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ESTABLISHING A PHASE-OVER POLICY FOR PL 480 TITLE II PROGRAMS

A DISCUSSION PAPER

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I. Introduction

Currently, about 14 countries are implementing a phase-down or phase-out of PL 480 Title II grant food assistance on either a project or countrywide basis. This grant assistance has been used to address priority nutrition and development problems. This action is taken because Title II food assistance is considered to be a short-term form of assistance allowing the recipient country suitable time to develop their own resources which are to be applied to solve their long-term problems. The process whereby countries which receive Title II assistance assume full responsibility for nutrition and development program/project inputs, from their own financial and food resources, is known as phase-over.

AID recently commissioned a report which assessed the phase-over experience and recommended procedures to improve the implementation of this process. It was recommended that AID establish a specific policy to guide future efforts to achieve the phase-over objective. In order to establish such a policy it is necessary to identify key policy issues which must be addressed.

The purpose of this paper is to identify, from the assessment of AID's phase-over experience, the key issues which AID must address in its policy guidance to AID Missions and the organizations which participate in implementing the Title II program.

II. The Phase-over Mandate

A. The Mandate

The mandate for establishing a set of objectives, a policy, and a process for phase-over of the Title II program stems from both the PL 480 Legislation and AID's overall Title II program policy.

1. Legislative Mandate:

In general terms the PL 480 legislation states that one purpose of this program is to "use the abundant agricultural productivity of the United States to combat hunger and malnutrition and to encourage economic development in the developing countries, with particular emphasis on assistance to those countries that are determined to improve their own agricultural production...."[1] Also, it directs that this assistance be directed towards "alleviating the causes of the need for such assistance". AID's Handbook No. 9, which deals with PL 480 Title II, goes on to explain this directive by stating that Title II "authorizes the donation of food for development, nutrition, and urgent or extraordinary relief purposes. Title II programs are to supplement and reinforce other developmental and nutritional activities and are to be conducted within a framework of increasing local participation in management and funding."[2]

2. AID Policy:

AID's Title II program policy stresses:

- The pursuit of integrated solutions to priority development problems.
- "Concentration of Title II food in countries which have a nutrition or health priority, strategy, and/or self-help development plan."[3]
- The short-term nature of Title II assistance.

To achieve the phase-over objective it is necessary that the recipient country commit suitable funds and other resources which will lead to the eventual replacement of external grant assistance with their own resources. "These commitments are to help lead to the eventual transfer of full responsibility for the program to the recipient country. Lack of a support commitment on the part of the recipient country may be considered by AID as a failure to accord priority or lack of interest."[4]

Title II food assistance is intended to be short-term or an interim form of assistance which should lead to the recipient country acceptance of full responsibility for all program inputs. It is imperative that efforts be made, early in the program, to develop the recipient country's capability to replace Title II assistance with their own resources.

3. Voluntary Agencies

In most cases, the Voluntary Agencies, will confirm

that their objective is to assist the recipient country to become self-reliant, and that phase-over to recipient country responsibility is a part of this process.

B. Practical Needs for Phase-over

Question: Assuming there are supplies of surplus food in the United States and there is a continuing need for grant food assistance in the developing countries, then why should there be a phase-over policy, strategy, or procedure? The United States has several concerns which lead to the establishment of this phase-over objective and procedure to achieve it, and they include:

1. Even though the United States has excess production, there are limits to our ability to make long term commitments for grant assistance. These resources are still scarce in relation to the need for assistance therefore, their use should be optimized and considered as short-term assistance only. Estimates place the number of malnourished or undernourished as high as 600 million people which is beyond the ability of the United States, even with our excess production, to provide a long term solution. Therefore, the Title II program emphasizes the short-term nature of this assistance while the recipient country develops its capability to assume full responsibility for all financial and food resources.

2. Recent economic and budgetary problems in the United States caused the government to reduce the amount of

funds available to the Title II program. However, if the price of food were to increase the result would be to constrain the amount of food resources available to this program. This is one reason to encourage developing countries to establish their own resources to solve their long term nutrition and development problems. In this way the United States resources will reach a maximum number of countries and needy within these countries. During periods of tight budgets, program participants are encouraged to make efficient use of these resources by: targeting programs to the malnourished and at risk groups, encourage recipient countries to increase their own inputs, and assist recipient countries establish their capability by integrating AID's food, financial, and technical resources.

3. AID is concerned that programs are implemented in ways that reduce the possibility that the recipient country becomes dependent on external grant food assistance. The practical consequences of dependence are: psychological, in that this could result in a damaged national self-image, resentment, and cynicism; and, the feeling that they do not control their own fate. Once dependency is created it will be difficult to wean a country from grant assistance without negative impact on: achieving program objectives; or, on the relationship between the two countries. The phase-over objective

is important in limiting the possibility that dependence will result from providing this grant assistance.

4. Another concern is that Title II assistance does not act as a "disincentive" to the recipient country's ability to develop and apply its resources to assume responsibility for program inputs. Disincentives inhibit national or local initiatives, increased production, and assumption of responsibility through increased inputs. The phase-over process can act as an incentive to increased recipient country efforts to utilize its own resources to address its nutrition and development problems. This is achieved by using Title II foods to encourage increased recipient country efforts and resource inputs, and the integration of AID's food, financial, and technical resources. AID is concerned that Title II foods do not displace any local resources (i.e., cash, commodities, or services) which could reasonably be expected to come from the recipient country.

