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Assessment of the PL-480 Outreach and Enhancement Grant Programs

Submitted to
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October 1987

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EXECUTIVE SUMMARY

This report is intended to serve two related purposes:

1. It reviews the experience to date with DA-funded support to Title II project assistance implemented by PVOs, with a particular emphasis on the Outreach Program, but considering Enhancement as well.

2. It explores the issues and possibilities surrounding future DA funding for Title II, to clarify the design of a successor to the current Outreach Program.

Findings

Title II Funding Requirements

Funding considerations for Title II revolve around the funding gap. The basic funding requirement (defined as the total non-food cost of a Title II program) is affected by changes in the volume of Title II commodities; changes in the amount of complementary inputs per ton of food; and changes in transportation costs per ton.

In addition, the funding gap (the difference between total non-food costs and the budgetary inputs of PVOs, host governments, and recipients) may change, even if there is no change in the funding requirement, due to a shift in the willingness or capacity of host governments to maintain their contributions or a change in recipient payments.

Program design choices made by AID and the PVOs affect the size of the funding gap as much as do changes in the availability of funds. Within a given country, costs are increased or decreased by defining target groups that are more or less expensive to reach and by raising or lowering the amount of complementary inputs provided to participants.

The need for additional funding is also greatly affected by decisions on which programs to expand relative to others, as host governments and recipients differ greatly in their ability to meet the funding needs of Title II programs.

The current trend in Title II programming, however, is toward more developmental programs, with greater quantities of complementary inputs and closer management by PVOs. These activities generally involve higher costs and, as a result, usually entail a widening of the funding gap. Although food-related costs can occasionally be cut by integrating Title II feeding into larger assistance programs, it must be expected that transporting food greater distances and accompanying it with more complementary inputs will raise program costs per beneficiary. Moreover, the vast majority of Title II programs are implemented virtually independently of other PVO and non-PVO development programs.

<u>Funding Sources</u>

PVOs are at present unable and unwilling to increase their financial support of Title II programs overall. PVO funds available for discretionary programming are extremely limited, due to the high cost of doing business in a number of countries, the expense of fund raising, and the restriction placed on funds provided to the PVOs by donors (including the general public). PVOs, furthermore, increasingly place a higher priority on development projects than on feeding programs (although they have by no means abandoned relief as a program motivation).

Most governments have likewise been increasingly unable to support Title II programming due to the international debt crisis and the overall fiscal stringency facing many LDCs. These threats to program funding have arisen at a time when there has been a shift in Title II programming toward the relatively least developed countries, particularly in Africa, where per-beneficiary costs are much higher (ten times, by our calculations) and host governments have fewer resources.

Finally, a shift toward the "neediest" beneficiaries, as required by current project authority, is for obvious reasons inconsistent with an increase in the size of their contributions. (It should be self-evident that the size of beneficiary contributions rests upon the recipients' ability to pay fees.) A distinction can be made among recipients depending on whether they are limited to the "neediest" or also include the larger group of the nutritionally deficient. The latter group is more likely to be able to pay enough to keep Title II programs going and is perhaps more likely to participate effectively in development activities. (Redirecting Title II programs to this group may require a change in Congressional authority for Title II.)

Monetization creates an important additional funding source for Title II, but the need for dollar funds as well as the uncertainty and infeasibility of monetization in many situations imply a continued need for DA funding to meet the basic requirements of Title II programs.

The bottom line is that Outreach has encouraged PVOs to implement program expansions that create an ongoing need for funding. This need cannot be met without drawing PVO funds away from other purposes, be they other Title II programs or the PVOs' other activities. Given a situation of declining resources to meet increasing demands, for AID and the PVOs no less than for the host governments, one must seriously question whether a program designed to increase the per-beneficiary costs of Title II programs serves the best interests of AID, the PVOs, the host governments, and the needy themselves.

Conclusions

AID has only a very limited amount of dollar funding available to support Title II programming. All of these funds are currently directed through Outreach and Enhancement to encourage PVOs to expand Title II programming (reaching more beneficiaries in more countries in more remote locations with more services) and to improve their capacity to design and implement traditional Food for Development programs, such as school feeding and food for work.

Yet both AID and the PVOs are increasingly questioning whether continuation and expansion of these traditional programs represents the best use of Title II commodities and their own resources. The evaluation team strongly believes that a serious consideration of this question is long overdue. We urge AID and PVO leadership to reexamine the structure of Title II programming and determine the directions that Food for Development should take in the future.

This examination should consider whether traditional feeding programs should be scaled back, in order to mobilize food resources for development programs with little or no feeding component. On the other hand, the review should also consider whether Food for Development should return to the earlier model of ensuring the short-term survival of food-deficit populations, perhaps in a child survival mode, with less emphasis on long-term development objectives. It may be that the current programs represent the best compromise between relief and development objectives, in which case AID and the PVOs should rededicate themselves to improving implementation efficiency and program impact in these programs.

We are not in a position to prejudge the outcome of this review. But our review of Outreach and Enhancement has convinced us that it is critical that the scarce DA funds available be directed as efficiently as possible to support those changes in PVO programs that are most necessary to obtain U.S. Government objectives. The current design may well have served this purpose in the past, but it does so no longer.

Once the future direction of the Title II program is decided upon, the question of future funding of the programs must be addressed. There are three separate issues involved:

- What is the basic funding requirement and how will it differ from the current funding requirement?

- What implications do future program directions have for beneficiary and host government funding?

- How should the gap be closed -- by cutting program size, by increasing PVO input, by raising AID input, or by a combination of these approaches?

It is clear that PVOs are not willing to put in more funds than they are providing at present. They might be willing to provide more funding if Title II commodities had fewer restrictions on their use and therefore could be more easily integrated into their other programs. Both AID and the PVOs display a high degree of ambiguity regarding the ownership of Title II programs. We believe that it is not productive to try to determine whether Food for Development programs are PVO programs implemented with AID assistance or AID programs carried out by PVOs. Nonetheless, it is clear that, to the extent that AID wishes to push program design in ways that are not in line with the PVOs' own priorities, the PVOs will be willing to dance to AID's tune only to the extent that AID is paying the piper.

Recommendations

The report proposes that DA funding be restructured to provide block grants to PVO Title II country programs and central PVO management. The new program format would explicitly recognize that AID funds constitute core support to Title II activities, not incremental funding for optional program improvements. The decision on funding levels for specific programs would therefore be based on a calculation of the total funding requirement (based on the three key program design parameters: commodity levels, transport and storage costs per ton, and complementary inputs per ton of food) and the funding gap (based on historical and planned levels of funding from the PVO, recipients, the host government, and other sources).

In an important departure from current practice, AID funds would be provided in a block, that is, they would not be linked to specific expenditures. Moreover, funds would be provided on a multi-year basis. Multi-year funding is the single most important change needed to promote better PVO planning and management, to integrate the dollar funds with the commodity cycle, and to permit more thorough AID review of PVO proposals and performance.

It is unlikely that the AID funds available for the block grant will be sufficient to cover all the Title II program costs eligible for funding. In light of this, a predetermined set of program priorities would facilitate the ranking of requests for funds and insure that grant allocations are directed towards programs that are in line with AID's Title II programming goals. A possible set of criteria is as follows, in order of importance:

1. Existing programs in high cost countries (to be specified by AID)
2. Innovation in existing programs
3. Justified capital costs and complementary inputs in existing programs
4. New programs on the priority list (to be specified by AID)
5. Headquarters training and capacity building
6. Headquarters salaries to support program redirection and innovation
7. New programs not on the priority list

It is suggested that AID fund all high quality proposals in the first group before funding any proposals in the second group, and so on. Given the large funding gaps in high-cost countries, it may well be that this requirement will absorb all of the funds available. But it also ensures that AID's funds go for what must be the first priority: keeping Title II programs in operation.

I. INTRODUCTION

This report assesses two programs that provide supplemental DA (Development Account) funding for Title II non-emergency programs implemented by private voluntary organizations (PVOs). The report focuses primarily on Outreach, the oldest and largest program, but also considers experience to date with Enhancement, which made its first full-scale grants in 1985.

The report is organized into six main parts, including this introduction. The second part describes the history of the Outreach and Enhancement Programs and analyzes the trends in the use of Outreach funding. The third part assesses the impact of Outreach on the PVOs and on Title II programs. The fourth part presents and discusses the issues raised by future DA funding to support Title II, while the fifth part addresses the specific issues surrounding the design of continued funding for this purpose. The final part presents a proposed outline for the redesign of AID funding, based on the block grant concept.

The primary role of DA funding for Title II should, in the opinion of the authors of this report, be to encourage Title II programs to move in directions consistent with AID's overall policies and desired development strategy. To a very real degree, this may translate into encouraging and assisting the program implementing agencies -- currently the PVOs -- simply to continue programs that AID believes are important but that the PVOs are increasingly unwilling and unable to finance themselves.

This role is very different from the narrow one defined for Outreach at the outset: increasing beneficiary levels and retargetting Title II programs to reach the neediest. This aim may be appropriate to an era when commodity levels were increasing and the available funding for Title II programs from other sources (the host government, the beneficiaries, and the PVOs themselves) was perceived to be flexible.

The present situation, however, is quite different. PVOs face stagnant or declining budgets, as do many host governments and AID itself. As PL-480 commodities become a larger share of the total resource pool available, there is a stronger desire on all parts to use them as effectively as possible. The availability of additional resources to accomplish this is relatively more problematic. New needs and possible uses are identified for food aid, such as support to structural adjustment, but the PVOs find growing difficulty in simply keeping their existing programs going. In this situation, it appears self-evident that the scarce DA funds available for Title II support should respond to AID's priorities for Title II programming and to the realities of the programs' environment. Devoting these funds to a single purpose, particularly one that implies continued expansion in program levels and costs, may no longer be appropriate.

This report has been prepared by drawing on existing secondary sources of information on Title II programs and on DA support to them through the Outreach and Enhancement programs. The team has reviewed the documentation available in AID's offices and with the PVOs, to the extent feasible in the time available. We have attempted to synthesize this information so that it can be presented concisely and comprehensibly.

The team has not undertaken field visits to Title II programs; however, data available in FVA/W provide a wealth of information on the two DA projects examined and on food programming priorities overall. The team has also benefited from discussions with all of the PVOs participating in Outreach and Enhancement.

The team wishes to thank the many people at PVO offices, at AID, and elsewhere who took time from their busy schedules to meet with the team and to provide the information requested. It is our hope that this report accurately captures their main concerns and presents the different perspectives as fairly as possible. We remain responsible for any errors of fact or interpretation that the report may contain.

II. HISTORICAL OVERVIEW OF THE OUTREACH AND ENHANCEMENT GRANT PROGRAMS

Evolution of Outreach from FY 1978 to FY 1987

The worldwide Title II Outreach Project was conceived following the world recession of 1973-74 and the world food crises of 1972-74, when the gap between self-sufficient and needy populations became increasingly apparent. At the same time, there was growing concern over food aid's impact on the poor, and over the ability of host governments, facing sharp increases in the price of energy and growing debt service needs, to fund the logistical costs of Title II programs. The objective of the Outreach Project was to secure compliance with Congressional mandates to reach the poorest of the poor, by assuring that Title II programs (and specifically, the traditional, non-emergency project food aid activities of U.S. PVOs) reach the truly needy in chronically food-deficit, resource-scarce, and/or geographically remote areas worldwide.

Initially, Outreach was to support the expansion of ongoing food programs managed by U.S. PVOs by providing funds primarily on a one-time, start-up basis to offset the cost of establishing or strengthening the food distribution infrastructure (i.e., commodity transportation, commodity storage, food distribution, and administration costs) to enable the PVOs to reach a larger and more remote group of beneficiaries. It was assumed that, once the initial infrastructure needs (such as vehicles and warehouses) were met, the local and recurrent costs would be covered by the PVO through recipient contributions, host government contributions, the PVO's own funds, and other sources. Over time, it became clear that none of these resources would be sufficient to allow full coverage of recurrent costs. Outreach funds originally intended to defray capital costs were thus used to defray the recurrent costs directly associated with maintaining a logistical support system or expediting programmatic improvements. Other sources of funds were also expanded, most notably by broadening the guidelines for monetization.

In addition, a project amendment in 1981 increased the flexibility with which Outreach funds could be used to cover the costs of certain non-logistical complementary development inputs. The "enrichment" items eligible for Outreach funding include scales, charts, small tools and equipment, educational materials, training of local staff and recipients, vitamins, and mineral supplements. Up to 20 percent of Outreach grant funds can be used to cover the complementary costs associated with using food aid for developmental purposes. Exceptions to this ceiling are considered on a case-by-case basis.

Goals of Outreach

The goal of Outreach is, therefore, twofold: (1) to facilitate attempts to reach needy recipients in a country context where the logistical difficulties involved are substantial; and (2) to increase food program efficiencies by supplementing PVO development funds.

Overall Allocation of Funds

Outreach was first approved in 1978 and was extended three times for a total of ten years through 1988. The total project authorization level is currently $34.5 million, with FY 1987 as the final year of obligation.

Outreach has supported a growing number of PVO-implemented food-aid programs.[1] Discounting the first year when only one grant was made, the number of grants active over any one year interval doubled from 10 in FY 1979 to 20 in FY 1986, but fell again to 10 in FY 1987.

The distribution of Outreach grants among PVOs has likewise changed. There has been a shift away from dominance by CRS, which received 83 percent of the funds in FY 1979, to a sharing of funds by other institutions, including ADRA, CARE, and four smaller PVOs in FY 1986.

In terms of regional distribution, there have been more programs in Africa than in Latin America and the Caribbean (LAC), 20 and 11 programs respectively. Africa continues to have, on average, more programs than LAC. One grant was made in FY 1979 to a program in Asia.

From FY 1979 to FY 1986[2] Outreach funding levels increased at annual rates ranging from 3 to 33 percent; in

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1. For graphs, tables, and a summary of the analyses supporting the observations in this chapter, see Appendix I.
2. There was no change in Outreach's funding level between FY 1981 and FY 1982.

FY 1985 and 1986, the rate of growth respectively, 16 percent and 33 percent. In FY 1987, however, Outreach funding fell by 61 percent, from $5.98 million to $2.32 million. Funding for FY 1988 is projected at $2.95 million. Throughout this period, the average magnitude of Outreach grants has remained fairly constant.

It is worth noting that the average number of recipients in an Outreach-supported food program in Africa is about half that of programs in LAC, although average dollar values of the programs are similar. The explanation may lie in the geographic dispersion of recipients in Africa relative to the LAC region, as well as higher operating and administrative costs in Africa. The food distribution centers in Africa, though established to service as large a group of recipients as possible, are limited in their range of influence by the sheer distances between population centers (which themselves may not be very large) and the high costs of transporting food (due to poor infrastructure, the need to depend on imported spare parts, oil, etc.). The absence of established social infrastructure (schools, health centers, etc.) also raises program costs.

Analysis of Trends under Outreach

Number of Recipients Reached

No direct correlation between the level of Outreach funding and the number of recipients reached by an Outreach-supported food program could be found by examining the data available. Nevertheless, the provision of Outreach funds often translates into increased numbers of beneficiaries. The largest increase appears to occur with the first-time infusion of capital at the beginning of the period. Africa tends to be the most responsive to the presence of Outreach funds, with an initial increase in recipient levels of up to 67 percent. In LAC, the responsiveness of the program is less marked. Except in the instance of new program start-ups due entirely to Outreach, the percentage change in recipient levels during the first year of the grant ranged from 2 to 23 percent.

Though Outreach generally has a positive impact on beneficiary numbers within a given program, its overall effect on Title II recipients worldwide is somewhat circumscribed owing to its size ($34.5 million was authorized over ten years, of which $33.2 million had been obligated as of end-FY 1987). The number of recipients in Outreach-supported programs annually has varied from 3 to 8 percent of all Title II Food for Development recipients.

The number of Title II Food for Development programs assisted by Outreach is much higher; 32 percent of all PVO Food for Development programs received Outreach funding in FY 1985 -- 27 percent in FY 1986.

Use of Funds

During the initial stages of an Outreach grant, approximately 60 to 90 percent of the funds are used to finance the costs of improving or establishing logistical support and/or storage facilities. As the Outreach grants are amended or renewed, commodity administration/management becomes an increasingly larger component, but fluctuations in other accounts follow no clear pattern.

This allocation of funds can be explained by the initial goal of Outreach, expanded geographical coverage, and subsequent attempts to retarget coverage. Extensive capital costs are entailed at the start to put the new or improved commodity distribution infrastructure into place. Subsequently, administration and management costs to operate the expanded system increase. Finally, costs in all categories shift from year to year as shortcomings in one part or another of the system become evident and the system is refined.

Up through FY 1985, strong regional differences existed in the use of Outreach funds to cover food program cost, as seen in Table 1. On average, logistical and storage expenses of food programs in Africa claimed a larger percentage of total Outreach funds than programs in LAC; administration and management expenses claim a lower percentage, while enrichment received slightly more. African programs also exhibited more variance than those in LAC.

In FY 1986, the difference between Africa and LAC in the use of Outreach funds became less pronounced, as shown in Table 2. The reasons for this shift are unclear and data from FY 1987 grants are not yet available.

In light of the considerable variations exhibited within the expense categories allowed by Outreach, it is not surprising that there is no correlation evident between the types of expenses defrayed by Outreach and the number of recipients ultimately reached by the food program. Outreach funds appear to promote program expansion, but this effect is not linked to expenditures in one category rather than another.

Table 1. Use of Outreach Funding, 1978-85

Cost category and program location[a]	Average allocation[b]	Range high	Range low
Programs in Africa:			
Commodity transportation	49%	75%	27%
Commodity storage	15	42	4
Commodity administration/ management	12	29	0
Enrichment	16	43	5
Miscellaneous	4	4	1
Overhead[c]	7	8	6
Programs in LAC:			
Commodity transportation	23	30	13
Commodity storage	20	35	7
Commodity administration/ management	30	40	18
Enrichment	11	16	5
Miscellaneous	14	27	3
Overhead[c]	2	7	0

a. In order to minimize any bias that may exist toward using Outreach funds to defray commodity transportation and storage costs during the early years of Outreach support, only those programs supported by Outreach between FY 1983 and FY 1985, and often for some years prior, were included in the study. Programs meeting this criteria and exhibiting sufficient information for review are located in Burkina Faso, Ghana, Kenya, Lesotho, Mauritania, Rwanda, Sierra Leone, Sudan, Bolivia, Dominican Republic, and Haiti. Programs in Togo, Benin, Djibouti, Zaire, Honduras, Nicaragua, and Ecuador were not included in the study because of insufficient data.

b. These figures do not add up to 100 percent because all six categories may not apply in every situation.

c. Though overhead did not appear in early grant documents, most PVOs are currently requesting coverage for their overhead on all food aid programs.

Table 2. Use of Outreach Funds, 1986

Cost category and program location[a]	Average allocation[b]	Range high	Range low
Programs in Africa:			
Commodity transportation	28%	74	0
Commodity storage	25	79	0
Commodity administration Management	29	57	8
Enrichment	12	37	5
Miscellaneous	--	--	--
Overhead	5	8	0
Programs in LAC:			
Commodity transportation	21%	37	0
Commodity storage	33	53	3
Commodity administration Management	31	51	8
Enrichment	10	19	1
Miscellaneous	--	--	--
Overhead	5	10	0

a. Programs includes in this review were located in Burkina Faso, Ghana, Mali, Mauritania, Rwanda, Sudan, Bolivia Dominican Republic, Haiti and Honduras.
b. These figures do not add up to 100 percent because all six categories may not apply in every situation.

A Financial Review of Enhancement Activities Implemented to Date

The Title II Enhancement Project was approved in the fall of 1985. Its purpose is to improve the developmental impact of Title II commodity programs by strengthening the program management and design capabilities of PVOs sponsoring feeding programs worldwide. The project has two main components -- staff and organizational development, and research and development -- both of which focus on ways a given PVO can add or improve complementary activities to feeding programs. The first component covers a wide range of improvements, from staff technical assistance and training, both at headquarters and in the field, to the development of management improvement systems, including management information systems (MIS) and long-term planning capabilities. The second component consists of testing experimental complementary activities developed by the PVO.

To date, two PVOs have received Enhancement grants: ADRA and CARE. Three other PVOs (Africare, WVRO, and Save) have received pre-Enhancement grants to allow for proper strategic planning of Enhancement activities prior to implementation. This two-step process will assist PVOs to design and undertake a plan of action that is both feasible and consistent with Enhancement goals. Grants totalled $1.8 million in FY 1985, $0.9 million in FY 1986, and $3.2 million in FY 1987, totalling $5.8 million. Roughly half of these funds have gone to PVOs new to Title II.

Enhancement grants are cost-sharing grants to which PVOs contribute at least 25 percent of the total costs. Costs may fall into one of five categories: staff development, MIS, pilot activities, replication of successful activities, and overhead.

Originally, it was assumed that PVOs could substantially improve their ability to plan, implement, and manage food assistance programs over a three-year period. By 1987, it was apparent that this was too optimistic, and that an extension of ongoing grants will probably be required to complete the staff development and program experimentation planned.

To determine whether PVOs have been using Enhancement funds as set forth in their respective grant documents, a review was undertaken of actual and projected cost categories for two PVOs as of FY 1986. Information for this review was taken from the original PIO/T and the interim progress reports provided by the PVO, in each case.

The findings are shown in Tables I-7 and I-8 in Appendix I. The top half of the tables show the actual and projected expenses for FY 1986, and their relationship to total expenditures for the year, according to the four categories delineated above. The bottom half of the tables reviews the expenses according to functional categories and is intended to highlight, where possible, the actual use to which the funds were placed.

It is clear from examining these tables that proportionately more Enhancement funds have been channelled towards offsetting salary costs than originally intended. In the case of ADRA, less funds were devoted to pilot activities than anticipated. In the case of CARE, no funds were used for training. It should also be noted that neither PVO provides a breakdown of the expenses incurred under demonstration/ replication activities.

As might be predicted, the PVOs have been able to adhere fairly closely to their plans in terms of staff expansion and development, but have fallen behind in implementing program experiments and formal training programs. In both cases examined, actual expenditures for salaries were within the planned levels, but represented a larger share of total expenditures because of lags in other program expenditures.

Given the incomplete implementation of planned Enhancement programs, it is extremely difficult to say what effect, if any, these programs have had on the PVOs involved. It is clear that PVOs new to Title II (such as Save) would not have gone as far as they have toward implementing pilot programs without this assistnace, but field implementation had not yet begun for any of these programs at the time the evaluation team spoke with PVO personnel.

The grants may be having a positive impact on program management in participating mainstream Title II PVOs (ADRA and CARE), but it is really too early to evaluate any improvements in this area, nor are data available permitting a systematic comparison of performance before and after grant-funded programs were implemented.

There is little doubt that Title II PVOs are in a position to benefit from assistance in planning and management, areas where PVOs are widely recognized to be deficient. It is reasonable to assume that expenditures on system development will lead to some improvement in these areas, but it is much less clear that the PVOs will be able to maintain the improvements without continued funding. This concern is particularly serious for ADRA and the new PVOs, none of which appears to have made a strong institutional commitment to Title II.

Given the urgent needs for dollar support to meet the core funding needs of Title II programs, one must question whether improvement of PVO management is really a top priority. Design of new programs has a much stronger claim on scarce funds, given widespread dissatifaction with traditional program modes, but it can be argued that funds should go to CRS and CARE, which together handled 97 percent of Title II Food for Development beneficiaries in FY 1986 (ADRA handled 2 percent). Are the programs being developed by WVRO, Africare, and Save really capable of reaching a significant portion of the 26 million persons currently participating in Title II programs?

If AID decision-makers agree that the current portfolio of Enhancement grants is out of line with the priorities for AID's limited DA funding, then these grants should not be extended in FY 1988 unless alternative programs cannot be put in place to use these funds for purposes closer to the core of Title II needs.

III. ASSESSING THE IMPACT OF OUTREACH AND ENHANCEMENT

Impact on Title II Programs

Outreach, by far the largest dollar-funded program supporting Title II, has had two notable effects on food-aid distribution programs. First, Outreach funds have encouraged the start-up of programs in countries new to the worldwide operations of a given PVO. Examples of new programs that would not have been started were it not for the availability of Outreach funds are FHI in Bolivia, WVRO in Mali, SCF in Sudan, and ADRA in Sudan, Rwanda, Haiti, and Ghana. It appears unlikely, on the basis of discussions with various PVO representatives, that these newer food programs will continue once Outreach funding is terminated, however. The PVO's plans are generally to phase out the programs because their developmental impact on recipients is considered to be low (development being the real reason the PVOs enter the food business), and the administrative costs overrun available resources (usually host government and recipient contributions and PVO funding from private domestic and international sources).

The presence of Outreach funds has, however, enabled AID to target certain geographical regions and populations as areas of primary importance for food distribution, and has, in theory, supported the expansion of PVO programs into areas where the most needy reside. Whether this actually occurs has yet to be determined through a thorough review in the field. The 1983 evaluation of Outreach pointed out that it was difficult to determine whether food programs reached the neediest because of insufficient comparative data, and, more importantly, insufficient data on the economic status of program recipients. Clearly, needy people are assisted currently but there is not yet a systematic way of targeting the neediest, per se.

Second, most food aid programs given access to Outreach funds have been able to expand in a sustained way at least as long as funding continued. Such program expansion occurred in two ways: increased geographical, and, thus, broader population coverage, and increased population coverage within a smaller area. The 1986 amendment to Outreach moved the emphasis from geographical expansion to improved coverage of the neediest and increased developmental assistance. Hence, both quantitative and qualitative changes in recipient levels and types replaced quantitative measures alone as the criteria for judging success of Outreach-supported programs. This dual measuring stick of success makes field evaluations all the more important.

The extent to which the withdrawal of Outreach support results in the termination or phasing down of the food programs is not measurable given the data currently available. PVO representatives indicate that a number of factors determine program size when Outreach is no longer provided. The factors include the degree to which the program is efficiently managed and effectively controlled; and the degree to which other sources of funds can be mobilized immediately to cover the gap in funding left by Outreach.

Many food program in Africa, including certain CRS programs in Kenya, Ghana, and Mauritania, were reduced and could be closed down because of one or more of these considerations. The CRS program in Sierra Leone closed one-third of its centers largely because the unsupported costs could not be passed down to the recipients (in the form of increased recipient contributions) without changing the composition of the target group, and skewing it towards less needy people.

AID has conducted several in-depth evaluations of Outreach-supported programs over the past few years, including evaluations of CRS, CARE, ADRA (SAWS), and CWS programs in Benin, Bolivia, Burkina Faso (ex Upper Volta), Burundi, Haiti, Kenya, and Togo. Of these, the mid-term evaluation conducted in 1983 provided the broadest examination of Outreach impacts on program content and PVO management.

While the impact of Outreach has inevitably varied from country to country and program to program, the evaluations concluded overwhelmingly that the PVOs had made a good faith effort to expand beneficiary numbers and target needier, more remote populations. In some cases, the evaluations found that they had succeeded dramatically in enlarging and upgrading their programs, in other cases, successes were more limited. The mid-term evaluation, for example, concluded that Outreach "enabled Title II programs to increase recipients by more than 60 percent."

Outreach has not, however, resulted in an increase in Title II Food for Development beneficiaries overall. As discussed in Appendix III, beneficiary numbers in PVO-managed non-emergency programs are actually lower than they were before Outreach began and have declined slightly more rapidly than total Title II Food for Development beneficiaries.

Impact on the PVOs

The availability of Outreach funds has affected the degrees to which PVOs are willing to enter the food distribution business or expand existing programs. PVOs are generally interested in implementing programs in countries where support systems are already in place. Such support systems cover a wide set of conditions: the state of the infrastructure in a given country; the state of the economy; the attitude and willingness of the host government to contribute to the program; and the presence of affiliated religious groups, separately endowed with resources for possible use by the PVO in its feeding program. The presence of Outreach encourages PVOs to enter countries that may not exhibit ideal conditions. From discussions with various PVO representatives, the readiness of PVOs to enter these markets is clearly a function of the degree to which Outreach funds can be used to offset all or most program costs. Because of volatile worldwide economic conditions, the limits set annually on Outreach support, PVOs now are more careful to assess closely the implications of becoming involved with new food programs than in the past.

Both PVO personnel and the authors of AID evaluations agree that Outreach funds have clearly assisted the PVOs in improving their food management systems. The availability of relatively large amounts of funds to build new warehouses and upgrade trucking systems (or hire more trucking services) has been perceived as a major program benefit by PVOs. Improvements in commodity handling and management made possible by better infrastructure were mentioned frequently in the evaluations as a factor in better program management overall. For example, the mid-term evaluation cited above notes that "new warehousing in Rwanda, Haiti, Upper Volta, and Sierra Leone is providing assured adequate storage which has improved forward planning and reduced stock disruptions."

It should be noted, however, that these improvements did not introduce sufficient economies to enable the PVOs to maintain program size once Outreach was withdrawn: programs in both Rwanda and Sierra Leone have been drastically cut back following reduction or elimination of Outreach grants.

There is no evidence that Outreach has encouraged PVOs to make unnecessary investments in infrastructure, when they would have done better to rely on local private sector sources. The PVOs differ in their preferred operating style regarding ownership versus renting or hiring services. The cost, reliability, and availability of these services also vary greatly from country to country. In some cases, the PVO prefers to have as much of the operation under its direct management as possible, believing that this gives them greater control over implementation; in other cases, the PVO prefers to contract out as much as possible in order to free up management resources for other aspects of program planning and administration. There is no one right answer to this question.

Investments made with Outreach funds have generally not been subjected to detailed analysis of financial or economic returns. The mid-term evaluation includes one of the very few attempts to examine whether Outreach expenditures were justified by cost savings to the PVOs. The conclusion from examining four programs in Africa was overwhelmingly that Outreach had enabled PVOs to achieve lower per-beneficiary costs than they would have from a similar program implemented without Outreach-funded investments. A with-and-without comparison for four programs in Africa found that Outreach enabled the PVOs to reduce costs by 8 to 26 percent.

Importantly, this analysis did not compare costs before and after Outreach, i.e., it did not determine whether Outreach enabled PVOs to achieve lower per-beneficiary costs when <u>both</u> program expansions and Outreach-funded investments were taken into consideration. As the PVOs have never attempted to calculate per-beneficiary costs themselves, it is not possible to make this type of before-and-after comparison. PVOs have "voted with their feet" on this issue, by returning to the before-Outreach program structure when funding was withdrawn. Indeed, given the planned closedown of some programs assisted by Outreach (e.g., Mauritania), one must question whether Outreach encouraged PVOs to overextend themselves, thus leading to greater program contraction after Outreach than would have occurred otherwise. Given the large number of factors involved in decisions to close down a program, however, this question must remain unanswered.

<u>Program Administration</u>

Implementation of the Outreach and Enhancement programs has inevitably entailed a long and complex chain of communication among the PVO's field office, their home office, AID's FVA Bureau, AID's field missions, the host governments, and the Washington contracts office. Differing goals and perspectives at each point in the chain have combined with a multiplicity of operating systems to foil the efforts of all parties to smooth implementation.

The evaluators are of two minds regarding the administrative problems affecting Outreach and Enhancement. On the one hand, the problems have been real and have at times created serious difficulties for AID and PVO personnel implementing the programs. On the other hand, with few exceptions, these problems are the very same ones that plague every AID project on the books:

-- Certainly, the PVOs have been inconvenienced by AID's long and cumbersome proposal approval process, which has often resulted in delays in funding that stretched well into the period when the funds were supposed to be expended; but every contractor has experienced similar delays, with lags between proposal and contract start-up sometimes extending to years rather simply months.

-- The PVOs are justified in complaining that funding levels for program out-years have been cut without warning and that program objectives have been changed mid-course; similar difficulties are experienced in all centrally funded programs, which are subject to incremental authorization procedures.

-- AID personnel quite rightly complain that the PVOs do not provide the reports agreed upon when agreed or in the form required for adequate AID decision-making, but that AID has to go ahead and approve funding anyway; but such shortcomings in contractor-AID communications are commonplace and pale beside the near-total failure of host governments to provide AID project managers with the information specified in PILs.

-- Everyone complains about the operations of the contracts office (delays, seemingly arbitrary approvals and disapprovals, requirements and procedures that are out of line with the management needs of AID and the PVOs and that unnecessarily limit management flexibility); similar problems are familiar not only throughout AID, but indeed in all organizations large enough to have independent financial administrations.

These problems can best be understood as unwelcome but inevitable attributes of the public sector-private sector relations in the foreign assistance process. Careful attention to the details of program application, review, and implementation during the design of a follow-on assistance program may identify specific actions that can be taken to reduce the impact of these problems, but the authors are convinced that nothing known to man will eliminate them.

One problem does deserve special attention and immediate action to remedy it: the lack of coordination between the PL-480 commodity cycle and the funding cycle for Outreach. As shown in the following chart, the two cycles are seriously out of "sync," with the result that PVOs must apply for commodities before knowing how much funding they are likely to receive to disburse them:

Figure 1. Title II Funding Asynchrony

Funding Cycle	PL-480 commodities	Outreach grants
February	Guidance to the field	
April	Deadline for applications	
June	First shipment	
September	Second shipment	Guidance to field
October		Deadline for applications
November		Proposed allocations (often delayed)
December	Third shipment	
March	Final shipment	
June		Final date for allocations

Thus PVOs may find themselves making applications for next year's Title II commodities while still waiting for final word on their allocation of Outreach funding for this year. Even if the Outreach grant process goes according to schedule, PVOs will have received (and probably delivered) half of their commodities for the year before they receive their Outreach funding.

If Outreach funded only marginal expenditures, program enhancements rather than core program costs, this lack of coordination would be only an inconvenience. But Outreach actually provides roughly one-quarter of total program funding (see Appendix III), for programs receiving Outreach. The lack of synchronization between commodities and operating support is therefore a major problem for the PVOs.

Bound by the government's fiscal year, AID's Food for Peace office can do little to address this problem within the context of single-year funding for Outreach (or any successor program). AID's development assistance account funds are rarely available for obligation prior to November and must be obligated by the following September. The food aid schedule is determined by a host of factors having little to do with the PVOs' needs. As discussed in section VI below, it is therefore recommended that dollar funding to support Title II programming be put on a multi-year footing (following the change recently made for the programming of the food itself).

IV. ISSUES IN AID FUNDING FOR TITLE II

Conceptual Framework

A key and unresolved issue in Title II planning is: What should determine the size of the programs? Several alternatives with quite different implications for program size can be identified:

1. The availability of commodities (implying a worldwide programming level at least as great as at present and probably larger)

2. The capacity (and willingness) of the PVOs to undertake feeding programs (implying a worldwide level probably somewhat below the current level, given PVO priorities for the use of their scarce financial and managerial resources)

3. The availability of funds for complementary and logistical inputs (again, implying a program level no greater than at present, and probably below it)

4. The "need" for the programs, which is probably not an operational measure, given on the one hand the huge potential beneficiary population (all malnourished people in LDCs) and, on the other, the growing consensus among PVOs and host governments that feeding programs may well have expanded already beyond the developmentally appropriate level

Implicit in past Outreach funding is the assumption that feeding programs should be expanded: they should reach more beneficiaries in more remote locations with more assistance involving more PVOs. This assumption urgently requires reexamination in light of changing perceptions on the part of AID, the PVOs, the host governments, and indeed the beneficiaries themselves regarding the desirability of feeding programs (witness community opposition to food-for-work in Haiti).

