62
AY 371
52550
931096

STUDY OF TRILATERAL FOOD AID TRANSACTIONS

RONCO Consulting Corporation
1629 K Street, NW
Suite 300
Washington, DC 20006

April 28, 1987
Contract No. PDC-1096-I-00-4164-00
Work Order No. 3

Prepared By:
Alice L. Morton
Warren J. Enger
G. Reginald King
Alexander F. McCalla

TABLE OF CONTENTS

ANNEXES

ACRONYMS

CRS	Catholic Relief Service
CFA/FCFA	West African France
GRM	Government of the Republic of Mali
OPIC	Overseas Private Investment Corporation
OFDA	Office of Foreign Disaster Assistance
RFPPO	Regional Food for Peace Office
M.I.C.	Ministry of Internal Commerce (Mozambique)
FVA/PPM Program	Food and Voluntary Assistance/Policy and Management
PTOA	Progressive Transport Owners Association (Ghana)
ONT	Organisation Malienne de Transport
UNDP	United Nations Development Programme
EMACI	Enterprise Malienne en Cote d'Ivoire
RAMC	A.I.D. Regional Accounting Office, Paris
MOS	Marine Overseas Services
GOZ	Government of Zimbabwe
ADMARC	Agricultural Development and Marketing Corporation
GOM	Government of Malawi
REDSO/ESA	A.I.D. Regional Economic Development Support Office/Eastern and Southern Africa
PID	Project Identification Document
PP	Project Paper
GPRM	Government of the Peoples' Republic of Mozambique
TDY	Temporary Duty
AID/M/SER/OP/TRANS Acquisitions	Transportation Division of A.I.D. Office
DPCCM	Department for the Prevention of Natural Calamities (Mozambique)
WVI	World Vision International
SHM	Self-Help Measures
U.D.I.	Unilateral Declaration of Independence-Zimbabwe/Rhodesia
ECOWAS	Ecoconomic Community of West African States
OMB	Office of Management and Budget
FVA	Food and Voluntary Assistance Bureau (A.I.D.)
FFP	Food for Peace
IDCA	International Development Cooperation Agency
PPC	Bureau for Program and Policy Coordination (A.I.D.)
	Commodity Credit Corporation
OPAA	Office des Produits Agricoles et Alimentaires du Mali
FOR	
UN	United Nations
IEER	International Emergency Food Reserve
GOG	Government Of Ghana

OFNACER	Office National des Cereals (Burkina Faso)
P.V.O.	Private Voluntary Organization
GFDC	Ghanian Food Distribution Corporation
WVRO	World Vision Relief Organisation
U.S.G.	United States Government
W.F.P.	World Food Programme
F.A.O.	Food and Agriculture Organization of the United Nations
E.E.C/E.C.	European Economic Community
USDA	United States Department of Agriculture
USAID	United States Agency for International Development
O.D.A.	Overseas Development Administration (Great Britain)
SADCC	Southern African Development Coordination Conference
ECU	European Currency Unit
CILSS	Committe Interetatique pour la Lutte contre la Secheresse au Sahel
GOF	Government of France
DCC	Development Coordinating Committee
F.A.C.	Food Aid Convention
NGO	Non-Governmental Organization
UK	United Kingdom
GRZ	Government of the Republic of Zambia
CIDA	Canadian International Development Agency

TRILATERAL FOOD AID TRANSACTIONS STUDY

I. EXECUTIVE SUMMARY

Background:

This study examines four trilateral food aid transactions in which the U.S.G. provided rice or wheat to an exporting developing country in exchange for a locally-produced commodity which was then provided free to a recipient developing country nearby. All four cases were approved and carried out under PL 480 Title II emergency programs. In West Africa, U.S. rice went to Ghana, which provided white maize to Burkina Faso and Mali. In Southern Africa, U.S. wheat went to Zimbabwe and Malawi, which provided white maize to Mozambique. The total tonnage of the six such deals approved between 1983 and 1986, of which these four are representative, amounts to approximately .121% of all U.S.G. food aid provided under all Titles of PL 480 during the same period.

Issues Addressed:

The case studies are used to provide the basis for analysis of political and policy considerations, developmental impacts, and management procedures for trilateral transactions in which the U.S.G. has been, and may again become, involved. They indicate that foreign policy impacts may be significant since such deals allow friendly countries on both sides of the transaction to benefit in the context of regional arrangements and agreements, and thus interpret U.S. intentions as supportive of both national and regional goals. They may be successfully used to support or reward significant policy shifts in the exporting country, such as improvements in producer incentives, as was the case in Malawi and Zimbabwe. Where local sales proceeds are generated, as in Mozambique, there is a possibility of policy influence in the recipient country too.

U.S. Market Development:

Impacts on U.S. market share development are mixed. The cases show that U.S. comparative advantage is to promote consumption of U.S. wheat in Zimbabwe, Malawi and Kenya, for example, rather than trying to establish a market in these countries and in Mozambique for U.S. yellow maize. Similarly, by assisting surplus-producing developing countries to market their surpluses, production and overall purchasing power are likely to increase, then enabling these countries to purchase additional U.S. commodities on the world market. The "identity" of the food aid received by beneficiaries seems largely unknown at that level, but the U.S. definitely gets double credit from trilaterals, rather than less credit in terms of local perceptions than would be the case in a bilateral as is sometimes feared.

Regional Trade Impacts:

Impacts on regional terms and patterns of trade are less clear. In West Africa, the prior Title II, Section 206 arrangement may have been more constructive in assisting Mali to liberalize its cereals market than the trilateral was in effecting improvements in intra-regional trade barriers. On the other hand, the Ghanaian truck fleet benefitted greatly from the influx of scarce foreign exchange due to the trilateral, which may have subsequent positive implications for intra-regional trade efficiency. Other infrastructural outcomes demonstrated by the cases are less striking, but may prove out in the longer term.

Prices, Cost and Timeliness:

The U.S. trilaterals have probably had no impact on world prices, or on the U.S. market share overall, since in total, they amount to such a small proportion even of U.S. cereals exported. Trilaterals have the same impact on U.S. surplus stocks as do bilaterals. Overall cost assessments based on these cases indicate that trilaterals and bilaterals cost about the same for the U.S.G.'s contribution. As to timeliness, of the four, two were at least as timely as most bilaterals cited as typically timely, while two took about nine months for all deliveries to be made, which may not compare badly with some of the slower bilaterals. If trilaterals were taken out of the context of emergency aid, their developmental impacts could be enhanced, as might their policy impacts and flexibility.

Programming Lessons Learned:

Lessons learned for programming of trilateral transactions are that pre-design analysis and early informal negotiation with the potential exporting country are likely to make the transaction appropriate, simple, and fast-moving once it is approved. Discussions with the exporting and the recipient country about the barter terms of trade, logistics, organizational involvement and timing should go on simultaneously once there is an initial indication that the DCC may approve the transaction in principle. To date, negotiations with countries involved have gone smoothly, taken little time except for required Washington reviews of content and language, and have not been complex. For implementation, government-to-government arrangements seemed at least as expeditious as those involving PVOs, whether expatriate or indigenous.

Implementation concerns seem overall to mirror those for bilaterals. In none of these cases were there complaints after the fact about the quality of amounts of cereals swapped (the "ratio" or barter terms of trade), although in the Ghana cases untangling the large number of payments to be made to various intermediaries has probably been quite staff-intensive for AID/Washington and perhaps the USDA. Most field staff, however, were quite supportive of trilaterals as developmental tools, as supportive of policy dialogue, and expressed keen interest in them. All those interviewed, however, recommended that AID and the DCC develop a policy with regard to trilateral transactions, provide the field with appropriate guidance and thereby ensure that long delays in review and approval in Washington might be eliminated.

Conclusions and Recommendation:

General Conclusions:

1. The experience of trilateral transactions as regards timeliness and complication of negotiation has been mixed. As has been the experience of other donors some trilateral transactions are concluded swiftly and some bilateral deals prove more complex. Since the A.I.D. transactions have been in response to emergencies and in difficult or complicated circumstances it is difficult to generalize from the few experiences to date.

2. Cost comparisons between trilateral and bilateral transactions suggest that they come out about equal.

3. The question of donor identity appears largely to be overemphasized. The ultimate beneficiary is probably unaware of the source of most donated food aid. There is no confusion in the minds of government officials as to the source of assistance. However, it is clear that the U.S. gained considerably in improvement in relations as a result of the trilateral transactions. It is at this level that there is much to be gained.

4. In cases of real emergency the argument that people should accept whatever is offered may be justified. However, if a preferred food is available through a triangular transaction at no extra cost then this should probably be supplied. This consideration appears to have been respected in the Zimbabwe and Malawi/Mozambique transactions, but less so in the West African deals.

5. Infrastructure development as a result of trilateral transactions is much discussed at the level of theory but this aspect did not appear to be uppermost in the minds of those concerned with trilateral transaction either in the case of AID or other donors. It may occur as a by-product of trilaterals but systematic development can only result from targeted projects such as are envisaged by EEC and France. However, the danger of projects based on trilaterals reinforcing bureaucratic organizations to the detriment of the private trade is recognized. To date, most trilaterals have been in response to short-term surplus/deficit situations and have avoided the question on the grounds that bureaucracies deal best with each other in the short run.

6. The impact of trilaterals on market development has two aspects. First, the extent to which this type of transaction has a negative impact on U.S. trade. The conclusion is that this is marginal. In recent years, the volume of food aid has not been sufficiently large to impact on world prices. Trilaterals as a proportion of that volume, are insignificant, and are likely to remain so. To the extent that food aid ties the recipient country to the donor and there are potentially emerging wheat markets in Eastern and Southern Africa, the U.S. participation in trilaterals will keep the U.S. in the game where possible competitive exporters are already practicing trilaterals. The effect on U.S. stocks in trilaterals is the same as bilaterals. The second aspect of the market development question is that of finding outlets for developing country products. In this regard, the fact that these products find a market complements the immense funding of production projects which has taken place over the years. The acquisition of real buying power on the part of the farmers develops a market for U.S. products, both feed grains and farm family requirements.

7. The policy of other donors is to see the trilateral (or triangular) transaction in the context of a multi-year development tool combined with financing, which will encourage increased production of indigenous cereals in countries which are currently occasionally in surplus, thus developing markets for cereals by raising living standards. It is doubtful if this approach is entirely altruistic on the part of the other donors since most seek to market agricultural products as does the U.S.

Lessons Learned about Management of Trilaterals:

The following lessons are derived from our four case studies, all of which were approved and implemented under Title II emergency situations. They may apply, we believe, to an expanded arena for trilateral food aid that would not be restricted to emergency programs, however.

1. Pre-design analysis, both in terms of the surplus commodity situation in potential exporting country and of the deficit in the potential recipient country, should be done as expeditiously as possible, so that the basic fact situation can be relayed to Washington early in the design process. A second part of this pre-design phase should be an assessment of the policy leverage that may be available in each country as a result of trilateral negotiations. These must be carried out in the context of an on-going policy dialogue to be effective, however.

2. For design, once there is an initial indication that Washington may be sympathetic, the policy performance

criteria for approval, the barter terms of trade, the points of delivery and all other logistical arrangement should be reviewed and determined. This should go on simultaneously with the potential exporting and recipient countries, and wherever possible, should involve private sector entities--grain merchants, truckers, freight forwarders, or others--so that there will be a positive impact on "normal" trade channels. This does not, however, necessarily mean that a PVO is the best channel for this kind of transaction especially if the Title I emergency limitation is removed for such transactions.

3. For negotiation, it seems that the case studies indicate relatively little that is surprising. The smoothest negotiations seem to have been those where the developing country government had been on board from the beginning of the discussion of a trilateral, and was pushing for such an arrangement as it would be to its own advantage. Whether Missions must take the time to cable back and forth suggested agreement language, and/or whether this needs to take so long as it sometimes does to attain final approval will depend on AID/W staffing patterns and the perceived "normality" of trilaterals. If trilaterals increase in number and frequency, boilerplate wording can be developed.

4. For implementation, given the cases evaluated, government-to-government arrangements seem as expeditious or more so than those involving one or more non-governmental organizations, whether expatriate-based or indigenous. Too many actors tend to complicate the logistics and especially the payment and accounting process. This is not, however, something that is necessarily intrinsic to the trilateral sort of transaction per se.

5. Where more than one USG office must be involved in monitoring and reimbursement, such as AID/FVA/FFP, OFDA, and the appropriate Regional Bureau Development Programs Divisions, and in USDA and AID, those responsible for shipping and accounting, there should be an attempt to organize compatible data gathering and retention systems, including with other donors.

6. Evaluations should be carried out of trilateral and bilateral programs that have innovative features, both those that are approved under emergency situations and those that are not. The possibilities for innovation, given AID's current mandate to use food aid more creatively and to integrate it more fully into its country development programs provides a good opportunity for new thinking, and for developmentally sound mixes of food aid and dollars for programming. Some of these opportunities can be based on trilateral models, especially if problems associated with monetization can be resolved.

Recommendation:

On the basis of the findings of the report it is recommended that the U.S.G. expand trilateral transactions. This should be particularly within the framework of market development projects which are designed to encourage the production of indigenous cereals for supply to chronically deficit countries or regions but which will raise the living standards of producers. This type of development would improve the purchasing power of producers thus providing markets for developed country products. Long-term development projects would allow of careful design to encourage private trade participation and to reinforce rather than disrupt existing commercial networks. U.S. participation in this development process will ensure its ability to take advantage of market opportunities as they occur as well as an influence on the policies of recipient nations.

II. BACKGROUND

What is a trilateral food aid transaction? Trilateral, "tripartite" or "triangular" food aid transactions or arrangements take several forms. As defined in the statement of work for this study, such transactions are those involving three countries. The first (developed) country supplies commodities to the second, or "exporting" developing country, which, in turn, supplies a third "recipient" developing country with commodities which the first country is unable to provide readily from its own resources. European donor agencies and FAO/WFP call these triangular rather than trilateral transactions. 1

European donors--individually, and especially through the WFP--also provide for "local transactions". These are conducted within one country and in practice, usually involve cash purchase of commodities by the donor agency rather than the supply of commodities in kind. Finally, there is another category, "exchange transactions", that are practiced and can be triangular or local, and can involve the generation of counterpart funds or be conducted on a barter basis.

For the purposes of this report, trilateral transactions will be the term used for such arrangements as have been entered into by the U.S.G. involving three countries, and where the U.S.G. provided commodities in kind to the "exporting" developing country. These may also be referred to at some points as swaps, since this is the term commonly used in Southern Africa. On the whole, we will comment primarily on four of the seven most recently approved U.S.G. trilateral closely examined in the field. Where appropriate, we will discuss similar or complementary triangular transactions in which other donors have been involved.

Why have trilateral food aid transactions become a subject for current policy review and implementation? The simplest answer is that while in Africa particularly, food deficits continue to be experienced in some countries--and in specific parts of other countries--more counties have been experiencing surpluses in the last two years than may have been the case before the recent African drought. Thus, there are some countries in the region which are able, either through normal market transactions or with some donor input, to provide part of these surpluses to neighboring countries that are still experiencing significant

---

1. The French use the term "triangular to include arrangements within one country where counterpart funds from commodity sales are provided by the donor country for purchase of food to be supplied to a deficit area of the same developing country. WFP calls this same kind of transaction a "local exchange" or "swap" arrangement.

TABLE 1

UTILIZATION OF 1986/87 CEREAL SURPLUSES IN SUB-SAHARAN AFRICA
(In Thousand Tons)

Region/ Country	Cereal Import Requirements		Except-tional local puchase require-ments in coarse grains	Availabi-lities for export and/or local purchase	Utilized so far			Remaining surpluses
	Wheat and Rice	Coarse Grains			Exports Commer-cial	Trian-gular trans-actions	Donor-financed local purchases	
Eastern Africa	1727	590	360	1810	324	26	0	1460
Burundi	18	-	-	-	-	-	-	-
Cormoros	32	4	-	-	-	-	-	-
Djibouti	46	4	-	-	-	-	-	-
Ethiopia	470	430	-	-	-	-	-	-
Kenya	196	-	-	630	224	26	-	280
Rwanda	22	15	-	-	-	-	-	-
Seychelles	10	-	-	-	-	-	-	-
Somalia	173	32		-	-	-	-	-
Sudan	550	-	350	1150	100			1150
Tanzania	160	105	-	-	-	-	-	-
Uganda	50	-	10	30	-	-	-	30
Southern Africa	1110	841	7	2113	288	169	7	1649
Angola	190	140	-	-	-	-	-	-
Botswana	39	149	-	-	-	-	-	-
Lesotho	58	139	-	-	-	-	-	-
Madagascar	215	-	-	-	-	-	-	-
Malawi	36	-	4	104	-	28	4	72
Mauritius	155	11	-	-	-	-	-	-
Mozambique	240	365	-	-	-	-	-	-
Swaziland	19	27	-	-	-	-	-	-
Zambia	65	10	-	-	-	-	-	-
Zimbabwe	93	-	3	2009	288	141	3	1577
Western Africa								
Benin	73	-	-	15	-	-	-	15
Burkina Faso	90	-	6-	130	-	-	-	130
Cape Verde	25	43	-	-	-	-	-	-
Chad	35	-	30	30	-	-	2	28
Cote d'Ivoire	540	-	-	200	-	-	-	200
Gambia	45	-	-	-	-	-	-	-
Ghana	145	-	-	-	-	-	-	-

deficits.

Table 1 presents data on the utilization of cereal surpluses in Sub-saharan Africa. In a recent paper on food security in Southern Africa, Rukuni and Eicher (1987) give the following overview of the global food situation and the ways in which it has recently changed:

> "The world food pendulum has swung widely every decade or so....the doomsday predictions of the mid-1970's have been followed by a much more optimistic assessment of the world food outlook in the 1980's, punctuated by the great African Famine of 1985, where a conservative estimate of 300,000 people died in Ethiopia alone. The global food outlook is as follows:
>
> - If food in the world were becoming more scarce, its real price would be trending upward. But the real price of wheat in world markets has been falling for well over a century.... Moreover, the price has declined significantly since 1980.
> - Global maize stocks in 1986/87 are 160 million metric tons (a 25 year high) compared with 40 million metric tons in 1983-84.
> - The export quotation for No. 2 yellow maize at US gulf ports was US$ 70/ton in late 1986 as compared with US$ 100 in 1985 and US$ 160 in 1980. Maize is at an all time low in real terms.
> - The production of rice is running ahead of demand in several large countries in Asia - e.g., India and Indonesia, requiring large adjustment programmes to shift to alternative crops.
> - The production of sorghum is running ahead of domestic demand in China, India and Zimbabwe.
>
> "In summary, the code word of scarcity has been replaced by the appealing phrase that the world is 'awash with grain' because of near record production and stocks of all major grains....
>
> "Despite global food abundance, there are an estimated 300 to 900 million people suffering from malnutrition in the Third World. The FAO estimated that 100 million or roughly one-fourth of the total population of sub-Saharan Africa were not receiving a calorie-adequate diet in 1985."

The Multilateral Concerns:

Meanwhile, some multilateral donor agencies, especially the EEC and WFP, are becoming increasingly concerned with the developmental aspects of food aid as against the formerly dominant concerns of feeding the hungry and, in the case of the EEC at least, disposing of Community commodity surpluses. This shift in the orientation of policy concerns, taken together with the recent availability of surpluses in developing as well as in developed countries, makes the trilateral or triangular sort of food aid arrangement suddenly more salient.

A certain amount of caution should be used in evaluating the last statement, however. As a number of EEC staff indicated, there is still a tension between those in the EEC secretariat whose primary concern is properly surplus disposal and those, in another directorate, whose concern is more centrally on development issues. It appears that this tension resembles closely that which characterizes opinions about similar issues on the part of USDA versus A.I.D. staff in the U.S.G. This tension is then reflected, as will be seen below, by the representatives of these agencies--as well as others with similarly divided views-- when each particular country proposal for a trilateral comes up.

Other Donor Experiences:

A detailed discussion of lessons from other-donor experiences is presented in Annex E . Here, we will summarize the data gathered by the food aid specialist who interviewed other-donor staff in Europe, primarily at the WFP, EEC, British ODA, and the French Ministry of Cooperation. While there are some generalizations that may be made about these other donor experiences, the differences among these agencies themselves and their respective policies are sufficient to warrant a brief discussion of each separately.

WFP:

As already mentioned, WFP has for some years been in favor of local purchases of commodities to the greatest extent possible. Data on actual WFP program purchases is provided in Table ___. Regarding these actions, the following points are most clear:

- the WFP experience in trilateral arrangements is predominantly in buying foodstuffs for cash from one developing country to supply another;

- local purchases, while many in number, have been of limited size--a few hundred tons in most cases and down to five ton transactions in some;

- exchange arrangements using inputs from the donor are even more limited, but can be valuable in alleviating chronic deficits and assisting production areas;

- effects on development are unclear. Since trade-flows within and between countries are ill-defined and often clandestine, impact of transfers effected by food-aid flows is difficult to evaluate.

The development effect of purchases from some traditional exporting developing countries is probably marginal, except for those that have the potential for becoming regular exporters, such as Zimbabwe, where the effect is probably greater.

The European Economic Community

EEC food aid has now been "untied" to some extent. This, combined with the flexibility to switch from food aid to cash aid, should enable the EEC to develop projects which can be based on purchase of agricultural commodities in developing countries. Table 3a summarizes EEC triangular transactions, and Table 3b gives a summary for such transactions within the SADCC region. These are not "swaps" in that the EEC pays cash for the commodities purchased in one country and distributed in another country. Until now, there is no experience of long-term projects designed on the basis of trilateral food transactions, and EEC is really only in a position to point to the potential benefits which should accrue to the exporting country in terms of increasing the market opportunities, and therefore the prosperity, of the farmers and the general economy of the country. The EEC presently undertakes a number of trade promotion projects and the view was expressed that, armed with the new regulations on the use of triangular food aid purchases and the cash substitution system, the way is now open for the design of long-term trade and marketing development projects which will have a direct impact on agricultural development.

Club du Sahel

Club staff interviewed were very much in favor of trilateral food aid transactions, seeing them as a stimulus to development through provision of marketing opportunities, and thus increased revenues, to the vending country. As with other organizations implementing trilateral arrangements, however, the Club had not evaluated particular operations so as to be able to verify their value. Jost, in a consultant study on Club-sponsored transactions, makes several points about technical and political problems that may be summarized here (see Jost, 1985):

- saleable surplus information is crucial to the ability of any organization to initiate a trilateral transaction. Information gathering has traditionally been concerned with shortages, not surpluses;

- donor organizations are institutionally not geared up to respond to the more micro shortages or deficits that are characteristic of targets for trilateral transactions. Procedures for financing would have to be refined before most donors would be able to respond rapidly;

5

TABLE 3a

E E C

Purchase of cereals in developing countries in the context of triangular operations

Programme 1984

Beneficiary	Product	Quantity Tonnes	Origin	Date decision	Approx. date of delivery	Approx. total value ECU/million 1/
Direct aid						
Somalia	White maize	2.200	Malawi	6. 4.84	Avril 86	0.5
Zimbabwe	" "	15.000	"	26. 4.84	Nov. 84	4.48
Nicaragua	" "	5.000	Guatemala	3. 7.84	Jan./Fév. 85	1.78
Zambia	" "	20.000	Malawi	3. 7.84	Sept./Oct. 85	6.98
Tanzania	" "	10.000	"	25.10.84	Avril 86	1.79
Mozambique	" "	12.000	Zimbabwe	2. 1.86	Juin/Juil. 86	1.90
Indirect aid						
Totals (	White maize	2.600				
(	Millet	2.000				
(	Rice/equiv. cereals	11.960				
	Totals	80.760				
	% of total available quantities	7 %				

1/ ECU = European Currency Units

TABLE 3b

Triangular EC financed food aid within SADCC region

Origin	Destination	Budget	Delivery	Quantity	Product Value	Transport Cost	Total Value
				1000 tons		(MECU approx.)	
ZIM	ZAM	1982	Oct 83	15,0	1,98	0,58	2,56
MAL	BOT	1982	Dec 84	3,0	0,63	0,64	1,27
MAL	TAN	1983	Aug 84	15,0	2,70	2,30	5,00
MAL	BOT	1983	Dec 84	4,0	0,84	0,99	1,83
MAL	ZAM	1983	Sep 34	24,0	5,06	4,48	9,54
MAL	ZIM	1983	Nov 84	2,5	0,47	0,28	0,75
MAL	ZAM	1984	Sep 85	20,0	4,29	2,69	6,98
ZIM	MOZ	1984	Jun 86	12,0	1,44	0,47	1,91
MAL	ZIM	1984	Nov 84	15,0	2,81	1,67	4,48
MAL	TAN	1984	Mar 86	10,0	1,50	0,29	1,79
ZIM	ZAM	1985	Sep 85	15,0	2,74	0,73	3,47
ZIM	MOZ	1985	Sep 85	10,0	2,04	0,41	2,45
ZIM	ANG	1985	Mar 86	1,2	0,16	0,15	0,31
MAL	BOT	1985	Aug 86	4,0	0,41	0,17	0,58
ZIM	MOZ	1986	Sep 86	18,0	1,59	0,70	2,29
ZIM	BOT	1986	-	4,0	0,38	0,10	0,48
Totals				172,7	29,04	16,65	45,69

Notes: 1. The table refers ony to white maize. There was also a delivery of beans to Mozambique from Malawi (2,000 tons worth 1,4 MECU)

2. The table given only triangular operations with origin and destination within SADCC. There have been deliveries from SADCC Member States to third countries as well as deliveries from other developing countries to SADCC Member States (e.g. 10,000 tons white maize from Kenya to Angola).

3. The EC has also delivered other food aid to SADCC on the same period (mainly wheat, rice and dairy products).

- on the recipient side, administrative problems that may have characterized initial trilateral may be expected to diminish with experience;

- food aid coming to a country under trilateral arrangements may often be following different routes from the normal food aid and commercial imports, and so does not compete for transport facilities (see West African case studies below);

- regarding cost, although detailed comparisons have not been made, in each instance, the donor agency has had to make a comparison between the relative cost of a proposed trilateral arrangement and the equivalent--and more "normal" bilateral one;

- regarding delays, while these may be significant in trilateral arrangements, they are often also significant in more regular, bilateral food aid arrangements, even under "emergency" conditions;

Politically, or in policy terms, the point is essentially that the trilateral food aid transactions that have been documented recently, including by Jost, are not commercially viable because the products are distributed at a cost subsidized by the donor thus potentially disrupting normal trade channels. Also, the beneficiary country politics and policies may militate against relaxing this donor policy constraint. This is a matter to which we will return in Sections IV and V below.

Overall, despite these constraints, the position of the Club/Coviti Interstats de Lutte conte la Seelresse dens la Sahel countries is clearly in favor of stimulating local trade as a contribution to agricultural development, using trilateral transactions with donor support as one means to this end.

France

The GOF has an inter agency food aid committee similar to the American Development Coordinating Committee (DCC), on which Agriculture, Foreign Affairs, Economy, External Commerce and Treasury are represented. Despite pressure from the farm lobby, and the desire to dispose of surpluses, France has favored the trilateral food aid approach to development. Implementation has begun fairly recently, however, resulting from a reform of the French bilateral food aid program in May 1981. The reform was designed to achieve better integration between food aid and re-orienting a recipient country's agricultural policies and its population's nutritional needs, and to accelerate and rationalize implementation procedures.

To provide perspective, total French bilateral food aid is 200,000 tons of wheat equivalent and 960,000 tons through the

9

EEC. The ceiling on trilateral transactions is set at 10,000 tons but so far, has not reached 5,000 tons. Total French exports of cereals are on the order of 7-9,000,000 tons. Thus Ministry of Agriculture officials note that trilateral food aid transactions are not seen as a threat to the French farming interests.

Most French trilaterals are implemented by NGOs and their performance is criticized as being patchy as is reporting of results. Although the French experience of government to government transactions has always not been very good, the use of private trade is considered very complicated. Support for long-term contracts between one country and another is being explored. These would be supported by the donor country, or a price guarantee scheme for the selling country in its transactions might be provided by the donor country.

<u>United Kingdom</u>

The U.K. has a fairly small overall food aid program, approximately 110,000 tons per year. Of this, only about 30% is handled bilaterally by the ODA; the balance is directed through multilateral agencies and especially the WFP. British food aid policy has recently been reviewed by Parliament and the result has been a broadly negative view of food aid, largely because of disincentives to production that non-emergency food aid is thought to involve. The U.K. does, however, accept that food aid can play a useful role on occasion. As a member of the EEC, the U.K. has an obligation under the Food Aid Convention, but seeks to reduce it whenever possible.

The NGOs that provided position documents to Parliament during this investigation came out largely in favor of trilateral purchases. They took the position that bulk food deliveries from donor countries should be the last resort if local purchases could not be made. To the extent that Parliament ratified the approach of providing most U.K. food aid through WFP, it is then the WFP policies that will most directly represent UK perspectives, including those on trilaterals discussed above.