5. It is in the long-term interest of the United States that recipient countries become self-reliant and active participants in the international economic system through trade and commerce with the United States. Phase-over from grant assistance could lead to long-term trade relationships which could have a positive

impact on the U.S. economy. A political benefit of successful phase-overs will be the establishment of political and economic stability within the recipient country as well as between countries.

These represent important reasons to justify establishing and implementing a phase-over policy, strategy, and procedure which can guide all parties in implementing Title II programs. Phase-over of a country program or a specific project does not reduce the total amount of food resources available to the PL 480 Title II program, but, it means that these resources can be used to establish "new initiatives" in the same country or in other high priority countries to impact on their nutrition and development problems.

III. Key Definitions

It is essential that there be a common understanding and agreement on the definition of key terms and concepts.

A. Phase-over

Phase-over is the process whereby developing countries assume responsibility for their long-term nutrition and development project inputs. This involves developing suitable capabilities and resources (food, financial, and managerial) which allows them to be self-reliant and independent from external grant food assistance.

The following points are made to clarify the nature of the phase-over process:

1. Each Title II assisted program or project should

incorporate the phase-over process, which includes:

a. Problem analysis to determine the requirements for supplementary nutrition and development projects and identification of specific target groups to be covered by each project

b. Strategy development

c. Identification of technical assistance needs

d. Establishment of a project implementation plan, including key dates and events

e. Project design and input identification

f. Training of recipient country personnel to implement such projects.

Implementation of the phase-over process should include AID's priorities for achieving development impact: integration of AID's development and food resources; policy reform; institution development; technology transfer; and, use of the private sector.

The phase-over process will be implemented in several stages: needs assessment, policy analysis, capability development, incorporation of recipient country resources, and a post phase-over stage which would consist of the identification and development of new initiatives to utilize Title II resources and to provide technical support to the recipient country to solve problems which may arrise during the initial stages after they have assumed responsibility for all aspects of program implementation.

Each program or project, whether it involves Maternal/

Child health, pre-school feeding, food for work, school feeding, or others, should incorporate the phase-over objective and procedures.

2. Selection of a country program or project to incorporate the phase-over process should apply specific criteria, which include: the needs, interest, and capability of the recipient country to achieve phase-over, along with U.S. food aid policy objectives and U.S. political, economic, and diplomatic goals.

3. U.S. grant food assistance is a short-term form of assistance, therefore, emphasis is placed on establishing the recipient country's capability and resources which they can use to address their long-term nutrition and development problems.

4. Programs which incorporate the phase-over process should receive high priority from AID when allocating Title II and other technical assistance resources because it is achieving an important objective of the PL 480 Title II program. To avoid any setbacks in the recipient country's ability to deal with their long-term problems this priority is important.

5. Countries which have graduated from AID's development assistance or which have graduated into the "middle income" classification of countries may still require grant food assistance, because, in many cases, countries may still have significant agricultural production problems, they may continue to have a significant

portion of their population which live in poverty and cannot afford suitable diets, or there may be a need to create jobs or the enhance the income of the poorer segments of society so that they can afford a nutritionally adequate diet. Countries may also fluctuate between the classification of "middle income" and "non-middle income" due to hard economic conditions or because of factors which have directly impacted those segments of the economy which carried them to the "middle income" classification.

B. Phase-down

The Phase-down of Title II resources involves establishing a new and lower base level for the amount of food assistance allocated to a country or project. For example, in India, school feeding programs are to be phased-down to a level which is 50 per cent of the FY 81 program level by FY 86. The following points are made to clarify the nature of the phase-down process:

1. Ideally, Title II programs will grow to a level which is appropriate to meet the country's or project's needs and remain at that level until a suitable local capability and resources are available to replace Title II inputs. Phase-down should not occur in isolation of the Phase-over process nor should it occur prior to the time when the recipient country is capable to apply their resources to replace Title II inputs. The only instance where the phase-down of Title II resources can be achieved in

isolation of phase-over is when the recipient country has specifically expressed that they are not interested in committing their own resources or when they have not made an effort to provide food, financial, of managerial support to these programs. To continue programs under this situation would serve as a disincentive to future efforts to become self-reliant.

2. The current practice is to phase-down Title II inputs for programs/projects, not because it relates to the phase-over process, but because it responds to United States budget, price, availability constraints; changes in program priorities, i.e., school feeding is currently a low priority program; as a result of the application of broad economic criteria such as the classification of a country as a "middle income" country; or, as a result of the negative program evaluation. Also, phase-down is applied when a country has not established suitable capability to continue the programs without external grant assistance. The result is a lost opportunity to achieve phase-over or other AID priorities such as integration of food and development assistance, technology transfer, and institution building. This also results in forcing the recipient country to turn to alternative sources of grant food assistance, i.e., such as the World Food Program or the PL 480 Title I concessionary sales program.

3. Once a country has made a commitment to achieve the

phase-over objective, either for the country program or for a specific project, then AID should reduce the pressure to phase-down Title II inputs, unless it is determined to be necessary to use this as an incentive to encourage the recipient country to honor its commitments. Programs and projects which are committed to achieve the phase-over objective should receive AID's highest priority in terms of: resource allocation, multi-year commitment of resources, and integration of AID's food and development resources.

