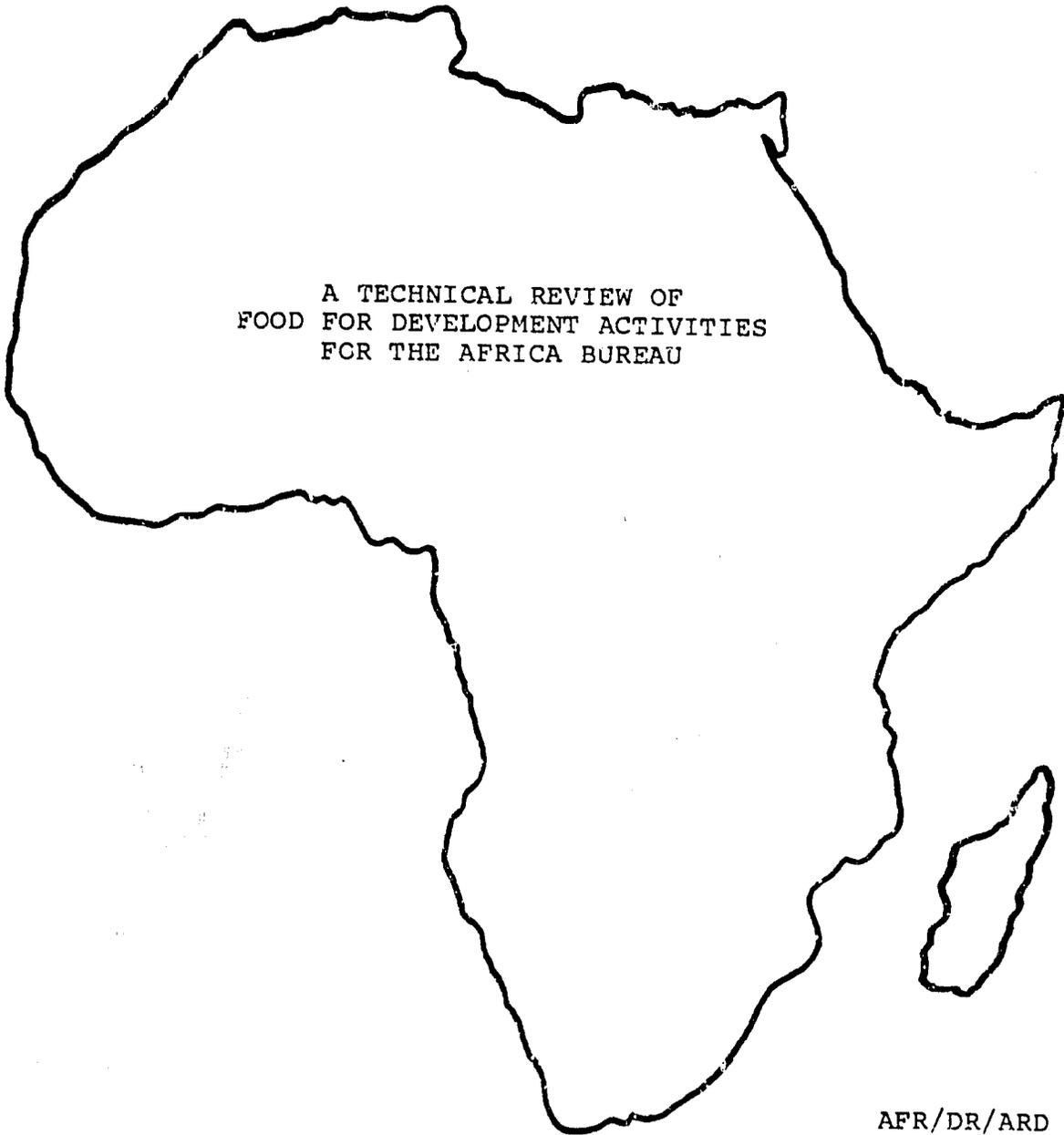


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A TECHNICAL REVIEW OF FOOD FOR DEVELOPMENT FOR THE AFRICA BUREAU

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## I. The Historical Perspective

The term "Food for Development" was first used in the mid-1960s referring to the use of grant food aid under Title II for use in support of small scale community oriented self-help activities. Generally, the food aid was used as partial payment of wages based first on "need" and second on voluntary response to the work activity. In several instances, particularly in Korea, the Philippines and Indonesia, large-scale food-for-work activities were undertaken as a part of support to national rural development programs. Within this context, activities could be sponsored by U.S. registered non-profit voluntary agencies, through bilateral arrangements or through the U.S. contribution to the World Food Program. Realizing that human resource development ranks as a major food aid priority and that much of the grant food aid was being used in direct feeding programs, the late 1960s saw a reassessment of the guidelines for child feeding (maternal-child health, child care centers, preschool age child and primary school age feeding) and the issuance of new instructions with emphasis on "development", hence Title II became Food for Development.

It was during the decade of the 1960s that the development use of local currency generations through concessional sales became a priority consideration for program planning and approval. This is substantiated by the emphasis placed on the self-help requirements of Title I, particularly; that priority was to be given "...to countries which agree to use proceeds from the sale of the commodities in accordance with the country's agricultural development plan..." Furthermore, self-help measures were intended to result in increased per capita agricultural production and improved means for storage and distribution which would contribute directly to the development progress in poor rural areas. This would enable the poor to participate in increasing production, needy people being the major intended beneficiaries of the self-help measures. These self-help measures would be additional to measures the recipient country would have undertaken irrespective of the sales agreement.

In the mid-1970s the concept of "loan forgiveness" as a means of stimulating the use of sales generations in development was adopted. Briefly stated, if a country was receiving Title I concessional sales and would use currencies in support of economic development, the original Title I dollar loan would be "forgiven" in dollars equivalent to the amount of local currency effectively used. It was this concept that led to the enactment of Title III: Food for Development. Basically, emphasis was to be given to countries which qualified for IDA loans.