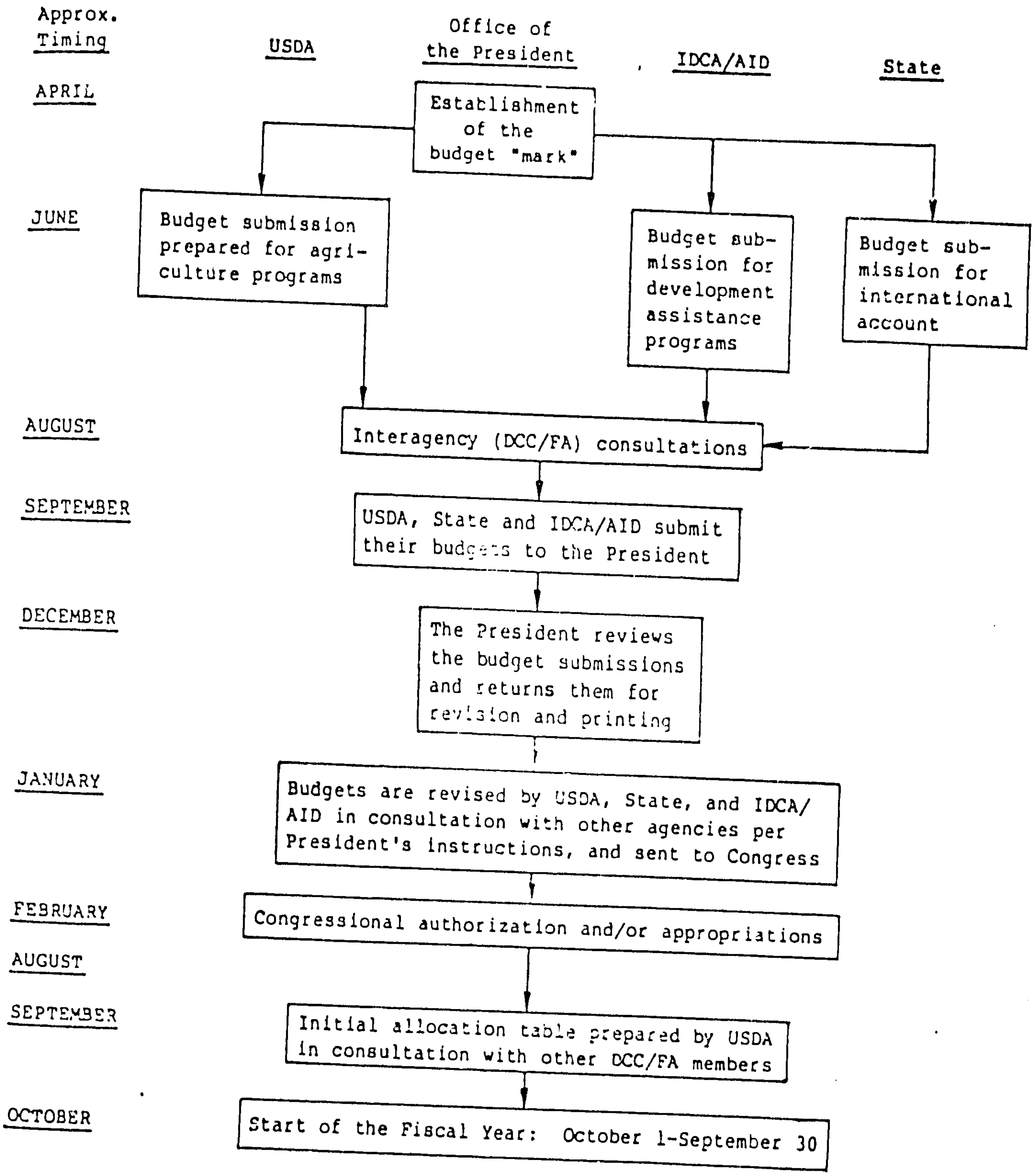
U.S.G. Concerns:

In the U.S., extraordinarily large surpluses and the related "farm crisis", along with cuts in levels of dollar foreign aid, have combined to make food aid in general much more obviously salient than it may have seemed in the past. The U.S.G.'s food aid program under Public Law 480 is administered by the U.S. Agency for International Development. As a development agency, A.I.D. has been cautiously in favor of trilateral transactions in those instances where:

- there is a clear cereal surplus in a country neighboring a deficit one,

FIGURE I

PL 480 Program Planning Process



Source: Lawrence D. Fuell, The PL 480 (Food for Peace) Program: Titles I/III Terms and Conditions; Planning and Implementation Procedures (Washington, D.C.: USDA/FAS/EC, April 1982 Draft), p. 10.

Reproduced in AID Program Evaluation Discussion Paper No. 19, A Comparative Analysis of Five PL 480 Title I Impact Evaluation Studies, Washington, D.C., December, 1983.

- the type of cereal in surplus meets the food preferences of those experiencing the deficit,

- transporting the food from the surplus to the deficit country is relatively simple, and

- when there is a recognized food emergency situation in the deficit country.

Despite this cautiously optimistic de facto approach to trilateral arrangements, AID does not presently have a distinct policy regarding trilateral arrangements. Further, the A.I.D. does not make U.S.G. food aid policy. Rather, policy decisions and approvals of individual country programs are made by an inter-agency committee, the [U.S.] Development Coordinating Committee (DCC) and, specifically, its Food Aid Subcommittee.

Since the late 1970,s, the DCC has only supported these types of programs under PL 480 Title II, the title authorizing relief assistance, and then, only under formally determined emergency conditions. In the past, however, when U.S.G. commodity and development interests were somewhat different (and U.S. surpluses not so great), some trilateral arrangements were sponsored under PL 480 Title I, the title of the act governing concessional sales programs. In a 1985 memo summarizing this experience under Title I, the then head of FVA/FFP's Title I Division made this comment:

> "Some years ago a Title I triangular program sent Title I cotton to Thailand in exchange for finished textiles being sent to Vietnam. There were a number of problems under Title I procedures, which resulted in USDA becoming very negative about future triangular transactions" (Rhoads/Bloch, May 17, 1985).

The USDA, at least in recent years, has had to take increasing cognizance of the views of American farmers that they are increasingly facing unfair competition in the world market, leading in part to the perceived farm crisis in the U.S., and of their desire that whatever food aid America gives to the poor overseas should be composed of produce of American farms.

These views of the USDA's major constituency are reflected in the perspective voiced by USDA representatives on the DCC when considering trilateral and all other food aid initiatives proposed. Within the USDA, the Assistant General Sales Manager is often chosen to speak for the Department on the matter of trilateral arrangements. He presents opr states this constituency view quite articulately, and makes it clear that USDA and the Congress are likely to continue to take it seriously.

Through the Commodity Credit Corporation (CCC), the USDA plays a key role in supporting and stabilizing prices of a number of key commodities, including grain and dairy products. Thus, it is involved both in the creation and the disposal U.S.G.-owned surpluses:

> "The CCC stabilizes and supports grain prices by making loans to farmers against their crops. When market prices fall below the loan rate plus the interest owed on the loan, farmers can pay their loans off to the CCC with the commodities instead of cash....
>
> "When market prices remain below legislated loan rates for long, the CCC accumulates stocks of wheat, corn and dairy products. When prices are low, inventories also accumulate in the FOR, a Government program to ensure greater stability of domestic and international supply. Combined CCC and FOR wheat stocks have exceeded a billion bushels several times in recent years. Corn stocks reached 2.5 billion bushels in 1982/83, and are much larger now....
>
> "Stocks buffer price swings created by crop failures at home or abroad. But, when market prices remain low relative to support prices, inventories become large. Government inventory costs rise as storage costs rise....(ERS,1987)".

Under PL 480, the CCC is then instructed to "make available to the President such agricultural commodities determined to be available...as he may request...[to] furnish...on behalf of the people of the United States of America, to meet famine or other urgent or extraordinary relief requirement; to combat malnutrition, especially in children; to promote economic and community development in friendly developing areas; and for needy persons and nonprofit school lunch and preschool feeding programs outside the United States" (PL 480, Titles I and II).

As a result of recent unusually high surpluses, and strong feelings on the part of farmers, some members of the DCC, and especially the USDA, argue that the U.S.G. should promote only the agricultural exports of the U.S., not those of other nations. Further, they argue that the country requesting U.S. food aid should accept whatever substitute commodity the U.S. can provide if the food is badly needed. Some DCC members also frown on trilateral agreements because of the apparent time-consuming, complex negotiations they may involve (see below).

There is also a DCC concern over the high costs that may be associated with trilateral as opposed to bilateral transactions, and about the possibility that the recipients do not perceive the aid as coming from the U.S.G. rather than the "exporting" country. Finally, it is not clear to some members whether trilateral arrangements are really more timely than bilateral ones, or sufficiently so to justify risking the other possible drawbacks jus listed.

As a result of these concerns of DCC members, and given the fact that no guidance presently exists within A.I.D. about what circumstances, if any, warrant recourse to a trilateral arrangement, approvals of trilaterals by the DCC have been few, painstaking, and prior review by member agencies, including AID itself, has been slow. Nevertheless, six have been approved since 1985, including two in the past three months, and to some extent at least, sentiment against them within the USDA may have declined as experience has increased.

Magnitudes:

It is important to note at the outset that the total tonnage of commodities donated by donors and received by recipient countries through trilateral or triangular food aid arrangements in the recent period is very small compared to total tonnage donated and received. Table 2 shows the level of purchases from developing and developed countries by funding source for the period 1983-1986 for the WFP. As may be noted, over 70% has been purchased from developing countries except for 1986, when the level was 69.82%. Some of the developing country purchases, however, are "local purchases" for use in the same country, so not all of the purchases included a third country in the transaction.

Tables 4a and 4b summarize triangular transactions in wheat, rice and coarse grains for 1985/6 and 1986/7 as based on the FAO Global Information and Early Warning System. The grand total for 1985/6 including local purchases is 614,158 tons, while for 1986/7, the estimate of planned cereal purchases under these types of arrangements was 59,895 tons. Turning to triangular transactions involving rice, however, the total was 312,205 for 1985/6.

If we take the U.S.G. trilateral transactions that have been approved in the equivalent period (1983-86), thus including the U.S.-Zimbabwe-Zambia transaction, the total tonnage of wheat provided is 13,190 tons, and that of rice, 9,229 tons out of a grand total of U.S.G.-sponsored bilateral PL 480 food aid of 39,974,000 tons grain equivalent (Titles I, II and III)--as indicated in Table 5, or .065%. Perhaps more significantly, it is only approximately 26,000 tons grain equivalent out of a total tonnage of 21,572,000 tons provided under Title II programs

TABLE 2

PURCHASES GROUPED BY TYPE OF FUNDING (1983-86)

	Total US $	Purchases effected in		Purchases in developing countries in relation to overall purchases
		Developed Countries	Developing Countries	
1983				
From regular cash resources	7931109	0	7931109	100
From FAC	3433098	2237192	1195906	35
From IEFR funds	21112880	0	21112880	100
From UN agencies	2095741	0	2095741	100
From Bilateral funds	53282144	20837711	32444433	61
Total	87854972	23074903	64780069	74
1984				
From regular cash resources	9603825	349628	9254197	96
From FAC	6239633	0	6239633	100
From IEFR funds	16059730	27575	16031795	100
From UN agencies	594906	0	594906	100
From Bilateral funds	49737816	16419328	333128488	67
Total	82235910	16796531	65439019	80
1985				
From regular cash resources	6722875	568045	6154830	92
From FAC	1335405	568045	6154830	92
From IEFR funds	12220690	1996190	10224500	84
From UN agencies	671125	102960	568165	85
From bilateral funds	36966665	10718160	26248505	71
Total	57916760	13385355	44531405	77
1986				
From regular cash resources	1608604	20640	1587964	99
From FAC	2883632	0	2883632	100
From IEFR funds	11920725	1510145	10410579	87
From cash in lieu of commodities	24139406	8122666	16016740	66
From bilateral funds	50301392	17762256	32539136	65
Total	90853759	27415707	63438051	70

TABLE 4a

Triangular Transactions and Cereal Purchases Planned for Sub-Saharan Africa in 1985/86 and 1986/87 1/

Donor	Type of operation	Source of supply	Recipient country	1985/86	1986/87
				(..... tons .....)	
Australia	Triang. trans.	Zimbabwe	Botswana, Ethiopia, Somalia, Mozambique, Zambia	29 986 2/	7 000
Austria	Triang. trans.	Zimbabwe	Mozambique	5 050 3/	3 000
	Local purch.	Sudan	Sudan	6 950 3/	-
Canada	Triang. trans.	Cote d'Ivoire, Malawi	Mali, Mozambique	6 600	1 000
	Local purch.	Niger	Niger	5 500	-
Denmark	Triang. trans.	Kenya, Zimbabwe	Ethiopia, Mozambique, Sudan	8 900	2 000
	Local purch.	Sudan	Sudan	5 100	-
EEC	Triang. trans.	Malawi, Zimbabwe	Angola, Botswana, Cape Verde, Ethiopia, Lesotho, Mozambique, Tanzania, Zambia	123 000	4 000
	Local purch.	Burkina Faso, Chad, Mali, Niger, Sudan	Burkina Faso, Chad, Mali, Niger, Sudan	95 000	-
France	Triang. trans.	Cote d'Ivoire, Senegal, Zimbabwe	Cape Verde, Mauritania, Mozambique, Sierra Leone	5 000	1 500
	Local purch.	Mali, Senegal, Sudan	Mali, Senegal, Sudan	5 850 4/	-
Germany, F.R.	Triang. trans.	Cote d'Ivoire, Kenya, Malawi, Togo, Zimbabwe	Botswana, Burkina Faso, Cape Verde, Mozambique	17 800	9 000
	Local purch.	Benin, Burkina Faso, Chad, Mali, Niger, Senegal, Sudan	Benin, Burkina Faso, Chad, Mali, Niger, Senegal, Sudan	24 500	-
Italy	Local purch.	Sudan	Sudan	13 000	-
Japan	Triang. trans.	Zimbabwe	Zambia	9 900	-
Netherlands	Triang. trans.	Zimbabwe	Mozambique	-	15 000
	Local purch.	Burkina Faso, Mali, Sudan	Burkina Faso, Mali, Sudan	44 600 3/	-
New Zealand	Triang. trans.	Zimbabwe	Botswana	-	1 750
Norway	Triang. trans.	Malawi	Mozambique	1 100	-
	Local purch.	Malawi, Mali, Sudan, Togo	Malawi, Mali, Sudan, Togo	4 000	625
Switzerland	Local purch.	Mali	Mali	2 200	-
United Kingdom	Triang. trans.	Kenya, Zimbabwe	Ethiopia, Mozambique	20 200 3/	-
United States	Triang. trans.	Malawi, Zimbabwe	Mozambique	5 000	11 400
	Local purch.	Sudan	Sudan	65 000	-
WFP	Triang. trans.	Eastern & Southern Africa	Eastern, Southern & Central Africa	46 302	682
	Local purch.	Eastern, Western & Southern Africa	Eastern, Western & Southern Africa	54 740	2 938
TOTAL	Triang. trans.			286 838	56 332
	Local purch.			327 320	3 563
GRAND TOTAL				614 158	59 895

1/ Based on information reported by donors to GIEWS as of mid-November 1986.
2/ Of which 14 000 tons to WFP.
3/ Partly or fully handled by WFP.
4/ The quantity for Mali and Senegal, includes estimated cereal equivalent of cash allocations.

Source: FAO Global Information and Early Warning System.

TABLE 4b

TRIANGULAR TRANSACTION IN RICE 1985/86 (JULY/JUNE)

RECIPIENT	COUNTRY OF PURCHASE	DONOR	QUANTITY (tons grain equivalent)	SHIPMENT OR ALLOCATION PERIOD
African refugees	Thailand	Japan	17576.0	August 1985
Angola	Thailand	Japan	2200.00	February 1986
Angola	Thailand	Switzerland	703.0	July 1985
Bangladesh	Pakistan	Japan	9158.0	January 1986
Bangladesh	Thailand	Japan	14426.0	March 1986
Benin	Burma	Japan	3978.0	February 1986
Benin	Thailand	Japan	300.0	February 1986
Burkina Faso	Thailand	Japan	4391.0	March 1986
Burkina Faso	Local purchase	ICRC purchases	22.0	Jan-JUne 1986
Burundi	Burma	Japan	1462.0	March 1986
Cameroon	Thailand	Japan	1919.0	July 1985
Cape Verde	Burma	Japan	2886.0	March 1986
Central African Republic	Thailand	Japan	1440.0	March 1986
Chad	Locak purchase	ICRC purchurses	24.0	Jan-June 1986
Chile	Local purchase	ICRC purchases	26.0	Jan-June 1986
Comoros	Thailand	Japan	1660.0	March 1986
Congo	Thailand	Japan	387.0	February 1986
Cote d'Ivoire	Thailand	Japan	420.0	February 1986
Djibouti	Thailand	Japan	1411.0	July 1985
El Salvador	...	Switzerland	500.0	October 1985
El Salvador	Thailand	Switzerland	500.0	January 1986
Equatorial Guinea	Thailand	Japan	3186.0	July 85-Mar 86
Gambia	Pakistan	Germany, Fed. Rep.	2330.0	September 1985
Gambia	Burma	Japan	3272.0	February 1986
Gambia	Thailand	Japan	2241.0	July 1985
Ghana	Thailand	Netherlands	1900.0	June 1986
Ghana	Burma	Japan	5687.0	March 1986
Guinea	Burma	Japan	6076.0	May 1986
Guinea Bissau	Thailand	Japan	5606.0	March 1986
India	Local purchase	Norway	0.3	Begin 1986
Indonesia	Burma	Switzerland	420.0	May 1986
Jordan	Thailand	Japan	5500.0	March 1986
Kampuchea	...	EEC	950.0	September 1985
Kampuchea/UN-CR	Thailand	Germany, Fed. Rep.	4120.0	1st half 1986
Kampuchea	...	Australia	1000.0	February 1986
Kampuchea refugees	Burma	Japan	11042.0	September 1985
Kampuchea refugees	Thailand	Japan	55170.0	June 1986
Kampuchea	Burma	Sweden	900.0	Jan-May 1986
Kampuchea	Thailand	UNKAM	500.0	Jan-May 1986
Kampuchea	Thailand	UN/CR purchases	3162.0	Jan-May 1986

RECIPIENT	COUNTRY OF PURCHASE	DONOR	QUANTITY (tons grain equivalent)	SHIPMENT OR ALLOCATION PERIOD
Laos	Thailand	Japan	4279.0	July&Sept.85
Lebanon	Local purchase	ICRC purchases	118.0	1985/86
Liberia	Thailand	Japan	505.0	July 1985
Madagascar	Thailand	Japan	10868.0	March 1986
Malawi	Local purchase	WFP purchases	135.0	Jan-May 1986
Maldives	Burma	Japan	1731.0	February 1986
Mali	Pakistan	Netherlands	2900.0	December 1985
Mali	Pakistan	United Kingdom	1785.0	November 1985
Mali	Burma	Japan	3929.0	February 1986
Mauritania	Thailand	Japan	9024.0	March 1986
Morocco	Thailand	Japan	2933.0	November 1985
Mozambique	vurma	Japan	15898.0	February 1986
Nepal	Thailand	Italy	200.0	December 1985
Nicaragua	Surinam	Switzerland	300.0	February 1986
Niger	Thailand	Italy	5000.0	September 1985
Niger	Burma	Japan	5411.0	March 1986
Philippines	Pakistan	Switzerland	1500.0	August 1985
Philippines	Thailand	Switzerland	500.0	February 1986
Philippines	Burma	Switzerland	2318.0	May 1986
Sao Tome & Princpe	Tnailand	Japan	1736.0	March 1986
Senegal	Thailand	Japan	10001.0	July85-Mar86
Sierra Leone	Burma	Japan	3380.0	February 1986
Sierra Leone	Thailand	Japan	350.0	July85-Feb86
Sierra Leone	Pakistan	Switzerland	360.0	October 1985
Somalia	Thailand	Japan	1000.0	July 1985
Syria, A.R.	Thailand	Japan	450.0	July 1985
Tanzania	...	EEC	3448.0	February 1986
Tanzania	Thailand	Japan	12267.0	March 1986
Thailand/UN/CR	...	EEC	3448.0	November 1985
Thailand/UN/CR	Thailand	EEC	15000.0	April 1986
Togo	Burma	Japan	4225.0	February 1986
Vietnam	Burma	EEC	2500.0	Jan-May 1986
Vietnam/NGO	...	EEC	2000.0	January 1986
Vietnam	Thailand	Australia	1000.0	October 1985
Vietnam	Burma	Switzerland	2500.0	February 1986
Vietnam	Local purchase	UN/CR purchase	2080.0	Jan-Mar 1986
WFP/Singapore	Burma	Switzerland	1080.0	May 1986
	Total		314610.3	
	Local purchases		2405.3	
	Triangular transactions (incl......)		312205.0	
			314610.3	

9

TRIANGULAR TRANSACTIONS IN COARSE GRAINS 1985/86 (JULY/JUNE)

RECIPIENT	COUNTRY OF PURCHASE	DONOR	QUANTITY (tons grain equivalent)	SHIPMENT OR ALLOCATION PERIOD
Angola	...	EEC	1200.0	February 1986
Angola	Zimbabwe	Austrialia	504.0	January 1986
Angola	Malawi	ICRC purchases	300.0	Jan-June 1986
Angola	Zimbabwe	ICRC purchases	430.0	Jan-June 1986
Benin	Local purchase	Germany, Fed. Rep.	4000.0	Begin 1986
Botswana	Zimbabwe	Germany, Fed. Rep.	1590.0	Jan-May 1986
Botswana	Malawi	Norway	6500.0	Jan-May 1986
Burkina Faso	Cote d'Ivoire	Germany, Fed. Rep.	4000.0	December 1985
Burkina Faso	Local purchase	Netherlands	17300.0	Jan/Feb 1986
Cape Verde	Zimbabwe	EEC	11000.0	Feb/Mar 1986
Cape Verde	Argentina	Germany, Fed. Rep.	4770.0	December 1985
Cape Verde	Togo	Germany, Fed. Rep.	4800.0	April 1986
Cape Verde	Argentina	Switzerland	1500.0	July 1985
Central African Republic	Cameroon	Germany, Fed. Rep.	2000.0	January 1986
Chad	Local purchase	Netherlands	390.0	1985/86
Chad	Local purchase	ICRC purchases	38.0	Jan-June 1986
El Salvador	Local purchase	Norway	2260.0	Jan-May 1986
El Salvador	Local purchase	ICRC purchases	149.0	July-Dec 1985
Ethiopia	Sudan	Australia	3600.0	April 1986
Ethiopia	Zimbabwe	Australia	6000.0	February 1986
Ethiopia	Local purchase	ICRC purchases	500.0	Jan-June 1986
Malawi	Local purchase	Norway	448.0	Jan-May 1986
Malawi	Local purchase	WFP purchases	629.0	Jan-May 1986
Mali	Local purchase	EEC	15000.0	Mar-June 1986
Mali	Thailand	EEC	200.0	September 1985
Mali	Thailand	Germany, Fed. Rep.	6000.0	December 1985
Mali	Cote d'Ivoire	Canada	6600.0	April 1986
Mali	Local purchase	Norway	1350.0	July-Dec 1985
Mali	Local purchase	Switzerland	1600.0	Mar-May 1986
Mozambique	Zimbabwe	EEC	12000.0	March 1986
Mozambique	Malawi	Germany, Fed. Rep.	10000.0	Oct/Nov 1985
Mozambique	Zimbabwe	United Kingdom	14500.0	May-July 1986
Mozambique	Zimbabwe	Australia	9000.0	Dec85-Feb86
Mozambique	Zimbabwe	Austria	5050.0	Jan-May 1986
Mozambique	Malawi	Norway	1100.0	July 1985
Nicaragua	...	EEC	5000.0	September 1985
Nicaragua	...	Switzerland	260.0	February 1986
Niger	Thailand	EEC	100.0	September 1985
Niger	Local pruchase	Germany, Fed. Rep.	2500.0	1st half 1986
Niger	Honduras	Germany, Fed. Rep.	3067.0	October 1985
Niger	Thailand	Italy	5000.0	November 1985
Niger	Local purchase	Netherlands	4395.0	Jan-May 1986

RECIPIENT	COUNTRY OF PURCHASE	DONOR	QUANTITY (tons grain equivalent)	SHIPMENT OR ALLOCATION PERIOD
Niger	Local purchase	Canada	5500.0	March 1986
Rwanda	Local purchase	Norway	180.0	Jan-May 1986
Senegal	Thailand	EEC	11000.0	September 1985
Senegal	Thailand	Italy	2800.0	October 1985
Somalia	Kenya	Germany, Fed. Rep.	7500.0	January 1986
Somalia	Local purchase	Netherlands	1500.0	April/May 1986
Somalia	Zimbabwe	Australia	8000.0	February 1986
Sudan	Thailand	EEC	38000.0	1985/86
Sudan	Local purchase	Netherlands	25000.0	Jan/Feb 1986
Sudan	Kenya	Netherlands	2000.0	Jan-May 1986
Sudan	Local purchase	Austria	6950.0	Jan-May 1986
Sudan	Local purchase	Switzerland	2000.0	March 1986
Sudan	Local purchase	WFP purchases	15000.0	Jan-May 1986
Sudan	Kenya	WFP purchases	1400.0	Jan-May 1986
Sudan	Zimbabwe	ICRC purchases	500.0	Jan-June 1986
Tanzania	Malawi	EEC	10000.0	March 1986
Uganda	...	EEC	2980.0	July 1985
Uganda	Local purchase	ICRC purchases	165.0	1985/86
Zambia	Malawi	EEC	20000.0	October 1985
Zambia	Zimbabwe	EEC	15000.0	March 1986
Zambia	Malawi	Germany, Fed. Rep.	200.0	July 1985
Zambia	Zimbabwe	Germany, Fed. Rep.	660.0	2nd half 1985
Zambia	Zimbabwe	Japan	9854.0	May/June 1986
Zimbabwe	Local purchase	Germany, Fed. Rep.	1800.0	2nd half 1985
UN/CR	...	EEC	2000.0	March 1986
WFP	Zimbabwe	Australia	10000.0	July-Dec 1985
	Total		376619.0	
	Local purchases		108654.0	
	Triangular transactions (incl.......)		267065.0	
			376619.0	

TRIANGULAR TRANSACTIONS IN WHEAT 1985/86 (JULY/JUNE)

RECIPIENT	COUNTRY OF PURCHASE	DONOR	QUANTITY (tons grain equivalent)	SHIPMENT OR ALLOCATION PERIOD
Cape Verde	...	Austria	5000	Jan/Feb 1986
Chile	Local purchase	ICRC purchases	34	Jan-June 1986
Ethiopia	...	Austria	4000	May/June 1986
Ethiopia	...	Switzerland	2700	May 1986
Ethipioa	Local purchase	ICRC purchases	1945	Jan-June 1986
Mauritania	...	Austria	4000	Jan/Feb 1986
Zambia	Argentina	Netherlands	5000	Jane 1986
	Total		22679	
	Local purchases		1979	
	Triangular transactions		20700	
			22679	

USG Food Aid Through
P.L. 480 and Section 416
FY 1981 - FY 1988

TABLE 5

($ MILLIONS)

	FY 1981 a/	FY 1982 a/	FY 1983 a/	FY 1984 a/	FY 1985	FY 1986	FY 1987	FY 1988 h/
Title I	793.4	792.6	849.5	850.0	1,099.7 c/	988.7	928.9 f/	852.0
(of which Title III)	(91.9)	(123.0)	(139.4)	(98.0)	(119.5)	(117.0)	(87.0)	(95.0)
Title II	768.3	623.9	599.5	724.0 b/	1,060.0 d/	758.7 e/	534.1	535.0
Subtotal P.L. 480	1,561.7	1,416.5	1,449.0	1,574.0	2,159.7	1,747.4	1,463.0	1,387.0
Section 416	--	--	87.2	164.1	163.7	146.4	NA g/	NA g/
Food Security Wheat Reserve	--	--	--	--	91.5	--	--	--
Total Food Aid	--	--	1,536.2	1,738.1	2,414.9	1,893.8	1,463.0	1,387.0

(METRIC TONS) GRAIN EQUIVALENT (000)

	FY 1981 a/	FY 1982 a/	FY 1983 a/	FY 1984 a/	FY 1985	FY 1986	FY 1987	FY 1988 h/
Title I	3,869	3,586	4 133	4,466	5,636	6,070	6,290	5,900
(of which Title III)	(453)	(611)	(766)	(503)	(--)	(--)	(--)	(--)
Title II	1,803	1,804	1,950	2,241	2,978	2,344	2,163	1,900
Subtotal P.L. 480	5,672	5,390	6,083	6,707	8,614	8,414	8,453	7,800
Section 416	--	--	90	179	199	293	650 g/	650 g/
Food Security Wheat Reserve	--	--	--	--	292	--	--	--
Total Food Aid	5,672	5,390	6,173	6,886	9,105	8,707	9,103	8,450

a/ P.L. 480 based upon Congressional Presentation figures.
b/ Title II level includes $90 million of $150 million CY 1984 supplemental for African emergencies.
c/ Title I level includes $175 million supplemental of which $90 million was transferred to Title II for African emergencies.
d/ Title II level includes $90 million transfer from Title I supplemental (see footnote c/), $60 million of $150 million CY 1984 supplemental for African emergencies; and $260.3 million of obligations from CY 1985 $400 million African supplemental.
e/ Title II level is derived from a base budget of $650 million plus $139.7 million carryin from CY 1985 African supplemental minus $27.95 million resulting from Graham-Rudman legislation and a $3.0 million transfer to Title I.
f/ Includes a $94.2 million transfer from Title II.
g/ Future year cost estimates not available for Section 416, however, legislation mandates tonnage level.
h/ FY 1988 Congressional Presentation.

AID/FVA/FFP/POD:February 3, 1[illegible]

21

uring that period, or .121%[3] (In both cases, the polished rice is figured at .65 grain equivalent.) Thus, even if trilateral arrangements may have increased in number, frequency of approval and tonnage in the past three years, they still represent a very small per centage of U.S. food aid.

This factor should be borne in mind when reviewing the findings and recommendations, as well as in the case study narratives that follow. More detailed case study narratives are presented in Annex C.

The West African Trilaterals:

The idea of a trilateral arrangement between Ghana and neighboring food deficit countries appears to have is origins back in at least October of 1984. Discussions undertaken by the U.S. Ambassador on the matter dated to the previous October. Other communications indicate that it was first given serious consideration in February 1985. By December of 1984, AID/W was showing favorable interest and notes that "FVA/FFP has supported similar arrangements...which have proved to be successful in meeting African food needs and reducing U.S.G. costs" (Working notes, Bill Lefes 1/8/86).

By late 1984, it was becoming clear that a serious food shortage was developing in both Burkina Faso and Mali. CRS was requesting faster deliveries of food relief to Burkina Faso and USAID/Ouagadougou had requested 19,000 m.t. of sorghum. Of this, 7,000 m.t. were to be loaded in the U.S. in late January, 1985 to arrive in Lome, Togo on/about March 19. Two shipments of 7,000 m.t. and 5,000 m.t. were called forward on January 15 to arrive in Lome in April. AID/W suggested that USAID/Ouagadougou consider a barter agreement with Ghana to accelerate deliveries of food aid (State 045624, February 14, 1985). Meanwhile, the Mali situation indicates that there was a deficit of 230,000 m.t. of cereals of which the U.S. and other donor commitments were 125,000 m.t. USAID/Bamako asked AID/W to increase assistance by 35,000 m.t., raising the U.S.G. total for Mali to 80,000 m.t. The "looming disaster" terms of this request elicited a response from

---

3. For FY 1986, the estimate of total commodities shipped under PL 480 Title II as of the time this study was carried out was 596,919,000 pounds according to a draft of the Title II annual report provided to the team in April. In FY 1986, the total amount of wheat shipped under Title II was 140,311,000 pounds according to the same document. The trilateral involving the US, Kenya and Sudan, and Round II involving the US, Zimbabwe and Mozambique are the only ones that might have been included in this estimate, from what we can ascertain. Together, they total "up to" 5,562 metric tons, or approximately 2,236,400 pounds. Thus, the per centage is slightly higher when these latter trilaterals are included--.159% rather than .121%.

AID/W advising consideration of a barter arrangement, although it is clear that Bamako had already been communicating with Accra on this matter as early as January 25, 1985.

USAID/Ghana, in consultation with the GOG, felt that as much as 40,000 m.t. of surplus maize could be provided. Later, it was determined that this was a high estimate, and that only about 20,000 m.t. would be available.