While PVO positions clearly vary among organizations, as a group they strongly question the continued validity of this assumption, and favor a shift to programs with a smaller traditional feeding component but larger overall expenditures. If AID continues to favor larger programs in favor of smaller, but more resource-intensive programs, then PVOs will in all likelihood go along, given their dependence on AID for resources. But they will not put their own funds to this purpose.

The possibility of monetization in effect decouples the volume of food programmed from the volume used in the feeding program (and therefore the number of beneficiaries), as part of the food resource can be transformed through the magic of the marketplace into complementary inputs. This paves the way for a shift from feeding programs with complementary inputs toward developmental programs with complementary feeding components (and possibly to development programs with no feeding at all).

In order to resolve the funding issue in a sensible fashion, it is critical that AID and the PVOs separate the two questions of what should be done and how it should be funded. There are essentially three alternatives, each of which represents an extreme:

- If AID and the PVOs want more and larger feeding programs, then the issue becomes how to fund both food and non-food inputs. In the extreme, if it is considered desirable to expand feeding activities beyond the availability of Title II commodities, then DA (or other donor) resources should be sought to increase the availability of food.

- If, on the contrary, AID and the PVOs believe there is major scope for expansion in their development programming, then even 100 percent monetization would not necessarily eliminate the justification for supplemental DA funding from AID.

- Finally, if AID and the PVOs view the current level of feeding as broadly appropriate, then the issue becomes one of defining the future direction of the program and costing out the expenditures on logistics and complementary inputs implied by this direction.

These choices can be presented graphically, using what may be termed the FoCL triangle (see Figure 2). The triangle is determined by three points: Point F , which indicates the level of food commodities distributed (by value) and is shown on the vertical axis, Point L, which indicates the total expenditure on food logistics (transport, storage, and administration) and is shown on the right side of the horizontal axis, and the Point C, which indicates the expenditure on complementary inputs and is shown on the left side of the horizontal axis. Each of the FoCL triangle's three sides has a direct interpretation for food programming:

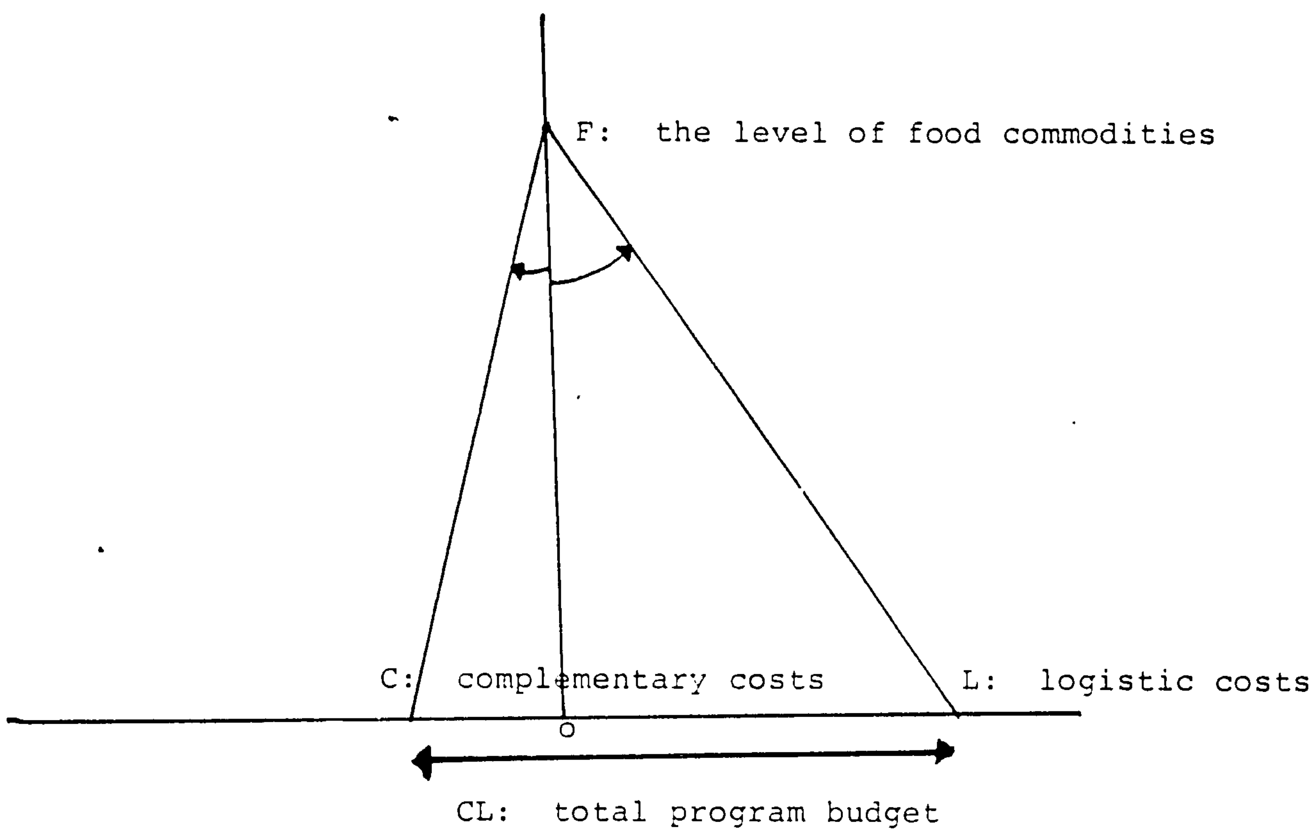
a. The right side (FL) indicates the relationship between total logistics expenditures and food volume; this relationship (represented by the slope of the line) is primarily determined by local conditions (transport and storage costs) but is also partially controlled by management decisions that raise or lower costs per ton by, for example, making cost-effective investments in warehousing or shifting the program's centroid (weighted average distance from port to beneficiary) outward.

b. The left side (FC) indicates the relationship between food volumes and complementary inputs; the steeper the line, the more food-intensive the program and the lower the level of other activities relative to food; the slope of this line is almost wholly determined by management decisions.

c. The base of the triangle (CL) measures the total non-food cost of the food program. This cost must be met by some combination of AID, PVO, beneficiary, and host government resources.

FIGURE 2

THE FoCL TRIANGLE



Note that the slope of the FL and FC lines and the position of Point F together determine the total non-food cost of the program, that is, the financial requirement of a given configuration of food, logistics, and complementary inputs. The impact of changing funding availability and/or commodity levels can be shown directly on the diagram. Figure 3a diagrams the impact on a typical Title II program of raising commodity levels with a fixed budget: because complementary inputs per dollar of food are usually lower than logistics cost, an increase in food volumes leads to a decrease in complementary inputs much larger in relative terms than the increase in commodities. Figure 3b indicates the reduction in commodity levels that would be necessary to double logistic expenditures per ton without changing complementary inputs per ton or raising the total budget.

In general, PVOs would like to see food programs shift in the direction shown in Figure 4a, without increasing total expenditures, while Outreach's objectives of more food aid to more remote areas imply a different shift in the program and an increase in total expenditures, as shown in Figure 4b.

The Funding Gap for Title II Programs

What Is the Nature of the Gap?

Viewed in the simplest possible manner, the Title II funding requirement is simply the total non-food cost of a program that uses food (the CL line in our diagrams above). This is the level of funding that must be supplied from one source or another to undertake the program defined by the FoCL triangle. For convenience, we will term this the "basic funding requirement."

The basic funding requirement can be made up from contributions from four basic sources: the U.S. Government, the PVOs, the host government, and the beneficiaries. Recent changes in the food-aid legislation (incorporated into the 1985 Farm Bill) make an additional source of USG funds available in the form of added food commodities for monetization.

FIGURE 3-a

IMPACT ON COMPLEMENTARY COSTS OF AN INCREASE IN VOLUMES WITH NO INCREASE IN BUDGET

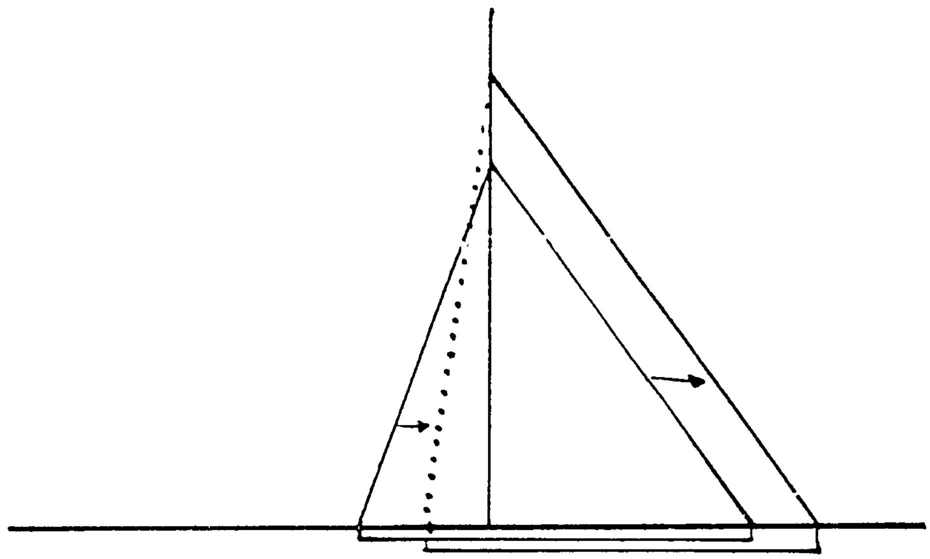


FIGURE 3-b

IMPACT ON FOOD VOLUMES OF DOUBLING LOGISTIC COSTS PER TON WITH NO CHANGE IN COMPLEMENTARY COSTS PER TON AND NO INCREASE IN BUDGET

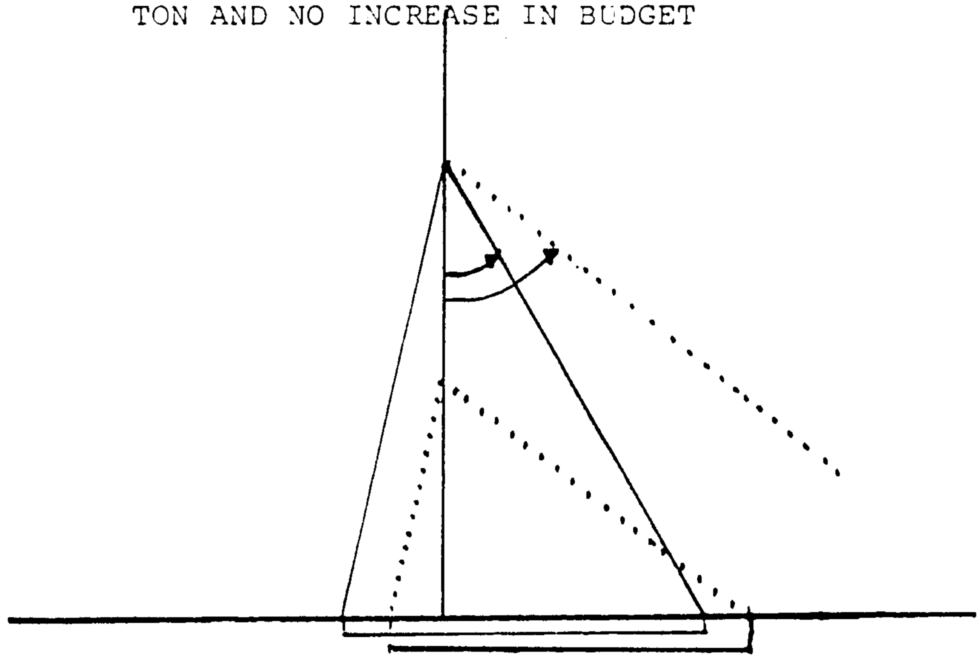


FIGURE 4-a

COMPARISON OF CURRENT PROGRAM WITH PROGRAM DESIRED BY PVOS

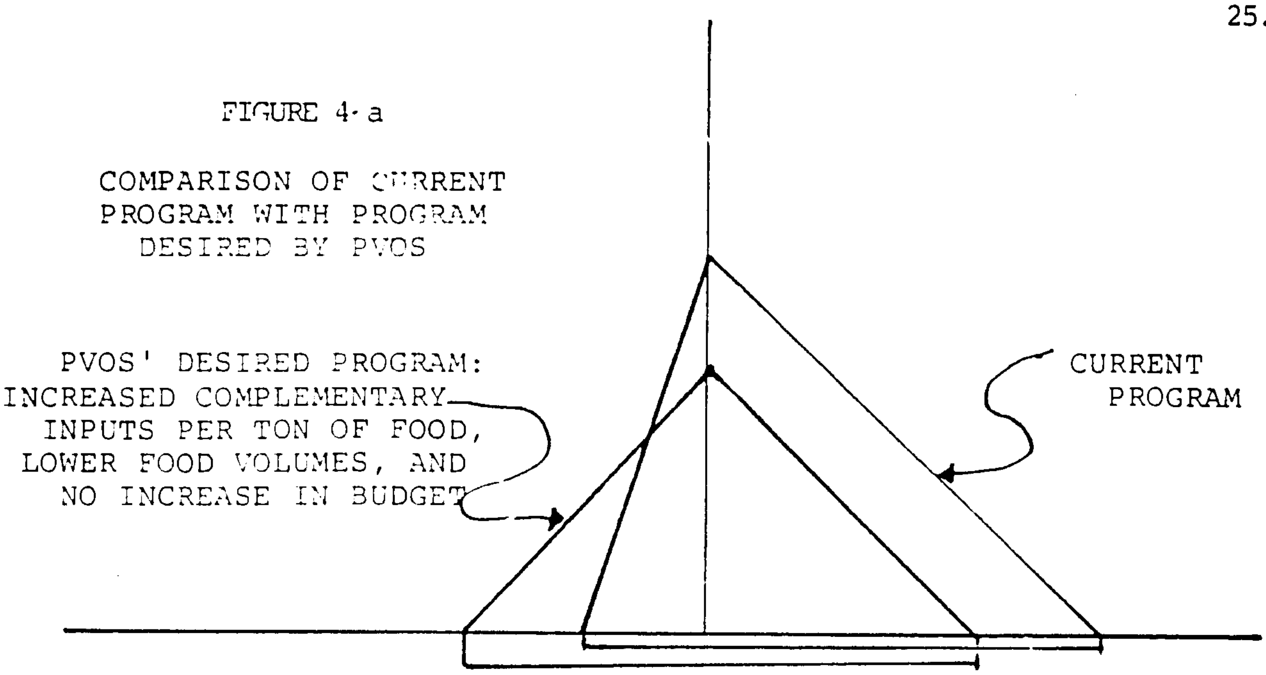
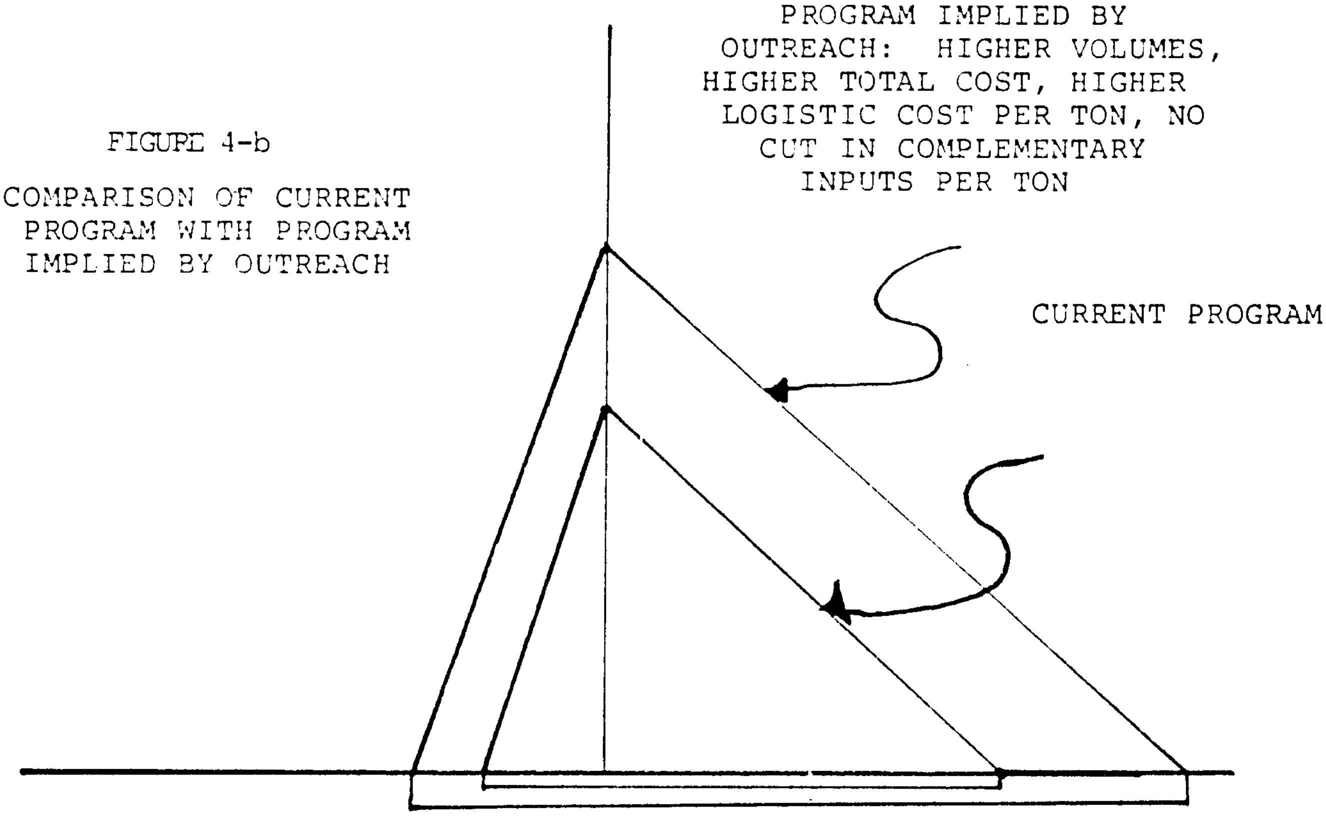


FIGURE 4-b

COMPARISON OF CURRENT PROGRAM WITH PROGRAM IMPLIED BY OUTREACH



Another way to define the funding requirement is the difference between the CL cost of the desired program and the budgetary input toward food program costs that has been provided by the host government and the beneficiaries over the past few years. The gap would then be defined as follows:

GAP = CL - PVO - HG - BEN

where PVO, HG, and BEN are, respectively, the average financial input of these parties in some reference period (say, 1985-1987). The USG input is not included in this definition of the gap, as current AID policy holds that the USG does not support these costs except on an exceptional basis. For convenience, we will call this the "funding gap."

It is not possible to quantify either the funding requirement or the gap, even assuming that information currently diffused in the PVOs' field offices could be captured so that PVO, HG, and BEN in the equation above could be assigned dollar values. The reason is simple: there is no agreement on CL, or on the program variables that determine it (food volume, transport costs per food ton, and complementary costs per food ton).

Information provided by PVOs as part of the 1987 Outreach application process makes it possible to provide very preliminary estimates of the funding gap associated with current Title II programs, however. In 1986, Food for Development reached an estimated 38.3 million beneficiaries worldwide. Two-thirds of the recipients (67%) were concentrated in Asia (India and Bangladesh alone accounting for nearly 57% of worldwide recipients), 6% were in the Near East, 13% in Latin America and 14% in Africa. Two-thirds of the worldwide total, or 25.65 million beneficiaries, were served by PVO-implemented programs. Applying the per-beneficiary costs calculated in Appendix III and assuming that PVOs are responsible for two-thirds of the beneficiaries in each region, we estimate that the total funding requirement and funding gap for all Food for Development programs is as follows.

Table 3. Funding Requirements for Title II Programs

(Millions of dollars)

Region	Funding requirement	Funding gap[a]
Africa	115.9	59.4
LAC & Near East[b]	15.2	6.3
Asia[b]	55.8	23.3
Total w/ Asia	186.9	89.0
Total w/o Asia	131.1	65.7

a. Total funding requirement less estimated input of PVOs, beneficiaries, and host government.

b. Applying cost/beneficiary calculated for Latin America to Asia and the Near East.

The figures for Asia clearly overstate the funding gap, given that the host governments in India and Bangladesh provide virtually all of the funding needed for these two very large programs. If the program costs given in the Outreach applications are representative (admittedly a big if), the other estimates provide at least order-of-magnitude approximations. It should be noted that most of the funding gap is at present filled from other USG funding sources, including Title II monetization, local currency, and other grants as well as Outreach. The future availability of these funds (or of host government and PVO funds) is not known, and consequently it is not possible to say what gap remains after these funding sources have been tapped.

Moreover, it cannot be overemphasized that the funding requirement and, therefore, the funding gap are determined as much by program design as by the availability of funds. Program costs per beneficiary and/or beneficiary levels can be trimmed to fit within any chosen funding level. If AID informed the PVOs that no funds would be provided to support Title II at all, the programs would not disappear. But they would not remain at current levels, either.

A third possible definition of the gap is implicit in recent PVO-AID discussions on Title II: the gap is the difference between CL and the sum of what the PVO, host government, and beneficiaries should contribute. This definition is the least operational of all.

Historically, certain funding sources have been associated with certain elements of the program cost. In particular, the host government input was supposed to cover the costs associated with food logistics, especially transport. This linkage is more traditional than actual; in many cases the host government's input has been a fixed monetary amount bearing only a casual relation to actual transport costs.

Other funding sources have been linked more concretely to the volume of the food. Specifically, beneficiary cash contributions (as distinct from time and donation of complementary inputs) have usually been set at a fixed level per ton of food, and consequently tend to vary directly with food volume.

These linkages may be useful in negotiating with the host government, but they are not a useful concept for financial management from AID's perspective or that of the PVOs. Regardless of the rationale used to entice a particular dollar into the Title II funding pot, once in the pot it ceases to be a transport dollar or a complementary cost dollar or a salary dollar; it is just a dollar and is no more or less effective in meeting the basic funding requirement than any other dollar.

Are Funding Requirements Increasing or Decreasing?

There are three basic changes in Title II programs that are likely to cause a change in funding requirements (and therefore in the funding gap as well):

a. An increase in the volume of Title II commodities, without a balancing drop in complementary input and/or transport costs per ton of food (i.e., a steepening of the FC and/or FL lines)

b. An increase in complementary inputs per ton of food, without a balancing decrease in the volume of food and/or transport cost per ton

c. An increase in transport costs per ton of food, without a balancing decrease in the volume of food and/or complementary input expenditures per ton

In addition, the funding gap can become larger over time with no change in the basic funding requirement through any of the following changes:

a. A diminution in host governments' willingness or capability to maintain their contribution

b. A shift in Title II programs to countries where host governments have fewer funds or are less willing to support Title II

c. A shift in program management, content, or location that causes a drop in beneficiary cash inputs

It should be noted that the current funding gap crisis in Africa was apparently precipitated in large part by a change in policy toward beneficiary contributions by the region's main Title II PVO (CRS). CRS programs have traditionally been supported in large part by cash contributions collected from beneficiaries. Perceiving that management of these funds was becoming an increasing problem for the organization, CRS changed its policy to drastically cut back such contributions. As a result, the funding gap took a huge leap upward, even though the funding requirement had not increased.

While AID and the PVOs have little control over the host government inputs, they can make choices that limit the impact of the other two. These choices are generally inconsistent with the direction that Title II programming has been taking in recent years: they imply shifting programs away from governments in fiscal difficulty (notably in Africa); shifting toward programs that emphasize service delivery (MCH, SF) over participation (FFW), and therefore can charge money; and to relatively less needy and less remote populations, who can meet the costs of transport more easily.

There may be a temporary increase in the funding requirements caused by extra costs associated with start-up of new programs and redesign of existing programs, or with testing of innovations in Title II programming. These temporary increases are wholly within the control of AID and the PVOs, which may choose not to make cost-increasing changes in the program.

Finally, there may also be temporary cost increases due to investments in logistic capacity (warehouses and trucks, basically). These increases are not actually increases at all; if the investments are justified as more cost-effective than renting equivalent facilities, then the funding requirement should be smaller over time.

Most of the changes going on in Title II programming will increase the basic funding requirement, and will lead to an increase in the funding gap over time. These include an increase in commodity volumes (or at least the availability of such commodities), an increase in complementary inputs, and a move to countries with higher transport costs per ton of food (Africa once again). It must be emphasized that these changes are the result of AID and, to a lesser extent, PVO decisions, not fundamental changes in the program's environment.

<u>Can PVOs, Host Governments, and Beneficiaries Increase Their Financial Support of Title II?</u>

The Outreach program strategy explicitly assumes that non-AID funding will be forthcoming to meet the ongoing expense of changes promoted by Outreach: increased programming of food to more distant locations. There are three potential sources for such funding, other than monetization: the PVOs themselves, the host governments, and the beneficiaries. While the ability of each of these three to increase their contributions to Title II programs varies from country to country, it appears certain that none will be able to replace Outreacn fully in all cases.

<u>PVO Funding for Title II</u>

If AID believes that PVOs are willing and able to increase their financial input into Title II logistics by several million dollars, AID is quite probably mistaken. The PVOs are partly to blame for this misunderstanding, which has been exacerbated by their lack of candor regarding their priorities and financial position. The problem is two-fold:

i. The PVOs don't have very much money.

ii. The PVOs might be willing to devote some of their scarce funds to Title II programming, but generally not to logistics.

On the surface, it might appear that the larger PVOs -- notably CARE and CRS -- have tens if not hundreds of millions of dollars at their disposal. (Indeed, the PVOs cultivate this impression.) Unfortunately, this is not the case. The funds available for discretionary programming are extremely limited, due to the high and irreducible cost of doing business in dozens of countries, the expense of fundraising, and the restrictions placed on funds provided to the PVOs by other donors (including the general public). Knowledgeable staff at the various PVOs contacted estimate informally that the total funds available for project programming (including Title II) do not exceed $10 million in the case of the largest PVOs, and are closer to $5 million for the smaller PVOs. Moreover, the PVOs' private funding is unstable: it rises and falls unpredictably with the vagaries of the international disaster situation.

While the PVOs all regard traditional feeding programs as legitimate and useful activities (to varying degrees), they universally assign first priority to their own development projects. This should not be surprising: so do AID missions, and for many of the same reasons.

The PVOs have a strong management interest in preserving as much flexibility as they can in the use of their limited discretionary funds. Many of their projects are multi-year undertakings that cannot easily be scaled up or down. An additional large fixed commitment, such as a Title II program, is extremely unwelcome in the field. This situation reinforces the PVOs' programmatic preference for raising complementary inputs rather than logistical expenditures. Complementary inputs are closer to their own projects in nature and are generally more flexible: it is easier to suspend or cut back educational or health activities at MCH centers than to radically change the number of centers up and down from year to year.

Host Governments

Two factors have combined to reduce the availability of host government funds to support Title II programming: i) the international debt crisis and the overall fiscal stringency facing many LDCs and ii) the shift in Title II programming toward the relatively less developed countries, particularly in Africa. While several countries in this group -- notably India and Bangladesh -- have consistently provided significant support to Title II programs, others have shown far less willingness to fund internal transport.

Neither AID nor the PVOs systematically collect information on host government contributions to Title II programs (an incomprehensible gap in their respective management information systems). The 1987 Outreach applications required PVOs for the first time to submit information on receipts from this source, as well as beneficiaries. The evaluation team analyzed the results of eight submissions, covering six countries. The results of this analysis are presented in Appendix III.

One of the most surprising results of this analysis is that African governments in fact are providing a much higher level of support in terms of dollars per beneficiary than governments in Latin America, and are also paying a slightly larger share of the total funding requirement. While this analysis is based on questionable data from a limited number of countries, the implications of this finding are very important for future dialogue on Title II. The analysis indicates that it simply is not true that African governments are paying less; the funding gap is larger in Africa (and it is much larger) because the programs cost so much more per beneficiary than Title II programs in Latin America.

It is impossible to generalize regarding the degree to which host governments could increase their contributions to Title II programs, assuming they were willing to do so. This capacity is inextricably linked to the governments' expectations regarding AID funding for these programs and the relative priority that they assign to feeding programs. In some cases, host governments are undoubtedly bluffing; in other cases, AID has called their bluff by withdrawing funding (e.g., CRS Title II programs in Sierra Leone and elsewhere), and the host government has not filled the gap.

A special case arises where Title I reflows are available, as these funds constitute host government resources generated by PL-480 assistance and are usually programmed jointly with AID. Such funds are presumably more likely to be available for Title II support than general revenues. The distinction should not be overemphasized, however: most governments regard these funds as their own (because Title I is a sales program, not a grant) and in any case the demands on these funds, including AID's own priority projects, generally exceed the supply.

Both AID and the PVOs agree on the desirability of increasing host government input to Title II programs. Whose responsibility should it be to lobby the host government? Historically, the initiative has lain with the PVOs, who have not always pursued this task with vigor. The reasons are obvious: i) the PVOs rely on the host governments for much more than financial support, and are therefore hesitant to press them too hard on this issue at the potential expense of cooperation in other areas and ii) the cost to the PVOs of generating funds from the host government is much greater in terms of staff time and effort and the return is less secure than lobbying AID.

In some cases, AID has cooperated actively and successfully with the PVOs to encourage the host government to raise its allocation to Title II programs (e.g., in Bolivia), but this would appear to be the exception. This situation is unfortunate. If AID wishes the host government to increase their financial support to Title II programs, then AID should take the lead in pressuring them to do so. This does not mean, of course, that the PVOs should be freed of any obligation to lobby as well on their own behalf, under AID's leadership.

Even with strong AID support, however, the prospect for dramatically increased support to Title II programs by host governments is slim. Feeding programs have not generally been assigned a high priority by host governments, with some possible exceptions such as India, and they are not likely to do so in the future.

Beneficiary Contributions

While data on beneficiary contributions are not available in a systematic form, it is evident that such contributions are a significant source of support to many Title II programs. The funds are used to defray in part both logistical costs and complementary costs.

The PVOs differ in their views toward beneficiary contributions. Some of the PVOs regard them as an appropriate and necessary source of support and argue that the payment is relatively minor in comparison to the value of the food and other benefits received (the analysis in Appendix III indicates PVOs receive $1-2 on average from recipients). Other organizations are opposed to beneficiary cash contributions, on the grounds that they impede the poorest beneficiaries from participating, or view cash contributions as acceptable only if the funds generated remain on site to be used for local development activities. In either case, the beneficiary contributions would not be available to finance logistic and other PVO costs of the programs.

A special problem arises in food for work programming, where the trend is to cash payments to workers, not the reverse. In principle, the community benefiting from the FFW project could be asked to make a cash contribution, but community inputs into FFW projects are often quite large already.

Even among PVO staff who support beneficiary cash contributions, there are grave doubts expressed regarding the extent to which fees can be raised without driving away the poorest beneficiaries. This raises an important and unresolved issue for Title II programming: should the criterion for selecting beneficiaries be absolute need (essentially a relief rationale) or capacity to benefit from the assistance (a development rationale)? It may seem self-evident that food should not be provided to beneficiaries who do not need it from a nutritional standpoint. But this assertion does not necessarily stand up for two reasons:

i. A very large number of families fall into a category between "neediest" and "self-sufficient." Does it really make sense to close down a program because the very neediest cannot be reached when there are nutritionally deficit populations that may be quite able to pay enough to keep the program going and would be more likely than the neediest to participate effectively in other developmental activities?

ii. From a developmental perspective, food is a supplement to family income whether or not it increases total family food intake. The potential value of food as a motivator for community development activities does not depend on its going to the poorest members of the community.

Neither AID nor the PVOs has seriously tackled the question of whether it makes sense to direct food aid to the very neediest in a generally needy population. An open discussion of this issue is long overdue. This discussion must clearly include Congressional and USDA participation, as both have been responsible for moving food aid in the direction of the neediest.

While it will be necessary and appropriate to raise beneficiary contributions in many situations (especially if the additional cost to them can be partially balanced by increasing food rations), it is not necessarily logical to raise beneficiary contributions if the alternative is monetization: in a very real sense, these contributions are an extremely inefficient form of monetization. It is well known in the field that beneficiaries (or local sponsoring agencies such as schools) often generate the cash asked of them by selling part of the food. Since prices are often lowest in the most rural areas, and transaction costs may be high, it makes little sense to incur transportation costs moving food that will be sold to pay these same costs. Wouldn't it be better to sell it directly? Monetization makes this possible.

Monetization

Monetization of Title II commodities has emerged in the past two years as a potential source of additional financial support for Title II programs, as a result of changes in the legislation embodied in the 1985 Farm Bill. AID's preliminary guidance to PVOs and cooperatives indicates that 5-15 percent of the commodities by value (up to 30 percent in the case of least developed countries) may be monetized and the proceeds used to support the cost of the feeding programs.

In interviews with the evaluation team, PVO personnel indicated that:

a. They view monetization as extremely useful and expect that 15 percent monetization would be sufficient to cover transport costs, at least, in most countries

b. Nonetheless, monetization will not be possible or desirable in all situations, nor will it cover transport costs in the most expensive countries

c. In their current form, the guidelines for monetization are too restrictive to realize the full potential benefits from monetization

While monetization is a valuable additional resource for Title II programming, it will not solve the funding problems facing the PVOs. Limitations to its usefulness arise from several different factors:

a. Monetization will not be possible in all situations. Preliminary discussions regarding possible monetization programs suggest a variety of instances in which it will not be possible to monetize due to: the absence of an appropriate commodity; inability to agree on a sales price (particularly where local prices are artificially controlled); host government unwillingness to monetize; serious concern regarding previous sales of food aid; lack of a ready distribution channel or buyer for the commodities.

b. Monetization will not be desirable in all situations where it is feasible. AID, the PVO, or the host government may be unwilling to approve monetization because of concern over displacement of U.S. sales (the UMR issue), disincentives to local production (Bellmon), or added management burden to the PVO.

c. Monetization will not be sufficient to fill the funding gap. In particular, monetization will not provide dollar resources for the purchase of vehicles and spare parts, short-term expatriate assistance and training, and other costs that cannot be met with local currency. From time to time, disruptions in the local economy occur requiring even routine operating costs (e.g., petrol) to be funded with dollars. While 15 percent monetization would cover food logistics in most countries, it would not be sufficient to finance the substantial rise in complementary inputs that PVOs increasingly view as necessary for effective, developmental programming of food aid. Moreover, the proposed 30 percent cap is too low to finance even logistics costs in the highest cost countries (generally those in the Sahelo-Sudanese band below the Sahara), where logistics expenses may equal or even exceed the value of the commodities shipped.

An additional concern is the likelihood that monetization sales will be executed through government organizations rather than the private sector. PVOs are generally unfamiliar with private marketing agents capable of handling commodity sales on the scale necessary for significant monetization. Like AID, they are often uncomfortable in dealing with these agents and prefer the one-stop shopping offered by government marketing units. Since reliance on public sector units is inconsistent with AID's policy and impractical in many countries, AID should give immediate attention to assisting PVOs to make monetization sales through private channels.

