The Development Impact of U.S. Program Food Assistance: Evidence from the A.I.D. Evaluation Literature

Bureau for Food for Peace and Voluntary Assistance
Agency for International Development
Washington, D.C. 20523

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FORWARD

The Office of Policy, Program and Management of A.I.D.'s Bureau for Food for Peace and Voluntary Assistance (FVA) commissioned this study to synthesize A.I.D. evaluation findings regarding the developmental impact of U.S. program food aid.

The study surveyed 86 evaluations, audits and other studies completed during the past 10 years. All of these reports are included in the bibliography, and all country evaluations are annotated. The Bureau, however, cannot endorse the study's conclusions and recommendations. Many conclusions are based on weak evidence because many of the works surveyed focus on management issues and do not rigorously evaluate development impact.

On the other hand, the FVA bureau believes that the report is an indispensible starting reference for future program food aid evaluators. Further, we believe that several of the report's recommendations are worthy of further consideration and inquiry by A.I.D. For example, we support the recommendations that (a) greater use should be made of grant program food aid, (b) more direct targeting of program food should be used to support structural adjustment programs, and (c) the current A.I.D. system for monitoring and evaluating program food aid agreements needs more discipline and rigor.

We welcome comments, particularly from our colleagues in the field missions. Please address any comments or queries to the following address:

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The Development Impact of U.S. Program Food Assistance: Evidence from the A.I.D. Evaluation Literature

Prepared for the

Bureau for Food for Peace and Voluntary Assistance
Agency for International Development
Washington, D.C.

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EXECUTIVE SUMMARY

In an era when the U.S. development community must do more with less, each element of the aid program must be geared to maximize development impact. Food aid is no exception.

U.S. food aid is a major component of U.S. assistance. Food aid authorized under PL-480 and Section 416 provided $1.89 billion in commodity assistance in FY 1988, 27% of total economic assistance.[1] Program food aid under Titles I, II/206, and III of PL-480 and Section 416 provided 5.4 million metric tons of commodity assistance in FY 1988, on both loan and grant terms, valued at slightly over $1 billion,[2] accounting for 54% of all food aid and 16% of economic assistance.

This study synthesizes the evidence on program food aid's development impact, based on evaluations of PL-480 program assistance and other information, including a review of the general literature, interviews with knowledgeable individuals, and the team's own analysis. The team reviewed 86 evaluations, audits, and other studies, covering A.I.D. experience over the past 10 years with program food aid in 33 countries. The evaluations were categorized as supporting or not supporting eleven hypotheses covering impact at the macroeconomic and food sector levels and the interrelationship between program management and development impact.

Program food aid is highly concentrated geographically and targeted

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1. Including, in addition to food aid, Development Assistance and Economic Support Fund assistance.
2. Program food aid consists of bulk commodities provided by the U.S. Government to help developing countries meet their overall food deficit. The commodities — primarily grains (75% of the 1989 Title I allocation, by value) but also including vegetable oils, soybeans, tallow, cotton, and other commodities — are generally sold, with the revenue being used to support rural development or for other developmental purposes. Program food aid can be distinguished from project food aid, in which the largest share of the commodities is generally distributed to food-deficit people as part of a program of nutritional and other developmental interventions, usually implemented by a private voluntary organization or an international organization, and from emergency food aid, which is provided to meet short-term food needs created by natural or manmade disasters through both project-type and program-type implementation mechanisms.

toward countries with a high priority for U.S. foreign policy. The top five recipients received 44% of total program food aid in FY 1988 (with average program size of $89 million), while the eight ESF country recipients[3] received 43% of total assistance. The 43 DA countries in the program received 57% of total assistance (with an average program size of $13 million, compared to $55 million for ESF countries). In per capita terms, program levels ranged from less than one-tenth of a kilogram (in India) to 150 kilograms (in St. Kitts), with a worldwide average of 3 kilograms per capita.

At the regional level, the Asia-Near East region received 52% of the total in value terms, but per capita allocations were highest in the Caribbean (at 57 kilograms) and lowest in Asia (one kilogram). The per-capita allocation to ESF countries averaged more than five times the allocation to DA countries.