On April 12, 1985 the DCC approved a barter agreement in which the U.S.G. would provide 9,202 tons of U.S. rice to Ghana and in return, the Government of Ghana (GOG) would provide 15,000 m.t. of Ghanaian maize (corn) to be shipped to Mali and Burkina Faso under Title II emergency programs. Of the total amount of maize, 5,000 tons were to be delivered to Ouagadougou in Burkina Faso, and 10,000 tons were to be delivered to designated locations in Mali. A letter of agreement was signed between the U.S.G. and the GOG on April 25, 1985, effecting this arrangement.

Burkina Faso

Of the 5,000 tons for Burkina Faso, the fi t shipments arrived on July 12 and the last on August 3. The Ghanian white maize was officially received by the Office Nationale des Cereals (OFNACER). After receipt, however, it was immediately transported to the warehouses of PVOs where it was discharged directly from the Ghanaian trucks into the warehouses as follows:

Amount	PVO
1,000 m.t.	Red Cross (Croix Rouge)
3,015 m.t.	Baptist Mission
984 m.t.	Essor Familial

The grain was to be used by the PVOs to feed needy families in areas where they had established programs, and generally only nominal fees were charged to help defray transport costs within the country.

Transportation of the grain to Ouagadougou was handled by the Ghanaian Food Distribution Corporation (GFDC), the Ghanaian agent for the trilateral, through a contract directly from USAID with subcontracts from GFDC to the Ghanaian State Transport Corp. (2,000 tons) and The Progressive Transport Owners Association (3,000 tons), a group of independent Ghanaian truck owners. The GFDC handled freight forwarding within Ghana and USAID /Ouagadougou contracted with SOCOPOA in Burkina to handle freight forwarding beyond the Ghana border. A private marine surveyor was contracted by the same USAID to inspect the condition of the shipments upon arrival. Internal transport in Burkina Faso was the responsibility of the individual PVOs.

Mali

The 10,000 tons of maize shipped from Ghana to Mali was also furnished by the GFDC out of Kumasi. It was shipped to four locations in Mali--Ansongo, Bamako, Gao and Meneka, via Burkina Faso and Niger. The grain was consigned directly to World Vision Relief Organization (WVRO), a PVO, which received the grain and inspected, stored and distributed it in Mali. The first shipments went out on June 6 and the last on November 23.

The shipment of Ghanaian maize to Mali was included in the agreement between A.I.D. and the GFDC for the shipment of maize to Burkina Faso. A.I.D. also established a separate agreement with World Vision International to transport the grain to Mali. Therefore, a separate agreement was established between World Vision and the GFDC to incorporate this arrangement, and World Vision paid the GFDC a fee for handling the grain in Ghana. World Vision then contracted the shipment of grain to four points in Mali with Super Scientific Farms, Ltd. of Ghana. World Vision's direct costs, an internal transport cost between Bamako and Nioro of approximately 1,768 m.t. of grain, and freight forwarding costs through Burkina Faso and Niger were included in a separate PA/PR. The latter also included freight forwarding costs incurred by Marine Overseas Services, Inc.(MOS), which was contracted by World Vision to organize and coordinate the operation.[4]

The Southern Africa Trilaterals:

In September of 1985, USAID/Maputo recommended a trilateral transaction of 40,000 metric tons of white maize from Zimbabwe and Malawi. The amount was subsequently reduced to a request for 10,000 m.t..[5]

There were several long delays in the approval process which ultimately led, after approximately nine months, to a signed agreement (see Section IV below). On June 13, 1986 an agreement was signed between the U.S.G. and the Government of Zimbabwe (and

---

4. Some question could arise as to compliance with the terms of the PL 480 legislation and A.I.D. Regulation 11 for the transport of maize from Ghana to Mali under this arrangement. Section 211.4.c (2) requires reimbursement by Voluntary Agencies to the U.S.G. for expenses incurred at their request and for their accomodation which are in excedss of those which the U.S.G. would have otherwise incurred in making delivery (i) at the lowest combination of inland and ocean tranasportation costs to the U.S, as determined by the U.S.G. and(ii) in sizes and types of packages announced as avaialable (A.I.D. Handbook Nine).

5. Maputo 2614 and Maputo 1063.

24

FIGURE II

ZIMBABWE - TRIPARTITE - I

5 Sep 85	Maputo 2614 USAID Recommends Tripartite of 40,000mt of Corn from Zimbabwe/Malawi
21 Mar 86	State 088058 AID/W proposes FFP/W. Pearson and OMB/ Moser travel to region
2 Apr 86	Visit by Pearson/Moser
11 Apr 86	Maputo 1063 USAID Recommends Tripartite of 10,000mt of Corn
11 Apr 86	World Vision Operational Plan for 10,000mt Corn
11 Apr 86	Harare 2264 Proposed Language for Agreement
7 May 86	State 142634 AID/W Approves 7,000/3,000 Split
31 May 86	State 171219 AID/W Approves Language for Agreement
13 June 86	Agreement Signed
19 June 86	Grain Deliveries Begin to World Vision
17 Jul 86	3,028mt Delivered to WVI
6 Aug 86	4,750mt Delivered

ZIMBABWE - TRIPARTITE - II

24 Dec 86	State 397639 PL 480 Title II Emergency Approval (DCC approved wheat/maize swap - 3,372 mt wheat - 3,000 mt maize)
9 Jan 87	Harare 0134 Three options on swap for AID/W consideration.
24 Jan 87	State 022053 AID/W chooses option A and approves negotiation with GOZ.
27 Jan 87	Harare 0473 GOZ confirms its agreement re option A. USAID requests authorization to sign.
10 Feb 87	Harare 0797 USAID requests authorization to sign.
18 Feb 87	State 047351 AID/W authorizes signing of agreement.
20 Feb 87	Agreement signed in Harare.

countersigned by World Vision)[6], which provided for the delivery of 7000 tons of Zimbabwe white maize to Mozambique. These transactions came to be known locally as "Tripartite Round I". Grain deliveries from the GOZ Grain Marketing Board to World Vision began five days later.

Slightly later, on July 24, 1986, a similar agreement involving 3000 tons was signed among the U.S.G., the Government of Malawi and World Vision, reflecting a ten-month decision-making and approval process. Deliveries from ADMARC, the GOM grain marketing board, to World Vision of 90% or approximately 2,700 m.t. were supposed to begin immediately. As will be seen, deliveries of Malawi white maize under this agreement were still being made to end-users in Mozambique in February, 1987, when the study team was in the field, and in April, at the time of writing this report.

Based primarily on the successful and speedy implementation of the Zimbabwe-Mozambique portion of "Round I", (see Figure I) and the continuing emergency situation in Mozambique, the DCC approved a second U.S.G.-Zimbabwe-Mozambique trilateral December 24, 1986. Negotiations with the GOZ about the terms of the wheat/maize swap under this transaction took about two months. The agreement was signed on February 20, 1987, and delivery by the Grain Marketing Board was to begin in three days. In this case, World Vision was not included in the agreement, and the GMB was responsible for delivery to the appropriate GPRM agencies.

On September 26, 1986, a trilateral agreement between the U.S.G. and the Government of Kenya was signed, for the provision of Kenya white maize for emergency feeding programs in Sudan.

---

6. In "Round II", as will be seen, World Vision was left out. Even in Round I with the U.S.G.-GOZ agreement, it was not clear at first whether it was appropriate for a PVO to sign as an equal party to the agreement. As was the solution for the Zimbabwe agreement, in the Malawi trilateral agreement World Vision was included as a signatory on a separate line. A point raised by most posts visited was the fact that in none of these arrangements is the recipient country a signatory to the agreements. So, technically, they are not legally obliged to receive the commodities specified, and are not bound in any other way to honor the agreements. Where the PVOs have been included as intermediaries, as in the Southern Africa trilaterals in Round I, it is the PVO that makes the agreement with the recipient country. However, in Round II, this was not the case, and the agreement is still only between the U.S.G. and the GOZ, not including the GPRM. So far, this does not seem to have caused any problems. However, if the recipient country were a party to the agreement, it would be possible to include policy performance objectives, and to make more clear issues of ownership and title such as those that are raised at the end of the West African case study narrative in Annex C.

21

Although this trilateral is not included as a case study here, it has had an impact on the approval of a subsequent trilateral involving Kenya and Mozambique whose background decision-making process is discussed in what follows.

By February, 1987, there was considerable discussion and cable traffic concerning a further trilateral transaction among the U.S.G.,Zimbabwe, and Mozambique. However, there was an equal amount of discussion about whether or not Kenya could beat Zimbabwe's maize prices, and also decrease the delivery time to affected areas in Mozambique--and attendant transport costs--by sending its maize by ship down the coast from Mombasa. These discussions were taking place during the team's visit to the field, and in fact, REDSO/ESA requested that the team visit Nairobi to get the details on the Kenya case for cheaper and more prompt delivery.

Shortly after the team returned to Washington in March, the DCC approved a 22,000 metric ton trilateral transaction to provide white maize for emergency feeding in Mozambique. Despite the case that Zimbabwe had made regarding its ability to provide all or part of this maize, the decision was to use Kenya as the "exporting" country. USAID/Nairobi and REDSO/ESA had argued successfully in cable traffic that Kenya white maize could be procured more cheaply in a barter arrangement than could Zimbabwe white maize. They also posited that this Kenya maize could possibly be transported more efficiently by sea from Mombasa to Mozambiqan ports, and that this would be cheaper and faster than transporting Zimbabwe maize overland.

It is only fair to note that this possibility was discussed during an earlier visit of high-level A.I.D. officials to Kenya and that the DCC approval took place in close proximity to a visit to the U.S. by Kenya's President. Further, at the time this decision was made, relations between the U.S. and Zimbabwe were still poor, and the bilateral A.I.D. program there had still not been restored. There was also a desire on the part of USDA to establish an export market for wheat in Kenya.

With the exception of the problems experienced with delivery of Malawi maize on schedule, which will be discussed in further detail below, these trilaterals have been relatively simple to implement, once approval has been given by the DCC and agreements have been signed with the respective exporting countries

III. THE PRO'S AND CON'S OF U.S.G. EXPERIENCES WITH TRILATERALS

In this section, we will discuss specific issues of timeliness and cost, giving our findings both pro and con; our assumptions about the developmental impact of these four trilaterals on the exporting and receiving countries, including domestic policy and external policy and trade considerations, suitability of commodities provided in terms of nutritional status and taste preferences of beneficiaries in the recipient countries, and impact on investment in infrastructure in the respective regions. These rubrics essentially cover the "pro's" of such trilateral arrangements.

Next, we will discuss the "con's" as they may been determined from these same four cases. Here, what will be covered are the market development interests of the U.S.G., the potential inhibition of normal patterns of intra-regional trade, the matter of loss of U.S. "identity" of the food provided to beneficiaries, and finally, the matter of complexity and burdensomeness of negotiations and approvals of trilateral transactions. These issues were identified in the scope of work for the study, and most of them turned out to be relevant as the study research was being carried out.

Background:

It was difficult for the team to obtain reliable composite data about how long it takes to get U.S. relief food to the ultimate beneficiaries under normal bilateral arrangements either in emergency or non-emergency Title II situations. As is discussed in Annex B, this is in part a result of different agencies of the U.S.G. collecting and storing different data sets. Additionally, what might seem fairly recent data--from FY 1985 for example--are downloaded from the system in A.I.D.. Those responsible in the U.S.G. believe that food originating in U.S.G.-owned surplus stocks, and shipped from Gulf ports on American vessels, can reach ports of entry of countries with hungry populations in about three months from the time the request is approved. Sometimes, in severe emergencies, vessels loaded with food destined for other countries are diverted at sea to ensure quicker delivery to those most in need. Certainly, many dedicated and hard-working people are involved in emergency food distribution, both in the U.S.G., in U.S. and European PVOs, and in indigenous PVOs and recipient country governments. Still, for many reasons, it cannot be guaranteed that a particular amount of food will reach a particular group of needy people in a given country within the amount of time desired or originally estimated. Many of those interviewed indicated that if all food aid requested actually arrived on schedule, the local system would be incapable of handling it.7

It should also be stated that U.S. humanitarian assistance, and the willingness of the American public to contribute for such assistance--through government and private sector initiatives--is quite well known. As noted in a recent AID-funded evaluation of African emergency food assistance,

> "In an extraordinary effort, the United States through public and private initiative shipped over three million tons of food, matched by another three million tons provided by the rest of the world [during the 1984-85 African drought]. This immense response saved millions of lives and reduced the suffering of millions more. Despite the heroic effort, however, many died and hundreds of thousands suffered severely" (Wood, Barron, Brown, et al, 1986).

In support of this effort, many American interest groups--including farmer-based organizations and private voluntary organizations--were very active in lobbying the Congress for more and quicker commitments of emergency food assistance for Africa. These same groups are active each year in insuring that the PL 480 legislation continues to be backed up by suitable appropriations, including for Title II.

The "Pro's":

Timeliness of the Four Case Study Trilaterals:

How, then, do these four trilateral arrangements rate in terms of some generally acceptable norms for timeliness of emergency food aid programs? Here, we must take as the baseline the date on which the DCC approved the transaction, since this can be identified readily for bilateral as well as trilateral arrangements. For the two trilaterals involving Ghana, it is easier to determine relative cost than relative timeliness (see Annex D). For the bilateral program with Mali the previous year under Title II, Section 206, there does not seem to be a radical difference (see Newberg, Morton and Harmon, 1985). Here, the approval procedure is somewhat different, and took about two years, since and PID and PP had to be developed and approved. The Program Approval Date for the transaction was June 15, 1984, the TA was signed in July, 1984. Deliveries in year II were loaded in September in the Gulf and began to be received at the

---

7 Recently, better methodologies have been developed for assessing food needs, and scheduling emergency aid to meet them. Some of this work has been funded by A.I.D. and carried out by Laura Tuck under a Food Needs Assessment Project.

port of Abidjan in October.[8]

For Southern Africa, the bilateral comparison for a "normal" Title II program is that for Mozambique implemented by World Vision during the same time period as the trilateral. Here, we were able to obtain from World Vision comparative cost estimates, but did not discuss time comparisons in great detail. The World Vision staff interviewed indicated that in both instances, their perception was that delays occurred first at the Washington level, in the approval process for both transactions. They also discussed problems with the bilateral in terms of the appropriateness of the commodities included--yellow maize is included, along with beans and oil--and the appropriateness of the volumes and types of containers used. WVRO's contention, which seems to be borne out by the team's research, is that the developmental impact of the bilateral could be enhanced considerably if, for example, oil were shipped in larger drums, and then repacked in smaller drums made in Southern Africa, even perhaps in Zimbabwe. [9]

World Vision argued, as has been noted elsewhere, that while the trilateral with Zimbabwe had gone very fast and expeditiously, they were now having more and more difficulty getting approvals for the various steps in the process of implementing a number of other trilaterals for other donor countries. Thus, they suspected that subsequent trilateral arrangements negotiated by the U.S. with the GMB would experience delays as well, as more and more demands were placed on limited infrastructure. It was asserted during our visit in February that all freight space on the railroad was now booked up through July.

As has been seen, the trilateral involving Malawi was much slower when it reached the implementation stage. At the time of this study, all the maize had finally been received by World Vision, although deliveries in Mozambique were probably still being made.

---

8. One of the members of this study team was present at a donor committee meeting with the GRM where the issue of port congestion and rail and truck constraints for moving food relief commodities to Mali was discussed in some detail in 1985. In connection with the 206 commodities, the USAID/Bamako Agriculture Officer came to Washington on TDY at least once in connection with trying to speed up the delivery of these U.S. commodities. AID/M/SER/OP/TRANS indicated that the FY1985 data base had been down loaded so there data were not vadily available for FY1985, year I of the 206 program.

9. Their supposition was that it would not be any more expensive to ship the oil in bulk from the U.S. to Beira, then ship it in bulk by rail through the Beira Corridor to a point in Zimbabwe where it would be repacked in locally made, smaller containers, and then shipped to Mozambique, than it was to ship it in five gallon drums from the Gulf as is presently the case.

The extenuating circumstances accounting for this will be discussed further in Section V.

In summary, two of these trilaterals--the U.S.G.-Ghana-Mali, and the U.S.G.-Malawi-Mozambique transactions--deliveries were slow and took a number of months despite the relative proximity of the source of supply in the exporting country. On the other hand, the U.S.G.-Ghana-Burkina Faso trilateral deliveries were completed in four months, and those for the U.S.G.-Zimbabwe-Mozambique transaction were completed within two and a half months, which seems to at least equal the fastest estimates for bilateral programs, where the commodities come ex-Gulf and on U.S. bottoms.

Cost:

Cost-effectiveness of all four trilaterals studied is analyzed in detail in Annex D. Here, we must admit that the West African trilaterals, especially that with Mali, appear to have cost more to the U.S.G. than would have been the case for equivalent tonnage of bilaterally transacted food aid. For Burkina Faso, it is not so clear that the trilateral cost more either absolutely, or from the U.S.G. perspective. With benefit of hindsight, as is discussed below, fewer "facilitating" organizations involved in the transaction might have reduced the cost considerably, at least in the Mali case.

For the Southern African trilaterals, there may have been some cost savings to the U.S.G. Zimbabwe, interested in surplus reduction and especially in obtaining U.S. wheat without having to expend scarce foreign exchange, agreed to pay the costs of ocean freight ex-Gulf for the wheat, and were able to arrange shipping that was cheaper than it would have been to the U.S.G. given cargo preference considerations.

For comparison purposes, it should be noted that under the PL 480 Title II program implemented by World Vision in FY 1985, 13,000 m.t. was received from the U.S.G. for distributions in Mozambique. In cooperation with the DPCCN (Department for the Prevention of Natural Calamities) and the Mozambique Red Cross as sub-cooperating sponsors, WVI distributed these commodities to drought/insurgency affected recipients in Tete and Manica Provinces in Western Mozambique, and some in Gaza. Before the trilaterals were arranged, the FY 1986 program consisted of 9,000 m.t. of maize, 2160 m.t. of vegetable oil and 11800 m.t. of pinto beans. Distribution was again primarily in Tete and Manica, although again, some was distributed in Gaza. (Up to 30% of these commodities could be commercialized.) Some 3,000 tons of maize were diverted to Zambesia Province.

When the trilaterals were approved, WVI amended its operational plan to account for the additional maize as follows:

> "The 10,000 [sic] metric tons of Zimbabwe white maize to be provided under this supplemental emergency request will not

> replace shipment of already-approved Title II commodities. This new approval will permit an acceleration of shipments into western Mozambique, and an expansion of the WVI program into Zambesia and Sofala Provinces that have recently been affected by increased insurgent activity. Call forwards of vegetable oil and pinto beans will proceed as originally planned. Call forwards of US yellow maize will be diverted to Quelimane as required to meet emergency requirements in Zambesia. After this 10,000 metric tons has been utilized (by July, 1986) the additional remaining amounts will be called forward to continue operations in Tete and Manica throughout the remainder of the year" (WVI, Revised Operational Plan for FY 1986).

Five thousand m.t. was to be delivered in Beira, while 2,000 and 3,000 respectively were to be delivered to Manica and Tete. When Malawi became part of the arrangement, the delivery points changed somewhat, as is discussed in the cost-effectiveness analysis.

The conclusion that can be reached regarding a comparison of the FY 1986 bilateral and the additional trilaterals implemented by WVI as to cost is that, holding WVI's costs constant, the differences are the following for the inland freight costs:

	Bilateral	Trilateral
Ocean Freight		
Inland Freight	89.13a	100.70b
Other	12.00	
Total	101.13	

Note: Other bilateral includes handling, etc. to end user. Zimbabwe combined their trilateral grain with Section 416 and organized their own shipment. The ocean freight value the U.S.G. would otherwise have paid was taken in wheat.

---

a/ From WVI S.A. ports to point of entry Mozambique
b/ Calculated cost of maize from Zimbabwe and wheat to Zimbabwe

Generally, other costs would be approximately the same unless the value of wheat was greatly different than the value of maize. In such a case, large differences in total ocean freight and total inland freight costs would be noticed.

Developmental Considerations--Domestic Policy and Trade Implications:

Impact on Policy Reform in the Exporting Country

One of the points in favor of trilaterals argued by AID in its on-going dialogue on the subject with the USDA, is the positive impact of such arrangements on policy reform in the exporting developing country. A draft Action Memo to the Assistant Administrator for Africa providing the justification for the Southern Africa trilaterals, noted that such arrangements could reinforce and reward agricultural policy reform initiatives in Zimbabwe and in Malawi that had been encouraged by other AID programs.

Whose policy reform and policy dialogue achievements were most appropriate for reinforcement was an issue raised both in USAID/Zimbabwe and USAID/Kenya when both were competing for a possible Round III trilateral. USAID/Kinshasa raised policy concerns during the pre-Round I exchange of cables, arguing that the vaunted incentive prices for producers in Zimbabwe mentioned in the introductory cable by the FPPO were really inappropriate price subsidies.

The memo mentioned elsewhere outlining the advantages of using U.S.-owned cedis in the Ghana trilateral transactions does make points about reinforcing policy reform objectives as well as solving U.S.G.excess currency and Ghanaian debt payment problems. However, in the written documentation, it is interesting how few of the many pages we were provided from cable traffic and memoranda address policy implications of trilateral arrangements. Yet, trilaterals in themselves may, as we have seen, support existing policy reforms, as well as helping to generate new ones.

In fact, given the eagerness of surplus producing countries to enter into trilateral arrangements, it is plausible to assume that at least in some instances, the sorts of Self-Help Measures (SHM's) required in Title I/III agreements could be included at least as side-letters to trilateral letters of agreement. With AID's continuing emphasis on policy reform in Africa, and the new orientation toward integrating food aid more fully into development program planning, this would seem an attractive possibility. Thus, policy progress would continue to be reinforced through trilateral arrangements, while additional policy strides could be encouraged at the same time. All of this assumes, however, an effective, on-going policy dialogue process, and may not be appropriate for the ideally short timeframes of Title II emergency situations.

There is now a general consensus that the most critical elements in developing commercial export markets for U.S. commodities in developing countries is rapid economic development and rising per capita incomes. In this context the question that arises with respect to trilaterals is whether fostering intra-regional trade and developing regional infrastructure for commercial transactions is in the long run interest of the U.S. In the Eastern and Southern Africa context, there is the question of whether, if Zimbabwe and Kenya could develop viable regional commercial markets for the products, they have a comparative advantage in producing e.g., maize, they would become commercial importers of for example wheat.

In the Zimbabwe case, it is clear that wheat consumption is constrained to an unknown degree by a system which rations wheat to commercial millers and bakers. This pent up demand will clearly expand as incomes rise and urbanization occurs. It is also clear that expanding domestic wheat production is expensive because current production is constrained by irrigation development. There is at least a plausible case to be made for the U.S. encouraging white maize exports as an engine of growth particularly in the commercial areas where maize can be grown efficiently. While it is difficult at this point to marshal hard empirical evidence in this regard, development theory supports this notion. If regional markets develop for some products, there is a real likelihood that more trading patterns could develop.

In many respects the analysis of a trilateral food aid transaction is similar to that of bilateral transaction in terms of trade impacts. There are however, some differences regarding market development impacts. The appropriate questions are the following:

1. What impact would/does the transaction have on world prices and prices in the recipient country?

2. Is the commodity movement in addition to trade or does it partially or completely replace a potential commercial transaction?

3. Does it have the potential to increase U.S. market share even if total trade is not increased? This is a competitiveness question.

4. Does it compete for transportation and handling facilities that could be used for commercial transactions?

5. What are the competitive dimensions of the transaction in terms of other exporters?

6. Does it contribute to reducing U.S. stocks?

7. Does it have the potential of developing long-term commercial markets for U.S. commodities?

8. Does it contribute to U.S. humanitarian and overseas development (aid) objectives?

These questions are general with respect to food aid - bilateral or trilateral. There are, however, additional considerations in a trilateral. Given that a trilateral involves both surplus and deficit countries the following additional dimensions need to be addressed.

9. Is the market development potential greater (or less) in the target (recipient) countries or the intermediary (adjacent) country?

10. If both countries are in the same region, does the transaction have regional developmental and/or market implications?

11. Does reducing surpluses in the developing country (as well as the U.S.) make a positive development impact?

12. What are the implications of the potential loss of product identity in the recipient country?

The impact of food aid transactions on world prices is a function of (a) the size of the transactions relative to commercial trade; (b) the degree of market separation between commercial and concessional markets and impact of stock overhangs on world prices. Food aid in general and trilaterals in particular have not, in recent years, been sufficiently large to impact significantly on world prices. The fact that trilaterals to date are very small relative to total food aid allows the conclusion that trilaterals at current magnitudes do not reduce world prices. The critical question for market separation is whether constraints such as availability of foreign exchange would otherwise limit or prevent a commercial purchase by the recipient. This is also the central question in the additionality debate. Accumulated evidence, mainly anecdotal, on food aid in general suggests that food aid is somewhat (10-30%) additional but does replace to some extent commercial transactions. Even poor countries with severe constraints assign very high priority to food supplies. The major difference in a trilateral is the question whether the intermediary country would otherwise have dumped its surpluses on world markets. The offsetting question is whether that country would have commercially purchased the U.S. product in the absence of the trilateral. In the case studies under consideration, the magnitudes are so small that either eventuality would have had negligible impacts.

The question of domestic price impacts in both countries is a function of domestic policies and would be the same for both bilaterals and trilaterals. In sum, issues of price impacts and additionality are sufficiently similar in both cases so as not to allow differentiation between bilaterals and trilaterals.

Questions 3 and 5 are best answered together. Food aid has the potential advantages that it essentially ties the recipient country to the donor source. In this sense it should improve the U.S. share of total world trade to the extent that the transaction has some additionality. If there is not additionality i.e., the country e.g., Zimbabwe, would have bought wheat anyway, the U.S. still could gain share to the extent that the country would have bought from other importers instead of the U.S. This, however, is a tricky argument because we have no way of knowing what the total volume of imports would have been. This question has troubled all analysis of bilateral food aid. Given the participation of other exporters in trilateral transactions, particularly Canada and Australia, to some extent the U.S. needs to be active to keep a competitive position in potentially emerging wheat markets in Eastern and Southern Africa. In other words, if there is to be the possibility of longer-term market development, U.S. participation in trilaterals may have a competitive imperative aside from aid and humanitarian objectives.

(Question 4) Food aid does potentially compete with commercial transactions for space in limited transport and handling facilities in many developing countries. In this regard, trialterals may be advantageous in that regional trading patterns are likely to be distinctly different from international patterns. For example, shipments from Harare to Biera are not competitive with potential commercial shipments to Maputo or into Zimbabwe via South African ports. How severe transport constraints are would vary from country to country but certainly here trilaterals could have an advantage.

The question of whether trilaterals reduce U.S. stocks is the same as for bilaterals. It depends on the [additionality] of the transactions; given foreign exchange limits in both Zimbabwe and Ghana it is likely that the trilaterals studied did contribute to the reduction of U.S. wheat stocks. Conversely, of course, direct food aid shipments of yellow maize to Mozambique, Mali and Burkina Faso would have reduced corn stocks. Thus the stock question must seek the relative burden of stocks of one commodity versus another.

In summary, the trade impacts of bilaterals versus trilaterals likely, on balance, even out. To date, trilaterals are sufficiently small as to have limited price and world trade volume impacts. If the aggregate volume of food aid remains reasonably stable, shifting volumes from bilaterals to trilaterals should have limited global and U.S. market share impacts.

Market Development Impacts (Questions 7, 9, 12)

One dominant objective of U.S. policy under PL 480 is long-term market development. There is considerable qualitative (and anecdotal) evidence that persistent food aid shipments in the early stages of development develop trading patterns and national tastes for the donor product. Japan, South Korea and Taiwan are often and appropriately cited as evidence. There is also similar preliminary evidence developing in Africa for rice and wheat. Thus, concerns about the potential of trilateral food aid for longer-term market development is well taken. In many of our discussions this issue was raised.

In the Southern Africa case, the question directly put is, **is the potential for commercial wheat exports eventually developing greater in Zimbabwe and Kenya than one for yellow maize in, say,** Mozambique? Informed opinion, plus analysis of income growth and urbanization patterns clearly suggest that it is. Further, shipping a non-preferred product to a country is very unlikely to develop long-term markets. In this general sense, the U.S. seems better off to trade wheat for maize in Zimbabwe than to ship U.S. corn to Mozambique. In addition, meeting more effectively a country's direct and preferred food needs, even if indirectly, seems better. Thus, on market development and aid grounds the trilateral seems to have an advantage <u>if</u> the recipients' food preferences are not for available U.S. commodities.

This argument, however, probably holds less force in Mali and Burkina Faso where the barter commodity (white maize) was not the preferred commodity. If red sorghum is the dietary preference for the semi-arid area, then that transaction more likely would have to be justified on efficiency (timeliness) and cost-effectiveness grounds. However, the development of a long-term commercial market for rice in Ghana and other West African countries would still be a consideration. Given increasing rice deficits in West Africa, this is an important consideration.

In sum, the market potential of trilaterals versus bilaterals really depends on a careful analysis of long-term demand potential in the intermediary country for U.S. products versus the potential in the target or recipient country. In the East, and Southern Africa case, the potential for a commercial wheat market seems clearly larger than for yellow maize. The same is likely in West Africa for both rice and wheat.

Nutritional Appropriateness and Taste Preference:

One of the positive characteristics of trilaterals most frequently stressed by those who support the development impact potential of such arrangements is that they facilitate provision of locally appropriate commodities to food aid recipients. There have been a number of stories in the past of famine-stricken people in various regions of the world who refused to eat donated food because they didn't know what it was, didn't know how to prepare it, and/or because it was spoiled by the time it reached them. Alternatively, it has been asserted in some instances that the reason it is better nutritionally to provide cash for work than food for work is that recipients will sell the food wage in the market if it is an unfamiliar commodity in order to obtain foods that they find more palatable and/or that they will spend the proceeds on foods that are more nutritionally appropriate in terms of the rest of their diet (see AID Impact Evaluation No. 8 and LeFrank, 1986).

Perhaps fortunately, the extent to which people who are starving will avoid unfamiliar foods has not been formally quantified. Still, there seems to be a certain amount of anecdotal information to this effect. In any event, it seems fairly clear that a food which people are used to, and know how to prepare with the means at their disposal is likely to be appreciated--and eaten--more than one that does not have these characteristics.

In the Southern African trilaterals, the case that white maize, the kind preferred by people in Mozambique and elsewhere in the region, was an appropriate commodity for food relief from a dietary and preference point of view is fairly clear. On the other hand, GPRM officials and PVO staff indicated that it was undoubtedly true that people would eat yellow maize if they had to, and as we have seen, the U.S. was providing yellow maize for feeding in Mozambique under the regular bilateral program implemented by World Vision. Still, in this region, the taste preference is clear and widespread.