Africa: A Special Situation

Most of the points made in the foregoing discussion apply to all of the regions where Title II programs are implemented. The African region deserves special consideration, however, because all of the problems are generally more severe than in the other regions, while solutions are less promising. As a result, Title II programs in Africa have reached a point where their future is threatened by the lack of funding support. This situation arises out of a number of factors working together:

a. Logistic costs tend to be higher in Africa due to the poor state of the road network, the lack of strongly competitive and well-organized trucking firms, and difficult storage conditions

b. Storage costs are also raised by the lack of suitable facilities and the unusually high rents that are a consequence of this situation

c. The host governments are even less able than in other countries to bear their share of the burden, and their ability and willingness to do so is decreasing

d. The lack of strong social infrastructure systems (health centers, schools, and groups that can undertake food for work programs) raises the costs of program implementation that must be borne by the PVOs, and makes management more difficult as well

e. Monetization may not be possible in many African situations, as the recent refusal in Mali demonstrates, due to the more fragile nature of local market conditions and government opposition to sale of donated food for cash

f. Food aid programs do not have a long history in much of the continent and the value of these programs is not necessarily accepted by host governments and beneficiaries, especially where sensitivities regarding religion-based PVOs are high

For all of these reasons, PVO support for Title II programming in Africa is diminishing. Some observers feel that the current trend toward program cuts will continue or even accelerate in the immediate future, to the point where Title II programs in Africa may decline to only token programs in many countries in a few years.

If this is indeed the case, then AID has to make some difficult choices regarding the future of Title II project assistance in Africa. These choices revolve around two key questions:

a. Does project food aid really make sense for Africa, and should it be structured around a relief or a development orientation?

b. To what extent is PVO reluctance the result of funding difficulties and to what extent is it a reflection of a deeper disenchantment with these programs in Africa?

If AID remains convinced that food aid should continue in Africa, the PVOs are the only real alternative for program implementation. Private contractors could in principle carry out these programs, but the cost to AID would undoubtedly be much higher, due to higher salaries in the private sector and the absence of an in-country infrastructure (such as CRS's parish structure) to support programming. Moreover, there is a strong AID interest in keeping PVOs in Africa to serve as implementing agencies in time of emergency, a role to which the PVOs are still strongly committed. In other words, AID should work to keep the PVOs in Africa whether or not the PVOs want to stay, unless AID is ready to see these programs fade away. The latter readiness implies a readiness to go to Congress and the American people and say, in so many words, "We can't run feeding programs in Africa."

If the PVOs are not interested in working in Africa, they may still be willing to operate on a contract basis, which is essentially what ADRA is doing in the Sudan. This topic has not been directly discussed with the PVOs, except in connection with the drought emergency, but it may be necessary to explore it in the future. From a funding standpoint, the implication is clear: AID would have to fully fund the program, just as it funds any contract activity.

Even if the PVOs are in principle willing to keep working in Africa, it will become increasingly difficult for them to do so as the cost of these programs relative to their other programs becomes more apparent and the strong support generated by the drought fades away. Why should a PVO spend $10 to save a starving child in Africa (to put the matter crudely) when ten Indian children or ten Honduran children can be saved with the same money? AID will therefore have to put the choice among regions on the proverbial "level playing field" by funding the difference in costs, if the PVOs are not to slip gradually out of Africa.

Is Outreach the Proper Mechanism to Fill the Gap at the Country Level?

Outreach was designed to assist PVOs to increase the amount of food reaching the "neediest and most remote villages." Its purpose was later expanded to include bringing new PVOs into the program and paying part of the financial costs associated with expanding food programs, the latter an implicit recognition that PVOs were not able to shift their programs to needier populations by dropping relatively non-needy beneficiaries, but only by increasing total program size and therefore total complementary costs.

In principle, Outreach funds were directed at the funding gap on the transport side of the FoCL triangle. Over time, acceptable uses were expanded to include the gap on the complementary input side and the distinction between incremental and non-incremental funds (those historically paid by the PVOs and others) eroded.

Outreach support was envisioned as a temporary measure, that would help PVOs to make adjustments in their programs, incurring new costs that they would fund themselves in the future or induce the host government to support.

(To date, enhancement grants have been used primarily at the headquarters level, making it difficult to determine their relationship to field expenditures, as discussed above.)

These purposes and funding restrictions do not appear to be appropriate to the challenges facing Title II in the coming years, for a number of reasons. First, and most important, an increase in logistic expenditures runs counter to the trend in Title II programming, which is toward more developmental programs with greater quantities of complementary inputs and closer management by the PVOs. These activities imply reduced geographic spread and concentration in areas with more potential for development, not relief activities in the most remote villages. (Remoteness is not universally synonymous with low development potential, of course, but the two tend to go hand in hand.)

Second, PVOs and host governments are losing interest in the traditional feeding programs, as doubts accumulate that these programs are in the long term interest of the country or the populations served. This should not be surprising to AID, as AID itself shares these doubts. Yet Outreach is intended to expand these programs.

Third, PVOs and host governments are not willing to raise their contribution to Title II for the purpose of increasing transport costs. If they are to expand their input at all, it will be in order to raise the level of complementary inputs, preferably raising such inputs per ton of food and possibly even substituting complementary inputs for food (i.e., reducing food tonnage). This being the case, a program to entice the PVOs into activities they will not be willing to continue on their own seems ill-advised.

Outreach also appears to be an inappropriate response to filling the funding gap because it assumes that AID can direct its funds into a particular part of the gap, while retaining the assurance that its input is incremental to total program funding, at least, if not to the category it has chosen to fund.

As discussed above, this is not quite the way it works. PVOs have a program design in mind, which may be represented in its key particulars by a specific FoCL triangle. They also have a pool of resources, constituted from host government funds and beneficiary inputs, plus their own traditional programming level for Title II. If AID adds funds to the pot, they will go to fill the funding gap. Without these funds, the gap would in all probability be closed by cutting the food level and shrinking the FoCL triangle without changing its shape. If AID funds are sufficient to fill the gap, but do not exceed the total transport cost, AID funds will simply displace any other available funds to cover another part of the gap. Only if AID provides more funds than the PVOs wish to spend on transport will transport expenditures actually increase.

Enhancement has not affected the funding gap at all. It has gone to finance staff development and planning for experimental Title II programs, both activities that, although justifiable and beneficial, clearly fall into the category of luxuries.

V. ISSUES IN THE DESIGN OF A FUTURE TITLE II SUPPORT PROGRAM

There are several basic issues that must be resolved in developing a design for AID DA funding to support Title II Food for Development. These issues remain the same whether the available funds are divided into two pools, as at present, or drawn from a single pool. This section deals only with the question of whether AID should fund Title II costs and, if so, which costs. The question of how these funds should be made available is addressed in the following section. Four issues must be resolved in order to determine what type of AID support is appropriate:

a. Should AID fund Title II costs at all?

b. What should be the objective of AID funding?

c. What cost categories are appropriate for AID funding?

d. Should AID impose a matching requirement on the PVOs or, broadly, what funding requirements should be placed on the PVOs?

Should AID Fund Title II Costs?

Should AID Fund These Costs at All?

The issue of whether AID should fund Title II costs tends to become entangled in the complex question of the "ownership" of these programs. If the programs are PVO programs, the argument goes, then the costs should be borne by the PVOs and AID should provide funding only on an exceptional basis. If the programs are AID programs, then AID should fund all costs not covered by the host government and beneficiaries, much as AID would for any other contractor-implemented program.

We suggest that the ownership issue is essentially a false one, and one that has not served either AID or the PVOs well. The appropriate analogy is not to the AID-contractor funding relationship, but instead to the AID-host government relationship. The vast majority of AID projects provide funding to support host government programs that, while mutually agreed to "belong" to the host government, in fact would take a radically different shape if AID did not provide funding, or would not occur at all. Even though the programs are mutually agreed to be host government programs, AID, as the funding agency, claims a significant say in what will be done and how, but the host government retains overall control. This model may also be compared to AID funding of other PVO activities, through such programs as matching grants and mission OPGs.

Just as with any host government program, if AID wishes to insure that the program includes activities that the PVO cannot undertake (for lack of funds) or would not undertake on its own (for programmatic reasons), then AID must provide the funding. Only if AID is willing to have Title II programs take whatever form the PVOs desire should the agency withhold funding altogether. In many cases, the withdrawal of AID support would rapidly translate into the termination of the PVO's feeding program.

Under what Circumstances Is AID Funding Appropriate?

AID funding is appropriate whenever 1) there is a funding gap and 2) AID concurs with the basic design of the feeding program, as represented by the FoCL triangle. As discussed above, a funding gap can arise from several different sets of circumstances:

a. In an ongoing program: An increase in logistic costs per ton, complementary input costs per ton of food, or the volume of food programmed, or a decrease in funding from the host government or beneficiaries

b. In a new program: Insufficient funds provided by the host government and beneficiaries to operate the program

c. Temporarily: Costs exceed the availability of funds temporarily due to investments in infrastructure (trucks and warehouses, basically), staff development costs, or program improvement (particularly innovation and experimentation).

The relationship between AID's funding input and the PVO's is discussed in the section on whether AID should impose a matching requirement.

What Should be the Objective of AID Funding?

It is likely that AID funds will not be sufficient to fill the funding gap for all Title II programs as such programs are currently constituted, particularly if the shift to Africa continues and there is pressure to increase the volume of food going through the PVO channel. As argued above, monetization will fill much of the gap, but additional funding will still be required in a variety of situations where monetization is not sufficient. It is therefore necessary to consider how AID's scarce DA funds should be allocated.

The inability to fill the worldwide funding gap implies that some programs will be underfunded and that AID and the PVOs must therefore choose between cutting the commodity level, targeting populations that are cheaper to reach, or cutting complementary inputs. This decision should be made collectively by AID and the PVOs. Ideally, AID and the PVOs should discuss and agree on a basic prioritization of these three cost-controlling strategies, and then individual decisions should be made with mission and host government participation.

Over the long term, AID and the PVOs must address the broader question that underlies the funding gap: should feeding programs continue to be the model for Title II? These programs are expensive, and they are more expensive in poorer countries than in relatively well-off countries. Does it make sense to plan to continue these programs indefinitely, in the face of growing disillusion with these programs, a disillusion that is shared by the PVOs, many host governments, and AID itself?

The Need for an Overall Vision of Program Direction

The fundamental purpose of AID funding for Title II programs should be to make these programs resemble, to the extent possible, what AID and the U.S. Government want them to look like. The implicit assumption of Outreach and Enhancement both is that the desired form for these programs is simply a bigger and better version of the traditional Title II program: more school feeding, MCH, and food for work programs with more food going to more and poorer people in more remote locations with more complementary inputs.

Before committing additional funding to this purpose, AID and the PVOs should reexamine whether, indeed, this is what they want. Is this really the direction that AID wants to move in over the next five, ten, or twenty years? It is increasingly evident that it is not the direction the PVOs want to take, and it is probably not what most host governments want either.

Within AID, these discussions should not be limited to the Food for Peace offices in AID/W and the missions. As food becomes a relatively larger share of AID's available resources, especially in DA countries, the rationale for integrating food programming into the broader project and non-project portfolio grows. At a minimum, it should include the offices of agriculture, rural development, education, and health and population. If non-project assistance is to be addressed, it must also include the program offices in Washington and the missions. These discussions should aim to answer several basic questions regarding what Title II programs should look like ten years from now:

a. What percentage of food should be programmed into traditional feeding activities and what percentage redirected through other channels, either project or program assistance?

b. Within the feeding programs, what should be the balance between the basic rationales of relief and development?

c. How can food be best used as a resource for project assistance?

d. How can food be best used as a resource for program (non-project) assistance?

To help shape these discussions, the remainder of this section will review some of the basic questions surrounding these four issues. This review must be regarded as preliminary, although many of the issues have been under discussion for some time.

It might seem that these issues take us far from the question of what the next Outreach (or Enhancement) program should look like, but such is not the case. The fundamental purpose of DA funding for Title II should be to move these programs in the direction desired by AID. Does AID truly wish to define this direction only in terms of how many miles food is carried from the port or how data on feeding programs are managed?

Both Enhancement and Outreach have indirectly discouraged PVOs from looking more closely at how their programs might be integrated into other developmental activities, notably AID projects. These two programs have instead encouraged the PVOs to continue their inward-directed focus, looking at how to improve existing food-based programs or how to design new ones. Given a limited amount of AID and PVO management attention available for thinking about how to use food aid, funding for improving food-based programming has inevitably drawn away management resources that might otherwise have been mobilized to begin rethinking the use of food aid from the ground up. In other words, Enhancement and Outreach have failed to assist the PVOs in addressing what may be the most important question for the future of food aid: can food aid be transformed into a development resource to support mainstream development programs on a large scale?

To Feed or Not to Feed?

If we define a feeding program as any program where the value of the food (including transport) constitutes more than half of the total value of inputs provided at the local level (i.e., excluding off-site administrative costs), then nearly all of the current Title II programs fall into this category. These programs range from what might uncharitably be called "truck-and-dump" activities with virtually no complementary inputs to sophisticated programs with a wide range of other inputs, but food remains the main program element and the main rationale for beneficiary participation. Does AID wish to change this situation in some or all cases, shifting the balance toward programs where food is a complementary input into a larger program? This question should be resolved without considering the relative availability of food and financial resources, as monetization opens up the possibility in many cases of transforming food into money.

Even if the content of Title II programs overall is to retain a large feeding component, it may not be appropriate to use Title II commodities directly for feeding. Several of the PVOs have expressed an interest in monetizing imported food commodities in order to purchase local foodstuffs closer to the project sites. This approach ensures locally acceptable foods, saves money, and promotes rural markets. However, it raises the danger that Title II commodities will directly displace local foods sold into urban markets or compete with U.S. commercial exports for these same markets, however.

<u>Relief vs. Development</u>

While these two purposes are clearly not incompatible, and are often complementary, it is time to recognize explicitly that a program designed primarily to be developmental would look very different from one designed primarily for relief of malnourished populations. Some of the PVOs, notably CRS, acknowledge that a primary rationale for some of their programs is good old-fashioned feed-the-starving relief. This rationale is also clearly important to Congress and the American public. But all of the PVOs, including CRS, are increasingly uncomfortable with this rationale as the guiding principle for Title II. They express doubt that the programs are doing any long-term good for the countries or even the beneficiaries involved. Should the reaction to this doubt be to add developmental components to programs that remain essentially relief-oriented or to restructure programs to be developmental?

This is not an artificial distinction. If a program is designed to be developmental, the criterion for project selection becomes the capacity of the region to benefit from the proposed activities, not the neediness of the population. Rural programs would be concentrated in areas with the greatest potential, which, almost by definition, are rarely the most remote regions or those with the greatest food deficits.

Over the past few years, the relief rationale has taken on a pejorative content, as AID and the PVOs have striven to make their programs "developmental." It may be time to redress the balance, recognizing that there are large needy populations in most developing countries (and indeed our own) who are not in a position to benefit from developmental programs and yet are not receiving appreciable support from the appallingly thin safety net that is stretched to catch them by most LDC governments. With a program based on food, there may be nothing wrong with the old standard "relief" approach in many cases. But confusion of the two purposes serves no-one's interest.

Integrating Food into Project Assistance

AID and the PVOs have generally chosen to separate feeding programs from their other development activities. This decision reflects doubt over the value of feeding, differences in program scale and location, and concern over the logistical and management nightmares associated with food aid. As long as food continues to be used primarily for feeding, it appears likely that AID and the PVOs will continue to give lip service to integrating the two, while strenuously resisting any effort to do so. Only by recognizing that food is a commodity with cash value can AID make any real progress in integrating food into the AID and PVO project portfolio. This is true whether the food is monetized as a separate operation to fund project costs or integrated directly into the program. Options for the latter include:

i. Using food to establish cereal banks in rural areas

ii. Using food as an in-kind supplement to the salaries of rural development personnel, including government employees

iii. Using food commodities as inputs into livestock programs, replacing cash credit to farmers for feed or operating expenses at research and breeding centers

iv. Using food to establish national cereal banks, price support funds, etc. (where these are technically justified)

v. Using food to support ongoing development programs by partially replacing or supplementing local government expenditures for labor in public works projects, for example

Many of these uses would require changes in AID policy, as well as much closer cooperation between food for peace personnel and mission technical personnel.

Food in Non-Project Assistance

The growing emphasis on policy change and the shrinking availability of AID project management resources has led to a shift in AID's strategy in the direction of non-project assistance. Such assistance typically takes the form of a resource transfer (CIP, PL-480, cash transfer) in return for implementation by the host government of certain reforms. PL-480 funds have been used for this purpose under both Title I (particularly self-help measures) and Section 206, but PVO-administered Title II programs have not been used for this purpose.

Recently, AID and the PVOs have been discussing using Title II food to support structural adjustment programs, including those carried out under agreements with the World Bank or IMF. The underlying rationale for integrating the two is that structural adjustment may place a temporary hardship on populations served by PVO feeding programs or populations that could be served by such programs.

Where and under what conditions is this likely to be the case? To answer this question, it is necessary to consider briefly who is hurt by structural adjustment and how they are hurt. While the impact of each structural adjustment program is different, the following impacts are typical of many if not most programs:

i. The population generally is affected by falling real income if the program causes a short-term contraction of the economy (shock treatment to end inflation, for example)

ii. The population generally may be hurt by the phaseout of government food subsidy programs, although this cost usually falls hardest on the urban populations, as they generally receive more benefits under these programs than the rural poor

iii. The urban population, particularly the middle class, is typically the hardest-hit by programs to cut the government budget deficit by freezing salaries, cutting government payrolls, or trimming other government programs

iv. Farmers may face reduced income from a cut in subsidy programs (e.g., fertilizer), but generally benefit from increased commodity prices accompanying the removal of government price controls and forced procurement

Existing PVO programs are targeted primarily to the urban and rural poor. Consequently, expanded versions of these programs could generally be expected to reach the poor population affected by the first and second impacts above, might reach farm families affected by the fourth impact (although very imperfectly), and probably would not reach middle class populations affected by the first, second, and third impacts. From the political standpoint, therefore, PVO programs are of little benefit in relieving the strains caused by structural adjustment, but they may be of benefit in reducing actual hardship. In many cases, the scale of the programs would have to be drastically increased to reach the total population affected by structural adjustment. Beneficiary numbers in the typical African program rarely pass 100,000, for example, a tiny fraction of the national population or even the low-income population most vulnerable to macroeconomic disruption.

The temporary nature of structural adjustment also deserves comment, in two respects. First, PVOs are acknowledged to hold the leadership in implementing feeding programs, but they are not organizationally or philosophically geared to rapid expansion and contraction of their programs. If the expansion in feeding programs is intended to be temporary (1-3 years), then PVOs may not be the implementing agency of choice, unless their program management capabilities can be called upon through a contractual arrangement clearly separating the new feeding programs from ongoing activities and funding any extra costs associated with the temporary program. The limited DA funding available for Title II would clearly not be an appropriate source of such funds.

Second, some impacts of the structural adjustment program are not, strictly speaking, temporary. This is particularly true of the second and third impacts identified above. Government budgets are intended to stay at their new lower levels and consumer subsidy programs are intended to be terminated permanently. It may be hoped that the populations affected will move on to find ways of replacing the income lost, but this is not necessarily a realistic expectation in the short run, particularly with regard to the urban population.

One innovative approach might be to encourage the government to turn its subsidy programs over to the PVOs to be operated on a contract basis using existing staff and funded at least in part with PL-480 food. The PVOs would then help the government to retarget the programs to reach the poor or, after a suitable period, to reduce program scale or close the programs down completely. It may be easier for a government to turn a program over to a PVO than to eliminate it altogether, and it is certainly easier to cut a PVO program than a host government program.

In many ways, this approach to managing a large-scale feeding program has already been tested in India (where PVOs are in effect the government's agent) and in some West African emergency programs (where PVOs served as logistics contractors for the host governments unable to distribute emergency food). While this alternative deserves further consideration, the political risks of such an approach for the government and the PVO are readily apparent. Only the non-religious PVOs would be acceptable as implementors of such a program, in any case (except possibly in Latin America).

The Need for Greater Consensus on Title II Funding Responsibilities

Once AID and the PVOs (and, in an ideal world, the host governments) reach agreement on the desired future direction for Title II programs, the next question is how to fund them. It is necessary to answer the first question before the second can be addressed sensibly, because alternative possible futures for Title II programming have radically different funding requirements. The different program design alternatives also imply, in all probability, quite different funding gaps as well, given the implications for host government funding, beneficiary contributions, and funding from other sources (including the AID project and non-project portfolio).

Three basic questions arise in connection with future funding for Title II programs:

a. What is the basic funding requirement and how will it differ from the current funding requirement?

b. What implications do future program directions have for beneficiary and host government funding and the size of the funding gap?

c. How should the gap be closed: by cutting program size, by increasing PVO input, by raising AID input, or by a combination of these?

Discussions with the PVOs make two propositions clear: a) if program design continues along essentially the same lines, the PVOs are not willing to put in more funds than they are at present, and would like to cut their input over time; and b) the PVOs might be willing to increase their financial commitment to the programs if they were more developmental (and less relief-oriented), but their capacity to do so is strictly limited.

Any discussions of a more concrete nature are severely limited by the lack of hard information on the financial inputs currently being made by the PVOs, the host governments, and the beneficiaries. Simply put, no one knows what these programs cost, even if "cost" is defined narrowly to include food logistics and complementary inputs managed directly by the PVOs. Generally speaking, the PVOs are not in a better position than AID to examine what these programs cost and how they are funded. The lack of information in this area has created a gap that has been filled by rhetoric and self-serving assumptions.

This situation cannot be allowed to continue. At an absolute minimum, AID should require the PVOs to report:

a. How much they are paying per ton and in total for food logistics (storage and transport), excluding the cost of their own professional staff but including non-professional staff such as drivers, end-use checkers, and warehouse personnel

b. How much they are paying per ton of food and in total for complementary inputs, including staff

c. How much they are receiving in cash from the host government against these costs

d. How much they are receiving in cash from the beneficiaries and others against these same costs

e. How they have made up the difference (a+b - c+d), whether from their own funds, AID funds, or other donors

PVOs should be encouraged to bolster their case by also reporting their expenditures on home office and field management staff and other indirect costs associated with the food programs, but they need not be required to do so.

Following the analogy to AID-supported host country programs, outlined above, it is reasonable to expect that the PVOs will continue their financial input to these programs at the current level. This implies that the PVOs' total financial input to these programs should remain constant on a global basis in real terms, even though the availability of funds to specific programs may shift due to changes in the distribution of the PVO funds across countries. Neither AID nor the PVOs is in a position to determine whether this is or has been the case. Without this information, no sensible discussion of costs is possible.

This information would also make it possible to discuss host country and beneficiary inputs in a rational manner. Are host countries indeed reducing their contributions? How do such contributions compare across regions? Do beneficiary contributions differ sharply across countries in the same region? The answers to these and similar basic questions should be available to both AID and the PVOs, but simply are not.

What Costs Categories Are Appropriate for AID Support?

In the view of the Consultants, this is an artificial issue. AID has traditionally acted as though its funds went to specific purposes that AID could define in advance. The agency has required the PVOs to maintain their records based on this assumption, at some cost. Much though AID might like to link its funds to specific expenditures, economic realities rarely permit AID to do so. Only when the total funds provided by AID for a particular purpose exceed the total expenditure that would be made for that purpose without AID's input can AID funds be said to have a specific use. Even then, only the additional expenditure is truly paid for by AID. Otherwise, funds are fungible.

In other words, AID should in principle be willing to fund the entire funding gap, if AID is satisfied that the PVO and the host country are not withdrawing their own funds from the program (without justification other than the availability of AID funds) and cannot increase their contributions, if the program design itself is acceptable to AID, and if the funds are available for this purpose.

This is not to say that the PVOs should not be required to justify their proposed expenditure plan. On the contrary, they should be required to explain why the program cost is not fully covered from other sources, which implies a need to describe and justify the program cost as well as the availability of other funds, and any change in these two levels.

In sum, the issue for AID should be: is the program budget one that AID can support (reasonable costs and reasonable program content), not what specific line items merit AID funding?

Should AID Impose a Matching Requirement?

The foregoing discussion largely answers this question. AID should most definitely require that PVOs continue their support at the current level, in real terms. Where the PVO indicates that it will not do this, AID should require the PVO to explain why: Is it shifting funds to another country? Has there been a decline in the total funds available to it?

AID might also want to use PVO input, or total non-AID input, as a criteria for selecting among PVO programs competing for AID funds. PVO and host country commitment can be measured in part by willingness to fund a program, as shown by a funding gap that is a relatively small portion of the basic funding requirement. But this criterion cannot be applied blindly: there are many program scenarios that AID might want to support despite having to pick up a large share of total program cost.

The following section outlines an approach to making these choices in specific cases. A fundamental assumption underlying this discussion is that Title II programs will continue largely as they have in the past. As discussed above, AID and the PVOs should examine this assumption carefully before proceeding to finalize the design for a new Title II support program.

VI. OUTLINE OF A REDESIGNED OUTREACH/ ENHANCEMENT PROGRAM

Alternatives to the Current Design

As discussed above, dollar funding for Title II non-emergency programs currently exhibits six key characteristics: it takes the form of grants made on annually to PVOs on a country-by-country basis to support traditional Title II programs (MCH, school feeding, and food-for-work), with grant funding tied to specific expenditures related to commodity movement, storage, and administration, and complementary inputs. One may question whether this basis model is most likely to meet AID's need, which is to use its scarce dollar funds in ways that lead by the most direct route to Title II programs serving AID objectives.

The bulk of this section focuses on one alternative -- the block grant model -- that constitutes a comparatively modest departure from the current model. The block grant approach would continue to provide funding only to PVOs, in the form of grants made on a country-by-country basis to support traditional Title II programs. It would shift the program to a multi-year basis to facilitate PVO planning and management and it would delink the grant from specific expenditures, recognizing that AID funds are in fact core support to Title II programs.

Before turning to a discussion of the block grant model, however, it is appropriate to examine a wider range of alternatives to the current model, including several alternatives that would imply a wholesale change in the way AID does business with the institutions implementing Title II programs. There are alternatives to each of the six current program characteristics identified above. As changes in two of these characteristics -- annual programming and tying of grants to specific expenditures -- are discussed as part of the block grant concept, this discussion will be limited to consideration in the remaining four characteristics:

1. Grant funding: could Title II dollar funding be made on a contract basis?

2. PVOs: should AID consider implementing agencies other than PVOs?

3. Country-by-country: should grants be made directly to PVO headquarters, as is the current practice for Enhancement, rather than to specific country programs?

4. Traditional Title II programs: should implementing agencies be given broader latitude in program design?

Grant Funding vs. Contracts

If AID and the PVOs have different objectives and priorities for fund use, could AID accomplish its objectives better by shifting from a grant mechanism to a contract mechanism? If so, how might this be done? Should the contract mode replace the grant mode entirely, or be used selectively?

In answering these questions, it must be emphasized that AID's priorities and objectives and those of the PVOs do not in fact differ greatly in most instances. In most countries, AID and the PVOs appear to be in broad agreement regarding the nature of the programs implemented. Design of Title II programs is characterized by informal negotiation between the PVOs and AID on targeting and program content, and this procedure has generally proven adequate for resolving whatever differences exist.

There are a number of cases, however, where differences are too great to be resolved in this fashion. This situation occurs primarily where AID wants a new program established or an existing program continued or expanded, while the PVO(s) do not want to start a new program or wish to close down or greatly reduce an existing programs. The reasons for such a divergence in desired program direction are manifold, but two basic situations can be distinguished. In the first situation, the PVO involved believes the program is worthwhile, but is simply unwilling or unable to come up with the funds; in other words, the PVO would be willing to carry out the program if funding were not an issue. In the second situation, the PVO's management is not interested in undertaking the program, either because it lies outside the PVO's chosen intervention strategy in the country or because they view the program as insufficiently beneficial relative to alternative activities.

In the first situation, grant funding to relieve the financial constraint will generally result in the program that AID wants. In the second situation, however, partial funding through grants or other mechanisms is not sufficient: the PVO is unwilling to invest its own personnel and financial resources in the program. This second situation appears to be arising with greater frequency, particularly in Africa. Clearly, this is the situation that is most suited to contract funding. Indeed, ADRA would argue that their program in the Sudan effectively constitutes a contract between AID and the PVO to implement a program that they would otherwise not have undertaken. In this situation, AID would do well to recognize that it is in fact contracting for PVO services and approach program negotiation and monitoring accordingly.

There are several reasons why a contract approach would not be preferable in the majority of situations, however. First, and most important, contracting requires that the activities covered by operationally separable from other activities of the organization, with separate costs and outputs. Expansion or improvement of an existing program does not meet this requirement. AID can only shift to a contacting mode if both AID and the PVOs explicitly accept that Title II programs are AID programs, start to finish. Neither AID nor the PVOs appear ready to accept this principle across the board.

A second major drawback of shifting to a contract mode is that contracting implies that AID would assume all program costs not met by other sources; the PVOs could not be expected to contribute staff time or financial support to a program implemented under contract. This would inevitably raise the cost to the U.S. treasury, without any clear gain in program content or quality. AID would also have to play a larger and more direct role in mobilizing host government funding, since this is usually not a contractor responsibility. This task, falling on AID field personnel already overburdened with management responsibilities, would not be welcomed by the missions.

It is therefore recommended that AID consider a contracting approach in cases where the PVO would otherwise not have a program, but that the grant mode continue as the basis method for doing business with the PVOs.

PVOs vs. Other Implementing Agencies

But should the PVOs continue to be the only institutions considered as implementers of Title II programs (other than the World Food Program, a UN agency that operates largely autonomously from AID)? Could some Title II programs be contracted out entirely to other implementing agencies, such as U.S. private sector or not-for-profit firms, host country government agencies, host country PVOs, or in-country private sector firms? Should the PVOs be asked to compete with these organizations to implement Title II programs?

To some extent, this issue is an extension of the contracting question discussed above. If AID is going to consider organizations other than the PVOs as implementers, it will have to shift from grants to contracts as the mode of operation. Similarly, if contracts replace grants (in whole or in part) there may be no reason to limit the implementers to PVOs.

The authors of this report believe that AID should continue to view PVOs as the main implementers of Title II programs. The reason is simple: the alternatives are either too costly or too risky. Currently, the PVOs have a monopoly on capacity to implement Food for Development programs. It is unlikely, given current economic conditions, that host governments or in-country private institutions in low-income countries could develop the capacity to replace PVOs in the near future (the situation is quite different in middle- and upper-income countries, such as Mexico). While these institutions could develop the capacity in time, the exercise would in all probability be plagued with massive inefficiencies and, not to mince words, corruption, both initially and well into the future.

The U.S. private sector does not now have the capacity to implement the programs being carried out by the PVOs, but, given an assured level of contracting, this capacity could undoubtedly be developed in fairly short order. The problem is that the cost of such privately-implemented services would in all probability be much higher than the cost of PVO implementation (even overlooking the need to pay 100 percent of program costs, rather than counting on partial funding from PVO sources).

PVOs, despite their manifest management deficiencies, operate on a shoestring, counting on their ability to attract a talented and dedicated staff with the intangible benefits of job satisfaction rather than money. Private sector firms would have to rely to a much larger extent on money. They would also have to replace, at considerable expense, the in-country infrastructure that existing PVOs (particularly religious PVOs) have built up over time.

The continuing nature of Title II programs raises another barrier to contracting: how to ensure program continuity while creating the conditions necessary for competition. It would be extremely inefficient to shift contractors every few years, and doing so would create innumerable logistical headaches (what to do with warehouses built or leased by one contractor when another takes over, for example). But it would clearly be unwise to allow a for)profit organization to establish monopoly control over Title II programs in a given country or region. As argued in Appendix III to this report, the existing evidence on cost strongly supports the existance of economies of scale in implementing feeding programs. Consequently, an effort to ensure competition by contracting with two or more implementing agencies in a single country would have severe cost consequences.

Despite these problems, AID may wish to explore further the possibility of contracting out the food storage and transport functions in some countries. These functions are the most onerous for PVOs and require virtually no understanding of development issues. Particularly in countries where several PVOs are active (such as Haiti), it may be more efficient to contract with one of the PVOs or with a private entity to supervise the reception, transport, intermediate storage, and delivery to program sites of Title II food commodities.

In this model, the PVOs would retain responsibility for enrolling sites in the programs (reviewing school applications, for example), for monitoring use of the food, and for providing all complementary inputs. The contractor's role would be limited to delivering the appropriate quantities of Title II food when and where specified by the PVOs. The contractor, not the PVO, would have responsibility for reporting losses occuring prior to delivery to the site. While conflicts between the PVOs and the contractor would inevitably arise under this system (consider, for example, conflicts between AID and the private contractors who ship household effects), the net result may be a substantial improvement for both the PVOs and AID.

Contracting for commodity handling could be managed in at least two ways. AID could award the contract directly at the mission level. Alternatively, the PVOs could coöperate in awarding a single contract for operations in a given country, with AID and the PVOs sharing the cost on a negotiated basis.

Since private firms have never been asked to bid on this type of large-scale, in-country delivery program, it is impossible to say what the costs would be (or indeed whether they would be lower than current costs). AID could perform a low-cost experiment in one of two ways:

a. Fund one or more 8-A commodity import firms to prepare estimates of the cost in one or more countries; or

b. Issue an RFP for commodity management in one or more countries, reserving the right not to award any contracts.

The second approach should be tried only if AID is actually willing to conduct a field experiment in private delivery, as few legitimate firms will be willing to bear the substantial cost of preparing proposals (several thousand dollars) if there is no possibility of an award.

<u>Country-by-Country vs. Worldwide Funding</u>

Outreach grants, unlike Enhancement grants, are awarded on a country-by-country basis. This evaluation proposes redesigning Outreach to recognize that AID is providing core support for Title II programs in return for influencing program content in ways consistent with AID objectives. Why not go all the way and allocate AID's scarce DA funds based on how well participating PVO's total Title II program match AID's preferences?

Once AID specified a set of objectives (a task beyond the scope of this evaluation), a number of allocation mechanisms could be considered to match funding level to PVO performance in meeting objectives. The following examples of objectives and allocation methods are illustrative of how this might be done:

a. <u>Increase beneficiary numbers</u>: allocate funds in proportion to each PVO's stated objectives for increasing beneficiaries worldwide (e.g., one dollar per added beneficiary);

b. <u>Mobilize PVO resources</u>: allocate funds in proportion to each PVO's stated commitment to allocate its own funds to Title II programs (in effect, transforming Outreach into a matching grant);

c. <u>Reach more distant populations</u>: allocate funds to reflect the proportion of each PVO's beneficiary population more than 50 miles (say) from the port of entry.

If desired, several objectives could be combined, either by dividing the funds into separate "pools" allocated using different criteria (e.g., one-third of the funds on the basis of beneficiary numbers and two-thirds on the basis of PVO resource commitments) or by utilizing any one of a number of point or ranking systems.

As with the block grant system discussed below, use of Outreach funds under this model would not be tied to specific expenditures, but would be based instead on the "performance" concept: the PVO would be required to demonstrate that it had lived up to its commitment (increased beneficiary numbers, etc.), but not to specify how it had used the funds.

This system would have two main virtues. First, it would be simple for both the PVOs and AID, eliminating the cumbersome and generally unsatisfactory application procedure. Second, it would give the PVOs maximum flexibility to use the funds according to their own priorities while also promoting program characteristics meeting AID objectives. It would also help to reduce PVO uncertainty regarding funding levels, as the PVO management could allocate the funds received in any given year to minimize the impact of any cut in total funding.

