. Additional procedures under consideration may further clarify and simplify the decision-making process.

On a specific point, it is inaccurate to imply that the decision to reduce Title II procurement in 1973-74 was

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made solely by USDA without reference to other agencies. The Secretary of Agriculture is responsible for determining that commodities made available for P.L. 480 will not reduce supplies below the amount needed for domestic consumption, adequate carryover and anticipated dollar sales. USDA held extensive consultations in 1973 and 74 with the agencies normally concerned with P.L. 480, as well as the CEA and other domestic agencies concerned with prices and inflation, in order to determine the effect of 480 availabilities. Title II was given the authority -- in fact Title II shipments declined in 1974 over Title I. Since then, the legislation has been amended to authorize the Secretary of Agriculture in time of scarcity to make some part of the supplies available to carry out urgent humanitarian purposes of the Act. The legislative history makes it clear that food made available under this provision must be channeled through Title II. Since food has been in abundant supply since then, it has not been necessary for the Secretary to invoke this authority but there is no reason to doubt that he would do so if the need arose. In fact, the U.S. has made a commitment in connection with the negotiation of the Food Aid Convention that we will make not less than 4.47 million tons of food aid (cereals) available annually.

Accountability to Congress

As far as accountability to the Congress is concerned, the GAO report does not take cognizance of the fact that responsibility for P.L. 480 is divided between the House Foreign Affairs Committee and the House Agricultural Committee. In the Senate, P.L. 480 is under the aegis of the Agricultural Committee. The HFAC has ample opportunity to examine A.I.D.'s role in P.L. 480, including Title II and, in fact, in the last two years the foreign assistance legislation has included several amendments to P.L. 480. A.I.D. also appears before the Senate Agricultural Committee with respect to P.L. 480 operations and legislation.

Interagency Relationships

The President's decision to establish IDCA did not include any change in the administration of Title II. A.I.D. is in fact responsible for Title II by delegation

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of authority from the State Department. However, the establishment of IDCA provides an opportunity to reassess the interagency decision-making procedures for the Title II program. A.I.D. is prepared to propose simplified procedures for consideration by the DCC Food Aid Subcommittee. It would not be necessary to legislate such procedural changes -- these could be agreed upon within the Executive Branch.

GAO Recommendation (2)

The recommendation that A.I.D. determine commodity selection and procurement for Title II in consultation with USDA would not result in any meaningful change. We agree with GAO's strong emphasis on the need for consultation with USDA. This is particularly important in the case of emergency needs. USDA is frequently able to identify the availability of needed commodities at port and, if necessary, helps to arrange diversions of ships at sea. Consideration should be given to whether commodities in which the USG has already invested under the price support program can be used effectively in the donation program. USDA has not insisted that these commodities be used exclusively, nor would A.I.D. agree to do so. The voluntary agencies have not been forced to accept milk or rice in lieu of blended and fortified foods required for nutritionally targeted programs. Finally, since both GAO and A.I.D. agree that USDA should continue to procure, it would be unreasonable to expect that USDA would not continue to exercise judgment in rejecting bids if prices were out of line.

GAO Recommendation (3)

The GAO recommends that authority and responsibility for the Title III food for development program be transferred to the foreign aid agency. During his recent consideration of the IDCA reorganization, the President reviewed alternative interagency arrangements for handling this program and concluded that the current distribution of responsibilities was satisfactory and that no changes should be made at this time. It is, therefore, inappropriate for A.I.D. to comment on alternative organization proposals.

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GAO Recommendation (4)

With reference to reporting to Congress, A.I.D. contributes material on Title II to USDA which is responsible for submitting the annual report on P.L. 480 to the Congress. The Office of Management and Budget is endeavoring to reduce the number of reports required by the Congress, primarily because such reports impact on workforce requirements. However, if the Congress desires more complete reporting on the Title II program, A.I.D. will, of course, comply.

Administrative Recommendations

GAO also recommends that the A.I.D. Administrator take several steps (enumerated below) to improve the Title II food donation programs. The principal thrust of most of these recommendations is sound and reasonable. Unfortunately, however, they were based on interviews and information gathered as much as a year and a half ago. A.I.D. had already undertaken various steps to improve the Title II donation program and a good deal more has been accomplished in the interim. Comments on each of the recommendations follow, including some related to specific country situations.