Major Conclusions and Implications for Future Program Food Aid

The major findings and conclusions of the study can be summarized as follows:

Findings

- Program food aid appears to have a generally positive impact on performance of the recipient countries at the macroeconomic or sectoral level, but the magnitude of this impact cannot be determined from the evaluation literature.

- Program food aid has been and should continue to be a useful component of U.S. assistance programs to promote economic development, particularly in the food and agriculture sector.

- Although program food aid is used increasingly to promote policy reform, experience in supporting reform is mixed, with just over 50% of the evaluations discussing the impact on policy concluding that food aid had supported an improved policy environment, but 30% concluding that it had not and roughly 20% finding mixed results.

Recommendations for Program Modification

3. Defined as any country receiving more funds from ESF than from DA in that year.

- While program food aid generally works well, modifications in program design should be considered to meet changing conditions in the recipient countries, particularly by:

  - increasing the grant component to reduce the impact on future debt and maximize policy leverage, perhaps linking the percentage of grant-funding to host government policy reform effort.

  - encouraging uses of food aid-generated resources with a greater short-term impact on the poor to improve the program's capacity to support structural adjustment and achieve legislative purposes.

- The guidelines for planning and evaluating program food aid should be clarified and strengthened to increase the attention to development impact and to encourage a consistent approach to maximizing program impact over the long term.

- Procedures for management and accounting of local currency expenditures should be decreased in order to free up management resources within A.I.D. and the host government for program planning and substantive monitoring.

- Analysis prior to provision of program food aid assistance should be increased and strengthened to maximize development impact and on tracking of development impact at the project, program and national level should be strengthened.

- Ways in which program food aid could be used to support targeted income transfer programs should be explored as a complement to current local currency uses, particularly as part of a package of measures to support structural adjustment by alleviating short-term negative impacts on vulnerable groups, using resources generated by food aid rather than the food resource itself to support income transfer programs for the poor.

While these modifications would improve food aid's usefulness and flexibility, they should be implemented within the context of current program uses. The analysis does not suggest a need for major modification in program food aid, much less an abandonment of current programs. In particular:

- Local currency generated by program food aid should continue to be programmed in support of donor-funded projects, which derive important and possibly irreplaceable support from such funds in many countries (depending on host country budget conditions).

- The emphasis on policy dialogue should be continued to lay the basis for a sustainable and broad-based increase in agricultural incomes; use of local currency for income support would complement but not replace this activity.

The study identified the following measures as unlikely to have a substantial effect on the development impact of food aid, although they may be desirable for other reasons:

- Reallocation of food aid among countries to increase the allocation to food-deficit countries would not improve program impact unless accompanied by other measures (such as support to targeted feeding programs) nor would it be necessary to achieve such an improvement.

- Shift to a multi-year programming format might be helpful for management purposes and would encourage a long-term perspective, but the success of several missions in sustaining multi-year policy dialogue and support to food sector programming despite the nominal single-year nature of Title I (and 416) assistance demonstrates that this change is not necessary to achieve these gains.

Program Food Aid's Potential for Development Impact

Program food aid is, first and foremost, a resource transfer. Its impact derives from the increase in the resources available for consumption and investment and/or from the reallocation of resources that it occasions. The report identifies four mechanisms through which program food aid has the potential to increase incomes and reduce poverty:

- Resource transfer: food aid may increase the resources available for development — foreign exchange and fiscal resources — and/or promote a better allocation of resources, leading to macroeconomic growth; food aid may directly increase the supply of food available for consumption, leading to increased consumption by the poor

- Policy reform: food aid may promote adoption of policies conducive to income growth, development, greater food production, and increased availability of food to consumers

- Agricultural development programming: food aid may lead to better programming in support of agriculture by increasing fiscal resources available for such program or encouraging better use of resources, thus increasing incomes and food consumption over time

- Targeted transfers: food aid may provide resources for targeted income transfers to increase the real income and consumption levels of the poor through such programs as food stamps and other direct income transfers, targeted feeding programs, and short-term employment generation

The report analyzes the logic underlying each mechanism with particular attention to the impact of program food aid on the poor, identified in the legislation as a primary target for food aid assistance.[4] This analysis concludes that:

- Given the current program design, food aid is unlikely to have an immediate or direct impact on the poor, including both the rural and urban poor, because it does not generally increase the supply of food or its availability to the poor in the short term.