C. Phase-out

The Phase-out of Title II resources, prior to phase-over achievement, is justified only in situations where a country indicates it is not interested in assuming responsibility for Title II inputs. In practice, phase-outs have occurred without phase-over achievement. AID's criteria for this action has been: the number of years a country has received Title II assistance; the attainment of "middle income" country classification; or, the lack of interest in assuming responsibility for program inputs. When phase-out occurs in this situation it limits or ends the possibility of having any long term nutrition or development impact. It certainly does not indicate that the recipient country's nutrition or development problems have been solved. Therefore, when a commitment is made to achieve phase-over and to adopt appropriate phase-over procedures then Title II resources should not be phased-out prior to the successful

phase-over to recipient country resources.

The assessment of AID's phase-over experience, which is provided below, will provide a clearer picture of the problems faced in attempting to achieve this key objective of the PL 480 Title II program.

IV. Assessment of the Phase-over Experience

Based on a review of several country programs, which have been selected for, or are participating in, the phase-over process (see Appendix I for a detailed summary of findings in the case studies on Tunisia, Morocco, Chile, and Panama). This section will present the a brief review of the findings and lay-out recommendations for future AID efforts to achieve this Title II program objective.

A. Findings

1. Countries like Chile, Panama, Tunisia, Philippines, etc., have implemented key elements of a phase-over procedure, i.e., they: analyzed the problems, through the use of survey techniques, to identify the malnourished and their specific nutrition and development problems; established, as their priority, an objective which called for these problems to be addressed through supplementary intervention systems; targeted their intervention programs to these problem areas; established policies and long range strategies, some of which provided for the integration of various sector resources, i.e., agriculture, health, and education; developed key components of an intervention system infrastructure; institutionalized their approach through nutrition institutes, government organizations

and local counterpart organizations; and, in some cases, began to identify and develop alternative foods which could be used to replace Title II food inputs (although in most cases this is a weak link in the phase-over process).

However, these actions were, generally, too late to allow for the implementation of an effective and well constructe strategy to develop appropriate resources to address their long-term problems. It was only after the recipient countries began to investigate and analyze the problems they faced, that they began to understand the magnitude of their long-term problems and of the short-term need to develop their capability and resources. The short time period available to achieve this was a major constraint. AID contributed to the time problem by its actions and pressure to phase-down and phase-out the Title II resources. When Title II assistance was in its initial stages the recipient countries' counterpart organizations were not effectively informed of the short-term nature of the Title II inputs and of the expectation that they should plan to assume responsibility for all program inputs. Nor, did AID establish or inform the program participants of a clear policy, strategy, or procedures to guide in the implementation and achievement of the phase-over objective. There was limited emphasis on providing suitable financial and technical resources to the recipient countries to develop the required

comprehensive strategy and multi-year projects. The use of multi-year projects and resource commitments is necessary to assure continuity in program implmentation. When countries did respond in a positive manner, AID had substantially phased-down or even phased-out the Title II resources. Efforts were piecemeal, almost as if it was hoped that this action would delay additional phase-down of Title II resources until a more comprehensive approach could be developed. AID did not reduce the pressure to phase-down these inputs. Also, AID did not support efforts by according higher priority, additional time, or sufficient financial and technical assistance to establish the recipient country's capability and resources to replace the Title II inputs. The results were: the many years and substantial amounts of AID's food resources did not achieve the desired long-term nutrition or development impact; many of these countries simply turned to other sources of grant food assistance, thus, prolonging their dependence on external aid; and, there were political repercussions in that strains were placed on the friendship built between the U.S. and the recipient countries, and the causes of political instability in these countries (i.e., poverty, underdevelopment, and malnutrition) continued to have a negative impact.

2. AID's criteria used to select a country program or a specific project to achieve phase-over have not related

to the important consideration of its needs, interests, and capability to achieve phase-over. The result has been, in many cases, the phase-out of Title II resources without establishing the recipient country's capability to provide the necessary long-term solutions to these nutrition and development problems.

3. A distinction has not been made between the phase-over of Title II resources from a country or from an individual project. When phase-over or phase-out has been achieved it has usually been on a countrywide basis, without recognizing the scope for developing new initiatives which could continue to address priority nutrition or development problems. Each project requires specific inputs, capability development, and individual consideration of the recipient country's needs, interest and capability to achieve phase-over.

4. AID has generally applied pressure to phase-down or out Title II resources prior to the recipient country having established suitable capability and resources to assume responsibility for program inputs.

5. AID Missions, Voluntary Agencies, and their counterpart organizations have not established specific strategies of their own to achieve phase-over, and, when they do, it is usually not comprehensive enough and implementation is too late to achieve phase-over before AID has fully phased-out the Title II resources. For example, when phase-down has been under way there has usually

not been sufficient planning to identify alternative food resources which makes it almost impossible to have established this capability before the Title II inputs are phased-out. It may require a period of three to five years, depending on the size of the program, to develop an alternative food from local resources. When the Title II inputs are phased-out then the recipient country must search for an alternative source of grant food assistance or the program will end without achieving the intended impact.

6. The Voluntary Agencies have, in some cases, found it necessary to phase-out their participation prior to completion of the phase-over process. Also, they have not identified a broader role for themselves which could include the development of opportunities for new initiatives in the same country or a post phase-over role. AID and Voluntary Agency inputs have not been integrated to allow for the effective planning and implementation of effort to assist in establishing the recipient country's capability to assume responsibility.