GAO Recommendation (1)

Require that Title II be planned and programmed as an integral part of each country assistance program.

Comment: A.I.D. instructions to the field are consistent with this recommendation. Guidance to the Missions for the FY 1981 Annual Budget Submission which will be prepared in accordance with the zero-based budget technique (i.e. ranking of projects and programs within each decision package) states:

"Your recommendation in this document on the size of future P.L. 480 programs will be part of the overall review process. It must be consistent with your justification of these program levels in your

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response to the worldwide guidance on the integration of P.L. 480 to total U.S. assistance which is being sent separately."

The follow-up instruction requires the missions to analyze how P.L. 480 imports, including Title II, relate to or are integrated with the Country Development Strategy Statement (CDSS) basic human needs strategy. The relevant excerpt from the instruction is attached.

The instructions for the CDSS which covers a five-year planning period also included some guidance on P.L. 480 which is quoted below. This is the first year the missions were required to submit a CDSS and it is expected that the submissions will improve steadily over time.

"In this section the Mission will also deal with P.L. 480 food requirements for the five-year planning period. To ascertain probable P.L. 480 requirements in light of other donor and commercial inputs, the analysis starts with a determination of food supplies required to meet and stabilize (during periods of rising food prices) consumer demand, and for those with inadequate income, to supply grain directly to the poor and destitute as required. In-country food reserves may also be needed to strengthen both functions. To anticipate the food needs of growing populations, and to prod developmental efforts to increase agricultural growth rates, projections and conditions of future food aid requirements should be included in this analysis."

CDSS's submitted by A.I.D. missions in Peru and Bolivia provide excellent examples of integrating Title II assistance into the country development programs.

GAO cites the fact that in India Title II programs are carried out exclusively by the voluntary agencies as an illustration of its contention that "A.I.D. missions are not involved enough in the planning stage to ensure a development impact from Title II programs."

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We believe that it is to our advantage to have the voluntary agencies plan and administer the programs because of their established relationships with an array of "grass-roots" Indian institutions, their relative size, and the magnitude of the India Title II effort (some 200,000 sub-projects). The A.I.D. Mission is responsible for reviewing and recommending approval of proposed programs, and for monitoring operations.

It should also be noted that the Title II legislation requires that over 80 percent of the minimum tonnage be channeled through the voluntary agencies and WFP. Most of the remaining tonnage must be reserved for emergency or other unforeseen needs.

We do not agree with the assertions that increases in the MCH and school feeding programs in India were attributed to decreases in the food for work program. This occurred because the Government of India announced it would assume the total food requirements for food for work activities. India's wheat surplus is the major reason that it is supplying foodgrains for these activities. For years, CARE has been developing Indian capabilities to assume control of these activities.

A noteworthy example of using Title II as an important element of a country assistance program are two multiyear projects in India involving one U.S. voluntary organization (the Cooperative League of the U.S.A. -- CLUSA) and two indigenous Indian institutions (the National Cooperative Development Corporation (NCLC) and the (National Dairy Development Board - NDDB). These projects are designed to assist in developing, upgrading and capitalizing the oilseeds cooperative network in India. Moreover, the Mission is exploring various other mechanisms that will further integrate Title II efforts into the total program.

Finally, A.I.D.'s Office of Food for Peace conducted a regional workshop in Abidjan in September, 1978 to discuss the use of food aid as a resource. Similar workshops will be held in Africa and Latin America in 1979.

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GAO Recommendation (2)

Establish a long-range planning and programming system to direct more food aid away from more advanced countries and expand the program in poorer countries.

Comment: A.I.D. has been successful in expanding programs in poorer countries. The GAO report includes statistical data on numbers and categories of recipients for FYs 1969 only through FY 76 and the transitional quarter. Data for FY 1979 indicate that over two-thirds of Title II food donations will go to countries with an annual per capita GNP of \$280 or less.

The GAO report states that the maternal and child health (MCH) category has remained fairly constant between FY 1969 and FY 1976. In terms of the number of recipients, the MCH category grew from 9.2 million in 1969 to 14.2 million in 1976. In FY 1979, this category has increased to 15.9 million recipients or 29 percent of the total Title II program, compared to 12 percent in FY 1969. The reallocation of Title II resources to the category has almost tripled.