In Burkina Faso and Mali, however, the situation is somewhat less clear-cut. In some of the regions of Mali to which Ghanaian white maize was shipped under the trilateral, millet is the generally preferred food. Millet is also a more frequently produced cereal in Burkina Faso as well. Still, white maize is eaten in both countries, particularly in the south of both countries (white maize can be found in markets in the north, but it is not common), whereas rice is a food more characteristic of urban tastes. Yellow maize, in any event, is not generally available or eaten anywhere in either country.

To some degree, despite the nutritional arguments, and the realities of taste preference, the type of commodity provided is more a political question than anything else. As we noted in the background section, there are many American farmers who feel positively about their surpluses reaching hungry people in disadvantaged countries, but who are not so positively inclined to providing the produce of other countries and other farmers. Similarly, there is a point of view that says that if the people are really in need, they should take whatever is offered, like it or not. Subsidiary to these political questions, or perhaps underlying them all the while, are the questions of market development that have been addressed above. But it seems fairly clear that even if people will eat U.S. yellow maize when they are starving, they will drop it as soon as they have an alternative. Thus, unlike the evidence for U.S. wheat, practice encouraged by PL 480 and other import sources does not seem to have much potential to encourage a lasting change in taste preference to yellow maize. The lesson, therefore, seems to be to develop markets for wheat instead, and for yellow maize where it can be imported for animal feed.

Infrastructure Development:

A theme often stressed by those who support regional development in AID, and the SADCC initiative in particular, is that of infrastructure development within the region. At a recent conference on Southern Africa, a number of papers addressed this issue, from several points of view. During our field visits, we raised this question in each country, but it was regarded as most significant only in the cases of Zimbabwe and Mozambique, in terms of the impact of the Republic of South Africa--and Renamo (MNR) insurgents--on the ability of Zimbabwe to export its surpluses, and of Mozambique to receive and distribute them. Zimbabwe commercial farmers also discussed with us the problem of limitations to irrigated wheat production, and matters of irrigation in general.

The impact of the Republic of South Africa on agricultural trade in the region is discussed in some detail in a recent paper by Michael Lipton. In the end, Lipton argues for greater resource allocation to agricultural research in the SADCC region, rather than to attempts to circumvent the virtual South African monopoly on transportation infrastructure in the region. 10 Certainly, it is beyond the means of the Front Line States at the present time

---

10. See Lipton, September 1986 and H.H. Patel, 1985 for a discussion of the influence of South Africa on Zimbabwe's foreign policy, and Patel 1986 for a discussion of the Republic's influence in the region.

to duplicate the infrastructure controlled by the Republic. They are presently spending--especially the GOZ--quite high amounts of their limited budgetary resources to protect the Beira Corridor, and contribute to the Corridor project.

In terms of the trilateral transactions discussed, South African decision-makers had the ability to decide to divert ships bringing the U.S. wheat for Zimbabwe or Malawi from Durban, the intended port of entry in both transactions, to Port Elizabeth or some even more distant port, either on the basis of real congestion issues or simply as a nuisance to the intended recipients. It was felt by representatives of the Zimbabwe GMB that this might pose problems for the profitability of further trilaterals.

The discussions regarding irrigation development in Zimbabwe to enable increased production of irrigated winter wheat tended to center around the cost of such infrastructure development, and the resultant increased costs of production, as well as issues of equity as between white commercial farmers and communal farmers (Blacks). A new loan program had, in fact, recently been initiated by the government to enable communal farmers to develop small scale irrigation for wheat production, but loans were apparently not being taken up with too much enthusiasm. A further issue was the ultimate limits to irrigation development in Zimbabwe, regardless of cost.

Generally, even the representatives of the Commercial Farmers' Union indicated that they realized that there were definite limits to the development of irrigation in the country--they are quite concerned with conservation in general--and also know that irrigating wheat is not cost-effective given world prices. Still, they are not keen about an import policy that would favor importing cheaper wheat and thus encouraging diversification of irrigated production. There is a remnant of the "bunker mentality" that arose during the UDI (Unilateral Declaration of Independence) period, and in part relates to contemporary worries about South Africa's control of the long-distance transport infrastructure.

Somewhat ironically, given the present problems with Renamo, Mozambique is the SADCC country charged with infrastructure planning for the region. In this context, it benefits from the services of some expatriate technical assistance (TA) from the U.N. as well as from A.I.D.. To the extent that emergency conditions continue, and the many donors providing food aid to Mozambique become increasingly frustrated by limited transport and storage capacity, they may become more inventive and more supportive of funding to resolve these problems in Mozambique itself and in the region.

Meanwhile, the EEC has designed a regional food security project which is estimated to require $200,000,000 in donor contributions. EEC is guaranteeing the costs of the first year or two, including setting up an office in Harare and costs of technical assistance. This project, if fully funded, will have significant impact on storage infrastructure, and might have a spin-off effect on transport. To the extent that Zimbabwe surpluses keep going to feed Mozambique--and are also exported commercially--this project, and the trilaterals themselves, may be seen as providing further impetus for such regional projects. These kinds of price-tags, however, are certainly inhibiting.

In Francophone West Africa, there have already been a number efforts to initiate regional trade incentives, including under ECOWAS, the West African Economic Community. There are tariff agreements, and other incentives already in place, and the CFA zone also facilitates intra-regional trade. However, there are also government-regulated price differentials for freight rates that have, as may be seen in Annex C, deleterious effects on the abilities of some of the countries, such as Mali, to get fast service for delivery of their imports from coastal ports.

While one of the sectors under the original Club-CILSS agenda was improvement of regional transport infrastructure, donors have not been able, on the whole, to come up with funds in the magnitudes required. Improvement of roads under the A.I.D. Sahel appropriations was a "bete noire" for several years, although such improvements were at the top of the list of each host country. It was felt that infrastructure investments were inappropriate under the A.I.D. policies then in place. Rural roads for farm to market purposes are the exceptions. The Pericou-Niger border road in Benin is another.

In summary, the idea that trilaterals tend to encourage infrastructure development that will, in turn, facilitate intra-regional trade seems to be neither confirmed nor disconfirmed by the evidence from these four cases. The problems encountered in the delivery of trilateral maize from Zimbabwe to Mozambique are endemic to the present situation in the latter country, and cannot be resolved by increased frequency of trade along those routes. Donors in Mozambique are, however, experimenting with various means of delivering relief food to shallow ports between Beira and Maputo, so as to minimize problems caused by the MNR insurgents. According to those with whom we met, these experiments were not very successful, and were extremely expensive, however. In West Africa, the problems of the policies of the land-locked Sahelian states in terms of port congestion, rail rates and competition for rail and truck capacity are unlikely to be resolved by additional use of already-strained infrastructure either, since funds and--in some instances--the political will are lacking to alter the present situation.

There is some evidence from the West African trilateral cases that the recipient countries might, in fact, have done better to receive U.S. commodities shipped from the Gulf and trucked over more normal routes, e.g., from Lome. Yet, as the case study points out, among the advantages to the economy of Ghana was that the national truck fleet of Ghana was greatly improved. High rates paid to contracted truckers in CFA france allowed them to purchase spare parts, new tires, as well as fuel for which little foreign exchange would have been available without the transactions.

The "Con's":

Lost U.S. Export Opportunities

All of the cases included in this study have similar basic characteristics. The target country (e.g., Mozambique, Mali, Burkina Faso,) had an acute food shortage of a preferred staple food commodity but lacked the foreign exchange to purchase necessary quantities on world markets. In the case of Sudan, there was not an acute food shortage in the country as a whole; rather, there is a problem in the South because of civil strife. The U.S. decided, for various humanitarian reasons, that food aid to the target country was appropriate but it did not have (surplus) stocks of the preferred commodity available for immediate shipment.

An adjacent or close-by developing country has stocks of the preferred commodity but cannot afford to give the surplus away and will not accept its neighbor's local currency for commercial purchases.[11] This adjacent country also has the need for a commodity the U.S. has available. To meet the target countries' food aid need the U.S. has at least three options: (1) ship a non-preferred commodity directly to the target country; (2) purchase for cash the preferred commodity from the adjacent country and ship it to the target country; or (3) trade (barter) a U.S. commodity to the adjacent country and have that country or a PVO ship the preferred commodity to the target country.

There are both immediate (and specific) issues of efficiency and cost-effectiveness of these alternatives and broader trade, market development and economic development issues involved. Several of the efficiency (speed) and cost-effectiveness issues are dealt with elsewhere in the report. However, some additional ones are commented on here. Then the remainder of the section deals with broader trade and the U.S. really only considers options 1 and 3. Therefore, it is really a comparison of bilateral versus trilateral food aid. But it is noted that other

---

[11] Zimbabwe has given surplus maize to Mozambique and to Ethiopia. All of the countries in the SADCC region are probably willing to contribute surplus grain to a grain storage activity for regional food security as and when they have surpluses. It does not seem, from the evidence provided by these case studies, that trilaterals in which the U.S.G. swaps surplus cereals for surplus cereals of a developing country act as a disincentive to self-reliance of individual countries or regional entities.

donors use option 2 extensively (see Section II). This factor is recognized in the subsequent discussion of trade competitiveness issues.

Immediate Issues

The immediate issues are: (1) the effectiveness, in terms of development assistance (aid) and diplomatic advantage, of shipping the non-preferred (U.S.) commodity versus a preferred commodity (adjacent country); (2) the speed (efficiency) with which the needed food can be delivered; and (3) the cost effectiveness of each option. The issue of the delivery of a non-preferred commodity has two parts - first, how will target country react to a less-desired food product and second, whether a non-preferred commodity shipment has any significant potential for long-term market development. This first part is better answered in aid and diplomatic terms reflecting field and program judgments which are beyond the scope of this study. The second part is addressed below and in Annex E where the general issue of market development potential is discussed in more detail.

The issue of efficiency (speed) is addressed elsewhere in this report. The general conclusion is that there may be a limited speed advantage to trilaterals once the terms of the agreement are negotiated. There is little to suggest they necessarily take longer. The issue of cost-effectiveness hinges on two critical factors. The first is relative transport and handling costs. This is addressed in Section III. The second factor is the price paid by the U.S. for the preferred commodity. The price could either be cash or a barter swap of a U.S. commodity. This point deserves a fuller discussion as it is critical to the relative costs of bilateral versus trilateral transactions.

The cost of a bilateral transaction is the U.S. price of the commodity plus transport and handling costs. The cost of a trilateral involves these at but also must include the relative price of the U.S. versus the adjacent countries' commodity. An unfavorable terms of trade significantly increases U.S. costs and involves an implicit aid transfer to the intermediary country. This issue is best illustrated in the Southern Africa cases involving Zimbabwe. In Round I transactions, it appears that the beginning point was to value U.S. wheat at FOB gulf (U.S. price) prices and to use internal Zimbabwe support prices for white maize. As world and U.S. prices have fallen, the wheat cost of maize has risen or stated alternatively, the price of U.S. wheat relative to Zimbabwe maize has fallen such that in the most recent transaction unit prices for a ton of wheat are less that for maize, a price ratio at variance with world and U.S. prices. In Round II transactions the terms of trade were further distorted by giving an implicit subsidy to Zimbabwe in terms of inflated maize prices to compensate Zimbabwe for transporting the maize to Mozambique.

In evaluating the "appropriate" terms of trade, several critical questions arise if internal Zimbabwe prices are above world (U.S.) prices. The first is - **what are the appropriate commodity prices to use--world prices for both, internal (Zimbabwe) prices for both or some alternative negotiated set of prices?** From the U.S. point of view, world prices for both would be most appropriate because then the cost-effectiveness question could be directly addressed by comparing transport and handling costs of bilateral versus trilateral cases.

However, bartering at world prices when Zimbabwe has higher internal prices means that the grain marketing board suffers a financial loss on the maize transaction which could reduce or eliminate the willingness of Zimbabwe to participate. On the other hand, valuing both at internal Zimbabwe prices means that Zimbabwe is paying a premium for U.S. wheat over what it could acquire it for at world prices if it had the foreign exchange. Also, valuing at internal prices would reduce U.S. wheat shipments for a given quantity of maize.

Thus, there are clear disadvantages to Zimbabwe of using either world or internal prices for both commodities. It has therefore appeared to be necessary to reduce relative wheat prices to induce participation. (This appears to have happened in all cases in Africa except the pending U.S.-Kenya-Mozambique swap where Kenya seemed willing at first to accept lower maize prices to move burdensome surpluses). As the price ratio of wheat versus maize falls relative to world (or U.S.) prices, these transactions involve an implicit aid transfer to Zimbabwe (or Malawi or Ghana). This consideration should be factored in to any cost-benefit analysis of bilateral versus trilateral shipments if comparably based relative commodity prices are not used. The same issue would arise if option 2 (purchases) were used. It is the judgment of this study that negotiations of barter terms of trade have been location and time specific. It is difficult to determine if considerations of implicit aid transfers to Zimbabwe were taken into account. In future transactions, they clearly should be.

Loss of U.S. "Identity" of Food Aid Commodities:

During our visits to the field, we tried wherever appropriate to address this concern since it is common to those who are wary about the value of trilateral versus bilateral food aid arrangements. Since we did not visit "end-users" and were conducting our study substantially after the West African food had been distributed, we do not have direct evidence from the beneficiaries themselves. We do, however, have the comments of representatives of the recipient governments, as well as those of PVO representatives who distribute the food. While both sources may, then, be considered to be biased, it would also have been likely that had we visited beneficiaries and been announced as Americans, they would also have answered questions with what they thought we wanted to hear.

From the evidence we have, this seems to be a non-issue. Despite the efforts made in all cases to mark the containers of the trilaterally provided relief goods "Gift of the United States", in one language and form or another--and in letters sufficiently large to be noticeable--it seems that end-users did not necessarily distinguish the source and origin of food aid received. We have no reason to believe that bilaterally provided food aid is better marked, or that it is somehow seen as more clearly "American" by end-users. In both types of food aid transaction, end-users probably do associate the food received with the PVO that distributes it. In fact, World Vision was interested in changing the terms under which it had to mark all grain bags to be able to include "gift of World Vision", or a similar phrase. To a large extent, labeling of this kind seems to be for the benefit not of the end-users, but of the contributors "back home".

Host government officials interviewed--as well as in-country USAID staff--indicated that there was no confusion at all initiated by trilateral versus bilateral arrangements. In both Rounds of the Zimbabwe transactions, there were formal signing ceremonies and attendant press releases, and the U.S.G. probably got more favorable publicity for this effort than for a number of others--that is, credit was given both in Zimbabwe and in Mozambique. The AID Mission in Mozambique is also active in ensuring proper coverage for deliveries of U.S.-funded relief food.

In the absence of evidence to the contrary, the benefit in terms of good press for the U.S. is, then, probably increased rather than decreased by trilateral arrangements, and to the extent that the end-users know that the food they like to eat is being provided by the U.S., whereas foods less preferred may be provided by other donors, this would also amount to an added plus. The fact that the U.S.G. takes into account the regional strengthening aspirations of the SADCC states by providing aid trilaterally is also a point not missed by the concerned governments. This is an instance in which U.S. signals are probably significantly less mixed than is true in other areas of our policy in the region.

On the down side, however, is the matter of expectations raised by initial agreements to work trilaterally. One thing that was clear during our Zimbabwe visit was that the Ministry of Agriculture representatives interviewed, as well as farmers and other private sector representatives interviewed, felt that it was very odd that U.S. policy seemed to be veering away from supporting further trilaterals with Zimbabwe, whose surpluses were, meanwhile, increasing radically. From their vantage point, nothing had changed except that their surpluses were larger, they were willing to sell (trade) at world market prices rather than artificially high prices as before, and the U.S.G. had evidence that the two trilaterals already agreed to worked very well. Why, then, the change of policy, we were asked?

The representatives of both GOZ and private sector organizations were very much aware of overall U.S. policy in the region, and the reason why the bilateral A.I.D. program had not been restored. They were in close touch with both AID officials and Embassy personnel, including the Ambassador, and tried hard to make suggestions to the study team for the design of trilaterals that might contain more of interest to the U.S.G., such as a sort of combination Commodity Import Program (CIP) and food aid trilateral.

The impact of the trilaterals in West Africa on perceptions of the origins of the aid are less apparent. Given the benefits to the Government of Ghana of the trilaterals, it is clear that the GOG is likely to remember the arrangements quite positively, especially given the sort of windfall that they received in terms of the foreign exchange rates over the life of the agreements (See Annex C).

For Mali, the impact may be less clear. In Mali, the food aid donors have gotten together to deal with the GRM on a variety of policy reform issues related to liberalization of the grain market. As of 1985, the U.S. was again providing Title II bilateral aid to Mali, although it had ceased doing so for several years because of problems with GRM accounting for sales proceeds. The then-U.S. Ambassador had, however, played an active observer role in the multi-donor group even when the U.S. was not contributing, so his visibility was high to the GRM, throughout the period in question (see Newberg, Morton and Harmon, op. cit.).

During 1985, there was considerable concern on the part of the USAID Mission that the capacity of the GRM institutions responsible for food aid delivery was very low, and that there were great possibilities for corruption. Therefore, the Food for Peace Officer (FPPO) was trying to identify an international organization, such as the Red Cross, that could be brought into the action once commodities reached Mali. What impact this may have had on end-user perceptions of the source of trilaterally-provided food aid is, however, not clear. World Vision, as we have noted, was new to the country, and therefore probably had little name-recognition or identification with the U.S. as against any other country.

In Burkina Faso, the Red Cross and the Baptist Mission, as well as <u>Essor Familial</u>, had greater longevity, and were probably well-known to beneficiaries by the time the trilaterally provided food was distributed. Certainly, the Burkina Government was aware of the source of the grain, and the relative responsiveness to the emergency situation of the United States given already-strained U.S.-Burkina Faso relations due to U.N. votes against U.S. positions. This would have applied to bilateral as well as trilateral donations, however, so once again, it seems unlikely that the trilateral nature of the arrangement had any negative

47

effect on the "identity" of the U.S.G. as donor.

In the market development and aid sense, the question of commodity identity is repeatedly raised. It is often argued that in a trilateral transaction, the final recipients e.g., Mozambique, are unaware that the indirect donor is the United States when it receives maize from Zimbabwe. In an attempt to offset this difficulty, shipments of maize from Zimbabwe are labelled (unfortunately in English) as gift from the People of the United State. To the extent that Mozambiquians can read and read English this may help in donor identity issues. But, even this is not going to help in product development objective because it is not U.S. maize. If the quality is good, and the product accepted it is more likely to develop a market for Zimbabwean not U.S. maize. If the product is of poor quality, it may develop negative attitudes towards U.S. products. Thus there is a product identity issue in the third or recipient country. Of course, the flip side is how well would a non-preferred product be received if shipped directly?

The identity question it seems to us is a more relevant question in the intermediary country (Zimbabwe, Kenya or Ghana). If the above analysis is correct, it is in these countries that greater potential exists anyway. Here the development of trading patterns, commercial use of U.S. products and trading interactions, seem to be potentially positive elements for market development. In sum, the more relevant concern with product identity should be in the intermediate country in most instances.

The Complexity Attributed to Trilateral Negotiations:

As we will see in more detail in the next section, in the four case examples, negotiations were neither particularly complex nor very lengthy. On the other hand, the review and approval process in Washington between the time the trilateral idea was first put forward to the time DCC approval was given, is complex and has been lengthy so far, although it seems to be speeding up with practice.

Figure IV outlines the steps that have to be taken before a Title II emergency program is approved, whether it be a trilateral or a bilateral one. These steps may, obviously, be achieved more or less rapidly, depending on a number of factors most of which are beyond the control of the field Mission(s) and host country(ies) concerned. What further steps are necessitated if the proposed arrangement is trilateral rather than bilateral? Arguably, more information must be provided to AID/W, and from AID to the other members of the DCC Subcommittee. Once in receipt of this information, AID/W and the other members of the Subcommittee will have to digest it, and determine what policy issues, if any, are raised by the addition of the third country in and of itself. If these are few or none, as was the case, essentially, in all four cases examined here, then the policy question remains the trilateral nature of the proposal itself.

We have a better data base for the review and approval process that preceded the Southern Africa trilaterals than for that which preceded those in West Africa. A memo written May 15, 1985 summarizes an on-going problem between the GOG and Overseas Private Investment Corporation in the latter's collection of notes due resulting from the sale of Firestone tire and tuber's shares in Firestone Ghana Ltd. and Ghana Rubber Estates Ltd. in 1981.

This memo explains that the GOG was obligated to pay approximately nine million cedis or $6,109,800 plus an undisclosed amount of interest on the remaining unpaid notes.

The suggestion made, given the recent signature of the trilateral agreement, was to assist both parties to be satisfied by the following mechanism:

> "If...the USG were to pay only the foreign exchange costs (of the trilateral) and the GOG pay the cedi costs of the transport, the OPIC account could be offset and credited with the equivalent of the $1.60 million in cedis which is near the equivalent of the accumulated interest and one of the outstanding notes. In the event more barter arrangements are made between our two governments, then Government of Ghana's payment of cedi costs of transport could be used to cover payment of cedi costs of transport could be used to cover additional OPIC payments. Both governments can also jointly search for other cedi uses whereby the GOG could credit the OPIC account.
>
> "This proposal would have the following advantages:
>
> --- The GOG could make an immediate demonstration of good faith in meeting its OPIC commitment.
>
> --- The foreign exchange impact on the GOG would be a net wash --- a bookkeeping transaction with neither foreign exchange inflow or outgo, but a reduction in external arrearages.
>
> --- A major reduction in the Embassy's cedi account at the U.S. Treasury would accordingly reduce USG incentives to eliminate the Currency Use Payment (CUP) provision in current and future PL 480 Title I negotiations with Ghana which will, in turn, bnefit Ghana's future foreign exchange position by permitting partial repayment of PL 480 TItle I loans in cedis rather than dollars" (U.S. Embassy/Accra).

While this memo was written after the trilateral agreement was signed, it seems clear that the excess currency issues faced by the Embassy itself had an impact on the favorable view taken of the trilateral suggestion made by AID/W by the U.S. country team in Ghana. This seems to be the sort of pre-condition to approval of a trilateral that was perhaps missing in the case of the Southern Africa trilateral(s) that were put to the DCC the following September.

In the latter case, the matter was taken up to the level of the Administrator of AID and the UnderSecretary of Agriculture, as we have mentioned above. Thus, it went substantially beyond the level of the respective representatives on the Subcommittee from the relevant agencies.

FIGURE IIA

Major steps in the Approval of Title II Emergency Aid

- A/AID may offer or instruct a Mission to offer emergency food assistance or

- Any cooperating sponsor may request food for emergency assistance to USAID and forwarded to AID/W with appropriate recommendations.

- Missions may propose emergency programs for consideration by AID/W prior to required receipt of formal host-country requests.

- Mission Director makes determination regarding ability of the cooperating sponsor to perform A.I.D. Reg. 11 record keeping and other requirements.

- Mission provides information on other-donor actions, location and nature of emergency, administrative provisions for management and control of the emergency program, on adequacy of storage facilities, and that distribution will not result in a substantial domestic production disincentives nor disrupt normal marketing..

- Where a PVO is involved, a Plan of Operation or an amended Plan of Operation and supplimental AER are required.

- PVO calls forward the commodities.

- Mission cables a program summary.

- AID/W prepares Transfer Authorization (TA) for signature by recipient government.

- USDA contracts with independent cargo surveying firm to obtain discharge report.

- Ocean freight information provided by Mission, including schedule, port, consignee.

AID/W approval may also include the Office of Foreign Disaster Assistance (OFDA) participation in the review and approval process. Emergency projects take prescedence over all other matters.

"It normally takes 90 days from date of program authorization to arrival of commodity at nearest recipient port".

Source: A.I.D. Handbook Nine, Ch.9, p.4-5.

In retrospect, it is not entirely clear why this had to be the case, at least to outsiders. The respective representatives to the Subcommittee from AID and USDA were voicing substantially conflicting points of view and were not themselves authorized to be very flexible. But there is no evidence to support the idea that in all such instances, the decision is kicked up the decision-making hierarchy in each agency.

What is also somewhat confusing in reviewing the documentation is how the issue was actually resolved in favor of approving the Southern Africa trilaterals. At one point, within A.I.D., in fact, the decision was made that to pursue the matter further with USDA would be disadvantageous. This position, seems to have been successfully countered by senior management of the FVA Bureau who felt it was important to proceed, and perhaps in part may have been based on strong lobbying from the concerned field missions.

We have no evidence of similarly high-level negotiations leading up to the approval of the West African trilaterals, although the process seems to have been equally long, slightly more than a year in both cases. It may be inferred from documentation and interviews that the fact that the U.S. Ambassador to Ghana was strongly behind the trilateral proposal was probably important. Further, the excess currency issue, which the proposed trilaterals would help to resolve, meant that Treasury, as a member of the DCC Subcommittee, was probably on board, as was OMB, where otherwise both agencies might have been opposed for the sorts of reasons outlined in Section II.

It seems strange, on the face of it, that the earlier approval was in fact somewhat easier to achieve than the later one. The hitch, however, seems to have related essentially to the Southern Africa Round I transactions; since then, approval has been more swift, if not necessarily less problematic. There have also been a number of opportunities for review of the issues involved outside the context of specific DCC approvals, including in the work of a Presidential Task Force on Hunder in Africa whose report argues fairly strongly in favor of trilaterals given certain conditions. The recommendations of the Task Force were signed by President Reagan in the form of an Executive Order, including the recommendation for greater use of trilateral transactions. The policy currently said to be lacking on the subject would thus seem to have been made. It remains to be determined how it will be operationalized.

IV. PROGRAMMING U.S.G. TRILATERAL FOOD AID

Programming issues arising from close examination of the four cases included here--as well as from more superficial assessment of subsequent arrangements and their negotiation--can be divided into three broad areas, if policy is included under "design". These would then be design, including policy questions, negotiation, implementation and monitoring, both by the relevant field posts and by AID/W. Since these are listed more or less in the order in which they arise, they will be discussed in that order here.

While we will try to be as balanced as possible, we do not have a way of measuring or weighting those aspects of each trilateral that seem most and least successful in any more than the most rudimentary terms--such as prompt delivery of the commodities, for example. Thus, in our assessment of what lessons may be learned, it is possible that we may seem to be taking a pro-trilateral position in some parts of the discussion, and an anti-trilateral one in others. Given the presentation of our views on the "pro's and con's" above, this should not be surprising, however.

Approval Trends:

Although the trilateral transactions we are examining here represent less than .121% of overall Title II food aid for 1983-86, if one includes those approved in 1986-87, the proportion seems somewhat more significant. Whether this really reflects a tendency for the DCC Food Aid Subcommittee to continue to approve such individual agreements more readily on an ad hoc basis or not, however, remains to be seen. The recent Zimbabwe Round II agreement for a swap of U.S. wheat for Zimbabwe maize to be delivered to Mozambique, and the pending one for a similar swap with Kenya together total approximately 18,250 metric tons of wheat, or nearly two-thirds as much grain equivalent as the five prior agreements combined. However, this may be merely an artifact of the continuing Mozambique emergency rather than a reflection of changing opinions on trilateral per se.

On the other hand, these approvals have been somewhat more swift, if one starts with the first request from the field, than were the first ones that we examined in more detail in our case studies. We will return to the question of approvals, the policy matters which underlie them, and the amount of time they take, at the end of this section.

Design:

The Regional Food for Peace Officer/Lusaka provided us with a summary of design and imple-mentation steps for trilateral transactions, as well as checklists for feasibility determinations on the Zimbabwe and Malawi Round I trilateral with the U.S. and Mozambique. These seem to us to be well thought out, and to summarize some of the key points to be taken into account when designing and negotiating--and seeking approval for--trilaterals.

Step One, under the heading of "Design Approval", is to "get DCC Subcommittee to approve the idea in principle, demonstrating a willingness to entertain the proposal of a trilateral". This assumes that there has been some prior assessment and/or formal analysis that has led concerned governments and USAID Missions to believe that a trilateral arrangement may be mutually beneficial to at least two countries aside from the U.S.

This assessment, in turn, is likely to have been based on assumptions about disposable surpluses in one country and complementary deficits in another country in the same region (or another region which is accessible in terms of transport), the availability of reasonable transport possibilities, some estimate of how long it would take to mobilize the two developing country governments to agree to such an arrangement, whether there is an available institution--probably a PVO--to act as facilitator and freight forwarder, and an assumption about the appropriate ratio between U.S. commodities and exporting country commodities that would be swapped under the proposed arrangement. These kinds of assumptions are spelled out and listed as items to check in the checklists presented as Figures II and III below.

In fact, when we go back to the case study narratives, we find that there were a number of policy considerations that entered into the initial calculus behind each of these trilateral transactions at the field level, including but not limited to those having to do with producer price supports, subsidies to parastatal marketing boards, excess currency implications for the U.S.G., competition among surplus-producing "friendly" countries in the region, and problems associated with monetization aside from excess currency considerations. Of these, perhaps only the matter of competition among surplus-producing countries that have good relations with the U.S.G. is unique to trilateral transactions as opposed to bilateral ones. The potential political benefits of trilaterals in terms of U.S. relationships with the exporting country seem one of the few aspects of such transactions that are rarely questioned, and whose effectiveness is also borne out by these four case studies.

Assuming, then, that these policy and practical concerns have been assessed, and the DCC Subcommittee is seen by AID/W to be at least potentially favorably inclined, what is the best way to continue with the design process? Returning to RFPPO/Lusaka's list, step two is to identify the third country or countries to participate. This may seem somewhat odd--why would one be proposing a trilateral arrangement without having identified these countries in advance? In fact, as the case studies show, there was a great deal of time spent, and communication about, which countries should participate in Round I in Southern Africa once the basic idea of a trilateral had been broached.

As we see in the case study in Annex C, quite a bit of baldly political pressure was exerted from time to time during this process to ensure that Malawi would be included. Similarly, in the more recent Kenya-Mozambique approval, cost and timeliness alone were certainly not the only criteria involved in the eventual selection of Kenya over Zimbabwe. Malawi didn't want to participate in Round II, otherwise, the competition and political trade-offs might have been even greater.

For the West African cases, the focus of political concern in country identification seems to have been more the intermediary or exporting country that was chosen--Ghana--rather than an array of possibilities. In all four cases the recipient countries seem to have been somewhat less relevant from a decision-making point of view since, by precedent, only Title II emergency food aid recipients could be chosen. Thus, in all four cases, solving the exporting countries' problems was at least as critical to the decision to organize a trilateral arrangement as was the emergency deficit situation in the ultimate recipient countries. Put somewhat more elegantly, the developmental concerns were, indeed, at least as important to these transactions as were the food aid and humanitarian concerns.

Where an intermediary is likely to be required, this is the next step (three) after country selection. The two may, obviously, be related, since not all PVOs that are experienced in Title II emergency food aid logistics are available in all countries. In fact in Southern Africa, exactly where World Vision actually had offices and staff in the region became a serious--and ultimately determinant--issue in terms of their being selected to act as intermediary the second time around. As a result, if there is a Round III, they are likely to have positioned their staff and their own resources closer to the administrative/governmental source in Mozambique than was the case last spring.