- It may have an indirect and long-term impact on the poor through promotion of growth-supporting policies and agricultural programs.

- But these measures are a highly imperfect means of increasing the real income and consumption of the poor, and may even affect them negatively in the short term.

- Food aid could potentially have a greater short-term impact on the poor if some of the local currency resources were redirected to support income transfer programs, an approach that is rarely used at present, but this improvement would come at the expense of a reduced contribution to agricultural programs.

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4. The analysis of potential impacts gives particular attention to the effect on the poor because food aid, even more than other types of foreign assistance, is linked to poverty alleviation. Section 106(b)(1) of Title I directs the administration in negotiating local currency uses with the recipient country to "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." Section 109(d)(1) directs the administration to ensure that self-help measures in Title I programs are specified "in a manner which ensures that the needy people in the recipient country will be the major beneficiaries...." Section 206(a)(3)(B) provides for the use of local currencies generated by 206 programs for "programs and projects to increase the effectivenesss of food distribution and increase the availability of food commodities provided under this subchapter to the neediest individuals in recipient countries."

Study Findings: Program Food Aid Impact at the Macroeconomic Level

- Program food aid has largely served as balance of payments support and has generally financed imports that would probably have taken place in any case.

- Therefore, it has generally not added to the supply available for consumption, although in some cases it may have been partially additive, may have supported income-transfer programs that raised total demand, or may have enabled countries to maintain established import levels, where reductions might otherwise have occurred due to short-term financing problems.

- Resources generated by program food aid have had a generally positive effect on the allocation of host government resources for development, primarily by encouraging funding for agricultural and rural development programs.

- The information available has not permitted program food aid evaluators to measure income and employment effects, due primarily to the lack of data on the impact of the programs funded or policy reforms achieved, but also due to the difficulty of separating the impact of food aid-generated resources from that of other funding sources for the same programs.

Study Findings: Program Food Aid Impact on the Food Sector

- Program food aid has been and should continue to be an effective tool to support agricultural development programming, primarily by adding to host government financial resources and encouraging their allocation to such programs.

- In particular, program food aid has also been an important source of local currency support for donor-funded development projects, particularly where budgetary resources are scarce, and may have increased the allocation of host government resources to agriculture in some countries.

- Program food aid has been particularly effective in many cases in supporting policy reforms affecting agriculture and the food sector, and is increasingly used for that purpose, particularly through the formulation and monitoring of self-help measures, leading to better integration with other A.I.D. and other donor programming.

- Whether or not program food aid adds to food availability, there is no evidence that such aid leads to a widespread or subsantial improvement in nutritional status of the low-income population, at least in the short run, and the design of the program effectively precludes such an impact at present.

- On the other hand, there is little evidence that program food aid constitutes a serious disincentive to in-country agricultural production in the majority of cases, even where food aid has been large relative to total consumption, although a disincentive appears to exist in certain situations.

- The information available does not permit measurement of the aggregate impact of program food aid on the food sector, either directly or indirectly through development programs financed.

Study Findings: The Effect of Program Food Aid Management on Impact

Program management emerges as a major consideration in the evaluation literature. Of the evaluations discussing the impact of management on program effectiveness (31% of all those reviewed), the overwhelming majority (89%) documented management problems that reduce such effectiveness. The specific problems cited varied considerably from case to case; no clear pattern emerged regarding specific management improvements needed to increase program impact.

Local currency management was identified as a particular problem area (over 40% of the evaluations cited it as a particular problem area). Among those addressing local currency management, two-thirds found it to be a major problem for program managers or for program effectiveness, while one-third indicated that the mission and the host government had been able to deal with local currency management without undue strain on resources or negative impact on the program.

Other findings include the following:

- The variety of programming approaches possible under current legislation has enabled A.I.D. and others involved in program food aid to design flexible and innovative uses meeting local needs and to overcome the difficulties inherent in programming millions of tons of commodities through a complex, interagency process.

- Nonetheless, some aspects of current procedures are not conducive to maximum program effectiveness and have reduced such effectiveness in some cases, including particularly the requirements for local currency monitoring, which have at times diverted resources from uses that might have contributed more to program effectiveness.