There are a number of countries where chronic structural deficits have resulted in annual "emergency relief" programs. For a variety of reasons they could not qualify for Title I, hence could not qualify for Title III. Unique legislation under Title II (Section 206) provides an opportunity for "Food for Development" programming -- under the same development terms but with softer financial (grant) terms.

Agency guidelines for program planning and implementation have dealt with Title I self-help, Title III and Title II Section 206 as separate issues. Currently, the self-help guidance is being more conservatively applied as a means of making Title I more significant as a development tool. Title III is cautiously used and then only where significant policy reform can be negotiated along with a package of development activities which will enforce the implementation of the agreed policy reform. Section 206 is basically limited to those countries which have been primary claimants on emergency relief support. The aim is to address the cause of the deficit and to support policies and projects which will reduce, and eventually close, the food gap. For the purposes of this paper, the resources available under PL 480 which generate local currencies for development programming will be considered as Food for Development.

## II. Legislative Provisions for Food for Development

### Title I - Self-Help :

Section 106 - (b) "(1) Agreements hereunder for the sale of agricultural commodities for dollars on credit terms shall include provisions to assure that the proceeds from the sale of the commodities in the recipient country are used for such economic development purposes as are agreed upon in the sales agreement or any amendment thereto. In negotiating such agreements with recipient countries, the United States shall emphasize the use of such proceeds for purposes which directly improve the lives of the poorest of their people and their capacity to participate in the development of their countries.

(2) Greatest emphasis shall be placed on the use of such proceeds to carry out programs of agricultural development, rural development, nutrition, and population planning, and to carry out the program described in Section 406(a)(1) of this Act in those countries which are undertaking self-help measures to increase agricultural production, improve storage, transportation, and distribution of commodities, and reduce population growth in accordance with Section 109 of this Act and which programs are directed at and likely to achieve the policy objectives of Sections 103 and 104 of the Foreign Assistance Act of 1961 and are consistent with the policy objectives of this Act pursuant to agreements between the United States and foreign governments under which uses of such proceeds shall be made for such purposes.

(3) In entering into agreements for the sale of agricultural commodities for dollars on credit terms under this title, priority shall be given to countries which agree to use the proceeds from the sale of the commodities in accordance with the country's agricultural development plan which --

(A) is designed to increase the access of the poor in the recipient country to an adequate, nutritious, and stable food supply;

(B) provides for such objectives as --

- (i) making farm production equipment and facilities available to farmers,
- (ii) credit on reasonable terms and conditions for small farmers, and
- (iii) farm extension and technical information services designed to improve the marketing, storage, transportation, and distribution system for agricultural commodities and to develop the physical and institutional infrastructure supporting the small farmer;

(C) provides for participation by the poor, insofar as possible, in the foregoing at the regional and local levels; and

(D) is designed to reach the largest practicable number of farmers in the recipient country."

Section 109-(a) Before entering into agreements with developing countries for the sale of United States agricultural commodities on whatever terms, the President shall consider the extent to which the recipient country is undertaking wherever practicable self-help measures to increase per capita production and improve the means for storage and distribution of agricultural commodities, including:

- (1) devoting land resources to the production of needed food rather than to the production of nonfood crops - especially nonfood crops in world surplus;
- (2) development of the agricultural chemical, farm machinery and equipment, transportation and other necessary industries through private enterprise;
- (3) training and instructing farmers in agricultural methods and techniques and reducing illiteracy among the rural poor;
- (4) constructing adequate storage facilities;
- (5) improving marketing and distribution systems;
- (6) creating a favorable environment for private enterprise and investment, both domestic and foreign, and utilizing available technical know-how;
- (7) establishing and maintaining Government policies to insure adequate incentives to producers;
- (8) establishing and expanding institutions for adaptive agricultural research;
- (9) allocating for these purposes sufficient national budgetary and foreign exchange resources (including those supplied by bilateral, multilateral and consortium aid programs) and local

currency resources (resulting from loans or grants to recipient governments of the proceeds of local currency sales);

(10) carrying out voluntary programs to control population growth; and

(11) carrying out programs to improve the health of the rural poor.

In taking these self-help measures into consideration the President shall take into particular account the extent to which they are being carried out in ways designed to contribute directly to development progress in poor rural areas and to enable the poor to participate actively in increasing agricultural production through small farm agriculture..."

"...(d)(1) In each agreement entered into under this title and in each amendment to such an agreement, the economic development and self-help measures which the recipient country agrees to undertake shall be described (A) to the maximum extent feasible, in specific and measurable terms, and (B) in a manner which ensures that the needy people in the recipient country will be the major beneficiaries of the self-help measures pursuant to each agreement.

(2) The President shall, to the maximum extent feasible, take appropriate steps to assure that, in each agreement entered into this title and in each amendment to such an agreement, the self-help provisions of each agreement entered into under this title, and of each amendment to such an agreement, are being fully carried out."

The self-help provisions of PL 480 have been legislated to ensure that local currencies generated through the sale of Title I commodities are used to enhance the economic development plan of the recipient country and to enable the poor to share in the benefits of national policies, goals and accomplishments.

As one can note, just about anything that has a bearing on improved food production and marketing, improved rural health and education, and infrastructure for an improved rural economy can qualify. However, self-help activities cannot be selected on a random basis.

The self-help activity selection methodology must take into account a number of critical issues. They are:

- Each activity must be an identifiable part of the "approved" national plan for development.
- Each project should be prior approved and under-funded or non-funded.
- There should be evidence that budget and resources (human and material) are insufficient to meet needs under current circumstances.
- Technical and managerial services will be made available as needed.

The self-help element of the sales agreement should be conceived, designed and implemented in a non-disruptive manner. Every effort must be made to keep these activities consistent with national plans, within technical and managerial capabilities, and within the absorptive capacity of the country.