Conversely, for the West African cases, the fact that World Vision was selected in addition to other PVOs, parastatal organizations, and Marine Overseas Services (MOS), related to their presence in the exporting country, rather than, necessarily, their relationships in the recipient countries.[12] They did, however, express a willingness to start a feeding program in Mali.

---

12. At some points in our data gathering on these trilaterals, it began to appear that there were so many indigenous and expatriate organizations involved, that AID was at risk of having paid twice for all the freight forwarding, transportation and facilitation involved in the two trilaterals in question. As will be seen in the annexed narrative, it is still not certain whether some duplication of payment did not actually occur (see Annex D).

One of the most interesting areas that was not included in the study scope of work is, in fact, the whole matter of selection, actions, and payment of PVOs in these and other Title II activities. Since the use of PVOs is mandated by the minimum tonnage provisions of the PL430 legislation law, this becomes potentially as salient for trilateral as for bilateral transactions, depending on when the agreement is approved and negotiated. While it would not be appropriate to explore this set of issues here at length, we do wish to note that some basic standard of comparison should be established if the pro's and con's attributed to trilateral are as much conditioned by the behavior of PVOs as was the case in West Africa.

A subsidiary step (four) is to ensure that all amendments or updates to any relevant existing country agreements for the selected PVO(s) are taken care of, so that such agreements will allow for trilateral transactions.

The fifth step in design is to work out in detail with the third countries what they will supply, where, who will pay freight to where, of the surplus commodity to be exported and swapped for the U.S. commodity. The sixth step is the same, but for the transport of the U.S. commodity to be received by the exporting country. Here, there may be consensus reached at the field level, but the ultimate arrangement may be reworked or completely changed when approval to conclude the agreement is given by the DCC, since there are a number of aspects of the Title II legislation and attendant regulations that enter into play, especially the requirement that a particular proportion of ocean freight for the program as a whole in any given year, to be shipped in U.S. bottoms ("cargo preference").

Thus, if a trilateral is being negotiated early in the fiscal year, it is more likely that it can make a better deal on the ratio of the swap if it offers to pay ocean freight or inland freight, for example. But such negotiating strategies may become of less interest to the CCC later in the year, if the U.S. bottoms quota has not been met. That is, sometimes it is in the interest of the U.S.G. to make a more expensive rather than a cheaper deal, although what is spent on the freight will, hopefully, be made up in other aspects of the agreement.

Step seven is to get consensus from all parties at the field level for the trilateral arrangement given that the prior steps have been accomplished. We may note that this is probably an iterative process, not once for all. Here, we are including the agreement of the PVO, although in some or even most instances, this will also involve approval from the PVO's Hadquarters in the U.S. or Europe.

Step eight is crucial--"send in proposal to AID/W...detailing all the arrangements...that have been informally agreed upon, and suggesting language for the Transfer Authorization (TA) and the letter(s) of agreement (LOAs) to be signed with the third country

FIGURE III

TRIANGULAR EXCHANGE: MOZAMBIQUE--MALAWI/ZIMBABWE--USG

CHECK LIST FOR FEASIBILITY DETERMINATION--Mozambique

1. Review results of Tuck assessment of immediate food needs to determine whether or not triangular swap is needed, and can be justified solely on the basis of unmet emergency requirement.

2. Verify that GPRM has no objections to maize from Malawi or Zimbabwe; determine whether they have strong feelings about the choice of the supplying country. If there are any perceived problems, determine to what extent these should influence decision making re our choice of countries to supply the maize.

3. Make a determination on whether or not the GPRM is willing to make the (what is probably extra) effort to be very cooperative and businesslike, to minimize snags that could wreck the whole deal, or cause significant implementation problems.

4. Make a determination on whether or not bringing maize in by rail (to Maputo, Beira or both) would create significantly more documentation/logistics/internal coordination problems within Mozambique than would sea delivery. I.e., can they handle rail receipts as effectively as sea receipts, and if not, is the difference significant?

5. Does the MIC have the ability to adequately determine (tally and collate) what is received ex-rail wagons? Or is there a good chance that receipt figures will be confused to such an extent that there will be unpleasant differences of opinion, which are the result of poor record keeping by MIC, which could lead to claims/counter claims? If the answer to the second question is "yes" is the MIC amenable to an independent surveyor, and will they agree to accept his findings provided there is no prima facia evidence that these findings are flawed?

6. Is the MIC amenable to all three parties agreeing on a method for reconciling any differences of shipment/receipt figures? (For the bilateral part, a tolerance of plus or minus 2% is standard practice, and the GPRM will probably not complain about plus or minus 5% (1,000 MT), so this is not a problem. But, if we find ourselves in a situation where Zimbabwe says it shipped 20,000 MT, and the MIC says we got only 19,000, somebody has to pay. Will the MIC agree on a reconciliation methodology and be helpful?)

7. Can MIC agree with the supplying country's Marketing Board on who is to do what, and will MIC clear the way (beaurocratically) for the shipment to come in and be unloaded as expeditiously as possible. I.e., determine whether MIC can and will truly, meaningfully, and actively cooperate and coordinate to the extent possible to smooth the way for the transport?

8. Will MIC high level decision makers, and other appropriate GPRM officials be willing to travel to Zimbabwe or Malawi to meet with supplying country representatives and USAID, or receive such visitors here for the purposes of agreeing on all details?

9. Has a political risk/vulnerability assessment been done by USAID/Embassy to give at least an amber light to proceeding with these arrangements?

FIGURE IV

TRIANGULAR EXCHANGE: MOZAMBIQUE--MALAWI/ZIMBABWE--USG

CHECK LIST FOR FEASIBILITY DETERMINATION--Zimbabwe

1. Review results of Tuck assessment of immediate food needs in Mozambique to determine whether or not triangular swap is needed, and can be justified solely on the basis of unmet emergency requirement.

2. Determine if Zimbabwe can deliver faster, cheaper and with more guartantees the quantities desired to the points desired, than Malawi can (technical criteria).

3. Verify independently GMB's ability to deliver food to Maputo through the rail system, by querying RSA SATS, and the freight forwarder. Also, get a reading on how much muscle the GMB can bring to bear on the timely delivery issue vis a vis Zim RR and SATS.

4. In light of (2) and (3) and other considerations (political) that may be important, identify Zimbabwe as the (or one of the) supplying country(ies).

5. Determine if we can expect that the GMB's performance and cooperation will be such to minimize problems, and contribute to finding timely and rational solutions to the problems that do arise.

6. Determine why the pipeline of maize in Zimbabwe (UK, Japan) has not been delivered.

7. Determine whether or not Zimbabwe is willing to cooperate to the max with the GPRM, and an independent surveyor, to reconcile the receipt documentation.

8. Determine whether GMB and the GOZ will be willing to travel to Maputo to work out arrangements, or receive the Mozambicans and USAID in Harare for the same purpose.

9. Agree upon a method for determining the liability of the parties re the maize shipment, dealing with insurance considerations. Explore performance guarrantees, and their implications on the Mozambique side of the border.

(ies)" (RFPPO/Lusaka, n.d.).

Step nine is to obtain DCC approval for the program, and the TA and LOA(s) language. If this is achieved, the next step is to sign the TA and LOA (s), and ensure that the PVO intermediary, if a party to the agreement, is protected by appropriate documentation.

Next, according to this approach, comes the critical question of determining how much of the U.S. commodity (wheat, etc.) is to be supplied to the third country(ies) under what conditions, on the basis of some predetermined criteria. This is usually referred to as the "ratio", but more formally should be called the barter terms of trade. As trilaterals in the Southern Africa region have followed one upon the other, those designing the most recent ones have profitted from prior examples. Thus, the barter terms of trade are now tending to be more advantageous to the U.S.G. than may seem to have been the case for the earlier trilaterals with the benefit of hindsight. salient feature.

Negotiation:

Our data are better for the negotiation of the Southern Africa trilaterals than for those in West Africa. In Round I, as we noted elsewhere, it took about fourteen months for DCC approval to be obtained. Once this was available, however, negotiations with the respective exporting countries took relatively little time. Of course, as was indicated in the RFPPO design hints above, the most successful formal negotiations tend to be those which merely summarize prior informal negotiations (see Morton and Newberg, 1986).

To quote the USAID Mission's self-assessment for Malawi,

> "All parties entered negotiations for the agreement with enthusiasm. The GOM was pleased to have the opportunity to reduce what at that time was a surplus of close to 100,000 m.t. of maize above its strategic reserve of 180,000. World Vision International was anxious and hopeful that Malawi would be able to deliver the food to points in Mozambique's Tete Province...that were hard to service from other points within the country. AID wanted to assist Malawi and to determine if Malawi could be an efficient source of servicing these areas in Mozambique and assess whether or not the GOM's system could respond to this challenge. The negotiations were held in a very collegial and efficient manner. GOM officials demonstrated a high degree of professionalism in working out the details of the exchange agreement on a range of matters from calculating the maize for wheat ratio to working out the details of payment and shipping cost reimbursement procedures. No significant problems were encountered in the negotiations and this stage of the program was generally implemented very smoothly" (Lilongwe 01039).

According to the cable traffic at the time, USAID/Malawi's Director and the RFPPO met with ADMARC to begin negotiations on April 30, as authorized by Washington. Negotiations are reported as concluded in a message dated June 5, 1986, and suggested language for the letter of agreement is provided. There is then almost a month during which exchanges follow among the concerned AID Missions and the RFPPO and AID/W about the wording of the agreement. Final language is suggested in Lusaka 3189 in early July, and the final agreement signed at the end of the month. These are characterized as "long negotiations" in a subsequent cable from AID/Maputo, probably referring to the whole approval and negotiation process (Maputo 3252, October 22, 1986), but seem when the negotiations themselves are considered alone, to have been relatively quick as is argued by the Malawi Mission in the quote above.

In the Zimbabwe portion of Round I, the formal recommendation for a 10,000 ton trilateral comes from Maputo in mid-April (the start-off date, in a sense for the Malawi trilateral as well). World Vision presented its operational plan for 10,000 tons on the same date. This plan subsequently had to be revised, when it became clear that 3,000 tons were to originate in Malawi. The revised plan was available May 7, the date on which the 7000/3000 ton split was approved in Washington. USAID/Zimbabwe and the RFPPO were ready with a cable with proposed language for the agreement. Amended proposed language was sent to Washington in Harare 2264 on April 21. The positive response came back from Washington in State 171219, dated May 31, and the agreement was signed on June 13. This seems to be, again, a quite expeditious procedure given the types of delays that are necessitated simply by the exchange of cables between Washington and the field. What is even more impressive, however, is the fact that deliveries began on June 19 from the GMB to World Vision.

As a point of reference, we may note that in Round II, the turn-around time from DCC approval of the transaction on December 24 through signature of the agreement on February 20 is only about six weeks. Thus, in none of these three instances does negotiation appear to be a significant bottleneck in the trilateral process.

For the West African trilateral, the relevant period is April 12 to June 21, when the subsidiary transport agreements were finished for Burkino Faso and Mali. These seem to have been negotiated as essentially one transaction from the U.S. and GOG point of view, despite the fact that there were two different recipient countries.

Implementation:

There is evidence that implementation has been smoother in the most recent transactions, if one takes as examples Rounds I and

II with Zimbabwe. In both cases, all the maize has been dispatched quite quickly--and with a minimum of difficulty--even though during our visit to Harare, there were complaints from WVRO that the GMB's system, and the whole export approval process, were becoming overloaded given commercial sales of surpluses, and a variety of trilateral arrangements with other donors, including the WFP.

Looking back at the two trilaterals with Ghana, it is clear that there are a number of obstacles to smooth implementation where the arrangements are too complicated, either because they involve too many players, and/or because the logistics that must be designed and followed-up are more convoluted than would be the case with "regular", bilateral food aid. The adage "keep it simple, stupid," as USAID/Ghana was advised, would have been advice well taken, given the benefit of hindsight.

A number of those interviewed in the field indicated that the same lack of interest in implementation that characterizes U.S. bilateral development programs also characterizes PL 480 Title II programs, whether emergency or not. That is, once the arrangements for a bilateral or trilateral transaction have been made, the monitoring or follow-up becomes of less interest to AID and also, perhaps, to the developing country governments concerned. The up-front paperwork and approval process that is required of the U.S. country teams--for example, the Ambassador certifying that there is, indeed, an emergency in the recipient country--is considerable, as we saw above.

Once implementation begins, the U.S. country team in the exporting country hypothetically has relatively little to do, especially where a U.S. PVO is the intermediary responsible for taking title to the commodities and transporting them to the recipient country government and/or to the end-users in the recipient country. As one such A.I.D. official put it when asked why he was not sometimes more helpful to local staff of such a PVO in resolving problems, "this is what the PVO is supposedly there for in the first place". In reality, however, in at least two of the cases examined, exporting country USAID/Mission staff did considerable monitoring and follow up.

In Zimbabwe, despite the fact that World Vision was virtually a party to the agreement, the Agriculture Officer and his Assistant kept in close touch with the Grain Marketing Board, with World Vision, and with relevant MinAg and other GOZ officials, to make sure that deliveries took place on time, that local currency funds contributed by the GOZ to WVRO were made available on schedule. It is worth pointing out that there was considerable enthusiasm within the Mission about the trilateral, as well as on the part of the GOZ, and that relations are traditionally good between the Mission and Ministry of Agriculture entities.13

In its case study narrative provided for this study, USAID/Malawi assesses its own performance somewhat sternly:

> "USAID/Malawi Performance: As the Mission's first tripartite program, our retrospective observation is that this Mission should have realistically expected to assume much more of the implementation and follow-up responsibility than it did. At the time the program was concluded the Mission did not have the staff resources to provide monitoring and backup support to the implementing agency. The lack of frequent Mission follow up in the early weeks of the program no doubt also contributed to delays in program implementation" (Lilongwe 01039 , March 11, 1987).

In discussions about the Malawi portion of Round I, World Vision staff based in Harare indicated that they had traveled to Malawi numerous times in order to try to free up the bottlenecks that were causing severe delays in maize deliveries. As the Mission points out, one of the problems was whether or not there was any one to talk to at ADMARC, the Malawian grain marketing organization. Just after the agreement was signed (July 24, 1986), ADMARC and WVI apparently concluded a delivery schedule and worked out the logistics for delivering the maize to agreed points in Mozambique. Just after that, however, there were significant management changes made at ADMARC, and the organization was "virtually in limbo" (ibid.). There was nearly a three-month delay before deliveries began. The Mission indicates that this was a sort of blessing in disguise,as the Moviments Nacional do Revalucas' insurgents took over the areas into which this maize was to have been shipped in the interim. This allowed alternative delivery points to be determined, and only 60 tons was lost to the MNR in a single shipment.

World Vision, on the other hand, points out that had the initial approval process not taken so long, the MNR would still have been at staging points in Malawi, and not where the deliveries were to be made in Mozambique. This matter of the insurgency in Mozambique cannot be ignored in assessing implementation of Round I trilaterals, nor can the matter of which countries in the region were really supporting the MNR, or at least were seen to be doing so by the GPRM.

---

13. USAID/Zimbabwe staff point out with some pride that part of the Round I agreement was that the GOZ would contribute about Z$ 290,000 from local currency sales proceeds of prior PL 480 agreements to support WVRO's costs in transporting and delivering the Zimbabwe maize to Mozambique. This was seen as a gesture from Zimbabwe to its neighbor and fellow member of SADCC, and as an indication that the GOZ was really a full partner in the agreement.

In fact, strictly speaking, there would have been no Round I if there had been no emergency in Mozambique, and there might not have been an emergency in Title II terms but for the MNR (Renamo)insurgency. Further, one reason why Malawi was included more or less toward the end of the whole Round I approval process is alleged to have been the earlier refusal on the part of the GPRM to accept maize from Malawi since it was giving shelter to the MNR. Thus, the impact of the presence of the MNR at any particular place at any particular point in the Round I chronology can be argued either way. Certainly, the presence or threat of the MRN insurgents has added significantly to the real transport costs of Zimbabwe and Malawi maize, since trucks must go in convoys, and the GOZ pays large sums to provide military personnel to accompany shipments on the railroad through the Beira corridor.

Also, it is worth noting that because of the insurgency ("Civil Strife") conditions, the U.S. Ambassador to Mozambique has severely restricted in-country travel by official Americans. This has hampered efforts of the AID office in Maputo to follow up on deliveries and end use. Rather, they have relied more heavily than might otherwise have been the case on the reports of CARE, who are assisting the DPCCN (Department fo Ms Prevention of Natural Colamities of Mo GPRM) and WVRO. This, in turn, has contributed to hard feelings, since AID/Maputo's staff feel that World Vision/Mozambique should have staff located in Maputo as well as in Tete City, and not in Harare, as was the case when the team visited Maputo. Since World Vision is billing AID only $33,000 out of a total project management cost of $100,000 for "project management - Maputo" and does have staff where deliveries are being made, this seems a moot point--again, given the insurgency.

The matter of implementation where there is no intermediary PVO can be assessed only indirectly here, through the beginnings of Round II, involving Zimbabwe and Mozambique. From WVRO and AID comments alone, it seems that USAID/Harare is able to deal well with GPRM, and that GPRM is able to be more efficient as an exporter since it is part of the GOZ. World Vision, both in behalf of AID and in behalf of other donors, had been experiencing considerable difficulties in obtaining clearances the Central Bank, and other concerned bodies, in order to continue exporting relief grain from Zimbabwe. These problems disappear for the GPRM.

From what we have learned since our field visit, all deliveries have been going smoothly under Round II, under which they are consigned to GPRM agencies (Harare telex, April 16, 1987). We are not able, of course, to assess the quality of implementation for this trilateral once the grain is consigned to the GPRM. Since CARE has been working with the DPCCN for some time, it is likely that DPCCN is able to achieve delivery readily, especially since this maize is for feeding in the Beira area, and thus does not have to be moved far.

64

For the West African trilaterals, the case study provides a number of examples of problems in implementation which may, in some instances, be attributed to problems in design already alluded to. The FFP Officer in USAID/Ghana indicated to the study team that he had spent about six months on the work leading up to the trilateral whereas he spent very little when he was dealing with a bilateral arrangement, but we are not clear on how much time he had to spend monitoring implementation. On the recipient country side, there were a number of actors and agencies involved as has been noted in the case study. Transportation and freight forwarding was done or facilitated by so many organizations it is hard to tell what really happened. Nevertheless, the relief maize did reach the end-users at the agreed-upon points in the recipient countries.

Washington Approval:

What remains to be discussed is the matter of the approval process which pre-dates the negotiation process, and sometimes the end of the design phase of trilateral arrangements. Here we will try to discuss both the facts as they are available to us, and the perception of those facts on the part of the USAID field Missions, and the recipient and exporting country governments that became involved in approved trilaterals.

The Fact Situation:

We have seen earlier that in the case of the Southern Africa trilaterals, the ultimate decision to approve the proposal went up to the level of the Administrator of A.I.D. and the Under-Secretary of Agriculture. This occurred only six months after the Ghana arrangements had been approved with what seems to have been little problem. The main reason seems to be that Mozambique is a Marxist country, and that the idea of providing that government with U.S. food aid, even in emergency conditions, was not popular with a number of people in the U.S. Congress, as well as in the Administration.

Available documentation indicates the following chronology of decision-making benchmarks:

- September 26, 1985 - DCC asked to approve the two trilaterals in principle.

- October 2, 1985 - FVA/FFP attempts to avert USDA sending a letter from the Under-Secretary to the Administrator of A.I.D. strongly arguing against any further trialterals;

- October 4, Letter from Secretary Amstutz recieved in A.I.D.;

- A/AID and Under-Secretary have lunch and discuss further;

- November 7, Letter from A/AID to Under-Secretary of Agriculture is drafted following on luncheon discussion.

- March 21, 1986, AID/W proposes FFP/W Pearson and OMB/G Moser travel to region;

- April 2, 1986, Visit by Pearson/Moser.

- April 15, DCC approves 10,000 trilateral;

- May 7, 1986, AID/W cables field that 7000/3000 ton split in the proposed 10,000 trilateral has been approved, including Malawi as well as Zimbabwe.

The issues as presented by the USDA in the Under-Secretary's letter to the A/AID were expressed this way:

> "I wish to iterate [sic] that the Department of Agriculture does not believe that PL 480 is an appropriate tool to use to help other countries find markets for excess production. The Department of Agriculture views the use of PL 480 resources in tripartite barter arrangements as appropriate only in exceptional emergency cases after careful consideration by the DCC Working Group.
>
> "In the Department of Agriculture's view, PL 480 authorities are not intended to relieve surplus supply situations in other countries. The PL resources are designed to support development efforts based on the direct use of U.S. agricultural commodities which remain in a surplus situation causing severe problems in the U.S. farm sector. Furthermore, experience in implementing and monitoring such arrangements demonstrates that these arrangements are more difficult to undertake successfully than bilateral programs. Tripartite arrangements often result in disputes concerning commodity quality, condition or other aspects which cannot be provided for within the framework of PL 480 agreements and regulations" (Amstutz-McPherson, October 4, 1985).

The draft response from Administrator McPherson, after the lunch discussion, was a careful statement of the A.I.D. arguments most likely to appeal to interests represented by the USDA:

> "One major reason for the U.S. to support a tripartite barter arrangement is the development of a new market for U.S. grain such as wheat or rice. A good example of this kind of arrangement is the proposed Zimbabwe-Malawi-Mozambique trilateral barter proposal.
>
> "In these three countries, demand for wheat totals about 450,000 metric tons annually, while production is about one-

66

half this level. This production-consumption gap is likely to become larger as demand increases rapidly with urbanization, rising incomes, and increased foreign exchange earnings. Local production, however, will not grow as quickly. The proposed emergency trilateral arrangment, which would provide 43,000 MT of white maize from those countries to Mozambique, presents a unique opportunty for USDA to enter the growing wheat market in the southern Africa region.

"In addition to emergency programs, such as the one described above for Mozambique, there may well be regular Title I or Title II tripartite barter proposals which USDA would wish to support for market development purposes. In the long run, AID and USDA share a common interest in using all possible mechanisms to support economc development and trade approaches based on comparative advantage. These approaches will result in increased trade within expanded role for U.S. exports to Third World trading partners. Thus, we believe that the DCC should have a measure of flexibility to approve on a case-by-cased basis both emergency and non-emergency tripartite barter proposals which strongly serve U.S. interests" (Draft McPherson-Amstutz, November 7, 1985).

What seems to have broken the logjam was the trip of Pearson and Moser to the region, during which they visited both Zimbabwe and Mozambique (and Kenya), but did not, in fact, visit Malawi as originally planned. Their reading on the emergency situation in Mozambique, combined with their discussions with local A.I.D. and host government officials appears to have convinced them of the value of the trilateral transactions requested by the field. Shortly after their return, the 10,000 ton trilateral was approved. To the extent that OMB had been against the trilateral proposal along with USDA, Moser's participation in the regional visit would seem to have been crucial to the ultimate approval by the DCC.

While such visits are often extremely useful, they are also somewhat high-risk for the Missions in question, since the visitor may come away not with the impression the Mission wishes to convey for reasons completely out of their control. Still, in this case, it seems to have worked excellently, as did a subsequent visit to the region by the A.I.D. Administrator.

Developing Country Perceptions:

Such visits to the field may also prove more persuasive than visits of host country officials to the same persons in Washington. The Permanent Secretary of Agriculture of the GOZ indicated that when he spoke with senior officials in Washington trying to generate support for Round I, given the success of the Zimbabwe-Zambia transaction, he was certain that policy had changed, although no one would tell him this directly. Where reception of his arguments had been quite warm on an earlier visit, there was distinct coolness the second time around. He concluded, as he told us, that there was a stronger lobby against such transactions by the time of his second visit.

In Ghana, the trilateral produced the most spectacular gains for the U.S.G., particularly from a foreign relations perspective. It was emphasized that prior to the 1985 trilateral, Ghana - U.S. relations were, if not strained, certainly only luke warm. The trilateral produced results because of the financial gains to the Ghana Government in foreign exchange savings, reducing surplus maize supplies, refurbishing a large part of the national truck fleet, producing profits to the GFDC, and reducing the cedi balances in U.S.G. accounts. It was also clear, when talking to Ghana officials, that there was a degree of satisfaction in having been able to be a partner in assisting their neighbors. Both U.S. and Ghana officials noted that relations had improved a great deal after the trilateral. Whether or not that improvement was worth the cost, or could have been obtained at a lesser cost, must be answered elsewhere.

We have little to support any assertions about the view of the trilateral transaction on the part of the Government of Malawi. Various people interviewed in the region--but not in Malawi itself--indicated they felt that the GOM was fed up with the whole thing b, time it was finished, and that this is why USAID/Malawi did not make a strong case to be included in a potential Round III. We have no evidence, that this is the case, however, rather than, for example, that the GOM is not coping

60

with as large actual or potential surpluses as was the case in the past.

The Government of the Peoples' Republic of Mozambique, represented by the Director of International Operations in the Ministry of Commerce, indicated strong GPRM support for trilaterals because of the sense that they "help rationing and distribution within the region". He also indicated that, if the GPRM had the money to purchase cereals in the region, they would certainly buy from Zimbabwe and/or Malawi, because it is easier, nearer, cheaper and supports regional initiatives. However, he indicated that if the money were available, and if U.S. yellow corn were offered on favorable concessional terms, the GPRM would buy from the U.S.. In the same conversation, however, he pointed out that the GRM has had to stop its PL 480 Title I program and will have to begin paying for the earlier Title I commodities next year at the rate of $1 million a year. They owe $498,000 interest on the more recent Title I agreements as well. He mentioned IMF and World Bank strictures currently in place, and indicated that Title II was certainly easier in the present circumstances of the GPRM since it is easier to arrange, the commodities are donated, and the ocean freight is paid for.

USAID Missions' Perspectives:

Here, we have rather more evidence given the extensive cable traffic that reflects the expression of views to and from the field. We made the point earlier that in Southern Africa, at least, Round I of the trilaterals with Zimbabwe (and ultimately Malawi) seems to have been basically a field initiative, one in which the RFPPO and the USAID/Zimbabwe Mission Director took the lead, but which also involved other posts in the region in a fairly intensive dialogue.

All of the Missions involved in the Southern African trilaterals have been positive about the basis for such transactions in developmental and humanitarian terms under emergency food aid conditions, but also under other conditions. Even AID/Maputo, while pointing out with some asperity how long the approval and negotiation process took together, supports the trilateral approach in principle.

USAID/Ghana staff seem to be less enthusiastic, and those in Mali and Burkina Faso did not seem to be nearly as involved as was AID/Maputo, for example. Perhaps this is because the regional dialogue that took place in Southern Africa among the Missions does not seem to have had an analogue in the West African case.

One thing about which all field posts seem to agree is that there should be a definite policy and/or guidelines for trilateral transactions. As USAID/Malawi put it in the cable prepared for this study, and as the Representative in Maputo put it to us during an interview, the hope is that there will be a policy, and that it will be made clear to the field:

> "...USAID/Malawi believes that AID would be well advised to further develop and refine its trilateral food aid policy. An important consideration in this regard is the need to establish as clear US. policy, part and parcel of our economic development assistance strategy, the practice of using tripartite arrangements on a routine and not exceptional basis when it makes sense to do so. It is noteworthy that, despite several precedents, because of the lack of a clear policy regarding ptripartite arrangements it required almost nine months for AID and USDA to agree to proceed. Additional time was then required to clear texts of trilateral agreements. Obviously the potential for using the tripartite mechanism would be considerably enhanced if a policy and procedures were established. Again in this regard the Southern Africa region offers an opportunity for use of trialteral food aid programs as a development tool" (Lilongwe 01039).

The A.I.D. Representative in Maputo pointed out that the country experi.encing the emergency is caught in the middle, waiting to find out whether a trilateral proposal has been approved or not. By the time the answer is available, as he put it, it will be both too late for the commodities to be shipped directly from the US in time and for them to be available for delivery from the proposed neighboring exporting country.

He also made some interesting points about the ways in which trilaterals could be integrated into other AID activities in a country like Mozambique, even under emergency conditions. Here, he was primarily discussing the implications of the large amount of local currency that AID and other donors currently have in accounts unprogrammed. His suggestions included assisting the GPRM to improve its financial management and control over its own financial situation and future by insisting that in any future trilateral, the GPRM be a party to the agreement, and pay the exporting country--or at least reserve the medecais currency of Mozambique for such a payment--up front. Since the AID program aside from food aid consists of a CIP, this kind of approach to the local currency problem may make considerable sense. The outcome, however, must await the results of a local currency study that was requested by AID/W.

An equally interesting suggestion was put to the study team by a representative of Lonhro in Zimbabwe, on behalf of the commercial farming interests. Here, the principle was to use the trilateral model to help get U.S. wheat to Zimbabwe, draw down on Zimbabwe maize surpluses, but also help Zimbabwe additionally to mitigate the foreign exchange constraints it is currently undergoing in another way as well. Thus, the suggestion was to combine the best features of a trilateral swap and a CIP. Zimbabwe would trade maize for wheat and U.S. agricultural equipment, thus helping to support what was believed to be USG private sector orientations, sweeten the deal for the US by importing more US equipment, thus creating a market in the region, while at the same time avoiding the necessity for using scarce foreign exchange.

The team, when this was put to them, responded that it was probable that this might not be an acceptable model for several reasons, but that if, perchance, the GOZ could persuade another donor, such as the Japanese, to buy the equivalent amount of US wheat at commercial rates to the amount that would be swapped for the Zimbabwe maize, then there might be more interest. Still, given the various concerns about trilaterals, it seems unlikely at first glance that those on the DCC who are already objecting to further trilaterals would be very sympathetic toward an arrangement with even more variables, including an additional country. Nevertheless, if sentiment against trilaterals in particular and barter trade in general were to decrease, these kinds of innovative ideas might be worth examining given the pervasive foreign exchange difficulties being experienced by the developing countries with which AID deals, and in which the USDA would like to see market development occur.

It is worth noting that for some officers in the field, whose familiarity with Food For Peace has been little or none in the past, it is as though the proposal for a trilateral goes in to AID/Washington and eventually comes out again, but without their knowing the intervening steps involved in approval or disapproval. Thus, AID/W seems frequently to be blamed for delays that may in fact have more to do with the system on which the DCC Subcommittee and Working Group are based than with AID's own staffing and procedures. About as often, however, the DCC process, which may be poorly understood, is blamed for what DCC Subcommittee members from other agencies say are AID/Washington delays. The USDA representative stated this very strongly, for example.