7. AID has not established a policy or procedure for reprogramming the phased-over Title II resources. Currently, there are approximately 14 countries participating in a phase-over or phase-out process and these countries represent about 50 per cent of the

Title II resources available for addressing the nutrition and development problems in recipient countries.

8. There is a lack of Food for Peace Officers in the AID Missions who can guide the development and implementation of key activities in the phase-over process, i.e., analysis, strategy development, integration of AID inputs, and programming of Title II resources to achieve the phase-over objective.

9. AID's priority means of achieving development impact are not incorporated in the Title II program's phase-over process, i.e., policy reform, technology transfer, institution building, and involvement of the private sector. Each of these are important elements of the recipient country's capability to achieve the phase-over objective.

B. Recommendations

Based on this assessment of the phase-over experience the following recommendations are made for AID's consideration:

1. AID should establish a specific phase-over policy, strategy, and procedure to achieve this objective. All country programs or projects should incorporate this objective. Title II resources should be used in ways that it acts as an incentive to encourage the recipient country to implement key actions prescribed in the phase-over strategy, as well as food aid acting as an incentive for a country to achieve the objectives of other AID

development sector programs (i.e., agriculture, health, and nutrition). When adopting the phase-over objective AID should pay special attention to incorporating the following key components in the process:

- Communications: This objective should be communicated to all counterpart organizations through program agreements and, thereby, begin to establish a commitment to achieve this objective.
- Selection criteria: AID's criteria to select a country program or project for phase-over should include indicators of need, interest, and an established capability, along with AID's program priorities and the United States' political, diplomatic, and economic objectives in a particular country. The recipient country's capability should be established prior to phase-over achievement.
- Analysis: To effectively define the recipient country's nutrition and development problems, to allow for programs to be targeted to these problem areas, to serve as the basis for the recipient country's own policy determination particularly to define how these programs will continue without external grant assistance.
- Strategy development: This will be undertaken by all participants to lay-out the specific course of actions required to achieve the phase-over objective. It will include the integration of AID's food and

development resources along with the use of AID's priority means of achieving the appropriate development impact, i.e., policy reform, technology transfer, institution building, and involvement of the private sector.

- Project Development: AID's project procedure may be an appropriate framework for implementing the phase-over process for each country program or project type. It allows for: multi-year commitment of resources and integration of necessary analysis, planning, and resources. It allows for the establishment of project objectives and identification of benchmarks which are important factors in evaluating the effectiveness and impact of the project.
- Evaluation: The Food for Peace evaluation process should be broadened to include effectiveness and impact evaluations of the phase-over process.
- Staged development process: Projects could be divided into clearly defined stages, i.e., needs assessment and problem identification, policy determination, capability development, phase-in of recipient country inputs, and a post phase-over stage. Prior to beginning each stage AID could re-assess the recipient country's interest and commitment to achieve the phase-over objective before committing additional Title II resources.

2. Countries currently scheduled for phase-over, which have the need and interest in establishing their capability to use their own resources to solve the long-term nutrition and development problems, should receive, as a minimum level of effort in the phase-over process, AID's food and development assistance to establish an alternative intervention system and infrastructure which is capable of meeting their needs and objectives. The objective being to establish a system which is cost-effective and which will allow them to end their need for external grant or concessionary foods.
3. The AID Missions, especially in those countries which are committed to the phase-over objective, should consider establishing a position for a permanent Food for Peace Officer to coordinate, negotiate, analyze, plan projects which integrate AID's resources, identify the need for AID's technical assistance, and assist in identifying new initiatives which could utilize Title II resources to impact on priority nutrition and development problems.
4. The phase-out, i.e., the situation where there is no possibility of or concern for recipient country assumption of responsibility for program inputs, of Title II resources should be restricted to those situations where the recipient country, either directly states or indicates through the lack of concrete actions, that it is not interested in assuming responsibility for program inputs by using its own resources.

5. AID should distinguish between the phase-over of a specific project and the phase-over of all Title II assistance to a country. Countries which continue to have high priority development problems, even though they may be classified as "middle income" country, may qualify for grant food aid on a short-term basis. New initiatives should be developed when one project has achieved phase-over, which would again utilize short-term food aid for priority development or nutrition problems. AID should establish guidelines and procedures for developing new initiatives to re-program Title II food resources. The criteria for determining if food aid should continue will stress the same factors as the criteria listed above, i.e., emphasizing the country's continued need to address agriculture, employment, poverty, and nutrition problems; AID's program objectives; and, United States' political and diplomatic considerations.

6. The Voluntary Agencies play a key role in each stage of program development and implementation, i.e., needs assessment and problem identification; policy analysis; capability development; phase-in of recipient country resources; and, in the identification of new initiatives which utilize phased-over Title II resources. Voluntary Agencies should also consider the role they might play in a post phase-over situation. There is sufficient scope for them to broaden their role in each stage of project implementation, i.e., in such areas as agriculture

development, nutrition education, infrastructure development, problem analysis, food habits analysis, and in the transfer of their management capabilities to their counterpart organizations. A key role will be in the communication of the phase-over objective and in developing a commitment to achieve this objective. Participating organizations should adopt similar objectives along with specific policies and strategies to achieve them.