World-wide grants may be considered as a variant of the block grant approach discussed below.

Traditional vs. Non-Traditional Programming

Outreach has been explicitly intended to support improved implementation of the standard Food for Development activities. Enhancement, while providing greater encouragement for innovation, has primarily emphasized experimentation and management improvements within the context of traditional programming. Only Save the Children has made a concerted effort to identify alternative ways of incorporating food into development activities, an approach to food aid programming that reflects Save's particular institutional values and operating style and therefore is not necessarily transferable to the other PVOs.

Both Outreach and Enhancement grants have generally been provided to support a PVO's total food program (either in a particular country or worldwide); they have not been limited to one type of program, such as MCH. They have focused more on the implementation of food programs, particularly food logistics, and relatively less on the development of new approaches to using food aid.

If AID wishes to place a high value on finding new uses for food that depart from the traditional gamut of feeding programs, should it devote the scarce resources available (or a portion of these resources) to funding innovative programs? Very few experiments have been tried to date. Many of those conducted have been very small-scale, involving only a few tons of food. Consequently, neither AID nor the PVOs currently has sufficient information to determine whether these alternative approaches have the potential to replace the standard program modes (SF, MCH, and FFW) and how they compare to the latter in terms of development impact, cost of implementation, and so on.

Any experiment must start small, of course, but AID really should not be in the business of finding ways to use a small amount of food at great cost, even if the individual programs are very good. On the contrary, AID needs program designs that use large quantities of food cheaply. Each of the three main programs currently reaches at least 10 million beneficiaries worldwide. Any realistic alternative to SF, MCH, and FFW must be suitable for implementation on this scale, or something close to it.

If alternatives to the current program set are to be identified, substantial resources will have to be directed to testing these alternative program designs on a much larger scale, involving several hundred thousand beneficiaries in several different countries. Funding will be necessary to support design of appropriate tests comparing different methodologies, implementation at the field level, evaluation of the results, and dissemination of new models within the PVO community. This effort could easily absorb a large share of the DA account funds available for Title II, if not all of it. It would in all likelihood involve a substantial commitment from regional bureau and mission personnel, as many of the activities contemplated will probably involve much closer coordination with AID project and non-project assistance than has been the case in the past.

The authors of this evaluation are not in a position to determine whether there are alternatives to the standard program set that merit this type of testing. Individuals active in the food aid field have suggested programs such as cereal banks, animal feeding programs, and a range of activities built around monetization. Other approaches undoubtedly exist of which we are not aware.

It must be recognized that devoting AID's dollar funds to developing alternatives for the long-term future food aid programs leaves Title II's near-term future somewhat in doubt.

The PVOs are not prepared to shift to a new program mode overnight, and their immediate problem is how to keep the programs they have going. Here again, AID faces a choice that AID managers must make for themselves. AID must determine whether it is willing to let the current programs fend for themselves while searching for alternatives that may (but only may) be better than the current programs, or whether it is more important to assure that current programs receive AID's full support.

The Block Grant Concept

The remainder of this section presents a preliminary design for a restructured program based on the current Outreach and Enhancement Programs. The design follows from several of the principal conclusions of the foregoing analysis, including:

a. The low probability that PVOs will substantially increase their financial contribution to Title II programs in general and logistical costs in particular

b. The insufficiency of other alternative sources to fill the funding gap, particularly if volumes increase and the program continues to shift to countries where the host government and the beneficiaries have reduced ability to pay

c. The fungibility of funds and the impossibility of linking AID's input to any particular cost

d. The need to design a program that has clear operating rules and clear funding criteria but is sufficiently flexible to meet a variety of situations

e. The need to ensure that the limited DA funds available are used to meet AID's highest priorities in the Title II program

The design discussed in this section implicitly assumes that future Title II programs will broadly resemble the current programs, but in principle the design proposed could be adapted to meet the needs of a completely restructured Title II program, including a program that placed little or no reliance on traditional feeding activities.

The proposed redesign for Title II support is based on the block grant concept. This concept, borrowed from U.S. federal support to state programs, calls for a level of financial support to be negotiated between grantee or grantor to support a given program or set of programs. The level of financial support is determined by the availability of funds to the grantor and the financial requirements of the program(s) being implemented by the grantee, after the grantee's own resources have been taken into consideration. The proposed block grant format also shares many characteristics with cooperating agreements and partnership grants, both mechanisms that PVOs are familiar with and support.

In a block grant, the funds are intended to enable and encourage the grantee to undertake certain activities, but the funds themselves are not explicitly linked to these activities. In this respect, block grants are broadly similar to AID performance disbursements, in which the grantee (the host government) agrees to undertake a certain set of actions (policy reforms, for example) and AID agrees to provide a certain sum of money. In this case, the actions themselves may not even cause the grantee to incur additional costs at all, and the level of funding is rarely linked to the costs, if any, incurred in taking the actions agreed upon.

The block grant concept is appropriate when the grantor desires to support a particular type of program and to encourage specific activities in programs it generally supports, and seeks a funding mechanism that is simple to administer for both parties. The block grant concept is sufficiently general to cover all of the various funding needs of Title II programs:

1. Improvement of PVO staff capabilities (currently covered by Enhancement and, for PVOs new to Title II, by Outreach)

2. Innovation in the field and in the home office (covered by Enhancement and, to a lesser extent, under some Outreach grants)

3. Operating costs, including both complementary inputs and food logistical costs not covered by other sources, either because the program is new or because other sources are not sufficient (staff and overhead expenses would not be excluded from this category)

4. Capital expenditures designed to increase program efficiency, raise capacity, and/or reduce operating costs

The proposed Title II block grants would be targetted toward ensuring that program funding requirements deserving AID priority are met. A suggested list of these "priority needs" is presented in the following section. In order to be eligible for a block grant, the PVO sponsoring the program would have to demonstrate two points:

1. Total costs (expenditures) in the country program falling within "priority need" categories exceed the amount of the block grant being applied for

2. The total program cost for food logistics and complementary inputs exceeds the funding capacity of the PVO, based on previous years' allocations to these categories by the PVO, host government, and beneficiaries by an amount at least equal to the block grant requested

In order to demonstrate the second point adequately, the PVO would be required to show that the financial input made to the program by the PVO itself, the host government, and the beneficiaries is not being reduced (or, if it is being reduced, to demonstrate that this is for reasons beyond the PVO's control). For new programs, the PVO would be required to demonstrate that its total commitment to food programs worldwide is not being reduced.

The purpose of the second requirement is to ensure that AID's funds are not simply taking the place of the PVO's funds. It is based on an assumption that the PVOs are willing to continue supporting food programs at approximately the current level. If this is not the case, AID may have to choose between picking up the funding for programs that the PVOs do not wish to continue with their own funds, and allowing these programs to lapse. This issue, which is much broader than the design of a replacement for Outreach and/or Enhancement, should be addressed directly by AID and the PVOs, as discussed in the previous section.

Support for Title II programs appears to be diminishing within the two PVOs that have traditionally undertaken the vast majority of such programs. The problem is particularly severe in Africa, where the programs have proven to be more expensive to operate, have elicited less host government support, and have not generally lived up to PVO expectations in terms of impact. AID may soon find itself having to devote a significant share of the DA funding available for Title II if it is to keep a real program going in Africa.

As discussed below, AID and the PVOs should work together to estimate the future funding gap for Title II programs in Africa. Based on information presented in FY 1987 Outreach applications (as discussed in Chapter IV above), the current gap in Africa may be estimated at around $60 million annually. The gap is currently met through a combination of USG funds, including monetization, other grants, and Title I and II local currencies, as well as Outreach. The future availability of these funds is anyone's guess.

Uses for Block Grant Funds

The proposed design for the Title II Block Grant program provides funding for six categories of PVO activities:

1. Food Logistics Infrastructure
2. Recurrent Costs in High-Cost or Special Situations
3. Program Start-Up
4. Complementary Program Inputs
5. PVO Capacity-Building
6. Innovation and Experimentation

As with the current Outreach program, grants would be provided on a country-by-country basis. As with the current Enhancement program, grant funds would also be available to the PVO's central headquarters (for program start-up, capacity-building, and innovation). A block grant request would not be limited to a single category. On the contrary, PVOs would be encouraged to draw on as many categories as appropriate for their particular programs.

Each of these categories requires somewhat different criteria for approval for funding under a block grant. Suggested criteria for each area are discussed in the following sections. In particular, not all programs would be eligible for grant funding in all areas.

The block grant program described here differs from existing programs in two key respects: first, it is not designed to encourage the PVOs to modify their programs in any particular way. In other words, it is not intended to push the PVOs to expand their programs to reach more remote populations or to implement management and information systems. The block grant concept recognizes that the PVOs (and the AID country missions) are in a better position than AID/W to determine the most appropriate direction for their programs, given the needs of the country and the feasibility of alternative Title II program designs. It encourages the PVOs to examine the situation in their respective countries, propose changes to improve the program, and justify these changes in terms of greater effectiveness, cost savings, and management improvements.

Second, the block grant program proposed explicitly recognizes that it is necessary for AID to support recurrent costs (particularly logistic costs) if programs are to continue at current levels in all regions. At the same time, it is also recognized that the available DA funding for Title II could easily be used up if PVOs were able to draw on it for all recurrent costs and that other potential uses -- program improvements, staff training, etc. -- could not then be supported by AID.

The proposed solution to this dilemma is to limit the countries and situations where recurrent costs are eligible for AID funding to essentially two cases:

1. New programs in countries where AID places a high priority on expanding Title II (whether or not the program is implemented by a PVO new to Title II) during the first three years

2. Programs in countries where food logistics are unusually high and AID places a priority on continuing project food aid

The following sections discuss specific criteria that would be used to determine whether a given country program should be considered for block grant funding.

Food Logistics Infrastructure

The need for adequate food logistics infrastructure to underpin Title II program implementation is self-evident. The PVOs are generally convinced that construction of their own facilities and, in some cases, purchase of their own trucks is cost-effective compared to renting these services and enables them to realize management improvements in their programs. At the same time, it is difficult for the PVOs to finance these expenditures for a number of reasons. In most cases, a large expenditure must be made in a given year, which is hard for the PVOs to budget. At other times, in-country transport is partially paid for by the host country government, but these funds are not readily transferable for commodity purchase and construction.

In either case, it is clearly in AID's interest to assist the PVOs to improve their food handling capability, where such improvements are shown to be cost-effective in a thorough analysis of the alternatives that considers the cost of capital as well as the improvements in commodity management.

In theory, PVOs should be willing to finance cost-reducing investments in their programs on a loan basis; AID might wish to explore this further with the PVOs, but the immediate acceptability of this approach appears to be nil.

Recurrent Costs in High-
Cost Situations

AID appears to have a strong interest in seeing Title II programs continue in countries where the high costs of project implementation would otherwise argue for terminating these programs. These programs are disproportionately concentrated in Africa. Whether AID's commitment is based on political considerations (the infeasibility of eliminating programs in countries perceived as extremely needy) or rough equity considerations (the admittedly questionable desirability of giving all needy people an equal chance of being included in a Title II feeding program), it cannot be assumed that the PVOs should or will pay for achieving this aim.

Consequently, if AID wishes programs in high-cost countries to continue at a level equal to or greater than at present, AID will have to remove the disincentive faced by the PVOs in the form of greater demands on their limited funds.

Under the proposed program, funds would therefore be available to meet recurrent costs in these countries, as long as three criteria were met:

a. The country is on a list of countries classified as "high cost" by AID

b. The PVO has not reduced its contribution to total program costs (or the reduction is justified by an expansion in worldwide funding for Title II or a cut in the PVOs receipts)

c. The AID mission and the PVO agree that host government and beneficiary contributions and monetization cannot fill the funding gap

Block grant funding would then be available to cover the full funding gap, up to the availability of such funds.

A similar situation arises in countries where, for programmatic reasons such as the presence of a structural adjustment problem, AID puts a priority on program expansion. Even if the cost per beneficiary is not unusually high in these countries, the total cost of these programs will clearly expand. Since this expansion reflects AID priorities, rather than PVO planning considerations, it is appropriate for AID to finance the additional cost implied by the expansion of the program. Countries in this situation would also be classified as "high-cost countries."

This procedure requires that AID put together a list of high-cost countries, preferably in cooperation with the PVOs. A practical way to do this would be to ask the PVO field offices to submit information on their average expenditure for food logistics in the past year (including depreciation of trucks and equipment, personnel, rentals, fees for service, etc.). The top 30 percent of the programs (more or less) could then be designated as high-cost countries. Countries where AID put a high priority on expansion of beneficiary numbers would then be added to this list.

AID approval to fund recurrent costs would require that the PVO state its total recurrent cost requirement (or, if the PVO is unwilling to state its expenditures on field staff, its total requirement for food transport, storage, and complementary inputs) and the gap after its own input, host government funds, monetization, and beneficiary payments have been deducted. AID funding would then in principle be available up to the total incremental funding gap, subject to the availability of funds.

If, on the other hand, the PVO wishes to define their recurrent cost requirement broadly to include overhead and in-country staff costs, this should be acceptable, as long as the PVO is also willing to state how these costs are funded at present.

AID may also be willing to contribute to meeting recurrent costs when a PVO is undertaking a major redirection, retargeting, or innovative activity in a particular country program, even if the country is not on the high-cost priority list. In this situation, AID may wish to limit its contribution to a specific fraction of recurrent costs during the transition period (say, one-third).

Program Start-Up

AID has an interest in encouraging new PVOs to undertake Title II programs and in helping PVOs in the program to move into new countries. Start-up of new programs has evident cost implications that may discourage PVOs from starting as many new programs as AID would like. It is therefore appropriate for AID to fund part of the start-up costs, at least during the first few years (say three). For some countries, AID's interest in seeing new programs established may be sufficiently strong to justify funding at least part of the cost of these programs on an open-ended basis.

AID should therefore determine in cooperation with the missions where its priorities for new programs lie. New programs on the list of priority countries would be eligible for funding indefinitely, and it would not be expected that PVOs would pick up program funding at the end of a three-year period. Other new programs would only be funded for a three-year period and only then if the PVO could present a sound financial plan for the program at the time the request for funding was made.

Complementary Program Inputs

Both AID and the PVOs believe that complementary inputs greatly improve the quality of Title II programs. Inevitably, the inflexible nature of food logistics puts funding for these inputs in doubt. Even where AID is not willing to directly support recurrent or capital costs related to logistics, it may be willing to fund complementary inputs. In this case, the PVO would only be required to demonstrate that its planned expenditure on complementary inputs exceeds the level of funding requested and that the incremental funding gap in the program as a whole also exceeds this level. If AID wants PVOs to expand their inputs into a given food program, either by expanding the level of food (and therefore, keeping program design constant, also expanding complementary inputs) or by raising complementary inputs, AID should be willing to contribute the additional funding required. Otherwise, these changes are very unlikely to take place.

PVO Capacity-Building

There is a clear need to improve PVO capabilities in a range of areas, including management information, program planning and budgeting, and commodity management. PVOs just getting into Title II programs or planning a major realignment of existing programs have a special need for staff development, including in some cases staff salaries during the transitional period. AID should therefore consider making block grant funding available for up to three years to pay the salaries for new personnel performing a new function, but should generally not pay for salaries in existing programs, whether or not the PVO is adding staff to the function.

AID funding is also appropriate for training programs and other management improvements, but the PVOs can reasonably be asked to match AID's contribution by supplying a set percentage of the cost of these programs (say, one-third).

Innovation and Experimentation

There is widespread and apparently growing dissatisfaction with traditional feeding programs among PVOs, host country governments, and AID staff. As discussed above, it is quite conceivable that PVOs now active in Title II will refuse to continue implementing the programs as currently structured in the near future, at least in Africa. As AID has a responsibility to find valid uses for Title II commodities, both AID and the PVOs have a strong interest in promoting innovation to find new approaches that use food to support development.

AID should not insist that all or even most of the food be used for feeding programs in these experimental programs. On the contrary, any approach that has the potential for replication on a reasonably broad scale should be considered for funding.

The scope for experimentation in improving traditional feeding programs as such seems to be limited at present, and the need to experiment further afield proportionately great, but AID should nonetheless be willing to consider proposals for experimental improvements to traditional MCH, school feeding, and FFW programs.

In both cases, block grant funding would be available in principle for the full cost of the experiment, that is, for the difference between the cost of the experimental program and the cost of the existing program (the latter may be zero in the case of a totally new program).

Putting It All Together

The foregoing section described a range of situations in which AID DA support appears to be appropriate for Title II programming. In each case, the DA funding would be determined in principle by two considerations:

1. What is the funding required for the approved activity?

2. What is the funding gap for the country Title II program as a whole?

As long as the funding requested did not exceed either of these levels, the program would be eligible for block grant funding. But what if a program fits into more than one category? As the proposed program is structured, this situation arises only in the case of ongoing programs. For new programs, the program is either eligible or not, based on which country it is in and whether or not it has a sound financial plan. If it is eligible, all costs are potentially eligible for block grant funding up to the total funding gap. If it is not eligible, no costs are eligible for block grant funding.

Ongoing programs fall into three categories:

1. Programs in high-cost countries, for which capital and recurrent costs above the PVO's current input and the funds available from monetization, host country contributions, and beneficiaries would be eligible for funding (in other words, the full funding gap would be eligible, regardless of its composition)

2. Programs planning a major redirection, innovation, or retargeting, for which all justified capital costs and all additional recurrent costs would be eligible for funding up to the total funding gap in that country (AID may wish to impose a matching requirement on additional recurrent costs to encourage PVOs to recognize any long-term cost implications associated with the program redirection)

3. Other programs, for which funding would be available only up to the total of justified capital expenditures and complementary inputs, assuming this total to be less than the funding gap.

Figure 5 displays this information in schematic form. Each branch in the chart represents a question. For example the first branch asks the question: is the expense a field expense or a headquarters/regional office expense? For each question, the chart indicates those choices that are potentially eligible for funding and those that are not (the latter shown by a circled R). This chart appears complicated on first examination, but actually is quite simple to use. Using this chart, a PVO should be able to identify those program costs that are potentially eligible for AID funding, on a country-by-country basis and for the headquarters operation.

Prioritization of Block Grant Funding

It is likely that AID funding available will not be sufficient to cover all program costs that are eligible for funding. While AID could simply consider all proposals at once, it would be highly desirable from the point of view of both AID and the PVOs to have a predetermined set of priorities. These priorities should be set by AID, in cooperation with the PVOs. A proposed ranking is as follows:

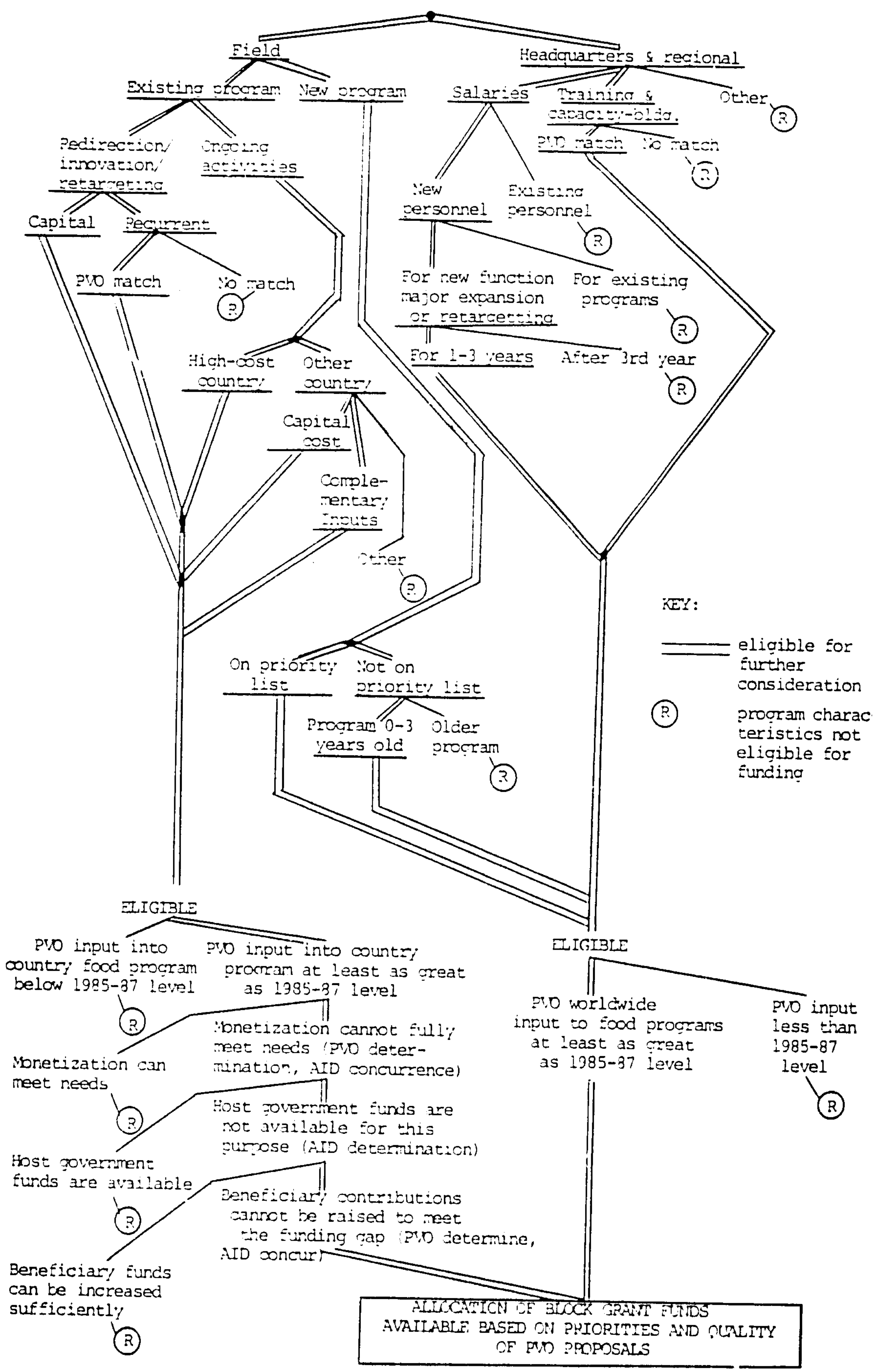
1. Existing programs in high-cost countries
2. Innovation in existing programs
3. Justified capital costs and complementary inputs in existing programs
4. New programs on the priority list
5. Headquarters training and capacity-building
6. Headquarters salaries to support program redirection and innovation
7. New programs not on the priority list

Whatever the priority ranking chosen by AID, it should be applied lexicographically. This means that all acceptable proposals in the first category should be funded before any acceptable proposals in the second category, and so on. Unless the funds available for Title II DA funding are substantially expanded, this approach makes it very unlikely that proposals in low-priority categories will have any chance for funding. AID should make this clear to the PVOs, to avoid unnecessary expenditure of time and money on proposals with little chance of approval.

Setting A Standard for PVO and Host Country Financial Inputs

The proposed block grant approach relies heavily on the feasibility of using the PVOs' and host governments' current financial input to Title II programs as a standard. The proposed approach is to require that the PVOs continue their financial support to given country programs at the current level, unless they are expanding their world-wide program and are therefore diverting funds from one country to another.

FIGURE 5.
A DECISION TREE FOR TITLE II BLOCK GRANT FUNDING



The proposed approach also requires that host governments continue their support at the current level, unless the AID mission determines that they are unable to do so.

Neither AID nor the PVO home offices currently have the information on hand to determine the current financial input by the PVO to food programs or the host country input. Information on PVO food program costs exists in the field, although rarely in a form that permits it to be reported without further calculation and combination of cost categories in the field. In addition, PVO field offices have information on the host country and beneficiary input, but do not necessarily report this information systematically.

All PVOs should be willing to provide information on food logistics costs (transport and storage) and complementary input costs, at least in total form, if they expect AID to pay for part of these costs. Some PVOs may be hesitant, however, to report staff costs, even for staff directly associated with food programs, and PVO administrative overhead, whether in the field or in the home office. AID does not necessarily need this information, as long as the PVO is willing to report the following:

a. Food logistics and complementary input costs on a country-by-country basis

b. Its contribution to these costs over and above its contribution to staff and overhead costs, which would then be assumed to be totally covered by PVO and host country funds

c. Its total financial input worldwide (the sum of the costs in b)

d. Its receipts from the host country and beneficiaries net of funds applied to meet staff and overhead costs

PVOs not wishing to report these costs would therefore show a lower contribution to Title II programs and possibly lower host government and beneficiary contributions than other programs, but this would not work to their detriment because each PVO would be held to the standard of its own previous commitment, and PVO inputs would not be compared to each other.

It is absolutely necessary for PVOs to provide some of this information in order for AID to make a determination regarding PVOs' need for financial support. If AID is willing to accept the principle of paying for recurrent costs, PVOs should accept the need to provide more information on these costs.

The proposed design essentially offers PVOs a deal: if they agree to maintain their current commitment to Title II programs, AID agrees to provide the funding necessary to maintain programs at their current level and to improve them where possible, up to the limit of funds available. If both parties find that their funds are not sufficient, even given monetization, then program levels will simply have to be cut back.

The proposed approach may seem to create an incentive for PVOs to understate their current level of funding in order to set an easy standard to be met in the future. To overcome this tendency, AID need only make clear that, in allocating scarce funding between the PVOs, preference will be given to PVOs that are funding a relatively large portion of their programs themselves. (It is interesting to note that AID regards itself as leveraging PVO funds, but PVOs are trying to leverage as much AID funding as they can with as few of their own funds as possible!)

<u>Grant Management under the Block Grant Approach</u>

The procedure above would be used to determine eligibility for block grant funding. Individual proposals would then be considered on their merits and, following the agreed-upon priority ranking, approved for funding up to the limit of the funds available. For each PVO country program, this procedure would result in an approved level of funding linked only to very general purposes (recurrent costs, for example). The grants would not be linked to individual line items, nor would PVOs be expected to track expenditures from grant funds separately from other funds. PVOs would be expected to maintain sufficient records to demonstrate two points (in future proposals or during audit):

a. That their expenditures for approved categories had exceeded the proposed levels (in other words, they did not get funding to build a warehouse and then not build it)

b. That their total input to the food program had not fallen below the standard cited in the proposal (or, if it fell for reasons beyond the PVO's control, that the shortfall had resulted in equivalent savings for the PVO and the grant funds)

In other words, PVOs should be prepared to show that they have not simply promised a higher level of expenditure and then substituted AID funds for their own monies to implement a smaller program. This does not seem very much to ask.

This approach represents a major departure for DA support to Title II. It recognizes that funds are fungible and that no purpose is served for AID or the PVOs in pretending otherwise. By requiring PVOs to keep complex records on a line-item basis, AID is imposing a real administrative cost on the PVOs that reduces their ability to make other, more important management improvements and yet does not generate any information with any real meaning.

Grant Timing and Flexibility

By their nature, Title II programs have a high degree of unpredictability. Commodity shipments fail to arrive, bridges are washed out, civil insurrection disrupts programs, and so on. Moreover, PVOs are no more immune than the rest of us to overly optimistic planning and underestimation of the time required to make a change. Equally important, many of the changes to be supported by the proposed block grant program (and now supported by Outreach or Enhancement) imply a multi-year commitment by the PVOs if they are to be effective.

These considerations imply two changes in the management of the proposed block grant program:

a. Grants should be made on a multi-year basis, as explained below

b. PVOs should have the authority to shift funds from one program to another over the ccurse of the year, within approved funding levels for each program

When AID asks a PVO to open a new program, expand an existing program, or build a new warehouse, the PVO should be reasonably sure that funding levels and availability will not shift radically from year to year. PVO proposals should therefore be approved on a three-year basis, with a total funding level approved for the three-year period (not for individual years). Each year, progress should be reviewed, but PVOs would submit requests for the next three-year period only at the end of each three-year period. PVOs would thus be assured of funding for the next year, at a minimum, at all times, even if the grant procedure were delayed (this is further discussed below).

Advances would continue to be made on an annual basis. If, however, a PVO found that one program was proceeding more rapidly than planned, while other programs lagged, it would have the authority to shift unused advance funds from one country program to another, as long as the total funds expended in any given program did not exceed the approved three-year level.

This procedure implies that AID will have less year-to-year flexibility in making grants and fewer opportunities to start new programs. This is as it should be; experience indicates that AID's flexibility translates into the PVOs' uncertainty, at considerable cost to program efficiency. Moreover, both AID and the PVOs would benefit from a reduction in the number of new proposals considered at any given time. It is preferable for AID to suspend consideration of new proposals altogether, if the funds available are fully committed to outyear block grants, rather than to start a raft of new programs only to cut back the next year when funds are reduced.

Smoothing the Transition to a Multi-Year Block Grant

The design of the transition from single-year to multi-year funding for DA support to Title II depends on whether additional funds can be made available for the first three years. If additional funds are available, then funding can be shifted to a multi-year basis for some PVO country programs without disrupting funding for others. At the end of the three-year period, all programs would be on a multi-year basis, as further discussed below. To accomplish the process in this "painless" way, additional funding equal to two-thirds of the program's regular cost will be required, concentrated in the first year (a schedule is given below).

If additional funds are not available, then AID must choose between two options: a) funding some programs on a multi-year basis, while asking other programs to wait one or two years before DA funding support is resumed, and b) cutting the funding provided to each program. The PVOs may actually prefer the first option, but this question should be reviewed with PVO management.

Figure 6 shows the schedule for the first six years of program funding. Nine years of program life are shown, as funds provided in year 6 would fund PVO operations in years 7, 8, and 9. For simplicity, a total program level of $3 million is assumed, but this funding level is strictly illustrative. It is also assumed that the programs can be divided into approximately equal thirds by cost, each third costing $1 million.

Figure 6. Transition from Single-Year to Multi-Year Funding
(numbers indicate the year in which funding approved)

Year:	1	2	3	4	5	6	7	8	9
First third of PVO programs	1	1	1	1	4	4	4	(7)	(7)
2nd third of PVO programs	1	2	2	2	2	5	5	5	(8)
Final third of PVO programs	1	2	3	3	3	3	6	6	6
Total cost	6	5	4	3	3	3	(3)	(3)	(3)

The transition would work as follows:

a. In year one, all PVOs would be asked to submit applications showing four years of funding needs.

b. Assuming sufficient high-quality proposals were submitted to use all of the funds, the programs would be divided into two groups: the best one third would receive funding for four years (the current year, plus three additional years), using up two-thirds of the funds available; the remaining two-thirds would receive funding for the current year only, as at present.

c. In year two, PVO programs that did not receive multi-year funding in year one would be asked to again submit proposals showing funding needs for four years.

d. Again assuming sufficient high-quality proposals, the programs would be divided into two groups: the best half of the proposals would receive funding for the full four years (receiving four-fifths of the funds available), the remainder would receive funding for that year only.

e. In year three, only programs not already receiving multi-year funding would be eligible to apply; all proposals would show four years of funding needs.

f. Programs would be approved for four-year funding up to the total of funds available or high-quality proposals; no grants for single-year funding would be made in this or later years.

g. In year four, programs receiving multi-year funding in the first year would submit new proposals covering the upcoming three-year period (they would not need to apply for funding in year four, the final year of their first grant); programs not yet receiving funding would also be eligible to apply.

h. The best proposals would be funded for three years up to the limit of funds available, with funding available immediately for expenditure between the signing date and the end of year seven.

i. In years five and six, programs initially funded in years two and three, respectively, as well as unfunded programs, would reapply for the following three-year periods (years 6-8 and 7-9, respectively).

j. At this point, the transition would be completed. All future grants would be for a three-year period beginning the year after the grant was made.

This revised schedule has several key advantages. First, and most important, PVOs would know the level of DA resources available in any given year before having to specify AER levels. Even in the worst case, grants would be signed in June, approximately the time the first food shipment would be received. Second, it would not require AID to change the current schedule of proposal review and approval, which, as noted above cannot be moved up to coincide with the PL-480 commodity schedule due to AID's own fiscal year. Third, the number of proposals to be prepared by PVOs and reviewed by AID in any given year would be greatly reduced, which should lead to both an increase in quality proposal and an improvement in the dialogue and review process.

PVOs would, of course, be required to submit progress reports describing accomplishments against planned targets, as at present. Funding would not be cut following one year of poor performance, however; only consistently poor performance over the three-year period would result in funding cuts. Even then, PVOs would have at least six months' warning that funding would not be renewed, as AID's decision not to renew their grant would be made early on in their final year of funding.

If a PVO found that it had underestimated its funding requirement in a particular country, AID's response would be "too bad, fellas; do a better job of planning next time." If a PVO found that it did not need all of the funds (e.g., if a country program were shut down unexpectedly, or a planned warehouse were found not to be needed), the PVO would be permitted to ask AID for permission to reallocate the funds to another program approved for DA funding or for another purpose, such as program experimentation or staff development.

APPENDIX I. HISTORICAL OVERVIEW OF OUTREACH AND ENHANCEMENT: ANALYSES, GRAPHS, AND TABLES

Allocation of Outreach Funds Across PVOs

Table I-1 and Graphs I-1 and I-2 illustrate the shift from single institutional dominance of Outreach funds in FY 1979 to a sharing of funds by three PVOs and a group of smaller PVOs in FY 1987. · CRS's annual share of the funds gradually declined from 83 percent in FY 1979, to 30 percent in FY 1986, and 5 percent in FY 1987.

In FY 1986, the most active PVOs were CRS, ADRA, and CARE. WVRO, SAVE, and FHI represented a group of smaller PVOs that view food aid and Outreach as an excellent mechanism for expanding the geographical impact of their development activities and testing the feasibility of incorporating Title II food into their programs. While CRS, ADRA, and CARE implemented six, five, and four programs respectively, FHI and SAVE implemented one each. WVRO implemented two programs. Both programs were relatively new, as were the programs administered by FHI and SAVE. (CWS implemented a program in Mali from FY 1979 to FY 1986.)

In FY 1987, ADRA received the greatest portion of Outreach funds available for the year.

Allocation of Outreach Funds Across Geographical Regions

Table I-2 and Graphs I-3 and I-4 illustrate the regional distribution of Outreach funds from FY 1978 through FY 1986. During the period, programs in Africa predominated those in Latin America and the Caribbean, 20 and 11 programs respectively. In most years, the Africa region received a share of Outreach funds proportional to the number of programs. (One grant was made in FY 1979 to a program located in Asia.)

In FY 1987, the number of on-going programs in Africa fell to five (a decline of 55 percent from the year before). LAC exhibited a similar trend for FY 1986-87 though the impact on the region was not as pronounced due the smaller number of programs ever involved in Outreach funding.

Outreach Funding Levels over Time

Table I-3 and Graph I-5 show that total Outreach funding levels increased steadily from FY 1979 to FY 1986, but fell by 60 percent in FY 1987 (the fall being most severe in Africa).

Between FY 1979 and FY 1986, Outreach funding in Africa exhibited greater variance between annual intervals than that in LAC, and, overall, showed a stronger growth trend. In FY 1985-86, Outreach funding in LAC stabilized around $2,000,000 per year.

As seen in Graphs I-6 and I-7, individual country programs in LAC did not have a discernible pattern in funding levels over time. Country programs in Africa revealed synchronized increases and decreases in Outreach funding, with a definite rebound after the diversion of Title II commodities away from food distribution programs into disaster relief and emergency assistance programs during the drought of FY 1983 and FY 1984.