An attempt is being made to restrict the use of the MCH category to those activities which are truly health/nutrition oriented. For example, about 900,000 preschoolers in day-care type centers should be categorized as pre-school feeding. While this activity is reaching a vulnerable group, it is not providing a complete health nutrition service to mothers and children. Our goal is to provide more services at the MCH centers. This is an area where other funds are needed to improve the health of the recipient.

The GAO report refers to three "relatively better off middle income countries" -- Chile, Morocco, and Tunisia. In FY 1969, Title II food donations for these three countries reached 5.3 million recipients--slightly over 7 percent of the total recipients. The FY 1979 programs for these countries have been reduced to 2.4 million recipients or 4.4 percent of the total.

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Following are specific comments with reference to Latin America and India:

With regard to reprogramming food away from more advanced countries and expanding programs in poorer nations, the assessment indicates that, while in Latin America in recent years Title II recipients have been reduced from 17 countries to 10, the overall funding level remains about the same. In fact, funding levels have varied throughout the 1970s, ranging from \$117 million in 1970 to \$40 million in 1974 to a level of \$84 million in 1976. (The planning level for 1980 is \$46 million (these figures include the World Food Program funding). The point to be made is that the food assistance programs in Latin America have been shifting from the more advanced countries to poorer ones. During the last decade we have ended programs in Colombia, Brazil, Uruguay, Nicaragua, Costa Rica and a small program in Venezuela.

At the same time, we have expanded programs in poorer countries such as Haiti, Bolivia and Honduras while also providing food as needed for countries with emergency situations or with severe economic problems. Examples of the latter are Guatemala, Guyana and Peru. To make their point that relatively advanced countries are receiving assistance, the GAO refers to a large (\$18 million) program in Chile in 1977. In fact 1977 was the high point for this program (1970 was \$7 million and 1975 was only \$4.6 million). The proposed 1980 level is \$4 million and the entire program is scheduled for phaseout in 1982.

On pages 35-37 of the draft report, the authors used such "measures of need" as per capita GNP, life expectancy, and infant mortality as indices that might be used in targeting P.L. 480 Title II programs to the poorer countries. We note that, using such measures, India's share of P.L. 480 Title II commodities should increase.

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GAO Recommendation (3):

Develop better means of identifying where and who the neediest people are in each country, and focus our food on them.

Comment:

A worldwide Title II evaluation system has been developed to identify the needy and determine program effectiveness. It is our goal to conduct an in-depth evaluation of all Title II programs during the next three to five years. Four evaluations have already been conducted with the fifth, the India program, currently underway. Programs in two middle income countries -- Morocco and Tunisia -- have been evaluated with the goal of either redirecting the programs to accomplish specific nutrition goals or establishing firm phase-over dates.

As part of the India evaluation, a survey technique is being developed to statistically identify the Title II recipients through a random sampling technique. By FY 1981, we expect to have a data collection system in place that will provide AID/Washington and the Mission with more definitive information on impact and effectiveness.

A.I.D. is financing a Growth Surveillance System project in three countries in Africa (Ghana, Tanzania and Lesotho) which, among other things, will help determine if the food aid is getting to the right people. The system will identify the underweight (malnourished) child by family, village and geographic region. These data when completed will indicate food problem area and give the CRS and the USAID a basis for making program decisions.

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GAO Recommendation (4):

Work with the voluntary agencies and host governments to build up the necessary country level infrastructures that will be required to support expanded food aid programs in the poorer countries.

Comment:

A.I.D. has approved a three-year "Title II Outreach Project," totaling \$9 million to help voluntary agencies meet logistical support costs of establishing or expanding feeding programs for needy people in rural areas. For example, in 1979 A.I.D. will provide \$3.4 million to finance warehouse construction, purchase trucks, and hire warehouse workers in five African countries and two Latin American countries. Similar activities will be undertaken in four or five countries over the life of the Outreach Project and if additional resources are made available, more countries can be reached. It must be recognized, however, that major improvements in LDC transport and other infrastructure would require a substantial input of external aid. In other words, the infrastructure problem is a much broader issue than Title II. The following comment with reference to Africa is a case in point.