7. Attempts to establish the recipient country's capability have not been sufficiently comprehensive to achieve phase-over. The Voluntary Agencies have done an excellent job in attempting to improve the infrastructure of the intervention systems, but, other sectors should be integrated to assure that all of the needed resources are available. There has not been sufficient analysis of alternative interventions to determine which might be the most cost-effective means to address the problems from the recipient country's point of view. Therefore, AID should establish two levels of effort to assure that its assistance achieves the desired objective:

   - Establishment of the required intervention system and infrastructure, including the development of alternative food sources, represents a minimum level of effort to achieve phase-over.
   - The maximum level of effort involves a comprehensive approach including integration of related sector resources, problem analysis and determination

of their causes, identification of appropriate solutions, policy reform, and development of appropriate strategies for the use of AID's food and development resources to solve these problems.

8. All food aid sponsors should respect the phase-over process of other organizations and refrain from offering additional grant food assistance once a project is implementing the phase-over process or has achieved it.

V. Policy Issues

It has been recommended that AID establish a policy to guide the implementation of Title II programs and allow for the development of specific strategies and procedures to achieve the phase-over objective. In establishing this policy AID should address the following issues, which have been identified as a result of the assessment of AID's phase-over experience.

A. Should there be a phase-over policy?

Earlier in the report, it was pointed out that there is a mandate for establishing a phase-over objective, both in the PL 480 legislation and in AID's policy for the Title II program. Phase-over is the process whereby the recipient country applies its newly established capability to become self-reliant to address its long-term nutrition and development problems. This represents the end of its dependence on external grant assistance. The experience shows that, in practice, many programs are being phased-out prior to establishing the country's capability to accept responsibility for the resource inputs. This limits the possibility of

becoming self-reliant and achieving the phase-over mandate. A policy is required to clarify this objective, and establish a priority for those programs which undertake the required actions to establish the capability to phase-over Title II to local resources. In this way the Title II program will also deal effectively with other concerns such as: the short-term nature of the Title II program; assures that this assistance does not create a dependence on grant assistance or will replace any resources which the concerned country can be expected to provide.

B. Priority

It has been demonstrated through this assessment of AID's experience that countries which have made efforts to identify their problems and their causes, and attempt to establish their capability to deal with these problems through the development and application of their own resources, were not accorded suitable priority in the allocation of Title II resources, and, not given sufficient time to establish the capability which would have allowed them to phase-in their own resources and replace the Title II resources. When AID insisted that they phase-out before they were prepared to assume responsibilit it had a negative impact on the ability of the country to achieve phase-over. By integrating AID's development assistance with the food resources there would be an added incentive to establish their capability. The recipient country must also establish their priority problems which they wish to address and for which they require grant food assistance. When there

are constraints on the availability of Title II resources, the programs or projects which are implementing this phase-over process should be given priority allocation of Title II resources. This priority should also include a multi-year commitment of resources and a consistant application of this policy.

C. Which programs or projects should implement the phase-over process?

All programs and projects should build in the phase-over objective, establish a strategy, and follow specific procedures to achieve this objective. This objective must be communicated to the counterpart organizations through program agreements and through the evaluation process. It is important that they establish a commitment to achieve this objective and indicate this through specific actions such as increasing program inputs. The experience has shown that without this commitment to phase-over it will not be achieved. Part of the problem relates to the resistance to phase-out before the recipient country has established its capability to assume responsibility. Therefore, phase-over, and not phase-out, should be established as the objective of each project.

D. What is the role of phase-out?

When AID initiates a Title II program in a country, and there is a commitment to achieve the phase-over objective, then the phase-out of Title II resources should not occur. Phase-out may occur when a country has clearly stated, by words or the lack of appropriate actions, that it is not interested in

developing or committing its own resources to solve its long-term nutrition and development problems. AID's resources should be channeled to those countries which do establish a priority to solve these problems and are willing to commit their resources to this end. If AID's resources are not available due to budget or other constraints, then commitments to phase-over projects or countries should be honored first.

E. Distinction between phase-over by country and by project. Each project should incorporate the phase-over objective and establish a specific strategy, procedure, and a time-frame for achieving this objective. This includes projects of all types, i.e., pre-school feeding, food for work, or school feeding. Each project type may require different inputs and time frame, depending on the size of the project. The infrastructure requirements for each project may also vary from project to project.

However, it is a different question to determine that a country program should be phased-over. Many countries currently classified as "middle income" countries still face substantial nutrition and development problems for which grant food aid could make a valuable contribution. Many of these countries would rank high on the basis of their political and diplomatic value to the United States. Projects developed in these countries might be expected to have a shorter time-frame within which to achieve phase-over. Each individual project would include the phase-over objective. Availability of Title II resources would also be a key factor in determining

how much of this resource could be used for projects in these countries.

F. Criteria for phase-over selection

Assessment of AID's phase-over experience has determined that the following criteria were used to phase-out or over Title II resource from a country: the broad economic classification of "middle income" country; and, the number of years the United States has provided Title II foods to individual countries. In some cases programs have been phased-down or out based on AID's program priorities, i.e., school feeding programs now receive lower priority than other categories of programs, as well as on the basis of budget constraints. However, these criteria did not take into account key micro economic and social factors which are more relevant to the country's ability to achieve phase-over. It is suggested that a more appropriate criteria might include: developing country need, interest, and capability to assume full responsibility and United States' Title II program policy and objectives, and the United States' political and diplomatic criteria. If a country can, therefore, qualify on the basis of these criteria then they can implement the phase-over process.