The implementation plan for self-help activities is critical. Several considerations are:

- As noted above, each project must be clearly identified -- activity-specific.
- Each activity must have an implementation schedule with benchmarks for examining accomplishments -- measurability.
- Projects must be additional to development measures the country would have undertaken in the absence of the sales agreement -- additionality.

Title III :

Section 302 (b) "In order to be eligible for a Food for Development Program under this section, a country must (1) have a need for external resources to improve its food production, marketing, distribution, and storage systems; (2) meet the criteria used to determine basic eligibility for development loans of the International Development Association of the International Bank for Reconstruction and Development; (3) have the ability to utilize effectively the resources made available by the sale of food commodities under this section for the purposes specified in clause (1) of this subsection; and (4) indicate the willingness to take steps to improve its food production, marketing, distribution, and storage systems."

Section 303 (a) "A country designated as eligible and wishing to participate in a Food for Development Program shall formulate, with the assistance (if requested) of the United States Government, a multi-year proposal which shall be submitted to the President. Such proposal shall include an annual value or amount of agricultural commodities proposed to be financed under the authority of Title I of this Act pursuant to the provisions of this title, and a plan for the intended uses of commodities or the funds generated from the sale of such commodities, on an annual basis. Such proposal shall also specify the nature and magnitude of problems to be affected by the efforts, and shall present targets in quantified terms, insofar as possible, and a description of the relationships among the various projects, activities, or programs to be supported.

(b) The multi-year utilization proposal for a Food for Development Program shall include, but not be limited to, a statement of how assistance under such Program will be integrated into and complement that country's overall development plans and other forms of bilateral and multilateral development assistance including assistance made

available under Section 103 of the Foreign Assistance Act of 1961 or under any other title of this Act.

(c) In his review of any utilization proposal for a Food for Development Program, the President shall be satisfied that such assistance is intended to complement, but not replace, assistance authorized by the Foreign Assistance Act of 1961, or any other program of bilateral or multilateral assistance, or under the development program of the country desiring to initiate a Food for Development Program."

Title II Section 206 :

"Except to meet famine or other urgent or extraordinary relief requirements, no assistance under this title shall be provided under an agreement permitting generation of foreign currency proceeds unless (1) the country receiving the assistance is undertaking self-help measures in accordance with Section 109 of this Act, (2) the specific uses to which the foreign currencies are to be put are set forth in a written agreement between the United States and the recipient country, and (3) such agreement provides that the currencies will be used for (A) allocating the causes of the need for the assistance in accordance with the purposes and policies specified in Section 103 of the Foreign Assistance Act of 1961, or (B) programs and projects to increase the effectiveness of food distribution and increase the availability of food commodities provided under this title to the neediest individuals in recipient countries. The President shall include information on currencies used in accordance with this section in the reports required under Section 408 of this Act and Section 657 of the Foreign Assistance Act of 1961."

### III. The Africa Program Experience

#### Background

In 1960, virtually all of the sub-Saharan countries and colonies were self-sufficient in foodgrain production. During the 1960s, agricultural production grew in real terms at an annual rate of 2.3 percent, the same as the population growth rate. Thus, per capita food production remained constant. Agricultural production and trade, with few exceptions, were able to maintain adequate food stocks to meet subsistence and market demands. Concessional food aid (disaster and emergency relief needs excluded) was at a minimum.

The food availability situation in sub-Saharan Africa significantly deteriorated during the decade of the 1970s. Agricultural growth declined to an annual rate of 1.3 percent while population growth increased to a rate of 2.7 percent. Hence, there was a negative effect on domestic per capita food availability. Taking the base period 1969-1971 as 100, the index of per capita production for 1977-1979 was 91. Population shifts from rural to urban areas increased market demands and led to growing dependence on imports to meet food requirements. By the end of 1979 sub-Saharan Africa was commercially importing about 4 million metric tons annually. Grant food aid grew from negligible amounts in the early 1960s to more than 1 million tons annually by 1979. In 1979, per capita food consumption declined to an average of about 85% of the FAO recommended minimum daily caloric allowance of 2,380 - 2,400 calories.

The cumulative effects of the above indices plus devastating droughts in both West and East Africa, civil and social disruptions, and the energy crisis, caused dramatic changes in the food sector of sub-Saharan Africa. For example, commercial- and concessional-term food imports increased to more than \$1.3 billion per year. Grant food aid (all donors) now represents more than 20% of the cereals imported each year.

It is within the above context that Food for Development had its beginning in Africa. The objective was to use PL 480 resources as a short- to medium-term resource to address food grain consumption needs while food sector development projects come "on line."

#### The Programming Process

It is the Africa Bureau policy to use developmental food aid resources (both commodity and sales generations) to support integrated and coordinated country development strategies as a part of the entire development package. To implement this policy, the Bureau took the following actions:

- Established a Food for Development (Food for Peace Officer) position in DR/ARD as the focal point for managing the Bureau's interests in Title III. Primary tasks included assessment of proposed agricultural projects to determine areas where food for development resources could be allocated for improved program support; monitoring country-by-country food supply/demand situations; providing technical assistance to design and evaluation teams, project committees and senior officials on food for development issues; and serving as the Bureau's focal point for Food for Development policy planning, guidelines and budgeting.
- Initiated a major study on the food availability and developmental food aid opportunities in 42 sub-Saharan countries (Food for Development in sub-Saharan Africa, March 1980, P. Russell et. al.). The study reviewed the PL 480 history for those countries and contains an assessment of program and policy considerations of food assistance to sub-Saharan Africa, individual country situation analysis, a proposed food aid priority ranking procedure, and an outline for a country nutrition profile.
- Established a PL 480 work group that met once each week for the express purpose of staying abreast of all actions, primarily those items or issues within other Bureaus, committees, and agencies which had direct bearing on Africa PL 480 issues.
- Issued Management Instruction no. 80-22 "Development, Review and Approval Process for PL 480 Food for Development Programs." The purpose of this notice was to establish a process for the management of development proposals that was linked to the AID Handbook 3 process for DA supported development projects.
- Issued Addendum A to 80-22 to establish an evaluation methodology for food for development activities, including a generalized scope of work and an implementation of evaluation plans.
- Incorporated Food for Development as a significant part of the CDSS, ABS and Bureau budget planning process.