Number of Recipients Reached by Outreach

As seen in Graphs I-8 through I-16, no direct correlation existed between the level of Outreach funding and the number of recipients reached by an Outreach-supported food program. Nevertheless, as highlighted in Table I-4, the provision of Outreach funds often translate into increased numbers of beneficiaries.[1] Table I-4 shows average recipient

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1. Programs were included in Table 4 on the basis of when Outreach funding was received. In addition to the 23 programs featured in the table, nine other programs received Outreach funds in the following manner: four programs (Sudan/SCF, Sudan/WVRO, Mali/CARE, Mali/WVRO) subsequent to FY 1985; one program (Indonesia/CRS) in FY 1979 (interestingly enough, the number of recipients in this program increased 64 percent from FY 1976-78 to FY 1983-85 without continued support from Outreach: and four programs (Sudan/CRS, Zaire/CRS, Ecuador/CARE, Nicaragua/CARE) at varying intervals between FY 1980 and FY 1985. However, this last group is made up of programs that were phased out between FY 1983 and FY 1985, making it difficult to discern the impact Outreach may have had on recipients reached.

levels over two three-year periods. Figures in the first column, marked FY 1976-78, indicate the annual average number of recipients reached by a given food program before Outreach funding was available. Figures in the second column, marked FY 1983-85, indicate the annual average number of recipients reached by the same program while it received support from Outreach. An examination of the three-year-interval averages before and during Outreach funding reveals that in 10 cases out of 23 (43 percent of the time), the infusion of Outreach funds resulted in an increase in beneficiaries of over 100 percent; in four cases out of the 23 (17 percent of the time), the increase was between 70 percent and 99 percent; in three cases out of the 23, there was a decrease in recipient levels, two negligible, but one an extreme 76 percent. In the remaining cases, the change in the number of beneficiaries was negligible.

In order to better understand the impact Outreach appears to have had on program expansion, i.e., increased beneficiary numbers, a review similar to the one above was made of 27 PVO programs that never received Outreach funds (see Table I-5). Comparing the results of both reviews (Tables I-4 and I-5) allows one to discern what happens to recipient levels with and without Outreach support:

Change in recipient levels between FY 1976-78 and FY 1983-85	Outreach supported programs	Other programs (random selection)
Increase ≥ 100 percent	10 (43.5%)	5 (18.5%)
Increase < 100 percent	10 (43.5%)	5 (18.5%)
No change	0 (--)	3 (11.0%)
Decrease	3 (13.0%)	14 (52.0%)

It is clear that Outreach-supported programs have a better than average chance of expanding.

Though the number of Title II commodity recipients tended to grow throughout any Outreach grant period, the biggest increase occured with the first-time infusion of capital at the beginning of the period (see Table I-6).[1] Africa tended

1. Entries in Table 6 reflect, to the extent possible, the number of recipients reached by Outreach-supported programs. The FFP Annual Report provides a breakdown of recipient numbers by program type (i.e., MCH, FFW, SF) and selection among these categories was made if the program was mentioned in the Outreach progress reports of PVOs.

to be the most responsive to the presence of Outreach funds, with an initial percent change in recipient levels of up to 67 percent. In LAC, the responsiveness of the program was a little less marked. Except in the instance of new program start-ups due entirely to Outreach, the percentage change in recipient levels during the first year of the grant ranged from 2 percent to 23 percent.

Outreach and Title II Programs Worldwide

The overall effect of Outreach on Title II recipients worldwide has been somewhat circumscribed owing to its size ($34.5 million over nine years). As seen in Graph I-17, the number of recipients in Outreach-supported programs has varied annually from 3 to 5 percent of the number of all Title II Food for Development recipients.

The number of Title II Food for Development programs assisted by Outreach was much higher, ranging from 16 percent of all programs in FY 1979 to 32 percent in FY 1985 (see Graph I-18) to 27 percent in FY 1986. The difference between the number of programs and the number of recipients supported by Outreach has due to Outreach's emphasis on programs in Africa.

Graphs I-19 through I-22 show that between FY 1979 and FY 1986 the total number of Title II Food for Development recipients fell 30 percent, whereas the number of recipients in programs supported by Outreach grew by 30 percent.[1] A large part of this growth was undoubtedly due to the increasing number of Title II programs that received Outreach funds.

Intended Use of Outreach Funds[2]

Graphs I-23 through I-27 illustrate outreach funds usage in two countries, one in the Sahal and one in the Caribbean (a total of five different programs run by PVOs). During the initial stages of these programs, approximately 60 to 90 percent of Outreach funding offset the costs of improving or establishing logistical support and/or storage facilities. As

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1. The fall in total recipient numbers may be explained in part by the diversion of commodities from food development programs to emergency assistance programs.
2. The study was based on PIO/T and grant documents because of their relative accessibility and state of completeness; it is not clear, therefore, the extent to which actual PVO expenditures differed from the planned levels.

the Outreach grants were amended or renewed, commodity administration/management became an increasingly larger component. Fluctuations in other accounts followed no clear pattern.

A Financial Review of Enhancement Activities During FY86-FY87

Tables I-7 and I-8 illustrate Enhancement fund usage by cost and financial categories during the first years of the grants life with ADRA and CARE. During that period, preportionately more Enhancement funds were channelled by both PVOs towards offsetting salary costs than originally intended. In the use of ADRA, less funds were devoted to pilot activities than anticipated. In the case of CARE, no funds were used for training.

Table I-1. OUTREACH PROGRAM CONCENTRATION BY YEAR AND PVO

	CRS No.	CRS % $	CARE No.	CARE % $	ADRA No.	ADRA % $	Other PVOs No.	Other PVOs % $	TOTAL No.	TOTAL % $
FY78	1	1.00	0	0.00	0	0.00	0	0.00	1	0.01
FY79	7	0.83	1	0.01	1	0.06	1	0.10	10	0.09
FY80	9	0.74	1	0.06	2	0.20	0	0.00	12	0.09
FY81	7	0.86	2	0.09	0	0.00	1	0.05	10	0.11
FY82	5	0.64	3	0.21	2	0.14	0	0.00	10	0.11
FY83	9	0.62	1	0.19	3	0.19	0	0.00	13	0.12
FY84	8	0.52	2	0.08	4	0.23	2	0.17	16	0.13
FY85	11	0.48	2	0.09	5	0.36	2	0.07	20	0.15
FY86	6	0.30	4	0.17	5	0.24	5	0.28	20	0.19
FY87	1	0.05	2	0.13	4	0.38	3	0.44	10	0.08
TOTAL	64	0.59	18	0.12	22	0.19	11	0.10	112	1.00

Source: Data extrapolated from the Outreach Project
Authority Amendment for FY87

Table I-2. REGIONAL DISTRIBUTION OF OUTREACH PROGRAMS

	Africa		LAC/Asia		Total
	No.	% $	No.	% $	No.
FY78	1	1.00	0	0.00	1
FY79	5	0.45	5	0.55	10
FY80	9	0.78	3	0.22	12
FY81	7	0.86	3	0.14	10
FY82	5	0.71	5	0.29	10
FY83	9	0.65	4	0.35	13
FY84	8	0.36	8	0.64	16
FY85	13	0.67	7	0.33	20
FY86	11	0.66	9	0.34	20
FY87	5	0.58	5	0.42	10
TOTAL	68	0.64	44	0.36	122

Source: Data extrapolated from the Outreach Project Authority Amendment for FY87

Table I-3. OUTREACH: HISTORICAL FUNDING LEVELS BY REGION (X 1,000)

	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87	TOTAL
AFRICA											
TOTAL	219	1210	2216	3005	2499	2447	1379	3006	3963	1342	21286
Benin/CRS				237			140	64			441
Burkina Faso/CRS		316	359	591	874	178	234	304	275		3131
Burundi/CRS			230		166	215					611
Djibouti/CRS			395	542	576	252	204	20			1989
Ghana/ADRA								357	294	97	651
Ghana/CRS								93	240		333
Kenya/CRS		243	182	666		423		400	352		2266
Lesotho/CRS						522		94			616
Mali/CARE									470	93	470
Mali/WVRO									597	633	597
Mauritania/C	219	280		542	602	341	150	528	352		3014
Rwanda/ADRA			251		281	178	155	72	112		1049
Rwanda/CRS		114	17			120	96	86			433
Sierra Leone/CRS			232	81		218		83			614
Sudan/ADRA							230	607	499	361	1336
Sudan/CRS			514								514
Sudan/SCF									388	158	388
Sudan/WVRO									384		384
Togo/CRS		257	36				170	298			761
Zaire/CRS				346							346
ASIA											
TOTAL		775									775
Indonesia/CRS		775									775
LAT AMERICA & CAR											
TOTAL		693	615	495	1001	1321	2492	1486	2017	980	11100
Bolivia/ADRA						300	162	248	231	225	941
Bolivia/CRS							325		135	105	460
Bolivia/FHI							342	64	175	240	581
Dom. Rep./CARE								77	102		179
Ecuador/CARE					98						98
Haiti/ADRA		150	329		213	237	345	340	332	194	1946
Haiti/CARE		28		276	105		303	342	240	216	1294
Haiti/CRS		246	120		36	57	677	179	401		1716
Haiti/CWS		269		172			324	236	157		1158
Honduras/CARE					549	727	14		244		1534
Nicaragua/CARE			166	47							213
GRAND TOTAL	219	2678	2831	3500	3500	3768	3871	4492	5980	2322	33161

Source: Data extrapolated from the Outreach Project Authority Amendment for FY87

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Table I-4. COMPARISON OF RECIPIENT LEVELS ATTAINED WITHOUT AND WITH OUTREACH FUNDS: Average Number of Recipients Three Year Interval (x 1,000)

COUNTRY & SPONSOR	Selected Intervals FY 76-78	FY 83-85	% Change
Funds received all three years (83-85) with possible funding prior to 83			
Burkina Faso/CRS	182.5	396.3	1.17
Djibouti/CRS	0.0	28.3	1.00
Mauritainia/CRS	24.0	69.0	1.87
Rwanda/ADRA	0.0	26.0	1.0
Bolivia/ADRA	0.0	70.0	1.0
Haiti/ADRA	25.0	80.8	2.23
Haiti/CRS	74.5	126.5	0.70
Funds received two of three years (83-85) with possible funding prior to 83			
Benin/CRS	26.1	34.5	0.32
Kenya/CRS	78.7	156.2	0.99
Lesotho/CRS	154.7	201.0	0.30
Rwanda/CRS	50.7	101.0	0.99
Sierra Leone/CRS	89.7	80.0	-0.11
Sudan/ADRA	0.0	30.0	1.00
Togo/CRS	104.1	87.8	-0.16
Bolovia/FHI	0.0	55.0	1.00
Haiti/CARE	159.6	319.7	1.00
Haiti/CWS	66.5	86.0	0.29
Honduras/CARE	246.0	384.0	0.56
Funds received prior to and one year of 83-85			
Burundi			
CRS	42.5	73.0	0.72
Funds received one year of 83-85			
Ghana/ADRA	0.0	30.5	1.00
Ghana/CRS	199.7	241.0	0.21
Bolivia/CRS	279.3	385.5	0.38
Dom. Rep./CARE	492.6	116.0	-0.76

Source: Annual Report on PL480 Food for Peace, FY76-FY85 Washington, D.C.: USDA.

Table I-5. PERCENTAGE CHANGE IN RECIPIENT LEVELS IN NON-OUTREACH SUPPORTED FOOD PROGRAMS. Average Number of Recipients per Three Year Interval. (x 1,000)

Country & Sponsor		FY76-78	FY83-85	% Change
India				
	CARE	13249.5	11734.5	-0.1
	CRS	3561.9	1625.7	-0.5
	CWS	89.3	0.0	-1.0
	LWS	53.0	0.0	-1.0
Philippines				
	CARE	846.1	840.7	0.0
	CRS	962.6	714.8	-0.3
	CWS	7.3	0.0	-1.0
Sri Lanka				
	CARE	1231.7	1566.7	0.3
Egypt				
	CARE	153.3	47.5	-0.7
	CRS	1038.7	2138.7	1.1
Morocco				
	AJJDC	2.5	2.5	0.0
	CRS	575.0	575.7	0.0
Tunisia				
	CARE	251.4	72.3	-0.7
	CRS	188.9	391.6	1.1
Chile				
	ADRA	119.4	0.0	-1.0
	CARE	1017.7	0.0	-1.0
	CRS	247.6	0.0	-1.0
Guatemala				
	CARE	420.0	232.4	-0.4
	CRS	101.9	73.9	-0.3
Peru				
	ADRA	39.0	117.1	2.0
	CARE	0.0	34.4	1.0
	CRS	291.0	438.1	0.5
	CWS	10.7	28.5	1.7
Ethopia				
	CRS	91.3	161.7	0.8
Gambia				
	CRS	26.2	32.0	0.2
Senegal				
	CRS	134.8	244.3	0.8
Tanzania				
	CRS	229.8	70.3	-0.7

Source: Annual Report on PL480 Food for Peace, FY76-85. Washington, D.C.: USDA.

Note: Countries selected on a random sample basis.

Table I-6. RECIPIENTS BY SPONSOR AND FISCAL YEAR (X 1,000)

COUNTRY, & SPONSOR (YR*)	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86
Benin/CRS (81-85)	19.3	24.5	34.5	22.0	22.5	27.0	28.5	30.5	34.5	38.5	47.0
Burkina Faso/CRS (79-86)	172.5	172.5	202.5	232.5	335.0	345.0	368.0	366.0	397.0	426.0	454.0
Burundi/CRS (80-83)	25.0	47.5	55.0	85.0	100.0	65.0	65.0	61.0	75.0	83.0	
Djibouti/CRS (80-85)					21.5	22.5	23.3	25.3	27.8	31.8	
Ghana/ADRA (85-87)										30.5	46.1
Ghana/CRS (85-86)	180.0	199.0	220.0	250.0	255.0	260.0	299.0	213.0	250.0	260.0	308.1
Kenya/CRS (79-86)	60.0	90.0	86.0	138.0	138.0	146.5	174.0	163.5	149.5	155.5	139.5
Lesotho/CRS (83-85)	154.5	154.5	155.0	177.5	199.0	201.0	201.0	201.0	201.0	201.0	197.0
Mali/CARE (86-87)											
Mali/WVRO (86-87)											
Mauritania/CRS (78-86)		23.0	25.0	42.0	42.0	63.0	69.0	69.0	62.0	75.9	82.3
Rwanda/ADRA (80-86)						13.5	22.5	30.0	22.5	25.5	35.0
Rwanda/CRS (79-85)	46.8	51.5	53.8	68.5	77.9	88.1	100.5	85.0	106.0	112.0	135.5
Sierra Leone/CRS (80-85)	109.0	92.5	67.5	120.0	78.0	80.0	80.0	80.0	80.0	80.0	62.0
Sudan/ADRA (84-87)										30.0	51.0
Sudan/CRS (80)	46.0	15.0	30.0	30.0	50.0	63.0	78.0				
Sudan/SCF (86-87)											
Sudan/WVRO (86)											
Togo/CRS (79-85)	104.0	104.1	104.1	170.0	183.0	88.0	59.0	76.5	97.0	90.0	107.0
Zaire/CRS (81)						251.0	251.0	75.0			
Africa: Average for Year	45.9	48.7	51.7	66.8	75.1	85.7	90.9	73.8	75.1	82.0	83.2
Indonesia/CRS	102.0	122.0	142.0	165.1	170.0	200.0	205.0	191.3	203.8	203.8	197.1
Bolivia/ADRA (83-87)									60.0	80.0	149.5
Bolivia/CRS (84-87)	261.0	261.0	316.0	370.0	380.0	380.0	378.0	400.0	388.0	368.4	418.1
Bolivia/FHI (84-87)										55.0	64.5
Dom. Rep./CARE (85-86)	585.4	495.4	396.9	277.0	198.0	117.0	125.0	115.0	117.0	116.0	116.0
Ecuador/CARE (82)	108.0	90.0	115.0	96.0	127.5	191.3	210.0	200.0	200.0		
Haiti/ADRA (79-87)			25.0	25.0	50.0	66.5	73.5	69.3	86.5	86.5	113.5
Haiti/CARE (79-87)	128.7	167.2	182.8	225.5	256.0	274.2	291.7	326.5	316.5	316.0	349.0
Haiti/CRS (79-86)	57.0	83.3	83.2	81.0	87.5	117.1	125.8	130.5	126.9	122.0	155.0
Haiti/CWS (79-86)	55.4	69.5	74.6	74.8	71.8	71.8	83.1	80.0	89.0	89.0	84.8
Honduras/CARE (82-86)	241.5	244.5	252.0	295.0	295.0	296.5	321.5	357.0	395.0	400.0	486.0
Nicaragua/CARE (80-81)					41.0	51.0	51.0				
LAC/Asia: Average for Year	128.3	127.7	132.3	134.1	139.7	147.1	155.4	155.8	165.2	153.1	177.8
Average for Year	74.4	76.0	79.4	89.2	96.3	105.4	111.6	101.4	103.8	102.9	110.6

Source: Annual Report on PL480 Food for Peace, FY76-86. Washington, D.C.: USDA. (Information on FY87 not available.)

* Note: In order to understand better the impact Outreach may have on recipient levels in PVO programs, recipient levels are indicated, where possible, prior to, during, and subsequent to Outreach funding. The years noted in the parenthesis are the first and last year Outreach funds were available for the program.

Table I-7. ADRA: Allocation of Enhancement Funds in FY86-FY87

Category	Oblig Aug 85 Jul 87(a)	% of Total Oblig	Expended as of Dec 86(b)	% of Total Exp
Breakdown by Enhancement Components:				
Staff Development	500300	0.38	275781	0.59
MIS & Org. Dev't	133000	0.10	71120	0.15
Pilot Activities	563058	0.43	74796	0.16
Program Replicat.	97000	0.07	35378	0.08
Total	1293358		457076	
Overhead	25867	0.02	9142	0.02
Grand Total	1319225	1.00	466217	1.00
Breakdown by Type of Expense:				
Salaries				
Mgmt	161850	0.12	93218	0.20
TA	120950	0.09	95760	0.21
Training	52000	0.04	17510	0.04
% Total		0.25		0.44
Training	106000	0.08	38923	0.08
Materials	112500	0.09	59325	0.13
Travel	105000	0.08	55343	0.12
Demo/Replication	635058	0.48	96997	0.21
Total	1293358		457076	
Overhead	25867	0.02	9142	0.02
Grand Total	1319225	1.00	466217	1.00

(a) PIO/T, Fall 1985

(b) Interim Progress Report submitted by ADRA to AID, January 1987

Table I-8. CARE: Allocation of Enhancement Funds in FY86

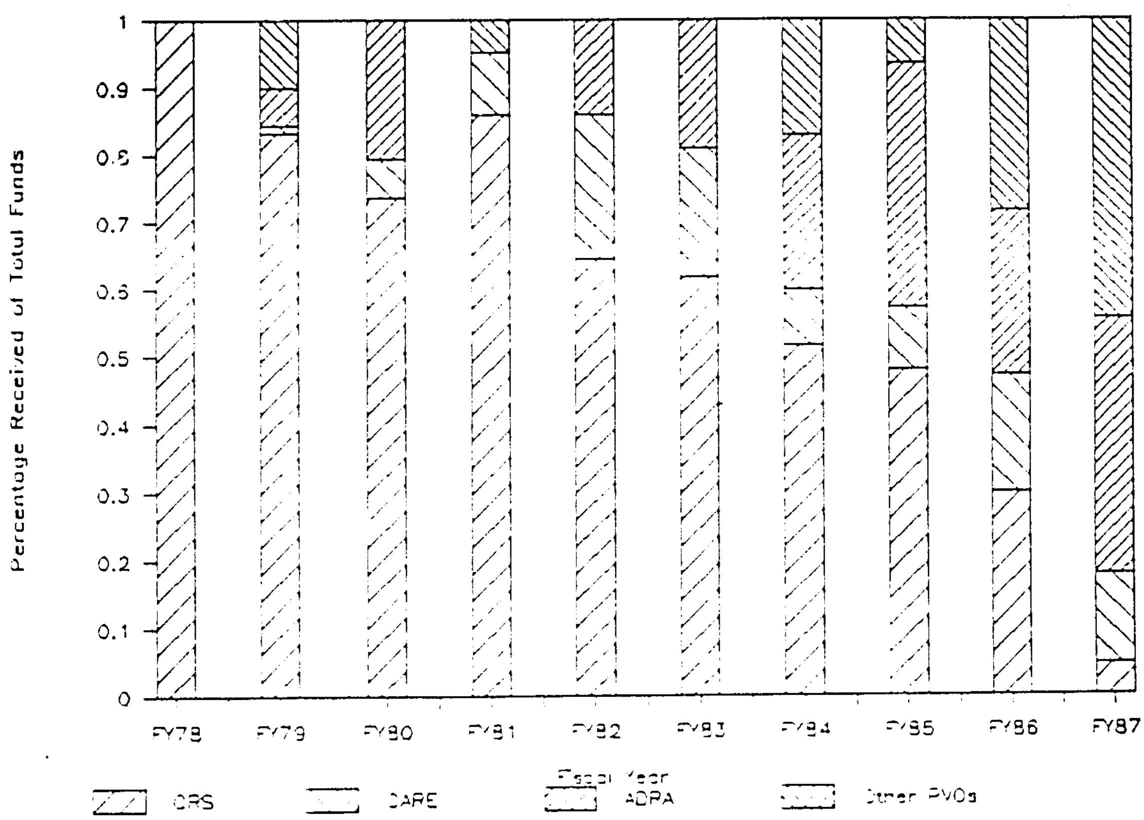
Category	Budget FY86 (a)	% of Total Budget	Actual Expend FY86 (b)	% of Total Expend
Breakdown by Enhancement Components:				
Staff Development	159200	0.21	72609	0.29
MIS	44500	0.06	1386	0.01
Pilot Activities	500000	0.67	133627	0.53
Replication	0	0.00	0	0.00
Total	703700		207622	
Overhead	47247	0.06	43297	0.17
Grand Total	750947	1.00	250919	1.00
% Covered by CARE	0.27		0.17	
Breakdown by Type of Expense:				
Salaries	82000	0.11	68794	0.27
Training	29000	0.04	0	0.00
Materials/Equipment	44500	0.06	1386	0.01
Travel	43300	0.06	3506	0.01
Other_Miscellaneous	4900	0.01	309	0.00
Demostration Projects	500000	0.67	133627	0.53
Replication	0	0.00	0	0.00
Total	703700		207622	
Overhead	47247	0.06	43297	0.17
Grand Total	750947	1.00	250919	1.00

(a) PIO/T, Fall 1985

(b) "Revised Budget" submitted by CARE to AID, December 1986

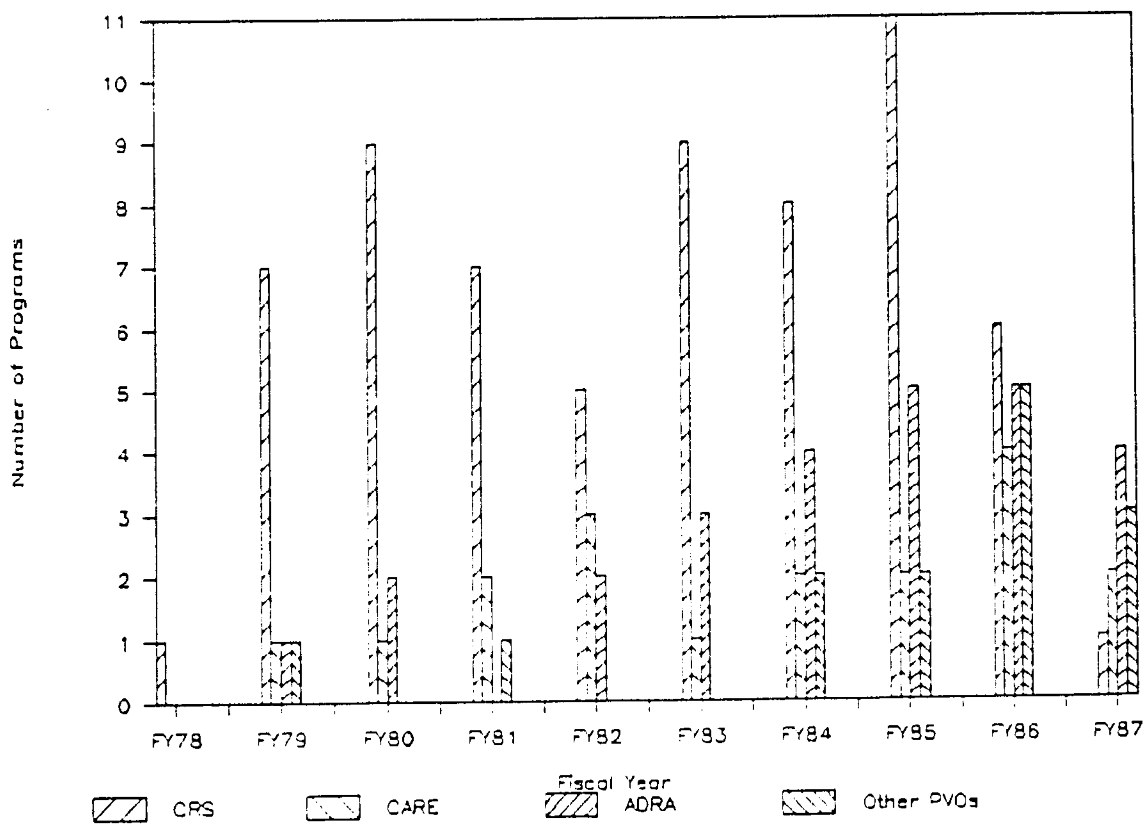
Graph I-1.

PVO Annual Share of Outreach Funds

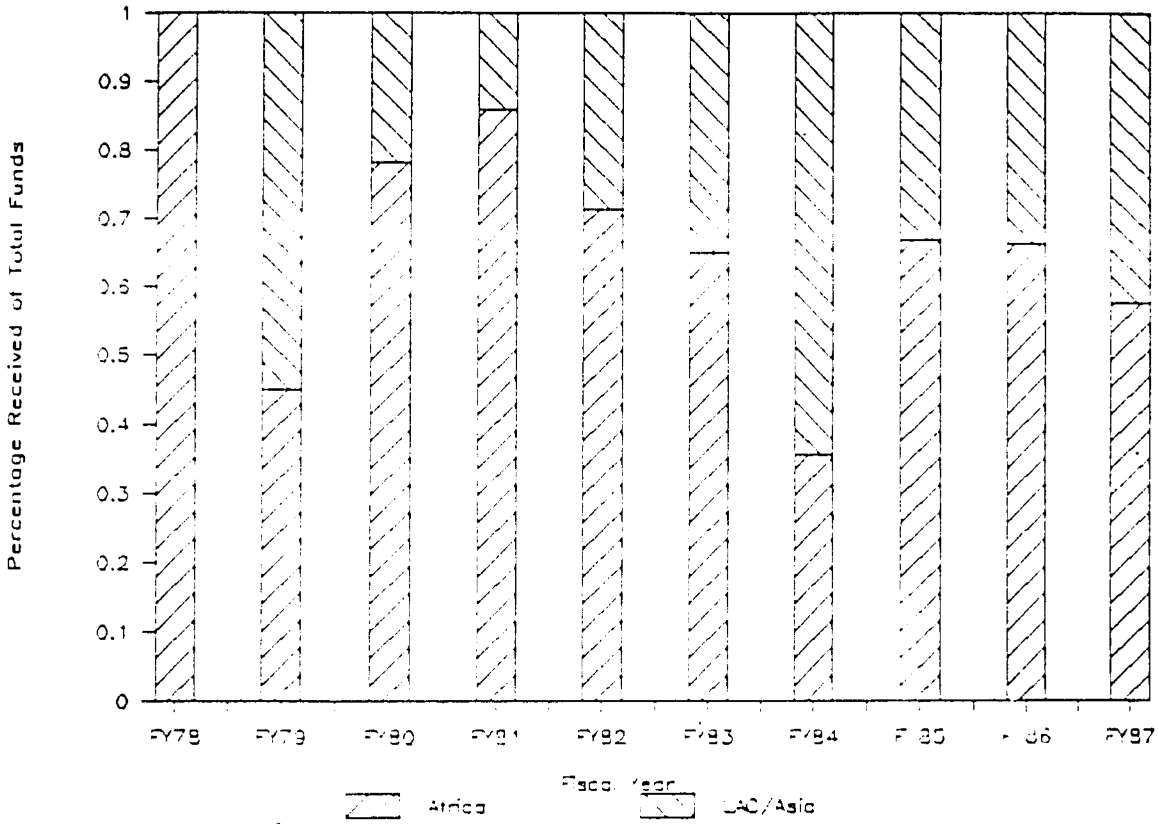


Graph I-2.

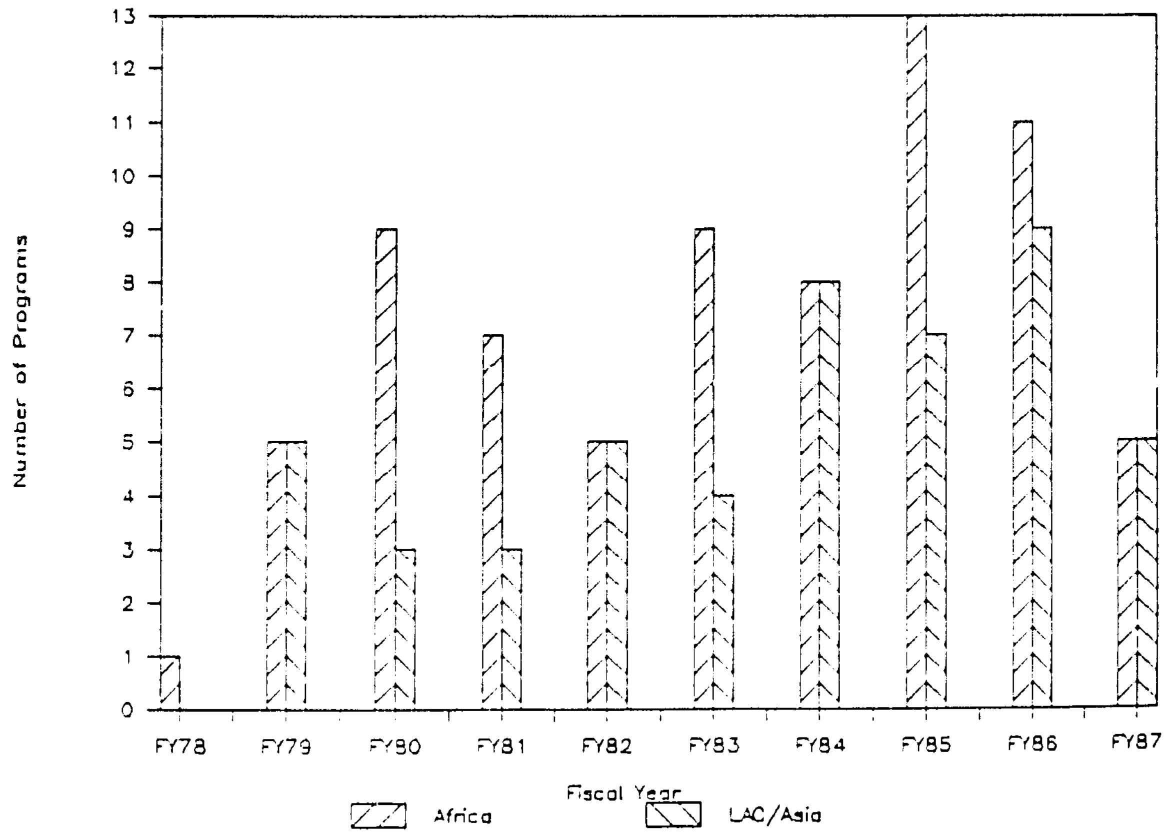
Outreach Program Distribution by PVO



Graph I-3.
Regional Share of Outreach Funds

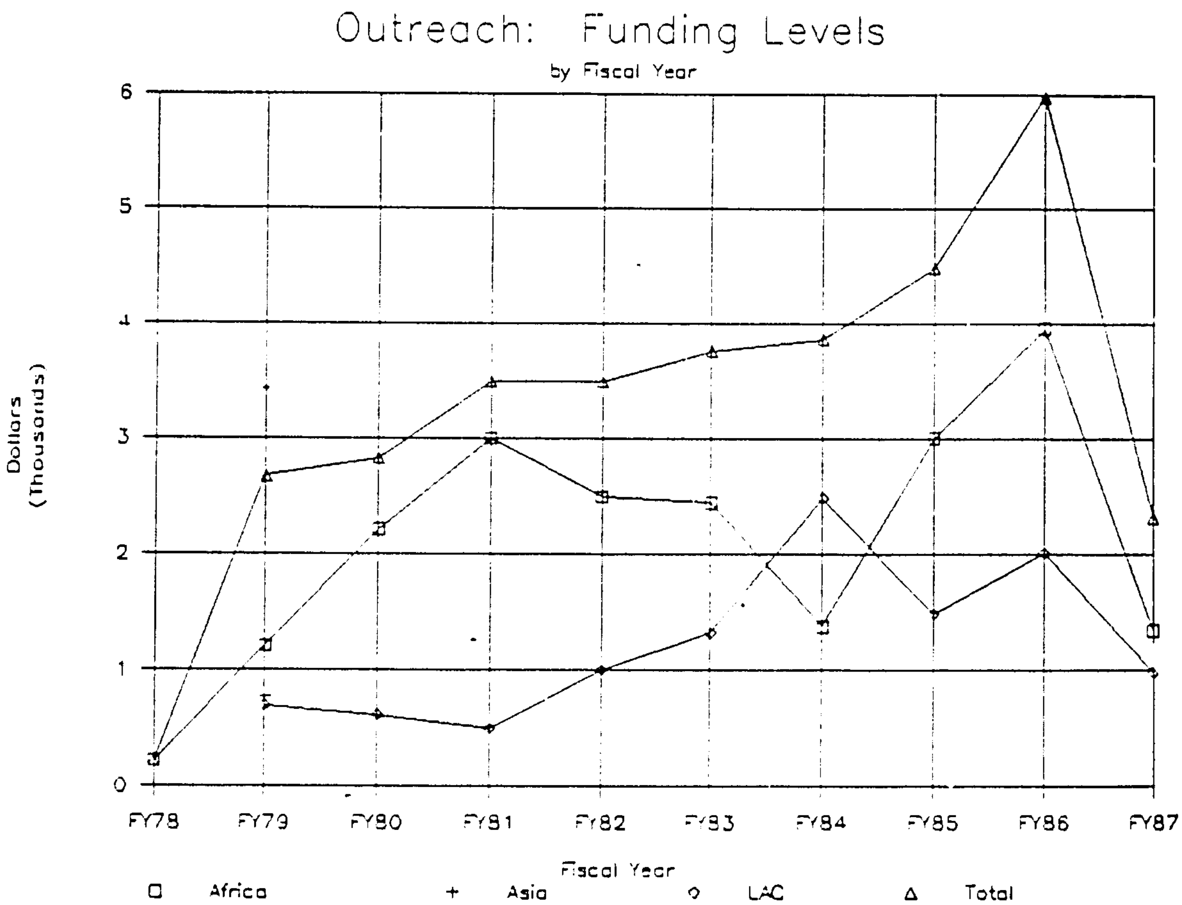


Graph I-4.
Regional Distribution of Programs



96

Gr. ph I-5.