G. Level of Effort

There are three major levels of effort which AID might adopt, according to the situation:

1. Level No. 1: Basically restrict assistance to providing grant food aid without integration with AID's development

assistance resources. There would be strict limits on the lenght of time that the grant assistance would be provided. Hopefully, this would act as an incentive to the recipient country to commit itself to achieve the phase-over objective and shift to one of the more appropriate levels of efforts described below.

2. Level No. 2: The minimum level of effort required to achieve the phase-over objective will consist of developing alternative intervention systems and infrastructure which is appropriate for the type of problems to be solved. It should be cost-effective. The Voluntary Agencies have sources of funding which are appropriate for this effort: the Food for Peace Outreach grants, Operational Program Grants, and another source which is under consideration involving the monetization of Title II foods provided through the Voluntary Agencies or the monetization of Title II foods under PL 480 Title II Section 206.

3. Level No. 3: The maximum level would involve a comprehensive implementation which is divided into the following stages: needs assessment and problem analysis; policy and strategy development; capability development through the design and implementation of specific projects; the phase-in of local resources; and, post phase-over. This provides for the integration of food and development assistance while also utilizing AID's priority means of development: policy reform; institution building; technology transfer; and, use of the private sector.

Countries which are currently implementing the phase-over process should, as a minimum, adopt the second level of effort. This assumes that the recipient country has a need and is interested in developing its capability to assume full responsibility for all inputs.

H. Time Frame

The time required to achieve phase-over will vary depending on the size of the program and the level of the recipient country's capability when the program is initiated. The length of time required to achieve phase-over could be kept to a minimum if:

1. The commitment to phase-over is established when the program is initiated.
2. The programs establish a strategy which is comprehensive and structured.
3. Recipient country's capability is established before phase-over implementation. If their capability is established in this order then the phase-in of local resources, and phase-over will require a short period of time.

When a country has indicated that it is not interested in assuming responsibility for program inputs, then a specific date, in the near future, should be established for the phase-out of Title II inputs. Alternatively, a phase-down schedule could be established with the hope that the recipient country will be encouraged to take a more positive interest and commitment to achieve self-reliance. In this was phase-over

can be used as an incentive to achieve the priority objective of Title II assistance.

I. Role of Voluntary Agencies

The Voluntary Agencies should be encouraged to establish a similar phase-over objective and policy which will guide their actions to achieve this objective. They should continue to expand their role in each stage of development and assist in identifying alternative foods, using local resources, and establishing a suitable and cost-efficient infrastructure which they can manage. They should make a commitment to stay in a country until phase-over is achieved and realize that there is scope to establish new initiatives to utilize the phased-over Title II foods to address other priority nutrition and development problems. There is also an opportunity to define a post phase-over role in areas such as trouble-shooting, technical assistance, management assistance, and to provide emergency assistance during bad economic times.

J. The use of Title II foods as an incentive.

Throughout this report reference has been made to the possible use of Title II as an incentive to encourage actions such as phase-over, or to undertake development activities in other sectors such as agriculture, nutrition, health, etc. The reverse can also be true in the case where other AID Sector resources can be integrated with food aid to achieve phase-over or other objectives of the Title II program.

APPENDIX I

SELECTED CASE STUDIES

Four case studies are presented below which document the phase-over experience and issues in Tunisia, Morocco, Chile, and Panama. This experience and the issues identified are representative of other country experiences in implementing the phase-over process. The issues identified should be addressed, by AID, in the phase-over policy which is to be established.

I. Tunisia

- The criteria used to select Tunisia for phase-down and out included their overall economic status, and their potential for exporting wheat and olive oil.
- The Government of Tunisia initiated a national strategy development process which gave high priority to pre-school and Maternal Child Health intervention programs and established a Joint Commission which was responsible for the Title II program and nutrition planning. Even though these are critical components of the phase-over process AID continued to apply pressure for the phase-down of Title II inputs instead of recognizing that these components are critical to successful phase-over achievement and therefore, accord these programs high priority for the allocation of Title II resources until they are effectively established.
- Key Government of Tunisia actions: they linked Title II and other food assistance with the Tunisian Nutrition Institute; supported production of SAHA a locally blended food for

pre-school feeding; and, retargeted school feeding to rural areas. This targeting and institution development, to address the priorty nutrition problems, were AID objectives, but AID continued to apply pressure to phase-out Title II resources.

- An AID supported nutrition planning project was to: assist the GOT establish a viable institutional capability to assess nutritional needs, objectives, and strategies; and assist in formulating policies and programs designed to meet national nutrition needs. These are AID's priorities, since they allow for the integration of Title II resources with AID development assistance to achieve a positive impact.
- Discussions were held to plan the phase-out of AID's development assistance which raised the following issue: what is the scope for continuing Title II assistance after the phase-out of AID's development assistance program. Tunisia's priority development problems were identified in 1978: as dependence on traditional agriculture methods, poverty affected 40 per cent of the people, and drought affected the country. These conditions could have been addressed through the continued application of Title II food aid beyond the time when AID's development assistance was available. Financial assistance would have been a problem but assistance could have been provided through the Food for Peace outreach program, the Voluntary Agency Operational Program Grants, and the "monetization" of Title II resources to provide the needed financial resources to establish Tunisia's resource capability.