### Management Arrangements

The primary management responsibilities for Food for Development are located in TR/ARD. The reasons for assigning functions to ARD was to assure a full integration at the project level of food for development resources with other resources in the agricultural sector. To facilitate these functions, TR has established a working group which meets weekly to review the status of food for development including documentation, project review and approval, program implementation,

issues, etc. Recent addition of manpower has resulted in expanded duties for ARD but primarily outside the scope of Food for Development.

#### IV. Agency Guidance

The Agency guidelines for Food for Development are contained Handbook No. 9 and in a series of cables and airgrams. Specifically:

Title III: Airgrams AIDTO circular A-434 dated 11-29-77 and AIDTO circular A 481 dated 11-30-78 are the definitive guidelines to the field. When Handbook No. 9 was issued, Chapter 5 "Title III" was reserved. Each year as the CDSS and ABS instructions are prepared, sections on preparation of PL 480 will be included. For the most part, these are restatements of the above documents, but are not considered revised or updated guidance.

Of necessity, Agency guidance cannot be regional specific -- nor should it be. However, broad guidance most often has served as the parameters for qualifying an individual country as a candidate for food for development resources without due regard to the uniqueness or character of the requesting country. For example, the countries which often need the type of assistance available under Title III do not qualify on several grounds, i.e. poor planning and management capability, lack of technical capability to implement and operate required projects, and the inability to contribute to and manage a sizable food aid import program. These constraints have prevented the use of Title III as a development tool in Africa. Another example is the requirement that a country must first qualify for Title I before it can qualify for Title III. Also, there are countries which need the imports and development, but which do not meet the creditworthiness of Title I, cannot advance the initial payment requirement, and do not have required foreign exchange for payment of ocean freight. Further, there are several countries which are "better-off" where Title III could be the added incentive to make a major break-through. In several instances it has been the position that the better-off countries are lowest priority.

Title II Section 206: Cables STATE 015-992, dated 1-20-1980 and STATE 170920, dated 6-29-81 and Handbook No. 9, Chapter 11 constitute Section 206 Food for Development guidance. As is the case with Title III, the guidance is global and does not recognize the uniqueness of regional needs. There are several provisions which do give an advantage to sub-Saharan Africa. They include: the provisions that Section 206 will be used first for RLDCs; only in countries where Title II foods are being distributed; and only for countries where governments lack resources to increase the effectiveness of Title II programs. Historically, Section 206 has been limited to countries which have become chronic claimants for emergency or disaster relief food aid such as Cape Verde and Mauritania.

The guidance for Section 206 is less of a problem for the Africa Bureau. The record of the Sahel speaks for itself. Extended droughts, migration, civil disturbances, and the like, plus the poor economic performance of the countries uniquely qualify them for Section 206. However, this does not free the Bureau from the responsibility of issuing regional specific guidance for Section 206.

Currently, draft global guidance for Title III is being prepared for Washington review. It is imperative that the Africa Bureau position be incorporated in the global guidance as a prelude to developing Bureau specific guidance.

V. Individual Country Summary Statements

Title III Food for Development

Senegal

Senegal faces serious economic problems, most of them linked to a large rice and oil import related balance of payments deficit. In addition, Senegal is poor in natural resources, overdependent on groundnut production, burdened by high population growth and beset by frequent drought. The GOS believes economic viability is dependent on increased agricultural productivity and has identified food self-sufficiency as its primary development goal. Toward that end, Senegal has increased emphasis on rainfed agriculture and development of irrigated perimeters, livestock production, and social infrastructure.

Senegal has sought Title III assistance for two major foundations of its developmental policy: 1) decentralization of major agricultural support institutions to better enable them to address local conditions, and 2) increased participation in the development process to be attained by a greater devolution of authority to farmer cooperatives on the grass-roots level. In addition, Senegal has a policy reflecting deep concern for the conservation and development of its natural resources.

The Senegal Title III proposal for FY 80-82 provided for local currency funding for specified program and policy objectives. As presented in Item II of Annex B, they are:

- The decentralization of the development process through strengthening the role of the Regional Development Agencies (RDAs)
- Strengthening the role of the cooperatives in the development process
- A concerted effort to manage and conserve Senegal's natural resources
- A review of Senegalese marketing and pricing policies to obtain optimum results in its agricultural diversification program.

In support of these program objectives, six projects were identified, designed, and endorsed by GOS and USAID as development activities:

- Agricultural Policy Studies
- Local Cooperative Storage
- Decentralization of Research
- Rural Technical Schools
- Reforestation and Dune Fixation

## - Rural Development Fund

The Title III program was implemented to complement the GOS "Plan de Redressement." The "Plan de Redressement" was enacted in 1980 and includes food and agriculture measures specifically covered in the Title III agreement as well as necessary macroeconomic support considerations.

### Policy Evaluation

The evaluation team for Senegal FY 1981 did not have sufficient time for in-depth review of policy issues. General comments on progress and problems are given below. For specific information and recommendations, other sources should be contacted such as the IMF, World Bank and USAID/Senegal.

### Strengthening of the Regional Development Agencies (RDAs)

As set forth in the "Plan de Redressement", the RDAs will have a reduced scope of responsibility. This allows greater participation by farmer cooperatives and the private sector. However, the RDAs will be strengthened in certain areas to carryout their remaining responsibilities more effectively. There is general satisfaction about overall progress to date. However there is also concern about some specific delays and the future rate of progress among certain agencies and institutions. The reform of the RDAs is still considered important and USAID has multiple channels for discussion with the GOS of its views on RDAs.