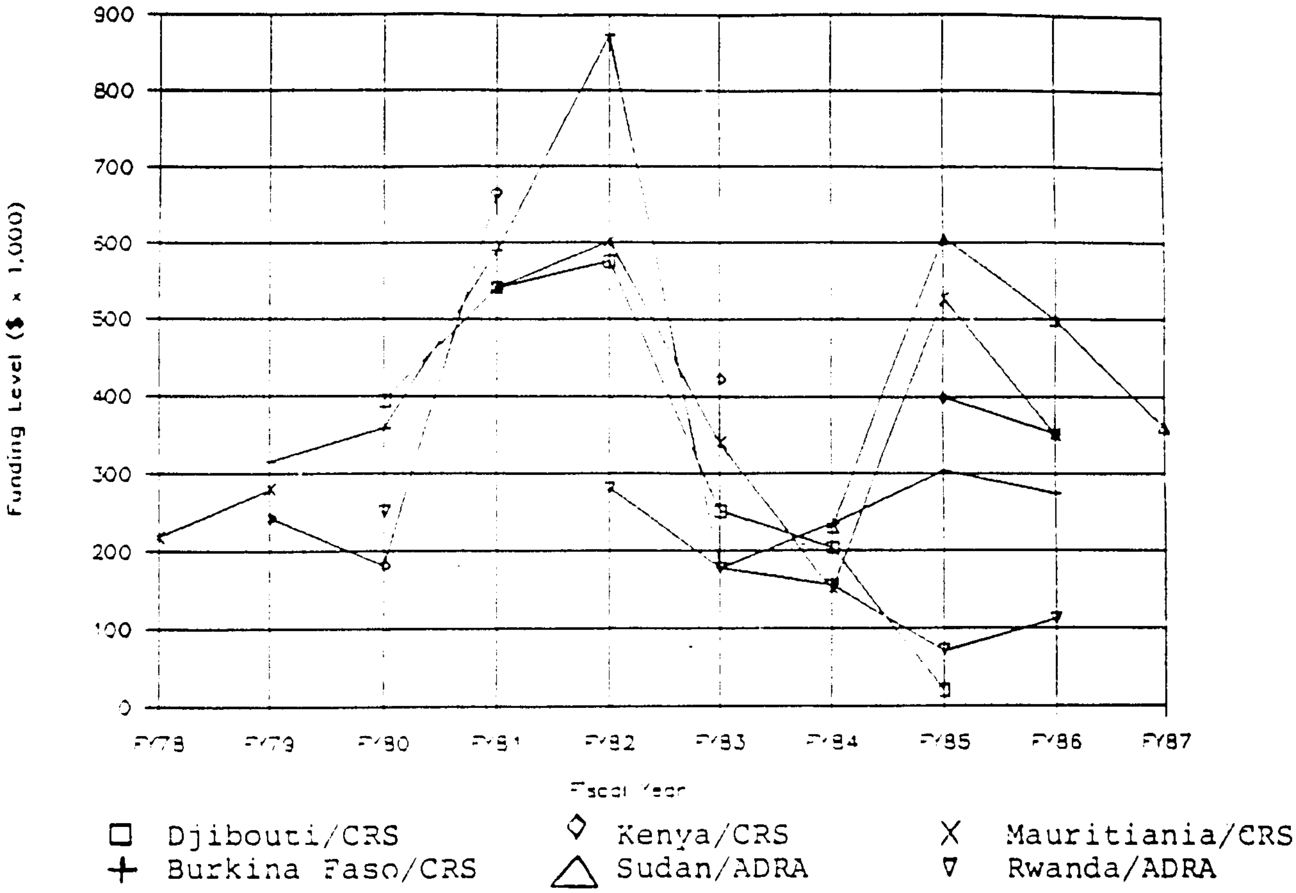

Outreach: Funding Levels
by Fiscal Year
6
5
4
3
2
1
0
Dollars (Thousands)
FY78
FY79
FY80
FY81
FY82
FY83
FY84
FY85
FY86
FY87
Fiscal Year
Africa
Asia
LAC
Total

97

Graph I-6.

Outreach Funding Level Trends in Africa

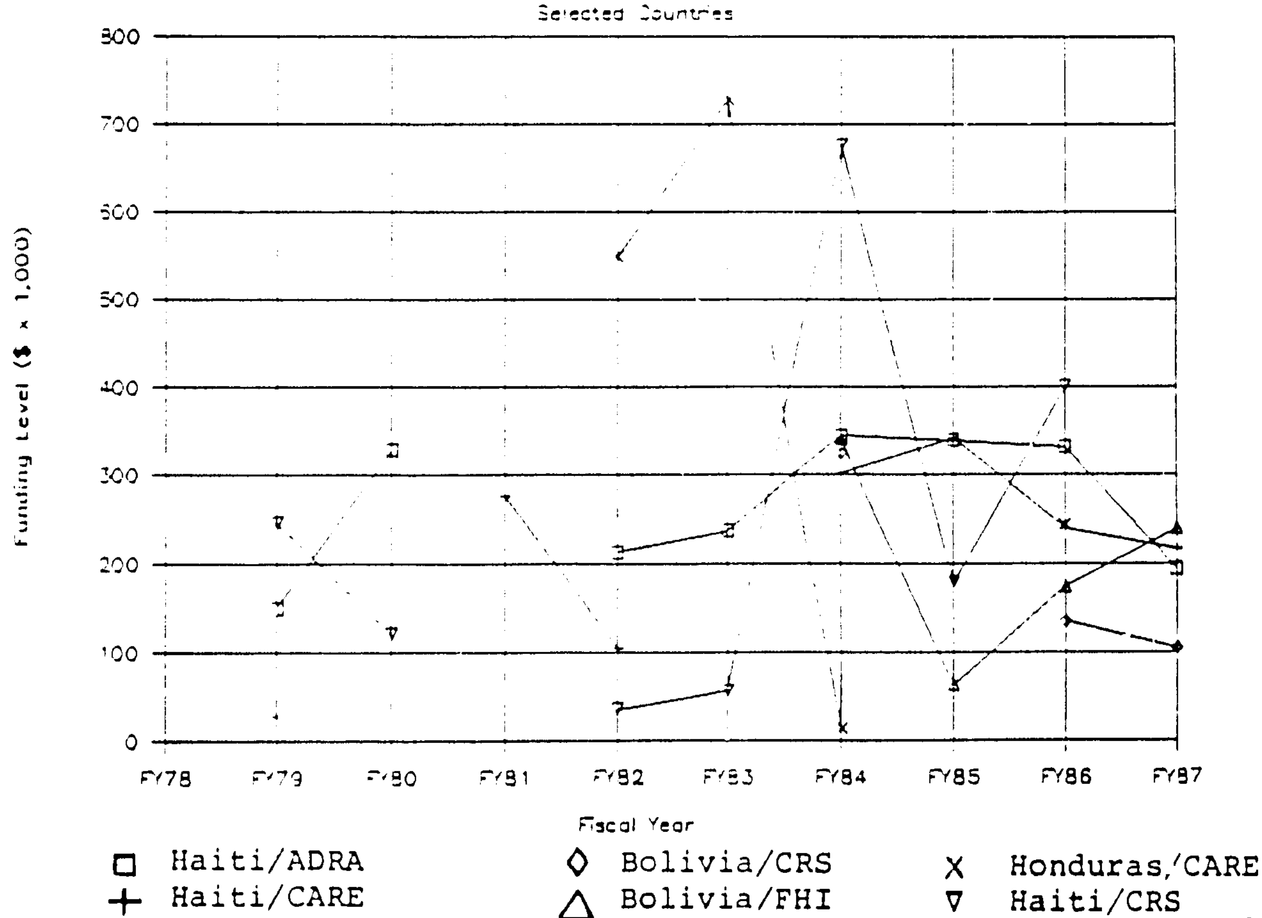
Selected Countries



Graph I-7.

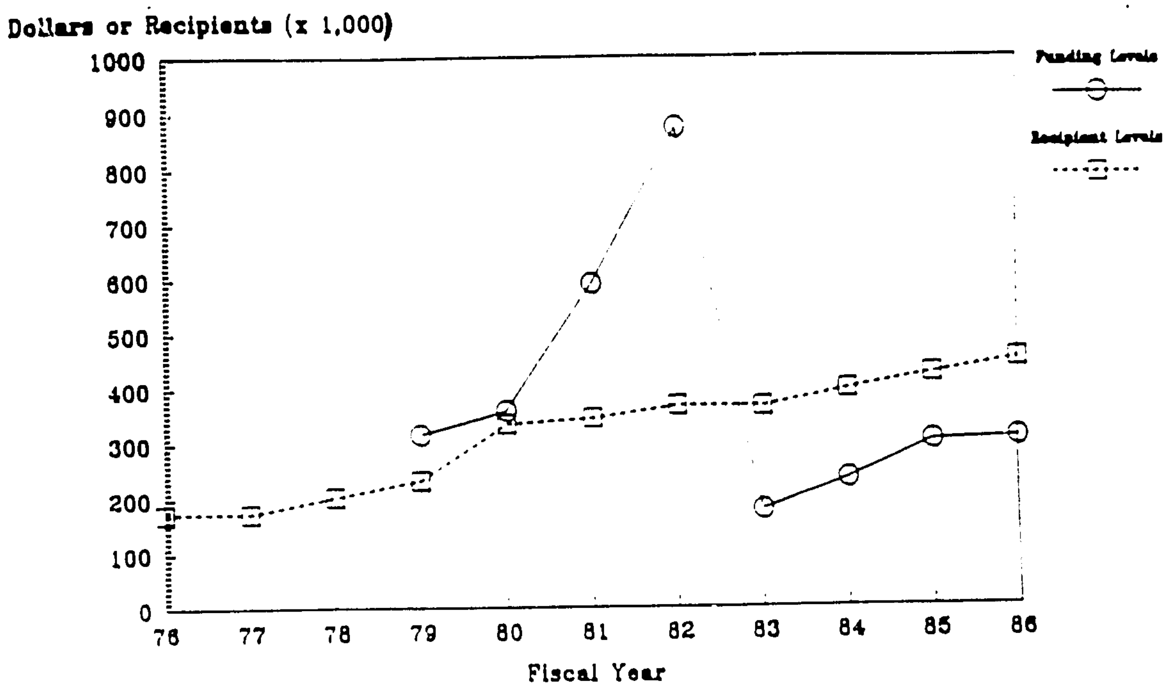
Outreach Funding Levels in LAC

Selected Countries



Graph I-8.

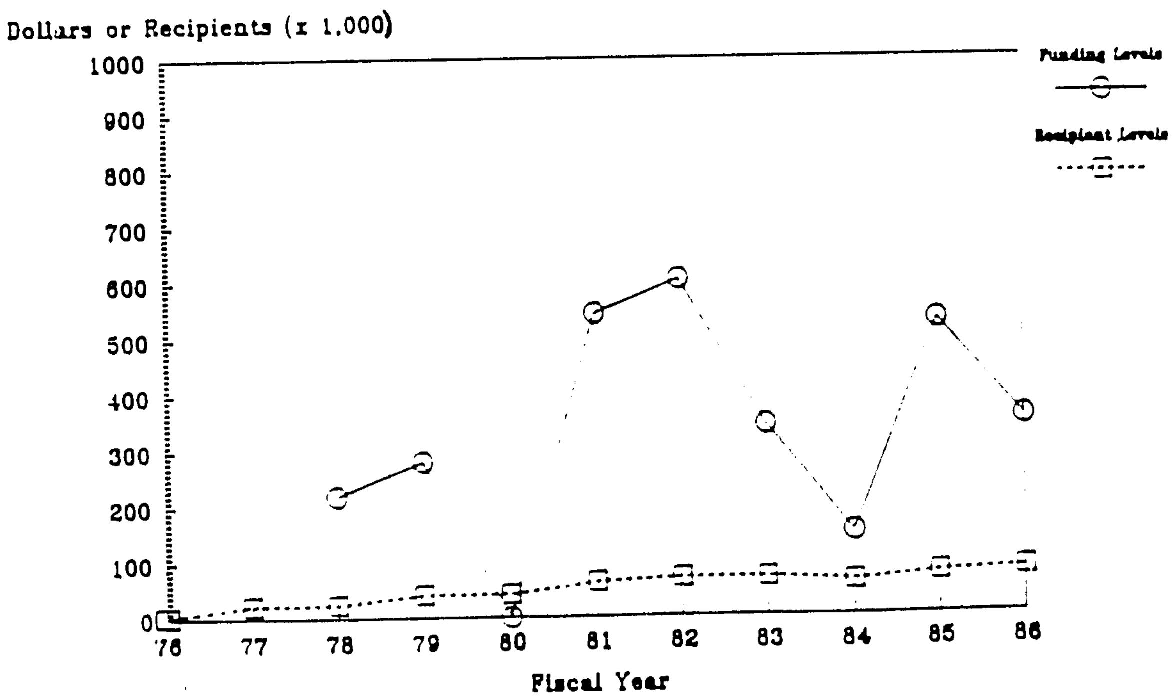
OUTREACH FUNDING AND COMMODITY RECIPIENT LEVELS
Burkina Faso/CRS



Outreach Funding began in FY79

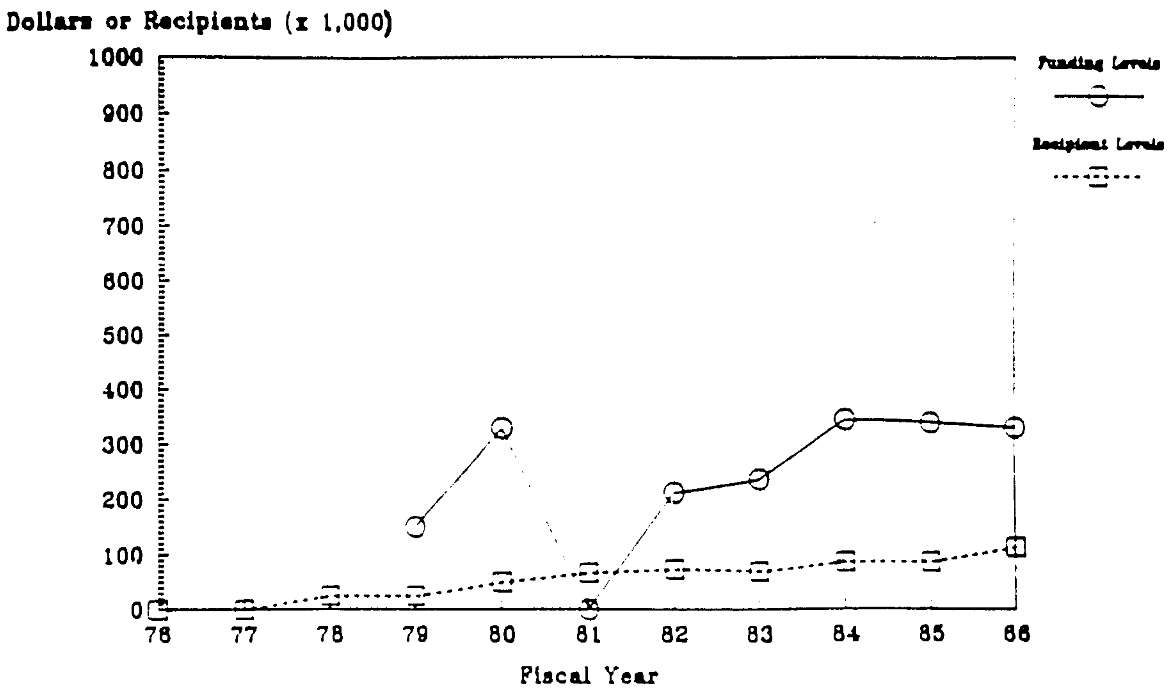
Graph I-9.

OUTREACH FUNDING AND COMMODITY RECIPIENT LEVELS
Mauritania/CRS



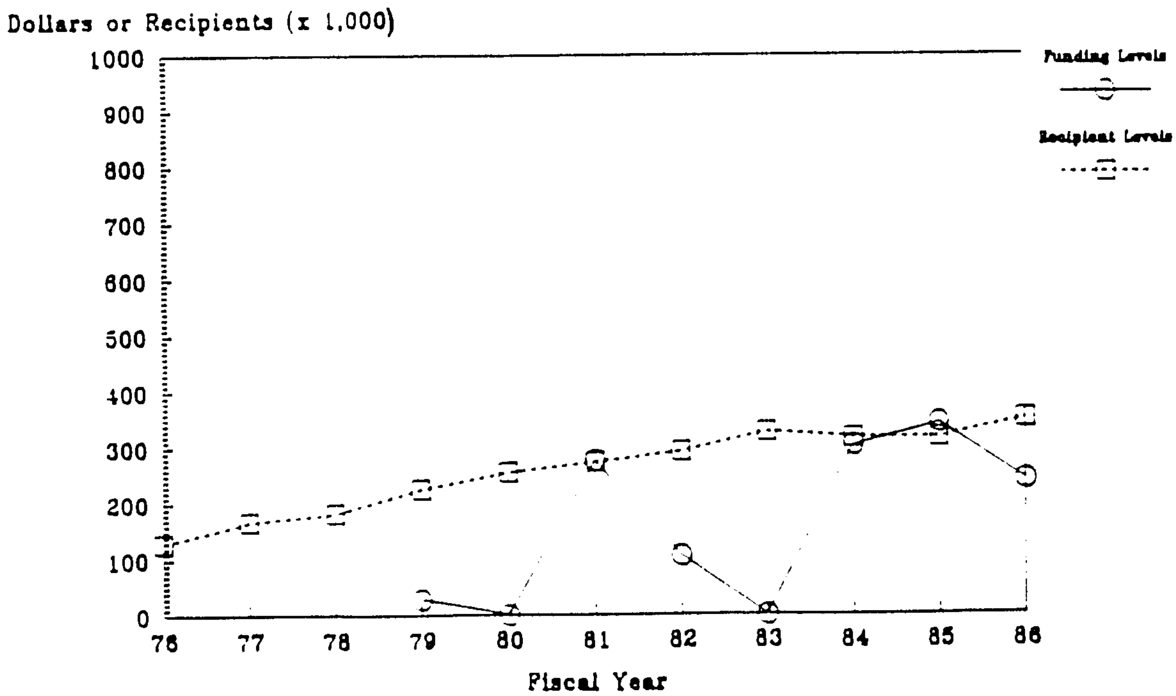
Outreach Funding began in FY78

Graph I-10.
OUTREACH FUNDING AND COMMODITY RECIPIENT LEVELS
Haiti/ADRA



Outreach Funding began in FY79

Graph I-11.
OUTREACH FUNDING AND COMMODITY RECIPIENT LEVELS
Haiti/CARE

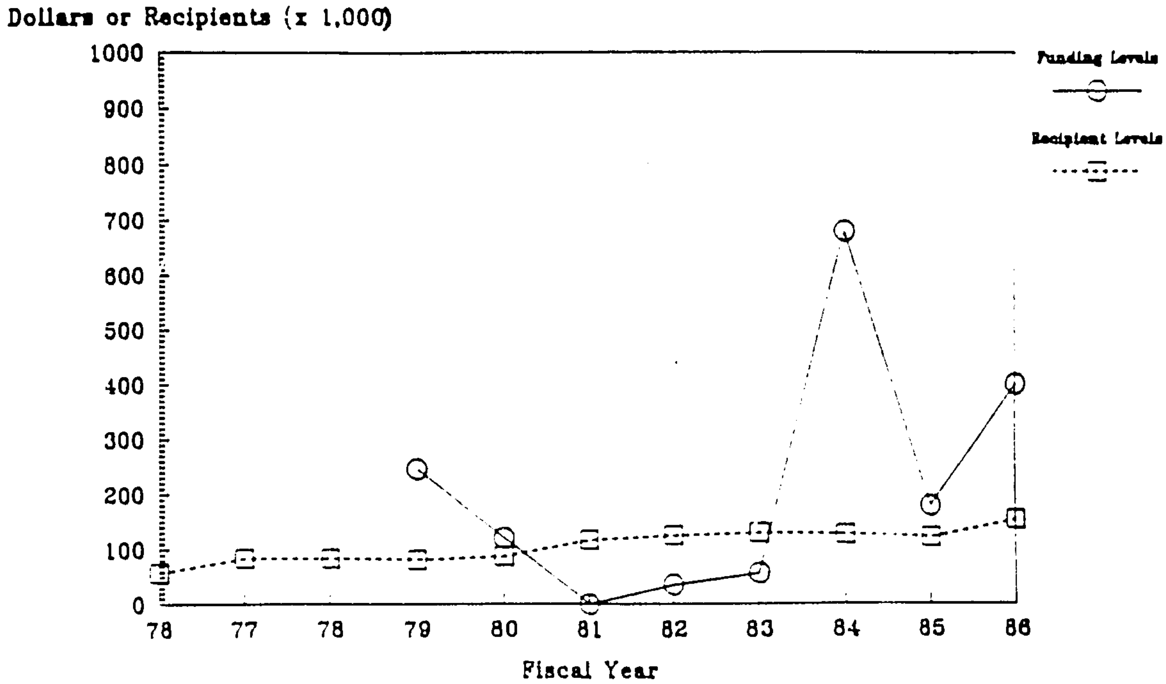


Outreach Funding began in FY79

Graph I-12.

OUTREACH FUNDING AND COMMODITY RECIPIENT LEVELS

Haiti/CRS

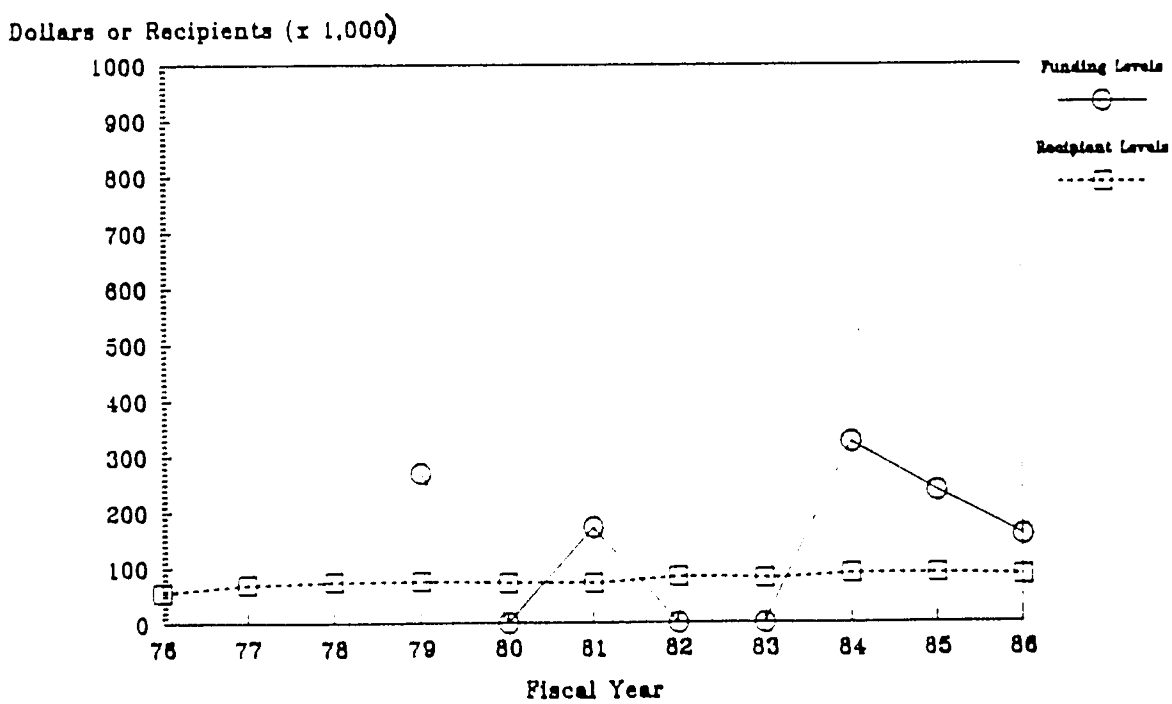


Outreach Funding began in FY79

Graph I-13.

OUTREACH FUNDING AND COMMODITY RECIPIENT LEVELS

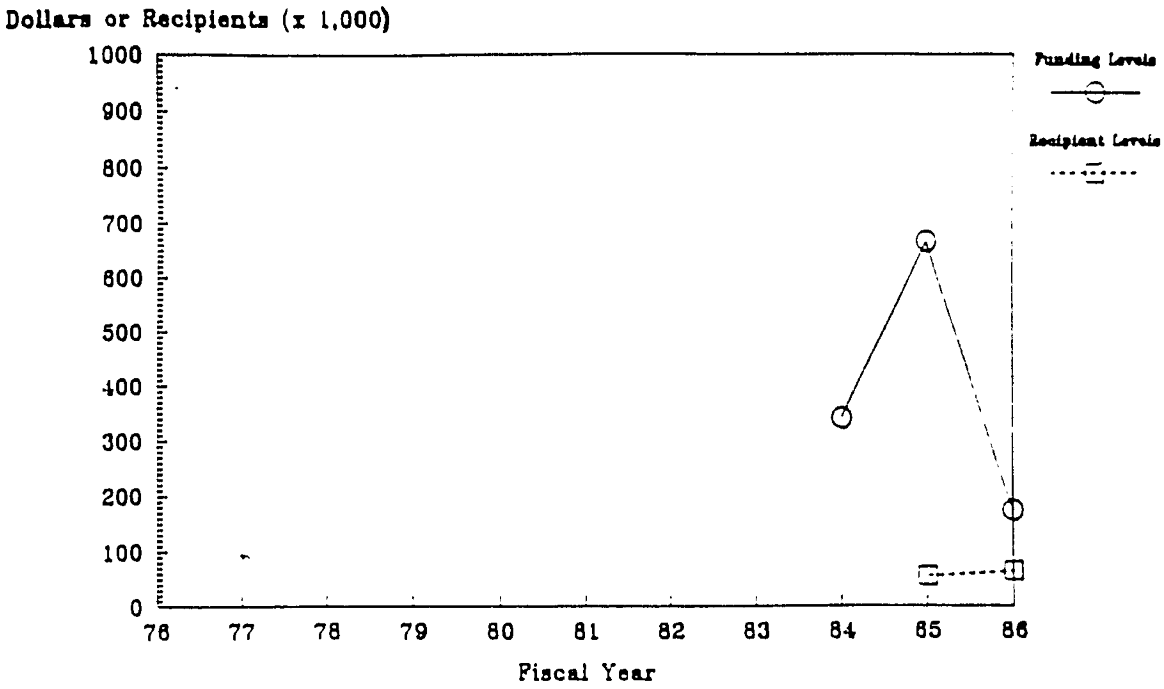
Haiti/CWS



Outreach Funding began in FY79

Graph I-14.

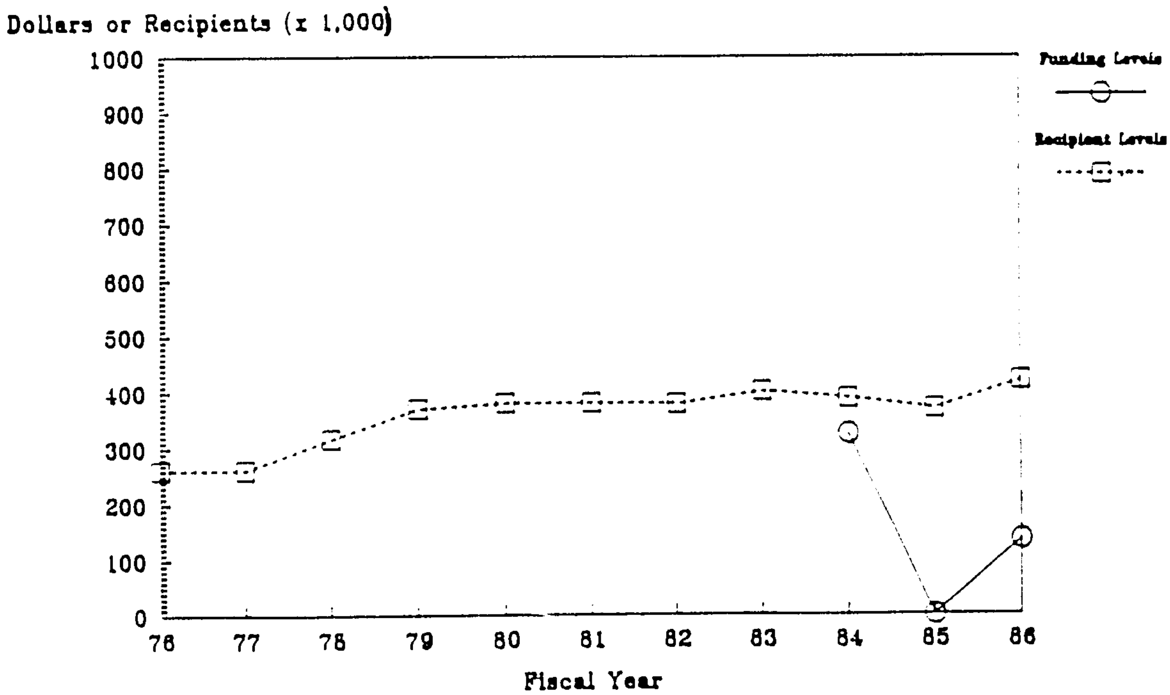
OUTREACH FUNDING AND COMMODITY RECIPIENT LEVELS
Bolivia/FHI



Outreach Funding began in FY84

Graph I-15.

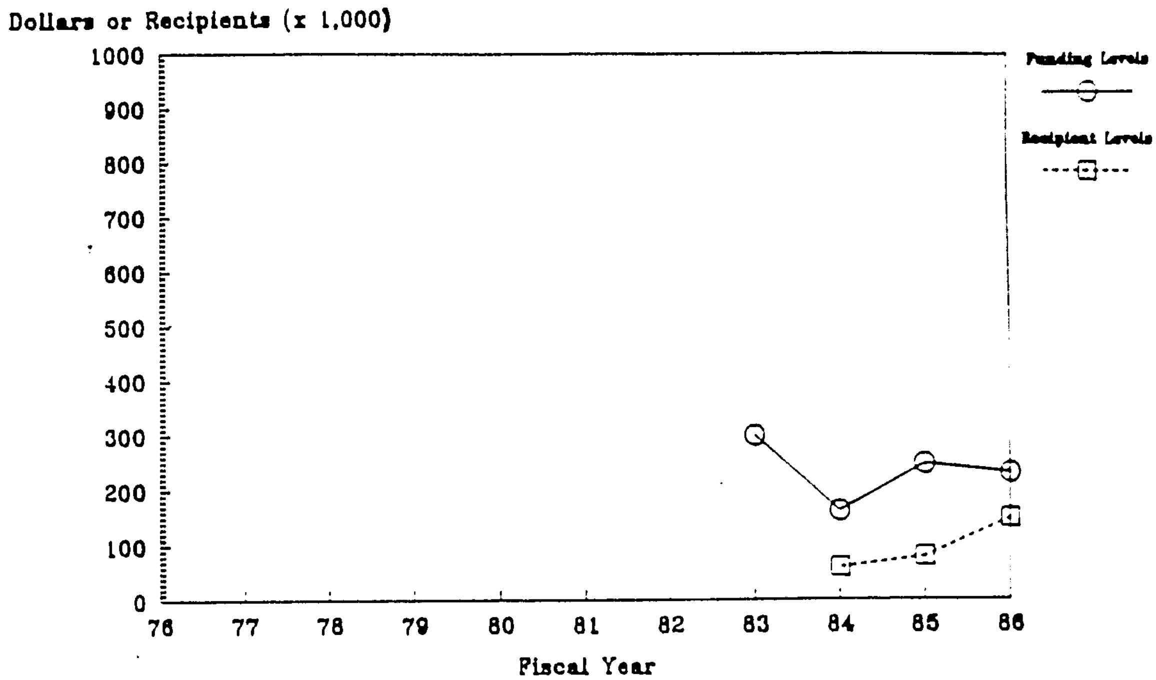
OUTREACH FUNDING AND COMMODITY RECIPIENT LEVELS
Bolivia/CRS



Outreach Funding began in FY84

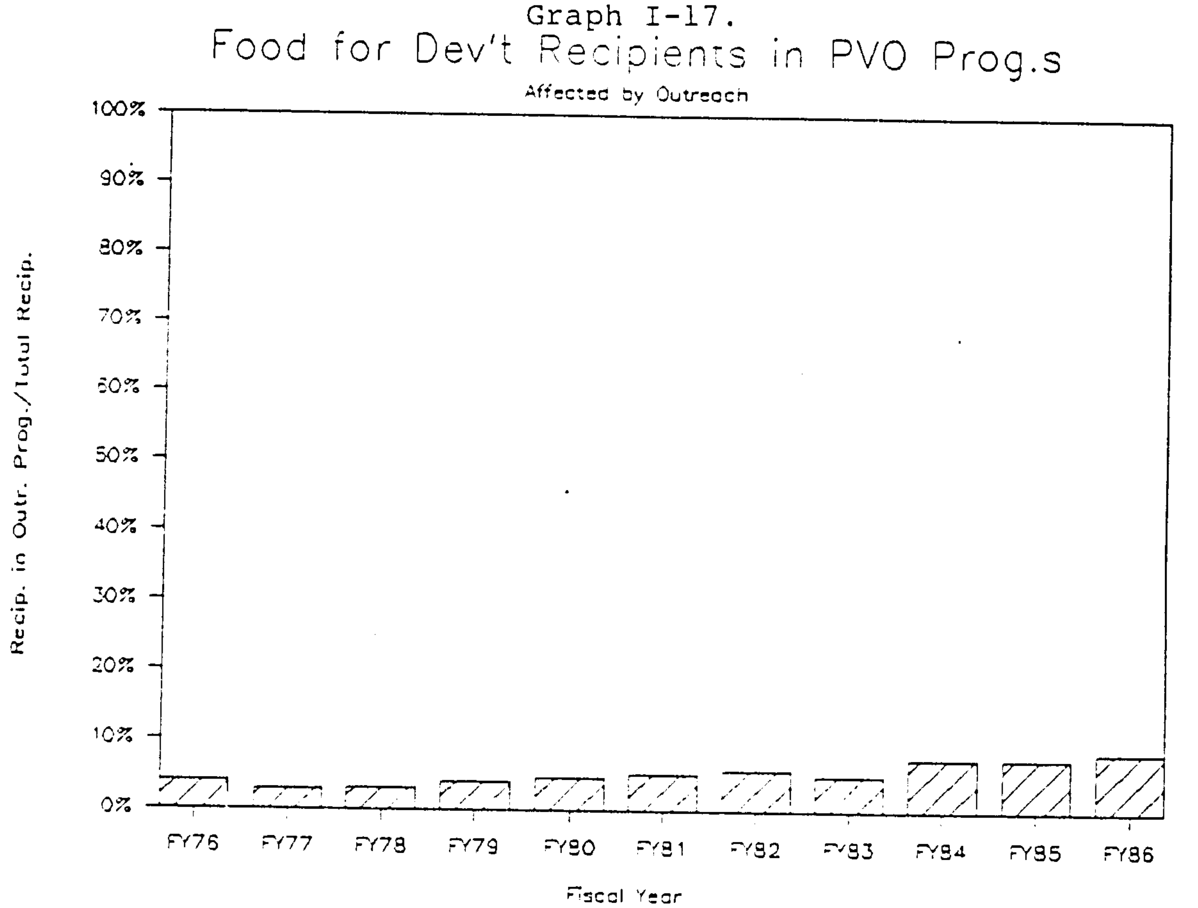
Graph I-16.