To the extent that food aid is becoming more significant as part of development programs overall, there might be some merit to ensuring that the internal A.I.D. procedures and the role of the DCC are better understood by all A.I.D. field staff. If specific guidance were prepared governing the circumstances under which trilateral transactions are more or less appropriate for consideration, and what sort of justificatory information will be required in Washington, this in itself would probably go a long way toward speeding decisions and--perhaps--weeding out those kinds of proposals that Washington is least likely to approve before they are submitted.

V. CONCLUSIONS AND RECOMMENDATIONS

General Conclusions:

1. The experience of trilateral transactions as regards timeliness and complication of negotiation has been mixed. As has been the experience of other donors some trilateral transactions are concluded swiftly and some bilateral deals prove more complex. Since the A.I.D. transactions have been in response to emergencies and in difficult or complicated circumstances it is difficult to generalize from the few experiences to date.

2. Cost comparisons between trilateral and bilateral transactions suggest that they come out about equal.

3. The question of donor identity appears largely to be overemphasized. The ultimate beneficiary is probably unaware of the source of most donated food aid. There is no confusion in the minds of government officials as to the source of assistance. However, it is clear that the U.S. gained considerably in improvement in relations as a result of the trilateral transactions. It is at this level that there is much to be gained.

4. In cases of real emergency the argument that people should accept whatever is offered may be justified. However, if a preferred food is available through a triangular transaction at no extra cost then this should probably be supplied. This consideration appears to have been respected in the Zimbabwe and Malawi/Mozambique transactions, but less so in the West African deals.

5. Infrastructure development as a result of trilateral transactions is much discussed at the level of theory but this aspect did not appear to be uppermost in the minds of those concerned with trilateral transaction either in the case of AID or other donors. It may occur as a by-product of trilaterals but systematic development can only result from targeted projects such as are envisaged by EEC and France. However, the danger of projects based on trilaterals reinforcing bureaucratic organizations to the detriment of the private trade is recognized. To date, most trilaterals have been in response to short-term surplus/deficit situations and have avoided the question on the grounds that bureaucracies deal best with each other in the short run.

6. The impact of trilaterals on market development has two aspects. First, the extent to which this type of transaction has a negative impact on U.S. trade. The conclusion is that this is marginal. In recent years, the

volume of food aid has not been sufficiently large to impact on world prices. Trilaterals as a proportion of that volume, are insignificant, and are likely to remain so. To the extent that food aid ties the recipient country to the donor and there are potentially emerging wheat markets in Eastern and Southern Africa, the U.S. participation in trilaterals will keep the U.S. in the game where possible competitive exporters are already practicing trilaterals. The effect on U.S. stocks in trilaterals is the same as bilaterals. The second aspect of the market development question is that of finding outlets for developing country products. In this regard, the fact that these products find a market complements the immense funding of production projects which has taken place over the years. The acquisition of real buying power on the part of the farmers develops a market for U.S. products, both feed grains and farm family requirements.

7. The policy of other donors is to see the trilateral (or triangular) transaction in the context of a multi-year development tool combined with currency which will encourage increased production of indigenous cereals in countries which are currently occasionally in surplus, thus developing markets for cereals by raising living standards. It is doubtful if this approach is entirely altruistic on the part of the other donors since most seek to market agricultural products as does the U.S.

<u>Lessons Learned about Management of Trilaterals:</u>

The following lessons are derived from our four case studies, all of which were approved and implemented under Title II emergency situations. They may apply, we believe, to an expanded arena for trilateral food aid that would not be restricted to emergency, however.

1. Pre-design analysis, both in terms of the surplus commodity situation in potential exporting country and of the deficit in the potential recipient country, should be done as expeditiously as possible, so that the basic fact situation can be relayed to Washington early in the design process. A second part of this pre-design phase should be an assessment of the policy leverage that may be available in each country as a result of trilateral negotiations. These must be carried out in the context of an on-going policy dialogue to be effective, however.

2. For design, once there is an initial indication that Washington may be sympathetic, the policy performance criteria for approval, the barter terms of trade, the points of delivery and all other logistical arrangement should be reviewed and determined. This should go on simultaneously

73

with the potential exporting and recipient countries, and wherever possible, should involve private sector entities--grain merchants, truckers, freight forwarders, or others--so that there will be a positive impact on "normal" trade channels. This does not, however, necessarily mean that a PVO is the best channel for this kind of transaction especially if the Title II emergency limitation is removed for such transactions.

3. For negotiation, it seems that the case studies indicate relatively little that is surprising. The smoothest negotiations seem to have been those where the developing country government had been on board from the beginning of the discussion of a trilateral, and was pushing for such an arrangement as it would be to its own advantage. Whether Missions must take the time to cable back and forth suggested agreement language, and/or whether this needs to take so long as it sometimes does to attain final approval will depend on AID/W staffing patterns and the perceived "normality" of trilaterals. If trilaterals increase in number and frequency, boilerplate wording can be developed.

4. For implementation, given the cases evaluated, government-to-government arrangements seem as expeditious or more so than those involving one or more non-governmental organizations, whether expatriate-based or indigenous. Too many actors tend to complicate the logistics and especially the payment and accounting process. This is not, however, something that is necessarily intrinsic to the trilateral sort of transaction per se.

5. Where more than one USG office must be involved in monitoring and reimbursement, such as AID/FVA/FFP, OFDA, and the appropriate Regional Bureau Development Programs Divisions, and in USDA and AID, those responsible for shipping and accounting, there should be an attempt to organize compatible data gathering and retention systems, including with other donors.

6. Evaluations should be carried out of trilateral and bilateral programs that have innovative features, both those that are approved under emergency situations and those that are not. The possibilities for innovation, given AID's current mandate to use food aid more creatively and to integrate it more fully into its country development programs provides a good opportunity for new thinking, and for developmentally sound mixes of food aid and dollars for programming. Some of these opportunities can be based on trilateral models, especially if problems associated with monetization can be resolved.

Recommendation:

On the basis of the findings of the report it is recommended that the U.S.G. expand trilateral transactions, in line with the Executive Order signed by the President. This should be done within the framework of market development projects which are designed to encourage the production of indigenous cereals for supply to chronically deficit countries or regions while at the same time, raising the living standards of producers. This type of development would improve the purchasing power of producers, thus providing markets for developed country products over the medium term. Long-term development projects would allow careful design to encourage private trade participation and to reinforce rather than disrupt existing commercial networks. U.S. participation in this development process will ensure its ability to take advantage of market opportunities as they occur as well to exert an influence on the policies of recipient nations.

75

ANNEX A

STATEMENT OF WORK

The contractor will provide a report on trilateral food aid transactions as described under the "Purpose" section above, and will make a presentation of study results at an informal consultation among major food aid donors in the Spring of 1987 in the Washington, D. C. area. The study will be prepared on the basis of independent research and analysis, existing program documentation, the academic literature, and interviews with officials experienced with tripartite agreements in the United States and selected European and African countries.

Specifically the contractor will:

1) Identify and evaluate the pro's and con's of U.S.G. trilateral food aid transactions from the perspectives of the U.S.G., the developing exporting country and the recipient country. Pro's and Con's might include the following among others:

<u>Pro's</u>

a. create additional effective demand and help develop agricultural markets in developing countries with agricultural surpluses;

b. provide food commodities for beneficiaries consistent with their food production and consumption habits;

c. promote the development of regional trading relationships;

d. encourage investment in improved transport and logistics infrastructure in the developing countries involved; and

e. reduce transport costs and delivery time.

<u>Con's</u>

a. promote developing country exports at the expense of U.S. agricultural exports;

b. inhibit the development of regional trade that would otherwise occur;

c. entail negotiations that are too complex and time-consuming;

d. incur more costs than bilateral food aid transactions; and

76

e. lose the U.S.G. identity as the food aid donor among the beneficiaries.

2) Describe the U.S.G.'s past experience with tripartite programs.

3) Describe the policies and experience of other food aid donors most active in trilateral food aid transactions. This will entail visits to London, Paris and Rome.

4) Identify lessons learned from past U.S.G. experience in terms of program design, negotiation and management.

5) Examine the timeliness with which the U.S.G. can respond to a food aid request under a trilateral as opposed to a bilateral program.

6) Assess the recipients' perception as to who donated the food under trilateral programs. Does the U.S.G. lose its "identity" in such transactions?

7) Prepare a cost-effectiveness analysis of U.S.G. bilateral vs. trilateral food aid programs. The recent U.S.-Ghana-Mali, U.S.-Ghana-Burkina Faso, and U.S.-Mozambique-Zimbabwe programs will serve as case studies.

8) Assess the likely impact of trilateral food aid transactions on U.S. short-run and long-term market development objectives. Assess the likely impact on regional trade and economic development. Identify trade-offs between U.S. and regional market development.

9) Items 4 through 8 will entail travel to Ghana, Mali, Burkina Faso, Zimbabawe, Malawi, and Mozambique.

10) Recommend whether or not the U.S.G. should expand trilateral transactions, and, if so, how might they be improved in terms of design, negotiation, and management.

A suggested outline for the report is attached.

<u>Personnel Requirements and Tasks</u>

The contract requires four consultants as follows:

<u>Food Aid Specialists (2)</u>

The food aid specialists will examine past U.S.G. and other donors' experiences and policies regarding trilateral food aid transactions. They will identify lessons learned from past experiences with respect to the design, negotiation and implementation of tripartite programs. The food aid Specialist should have had previous experience with U.S. food aid programs and should be familiar with PL 480 terms and policies.

Agricultural Economists (2)

The agricultural economists will prepare a cost effectiveness analysis of U.S.G. bilateral vs trilateral food aid programs. They will also assess the likely impact of such programs on U.S. market development objectives and on the regional trade and economic development of the developing countries involved. One of the agricultural economists should be familiar to the U.S. agriculture "community" in Washington and have a good understanding of U.S. agricultural export policies and issues.

Both agricultural economists must be knowledgeable about commodity and non-commodity accounting issues that are likely to arise in undertaking the cost-effectiveness analysis and have experience working in developing countries.

Reporting Requirements

A draft report will be submitted to FVA/PPE within three months after the contract is signed. It is anticipated that the contract will be signed about mid-December, 1986. A final report will be submitted to FVA/PPE no later than 30 days after receiving A.I.D.'s comments on the draft report.

Timing

The preparation of materials and reports required under this contract will be completed within four months after the contract is signed.

Annex B
Methodology

A. Purpose

This study was designed to provide the U.S. Agency for International Development (A.I.D.)--and other members of the Development Coordinating Committee (DCC)--with an assessment of the pro's and con's of trilateral food aid transactions involving the U.S. Government. The positive and negative aspects of such transactions were to be examined from the respective points of view of the U.S.G., the exporting developing country and the recipient developing country.

B. Objective

By documenting past U.S.G. experience with trilateral food aid arrangements, study results and recommendations were to help the Agency to determine whether or not to support further transactions of this type. Should the study yield results that portray past experiences as essentially positive--both those of the U.S.G. and of other donors--then A.I.D. might actively formulate a policy directive, and continue to support such arrangements when proposed by the field. If the study results were not positive, however, the Agency might be less likely to support such proposals in the future, and/or might develop a policy determination actively discouraging them. A.I.D. policy might or might not be adopted by the other members of the DCC, however.

C. Approach

AID/FVA/PPM issued a request for proposals to carry out this study in July of 1986. Subsequently, a second RFP was issued in October. RONCO Consulting Corporation won the contract to carry out this study on a competitive basis. Key to RONCO's approach was the inclusion of field visits, both to Europe and to countries in Africa involved in the four case studies chosen by AID. We proposed to use a team of four to accomplish the tasks outlined in the resulting scope of work (see Annex A).

The study team consisted of two agricultural/trade economists familiar with USDA and its mandate in terms of surplus commodities, U.S. market development concerns, and PL 480 programs, as well as two food aid specialists familiar with the way U.S.G. and other-donor food aid programs and policies operate in the field. One of the food aid specialists, based in the U.K. (also an agricultural economist) was to carry out the assessment of other-donor experience first, thus providing a context for the field work and analysis to be carried out by the other three team members. Two agricultural economists based in the U.S. were, respectively, to carry out the cost-effectiveness analysis and

19

the market impact analysis, one traveling to the field in West Africa and the other in Southern Africa. A second food aid specialist (an anthropologist), was to participate in field work on at least two case studies, examine other PL 480 food aid experience as relevant and identify lessons learned with respect to issues of design,negotiation and implementation of trilateral arrangements.

To the extent feasible, the four team members carried out their work in such a way that relevant data gathered by each would be available in time for appropriate use by the others. This proved largely possible, although there were some problems in scheduling trips to the field and in coordinating report preparation activities since the team members were located in different areas and didn't come together before the draft was completed.

The four case studies examined in the field were in West Africa, the U.S.-Ghana-Mali agreement and the U.S.-Ghana-Burkina Faso agreement, (one team member did this alone), while in Southern Africa, two team members examined the U.S.-Zimbabwe-Mozambique agreement ("Round I") and the U.S.-Malawi-Mozambique agreement (also "Round I"). Unfortunately, due to scheduling conflicts, USAID/Malawi asked that the team not make the anticipated visit, and instead offered to develop a succinct case study narrative in line with the study scope of work. This offer was accepted, and the resulting narrative is summarized in the main body of the report. The team members who visited Southern Africa were asked by the relevant field Missions to take account of a newly-signed trilateral agreement ("Round II") among the U.S.,Zimbabwe and Mozambique, and a proposal for a further trilateral among the U.S., Kenya and Mozambique which was subsequently approved by the DCC as this report was being prepared. (In the interim, a U.S.-Kenya-Sudan agreement had also been approved.)

Team members wrote up their respective sections of the report separately, on the assumption that once an initial draft had been prepared, all would be able to get together to produce a final product after an informal seminar that was to take place in Washington, D.C. in May.

At one point, interest was expressed by the EEC and WFP in facilitating a broader meeting to review the findings of this study as well as those of two similar studies being funded by these donors during the same period. Despite goodwill, this proved too complicated to negotiate. Instead, the team presented and discussed findings and recommendations of the draft report in an informal seminar with relevant AID/W officials in May. The draft was also sent to the concerned field posts for comment.

All members of the team received extensive cooperation from A.I.D., USDA, other U.S.G. and other-donor staff, as well as from host-country officials, private citizens and representatives of involved private voluntary organizations (CARE, World Vision, the Baptist Mission in Burkina Faso). In most instances, these individuals and groups went out of their way to provide the team with data on costs and logistics that were not necessarily readily available in the form requested.[14]

D. Issues and Their Presentation

The main issues addressed in the report which follows are the developmental appropriateness of trilateral arrangements, their regional and international trade and market development impact, their cost vis-a-vis some hypothetically equivalent bilateral arrangement(s), and their timeliness. In Section II, we briefly outline the developmental and agricultural context into which the four case study arrangements fit, including the matter of other-donor experiences with trilateral or "triangular" arrangements, the overall food situation, and particular U.S.G. concerns.

In Section III, we discuss positive and negative aspects of the U.S.G. experience as documented in the four cases examined. In Section IV, we examine issues relating to programming trilaterally obtained and delivered food aid, including design, negotiation and management. In Section V, market development and trade implications are briefly discussed. In the final section, V, we present conclusions and recommendations based on our study findings.

To enable the reader more interested in one aspect of the study than in others to find necessary detail, we present several annexes. The first contains the study scope of work. The second presents the methodology and approach. In the third annex, we present somewhat detailed accounts of the four cases examined, with chronologies. The fourth contains the cost-effectiveness analysis, comparing trilateral versus bilateral programs based on data gathered during this study. The fifth annex presents in greater detail an analysis of the impact of such trilateral arrangements on U.S.G. market development objectives, both in the

---

14. Attempts to coordinate information and investigation with the study teams being sponsored by the other donors were not so successful, although the RONCO team initiated various overtures. The feeling on the part of the other contractors seemed to be that everyone already knew what the U.S.G. policy was on this matter and, in any event, those already contracted to carry out these studies did not need any help. (This was refuted by the fact that one team wrote to AID and asked that the RONCO team provide in writing a considerable summary of U.S.G. experience in the trilateral area for the purposes of the other-donor contractor's own report. No reciprocal offer was made to share information, however.)

short and in the longer term, and on regional trade and economic development. A final annex provides more detail on other-donor experiences.

E. Caveats

Here, we should note that despite considerable help and willingness on the part of A.I.D., host country, USDA and PVO officials, we experienced difficulty in getting reliable figures and other information as to cost, logistics, timing and intermediary organizations that provide the background for the cost-effectiveness analysis. The problem seems to relate to the number of offices and agencies on each side of a transaction that are involved in data gathering and retention. Since they are using and storing data for different purposes, and from different sources, it is not surprising that their numbers do not all agree. However, this presents a fairly serious problem both for this type of applied research and presumably, for the ability of the governments and agencies concerned to evaluate the success of trilateral versus other kinds of food aid transactions.

In fact, a finding of the study is that the special parameters introduced by the emergency nature of these programs create special problems for analysis as well as for management. A representative of CARE in Mozambique, responsible for a large and complex program under Title II and with other donors as well, put it this way:

> "We don't know what anything costs--we are dealing almost exclusively with donations including trucks and fuel, as well as food, so that we cannot tell you what our program costs in general, or what specific donor portions cost. We could figure it out, starting from the supposed dollar value of the food pledged, and we could assign costs to fuel, personnel, trucks, etc., but so far, we have been too busy running the program to do so".

The team was asked, as part of the scope of work, to comment upon U.S.G. experience with trilaterals, including the policy issues involved. In trying to accomplish this task, we had some difficulties with background or contextual information since for at least some of the cases, a portion of the relevant cable traffic is classified. Judging by the gaps, in at least some instances, what was not available to us seems to have been that portion which would be most enlightening about the policy background. We surmize that this may also include information which would explain the duration of the sometimes extremely long decision-making and approval process for some cases.

Given these data-related difficulties, we urge readers to take seriously those cautionary remarks about data made in what follows, to take what might otherwise seem to be curious gaps in case study analysis in stride, and to remember these caveats when making judgments and eventual policy alterations.

ANNEX C

CASE STUDY: GHANA TO MALI AND BURKINA FASO, 1985

SUMMARY

On April 12, 1985 the DCC approved a barter agreement in which the United States Government provided 9202 metric tons of U.S. rice to Ghana[1] and in return the Government of Ghana provided 15,000 metric tons of Ghanaian maize (corn) to be shipped to Mali and Burkina Faso.[2] Of the 15,000 metric tons of maize, 5,000 tons were to be delivered to Ouagadougou, Burkina Faso and 10,000 tons were to be delivered to designated places in Mali. A barter agreement was signed in Accra on April 25, 1985 effecting this agreement.

Of the 5,000 metric tons for Burkina Faso, the first shipments arrived on July 12, and the last on August 3. The Ghanaian white corn was officially received by the Office Nationale des Cereals (OFNACER). After receipt, however, it was immediately transported to the warehouses of PVOs (Private Voluntary Organizations) where it was discharged directly from the Ghanaian trucks into the warehouses of the PVOs as follows:

Metric Tons	PVO
1,000	Red Cross (Croix Rouge)
3,015	Baptist Mission
984	Essor Familial

The grain was used by the PVOs to feed needy families in areas where the PVOs had established programs, and generally only small nominal fees were charged to help defray the costs of transport in Burkina Faso.

Transportation of the grain to Ouagadougou was handled by the Ghanaian Food Distribution Corporation (GFDC), the Ghanaian agent for the barter trade, through a contract directly from USAID[3] with subcontracts by GFDC to the Ghanaian State Transport Corporation (2,000 M.T.) and The Progressive Transport Owners Association (3,000 M.T.), a group of independent Ghanaian truck owners. The GFDC handled freight forwarding within Ghana and

----

1. Transfer Authorization number 641-XXX-000-5603.

2. TA number 688-XXX-000-5622.

3. Contract number 641-0000-C-00-5004-00 executed by the USAID Mission Director in Ghana.

USAID Ouagadougou contracted with SOCOPOA in Burkina Faso to handle freight forwarding beyond Ghana. A private marine surveyor was contracted by USAID/Ouagadougou to inspect the condition of the shipments upon arrival. Internal transport in Burkina Faso was apparently the responsibility of the individual PVOs.[4]

The 10,000 metric tons of maize shipped from Ghana to Mali was also furnished by the GFDC out of Kumasi, Ghana. It was shipped to four locations in Mali: Ansongo, Bamako, Gao and Meneka, via Burkina Faso and Niger. The grain was consigned directly to a PVO, World Vision Relief Organization (WVRO), who received the grain, inspected it and stored and distributed the grain in Mali. The first shipments went out on June 6, and the last on November 23.

The shipment of Ghanaian maize to Mali was included in the agreement between USAID and the GFDC for the shipment of the maize to Burkina Faso.[5] The inland transport costs of the maize shipments to Burkina Faso were covered by a Procurement Authorization from AID.[6] AID also established a separate agreement with World Vision International to transport the grain to Mali.[7] A separate agreement was therefore established between World Vision and the GFDC to incorporate this arrangement, and World Vision paid the GFDC a fee for handling the grain in Ghana.[8] World Vision then contracted with Marine Overseas Services (MOS) to handle the shipment of the maize to Mali, which in turn contracted the shipment of grain to four points in Mali with Super Scientific Farms, Ltd. of Ghana. World Vision's direct costs, an internal transport cost between Bamako and Nioro of approximately 1,768 metric tons of grain, and freight forwarding costs through Burkina Faso and Niger were included in a separate PA/PR.[9] This latter also included freight forwarding costs of

----

4. Reports, for example, from the Baptist Mission indicate that they paid the internal freight charges. It is likely that at least a portion of this cost is funded under OFDA or other U.S. Government program funds, but it is not included in the CCC costs.

5. Contract 641-000-C-00-5004-00.

6. PA/PR number 641-48-000-5701 in the amount of $677,000, June 28, 1985.

7. PA/PR number 899-950-XXX-5784 in the amount of $3,040,000, June 4, 1985.

8. The fee was $3.60 per m.t. as established in the USAID - GFDC contract noted above.

9. PA/PR number 899-950-XXX-6784. This PA was issued in June of 1986 following requests by WVRO to cover additional costs in-

Marine Overseas Services, Inc. (MOS), who was contracted by World Vision to organize and coordinate the operation.

BACKGROUND

The concept of a barter arrangement appears to have its origins dating to at least October 1984.[10] It was noted in a cable from Ghana[11] that discussions by the U.S. Ambassador dated to the previous October. Later, in working notes apparently prepared by Bill Lefes on 1-8-86 it was remarked that the idea was hatched in November of 1984 and serious consideration was given in February of 1985. By December of 1984[12] AID/W shows favorable interest and notes that FVA/FFP "has supported similar arrangements...which have proven to be successful in meeting African food needs and reducing U.S.G. costs".

In late 1984 or early 1985 it was becoming clearer that a serious food shortage was developing in both Burkina Faso and Mali. CRS was requesting faster deliveries to Burkina Faso. USAID/Ouagadougou had requested 19,000 metric tons . sorghum. Of this, 7,000 metric tons were to be loaded in the U.S. in late January, to arrive in Lome on/a March 19. Two shipments of 7,000 metric tons and 5,000 metric tons were called forward on January 15 to arrive in Lome in April. CRS had 8,790 metric tons of cornmeal and 525 metric tons of oil ordered in mid February to arrive in May or June. AID suggested that Ouagadougou consider a barter arrangement with Ghana[13] to accelerate deliveries of food aid.

Meanwhile, the Mali situation indicates that there was a deficit of 230,000 metric tons of cereals of which the U.S. and other donor commitments were 125,000 metric tons. USAID/Bamako asks AID

----

curred with the shipment, particularly the fees to MOS. This request was made in December of 1985, approved by the USAID Mission in Ghana in January, but because of various delays was not issued until June of 1986.

10. Memo from DAA/FVA Walter Bollinger to C/FFP Thomas H. Reese III and DC/FFP Steven Singer, October 4, 1981.

11. Accra 02994, 26 April, 1985.

12. State 375790, December 21, 1984.

13. State 045624, February 14, 1985.

to increase assistance by 35,000 metric tons, raising the U.S.G.'s total for Mali to 80,000 metric tons.[14] The "looming disaster" terms of this request elicits a response from AID/W to consider a barter arrangement, although clearly Bamako had been communicating to Accra on this matter as early as January 25, 1985.

USAID/Ghana, in consultation with the Government of Ghana felt that as much as 40,000 metric tons of surplus maize could be provided.[15] It was later determined, however, that this figure was high, and that only about 20,000 metric tons would be available. A major reason for this was that the GFDC, after examining the situation, found that large quantities of maize were already moving across the border into Burkina Faso through clandestine trading operations. The 20,000 metric ton figure was retained in the DCC approval of April 12, whereby the U.S.G. would exchange 12,258 metric tons of rice for the maize. Apparently Ghana further reduced its targets on what it could supply as Mali agreed that the quantities of maize targeted could be reduced to 10,000 m.t. for Mali (8,000 for Gao and 2,000 for Nioro).[16]

THE TERMS OF THE BARTER

The determination of the exchange rates of Ghanaian white maize for U.S. rice was established in negotiations between USAID/Accra and the GFDC. The value of Ghanaian maize was established at $190.00 per metric ton, including bagging in jute, 100lbs. net, loading "free on truck" and marking bags "gift of the United States Government. Not to be sold or exchanged". The price of U.S. No. 5 medium grain rice, bagged, 100 lbs. net, was put at $310.00 per metric ton. This established a ratio of 1.63 tons of maize per ton of rice. According to Paul Russell[17] who undertook most of the negotiations on behalf of USAID, there were several possibilities to use in pricing the exchange. Ghana used procurement prices, world market prices, sales prices, etc. The price decided upon was the procurement price (to GFDC) plus the cost of fumigation, rebagging and loading, converted at the official exchange rate at the time the agreement was reached.[18] Apparently

----

14. Bamako 0605, January 29, 1985.

15. The figures of 40,000 to 50,000 metric tons came from the Ghanaian National Mobilization Committee.

16. Bamako 2638, 25 April, 1985.

17. Paul Russell was a private consultant to USAID in the early stages of the barter program. He later was employed under the MOS contract with WVRO when the maize was shipped to Mali.

18. This figure is approximately 9.5 cedis per kilogram. There is

the U.S. price of rice was set as the market price in the States.[19] Although these exchange rates were originally calculated for the 20,000 tons level, they were kept for the actual 15,000 tons that were finally agreed upon. One problem with the values used here for exchange of commodities is that the rice is being calculated on an approximate world market price while the maize is being valued at a Ghana protected market price. For example, at the end of 1984, the price of U.S. corn was $2.56 per bushel,[20] while the figure used above puts the value of Ghana maize at $4.83 per bushel.[21] A second problem with the exchange formula is that it does not take into account the market rate of the cedi versus the U.S. dollar. At the time of the barter, the cedi was about 50 to 1. Shortly after the arrangement was made, the cedi was devalued to 53 to 1, and before the grain was shipped the cedi had reached 57 to 1. The final payments made by WVRO to the GFDC (for their handling charges) was converted at 90 cedis to the dollar. In February of 1987, the cedi had devalued to 154 to the dollar. This issue is important not only in terms of the exchange of maize for rice, but will also be seen to affect the transport costs and handling charges by GFDC.

THE TRANSPORTATION OF MAIZE FROM GHANA TO BURKINA FASO AND MALI

The barter agreement between the U.S.G and the Government of Ghana called for a separate transport agreement to be reached to ship the maize from Ghana to the inland countries. The negotiation, costing, administering and accounting for the transportation is the most complex and confusing of the Ghana barter

----

some inconsistency here with the figures given to me by the GFDC which were quoted as 13 cedis purchase price for the maize involved in the barter. If the 9.5 cedis figure is accurate then the net benefit to the GFDC noted elsewhere in this paper would be considerably higher. In 1984, according to a cable from Accra (09172, 24 December, 1984) wholesale maize prices ranged from cedis 3,227 to 3,755 and wholesale rice prices from 7,506 to 8,844 for 220 lbs., or a ratio of about 2.35:1.

19. It should be noted here that the CCC actually paid $291.00 per ton for the rice that was shipped under the agreement.

20. USDA Agricultural Prices: 1984 Summary, June 1985.

21. The March 21 price given for number 2 yellow corn from the U.S. was $120.00 per ton delivered Gulf ports, and $222.00 for Thailand white rice 5% f.o.b. Bangkok, according to the FAO Food Outlook, April 1985. Using this basis the exchange rate should have been 1.85:1.

agreement. In the cable to Washington laying out the terms of the barter,[22] the proposed language of the barter agreement in Section 1.5 stated "DELIVERY OF THE BARTERED MAIZE AND RICE SHALL NOT COMMENCE UNTIL THE SEPARATE TRANSPORTATION AGREEMENT BETWEEN THE GOG AND THE USG HAS BEEN EXECUTED, EXCEPT AS THE PARTIES OTHERWISE AGREE IN WRITING." In this cable, the cost basis for the inland transport was based on 5.5 cedis per ton-mile. Using this rate and Kumasi as the marshaling point for the maize, the cost estimate was $212.00 to Mopti (6,000 m.t.), $248.00 to Gao (6,000 m.t., and $103.00 to Ouagadougou (8,000 m.t.). The estimated total cost was $3.6 million. This is based on a shipment of 20,000 metric tons. This figure was approved by the Interagency DCC Subcommittee on food aid,[23] and was broken down as $2,160,000 for inland transport to Mali (Gao and Mopti) and $1,440,000 for inland transport to Ouagadougou.[24] In the same cable it was noted that FFP had been in touch with World Vision Relief organization (WVRO) which had expressed it willingness to undertake a feeding program of 10,000 m.t. in Cao/Meneka and 2,000 m.t. in Nioro.

USAID/Accra, on April 30, 1985 requested permission to negotiate a fixed price contract with the GFDC for the transportation of the Maize to Mali and Burkina Faso. This was stated as a contract with GFDC "to assume complete responsibility for the delivery and discharge of the foodgrain at the inland points of entry in both Mali and Burkina Faso.[25] Later, on June 14, REDSO cabled for clearance for this contracting arrangement as well.[26]This culminated in a contract that was drawn up in Accra and handled through contracts in AID/REDSO from Abidjan. This contract, dated June 21, 1985 was for the amount of $3,503,450.00 and covered the shipment of the entire 15,000 tons as follows:

Contract to the GFDC for inland transport based on mileage from Kumasi, Ghana;

To Ouagadougou, Burkina Faso	470 miles
To Ansongo, Mali	1,154 miles

----

22. Accra 02495, April 4, 1985.

23. State 114065, 16 April, 1985.

24. Why these figures were approved is unclear given that the Mission estimated $824,000 for Ouagadougou and $2,760,000 for Mali would be needed.

25. Accra 03072, April 30, 1985.

26. Abidjan 10039, June 14 1985. It is interesting that this cable also refers to the complex arrangements for the use of OPIC generated cedis. See below for further discussion of this issue.