### Strengthening the Role of Cooperatives in the Development Process

The "Plan de Redressement" foresees a much larger role for cooperatives in the development process. In the past, cooperatives were instruments for government agencies in credit activities, agricultural imports, and crop marketing. Under the new plan they would take on new responsibilities, including those taken from the RDAs, as well as having greater independence in all activities. The evaluation team reported that a lack of funding has severely affected all cooperative activities.

### Management and Conservation of National Resources

The review of the Title III program did not disclose any related resource management policy issues and therefore no evaluation was forthcoming. However, the presence of the Dune Fixation sub-project is a good indication of the GOS's ongoing concern for resource management.

### Review of Agricultural and Food Marketing and Pricing Policies

This review is made toward the end of optimizing the agricultural diversification program. This policy is closely tied to the Title III Agricultural Policy Studies sub-project. These studies have not been carried out and therefore this policy implementation is delayed. As PL 480 seeks to increase the availability of inexpensive food, it is

important that these studies be carried out.

## SUDAN

The Sudan is one of the world's least developed countries. The primary problems include financial difficulties, lack of infrastructure and the sheer size of the country. Despite this, the Sudanese Government is firmly committed to development and it is believed that the Sudan has considerable potential.

The developmental policy of the Democratic Republic of the Sudan is inextricably tied to the stringent Sudan Stabilization Reform Program (SSRP; duration 1979-82). The SSRP is a comprehensive program enacted in exchange for a three year extended fund facility with the IMF. The primary policy of the Government of Sudan (GOS) is coping with the economic burden of an extensive reform program. Developmentally, the GOS policies are 1) assuring that the rural poor are not disproportionately affected by the SSRP and 2) supporting the SSRP provision "improving the contribution of agriculture" by increasing local currency availability, local production, export earnings, and rural incomes by adjusting export taxes, land and water charges, and providing other incentives.

The Title III program provides Sudan with \$100 million over 5 years (FY 80-84). The GOS uses currency generated by the sale of the wheat to fund policy studies and development projects in the rural sector that would otherwise suffer due to the reduced budget allocations under the SSRP.

The following are food policy measures under the SSRP which provide a framework within which the project activities can be most effective:

- Elimination of the export taxes on cotton;
- Implementation of land and water charges on the production of wheat, groundnuts, rice, and vegetables within Gezira area;
- Execution of institutional and organizational changes in the agricultural sector which increases the incentives to individual tenant farmers;
- Phasing out of sorghum cultivation in irrigated agricultural areas.

The specific development projects funded by the currency generated are as follows:

- Policy Studies
- Railway Rehabilitation
- Agriculture Research
- Rural Health Support

Rural Planning  
River Transport  
Abyei Rural Development

### Policy Evaluation

In spite of the efforts of the GOS to increase agricultural incentives, strengthen the fiscal situation, increase control over credit activities, and reform the exchange system, agricultural production showed virtually no growth in the first two years of the program. In addition, financial conditions worsened in the same period. This poor performance was due in part to factors beyond control of the GOS, such as price increases of imported products, e.g. petroleum and sugar. It was also due to a lack of coordination between various implementing agencies which resulted in deviation from program targets.

Considering the difficulty with the program targets, the GOS requested in January of 1982 the cancellation of the IMF three year extension arrangement. It was then replaced with a one year stand-by program to guide government financial policies during the development of a comprehensive strategy for restructuring the Sudanese economy. The majority of the policy measures and policy activities were kept in place and used within the comprehensive strategy for recovery.

Performance by the GOS on the four food policy measures implemented to enhance the effectiveness of the project activities are as follows:

- 1) Elimination of the Export Taxes on Cotton : The GOS has eliminated the discriminatory exchange rate and export taxes applicable to cotton. The price of cotton lint sold domestically has increased to export price levels. In addition, the cost disincentives to production have been replaced with a cotton incentive system which includes the announcement of producer prices prior to harvesting, speedier payment after crop delivery, and bonuses for higher yield.
- 2) Implementation of land water charges on the production of wheat, groundnuts, rice, and vegetables in Gezira area. In the past, land and water costs were charged only to cotton production. Beginning with the 1981-82 season, the GOS planned to start a cost recovery system for all crops grown on publically owned irrigation systems, charging for water, land use, administration, and return on capital investment. The result of which will be to increase cotton production incentives while also bringing the costs and incentives for other crops more in line with the true picture.
- 3) Execution of institutional and organizational changes in the agricultural sector which increase incentives to individual tenant farmers : In addition to the cotton sector changes (item 1 above), institutional and

organizational changes have been made that are expected to improve the performance of the non-cotton sector and result in higher levels of exports. Policies to expand and reallocate acreage, increase yields, and raise returns to producers were adopted. Among the measures to increase returns to producers are the devaluation of the Sudanese pound, the unification of the exchange rate (Nov. 1981), the reduction or elimination of export duties on edible oils, sesame, groundnuts, and livestock as well as the elimination of government monopolies on exports.

The GOS is increasing the emphasis on rainfed agriculture which currently produces much of Sudan's food crops. Improved farmer financing and services should expand acreage in this sector.

Sudan has a comparative disadvantage in wheat production but still grows wheat in large quantities. Currently the GOS is addressing the problem by 1) placing a limit on the area cultivated for wheat, 2) attempting to improve seed varieties and production methods to increase wheat cropping returns, and 3) phasing out consumer price subsidies thus curbing consumption demand.

4) Phasing out of sorghum cultivation in irrigated agricultural areas. Apparently the GOS is increasing rather than decreasing irrigated sorghum production. The production decrease was to be carried out to free irrigated lands for crops of higher value and return. However, at the present, sorghum is being grown profitably and has become Sudan's second most valuable agricultural export next to cotton. This boost to the balance of payments is the primary reason for continued emphasis on sorghum production. For the present, a study is being undertaken by the GOS to assess the impact of phasing sorghum out of irrigated areas.