A.I.D.'s experience in Africa confirms that infrastructure is one of the great constraints in effectively implementing food aid programs. However, considering that a) Africa has 18 of the 28 RLDCs; b) several of the poorest countries are landlocked which further compounds logistics problems; c) transport facilities and energy usually involve import items which are costly to very limited budget resources; d) storage and handling facilities are inadequate for total national uses, not just imported food items; and e) natural disasters have required disproportionately large food imports and have unduly taxed administrative and management capabilities.

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The GAO Report includes a lengthy section on storage conditions and problems. In some cases -- e.g. Ghana -- corrective action has already been taken in the countries reviewed. In other cases we are asking the A.I.D. missions to give us a fresh reading of the situation and to take any appropriate follow-up action.

A.I.D. has long recognized the importance of proper food storage and handling. Regional storage seminars have been held in Senegal, Honduras, Egypt and India during the past three years and the fifth seminar will be held in Kenya in June, 1979. An in-country storage seminar was also held in Haiti. Representatives of the voluntary agencies and WFP, host government personnel, and A.I.D. employees have attended these meetings. A technical staff provides information on proper warehousing techniques, fumigation, rodent control and commodity management. The purpose of these seminars is to train the participants who will in turn train local people in each country.

Excerpt from FY 1981 Annual Budget Submission -
Supplemental Guidance on PL 480 Programs

1. P.L. 480 Narrative

Missions are requested to provide careful consideration and treatment of P.L. 480 needs in the ABS. The ABS should include a brief narrative statement that covers the following points:

- A. How P.L. 480 inputs (Title I, II and III) relate or are integrated into the CDSS basic human needs strategy and the specific humanitarian needs or development efforts or constraints P.L. 480 resources will address (including use of generated local currency and impact of self-help measures principally under Title I/III. Indicate (1) whether the P.L. 480 inputs relate to specific humanitarian nutritional deficiency problems, support of equitable growth efforts, short term balance of payment, etc., and (2) the type of assistance required to support the effort (Title I/III or II or a mix).
- B. Indicate the country's ability to feed its people, the magnitude of its basic food deficit (grains and oil) over the next 5 years, basic indices of nutritional gaps, and how the recommended P.L. 480 inputs (specify Title I/III and/or II) help to meet these needs.
- C. Assess the priority accorded by the country itself to meeting these gaps, and their basic strategy and timetable for moving toward self-reliance in food and more equitable consumption policies.
- D. Note in particular, whether there are distribution (including storage) and/or marketing constraints which need to be addressed to improve or expand the distribution of P.L. 480 food aid (e.g. which lend themselves to self-help measures for Title I/III, or outreach grants for Title II).
- E. Provide the rationale for any major changes (increases, decreases or new programs) in P.L. 480 assistance.

If the Mission's CDSS already includes information on any of the above, the Mission need not repeat it in the ABS, but may simply note the page reference of the CDSS.



United States Department of Agriculture
Office of the General Sales Manager
Washington D.C. 20250

May 9, 1979

Mr. Henry Eschwege, Director
Community and Economic Development Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Eschwege:

This is in reply to your letter of March 30, 1979, requesting the Department of Agriculture's comments on the GAO Report, "The Overseas Food Donation Program--An Assessment." We appreciate the opportunity to comment on this Report. We share your concern that the programs authorized by the Agricultural Trade Development and Assistance Act of 1954 be effectively carried out. In fact, many observations and suggestions included in this Report were also contained in a Special Task Force Report on P.L. 480 transmitted by the Department to Congress last year.

With specific reference to the recommendations contained in Chapter 2, page 34, the Department does not agree that the transfer by legislative action of all authority for Titles II and III of P.L. 480 to the Agency for International Development would accomplish the objectives identified by the Report or would be beneficial to the overall objectives of the U.S. Government.

In the case of Title III, the Report offers little discussion and no analysis to support its recommendation. In fact, we would suggest the Report not address Title III. While fully supportive of efforts to enhance the development impact of all P.L. 480 programs, we feel this is the objective of the entire U.S. Government, not just one agency. In fact, in the specific areas of rural and agricultural development the Department of Agriculture can and does make a major contribution. It is, of course, a greater repository of agricultural knowledge than any other federal agency. In the specific case of Title III, which is an integral part of Title I, we strongly support continuing the joint efforts by AID and USDA to implement this authority.