- A post-development assistance relationship was defined, which included: long term institutional links, regional research, improved ties with the private sector, and promotion of technology transfer. Development of international trade is another area which could be included. These activities are relevant to a post-Title II assistance relationship.
- The AID Mission viewed the Title I proceeds as one means of continuing the development process. These proceeds could be used to support the capability development process required by the Title II phase-over process.
- The GOT determined that its supplementary feeding programs should maximize long term development impact by: developing the capability of the National Institute of Nutrition to conduct long-range nutrition planning analysis and incorporate supplementary nutrition programs within their nutrition strategy; producing a local blended weaning food as an alternative food input from local resources; and, incorporating health and nutrition education into national pre-school programs.
- Voluntary Agencies received operational program grants to develop a supplementary nutrition program infrastructure, including: storage facilities, delivery logistics, nutrition education, and health surveillance.
- The GOT requested that Title II assistance be continued through the sixth 5 year plan, until 1986. The plan focused on the use of Tunisia's resources to meet priority

nutrition needs. It was suggested that the plan contain a schedule for full assumption of responsibility. The plan acknowledged that the GOT would eventually accept responsibility for all resources used in supplementary nutrition programs.

- After receiving Title II assistance for many years, the GOT responded in a positive manner to many of the programs legislative and AID policy objectives, such as: "To supplement and reinforce other developmental and nutritional activities and are to be conducted within a framework of increasing local participation in management and funding"; "The use of an integrated approach to solve priority development problems"; and, "Concentration of Title II food in countries which have a nutrition or health priority, strategy, and/or self-help development plan". As Tunisia conformed to these policy objectives, AID continued to give the Tunisia phase-over effort low priority by insisting that Title II inputs be phased-out.

II. Morocco

- AID based its selection of Morocco for phase-over on the criterion that Morocco was classified as a non-Most Severely Affected (MSA) country. The AID Mission argued that this criterion was not relevant because it was derived from economic parameters which did not consider: Morocco's overall food needs, development priorities and policies; existance of endangered groups within the population; and, existance of activities designed to alleviate malnutrition

Food for Work for the following reasons: the majority of the people were poor; infant mortality was high; preventable childhood and communicable diseases were widespread; protein/calorie malnutrition affected 20 per cent of the children under 4 years of age; and, the GOM budget reflected an increase in resource availability to address these problems.

- Efforts continued to target programs as well as integrate them with development assistance. The AID Mission identified major problem areas which should have received priority attention: insufficient food production; high population growth rate; malnutrition and poor health; and inadequate educational opportunities.
- The AID Mission began to prepare a Development Strategy Statement which was divided into three parts: development analysis of the economy focusing on the poor, a five year assistance strategy, and a planned five year budget. The strategy analyzed the following points: quantitative identification of basic needs; effectiveness of the host country to meet these needs; and, determination of how the United States' resources should be employed; level of assistance resources; and, host country policy changes required. Title II was to relate to nutritional need, developmental goals, and host country response. The target groups were defined in terms of their ethnic origins, economic activity and status, geographic location, need (health, nutrition, education, income, employment), and in terms of access or adequacy of supply of goods and services.

Host country policies, plans, and programs indicated commitment and effectiveness of efforts to meet the needs of the poor. Budgeting trends for expenditures of direct benefits to target groups also indicated effectiveness.

- Title II budget constraints impacted on the Morocco program as AID used this to push Morocco closer to phase-out. A Title II strategy paper was completed and identified the need to develop alternative food inputs as a priority, i.e., the development of a local weaning food.
- The Mission reported that it was continuing to focus the GOM's attention on the needs of the poor majority. The Title II program was targeted on children between the ages of 2 to 5 years of age who were malnourished and on non-malnourished infants from 10 months to 1 year who were classified as the most vulnerable. The major issue was how the GOM was going to view and address the developmental problems of the poor. The Mission stated that the infrastructure was delicate, and therefore, an immediate phase-out or reduction would have a negative impact.
- During FY 81 and 82 the economic situation in Morocco continued to decline with imports up and exports declining. AID's 1983 Annual Budget Submission indicated that efforts to incorporate a Title II strategy into an overall food grain strategy was set back by several years of drought. Arguments for continued Title II inputs were based on: the close political relations with Morocco; its food deficit situation; and the need for a long-term pragmatic phase-over strategy.

- Even with the above efforts and arguments AID did not see fit to accord Morocco suitable priority when distributing its reduced FY 82 Title II food resources. The Mission was again advised to develop a plan for reduction and termination of the Title II programs which were not directly linked to the implementation of a nutrition project. Recently, the nutrition project was rejected by Morocco because of this linkage issue.
- The strategy AID used included phase-out by program type depending on its priority, i.e., school feeding phased-out first and then Maternal Child Health programs. The Mission attempted to develop a strategy which took a broader and more integrated, capability development, approach. It incorporated phase-over in each of the following: policy - developed elements of a food aid sector policy and strategy approach based on host country needs and priorities and stressed integration of assistance; planning - developed a food sector strategy which included phase-over and a multi-year commitment of food resources concept; program/project - developed a nutrition project and other support projects to increase the host government's capability to analyze problems and use grant resources to address these problems, eventually achieving phase-over; and, evaluation - pointed out the need to develop phase-over plans and also indicated the causes of the failure of past and present phase-over efforts.

III. Panama

- The CRS program in Panama can be characterised as: integrated

with nutrition education, increased food production at the community level, encouraged greater participation by program beneficiaries, and increased CRS/GOP cooperation and collaboration in the planning and execution of feeding programs. At the local level managerial responsibility was carried out by the CRS cooperating sponsor - CARITAS. They attempted to increase local food production which could be supplied to the feeding centers. This is an example of local level self-reliance. Integration of nutrition education promoted the realization of proper nutrition intake and the role of locally produced foods. Panama's experience represents an alternative model for the phase-over to local food resources.