Title II Section 205 Food for Development

Cape Verde

Cape Verde is highly dependent on foreign food aid in order to provide its population with an adequate food supply. It is presently importing 90% of its overall food needs. The reasons for its dependence are clear. Agricultural land is scarce, and only about 3% of this land is irrigated. The country has been plagued with a severe drought, now in its thirteenth consecutive year. Agriculture represents only 20% of GDP although most of Cape Verde's population is rural. Although there is a very high rate of out-migration, the population doubled between 1960-1980. Exports, primarily bananas (7% of export value), frozen fish and shell fish, canned fish and salt (33% of export value), covers only 5% of its imports. Foreign aid has averaged as high as \$70 per capita per year, while total GDP per capita in 1978 was estimated at \$170. Although economic growth potential exists for small-scale manufacturing and fisheries, both remain at low levels of development.

In view of these conditions, the primary and most urgent objective of the Government of Cape Verde (GOCV) development strategy is to reduce the country's vulnerability to the drought cycle. Improved water management is essential for long-term food security and increased food production. In addition, the GOCV development strategy is aimed at generating revenues to pay for food imports commercially and at generating rural employment. The GOCV plans to meet its objectives to increase agricultural production through a series of projects: 1) improved watershed management which will increase the available hectares of planted land; 2) improved institutional support for better cultivation practices; and 3) improved marketing infrastructure. The additional available land will be used to produce fruits and vegetables to be exported in order to generate foreign exchange. The GOCV is addressing the issue of food pricing supports and is hoping to stabilize food prices at levels more closely related to market values. The GOCV has passed an Agrarian Reform Bill on March 25, 1982, the objective of which is to "guarantee the right of useful possession of land to those who cultivate it directly, to provide agricultural support programs and to gradually create rural associations, especially farmer cooperatives." Development potential also lies in increasing the productivity and organization of the fisheries industry.

Since 1977, Cape Verde has received \$11.0 million in current year prices of emergency food aid which they have put to excellent developmental use. The present Food for Development program presupposes the inherent structural deficit in the Cape Verdean economy and grants 15,000 tons of corn per year for three years. The shift of the PL 480 funding from emergency to planned food aid is significant. By assuring the availability of the food for a multi-year period, the GOCV is able to plan and implement its development objectives, integrating the revenues generated from the

sales of PL 480 commodities.

The GOCV proposed a series of development projects, primarily soils and water conservation, which have been incorporated into the Food for Development program and were found to be consistent with AID policy and PL 480 Title II Section 206 guidelines, as well as being consistent with the GOCV CDSS. The programs follow such criteria as they a) generally use labor intensive methods in order to generate employment opportunities; b) use a technology appropriate to the available equipment and managerial capabilities of the Cape Verdeans who will implement the projects; and c) keep the greatest possible amount of each project budget in local currency to procure domestic goods and services in order to extend the multiplier effect of this assistance throughout the Cape Verdean economy. The implementation of these initial projects is expected to employ up to 5,000 men and women. Future development activities may include construction of grain warehouses and other storage facilities.

No evaluation has been conducted as the program has been in place for less than a year. However, the targeted achievements for each of the projects are as follows:

1. Soils and Water Conservation -- Easter Santiago : By the end of year three, this project will have constructed soils and water conservation structures sufficient to:

- a. stabilize 1,280 hectares of rainfed agricultural land;
- b. create 160 hectares of additional alluvial land suitable for agriculture;
- c. increase irrigable land area by 64 hectares;
- d. provide adequate numbers of water spigots for use by the local population;
- e. employ Cape Verdeans at the approximate rate of 1,670,640 person/days of labor.

2. Soils and Water Conservation -- San Filipe and Sao Francisco : By the end of year three, this soils and water conservation project expects to accomplish the following measureable benchmarks:

- a. planting of 200 hectares (100,000 trees) for conservation purposes and foliage for animal fodder (for independent use by the Ministry of Rural Development for pasture research plots);
- b. planting of an additional 1300 hectares (650,000 trees of native and imported species) as part of the national forest reserve;
- c. construction of an adequate number of soil erosion plots for independent use by the Ministry of Rural Development to determine values for the various parameters of the USLE (Universal Soils Loss Equation) (i.e., slope, crop cover and soil type);
- d. construction of terraces, dikes, and contour ditches

sufficient in number to adequately maintain the tree planting efforts above, to stabilize agricultural land and to create new alluvial land for farming;

e. employment of Cape Verdean men and women at the approximate rate of 256,350 person/days of labor.

3. Soils and Conservation: Tarrafal . By the end of the three year period the project aims to accomplish the following:

- a. stabilization of 380 hectares of rainfed agricultural land;
- b. formation of 55 hectares of new alluvial land for farming;
- c. formation of 20 hectares for irrigated agriculture; and
- d. employment of 650 Cape Verdean men and women (3,650 beneficiaries when including immediate dependents).

4. Center for Agrarian Studies : At the end of the first year, this project will have completed construction of the administrative headquarters of the National Center for Agrarian Studies. The project will employ up to 150 Cape Verdean men and women (480 beneficiaries including immediate dependents).

5. Santo Antao Agricultural Production : Project outputs over the three year period include: one reservoir, 4 kilometers of irrigation canal, 16,200 meters of terrace, 54 medium size dikes (or equivalent), 95 hectares of land prepared for irrigation. The project will employ 200-300 men and women (950 beneficiaries when including immediate dependents).

### Mauritania

Prior to the 1970s Mauritania was self-reliant in meeting its food needs. During the 1970s, the economy experienced a succession of shocks: the Sahelian drought, the Western Sahara War, and the stagnation of the world price for iron ore, Mauritania's major source of revenue and foreign exchange. These factors combined to reduce food production, quicken rural-urban migration and erode and hamper import capabilities.