The Report does not recognize that Title III is an integral part of Title I--it is a forgiveness fracture of the concessional sales program. It is not a Title II donations program providing for direct feeding. During recent Executive Branch reorganization decisions, extensive consideration was given to where responsibility for Title III should reside. The President decided not to alter the currently functioning joint responsibility by AID and USDA. In fact, this sharing of responsibility reflects the realities of the relationship of Title I and Title III. It may be useful for GAO to review the reorganization material provided Congress before finalizing this Report.

One of the primary justifications of the GAO recommendation to transfer Title II authority and appropriations to AID is to remove commodity

Mr. Henry Escwege

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pressures from the Title II program. While the Department has encouraged appropriate use of commodities held by the U.S. Government in the Commodity Credit Corporation, most pressures to use specific commodities come from outside the Executive Branch and will not be affected by how responsibility for Title II is established. In fact, the USDA with its broader domestic constituency is probably better able to respond to such pressure than AID, which has little domestic constituency.

Also we would suggest that such legislative actions vis-a-vis Titles II and III would subject the program to Congressional reductions as have been made frequently in the past in foreign assistance budgets. We would note that in the past the Congressional agricultural interests have not been receptive to changes in P.L. 480 responsibility. Also, the Report fails to note that in the House of Representatives both the Agriculture and Foreign Affairs Committees have jurisdiction over P.L. 480. Therefore, in fact, AID is already responsible to Congress for P.L. 480.

It should be understood that Title II budgets in terms of quantities and types of commodities are developed jointly by USDA and AID staff. Such jointly developed budgets are then reviewed by OMB, as are other budgets. The President makes final decisions and it is his budget that is submitted to Congress. We do not think the recommendations in the Report in this area would make any improvement in the current system.

With specific reference to the recommendation in Chapter 2, page 34, that AID report to Congress on the results of Title II and III programs, we fail to perceive any significant improvement that would result from this. At present AID provides to USDA all the Title II material included in the Annual Report on P.L. 480. Also, as stated above, AID is responsible for providing the House Foreign Affairs Committee appropriate information on P.L. 480. The addition of another reporting requirement does not seem productive.

While the specific recommendations (page 54, Chapter 3) to improve the integration of Title II donation programs with other AID programs are constructive, the scope and depth of analysis in the report on this aspect do not appear extensive. In fact, the Report is more of a survey. The Report does highlight a major constraint--in-country infrastructure--on Title II programs. However, we note that in the Report improving the infrastructure is couched not in the broader contexts of rural, agricultural, or economic development but only in terms of food aid distribution. While appreciating that distribution of donated food is one of the primary concerns of the Report, food aid issues must be viewed in the broader context of overall development objectives.

It should be noted that the need to integrate Title II programs with other developmental assistance has been recognized by the agencies responsible for Title II. In fact, AID, with the concurrence and support of USDA and OMB, is taking actions to accomplish this objective.

Mr. Henry Eschwege

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In view of the length and somewhat cursory nature of this Report, we will not attempt to make any more specific comments. We would be glad to provide such comments to GAO informally if appropriate.

However, in closing, I would like to raise a question about a general thought reflected throughout the Report. This is the assumption that the same resource can accomplish both economic development objectives and feeding of the neediest people in the poorest countries. Perhaps it is time to make a real analysis of these dual objectives to determine how they overlap and if it is possible to accomplish both with the same resource. I would also like to point out that this Report focuses on only one problem as if it functions in isolation. In fact there are many development and humanitarian efforts in developing countries and all should be considered when approaching a given country.

Sincerely,


Kelly Harrison
General Sales Manager



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

MAY 22 1979

Mr. Allen R. Voss
Director
General Government Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Voss:

This is in response to your request for comments on the draft report entitled The Overseas Food Donation Program, An Assessment. While we have real reservations about many of the specific recommendations which the report makes, we wish to indicate at the outset our agreement with the objectives and targets set forth in Chapter 3. Specifically, we believe that among the main objectives of Title II should be greater integration with the overall U.S. assistance effort. We further agree that the program should be increasingly targeted on the poorer people of the poorer countries and that host government infrastructure should be bolstered to support nutrition activities.

The targets you cite have in fact been among the main goals of the program for a number of years, and the thrust of OMB's participation in the interagency program review process has been to help assure steady progress toward them. While each of the objectives requires a periodic review of its continuing validity, of its relative importance, and of its application in specific country situations, we believe that in the near term such review will not materially alter the current priorities.