- Key development problems in Panama included a lagging agriculture sector. This sector employed 29 per cent of the labor force and produced 16 per cent of the GDP. However, there was an estimated 15-20 per cent unemployment rate. Estimates for the subsequent 20 years indicated that the number of families living below subsistance levels were to be equally divided between urban and rural areas. This provided scope for continued use of grant foods for nutrition intervention programs targeted to at risk groups, or for employment and income generating purposes.
- The 1983 CDSS noted that the GOP was commited to raising the living standards of the poor. The 1981-85 National Development Plan proposed four objectives: develop the country's resources; reduce dependence on imported oil;

increase food production; and, avoid increased unemployment rates. The AID Mission proposed projects to support the plan. Food aid could have played a key role if integrated with AID's development assistance.

- A nutrition survey reported widespread malnutrition. This survey results served as the basis for the GOP Multi-sectoral Plan for Food and Nutrition. The AID Mission proposed, in the 1983 CDSS, an increase in the Title II inputs of 10 per cent per year until FY 87. There were also possibilities for integrating food aid with activities to increase agriculture productivity.
- The CARE school feeding programs required five years for the GOP to develop the administrative expertise and financial inputs to assume responsibility. CARE suggested a phase-over to Title I to acquire milk powder and cooking oil to replace Title II phase-out commodities.
- A CARE assessment determined that approximately 67 per cent of the priority recipient categories were malnourished. The incidence of protein/calorie malnutrition had increased. The GOP response was to establish a supplementary nutrition intervention system.
- The GOP was in the process of establishing a national food and nutrition policy with the goal being to assure optimum nutrition status for Panamanians. The GOP projected that its capacity to satisfy the demand for food will fluctuate between 36 per cent and 67 per cent of the estimated requirements. Malnutrition affected low income groups

in Panama.

- CARE's objective for school feeding was to phase-in the Ministry of Education's ability to assume responsibility for school feeding activities during the five years that began in FY 81. CARE intended to strengthen the capability of the MOE's school Nutrition and Commodity Distribution Unit to prepare them to assume full responsibility. CARE established the following objectives for the school feeding program: maintenance of ongoing school feeding assistance to 75,000 low income recipients annually between FY 1981-85; encourage increased funding in the MOE's CY 1981-85 operating budgets to replace Title II commodities, and CARE's planning, administration, and supervisory role in the school feeding program; and, formalize the MOE's commitment to phase-in its responsibility.
- A Title II evaluation pointed out that Title II resources had been provided to Panama for over 20 years. There were good indications of impact and effective management. Continuation of the program was questioned and it was concluded that since malnutrition was so significant it should be continued.
- A 1980 national nutrition survey indicated that the malnutrition problem was caused by insufficient consumption of nutritious foods due to socio-economic constraints and traditional consumption practices. It pointed out that the availability of nutritious foods was determined by local production and food imports. Family income was an

indicator of its capability to purchase and provide nutritionally adequate food supplies.

- AID's 1984 ABS indicated that CARE would terminate its activities in December, 1984. CARE's decision was based on AID's desire to phase-out. CARE's continuation will be crucial to the successful transfer of responsibility to Panama. With Panama's continuing agriculture and employment problems there would be scope for CARE to develop new initiaties utilizing Title II resources and to backstop the GOP's initial efforts at self-reliance.
- CARE's final phase-over plan: FY 84 school lunch reduced to 35,000 and terminated at the end of FY 84. Between FY 84 - 87 the MCH recipient levels will remain constant but each year a major commodity input would be reduced. Complete phase-over to be achieved by FY 87. There is no mention of the type of food the GOP will provide.

IV. Chile

- A multi-year Title II phase-over agreement was developed in FY 78. The GOC faced major logistical problems in phasing-over the SAWS program. Food for Peace review of the FY 81 program considered a close out of the Title II inputs by FY 82 rather than FY 83 as indicated in the multi-year plan. There was a lack of priority given to phase-over projects, and an inability to make multi-year commitments, both of which are essential to establish a consistant and viable phase-over process. This brought

the phase-over issue into the political arena.

- The CRS counterpart organization, CARITAS, received subsidies from the GOC for logistics which was a key element of the programs operational costs. It is critical that cooperating sponsors, which work with non-government counterpart organizations, develop a source of financial assistance to cover these costs in the phase-over process.
- There is a problem when the AID Missions decide to phase-out of a country, and the Title II program continues on its own. There is a need for support projects and for administration of the Title II resources. An AID central funding mechanism may be an appropriate alternative.
- The National Council of Day Care Centers was looked to as a possible source of alternative foods through its pre-cooked and canned feeding system. The GOC proposed to cover 100 per cent of the needy children attending either private or public schools, but budgetary constraints made this impossible.
- The GOC conducted extensive analysis of its nutrition problems and their causes in an attempt to develop its own solutions to these problems. However, these efforts proved to be too late to assure effective phase-over of Title II resources to local responsibility.

APPENDIX II

FOOTNOTES

1. AID Handbook No. 9, Chapter 3, Policy, January 19, 1981, p. 1.

2. Ibid, p. 3.

3. Ibid, p. 4.

4. Ibid, p. 4.