To Bamako,	Mali	1,048 miles
To Meneka,	Mali	1,026 miles
To Gao,	Mali	1,327 miles

The following rates in U.S. dollars were to apply:

CALCULATION OF FREIGHT RATES FOR INLAND TRANSPORT IN U.S. $

Destination	Metric Tons	Trans-port per ton	Hand-ling per ton	Total per m.t	Total to dest.
Ouagadougou	5,000	106.50	7.00	113.50	567,500
Meneka	2,500	251.70	3.60	255.30	638,250
Ansongo	1,500	283.00	3.60	286.60	429,900
Gao	4,000	325.50	3.60	329.10	1,316,400
Bamako	2,000	257.10	3.60	260.70	521,400
				SUB TOTAL	3,473,450
Freight Forwarding to Ouagadougou					30,000
				TOTAL CONTRACT	3,503,450

The contract was to be for [illegible] days and included [illegible]ing and un-loading at destination.[27] The $30,000 for freight forwarding services in Burkina Faso was included at the recommendation of the USAID Mission in Ghana[28] which felt that the GFDC would have a difficult time handling those duties in Burkina Faso.

Prior to signing this contract, a separate PA[29] was issued for World Vision to cover transport costs of 10,000 metric tons of maize from Ghana to Mali. This PA in the amount of $3,040,000 was signed by WVRO on June 6, 1985. This apparently caused a great deal of consternation on the part of the GFDC, and it was only through the offices of the U.S. Ambassador to Ghana intervening with the Minister of Finance that the issue was resolved. The resolution was in the form of a separate contract from the GFDC

---

27. Appropriation: 72-12X4336. Allotment: 782-38-099-53-51 (Burkina Faso) and 59-51 (Mali). BPC: ECCX-85-13830-KG-34 (Burkina Faso) and 35 (Mali). Because WVRO was unable to handle the grain this fast, the 120 day period had to be extended.

28. Accra 04217, June 14, 1985.

29. PA 899-950-XXX-5784

to WVRO for the transport of the maize to Mali. Under the terms of this contract the GFDC reserved the right to transport 5,000 tons of maize to Burkina Faso and WVRO paid the $3.60 per metric ton handling charge to GFDC. The transport rate was set at 13 cedis per ton mile with 40% paid in cedis and 60% paid in CFA.[30] The requirement for partial payment in CFA francs was pushed by the Ghanaians due to the need for spares and fuel outside of Ghana. The ratio of cedis to francs had been established as a function of the ton miles of the entire 15,000 metric tons and total distances within and outside of Ghana. In order to cover the grain shipments to Burkina Faso a separate PA/PR[31] was issued in the amount of $677,000 which included 647,000 for transport and $30,000 for freight forwarding fees in Burkina Faso.

It is not clear when or how the original DCC approved amount of $3.6 million for inland transportation was amended to increase the total figure by the additional $117,000 in the two PAs. It was noted earlier that any amount over the $3.6 million would require DCC approval.[32] It appears, however, that this amount was approved later when the amendment PA to cover additional costs to WVRO was approved by the DCC. It is also interesting to note that the GFDC contracted with WVRO to transport the grain to Mali even though payments for these services went directly from AID to WVRO, who in turn paid the GFDC for the $3.60 per ton handling costs.

At this point WVRO engaged the services of Marine Overseas Services (MOS) to organize and handle the shipment of the maize from Ghana to Mali. However, no funds were available for this service. Therefore, AID issued an amended PA/PR[33] to cover this as well as WVRO's direct costs in Mali. This included, for example, the additional cost of shipping the grain delivered to Bamako on to Nioro du Sahel. Other items included freight forwarders in Burkina Faso and Niger who were engaged to facilitate Mali bound grain shipments through those two countries. Finally, there was also included an item for unloading of grain at the destination in Mali. The total amount of this amendment was $748,181, and it was finally approved in June of 1986.

The actual transporting of the grain was done with Ghanaian trucks. MOS on behalf of WVRO contracted with Super Scientific Farms, Ltd. to transport the grain to Mali. The rate was 13 cedis

---

30. The CFA is the West African Franc and is a hard currency backed by the French Franc.

31. PA/PR 641-48-000-5701

32. State 185218, June 18, 1985.

33. PA/PR 899-950-XXX-6784

91

per ton mile with 40% paid in cedis and 60% paid in CFA. The GFDC contracted with the State Transport Corporation to haul 2,000 tons to Ouagadougou at a rate of 12 cedis per ton mile with 65% paid in cedis and 35% paid in CFA.[34] The GFDC also contracted with the Progressive Transport Owners Association (PTOA) to transport 3,000 tons to Ouagadougou, presumably on the same terms as the State Transport Corporation received.

Meanwhile, the USAID Mission in Ouagadougou contracted with SOCOPOA for freight forwarding services in Burkina Faso. The contract was for 2,200 CFA per ton to (1) pass goods through customs, (2) cover border crossing costs, (3) unload in Ouagadougou, (4) recondition broken sacks and (5) survey arrival of grain on a daily and weekly basis. At the time this contract was written the exchange rate was approximately 460 CFA to one dollar, making the cost $4.78 per ton. MOS contracted SOCOPOA in Burkina Faso for facilitating grain movement across Burkina Faso in transit from Ghana to either Mali or Niger, and with Nitra in Niger to facilitate movement of grain across Niger in transit from Burkina Faso to Mali (particularly the grain going to Meneka). SOCOPOA received $13,289.47 or $1.33 per metric ton and Nitra received $15,733.05 or $4.13 per metric ton for these services. It appears that MOS received a total of $488,893.16 for their services in the Mali shipments, or $48.89 per metric ton, although at one point they submitted a summary accounting to WVRO which included their charges of $516,632.[35]

----

34. The contracts for transport, according to officials at the GFDC, were written in cedis and apparently the cedi portion of the payment was held at the contract rate. However, payments to GFDC were made according to dollar amounts so that the GFDC received increased amounts of cedis as devaluation occurred. For example, the contract amount to the State Transport Corporation for 2,000 m.t. of maize at $106.50 per m.t. was $213,000 and to the Progressive Transport Owners for 3,000 m.t. at $106.50 per m.t. was $319,000. These amounts were paid to the GFDC. We could not verify the GFDC's payments to their contract transporters.

35. The evidence for the lower payment is that the PA number 6784 which included MOS fees was completely used up in April of 87, while the PA 5784 had funds left. The difference between MOS summary of costs and actual payments made by AID was $241,813.20. See cost factors below. According to the MOS summary, three account items covered the fees to the truckers, (1)$110,000 listed as trucking fees, presumably within Mali for the Nioro shipments, (2) $2,155,578 as dollar transfers, and (3) $868,088 as dollar equivelant transfers, or a total of $3,133,666. If WVRO paid MOS the additional amounts as noted in their summary of accounts or not is not clear. If they did the additional funds had to come from WVRO's own funds or other (possibly OFDA) funds from the U.S.

av

Under the original plan of a fixed price contract to the GFDC, freight forwarding and handling costs were budgeted, including unloading at destination. With the actual operation, therefore, it appears that both freight forwarding and unloading costs were paid twice, first to the GFDC (the GFDC received a total of $71,000 for handling costs), and then again to MOS, SOCOPOA, Nitra and WVRO.

The basis for contracting the hauling on a ton mile rate was to have been no more than the highest rate permitted by the Government of Ghana. On April 4, 1985 this rate was quoted as 5.5 cedis per ton mile.[36] By the time the transport contract was negotiated with the GFDC, the rate had apparently increased to 13 cedis per ton mile. During this same period some devaluation had taken place, the cedi going from about 50:1 to 57:1 in relation to the U.S. dollar, or about a 14% devaluation. At the same time the freight rates increased by 230%. At the first devaluation which occurred at COB 4/18/85, setting the rate at 53 cedis to the dollar, fuel prices were increased effective the following day, apparently by 14% (against a 5% devaluation).[37] However this certainly does not justify the large increase in freight rates noted above.

By comparison, freight rates in the neighboring Francophone countries were significantly less. In the Ivory Coast the rate in the spring of 1985 was given as 38 CFA per ton kilometer, which would equal from 11.4 to 13.7 U.S cents per ton mile depending on exchange rates over the period.[38] By comparison, the rate paid for [illegible] to Ouagadougou ranged from about U.S. cents 21 to 22.8 while the Mali rate would have been from 22.6 to 24.5. In Burkina Faso the Baptist Mission paid an average cost of $20.78 per metric ton for transport inside of the country, or an average of 42.12 CFA per ton kilometer; 9 to 10 cents per ton kilometer, or 13.7 to 15 cents per ton mile. They did have in their budget 45 and 55 CFA francs depending on road, although in their report to USAID they cite figures of 38 CFA on all-paved road haulage, 40 CFA on hard-surface (presumably laterite surface) and 45 CFA on unimproved roads. This would translate into ton mile (from ton kilometer) rates of 11.7 to 14.25; 12.3 to 15.0; and 13.95 to 16.875 for the three rates depending on the exchange rates over the period. Mali rates were controlled by the National Transport

----

36. Accra 02495, April 4 1985.

37. Accra 02994, April 26, 1985.

38. Adams, Robert L. and W. Benton Hoskins, "A Report on the Drought Situation In the Republic of Mali and Recommendations for a USG Response", Office of Foreign Disaster Assistance, AID/Washington D.C., March 1985.

Office (ONT) and rates for freight were set at 20 CFA for paved roads, 30 CFA for hard-surface roads and 40 CFA for sand and bush roads.[39] However, the report giving these figures noted that the low rates allowed by the ONT was a major cause of the backlog of cereals in Abidjan waiting shipment to Mali. It does seem, however, that the contracts with the Ghanaian truckers were at least 4 cents per ton mile higher than those found elsewhere and in some instances could have been double rates paid in neighboring countries. The argument here, of course, will be made by some that the over-valuation of the cedi required higher rates. This would be true except that in this instance the contracts were written in dollar terms and payments were made in dollar amounts at whatever rate prevailed at the time of payment. Finally, it is also true that the payments were partially made in CFA (60% in the case of Mali, 35% in the case of Burkina Faso. It is also true that in several cases the roads were paved for the greater part of the trip. For example, transport to Meneka through Burkina Faso and Niger would not have to leave paved road until after Ouallam, leaving only about 100 miles of unpaved road. The route to Gao is paved from Kumasi except for about 150 miles in the north of Mali. The Ouagadougou and Bamako routes are paved in their entirety, unless the short-cut from Hamale to Bobo-Dioulasso is used on the way to Bamako and Mopti.[40] However, in fairness it should be noted that trucking was in short supply at the time of the shipments, most trips had to be made during the rainy season making any non-hard-surfaced travel difficult and trucks had to dead head back to Ghana. Additionally, there is ample evidence of the difficulties with border crossings, and other authorities which makes travel slow. In the OFDA report cited above, they noted that there were at least 50 checkpoints between Abidjan and Bamako. In addition to causing delays, these checkpoints often cost money as well. In fact, special stickers had to be used on trucks coming to Ouagadougou from Lome in 1985 to assure easy passage, and some problems were noted on the Ghana - Burkina Faso border for the shipments made under this trilateral arrangement.

TIMING AND SPEED OF SHIPMENTS

Once the DCC approved the barter in April, the movement of grain was able to begin fairly soon. Some delay was experienced due primarily to the cumbersome shipping agreements noted in a previous section. Negotiating this agreement took about six weeks, and was not finalized until June 21. However shipments started immediately, and 167 trucks in 14 convoys carrying 5,290 tons of

----

39. Adams and Hoskins, Ibid, March 1985.

40. Note that a cable from Ouagadougou, 01244 of March 11, 1985, says that the Hamale/Ouessa border point to Bobo road, 146 kms. of 188 kms. had recently been improved.

a4

maize were sent to the four destination points in Mali in June. The Mali shipments were held up after this, mainly because WVRO in Mali was unable to handle the shipments at this rate. Consequently WVRO requested a delay, and shipments were not resumed until late September, and were completed by November 23.

For the 5,000 metric tons of maize shipped to Burkina Faso, the first shipments arrived on July 12, and the last arrived on August 3. Thus it was fairly clear that the GFDC was capable of organizing and moving the grain expeditiously.

It is difficult, however, to determine if the timing of the barter arrangement was faster than would have been the case of a bilateral PL 480 program. For example, the shipment of the rice in the barter was accomplished in a little over 6 weeks. One shipment was sent out of Freeport, Texas and the other out of Lake Charles, Louisiana. Both shipments were loaded by the 4th of October and the ship arrived in Tema, Ghana on the 15th of November. Hypothetically, we could assume that the same trucks that hauled maize to Burkina and Mali would have been organized to evacuate the rice (or corn if that had been the food shipped), then the U.S. shipped grain could have been in Burkina Faso in 8 to 10 weeks from U.S. ports, and in Mali in 8 to 14 weeks.

However, neither the barter arrangement nor the direct bilateral arrangement take into account the time factors prior to the approvals and agreements. In the case of the barter we have evidence of discussions, reports and requests dating to the end of 1984. Therefore [illegible] began at least 3 months before the DCC approval was obtained. In the case of bilateral aid, we note that calls forward from January were not expected to arrive in Lome before mid-March, and February calls were expected in mid-May. The timing seems to be very close to the same by these dates.

THE JUSTIFICATIONS FOR THE BARTER ARRANGEMENT

Several arguments have been put forward to justify the barter arrangement undertaken in West Africa in 1985. The primary one was that the ports available to Mali and Burkina Faso of Dakar, Abidjan and Lome were congested and delays would be experienced when shipping grain through them. In the case of Mali, 80% of the freight traffic was being sent through Abidjan because of the deteriorated condition of the Dakar to Mali railroad, both in terms of the line and the rolling stock. The OFDA report cited above reviewed a UNDP report on deliveries of food aid to West African countries. They noted that over a 5 month period only 1/3 of the food aid requested for Mali, Senegal, Niger and Burkina Faso could be delivered. In the previous year tonnage of food aid handled at the three most commonly used ports were Dakar 102,000, Abidjan 118,095 and Lome 40,508 (Lome figures were only for a 3 month period).

9

Generally, however, the studies did not indicate that it was the ports themselves that were the problem. In the case of Abidjan the UNDP noted that the maximum offtake rate of the port was between 5,000 and 6,000 metric tons per week, which was double the current usage. The backlogs, rather, occurred at EMACI (Enterprise Malien au Cote Ivoire) who operated under the direction of ONT in Bamako. In early 1985 they had a backlog of 60,000 to 80,000 tons of freight in warehouses in Abidjan of which 25,000 m.t. was cereals.[41] Evacuation of cargo was taking place at the rate of about 4,000 m.t. per week to Mali. The UNDP noted that "this is primarily due to the extremely low trucking rates paid to truckers by ONT to carry Malien goods". For example, set rates for Malian goods were 20 CFA per ton/kilometer compared with an Ivory Coast rate of 38 CFA per ton/kilometer on paved roads, while Malian rates for laterite roads were 30 CFA and 40 CFA on sand and bush trails. In addition, EMACI had to conform to a ratio of 2 Malian truckers for each non-Malian trucker engaged. Very few of the truckers were interested in hauling food aid at these rates. Foreign Aid Missions in Mali had tried to get the Government of Mali to raise these rates but this was refused. If these rates were raised then the Government would be required to pay higher rates on government imported goods.

From Dakar the only transport available to Mali is the railroad. Mali has about 185 extremely worn out freight cars (versus 338 for the Senegalese). EMASE (Enterprise Malien au Senegal) controls shipping from Dakar under the supervision of ONT. Their first responsibility is to ship goods required by controlling Malien government bodies. The rate structure for freight to Mali is 10 CFA per ton kilometer. This compares with a rate for Senegal cargo of 20 CFA per ton kilometer on the same line. Thus, generally the Malians operate at a loss and cannot maintain their line nor replace their rolling stock.

In the case of Burkina Faso, the main ports of entry are via the port of Abidjan and then by rail through Bobo-Dioulasso to Ouagadougou, and through the port of Lome and then by truck north. Most grain coming by rail will be offloaded in Ouagadougou and trucked north to the chronic grain deficit areas such as Yatenga and Dori.

Shortage of railcars and heavy demand for the use of the railroad to haul exports for Ivory Coast often cause bottlenecks on the Abidjan - Ouagadougou railroad. In 1985 much of the food aid was being sent through Lome and trucked north. Burkina Faso had a freight rate structure similar to that of Mali, but yielded to the demands of foreign donors to raise rates sufficiently to compete with private cargo. Burkina almost doubled its rates, and

----

41. The WFP on 2/10/1985 cited 52,800 m.t. total freight in Abidjan.

the result was that the congestion in the port of Lome was eliminated in a few weeks.

Another argument advanced for the use of trilateral arrangements is that food more preferred to the taste of the local populations will be made available. In this case, that would mean that Ghanaian white maize would be preferable to U.S. maize or sorghum. For this particular case the argument is weak. Most of the grain sent to Mali and Burkina Faso went to the northern parts of those countries. The maize producing and consuming regions of the two countries are in the south. The north consumes primarily millet with some sorghum eaten where climate and soils permit its growth (although in Burkina Faso most sorghum is made into a local fermented drink). Therefore, it would seem that the taste of white maize would be as foreign as red sorghum to the recipient populations.

THE IMPORTANCE OF U.S. GOVERNMENT OWNED CEDIS

Several references are made to the U.S. Government owned cedis, particularly those that had accumulated through an OPIC guaranteed investment in Ghana, as a factor promoting the trilateral arrangement. On June 1, 1981 the GOG and Firestone Tire Company of Akron, Ohio signed an agreement for the sale of the company's shares in Firestone Ghana Ltd. and Ghana Rubber Estates Ltd. to the GOG. The sale was covered by 20 notes of $359,400 each bearing an interest rate of 6.5% payable to the Overseas Private Investment Corporation (OPIC). The first note was paid in cedis in September 1982. As of March 31, 1985 there were two other outstanding notes due. There was therefore, $1,078,200 in cedis supposedly available to use for the Ghana grain transaction. The balance of the funds plus interest were to be paid, at OPIC's request, in dollars.

In addition to the OPIC cedis, there were cedis being accumulated through the repayments of loans from Title I sales and other locally managed cedis from reverse accommodation and sales proceeds, special deposit accounts and host country contributions to the Peace Corps. There seemed to be some concern, primarily on the part of the U.S. Embassy and USAID Mission in Ghana, that the Treasury Department would declare Ghana an Excess Currency Country.[42] There was also some concern that a demand from the U.S. for repayment in dollars of outstanding debts would have adverse effects on Ghana's Economic Recovery Program (ERP) in which economic policies promoted by the U.S., the IMF and the World Bank were beginning to be implemented. The U.S. Embassy in Ghana

----

42. A country can be declared an Excess Currency Country where the U.S. owns more local currency than needed for normal requirements in that country for two fiscal years following the year in which determination is made by the Treasury.

0?

felt that the trilateral arrangement offered a viable alternative to dispose of some of the excess cedis in U.S.G. accounts.[43] It was suggested that the portion of the transportation of Ghanaian maize that was to be paid in cedis (estimated to be $1.6 million) be paid from the OPIC account.

The actual holdings of cedis by the U.S.G. were apparently considerably less at the time of the trilateral agreement than was presumed by the U.S. Embassy. In late June balances in the OPIC account[44] were 11,021,473 cedis,[45] and the Treasury account contained 23,636,507.93 cedis.[46] The two accounts, together with other U.S. Government owned cedis totaled approximately 42 million cedis ($U.S. 840,000 at 50:1). This amount was evidently the level set in agreements by AID for use by WVRO/MOS for local transport as MOS confirms this in a telex to USAID/Ghana in October. They noted at that time that it had agreed to use 42 million cedis and had already spent 33 million. Therefore, they planned to take 9 million additional and purchase any further cedis on the open market.

There is evidence in cable traffic, notes and reports that the cedi question was of importance to the Ambassador as far back as mid-1984. How much influence it had with the DCC's decision to approve the trilateral transaction with Ghana is not clear. The best we can say is that it appears to have provided a vehicle by which Treasury was able to get rid of a large amount of cedis that were rapidly devaluating, for a purpose that the U.S. Government would fund in any case.

BENEFITS TO THE VARIOUS PARTIES TO THE TRANSACTION

In assessing the benefits accruing to the various parties, the stated advantages or disadvantages or "pros" and "cons" of the transaction were used as the basis of consideration. In this sense we look at the individual gains and/or losses rather than the complete transaction where total pluses may be greater than total minuses. The total transaction will be discussed in summary to temper comments made individually.

The recipients of the food aid, Mali and Burkina Faso, of course, gained in that they both received food at little or no cost to

----

43. ______________,U.S. Embassy, working document entitled "OPIC COLLECTION OF NOTES", May 15, 1985.

44. Accra 05185, June 24, 1985.

45. Account 20FT 470

46. Account 20FT 400.

the respective governments and very little cost to the population receiving the food aid. With current policy in Mali, the national grain company experienced no costs as they were not required to handle or store the grain that was sent to Mali. Under normal bilateral food aid programs, OPAM, the national cereals company receives the grain and stores it. Then as PVOs request food, OPAM releases it to them for distribution. In the Ghana - Mali arrangement, the grain was consigned to WVRO and OPAM had no role in the transaction. Therefore, WVRO did not have adequate storage for all the maize it was to receive from Ghana.[47]

In Burkina Faso, OFNACER, the government grain agency, officially received the grain as would be the case in a normal bilateral arrangement. However, in this case it was immediately sent to the warehouses of PVOs who distributed the grain. In one sense we could say that OFNACER lost in this arrangement. In most bilateral food shipments, grain would be sent to OFNACER who would distribute it to deficit areas. OFNACER would sell the grain and recoup its operating costs from the sales. As this income is the sole source of operating funds for OFNACER it is important for them to maintain a certain level of flows of commodities through their system each year. Thus, food aid that bypasses OFNACER helps meet food needs in the country but contributes nothing to maintaining the agency.[48]

In terms of the PVOs, WVRO was the greatest winner, as AID covered its expenses in the transaction and it helped them to establish a presence in Mali where they had previously done little work. It also enhanced their position to a certain extent in Ghana, although the negative impact of their transport agreement with AID as seen by the GFDC probably offset those gains. In Burkina Faso, the three PVOs involved apparently covered their own costs from agency budgets so that there was neither gain or loss in terms of this arrangement versus a straight bilateral arrangement that would have consigned food to them from the U.S. The Baptists, for example, spent a total of $145,286.58 for internal handling and transport costs of 6,991.8 metric tons of food which included the 3000.9 m.t. of Ghanaian maize, or $20.78 per m.t. But this money would have been spent regardless of the mechanism by which food was sent to them.

---

47. In fact, WVRO apparently rented space from OPAM on one occasion to handle the maize.

48. See Warren Enger, An Analysis of the Marketing Position of the National Cereals Office (OFNACER): Upper Volta, RONCO Consulting Corporation, 1981. Because the national grain/food companies in West Africa, for the most part, are funded from a percentage of the sales receipts of food, there is a need to have large and regular flows of food through their system and a tendency to overstate the need for food.

Benefits to Ghana

The Ghanaian Food Distribution Corporation (GFDC).

The transaction had clear benefits to the Ghanaian GFDC. In discussions with the GFDC, several important benefits were mentioned:

1. The GFDC was able to sell stored maize for which the market was weak, at a good exchange rates:

2. The sale emptied warehouses of grain that could conceivably have spoiled.

3. The sale of rice used in the exchange vastly improved the liquidity of the GFDC;

4. The GFDC was able to meet commitments to commercial banks; and

5. The GFDC was able to undertake further commodity buying campaigns from proceeds of rice sales.

To demonstrate the impact of the maize for rice exchange and subsequent sales of rice on the financial situation of the GFDC we have calculated the net benefits to the GFDC. These are given as low and high estimates. Figures for purchase cost of maize, overhead, handling and storage of maize, and sales prices for rice used for the calculations were furnished by the GFDC, but we were not able to inspect GFDC's accounts for verification.[49]

The figures used for overhead, handling, storage and distribution costs of the rice are estimated from two sources. The first figure is the negotiated cost for handling paid to the GFDC for the maize sent to Burkina Faso, or $7.00 per metric ton. The second figure is the calculated overhead figure of 8,100 cedis per metric ton given as an overhead, handling and storage cost for the maize to the GFDC (this figure was 45% of purchase cost of grain). The figure used for transportation, 1,625 cedis per ton, is based on the 13 cedis per ton mile set with USAID for the WVRO transport and an average haul of 125 miles from the port of Tema. The 125 miles would include the cities of Takoradi, Secondi and Kumasi as well as Accra and the lower lake region and should

---

49. In fact we suspect some figures may not have been for the period of the transaction in 1985. For example, the figure for maize used in calculating the exchange ratio was about 9.5 cedis per kilogram, and we were told the cost to the GFDC was 18 cedis. However, the magnitudes of financial benefits will remain.

cover almost all of the rice sales zone.

The following would give estimates of the net benefit to the GFDC according to the assumptions made above:

ESTIMATED COSTS AND RETURNS TO GFDC FROM TRILATERAL FOOD AID - 1985

	Low	High
	(in cedis per m.t.)	
Purchase cost of maize by GFDC	18,000	18,000
O.H., storage, handling (45%)	8,100	8,100
Ex storage cost of maize	26,100	26,100
Value of rice sales		
2,800 cedis/50kgs.	56,000	56,000
Less handling		
Tema port to distrib. point	2,017	8,100
Net return for rice sales	53,983	46,275
<u>Estimates of rice handling</u>		
Transport at 13 cedis/ton mile	1,625	1,625
O.H., storage, handling ($7/ m.t.)	392	
O.H., storage, handling (45%)		8,100
Total handling costs	2,017	9,725

Net returns to GFDC from exchange

Gross cost of maize X 15,0000 m.t.	391,500,000
High return to rice X 9,229 m.t.	498,209,110
Low return to rice X 9,229 m.t.	427,071,980

Net return in cedis (high)	106,709,110
Net return in cedis (Low)	35,571,980

Value in U.S. dollars at 57 cedis = 1 dollar

High return	$1,872,089.60
Low return	$ 624,069.82

The high benefit values to the GFDC come mainly from the fact that the exchange of maize for rice was based on the Ghanaian cost of maize and U.S. price for rice rather than on the Ghanaian buying or selling price for both commodities.

Benefits to the economy of Ghana and the GOG.

Direct benefits accrued to the Ghanaian economy several ways:

1. The economy saved a considerable amount of foreign exchange by receiving rice at no FX cost to it. If we use as an international price FOB Bangkok for Thai rice at $210.00 per ton, plus shipping costs of $50.00 per ton, the c.i.f price Tema would be $260.00 per ton. That would make the FX cost of 9,229 m.t. of rice $2,399,540. This FX value accrues directly to Ghana as it would not have received the food under a PL 480 Title II program without the trilateral arrangement.

2. The above savings would have to be offset by the quantity of maize that would have gone out of Ghana through clandestine exports into the CFA zone. If we estimated 2,000 m.t.[50] would have moved in this way in the absence of the trilateral arrangement, at a value of 10,000 per m.t. at an exchange rate of 57 cedis = 1 dollar, then the loss in FX would be $350,877. Reports by both the GFDC and OFNACER that Ghana maize was selling on the market in Burkina Faso would support this assumption. The volumes can only be guessed at.

3. The national truck fleet of Ghana was greatly improved. The high total payments made in CFA to contracted truckers, ap-

---

50. There is some indication in reports and cables that the GFDC did not have in storage the entire 15,000 m.t. Some appears to have been purchased after the barter agreement was signed. This open market grain would have been available to private traders for shipment north. Sanctioned commercial exports required an export permit.

102

proximately $2,155,578, allowed the truckers to purchase spare parts, new tires, etc., as well as fuel for which little foreign exchange was available without the transaction.

4. The Government of Ghana was able to support the price of maize at the farm level without large inputs of cash. In addition, the government benefited from the liquidation of grain stocks for which there was little or no market. In fact, the GFDC was concerned that the maize in store would have spoiled without the transaction.

5. The GOG was able to reduce some of its debt obligations to the U.S. Government, with the money going directly back into the economy of Ghana. This refers to the $868,088 worth of payments made in cedis from U.S. held cedi accounts. In fact the transport contract as originally negotiated called for payments of $1,531,255 in cedis (81,156,515, based at that time on 53:1) out of a total of $3,473,450, which exceeded the amount of USG owned cedis.[51] However, additional cedis were to be paid into USG accounts in August in the equivalent of $441,000.[52]

Benefits to the U.S. Government.

Benefits to the U.S.G. are difficult to quantify. In fact, given the cost of the operation, that is, the portion that is contained in the inland transport cost of maize, the U.S.G generally lost a great amount. At least $100 per m.t. on the Mali shipment of 10,000 m.t. would be a reasonable estimate. From other perspectives it is more difficult to judge. It is probably safe to say that in Mali and Burkina Faso the U.S. neither gained nor lost using the trilateral arrangement as opposed to a bilateral arrangement. The Secretary General of the Ministry of Commerce, the Ministry directly responsible for grain marketing and food aid in Burkina Faso, did express certain positive feelings for using regional sources of food in emergency situations. However, this may have been more a strong concern for the surplus position of Burkina Faso in 1987 than any strong position about the 1985 arrangement.

In Mali, the trilateral food aid of 1985 was of little concern to the Government other than that it provided food aid in the northern regions during a period of massive shortages. However, the GOM had absolutely no involvement in the transaction other than

---

51. Accra 05648, August 9, 1985.

52. Paris 32523 from RAMC, August 13, 1985 and State 134706, May 8, 1985.

103

permitting the maize to enter the country.

In Ghana, the trilateral produced the most spectacular gains for the U.S.G., particularly from a foreign relations perspective. It was emphasized that prior to the 1985 trilateral, Ghana - U.S. relations were, if not strained, certainly only luke warm. The trilateral produced results because of the financial gains to the Ghana Government in foreign exchange savings, reducing surplus maize supplies, refurbishing a large part of the national truck fleet, producing profits to the GFDC, and reducing the cedi balances in U.S.G. accounts. It was also clear, when talking to Ghana officials, that there was a degree of satisfaction in having been able to be a partner in assisting their neighbors. Both U.S. and Ghanaian officials noted that relations had improved a great deal after the trilateral. Whether or not that improvement was worth the cost, or could have been obtained at a lesser cost, must be answered elsewhere.

The overall impact of the trilateral would have to be judged positive. There is, however, a distinct difference in the cost between the shipments to Burkina Faso and Mali. The most negative part of the transaction is the high cost of the inland transport, and the Mali portion is the highest per ton of all.

CASE STUDIES - SOUTHERN AFRICA - 1985-1987

Summary:

In September of 1985, USAID/Maputo recommended a trilateral transaction of 40,000 metric tons of white maize from Zimbabwe and Malawi. The amount was subsequently reduced to a request for 10,000 m.t.[15]

After approximately nine months--on June 13, 1986--an agreement was signed between the U.S.G. and the Government of Zimbabwe (and countersigned by World Vision)[16], which provided for the provision of 7000 tons of Zimbabwe white maize to Mozambique. This transactions came to be known locally as "Tripartite Round I". Grain deliveries from the GOZ Grain Marketing Board to World Vision began five days later.