With regard to program implementation, we believe that the report understates the substantial overall progress toward achieving the specified objectives. We understand that AID will address this aspect of the findings in some detail. We would restrict ourselves here to the suggestion that the final GAO report compare with some base year, say 1970, the composition by recipient category, by country, and by type of commodity, the program proposed for 1980. We believe that such a comparison will indeed show progress.

We would note that progress has not always been as rapid or as extensive as OMB, AID and USDA would desire. Nevertheless, we believe that this is due in part to significant constraints on the program overseas including those difficulties of conducting operations in very poor countries which the report describes.

With regard to the legislative and organizational recommendations, we do not agree with the GAO proposal. Both for the sake of simplicity and because of their different legislative and budgetary treatment, this letter will discuss Titles II and III separately. Clearly, however, they are not so easily compartmentalized, and a good field mission, when contemplating the use of food aid, should ask which of the three PL 480 Titles -- I, II, or III -- promises to be most effective in that particular country.

Title II

To address first the field aspects of the program, the draft report stress two particular Title II program failings. The first, and more important, is that Title II has "been treated by AID as a separate program" with the result that the voluntary agencies frequently "run the programs with a minimum of AID Mission or host government participation." The second failing is that U.S. commodity considerations continue to distort the programming process. To solve these, the report recommends legislation transferring to AID or its successor agency full Title II responsibility, including that for appropriations. It further recommends that AID be fully responsible for commodity selection and procurement. The intent of the recommendations is to make AID more accountable for the program and thereby improve implementation in the areas cited. We believe that AID currently has very substantial authority and accountability for Title II. Executive Order No. 10900, as amended, has assigned the major functions of Title II to the State Department which in turn has redelegate them to AID. Given this assignment of authority, we do not believe that the current legislative and organizational arrangements inhibit AID in integrating Title II with its own programs under the Foreign Assistance Act (FAA) nor do they detract from the effort to target food aid discussed above.

It may also be argued that shifting full legislative responsibility for Title II to AID would create opportunities for program trade-offs with other AID activities. Two aspects of the program sharply limit trade-off potential:

- the mandatory total minimum annual tonnage set for the program and sub-minimum which places the bulk of the total under the management of the U.S. voluntary agencies; and
- the nature of the voluntary agencies as private organizations with their own objectives which do not always precisely coincide with those of Title II.

We believe that the "separation" of Title II from other AID activities is due to these factors far more than to legislative divisions of authority.

With regard to commodity considerations, we agree with GAO that pressures to ship specific commodities under Title II can diminish the

effectiveness of the program in the field. Over the years, OMB has attempted to eliminate or diminish such distortions. Nevertheless, producer and processor groups will continue to seek favorable treatment for their particular products regardless of the program's organizational location. We believe that USDA, with its expert knowledge of domestic commodity problems and programs, has in recent years been relatively effective in helping to limit commodity-based programming difficulties. USDA's informed judgments on appropriate procurement prices are particularly important to maintaining a cost-effective program.

In sum, while domestic commodity management arrangements should not be the driving force behind the Title II program, neither should programming decisions be made in ignorance or disregard of domestic circumstances. On balance, we do not believe that there is currently a strong argument on commodity grounds for shifting legislative authority for Title II to AID.

We would also note that the question of altering the current legislative and coordination arrangements was examined during the recent Executive Branch study of foreign aid organizational arrangements, which led to the reorganization plan now before Congress. This study determined that the current interagency management system would be consistent with the strong policy and budgetary role to be carried out by the proposed International Development Cooperation Administration.

In the absence of any legislative changes, GAO's comments on the interagency coordination process become particularly pertinent. We would note at the outset that PL 480 Working Group approval of individual Title II programs, characterized somewhat inconsistently as both perfunctory and counter-productive, has been terminated as the report suggested it should be. We fully agree that the Subcommittee and Working Group should focus on broad policy issues. We hope that a specific agenda of these issues will be adopted soon for study over time.

We continue to believe, however, that there is a need for a system to review country programs in light of stated policies such as is now undertaken by the Title II subcommittee. The tentative nature of some program proposals and lack of full information on others at the time of the formal fall budget review a year before the beginning of program implementation, forces conditional judgments on some programs and may raise policy issues which should not be preemptively resolved then. Thus, a second look, during the following spring, coincident with cooperating sponsor submission of annual requirements estimates is aimed at improving programming.