Study Findings: Evaluation Process for Program Food Aid

The study also found serious deficiencies in the evaluation process for program food aid. With the exception of Title III and Title II/206 programs, program food aid programs are evaluated only rarely. Very few evaluations were identified for 416 programs, for example, although the program has been in operation since 1983 (none were identified for Sugar Quota programs). Moreover, evaluations give far more emphasis to programming considerations than to determination of program impact. The evaluation effort suffers from the absence of guidelines for collecting and analyzing data on program impact, and from the subsequent unavailability of appropriate data permitting the evaluation teams to draw conclusions regarding such impact.

The team analyzed the 86 country studies available to determine the relative attention given to macroeconomic, food sector, programming, and management issues. This analysis found that issues and impacts at the food sector level received the greatest attention in the evaluations (39% of the substantive discussion in the average evaluation, or 60% including discussion of programming issues), followed by management issues (31% of the substantive discussion). Impacts and issues at the macroeconomic level ranked lowest (with only 10% of the substantive discussion devoted to issues in this area).

The absence of clear guidelines for evaluating program food aid's impact has resulted in an extremely uneven evaluation effort for such programs. Whereas several relatively small programs are evaluated repeatedly, many large programs have been evaluated rarely or not at all. Programs in DA countries are much more likely to be evaluated than programs in ESF countries. Considering only the 81 country evaluations identified during the past ten years for countries that were program recipients in 1988, one evaluation was completed for every $29 million in 1988 program food aid to ESF countries, versus one for every $9 million in 1988 assistance to DA countries (for an overall average of one evaluation for every $12 million in 1988 assistance).[5]

Evaluations rarely address the main issues regarding program impact, including particularly the effect on the balance of payments, agricultural production, consumption levels, and growth.

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5. Although the team did not analyze historical levels in detail, it may be estimated that total program food aid over the past ten years totalled approximately $10 billion in 1989 dollars. Even assuming that some evaluations escaped the team's search, the evaluation "level of effort" would appear to be on the order of one evaluation per $100 million in assistance. The team is not aware of any formal analysis of A.I.D.'s evaluation effort, but, based on the authors' experience with other development assistance, this level would appear to be far below that for either DA- or ESF-funded programs, not to mention project food aid programs.

Study Findings: Hypotheses Tested Against the Country Evaluation Literature

The table on the following page presents the findings of the country evaluation review on the eleven hypotheses tested. The evaluations generally supported the hypotheses formulated,[6] with the exception of the hypothesis regarding evidence of nutritional impact. Several findings from this exercise are of particular interest:

- The evaluations vary greatly in the attention given to program impact and in the specific issues addressed: with the exception of the impact on policy reform, no more than 40% of the evaluations provided sufficient discussion of any given impact issue to permit ranking them as supporting, contradicting, or neutral with regard to the hypothesis formulated.

- The evaluations are particularly weak in examining the impact of program food aid on nutrition, income, employment, and agricultural performance, whether directly or through financing of government and donor-funded programs.

Recommendations for Further Analysis

The team recommends that a comparative study of the association between program food aid levels and food sector performance be undertaken to provide baseline information on the critical connections among program food aid levels, domestic agricultural production, and imports. Such a study would draw on data available from international sources to provide the basis for an econometric analysis of the relationships among program food aid receipts over the past ten years, commercial imports, agricultural production, and nutritional status. Similar studies have been completed at the country level, but no systematic effort has been made to examine the impact of program food aid on a wider basis using consistent methods or data.

The team also recommends that consideration be given to clarifying the guidelines for evaluation of program food aid, particularly for Title I and Section 416 programs, including both the appropriate timing for evaluations and the issues to be addressed. In this regard, the ongoing effort to improve coordination and monitoring at the bureau level (including greater attention to tracking performance on self-help measures) should be continued.

6. It should be borne in mind that the hypotheses were formulated on the basis of a preliminary review of the evaluations, as well as the general literature, and discussions with knowledgeable individuals; consequently, this finding is not entirely surprising.