Slightly later, on July 24, 1986, a similar agreement involving 3000 tons was signed among the U.S.G., the Government of Malawi and World Vision, reflecting a ten-month decision-making and approval process. Deliveries from ADMARC, the GOM grain marketing board, to World Vision of 90% or approximately 2,700 m.t. were supposed to begin immediately. In the event, as will be seen, deliveries of Malawi white maize under this agreement were still being made to end-users in Mozambique in February, 1987, when the study team was in the field, and in April, at the time of writing this report.

Based primarily on the successful and speedy implementation of the Zimbabwe-Mozambique portion of "Round I", (see Figure) and the continuing emergency situation in Mozambique, the DCC approved a second U.S.G.-Zimbabwe-Mozambique trilateral December 24, 1986. Negotiations with the GOZ about the terms of the wheat/maize swap under this transaction took about two months.

---

15. Maputo 2614 and Maputo 1063.

16. In "Round II", as will be seen, World Vision was left out. Even in Round I, it was not clear at first whether it was appropriate for a PVO to sign as a party to the agreement. The Malawi tripartite agreement also included World Vision as a signatory on a separate line. A point raised by most posts visited was the fact that in none of these arrangements is the recipient country a signatory to the agreements. So, technically, they are not legally obliged to receive the commodities specified, and are not bound in any other way to honor the agreements. In these instances, this has not, apparently, proved to be a problem, but relates to the questions raised at the end of the West African case study annex concerning ownership and title, and when and where they transferred.

The agreement was signed on February 20, 1987, and delivery by the Grain Marketing Board was to begin in three days. In this case, World Vision was not included in the agreement, and the GMB was to be charged with delivery to the appropriate GPRM agencies.

On September 26, 1986, a trilateral agreement between the U.S.G. and the Government of Kenya was signed, for the provision of Kenya white maize for emergency feeding programs in Sudan. Although this trilateral is not included as a case study here, it has had an impact on the approval of a subsequent trilateral involving Kenya and Mozambique whose background decision-making process is discussed in what follows.

By February, 1987, there was considerable discussion and cable traffic concerning a further trilateral transaction among the U.S.G.,Zimbabwe, and Mozambique. However, there was an equal amount of discussion about whether or not Kenya could beat Zimbabwe's maize prices, and also decrease the delivery time to affected areas in Mozambique--and attendant transport costs--by sending its maize by ship down the coast from Mombasa. These discussions were taking place during the team's visit to the field, and in fact, REDSO/ESA requested that the team visit Nairobi to get the details on the Kenya case for cheaper and more prompt delivery.

Shortly after the team returned to Washington in March, the DCC approved a 22,000 ton trilateral transaction to provide white maize for emergency feeding in Mozambique. Despite the case that Zimbabwe had made regarding its ability to provide all or part of this maize, the decision was to use Kenya as the "exporting" country. It is only fair to note that this possibility was discussed during an earlier visit of high-level AID officials to Kenya, and that the DCC approval took place in close proximity to a visit to the US by Kenya's President. Further, at the time this decision was made, relations between the US and Zimbabwe were still poor, and the bilateral AID program had still not been restored.

With the exception of the problems experienced with delivery of Malawi maize on schedule, which will be discussed in further detail below, these trilaterals have been relatively simple to implement, once approval has been given by the DCC and agreements have been signed with the respective exporting countries. In what follows, we will discuss particular issues of timeliness and cost, the role of PVOs in two instances, as well as discussing the implications on these issues of the lengthy up-front decision-making and approval process.

Background:

Two years before Round I--the first trilateral among the US, Zimbabwe, Malawi and Mozambique--was broached, a trilateral agreement had been concluded among the U.S.G., the GOZ and Zambia in March of 1983. That agreement called for the exchange of 20,000 net metric tons of bulk U.S. No. 2 wheat for 31,000 net metric tons of Bagged A-B Quality Zimbabwe White Maize. Thus, the ratio was 1.55 tons of maize for each ton of wheat. The maize was to be delivered to the Government of the Republic of Zambia (GRZ) through NAMBOARD, at Karoi, Free-On-Road, and the wheat was to be delivered to Durban, Free-in-Elevator. The estimated export market value of the wheat was $3,420,000, and estimated ocean and inland transportation cost for the wheat were $3,140,000.

In commenting on a cable from another Mission describing this early Southern Africa trilateral, USAID/Harare seeks to refute the impression that "the 1983 triangular exchange was terribly difficult and of questionable management effectiveness.

> "This is not the Mission's view. It is true that negotiations were protracted and time-consuming. However, this was expected as the tripartite exchange between the three parties was unprecedented. Zimbabwe and Zambia took the transaction very seriously, hence negotiations were detailed. This is in part why the exchange went very well after the negotiations and signing. It would be misleading to leave the impression that the work was not worth it. We would do it again and the Zimbabwe Ministry of Agriculture would gladly do it again.
>
> "...we already have an official request from Minister of Agriculture for similar triangular programs and with the success of the earlier program we are confident that the Grain Marketing Board and the Ministry of Agriculture would move expeditiously and responsibly to complete negotiations and assure early maize delivery" (Harare 1743, March 27, 1985).

In a sense, this sets the scene for what became to a large extent a field-based initiative to launch further trilateral arrangements in the region. Reading through the fairly voluminous cable traffic on this matter gives one the impression that a dialogue was really going on, among the regional USAIDs, and with some commentaries from AID/W. To a considerable degree, this dialogue was initiated and orchestrated by the Regional Food for Peace Officer based in Zambia. It is worth citing at some length the text of an introductory cable drafted by him and sent to a number of posts in the region. This cable makes the general case for trilateral (tripartite) transactions as follows:

> "In 1984/85, Zimbabwe grew enough maize to provide for domestic consumption, and keep a security stock of 900,000 mt for 86/87. The country also has at present in excess of 600,000 mt for export. The GOZ is currently seeking buyers

for that exportable surplus.

"USAID/Zimbabwe, AID/W/FFP, and R/FFPO are very interested in the possibility of entering into tripartite Title II arrangements involving Zimbabwe maize, for the following reasons:

(A) ...if Zimbabwe is unable to dispose of its surpluses, the decision may have to be taken (for pragmatic economic reasons) to curtail production by reducing producer incentives....It would appear to us that our most promising option (since the USG cannot purchase Zimbabwe maize directly) is the tripartite barter arrangement.

(B) Zimbabwe is centrally located in Southern Africa, and for various reasons can be expected to produce marketable surpluses in reasonable years, when most neighboring countries will only be able to satisfy domestic requirements. or, more likely, be in an import posture. Accordingly, surpluses in Zimbabwe are in many ways tantamount to regional food security stocks, and have been used as such in the past by WFP, the EEC and USAID, which have all used Zimbabwe white maize in feeding programs in third countries. ...It is in the interest of the USG, especially insofar as indications are that the Southern Africa drought cycle has several more years to run, despite good weather in 84/85) to encourage Zimbabwe to continue to play this role.

(C) Zimbabwe white maize is better adapted to feeding programs in East and Southern Africa than US yellow corn, as there is no unfamiliarity/acceptability problem.

(D) Zimbabwe maize can in many cases be moved to locations in East and Southern Africa faster, and at less cost than corn from the U.S..

"It is obvious that the ability of the USG to help move Zimbabwe's exportable maize surplus through PL 480 Title II tripartite arrangements is quite limited" (Lusaka 2513, May 25, 1985).

Other posts were asked to comment and to indicate interest, specifying tonnages that might be needed for Title II activities, including commodities approved and not yet called forward. As appropriate, the cable indicated that AID/W would be informed that the possibility for a trilateral arrangement had been identified, and negotiation approval then sought by USAID/Zimbabwe. Project design was to be a collaborative effort among all concerned parties.

The cable also made the point that obviously, tripartite programs were "necessarily more complex than straight bilateral programs and that the difficulties may appear, at first glance, insurmountable. However, tripartite programs have worked well in the past, especially those involving Zimbabwe, as the GOZ approach is very professional indeed. Logistics and management considerations are real, and will be dealt with to ensure a practical and workable program design and effective implementation. We request that addressee posts not dismiss this initiative out of hand as unworkable or too complex" (ibid.).

There was considerable response from addressee posts. In replying, USAID/Malawi indicated that it accepted the R/FFPO's offer to explore the possibility of including Malawi in tripartite programs, indicating that the GOM was very concerned about a large surplus which might go from the current 200,000 mt to 400,000 m.t.by September/October of 1985.

At least one post, USAID/Kinshasha, raised a policy issue concerning producer price supports and then-current USAID policy. Others were quite supportive of the general idea, as well as of the particular proposal to do another trilateral arrangement with Zimbabwe as the source of white maize. This was felt to be particularly appropriate given Zimbabwe's role in SADCC (the Southern Africa Development Coordinating Committee) as responsible for food security planning.17

Although this planning role for Zimbabwe is broadly recognized as appropriate within the SADCC region, there is also a certain amount of latent hostility toward Zimbabwe surpluses, along the lines of the "big brother" sort of reasoning. This came out in many of the team's discussions both in Zimbabwe and in other countries in the region. On the other hand, when suggestions began to be made that Kenya maize was cheaper, and could be delivered more cheaply and expeditiously to Mozambique than Zimbabwe maize, the SADCC ideology was raised as crucial from a developmental point of view, and it was pointed out by some of

---

17. SADCC is comprised of nine member states--Zimbabwe, Malawi, Zambia, Botswana, Lesotho, Mozambique and Swaziland. As was noted in a recently delivered paper on food aid, intra-regional trade, and economic development in SADCC, "The SADCC countries have agreed in principle to formulate a common food security strategy and Zimbabwe has been charged with the responsibility of formulating a food security programme. However, national considerations still dominate the internal pricing decisions of each country....There still is yet to be a common definition of what food security means and the least cost method of attaining it for the region as a whole"(Nziramasanga, 1986).

the same people that Kenya was not, after all, a member of SADCC, and that therefore, the price consideration, even if real, should not necessarily be determinant of intra-SADCC policies, issues and actions.[18]

Round I:

After the Regional Food for Peace Officer (RFPPO) based in Lusaka sent out his cable describing the logic behind trilateral transactions in the region, there was a high response rate from "addressee posts". Most were supportive, although USAID/Kinshasha was quite critical of the policy basis for the trilateral proposal with Zimbabwe. USAID/Malawi's response was very positive, indicating a desire for Malawi to be included in any trilateral that was to be put forward.

The issue of Malawi's participation seems to have been one that shifted ground over the months. At some points, it is now said, there was a question whether Malawi actually had enough of a maize surplus to participate effectively. But there was also the troubled question of Malawi's tacit support for the MNR ("Renamo") insurgents, who were using southern Malawi as a staging area for incursions into Mozambique. A number of those interviewed in the field indicated that the GRM did not want to be party to an agreement that would included Malawi as a source of food aid commodities unless this policy changed.[19]

USAID/Malawi, however, persisted, and at one point, enlisted the support of a U.S.Army General who was visiting Malawi, and with whom the apparent reluctance of others to include Malawi in the proposed trilateral was discussed. As the Mission pointed out in one cable, his contacts in Washington were "high and wide" (Lilongwe 04831). A subsequent cable indicates that the General did, in fact, bring the USAID's message back to Washington, apparently in persuasive terms (Lilongwe 04951).

In the end, Malawi was included, but as the source of only 3,000 tons of maize, with Zimbabwe providing 7,000 tons. The two agreements were signed within a month of each other--Zimbabwe's coming first--and deliveries were to begin immediately in each instance. In the case of the Zimbabwe transaction, this occurred and there were relatively few problems encountered in the course

---

18. For detailed discussions of food security policy and agricultural policy in SADCC, see Eicher and Mangwiro, 1986.

19. This is one of the areas in which it is probable that more information exists in the record, but is classified. A number of assertions about what happened were made by various people interviewed, but most of them asked not to be quoted.

of implementation (see Section V). Due to significant staffing changes in ADMARC, the Malawian grain board, deliveries were delayed from July until late September.

In both agreements, World Vision was to be the intermediary, and was a signatory to the agreement. USAID/Zimbabwe seems to have had relatively good luck with World Vision's implementation. The Maputo AID Office, however, was not pleased with their performance--partly because their "Mozambique" management staff were based in Harare--and USAID/Malawi evaluates them relatively negatively in its narrative for this report in terms of utilization of available staff and maintenance of close contact with ADMARC during the problem period before deliveries started (see Lilongwe 01039).

Discussions with World Vision staff in Harare and in Maputo indicated that the variety of difficulties being encountered in delivery of Title II commodities both from the bilateral and the trilateral with Zimbabwe in Mozambique may have meant that the delays in the Malawi deliveries were just as well. This proposition is, however, partially negated by the fact that the MNR--having been told to leave Malawi--moved into many of the areas where WVI was supposed to deliver the Malawi maize. More generally, other-donor representatives and the AID FFPO interviewed in Maputo indicated that there was more in the way of food aid donations than the system would be able to handle if they all arrived on time, and that delays were sometimes quite beneficial.

In its Operational Plan for FY 1986, World Vision had done the planning for 10,000 tons of maize to be made available through a trilateral arrangement with the GOZ. When Malawi was officially included for 3,000 tons, the operational plan had to be revised. This, however, was done very quickly. What caused delays, then, were the problems caused by the insurgency in Mozambique and related transport difficulties rather than anything intrinsic to the trilateral nature of the transactions. The possible exception here is the routes the Malawi and Zimbabwe maize had to follow from ports of entry to the end-users. The cost implications of these transport problems are discussed in Section IV and in Annex D.

As in the case of West Africa, it is not always easy to tell how much the U.S.G. paid altogether for the emergency relief process of which these two trilaterals are a part. Zimbabwe paid the ocean freight and inland freight for the wheat destined for Zimbabwe. Malawi made the arrangements for the inland freight of its wheat, but the U.S.G. paid for ocean and inland freight. For the Zimbabwe maize, the GOZ, the U.S.G. and World Vision all contributed to the transport and delivery costs.

The U.S.G. also paid CARE with a $2,000,000 grant for its work to

\\\

strengthen and assist the Department of Natural Calamities of the GRM (DPCCN) part of which might be attributable to the costs of delivering the maize from these trilaterals to the end-users. The Red Cross also made a contribution toward covering these costs, as did the GRM since a considerable amount of this maize was commercialized, and local currency sales proceeds deposited in World Vision or U.S.G.-managed accounts until the monetization issues raised for the AID program overall could be resolved.[20]

By the time of writing, despite persisting problems affecting deliveries of Malawi maize to end-users in Mozambique, World Vision had received all of the 3,000 tons from Malawi. This means that about nine months have passed since the Malawi agreement was signed, and all the maize has not yet reached the intended beneficiaries. This is not persuasive as an example of the timeliness of trilateral arrangements, as has been noted in Sections IV and V of the report.

Round II:

The Zimbabwe trilateral, on the other hand, may serve as a model, and as has been noted, Round II with Zimbabwe--a government to government arrangement without a PVO intermediary outside Mozambique--has gone equally smoothly. All deliveries of maize had been made to the GRM by late March 1986, three months nearly to the day from the date that the DCC approved the trilateral for 3,372 m.t. of wheat against 3,000 m.t. of maize.

---

20. The U.S.G. is presently in receipt of a very large amount of Mozambiqan medecais and has, in the words of the Representative, been in trouble for not having programmed them since 1985. Other donors are in a similar situation. All of them want to program these counterpart funds for development projects, but almost all such projects need a foreign exchange component, for which the foreign exchange is completely lacking. Meanwhile, with the new World Bank/IMF guidelines, it is likely that these funds are best taken out of circulation and kept out, according to some views. The AID Representative was also interested in seeing whether, in future, the GRM would be a party to trialteral agreements, and would be willing to put up the local currency up front, before the maize was delivered. This would perhaps cause a small delay, but would help attain the objective of using "normal commercial conduits" since at present, where everything is donated, the GRM cannot get a handle on what things cost and what is coming in and going out. AID/W had suggested that a team of consultants should visit Maputo to carry out a thorough study of the local currency and monetization issues. This visit was to take place shortly after that of the study team.

112

There is still a possibility that Zimbabwe may be included in a "Round III". AID/Maputo requested 45,000 tons of maize in June of 1986, as the A.I.D. Representative indicated with some asperity, and had still not received an answer from AID/W and the DCC by early March. In fact, about a week after our discussions with him in Maputo, 22,000 m.t. was approved, but for a trilateral with Kenya, not Zimbabwe. Subsequently, it appears that Kenya may not be able to deliver any or all of this amount, so there is a possibility that recourse to Zimbabwe will again be made, either for some of this amount, or for a further amount in the context of Maputo's original 45,000 ton request.

ANNEX D

THE COST OF THE GHANA BARTER ARRANGEMENT AND COST EFFECTIVENESS

The Commodity Credit Corporation (CCC) incurred costs of the trilateral transaction with Ghana, Mali and Burkina Faso for the U.S. commodity, ocean freight for the U.S. commodity to Tema, Ghana, and inland transport from Ghana to Mali and Burkina Faso of the Ghanaian commodity. According to CCC records the following costs were incurred in the transaction:

9,207 metric tons of U.S. rice	$2,688,000.00
Transport of rice from U.S.gulf to Tema	502,964.00
Inland freight and handling charges;	
10,000 m.t. maize Ghana to Mali	$3,040,000.00
	748,181.00
5,000 m.t. maize Ghana to Burkina Faso	677,000.00
TOTAL COST	$7,656,145.00

As of April 13, 1987 payments made by AID against the Purchase Authorizations for inland transport were as follows:

INLAND TRANSPORTATION COST DATA FOR GHANA TRILATERAL

Basis 10,000 M.T. to Mali	Total Dollars	Dollars /M.T.
PA/PR 899-950-XXX-5784	$3,040,000.00	$304.00
Payments against 5784	2,970,849.90	297.08
Unused balance	69,150.10	6.92
PA/PR 899-950-XXX-6784	$ 748,181.00	$ 74.82
Payments against 6784	748,180.88	74.82
Unused balance	.12	
Basis 5,000 M.T. to Burkina Faso		
PA/PR 641-48-000-5701	$ 677,000.00	$135.40
Payments against 5701	545,163.20	109.03
Unused balance	131,836.80	26.36

Payments made according to the above figures may not be complete. According to records of USAID/Accra[1] a total of $575,163.20 had

1. Accra 07651, 15 October, 1985 ?.

been authorized for payment against PA/PR 5701. On the other hand, a cable from Abidjan indicates that the figure of $545,163.20 was correct according to four vouchers approved for payment.[2] Bills in question against 5701 for inland transport to Burkina Faso include the payments to SOCOPOA who was contracted by USAID/Ouagadougou to handle customs clearances, reconditioning, rebagging and unloading in Burkina Faso. Records indicate that an invoice for 12,276,450 FCFA was submitted to USAID on October 17, 1985 and a final invoice for 1,794,546 FCFA was submitted on June 11, 1986. However, a cable from Ouagadougou dated July, 16, 1986 indicate that the payments have yet to be made. These invoices were to have been included under the $30,000.00 included in the inland freight calculations made by USAID/Accra and included in their PIO/T. Cable traffic indicates that the bill to SOCOPOA could not be paid as the cost had increased by about $5,500.00 due to the decline of the dollar against the franc[3] which would have to come out of the residual funds in 5701. It is interesting that the authorized amount shown above and the expended amount differ by $30,000.00. This may be only coincidence, but it may indicate either that SOCOPOA has not been paid or that payments have not been documented in AID accounts. Another invoice was noticed in the files from a C. Gurineau for marine surveyors services for inspection of the arriving Ghana maize. It was unclear if this is included in the SOCOPOA contract or was a separate contract and if so has the invoice been included in the expended funds to date. The invoice was for 1,100,000 CFA.

The accompanying Table breaks down the shipments of maize from Ghana to the four points in Mali and the separate shipments to Ouagadougou. The mileage figures are based on the contract terms with GFDC and the tons shipped on the actual records of dispatches. The ton-miles figures were then calculated and compared with PA/PR authorizations for inland transport and with actual expenditures as of 4/13/87 to arrive at cost per ton mile of shipping. These figures can be compared with estimates of cost per ton-mile for bilateral food aid shipments to the two countries by other routes and transport modes.

The previous year, 10,000 m.t. of rice were sent to Mali under a Title II 206 program where the cost of ocean freight and inland trasport from the port of Abidjan to Bamako was $2,930,000.00[4] This figure of $293.00 per ton for total transport costs compares with the Mali shipment at a cost for inland transport of $348.56

----

2. Abidjan 14764, January 27, 1986.

3. The contract with SOCOPOA was denominated as 2,200 FCFA/m.t.

4. Transfer Authorization AID/No. 688-XXX-000-4618, dated June 15, 1984.

using a prorated cost of trucking and overhead for the portion shipped to Bamako. For the Burkina Faso shipment the cost was $109.03 per ton. To these figures should be added the ocean shipment equivalent to that charged for shipping the rice to Tema. That cost was $54.50 per ton. Comparative costs are therefore $403.06 for Bamako shipments from the U.S. under the trilateral versus $293.00 from the previous year to Bamako under the bilateral. We do note here that the issue of cost may be less relevant if we consider the problems encountered with shipments to Mali from either the port of Abidjan and then by road or from the port of Dakar and then by rail. The [illegible] low freight rates permitted truckers from Abijan to Mali have impeded the flow of food aid through Abidjan. By the same token, the freight rates used on the Mali-bound freight from Dakar over the rail line would indicate a low inland freight cost. However, that rail line and its rolling stock are in such poor condition that using it as a cost comparison is almost an non-issue.

The cost comparison of a bilateral program versus the actual Ghana to Mali program becomes somewhat moot. Because shipments from Ghana to Mali are not controlled by the Mali government, USAID could contract for Ghanaian trucks at competitive rates for delivery to Mali. Bilateral shipments through either Abidjan or Dakar can only be transported at Mali dictated rates. The fair comparison then has to be relative to truck rates in neighboring countries.

Another point should be made on the cost of transport of the Ghana trilateral. The ocean freight paid by the CCC for 9,229 metric tons of rice to Ghana was approximately $55.00 per ton. This is about $80.00 per ton less than is usually paid for shipments to West African ports on American bottoms. According to USDA, the normal cost on U.S. bottoms would be about $135.00 per ton. The savings on the entire shipment to Ghana was about $738,320.00.

For shipments to Burkina Faso, the most economical mode is by rail from Abidjan to Ouagadougou. This route costs only about $30.00 per ton. However, given that much of the food aid shipped under bilateral programs were going through Lome, it was clear that in 1985 shipments through Abidjan and onward by rail were not an easy option. We can only conclude that the cost of the shipment of the Ghana maize to Ouagadougou was reasonable, albeit slightly higher than was the prevailing rate for Burkanabe truckers.

THE COST OF THE MALAWI - ZIMBABWE - MOZAMBIQUE TRILATERAL

The Commodity Credit Corporation's contributions to the Malawi-Zimbabwe-Mozambique trilateral included the following costs:

Zimbabwe

Commodity (wheat) value	$1,034,039.00
Ocean Transport	730,87[illegible]

Malawi

Commodity (wheat) value	$ 149,454.00
Ocean Transport	142,983.05
Inland Transport	210,000.00

The actual quantity shipped to Zimbabwe was 9,792.13 m.t. of wheat in bulk at an average purchase cost of $105.60 per metric ton ($2.88/bushel). Actual shipments to Malawi were 1,408.7 m.t. at an average cost of $101.50 per metric ton ($2.77 per bushel). Inland transport costs paid by the CCC for the Malawi shipment were $149.07 per metric ton ($4.04 per bushel). Again, in the Malawi case, we have a situation where inland transport cost are more than the value of the commodity, and about 72% of the commodity's c.i.f. value in Durban.

Inland transport costs for the Zimbabwe shipment were picked up by the Zimbabwe government. Actual costs are detailed in the accompanying Table. If we add the port handling and clearing charges they paid (of $ZW 21.83) to the new freight rates, and add service charges we have a total cost of delivering the wheat ex ship Durban to Harare of $ZW88.56. At the current exchange rate at the present time of $ZW1.59 to $1.00 U.S., the cost would be equivalent to U.S.$55.70.

In the case of Malawi and Zimbabwe the costs are very little different than would be the case with a direct bilateral food aid program. For the case of Mozambique the situation is more obscure. In this case, costs incurred by the governments of Zimbabwe and Malawi for transporting the local maize to points within Mozambique were picked up by the U.S. government and PVOs. Local freight rates are quoted below for rail and boat transport:

Freight rates for bagged maize.

Mutare to Chimio (Eastern Zimbabwe to Western Mozambique) by rail; $12.23 per m.t.

Mutare to Beira (Eastern Zimbabwe to Mozambique coast) by rail; $20.64 per m.t.

Chicualacuala to Chokwe by rail $13.44 per m.t.

Incomatiport to Maputo by rail $7.44 per m.t.

Beira to Inhambane by boat $12.50 per m.t.

The problems with rail transport have made this mode somewhat unreliable. That unreliability caused WVRO and the local governments to use truck transport for most of the 1986 maize shipments from both Malawi and Zambabwe. In fact, WVRO noted in its 1986 operations report that the Western areas of Tete and Manica Provinces had to be supplied from Zimbabwe "as these areas are for all intents and purposes cut off from the rest of Mozambique by the activities of the insurgents."[5]

Figures supplied by World Vision show inland transport costs of African purchased maize ranging from $27.78 for deliveries from Rusape to $45.00 per ton for deliveries from Mutoko. By comparison, their figures for deliveries of U.S. bilateral aid from South African ports to Mozambique points of entry are $89.00 per metric ton.[6] Considering that the cost structure for Zimbabwe destined wheat noted above brought us to a total of $55.70, all inclusive, from Durban to Harare, and add to that the $45.00 for Zimbabwe to Mozambique points of entry, we would have a comparable cost of $100.70, or $11.70 more than direct South African ports to Mozambique points of entry. That is to say that the cost per ton on a trilateral would be about $11.70 per metric ton higher than a bilateral program. On the other hand, if rail could be used for at least part of the Zimbabwe to Mozambique shipments, then the cost of a trilateral could be made equivalent to the bilateral costs.

---

5. Bruce Menser, Mozambique Program Director, World Vision International, May 7, 1986.

6. World Vision International working document, Mozambique, using FY 1986 prices. Table. This table compares USAID bilateral aid costs with trilateral costs of commodities financed by the EEC, ADAB and CIDA.

18

BIBLIOGRAPHY

Donaldson, Graham, "Food Security and the Role of the Grain Trade", American Journal of Agricultural Economics, vol 66, no. 2, May 1984, pp. 188-193, World Bank Reprint Series: Number 304.

Eicher, Carl K. and Fidelis Mangwiro, "Chapter Two - A Critical Assessment of the FAO Report on SADCC Agriculture".

Eicher, Carl K. and Mandivamba Rukini, "Developing a SADCC Food and Agriculture Strategy: Objectives, Components and Process", paper prepared for a SADCC meeting of Permanent Secretaries, Chief Economists, Food and Agriculture Sector Coordinators and Ministers of Agriculture, Harare, July 24-26, 1986.

Eicher, Carl K., and Mandivamba Rukuni, "The Food Security Equation in Southern Africa", Chapter 1, Harare, UZ/MSU Food Security Project, Department of Agricultural Economics, University of Zimbabwe, 1987.

Embargoes, Surplus Disposal, and U.S. Agriculture: A Summary, Economic Research Service, U.S. Department of Agriculture, Agriculture Information Bulletin No. 503, November 1986.

Evaluation de l'Oivation "Test" de Pereqciation are Senegal in 1985.

Evaluation of the African Emergency Food Assistance Program 1984-85, Synthesis Report, Bureau for Food for Peace and Voluntary Assistance, Agency for International Development, Washington, DC, July 1986.

Famine in Africa, Second Report from the United Kingdom House of Commons Foreign Affairs Committee, Session 1984-85, April 24, 1985.

Gilmne, Judith, Morocco: Food Aid and Nutrition Education. A.I.D. Impact Evaluation No. 8, August, 1981.

"Information Paper by the Executive Director", World Food Programme African Development Bank Seminar on Food Aid for Development in Sub-Saharan Africa, WFP, Committee on Food Aid Policies and Programmes, Twenty-second Session, Rome, 20-31 October 1986.

"The Japanese Experience", Review of selected national experience with food aid policies and programmes, WFP, Committee on Food and Policies and Programmes, Twenty-second Session, Rome, 20-31 October 1986.

Joshi, Lalit, Note on "Triangular Transactions in Food Aid" - The Zimbabwe Experience, WFP-ADB Seminar of Food Aid for Development in Sub-Saharan Africa, 8-11 September 1986, July 1986.

Jost, M. Stephane, Re'union du Resian pour pre'venlin des crises alimentaires dans le Sahlel - Etude d'Evaluation Prospretive, October, 1985.

Les Politiques Cerealieres Dans Les Pays Du Sahel, Colloque de Mindelo, Requblique de Cap Vert, 1/6 Decembre 1986.

LeFrank, Elsie, Social Impact Analysis Hillside Agriculture Project PP, USAID Jamaica, December, 1985.

Lipton, Michael, "South Africa's Role in Agricultural Production and Marketing in Southern Africa", Overseas Development Council, The Political Economy of Southern Africa, September 1986.

Newberg, Richard, Harmon, David, and Alice Morton, PL 480 Pilot Case Studies: Tunisia Title I and Mali Title II, Section 206, RONCO Consulting Corporation, January 1985.

Nziramasanga, Mudziviri, "Food Aid, Intra-Regional Trade, and Economic Development in SADCC", September 1986.

Patel, H.H., "No Master, No Mortgage, No Sale: The foreign policy of Zimbabive," in Shaw and Landon, eds Regional Development at the International Level (Lanham: University Press of America), 1985, pp. 219-264.

_________________ "Destabilization Policy" in Review of International Affairs Vol XXXVII, 1986.

Offical Government of the European Communities No. L352/1- Council Regulation (EEC) No. 3331/82 of 3rd December, 1982 on food-aid policy management and amending Regulation (EEC) No. 2750/75.

Official Journal of the European Communities No. L165/7 - Council Regulation (EEC) No. 1755/84 of 19th June, 1984 on the implementation in relation to food of alternative operations in place of food-aid deliveries.

Official Journal of the European Communities No. L370/1 - Council Regulation (EEC) NØ. 3972/86 of 22nd December, 1986 on food-aid policy and food-aid management.

Report of the fifteenth Session of the United Nations/FAO Committee on Food Aid Policies and Programmes, WFP, Rome, 16-27 May 1983.

"Statistical Appendix to the Annual Report of the Executive Director 1985", Annual report of the Executive Director on the development of the Programme, WFP, Committee on Food and Policies and Programmes, Twenty-first Session, Rome, 21 May to 6 June 1986.

120