OUTREACH FUNDING AND COMMODITY RECIPIENT LEVELS
Bolivia/ADRA

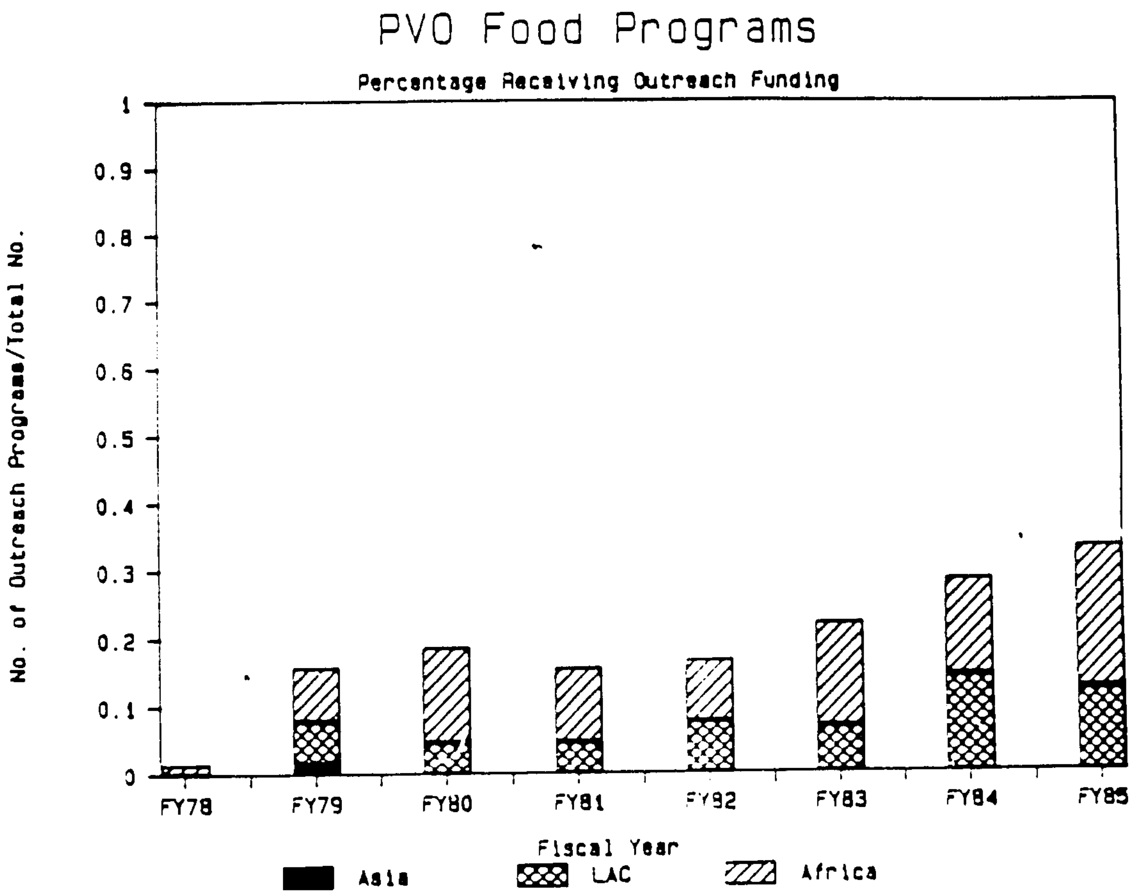


Outreach Funding began in FY83

Graph I-17.

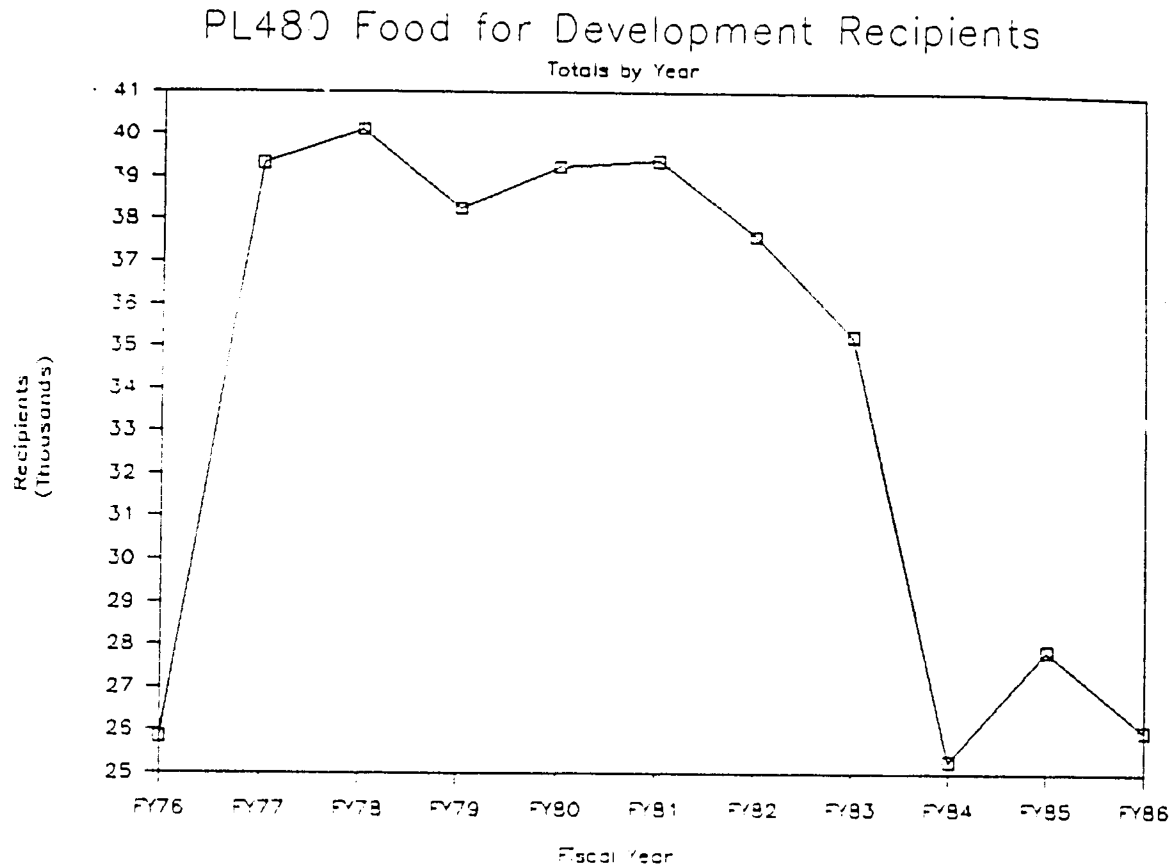

Food for Dev't Recipients in PVO Prog.s
Affected by Outreach
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Recip. in Outr. Prog./Total Recip.
FY76
FY77
FY78
FY79
FY80
FY81
FY82
FY83
FY84
FY85
FY86
Fiscal Year

Graph I-18.

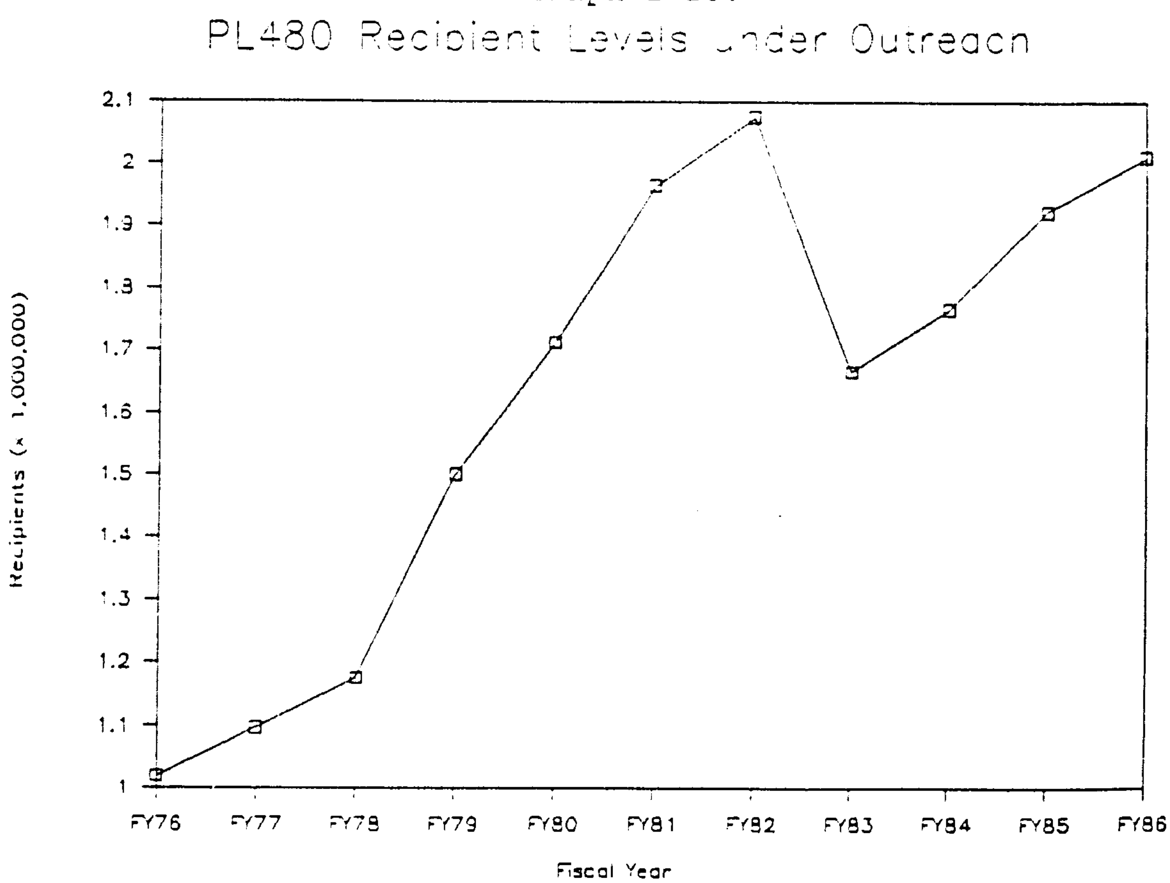


PVO Food Programs
Percentage Receiving Outreach Funding
No. of Outreach Programs/Total No.
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
FY78
FY79
FY80
FY81
FY82
FY83
FY84
FY85
Fiscal Year
Asia
LAC
Africa

Graph I-19.



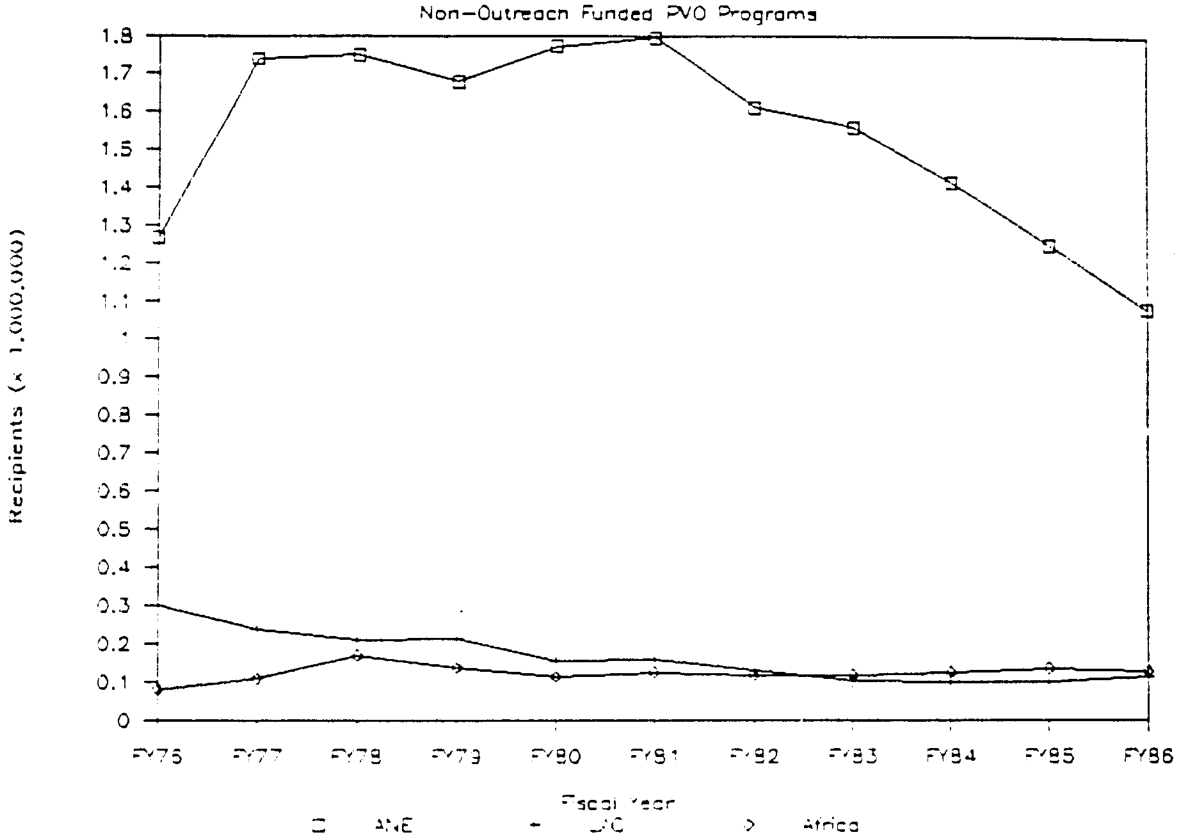
Graph I-20.



Graph I-21.

Average Number of Recipients Per Year

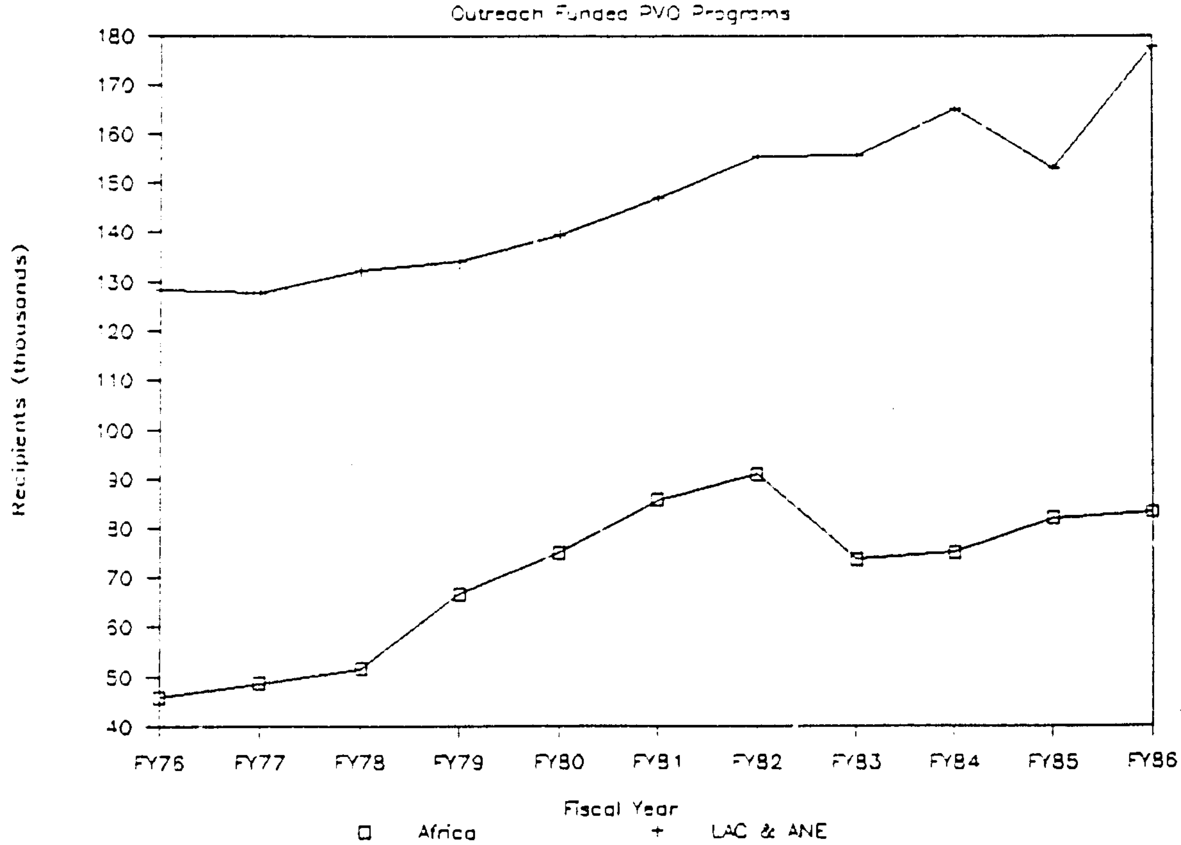
Non-Outreach Funded PVO Programs



Graph I-22.

Average Number of Recipients Per Year

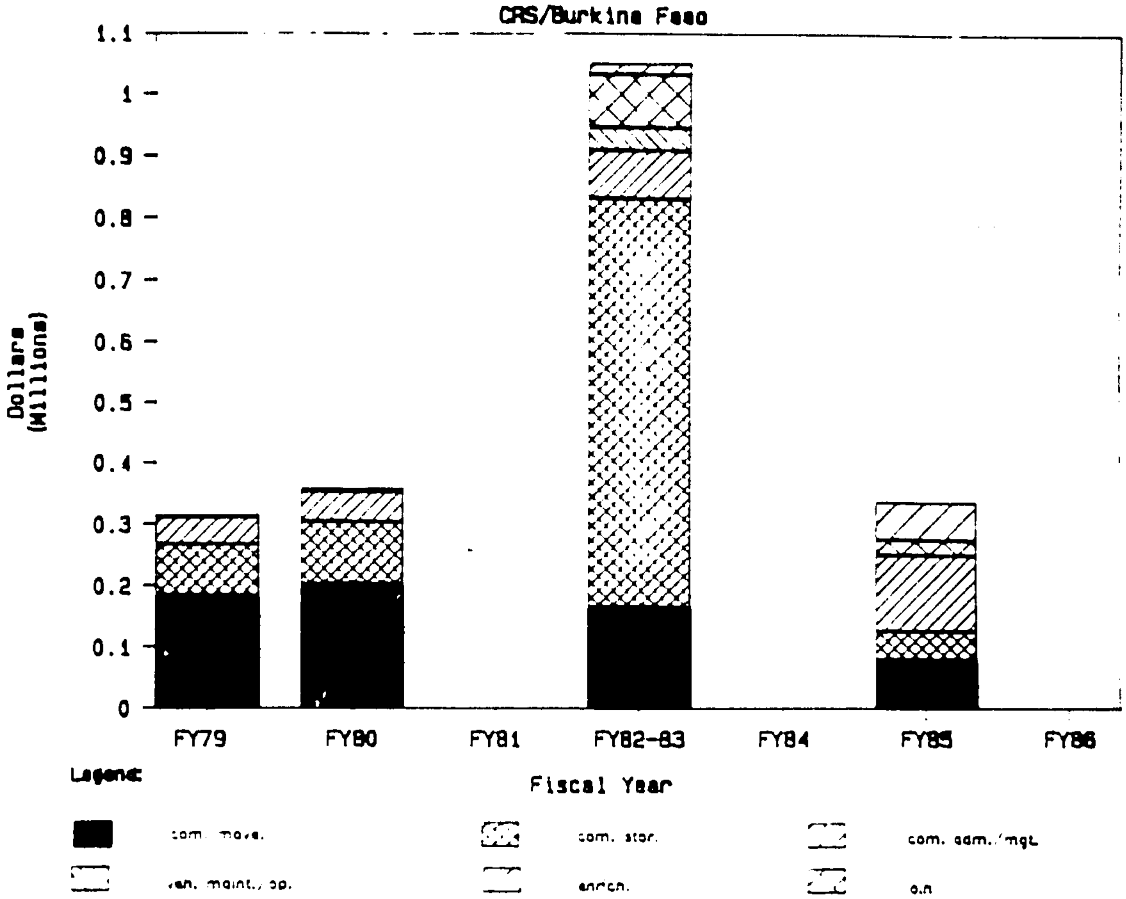
Outreach Funded PVO Programs



107.

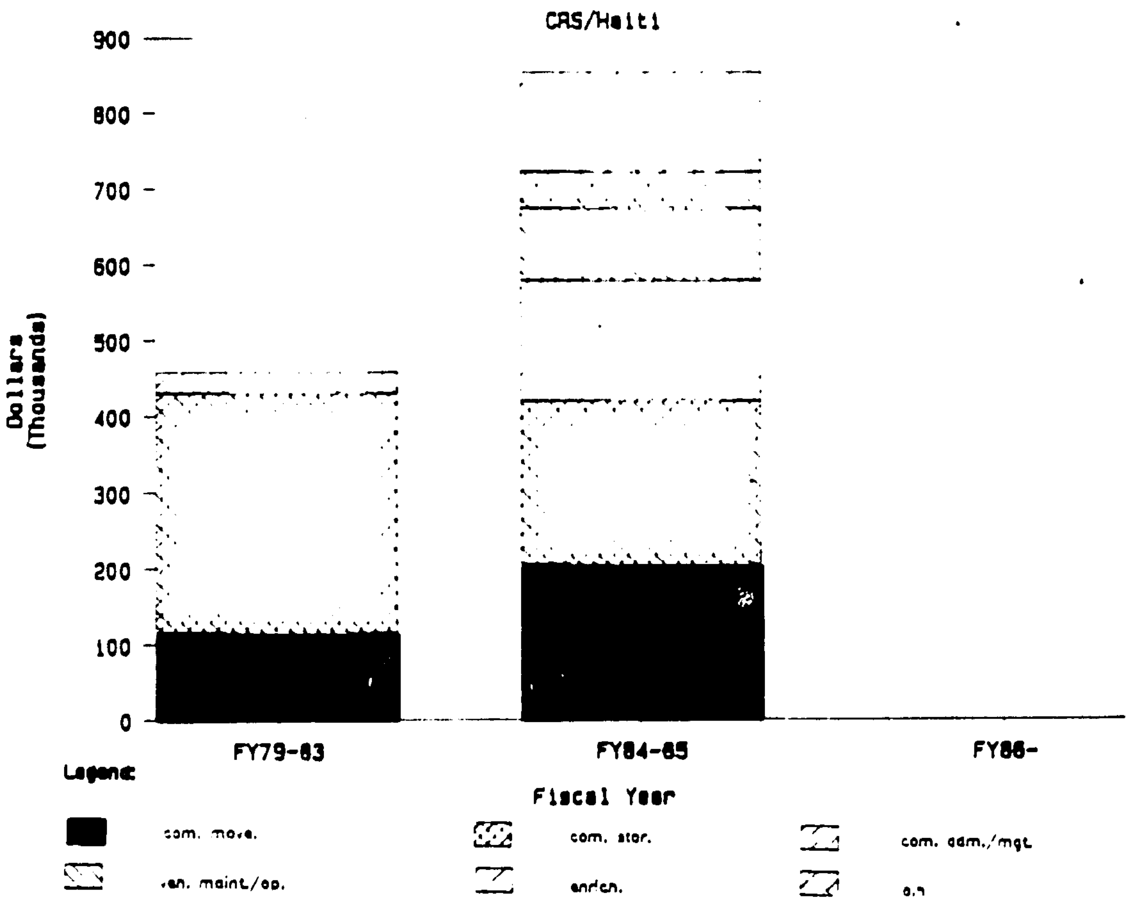
Graph I-23.

Intended Use Of Outreach Funds



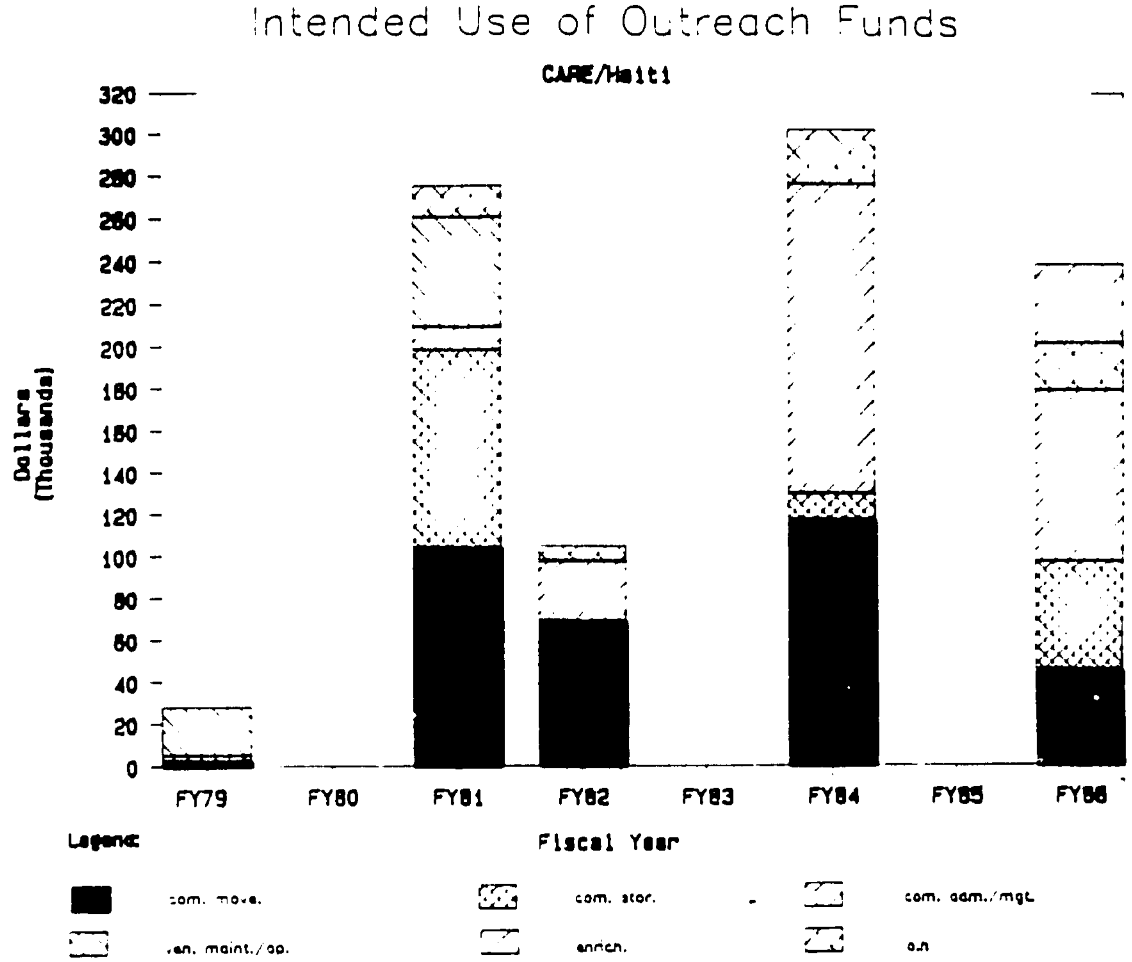
Graph I-24.

Intended Use Of Outreach Funds

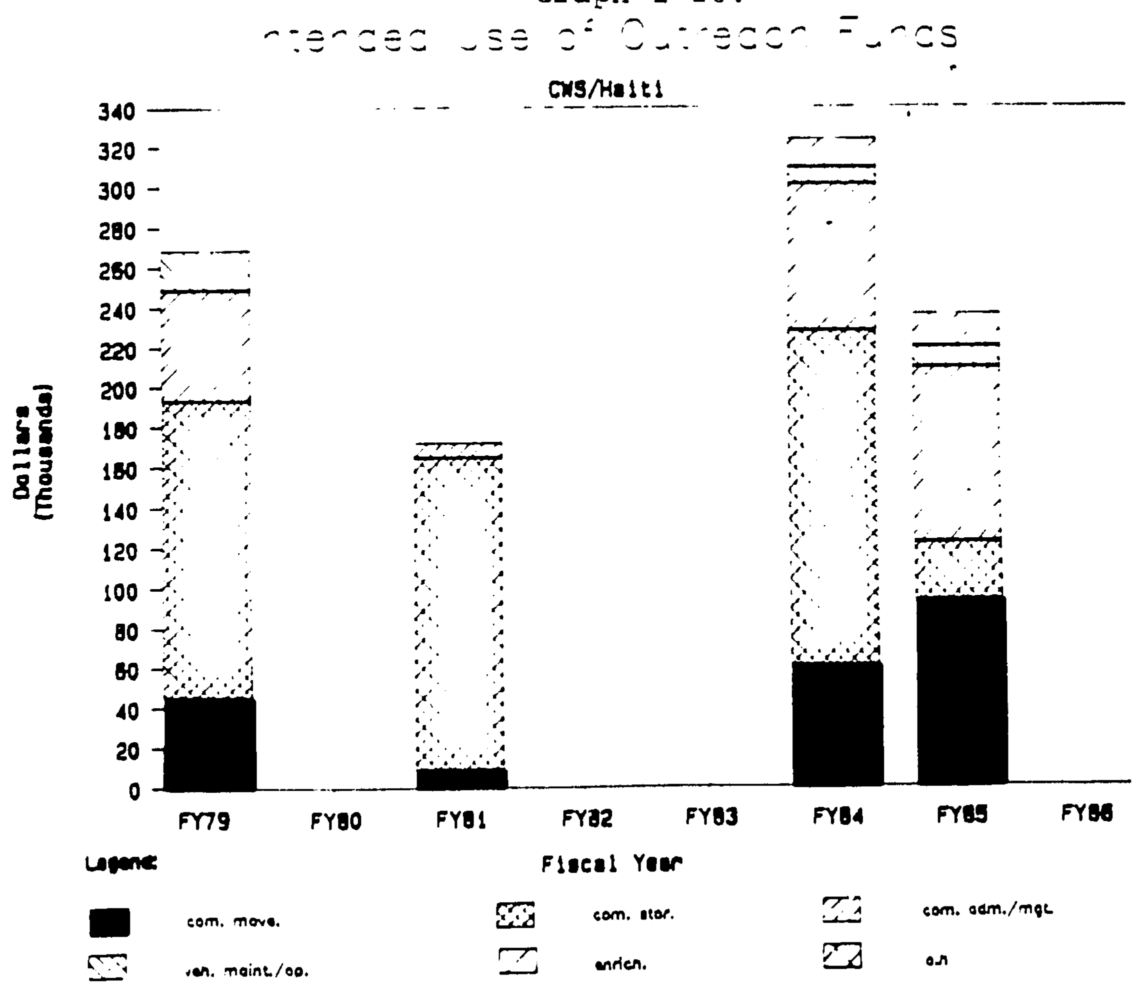


108

Graph I-25.



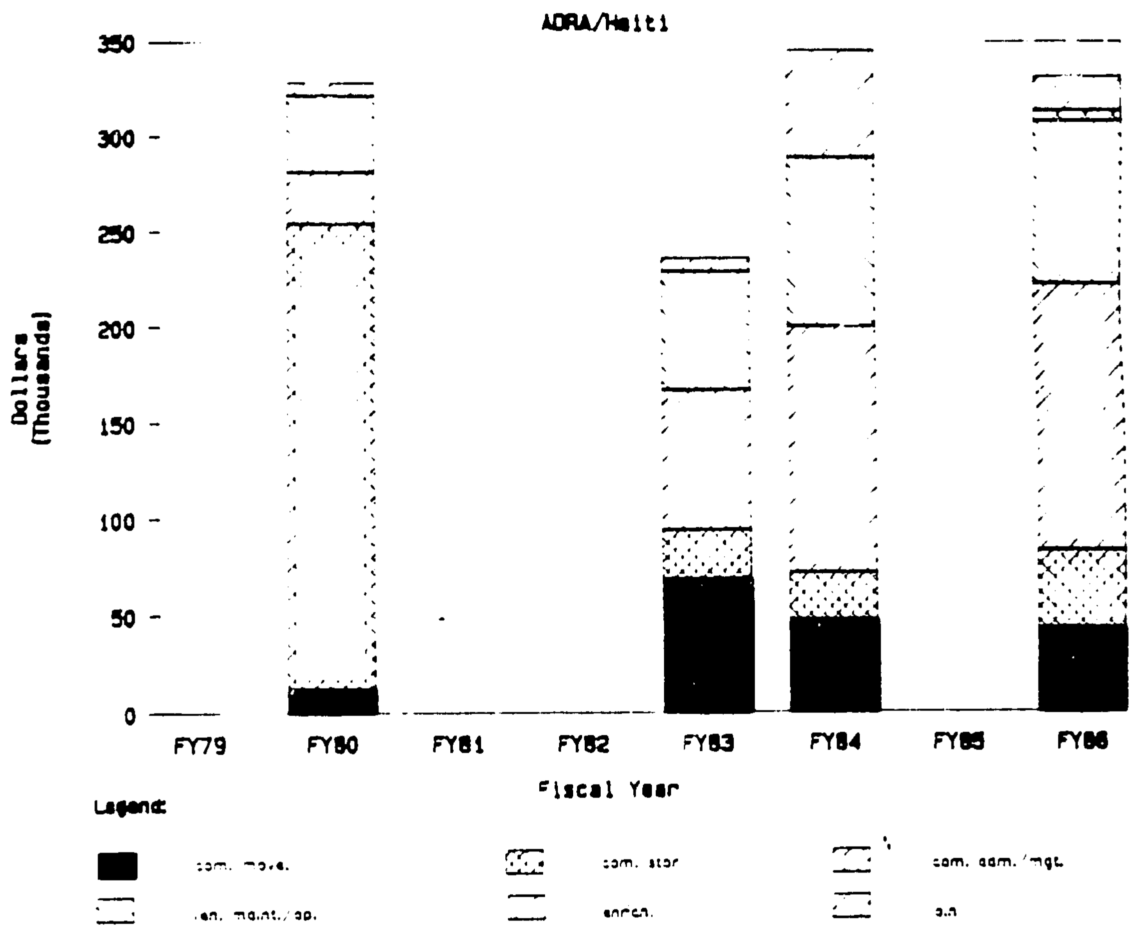
Graph I-26.



109

Graph I-27.

Intended Use of Outreach Funds



APPENDIX II. LIST OF INDIVIDUALS AND ORGANIZATIONS CONTACTED

ADRA

Mario H. Ochoa, Deputy Director
William Jenson, Director of Commodity Supported Development

CRS

Grace Hauck, Manager, Public Grants and Projects
Susan Mitchell, Resource Administrator
Donald Rogers, Deputy Director, Project Resource Management
John Swenson, Deputy Director, External Affairs
Pauline Wilson, Resource Administrator

CARE

Timothy Astor, Regional Manager, West Africa
William Langdon, Administrator of Food Programs
Richard LaRoche, Director of Finance
Rudy Ramp, Regional Manager, East Africa
Peter Van Brunt, Regional Manager, Latin America
Rudy Von Bernuth, Director of Planning and Operations

SCF

Laurence Barbieri, Senior Program Officer for Food Program

NCBA

Peggy A. Sheehan, Vice President, Food Policy and Government Relations

USAID

William Carter, FVA/FPP/AFR
Gladys Frazier, FVA/FFP/PCD
Nancy McKay, AFR/PD/SWA
William Pearson, FVA/FFP/AFR
Thomas Reese, FVA/FFP/C
Charlotte Suggs, FVA/FFP/PCD
Hope Sukin-Klauber, FVA/PPM

APPENDIX III.