	Summary of Findings from Country Evaluations Number of Evaluations			
Impact Hypothesis	Support hypothesis	Contradict hypothesis	Findings neutral or uncertain	Not discussed
MACROECONOMIC				
1. Balance of Payments Program food aid is largely balance of payments support; i.e., it largely displaces or replaces commercial imports and adds little tc the domestic supply of food for consumption	21	3	5	57
2. Government Development Budget Local currency generated by program food alc and negotiations associated with food aid havi a positive effect on government development programming	23	5	1	57
3. Income and Employment Effects The information available for evaluation does not permit measurement of income and employment effects	22	10	2	52
FOOD SECTOR				
4. Disincentive Effect Program food aid has little or no direct disincentive effect on agricultural production	19	5	1	61
5. Policy Reform Program food aid supports policy reform and a policy environment conducive to agricultural and overall development	29	17	11	29
6. Nutritional Status There is no evidence that program food aid has a substantial or widespread impact on the nutritional status of the population	3	5	4	74
7. Agricultural Programming Resources generated by program food aid are an important source of support for donor and host government programming in the agricultural sector	26	6	3	51
8. Project Impact Measurement The impact of food aid-generated local currency resources cannot be determined due to commingling with other resources and/or the lack of project-level impact measurement	14	4	3	65
MANAGEMENT				
9. Procedures for Program Food Aid Current procedures for managing food aid reduce or impede program effectiveness	24	2	1	59
10. Integration with DA and ESF Integration of program food aid with development assistance and, in particular, with policy reform dialogue is increasing	15	4	3	64
11. Local Currency Management Local currency programming and reporting impose management requirements that are costly to the mission and/or the host government or that reduce program effectiveness	25	10	0	51

INTRODUCTION

Forty years after the initiation of the Marshall Plan, development practitioners are reexamining foreign aid's goals and methods. Changing resource availability and the disappointing development performance of many aid recipients call into question whether such assistance should be restructured and what role it should play in foreign policy and economic development. Analysts in the public and private sectors, academia, and the Congress are considering a wide range of modifications to current foreign aid programming.[7]

Roughly one-fifth of U.S. economic assistance is provided in the form of food aid, of which more than half is program food aid. A reevaluation of such aid thus clearly has a place in any overall review of development assistance. This report is intended to support reexamination of food aid's role in development assistance by synthesizing what the A.I.D. evaluation literature tells us about program food aid's impact on development.

Most U.S. food aid is provided under the Agricultural Trade and Development Assistance Act of 1954, as amended, (PL-480). Food aid legislation permits an extremely wide array of program modes to be used, even within the limited ambit of program food assistance. Under current legislation, program food aid can be provided on a grant or loan basis, although grant programs are heavily restricted in terms of both who may receive them and how they must be used; can be single or multi-year, although again multi-year programs are restricted to specific cases; can be used to support development in the public or private sector, with an increasing emphasis on the latter; and can be used to finance specific projects, policy reform, or overall development programming.

Despite this flexibility, food aid has often been viewed by A.I.D. missions and host government personnel as a limited and special-purpose type of assistance aimed primarily at reducing hunger or building U.S. exports.

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7. See, for example, the Hamilton-Gilman Task Force Report (U.S. Congress, 1989), the report of the Phoenix Group, and the recent report of the A.I.D. Administrator (<u>Development and the National Interest</u>, A.I.D., 1989).

This is certainly the perception of the American public, many of whom would be surprised and probably not entirely pleased to find that most program food aid is sold, generally at full market prices. Within A.I.D., food aid has generally been relegated to the margins of the program, treated as a cumbersome and not very useful part of the portfolio. Although that situation is changing, it is appropriate to ask whether the requirements and possibilities currently available for programming food aid are consistent with extracting the maximum development benefit from the $1 billion or so spent each year on the program.

Since the 1950s, food aid has been a significant component of U.S. development assistance. As expressed in the basic PL-480 enabling legislation, food aid is designed to serve six purposes:

- To combat hunger and malnutrition and encourage economic development in developing countries
- To enhance food security through local food production
- To foster and encourage private enterprise in developing countries
- To expand international trade
- To develop and expand export markets for U.S. commodities
- To promote the foreign policy of the United States

The multiple objectives that food aid serves, and the different priorities assigned to these objectives by the different agencies responsible for food aid, have complicated program design and implementation. Food aid assistance is provided through three basic modes of assistance:

- Program food aid: commodities are provided to the host government on a grant or loan basis and are generally sold, generating local currency that can be used for a variety of developmental purposes
- Project food aid: commodities are provided on a grant basis to the host government, a multilateral organization (generally the World Food Program of the United Nations), or a private voluntary organization for use in direct feeding

programs (including school feeding, maternal and child health centers, and food-for-work, as well as other programs)

- <u>Emergency assistance</u>: commodities are provided on a grant basis for distribution to address short-term emergencies caused by disaster or civil unrest (both program- and project-type assistance modes are used for emergency assistance)

This report deals with the first type of assistance and its impact on development performance. It addresses primarily program food aid's impact on the first three purposes stated above: hunger relief and economic development, food security, and private sector development. It does not assess the impact on U.S. trade, export market development, or foreign policy objectives.

Program food aid is currently provided to developing country governments under three programs:

- <u>Titles I and III of PL-480</u> provide for loan-financed sales at less than commercial terms. Title I programs generally provide assistance year by year, while Title III provides for multi-year programs and conversion of existing Title I programs to grant basis if certain conditions are met.

- <u>Title II/Section 206</u> of PL-480 provides for food commodities to be granted on a multi-year basis to low-income countries; commodities are sold to support policy reforms and other measures intended to reduce the likelihood of food emergencies in the future.

- <u>Other programs</u> implemented under other legislative authority, particularly section 416 (B) of the Agricultural Act of 1949, which provides for grant distribution of CCC commodities (program assistance is provided primarily under the Food for Progress program and the Sugar Quota program).

The fundamentals of program food aid predate the initiation of the PL-480 program in 1954. Programs designed to serve the twin objectives of trade development and hunger alleviation date back at least to the 1930s, when the Export-Import Bank began providing loans at concessional rates for the purchase of U.S. agricultural commodities. Enactment of PL-480 established the basic framework for program food aid that continues into the present: a program of loans on concessional terms (originally permitting payment in local currency, but now generally dollar loans at concessional terms) and a program of grant assistance (now provided primarily through international and private voluntary organizations). Within this basic framework, however, there have been numerous modifications in the legislation, adding requirements and opening up new programming options.[8]

Changes in the environment within which the program operates have also had a significant impact on program food aid's role in the development process. U.S. food aid now constitutes a smaller proportion of total food aid than when PL-480 began. Whereas U.S. food aid accounted for approximately 90 percent of food aid worldwide 20 years ago (Clay and Singer, 1982), expansions in the activities of other donors have reduced the share of U.S. food aid in total food aid to between 60 and 65 percent of the total (World Food Program, 1988).

Food aid has also declined relative to other forms of U.S. foreign assistance, falling from nearly 30% of such assistance 10 years ago to 20.8% in 1988 (U.S. Congress, 1989).[9] At the same time, food aid accounts for an increasing share of total U.S. development assistance in many countries, because of the decline in dollar assistance to these countries, particularly assistance for agricultural development. The environment for U.S. development assistance has also changed, with a much higher emphasis being placed on the policy dialogue and reform process, on greater budget stringency on the host government side, and on growing concern over international debt. Both food aid and foreign assistance as a whole appear to be moving into a transition period that may bring new approaches and reduce the emphasis on existing ones. The authors hope that this study, by reviewing what is known regarding program food aid's impact on development, will contribute to this process.

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8. The evolution of food aid legislation and its relation to the competing objectives of such assistance are traced in detail in Ruttan (forthcoming).

9. Includes PL-480 assistance only, and therefore excludes assistance under section 416 since 1983. Approved shipments under section 416 in FY 1988 totalled $412.2 million (including emergency, food for progress, regular, sugar quota, and World Food Program shipments), compared to $1.452 billion in PL-480 assistance; 416 thus provided 22% of all food aid in FY 1988. Including this assistance raises food aid's proportion of total economic assistance (food aid, ESF, and DA assistance) to 27%.

The past 10 years have witnessed a significant shift in program food aid's role in U.S. development assistance, motivated by changing priorities and resources for development programming. At least three factors appear to underlie this shift:

- Concern over <u>policy barriers</u> to development has grown, making program assistance mechanisms such as program food aid attractive as sources of support for the reform process.