In the past, the USG has responded to Mauritania's food needs through emergency relief planning on a year-to-year basis. The 1982 Title II Section 206 initiative proposes a multi-year Food for Development program in which sales proceeds are used both to alleviate the causes of the need for assistance and to support programs and projects to increase the availability of food commodities to the neediest. Over the long run it is envisioned that Mauritania will become a Title I or Title III recipient. Ultimately, the objective is to reestablish food self-reliance, so that concessional food assistance is no longer necessary.

The Food for Development program is consistent with the GIRM's and USAID/Mauritania's strategies and priorities. The GIRM's Fourth Five-Year National Development Plan recognizes the need to address and improve those conditions brought on by the events of the 1970s. The resulting policies, for the most part, are those relating to food self-sufficiency and cereal pricing and marketing.

### Food Self-Sufficiency

The GIRM's most significant food sector policy is the commitment to achieving food self-sufficiency by the year 2000. This is an active goal and is supported by a number of government agencies and parastatals. The commitment can also be seen in the fact that GIRM long-term development priorities have shifted toward rural development with special emphasis on food production. However, at the present Mauritania produces few cash crops and is largely reliant on external food assistance for food.

The Title II Section 206 program paper makes several specific suggestions to the GIRM in support of policy:

- establish a formal agricultural planning unit and a comprehensive food sector strategy;
- emphasize the establishment of high value cash crops on portions of newly irrigated lands; and,
- consider a policy of self-reliance as opposed to self-sufficiency should comparative advantage conditions warrant.

### Cereal Pricing and Marketing

The GIRM food price policy is formulated toward the goal of stabilizing market prices, establishing a minimum security stock, and providing a local production incentive while also protecting consumers from high prices. At the present the GIRM food price policy is having some costly side effects:

- Food sales are heavily subsidized. Theoretically the subsidies are to be financed by food aid sales and surpluses from sugar and tea sales. In practice this is not always true.
- Government discount sales of food to poor consumers disrupt local production incentives as well as Government structural sales where coexistent.
- Rice prices in Senegal and Mali are 70-100% higher than in Nouakchott. It is suspected that rice is being traded across the border as a result.

In response to the problem of the existing pricing structure, USAID/Mauritania and the GIRM are undertaking a food price policy

reform program. The objectives of the reform program are:

- To stabilize food prices and set a floor for producers to increase production incentives.
- To assist the GIRM food marketing institutions to become financially viable and thus operate independently of the GIRM and external assistance.
- To link all domestic consumer and producer food prices to import parity plus internal transport and handling costs.

These reform objectives address the GIRM's and USAID/Mauritania's policy priorities and also the problems created by them. This program should become an integral part of GIRM's policy attaining food self-sufficiency by the year 2000.

The Title II Section 206 Food for Development program was formulated in the summer of 1982. No evaluation is available.

#### Upper Volta

Upper Volta is one of the world's poorest countries. Despite a limited resource base, undeveloped infrastructure, unskilled personnel, and traditional technology, the country used to be food self-sufficient in the early 60's. Since the devastating drought of 1972-73, food production has almost invariably fallen short of requirements, primarily because of reasons of rainfall. As a rule, rainfall in Upper Volta is irregular in total amount, regional distribution, and seasonal timing. This causes large variations in aggregate and inter-regional grain production. In addition, this varying production is geared primarily for auto-consumption, resulting in a small and highly variable marketable cereal surplus.

Considering these conditions, the Government of Upper Volta has formulated a developmental policy as follows:

- increase domestic cereal production;
- decrease grain price fluctuations over the annual crop cycle;
- decrease inter-regional price differences;
- increase the security of food supplies and the operating efficiency of the system that complements the food security program.

The Title II Section 206 program is an attempt to establish a set of conditions more favorable to efficient grain marketing, and therefore to assist the GOUV in establishing a more reliable agricultural sector. The objectives of this program are:

- improve the ability and efficiency of OFNACER (the national grain office) to buy and sell grain in rural areas;

- to upgrade OFNACER's ability to utilize facilities and resources efficiently;
- to systematically diagnose the Voltaic grain marketing system to determine how the private sector can be utilized and integrated most effectively.

The sub-projects in support of the above objectives are:

- constructioning grain storage facilities;
- establishing a revolving fund to finance local grain purchases;
- supplying technical personnel to OFNACER;
- training OFNACER personnel in the US;
- conducting trade sector analyses of impediments to market integration.

The beneficiaries of the projects coincide with GOUV priorities. The rural consumers will benefit from a lower, more stable cereal price as well as increased food security and availability. Farmers will receive higher prices for grain from OFNACER. OFNACER will gain an analysis and evaluation unit. However, the ultimate benefit will be Upper Volta's increased agricultural stability and, as a result, an improved standard of living.

Evaluations of project activities were to have been made after the 1980-81 buying season and one year later. No evaluation documents are available.

## VI. Food for Development Program Constraints

### Introduction

Prior to the enactment of Food for Development legislation, the primary justification for food aid was the need for food assistance. The use of commodities and/or local currency generations in support of development was generalized and most often acknowledged only to the extent necessary to get a food assistance program approved. The development intent of current legislation requires a more sophisticated programming methodology: specifically to program resources in support of activities designed to help alleviate the cause of the need for food assistance. The evolutionary result of this intent is a program/project design criteria which commits the recipient country to specific policy reform and supportive development activities. The results of these criteria have been programs uniquely developmental. However, at the same time, the criteria itself has set the stage for a series of constraints.

### The urgent need for food imports.

Generally, the LDCs initiate discussions for food assistance as the need for commercial or relief supplies becomes critical. Little attention is paid to advance planning, instead "stop-gap" planning is the modus operandi. Such management is a deterrent to Food for Development programming since the design requirement and approval process takes up to a year to complete. In cases where the country is Title I "client", it is much easier for everyone to use the "used to" procedure to deal with the import problem. Where countries have been long-term emergency relief recipients, continuation of relief is much simpler and quicker than conversion to development programs.