Such a review need not call for more information or more complex presentation than AID will continue to require to establish the Title II operating budget. Moreover, it need not involve detailed study of individual programs except in the case of significant departures from earlier budget plans or where important policy questions are raised.

We believe that on the whole, where OIB has sought delay in a decision or requested information, it has reflected a concern whether proposed programs were consistent with broad policies. As noted above, the issues we have raised have focussed on achieving the goals and targets which GAO has identified as important. Our view is that USDA participation has generally been along the same lines. Nevertheless, in response to GAO's recommendation, we believe that the review process can be streamlined further taking into account continuing improvements in management and automation of data which AID is implementing.

Title III

With regard to Title III, we would note that the recommendations do not appear to reflect detailed GAO study of either the programming process or the individual programs. Given the newness of the program, Executive Branch experience is also limited. Based on an analysis of the first several years of implementation, however, an explicit decision was made in the context of the foreign aid reorganization study not to alter the current legislative and interagency programming arrangements.

This decision gave heavy emphasis to the fact that Title III is, in fact, a variant on the Title I program. Giving AID full control would require breaking this linkage and also removing from the Secretary of Agriculture his current authority under section 401 of the Act to determine country and commodity eligibility. The result could well be two competing programs with potential for duplication and conflict. It would seem more logical to transfer both Titles I and III to AID control but this would contradict the multipurpose nature of Title I and appears to be precluded by congressional sentiment.

Thank you for the opportunity to comment on the draft report.

Sincerely,

(signed) Ed Strait

Edward B. Strait, Acting
Deputy Associate Director
for International Affairs

cc:
Official File - ECON Branch
Mr. Jayne
Mr. Sanders
Al Brown
Mr. Zangla

IAD/ECON:RGreenstein:mt 5/18/79



DEPARTMENT OF STATE

May 2, 1979

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

Dear Mr. Fasick:

I am replying to your letter March 30, 1979, which forwarded copies of the draft report: "The Overseas Food Donation Program--An Assessment."

The enclosed comments on this report were prepared by the 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
Deputy Assistant Secretary
for Budget and Finance

Enclosure:
As stated

GAC DRAFT REPORT: "THE OVERSEAS FOOD DONATION PROGRAM--
AN ASSESSMENT"

I am pleased to comment for the Department of State on the draft GAO report to Congress on the "Overseas Food Donation Program". I will comment first on its implications on Title II of PL 480, then touch on the Title III recommendations.

Our experience with the planning and execution of the grant food assistance programs (Title II) leads us to believe that shifting control over the Title II budget from the Department of Agriculture (USDA) to the Agency for International Development (AID) would not resolve the very real problems described in the study. The new decision-making format of the Development Coordinating Committee (DCC) has functioned effectively and allows AID to take the lead in determining how the budget resources available can best be used to meet the humanitarian and developmental goals of Title II. AID also takes the lead overseas in the execution of the program, especially in the cases of government-to-government assistance. The shifting of budgetary responsibility, however, would remove an important positive element in the current arrangement, namely, the continuous availability of agricultural commodities for Title II programs through the Commodity Credit Corporation. We also do not feel that shifting the budgetary responsibility would reduce the role of the Office of Management and Budget (OMB) in Title II decisions.

A further concern with the GAO study is its treatment of the Food for Development Program (Title III). We disagree with the recommendation that AID should be given full responsibility and control over Title III. Funds for Title III come from the Title I budget and splitting authority over the budget could lead to conflicting decisions and ineffective management. The Departments of State and Agriculture, as well as AID, have significant interests in Title III, and the current interagency system permits them to safeguard those interests. In fact, as in the case of Title II, AID already takes the lead in the planning, development and evaluation of Title III programs due to the Agency's resources and experience.

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Title III is a relatively recent addition to PL 490 and has had only limited application to date. The management of the existing and planned Title III programs is under continuous review by the agencies primarily concerned, AID, USDA and the Department of State. Thus, we believe it would be preferable to reserve judgment on the efficacy of the budgetary and decision-making processes relating to Title III until more experience has been acquired with the program.



Michael Calingaert
Deputy Assistant Secretary
International Resources and Food Policy

(471500)