A NOTE ON THE EVOLUTION OF TITLE II PROGRAMS

An assessment of the evolution of the Title II program as a whole clearly lies outside the scope of an evaluation of the Outreach and Evaluation programs. Nonetheless, as argued in the body of this report, development assistance account funding for Title II should reflect the directions in which Title II is heading. This Appendix represents an attempt to summarize the recent evolution of Title II, including the shifts in beneficiary numbers, in implementing agencies, and, for PVO-implemented programs, funding sources and levels. This analysis is based on information presented in the annual PL-480 reports prepared by USDA and on information provided to FVA by PVOs applying for Outreach funding for FY1987.

1. Program Levels

Table III-1 presents the distribution of Title II commodities across the three major programs: Food for Development (including MCH, school feeding, and food-for-work, as well as several minor feeding programs); emergency and disaster assistance, and other (including general relief, self-help and 206 programs, and other). The information is presented in terms of millions of pounds of commodities, rather than in dollars. Although the mix of commodities has changed somewhat over time, and varies to some degree across programs, it was felt that commodity levels nonetheless provided a better indication of program evolution than dollar values, given the shifts in commodity prices over the past 10 years and general price inflation. (It should also be noted that the 1984 report inexplicably omitted the tables on commodity and dollar breakdown by program.)

Several trends can be discerned from the table. First, the share of Food for Development programs in Title II has declined considerably since the mid-1970s, falling from 80% of the total to just over half. Although total commodity levels allocated to Title II have increased slowly over the period (at around 4% annually), commodity levels in Food for development have therefore declined by about 1% annually.

Programming for emergency and disaster assistance has, of course, fluctuated considerably from year to year. On average, however, it has shown a strong increasing trend, growing from around 20% of total programming in the mid-1970s to over 40% at the present time. Allocations to other programs, including self-help and 206, have increased even more rapidly. These programs started from a very low base, however, and still constitute a relatively minor share of total programming, around 5%.

\\12'

Table III-1. Title II Food Aid: Distribution Across Implementing Agencies
(million pounds of commodities)

1. Quantities Year	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	AVG.
Food for development	1559.8	2501.5	2462.3	2608.7	1785.6	2814.6	1945.0	2319.5	2014.6	NA	2081.5	2209.3
Volags	1232.4	1906.8	1863.1	1994.2	1363.0	1991.4	1510.4	1468.7	1509.2	NA	1410.7	1625.0
WFP	300.5	577.5	584.9	594.5	416.4	651.2	424.5	848.1	505.4	NA	646.6	555.0
Govt-to-govt	26.9	17.2	14.3	20.0	6.2	172.0	10.1	2.7	0.0	NA	24.2	29.4
Emergency	362.2	346.7	738.0	490.6	998.0	1142.1	636.1	1759.0	1421.7	NA	1727.3	962.2
Volags	141.0	104.3	121.5	105.2	111.0	103.2	113.7	349.7	425.7	NA	818.7	239.4
WFP	54.3	47.8	229.1	64.6	406.8	788.6	295.9	802.8	336.5	NA	487.7	351.4
Govt-to-govt	166.9	194.6	387.4	320.8	480.2	250.3	226.5	606.5	659.5	NA	420.9	371.4
Relief, self-help, and other	3.9	95.1	40.8	115.5	109.0	321.9	93.9	188.8	207.1	NA	180.3	135.6
Volags	3.9	46.9	18.7	93.5	94.2	123.2	37.6	64.8	101.8	NA	113.1	69.8
WFP	0.0	2.3	0.0	0.0	0.3	6.8	3.1	33.5	10.2	NA	7.5	6.4
Govt-to-govt	0.0	45.9	22.1	22.0	14.5	191.9	53.2	90.5	95.1	NA	59.7	59.5
Total Title II	1925.9	2943.3	3241.1	3214.8	2892.6	4278.6	2675.0	4267.3	3643.4	NA	3989.1	3307.1
Volags	1377.3	2058.0	2003.3	2192.9	1568.2	2217.8	1661.7	1883.2	2036.7	NA	2342.5	1934.2
WFP	354.8	627.6	814.0	659.1	823.5	1446.6	723.5	1684.4	852.1	NA	1141.8	912.7
Govt-to-govt	193.8	257.7	423.8	362.8	500.9	614.2	289.8	699.7	754.6	NA	504.8	460.2

2. Percentage breakdown	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	AVG.
Food for development	81.0%	85.0%	76.0%	81.1%	61.7%	65.8%	72.7%	54.4%	55.3%	NA	52.2%	68.5%
Volags	79.0%	76.2%	75.7%	76.4%	76.3%	70.8%	77.7%	63.3%	74.9%	NA	67.8%	73.8%
WFP	19.3%	23.1%	23.8%	22.8%	23.3%	23.1%	21.8%	36.6%	25.1%	NA	31.1%	25.0%
Govt-to-govt	1.7%	0.7%	0.6%	0.8%	0.3%	6.1%	0.5%	0.1%	0.0%	NA	1.2%	1.2%
Emergency	18.8%	11.8%	22.8%	15.3%	34.5%	26.7%	23.8%	41.2%	39.0%	NA	43.3%	27.7%
Volags	38.9%	30.1%	16.5%	21.4%	11.1%	9.0%	17.9%	19.9%	29.9%	NA	47.4%	24.2%
WFP	15.0%	13.8%	31.0%	13.2%	40.8%	69.0%	46.5%	45.6%	23.7%	NA	28.2%	32.7%
Govt-to-govt	46.1%	56.1%	52.5%	65.4%	48.1%	21.9%	35.6%	34.5%	46.4%	NA	24.4%	43.1%
Relief, self-help, and other	0.2%	3.2%	1.3%	3.6%	3.8%	7.5%	3.5%	4.4%	5.7%	NA	4.5%	3.8%
Volags	100.0%	49.3%	45.8%	81.0%	86.4%	38.3%	40.0%	34.3%	49.2%	NA	62.7%	58.7%
WFP	0.0%	2.4%	0.0%	0.0%	0.3%	2.1%	3.3%	17.7%	4.9%	NA	4.2%	3.5%
Govt-to-govt	0.0%	48.3%	54.2%	19.0%	13.3%	59.6%	56.7%	47.9%	45.9%	NA	33.1%	37.8%
Total Title II	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	NA	100.0%	100.0%
Volags	71.5%	69.9%	61.8%	68.2%	54.2%	51.8%	62.1%	44.1%	55.9%	NA	58.7%	59.8%
WFP	18.4%	21.3%	25.1%	20.5%	28.5%	33.8%	27.0%	39.5%	23.4%	NA	28.6%	26.6%
Govt-to-govt	10.1%	8.8%	13.1%	11.3%	17.3%	14.4%	10.8%	16.4%	20.7%	NA	12.7%	13.5%

3. Growth rates (1976/78 avg. vs. 1984/86 avg.)

Food for development	-0.7%
Volags	-1.6%
WFP	2.1%
Govt-to-govt	-5.8%
Emergency	15.9%
Volags	22.6%
WFP	17.9%
Govt-to-govt	10.1%
Relief, self-help, and other	19.5%
Volags	21.1%
WFP	35.8%
Govt-to-govt	16.6%
Total Title II	4.4%
Volags	2.4%
WFP	6.6%
Govt-to-govt	10.1%

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2. Implementing Agencies

As Food for Development programming has declined in importance, the role of volags (PVOs) has also declined. Whereas PVOs handled around 70% of all Title II commodities in the mid-1970s, they now handle around 60%. The share of both the World Food Program and the host governments themselves have increased, with the WFP now handling about 30% and the host governments around 10%, in round numbers.

Volags continue to be responsible for a large majority of Food for Development programs, managing around 70% of total commodities. The World Food Program handles nearly all of the remainder (around 30%), with government-to-government programs generally accounting for less than 1% of the total. In recent years, PVO levels have shown a tendency to decline relative to WFP programs, but the rate of change is too slow to call it a trend.

PVOs also play a major role in emergency and other Title II programs. The shifting nature of emergency and disaster assistance makes it difficult to discern any trend toward a greater or lesser role for PVOs, but it would appear that PVOs handle on average 24% of the emergency commodities (in addition to acting as implementing agents for WFP and government-to-government emergency programs), while the WFP handles an average of 33% and the governments themselves an average of 43%.

The PVOs also handle a surprisingly large share of relief and self-help programs. On average, the PVOs manage around 60% of the commodities in this category, while host governments manage around 40%. The World Food Program handles less than 5% of these commodities. There is a clear trend towards an increasing role for host governments in these programs, which is presumably related to the increase in self-help and 206 programs and the decline in general relief activities.

3. Recipient Levels

The allocation of commodities within Food for Development is reported only in terms of beneficiary levels, not commodities or dollar costs. As beneficiary levels are not calculated for sales programs (including 206), analysis based on these categories gives somewhat different results than those discussed above.

Table III-2 shows the reported beneficiary levels for each of the major Food for Development programs and for emergency assistance. This table gives some surprising results. First, beneficiary levels in Title II non-emergency programs as a whole rose throughout the late 1970s (from 32 million in 1976 to 52 million in 1981), but have been declining steadily since that time (falling to 35 million in 1985, although they recovered slightly to 38 million in 1986).

Table III-2. Title II Beneficiary Numbers, 1976-86
(thousands of beneficiaries; excludes section 206)

1. Beneficiaries	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	------AVERAGES------ 76/78	84/86	76/86
Mat. & Child Health	13864	15380	16787	16310	16403	15760	15544	12832	12051	14025	17263	15343	14446	15111
Volag	8641	11398	12633	11632	12312	12294	11984	11626	9301	10818	10629	10891	10249	11206
WFP	5036	3981	4154	4678	4091	3466	3560	1206	2750	3207	6635	4390	4197	3888
Govt-to-govt	186	0	0	0	0	0	0	0	0	0	0	62	0	17
School Feeding	12977	14932	19295	18352	17584	19859	17249	15870	14329	10635	10035	15735	11666	15556
Volag	10573	12107	16745	15730	15196	15585	14200	12729	11192	10039	8274	13142	9835	12943
WFP	1904	2325	2049	2122	1889	3774	2549	3140	3137	596	1762	2093	1831	2295
Govt-to-govt	500	500	500	500	500	500	500	0	0	0	0	500	0	318
Pre-school Feeding	0	0	0	394	559	724	488	608	2499	638	680	0	1272	599
Volag	0	0	0	394	505	458	418	313	2415	221	321	0	986	459
WFP	0	0	0	0	54	265	71	295	84	417	359	0	287	140
Govt-to-govt	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Child Feeding	985	925	509	519	522	434	669	618	595	391	321	806	436	590
Volag	985	925	509	509	512	410	658	581	568	361	321	806	417	576
WFP	0	0	0	10	10	24	11	38	27	29	0	0	19	13
Govt-to-govt	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Food for Work	8175	16950	12819	14152	14540	14971	14312	13931	6743	9728	9985	12648	8819	12391
Volag	5677	14904	10226	9993	10718	10632	10356	10015	1812	6425	6452	10269	4896	8837
WFP	2460	2036	2593	4089	3822	4289	3957	3905	4920	3218	3425	2363	3854	3519
Govt-to-govt	39	10	0	70	0	50	0	11	11	85	108	16	68	35
Emergency and Other*	4025	7286	9573	16330	28084	24469	15788	18050	23231	33201	15616	6962	24016	17787
Volag	1941	2061	1301	7965	8398	7590	7591	9496	10575	14037	7803	1768	10805	7160
WFP	520	1157	3287	4039	11424	11754	4953	5585	8602	9382	3435	1655	7139	5831
Govt-to-govt	1565	4068	4985	4327	8262	5125	3243	2969	4055	9783	4378	3539	6072	4796
Total Title II	40026	55473	58982	66057	77691	76217	64050	61908	59447	68618	53900	51494	60655	62034
Volag	27817	41395	41414	46223	47640	46970	45207	44760	35863	41901	33799	36875	37188	41181
WFP	9919	9500	12083	14937	21289	23572	15101	14169	4066	16849	15615	10500	12177	14282
Govt-to-govt	2290	4578	5485	4897	8762	5675	3743	2980	19518	9868	4486	4118	11291	6571
Total Food for Dev't**	36000	48187	49409	49727	49608	51748	48263	43859	36216	35417	38284	44532	36639	44247
Volag	25876	39334	40113	38259	39242	39380	37616	35264	25289	27865	25996	35108	26383	34021
WFP	9399	8342	8796	10898	9865	11818	10147	8584	10916	7467	12180	8846	10188	9856
Govt-to-govt	725	510	500	570	500	550	500	11	11	85	108	578	68	370

* Includes emergency (disaster and refugee), self-help, and other non-emergency; WFP includes IEFR

** Includes MCH, SF, Pre-SF, Other Child Feeding, and Food for Work

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2. Percentages***	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	------AVERAGES------ 76/78	84/86	76/86
Mat. & Child Health	34.6%	27.7%	28.5%	24.7%	21.1%	20.7%	24.3%	20.7%	20.3%	20.4%	32.0%	30.3%	24.2%	25.0%
Volag	62.3%	74.1%	75.3%	71.3%	75.1%	78.0%	77.1%	90.6%	77.2%	77.1%	61.6%	70.6%	72.0%	74.5%
WFP	36.3%	25.9%	24.7%	28.7%	24.9%	22.0%	22.9%	9.4%	22.8%	22.9%	38.4%	29.0%	28.0%	25.4%
Govt-to-govt	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.0%	0.1%
School Feeding	32.4%	26.9%	32.7%	27.8%	22.6%	26.1%	26.9%	25.6%	24.1%	15.5%	18.6%	30.7%	19.4%	25.4%
Volag	81.5%	81.1%	86.8%	85.7%	86.4%	78.5%	82.3%	80.2%	78.1%	94.4%	82.4%	83.1%	85.0%	83.4%
WFP	14.7%	15.6%	10.6%	11.6%	10.7%	19.0%	14.8%	19.8%	21.9%	5.6%	17.6%	13.6%	15.0%	14.7%
Govt-to-govt	3.9%	3.3%	2.6%	2.7%	2.8%	2.5%	2.9%	0.0%	0.0%	0.0%	0.0%	3.3%	0.0%	1.9%
Pre-school Feeding	0.0%	0.0%	0.0%	0.6%	0.7%	0.9%	0.8%	1.0%	4.2%	0.9%	1.3%	0.0%	2.1%	0.9%
Volag	---	---	---	100.0%	90.4%	63.3%	85.6%	51.4%	96.7%	34.6%	47.2%	0.0%	59.5%	51.7%
WFP	---	---	---	0.0%	9.6%	36.7%	14.4%	48.6%	3.3%	65.4%	52.8%	0.0%	40.5%	21.0%
Govt-to-govt	---	---	---	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Child Feeding	2.5%	1.7%	0.9%	0.8%	0.7%	0.6%	1.0%	1.0%	1.0%	0.6%	0.6%	1.7%	0.7%	1.0%
Volag	100.0%	100.0%	100.0%	98.1%	98.2%	94.5%	98.4%	93.9%	95.5%	92.5%	100.0%	100.0%	96.0%	97.4%
WFP	0.0%	0.0%	0.0%	1.9%	1.8%	5.5%	1.6%	6.1%	4.5%	7.5%	0.0%	0.0%	4.0%	2.6%
Govt-to-govt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Food for Work	20.4%	30.6%	21.7%	21.4%	18.7%	19.6%	22.3%	22.5%	11.3%	14.2%	18.5%	24.2%	14.7%	20.1%
Volag	69.4%	87.9%	79.8%	70.6%	73.7%	71.0%	72.4%	71.9%	26.9%	66.0%	64.6%	79.0%	52.5%	68.6%
WFP	30.1%	12.0%	20.2%	28.9%	26.3%	28.6%	27.6%	28.0%	73.0%	33.1%	34.3%	20.8%	46.8%	31.1%
Govt-to-govt	0.5%	0.1%	0.0%	0.5%	0.0%	0.3%	0.0%	0.1%	0.2%	0.9%	1.1%	0.2%	0.7%	0.3%
Emergency and Other*	10.1%	13.1%	16.2%	24.7%	36.1%	32.1%	24.6%	29.2%	39.1%	48.4%	29.0%	13.1%	38.8%	27.5%
Volag	48.2%	28.3%	13.6%	48.8%	29.9%	31.0%	48.1%	52.6%	45.5%	42.3%	50.0%	30.0%	45.9%	39.8%
WFP	12.9%	15.9%	34.3%	24.7%	40.7%	48.0%	31.4%	30.9%	37.0%	28.3%	22.0%	21.0%	29.1%	29.7%
Govt-to-govt	38.9%	55.8%	52.1%	26.5%	29.4%	20.9%	20.5%	16.4%	17.5%	29.5%	28.0%	48.9%	25.0%	30.5%
Total Title II	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Volag	69.5%	74.6%	70.2%	70.0%	61.3%	61.6%	70.6%	72.3%	60.3%	61.1%	62.7%	71.4%	61.4%	66.7%
WFP	24.8%	17.1%	20.5%	22.6%	27.4%	30.9%	23.6%	22.9%	6.8%	24.6%	29.0%	20.8%	20.1%	22.7%
Govt-to-govt	5.7%	8.3%	9.3%	7.4%	11.3%	7.4%	5.8%	4.8%	32.8%	14.4%	8.3%	7.8%	18.5%	10.5%
Total Non-emergency	89.9%	86.9%	83.8%	75.3%	63.9%	67.9%	75.4%	70.8%	60.9%	51.6%	71.0%	86.9%	61.2%	72.5%
Volag	71.9%	81.6%	81.2%	76.9%	79.1%	76.1%	77.9%	80.4%	69.8%	78.7%	67.9%	78.2%	72.1%	76.5%
WFP	26.1%	17.3%	17.8%	21.9%	19.9%	22.8%	21.0%	19.6%	30.1%	21.1%	31.8%	20.4%	27.7%	22.7%
Govt-to-govt	2.0%	1.1%	1.0%	1.1%	1.0%	1.1%	1.0%	0.0%	0.0%	0.2%	0.3%	1.4%	0.2%	0.8%

*** Percentages for Volags, WFP, and GtG total to 100% within each category.

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3. Annual Growth Rates (1976/78 avg. vs. 1984/86 avg.)

Mat. & Child Health	-0.8%
Volag	-0.8%
WFP	-0.6%
Govt-to-govt	-100.0%
School Feeding	-3.7%
Volag	-3.6%
WFP	-1.7%
Govt-to-govt	-100.0%
Pre-school Feeding	---
Volag	---
WFP	---
Govt-to-govt	---
Other Child Feeding	-7.4%
Volag	-7.9%
WFP	---
Govt-to-govt	---
Food for Work	-4.4%
Volag	-8.8%
WFP	6.3%
Govt-to-govt	19.5%
Emergency and Other*	16.7%
Volag	25.4%
WFP	20.1%
Govt-to-govt	7.0%
Total Title II	2.1%
Volag	0.1%
WFP	1.9%
Govt-to-govt	13.4%
Total Non-emergency	-2.4%
Volag	-3.5%
WFP	1.8%
Govt-to-govt	-23.5%

Total beneficiaries in PVO-managed Food for Development programs have followed a similar pattern, and in fact have declined somewhat more quickly than total Food for Development beneficiary numbers. The PVOs' share of total Title II beneficiaries has remained fairly constant, at around 65-70%, but the PVOs' share of Food for Development program beneficiaries has slipped somewhat (from an average of 78% in 1976-78 to an average of 72% in the past three years). This indicates that Outreach has not been effective in increasing the number of PVOs in Title II PVO-managed programs, an outcome that is not surprising in view of the overall stagnation in commodity levels.

Within Food for Development, school and other child feeding programs are overwhelmingly PVO-managed (80-90% of beneficiaries in each case). MCH is also primarily a PVO program area, with 62% of the total beneficiaries in PVO-managed programs in 1985, as is food-for-work (with 65% of all beneficiaries in PVO-managed programs). Pre-school feeding programs, however, are increasingly an area of WFP concentration, with over half of all beneficiaries from these programs under WFP management (these programs are very small, however.)

The composition of the Title II Food for Development program has remained relatively constant over time, regardless of any changes in AID and PVO thinking on the desired structure for Title II programs. School feeding has continued to be the largest program area, followed closely by MCH programs, each accounting for 30-40% of total beneficiaries. Food-for-work has consistently fallen into third place, with 20-30% of Food for Development beneficiaries.

As the Title II program grew in the late 1970s, school feeding led the way in adding beneficiaries, although food-for-work grew faster from a much smaller base. As beneficiary numbers fell in the 1980s, however, both school feeding and food-for-work programs declined the fastest, experiencing a net decline in beneficiary numbers over the 1976-86 period as a whole. MCH did better at retaining beneficiary levels, but experienced a slight increase overall. FFW continued to be the smallest program of the three, however, and accounted for a smaller share of FFP beneficiaries at the end of the period than at the beginning.

4. <u>Title II Program Costs</u>

As noted in previous RRNA reports on Title II, very little information exists on the total costs of Title II Food for Development programs. The most recent guidelines for Outreach proposals, however, required PVOs to report the funds allocated to these programs from all sources, including their own funds as well as recipient and host government contributions and funding provided through various U.S. Government sources (Title II monetization, Title I local currency generations, and other grants).

The eight applications received thus provide the first look at what these programs actually cost, although it should be noted that these estimates include only funds actually managed by the PVOs. Thus, they include recipient contributions in the form of cash payments to participate, but do not include in-kind contributions in the form of food or beneficiary time inputs. Similarly, they include host government reimbursement of PVO-incurred expenses, but do not include the value of host government in-kind contributions in the form of staff and facilities (e.g., schools).

This information nonetheless provides a far better basis for examining total program costs than previously available. An additional caveat is required, however: it is not known to what extent the programs applying for Outreach are representative of Title II programs overall. The applications represent only about 15% of the 53 PVO-implemented Title II non-emergency programs worldwide and collectively represent only five of the 36 countries (or 14%) where such programs are active. It is to be hoped that future reporting systems will permit more complete consideration of the cost issue.

The analysis of the figures reported provides some extremely interesting results that, if applicable to Title II as a whole, may have important implications for future planning. The primary conclusion to be drawn from Table III-3 is that programs in Africa are much, much more expensive than programs in Latin America. The three programs in Africa averaged $31.24 per beneficiary, nearly 10 times the average Latin American cost of $3.24 (both figures exclude the value of the food and ocean freight). Costs per beneficiary in the most expensive program (Sudan/ADRA) were over 45 times those in the least expensive program (Bolivia/ADRA). Costs also varied considerably within a single country. The three Bolivian programs had per-beneficiary costs of $1.67, 3.47, and 17.57.

The evidence clearly points to significant economies of scale in Title II programs. The African programs are roughly one-tenth as large, on average, as those in Latin America (38,000 beneficiaries compared to 400,000), but total costs are virtually identical (around $1.2 million per program). The same pattern holds true within countries (Bolivia) and within regions: within both Latin America and Africa, program ranking by least cost per beneficiary and by size of program is the same.

It must be emphasized that, all in all, Title II programs have extremely low costs per beneficiary. Even the most expensive program, at $76 a head, is much cheaper than the typical agricultural project (which may easily run to thousands of dollars per family). The cheapest programs, costing less than

Table III-3. Estimated Implementation Costs of Title II Programs
($'000)

Country/Program:	Source of Funds: PVO	H-Govt	Recip.	PL-480 Loc.Curr	PL-480 Monet.	Other Grants	Out-reach	TOTAL COST	Number of Benefic.
1. COST LEVELS (as reported by PVOs in 1987 applications)									
Africa	757.6	811.8	166.6	214.3	389.7	386.5	834.3	3560.8	114.0
Benin (CRS)	446.6	530.2	129.6	16.0	180.7	0.0	198.5	1501.6	53.0
Ghana (ADRA)	175.0	0.0	37.0	0.0	209.0	3.0	113.0	537.0	41.0
Sudan (ADRA)	136.0	281.6	0.0	198.3	0.0	383.5	522.8	1522.2	20.0
Latin America	586.9	1295.8	1609.8	553.0	509.5	367.3	1330.8	6253.1	1598.0 *
Bolivia (ADRA)	0.0	0.0	1014.4	0.0	357.5	65.1	289.3	1726.3	1035.3
Bolivia (CRS)	26.7	719.5	378.5	0.0	0.0	63.2	204.8	1392.7	401.1
Bolivia (FHI)	207.2	0.0	104.1	232.0	152.0	0.0	237.9	933.2	53.1
Haiti (ADRA)	168.0	284.3	112.8	0.0	0.0	239.0	323.0	1127.1	108.5
Haiti (CARE)	185.0	292.0	0.0	321.0	0.0	0.0	275.8	1073.8	NA

2. COST SHARES	PVO	H-Govt	Recip.	PL-480 Loc.Curr	PL-480 Monet.	Other Grants	Out-reach	USG as % Total
Africa	21.3%	22.8%	4.7%	6.0%	10.9%	10.9%	23.4%	51.2%
Benin (CRS)	29.7%	35.3%	8.6%	1.1%	12.0%	0.0%	13.2%	26.3%
Ghana (ADRA)	32.6%	0.0%	6.9%	0.0%	38.9%	0.6%	21.0%	60.5%
Sudan (ADRA)	8.9%	18.5%	0.0%	13.0%	0.0%	25.2%	34.3%	72.6%
Latin America	9.4%	20.7%	25.7%	8.8%	8.1%	5.9%	21.3%	44.1%
Bolivia (ADRA)	0.0%	0.0%	58.8%	0.0%	20.7%	3.8%	16.8%	41.2%
Bolivia (CRS)	1.9%	51.7%	27.2%	0.0%	0.0%	4.5%	14.7%	19.2%
Bolivia (FHI)	22.2%	0.0%	11.2%	24.9%	16.3%	0.0%	25.5%	66.6%
Haiti (ADRA)	14.9%	25.2%	10.0%	0.0%	0.0%	21.2%	28.7%	49.9%
Haiti (CARE)	17.2%	27.2%	0.0%	29.9%	0.0%	0.0%	25.7%	55.6%

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3. COST INPUTS PER BENEFICIARY
(\$/benef.)

	PVO	H-Govt	Recip.	----PL-480---- Loc.Curr	Monet.	Other Grants	Out-reach	TOTAL COST	USG TOTAL
Africa	6.65	7.12	1.46	1.88	3.42	3.39	7.32	31.24	16.01
Benin (CRS)	8.43	10.00	2.45	0.30	3.41	0.00	3.75	28.33	7.46
Ghana (ADRA)	4.27	0.00	0.90	0.00	5.10	0.07	2.76	13.10	7.93
Sudan (ADRA)	6.80	14.08	0.00	9.92	0.00	19.18	26.14	76.11	55.23
Latin America*	0.25	0.63	1.01	0.15	0.32	0.23	0.66	3.24	1.35
Bolivia (ADRA)	0.00	0.00	0.98	0.00	0.35	0.06	0.28	1.67	0.69
Bolivia (CRS)	0.07	1.79	0.94	0.00	0.00	0.16	0.51	3.47	0.67
Bolivia (FHI)	3.90	0.00	1.96	4.37	2.86	0.00	4.48	17.57	11.71
Haiti (ADRA)	1.55	2.62	1.04	0.00	0.00	2.20	2.98	10.39	5.18

*Excluding CARE/Haiti

4. MAJOR COST COMPONENTS (ALL SOURCES)

	COMMODITY MOVEMENT Total Cost	Cost/ Benef.	ALL OTHER Total Cost	Cost/ Benef.	Transport as % of Total
Africa	647.1	5.68	2913.7	25.56	18.2%
Benin (CRS)	298.8	5.64	1202.8	22.69	19.9%
Ghana (ADRA)	155.6	3.80	381.4	9.30	29.0%
Sudan (ADRA)	192.7	9.64	1329.5	66.48	12.7%
Latin America*	1121.9	0.67	5131.2	2.57	17.9%
Bolivia (ADRA)	255.4	0.25	1470.9	1.42	14.8%
Bolivia (CRS)	572.8	1.43	819.9	2.04	41.1%
Bolivia (FHI)	24.2	0.46	909.0	17.12	2.6%
Haiti (ADRA)	222.5	2.05	904.6	8.34	19.7%
Haiti (CARE)	47.0	NA	1026.8	NA	4.4%

* Cost/benef. excludes CARE/Haiti

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$5.00 per person per year, would appear to offer very good value to the U.S. Government.

Analysis of how program costs are shared among funding sources also provide some surprising results:

-- Host governments in Africa are actually paying a somewhat larger share of total costs than in Latin America (23% vs. 21%);

-- Indeed, because of higher program costs, African governments are actually paying more than 10 times as much per beneficiary as are Latin American governments;

-- African beneficiaries themselves are also paying quite a bit more per person than their Latin American counterparts ($1.46 vs. $1.01), although the beneficiary share in total costs is much lower in Africa than in Latin America (only one-fifth as large).

-- The PVOs are paying a much larger share of total program costs in Africa than in Latin America (21% vs. 9%) and, given higher costs in Africa, it costs the PVOs over 26 times as much to feed a person in Africa as in Latin America (a fact that gives new meaning to their lack of enthusiasm for expanding the African programs); and

-- The U.S. Government is directly or indirectly paying a large portion of Title II program costs, but this share is only slightly larger in Africa than in Latin America (50% vs. 45%); Outreach accounts for just under half in each case.

An analysis of reported expenditures on transport both confirms the accepted wisdom and provides new insights. Transport is much more expensive in Africa than in Latin America, with costs per beneficiary almost ten times as high ($5.68 versus $0.67). This difference only accounts for part of the difference in program costs, however, as transport absorbs about the same portion of the total budget in each region (18%). The proportion spent on transport also varies greatly from program to program, with no clear pattern discernible.

The bottom line is that everything is more expensive in Africa. The PVOs must provide more themselves, while also asking more of their host government partners and the recipients themselves, because they cannot rely on an established system of social infrastructure for program implementation and administration.

Unfortunately, it is not possible to expand this discussion to include the value of the food itself. Information is not yet available on the value of Title II commodities shipped in FY1987.

Nonetheless, given the importance of this issue, an attempt was made using the admittedly dubious procedure of comparing planned 1987 PVO costs and 1986 commodity shipment values. The results of this analysis indicate that food costs per beneficiary are about three times as high in Africa as in Latin America ($18.34 versus $5.80) and that total costs per beneficiary are therefore around $50 in Africa compared to around $9 in Latin America.

The reasons for this difference (assuming it is not simply an artifact of the apples-and-oranges methodology used) are not clear. In addition to higher ocean freight for Africa, we may speculate that Latin American programs spend less on food per person because they distribute less due to less severe nutritional problems, that Latin American programs benefit from food provided from other sources (such as the host government), or possibly that Latin American programs use less valuable food commodities because inland freight costs are lower. These explanations are little more than guesses, however.

It should also be noted that non-food costs appear to account for a much larger share of total program costs in Africa, 63% compared to only 33% in Latin America. This may be related to the much higher administrative costs in the former region, as discussed above.

These figures must be used with care. Cost is only one of the factors entering into Title II programming, and, indeed, to date it has hardly been a factor at all. Whether cost should receive greater consideration in the future is a decision that only AID and PVO managers can take.

APPENDIX IV. TECHNICAL TERMS AND ACRONYMS USED IN THE TEXT

ADRA: Adventist Development and Relief Agency, a PVO

AER: Annual Estimate of Requirements, PVO or AID estimates of the amount of Title II commodities needed in a given year

AID: the U.S. Agency for International Development

AID/W: the Washington office of AID

Block Grant: a grant made in support of a particular activity or group of activities, where the use of the grant is not specified nor necessarily related to the actual costs of the activity(ies) supported

CARE: Cooperative for American Relief Everywhere, a PVO

CIP: Commodity Import Program

Complementary inputs: goods and services provided to Food for Development program beneficiaries in addition to food, including nutrition training, health services, and material or technical assistance to food for work projects

CRS: Catholic Relief Service, a PVO

DA: the Development Account

Development Account: that portion of AID's dollar appropriation that is designated for use in supporting international development, rather than U.S Security interests (the Economic Support Fund, or ESF)

Enhancement: an AID-funded grant program designed to support PVO-implemented Title II non-emergency programs by funding staff development, management improvements, and program experimentation

Food for Development: Title II non-emergency programs designed to use food aid to support development and meet the needs of specific needy populations; Food for Development programs currently include School Feeding, Maternal and Child Health, Pre-school Feeding, Other Child Feeding, and Food for Work

Food for Peace: food aid provided by the U.S. Government under Publlic Law 480

FFP: Food for Peace

FFW: Food for work, a food aid program whereby individuals working on community development projects receive a food ration for their families rather than cash wages or other payment

FHI: Feed the Hungry, International, a PVO

FoCL Triangle: a schematic representation of the three basic program parameters determining the cost of a Title II program: the level of food commodities provided, the logistic cost per unit of food, and the complementary input cost per unit of food

Funding Gap: the difference between the total cost of a specific Title II program (the funding requirement) and the amount of funding available to finance it from beneficiary contributions, the host government, and the PVO's own funds

Funding Requirement: the total cost of a Title II program, as determined by the program's three design parameters: food commodity level, logistic cost per ton of food, and complementary input cost per ton of food

FVA: Bureau for Food and Voluntary Assistance, the AID office handling food aid

FY: fiscal year (October to September for the USG)

Government-to-Government: grants, food aid, or other assistance that is provided directly from one government (usually the USG, in this case) to another government, rather than through a PVO or international intermediary such as the WFP

LAC: Latin America and the Caribbean

LDC: Less Developed Country

MCH: Maternal and Child Health program, a program providing food and other health and nutritional services to children and nursing mothers

MIS: Management information system

Monetization: sale of PL-480 commodities to generate local currency to support the cost of food aid or other development programs

Outreach: an AID grant program intended to assist PVOs in expanding beneficiary levels under Title II, reaching more remote needy populations, and improving program content

PACD: Project Assistance Completion Date, the end-date for an AID-assisted project

PIO/T: Project Implementation Order for Technical Services, an AID document making funds available from a project or another AID account for expenditure through a contract or grant for technical services; the basic funding document for both Outreach and Enhancement grants

PL-480: Public Law 480, the basic authorizing legislation for the U.S. food aid program

PVO: private voluntary organization, a non-profit development or relief agency funded primarily from charitable contributions and other grants

Section 206: a provision of PL-480 whereby multi-year commitments of Title II commodities can be made in exchange for agreement by the host government to undertake policy reforms or other actions intended to reduce the long-term likelihood of food emergencies

Save the Children Federation: a PVO (often referred to as "Save")

SCF: Save the Children Federation

SF: School feeding, a program distributing food to school children

TA: technical assistance

Title II: the provision of PL-480 authorizing U.S. food aid to be provided on a grant basis for relief and development purposes; Title II programs include primarily Food for Development, emergency and disaster relief, general relief, and self-help (section 206) and are implemented by PVOs, the WFP, and government-to-government assistance

USG: U.S. Government

Volag: voluntary organization, a PVO

WFP: the World Food Program, a United Nations development and relief agency handling multilateral food aid programs

WVRO: World Vision Relief Organization, a PVO