### The soft terms of Title I concessional sales.

Title I offers what is to many African countries the best possible terms for food imports. The principal reasons are the financial terms and the relatively liberal development requirements.

- The financial terms of forty years credit, a ten year grace period at 2% and a thirty year payment period at 3%, are paramount to a grant when considering money costs and inflation.
- The self-help requirements of Title I sales are defined as "... measures to increase agricultural production, improve storage, transportation, and distribution of commodities, and reduce population growth..." (for complete legislation see Section II). This definition is quite broad and allows wide interpretation.

Given the case of programming Title I and the relative flexibility in the programming and utilization of local currency

generation, the transition to relatively stringent Food for Development (Title III) becomes difficult. This is even more likely when policy reform becomes a requirement for negotiations. To a given country, there is little real difference in the benefits offered and a great deal of difference in the real costs incurred. Since all Title III, Food for Development loan forgiveness programs start as Title I concessional sales programs, the liberal terms of Title I, especially the "easy" self-help requirements, are a significant constraint to the effectiveness of Food for Development.

The grant terms for Title II regular and emergency relief programs.

Normally, Title II commodities do not constitute a significant position of the host country national food balance sheets. In a number of African countries this is not the case -- particularly countries of the Sahel. The devastating droughts of the early 1970s and subsequent negative effects have created a set of special circumstances for food assistance programming. The Sahel countries find it easy to rally food support on grant terms including costs for delivery to points of entry. Therefore, it is more difficult to program development conditionally with resources heretofore untied.

Host Country - USAID Professional personnel limitations.

Historically, host country and AID personnel have not played a major role in programming PL 480. Persons programming PL 480 have not played a major role in programming development assistance. The combining of PL 480 resources and AID technical expertise is relatively new and to some extent out of the mainstream. The task of integrating the Food for Development program process with the DA funded program process has been fraught with difficulty. Also, there is little experience in programming food aid as a development resource, therefore, there are few technicians to make up a basic core of personnel to assist either host countries or USAIDs in the design, implementation and management of Food for Development programs.

The lack of regional-specific guidance.

As indicated in Section IV, Agency guidance does not take into account the particulars of sub-Saharan Africa. While the legislation provides for a variety of waivers to make food for development more applicable to the RLDCs, it has not been practical applied to the needs of Africa.

Given, other geographic areas of PL 480 interest have their peculiarities, however, Africa agriculture is beset by a range of difficulties unknown to other regions. Therefore, special attention should be given to designing guidance which will make Food for Development a positive contribution to Africa rather than overburdening, laborious process.

V. A Course of Action

Reform the structure of Title I self-help programming.

The following two recommendations would do much to improve the effectiveness of Food for Development.

1) Selected Title I programs should be placed on a multi-year basis. Since Title I concessional sales are a year-to-year activity, so are the programmed self-help activities. This stop-gap nature seriously compromises and hinders their developmental effectiveness. Since these yearly measures tend not to be fully effective, they are often given perfunctory attention by AID/Washington and the host country. Programming self-help activities on a multi-year basis would be far more effective both in terms of development and in removing some of the disincentives to Title III programs. However, where desired, self-help could be kept on a year-to-year basis depending on Agency priorities.

2) The multi-year self-help Title I activities should be programmed under Food for Development. Since multi-year self-help would be a serious attempt at long term development, it would only make sense to include it under Food for Development. This would allow for improved and more effective budgeting, administration, and programming.

The Africa Bureau Should issue supplemental Food for Development guidance including Title III, Section 206 and multi-year Title I.

Under this guidance, the basic policy reform and development activity requirement would be the same - the primary difference would be the terms for commodity delivery. For example: there are some current Title I countries where a multi-year program tied to specific policy and project activities would make more sense than trying to convert Title I to Title III. By the same token, there are some countries (Sahel) where conversion of the historical or chronic emergency program to a Section 206 makes sense. Current Title III candidates would be processed as Title III. In all cases, the emphases would be on development as opposed to merely helping meet food imports needs.

Integrate Food for Development at the budget planning level.

The PL 480 budget planning is technically outside the management of the USAIDs and the Bureau. However, it is imperative that Food for Development be treated as an "add" item in the ABS to fully integrate it as a development resource. For example: the significance of the resource becomes less if it is treated as a "non-add", meaning that if we don't get Food for Development we really haven't lost anything as long as we get the food imports - one way or the other. If the Bureau required that these possible resources were treated as a part of the "budget package" then missions, to gain support for their allocation,

would be more inclined to "plan" for Food for Development rather than exhibit a take it if we can get it attitude.

Integrate funding at the project level.

Too often, Food for Development is considered local currency financing only. Careful analyses prove that there are few meaningful development projects that can be funded solely with local currency. Programming Food for Development resources into U.S. funded DA projects or using DA to help fund Food for Development projects would serve two fundamental purposes. First, use of Food for Development currencies would free limited dollars to finance other desired activities and second, available dollars would strengthen the effectiveness of projects under Food for Development.

Integrate policy reform objectives.

Food for Development should not be required to have a distinct policy reform package. Each CDSS should have a given reform objective. All projects, DA, ESF and Food for Development would be supportive of the objective. Program documentation would explain how the activity relates - not having to justify the reform. Presently, the program requirements for Food for Development are harsh when compared to DA. They should be compatible.

Revise Bureau Food for Development notices to include:

- An integrated programming process - a revision of Management Notice No. 80-22.
- Technical services support - what services the field can expect to receive when they initiate a Food for Development proposal.
- Management arrangements - a restatement of the role of TR/ARD in the management of the Africa Bureau PL 480 interests.

In conclusion, given the major problems of adequate food production and food availability in sub-Saharan Africa, and given the tremendous opportunities to the Africa Bureau through Food for Development, the Bureau should appoint a task force to examine the feasibility of implementing the course of action as stated above.