- At the same time, attention has shifted back to the <u>agricultural sector</u> as an engine for broad-based growth, but the resources available for agriculture in DA countries have shrunk dramatically, as Congressional earmarking and concern over international competition have eroded the traditional A.I.D. focus on agriculture. Program food aid's ability to generate substantial resources for agricultural and rural development, albeit in local currency, increases the program's importance in the agricultural portfolio.

- Twin <u>fiscal and trade deficits</u> in many developing countries have cramped resources available for development, including counterpart funds to finance the in-country costs of A.I.D.-supported development programs. Program food aid is viewed as relieving both constraints and thereby easing the financial burdens of structural adjustment.

In this context, program food aid has emerged as an increasingly important resource to support agricultural and rural development. A.I.D. Missions and host governments have sought innovative means to incorporate this assistance into the overall development program, particularly as a resource for policy dialogue and reform. The negotiation of self-help measures, which in the past often focused primarily on use of the local currencies, has taken on added importance as a valuable tool to operationalize the policy dialogue. Government and private sector personnel in both the United States and the developing countries have responded to the new programming possibilities offered by such legislative changes as Title II/206 and sections 106 and 108[10], changing and broadening the ways in which food aid is used to support development.

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10. Sections 106 and 108 of PL-480, as amended, provide for local currency loans to be made in support of private sector activities. A specific treatment of these programs lies outside the scope of the present study, because they are too new to have generated any evaluations as yet.

Scope of the Study

This report focuses on program food aid under Titles I, II/206, and III of PL-480 and Section 416, synthesizing the findings of evaluations, audits, and other studies carried out over the past 10 years. While the primary focus is on formal evaluations carried out by the Agency for International Development, the report also incorporates other literature and the viewpoints of leading experts in the field.

The analysis focuses on the development impact of program food aid, synthesizing the information available on three broad issues related to program impact:

- Macroeconomic impact, including the effect on growth, income, the national budget, the trade balance, and other macroeconomic aggregates

- The impact on the food sector, including the direct impact of the commodities imported on nutrition and agricultural production as well as the impact of food aid resources, including local currency, on host government and donor programs, projects, and policy reforms aimed at promoting rural and agricultural development

- Program operation and management, including the effect of the administrative requirements and procedures, the commodity mix, financing mode, local currency programming, and other program variables on the effectiveness and operation of program food aid and other donor activities

Two comments regarding this categorization are in order. First, it should be recognized that the second issue category — impact on the food sector — is a somewhat awkward category, in that it combines country-wide issues, such as the disincentive impact of food aid commodities, with project-specific issues, such as the impact of projects funded with local currency. The combination of these issues into one category reflects the diverse mechanisms through which food aid affects the food sector, agricultural and rural development, and development programming generally. Whereas project and sectoral impacts are intellectually separate, as a practical matter it is difficult to deal with them as separate topics. For some purposes, however, we have distinguished between food sector and project-specific impacts.

Second, the report gives somewhat less attention to management questions than do the country evaluations generally. This relative underemphasis reflects the study's focus on the development impact of program food aid. The financial and logistical aspects of program food aid management are therefore incorporated only to the extent that they inform the analysis of overall program impact.

The report draws on the evaluation findings to suggest possible modifications to the program structures and operating procedures for program food aid that offer the potential for increasing development impact or facilitating program operation. Because food aid levels and programming are influenced by political and practical considerations outside the scope of this analysis, the modifications discussed should be viewed as alternatives for further consideration, rather than as recommendations as such.

Organization of the Report

The report is organized into seven main sections following this introduction. The second section provides an overview of food aid and its role in A.I.D.'s development programming, including a brief analysis of program levels. The third section reviews the main issues surrounding the development impact of program food aid, as the basis for the review that follows. This discussion is organized around the three issue areas identified above and the 11 hypotheses formulated on the basis of the phase one literature review and interviews with professionals in the food aid field. It draws on these sources and on the authors' own experience to present the arguments regarding the development impact of program food aid.

The next four sections discuss the findings of the review of the country evaluation literature, with a general section followed by three sections dealing with the overall impact on macroeconomic development performance, the impact on the food sector, and program management, respectively. These sections focus primarily on the A.I.D. country evaluation literature, but also reference the earlier discussion and the general literature on food aid. They examine the extent to which the country evaluation literature supports or contradicts the hypotheses formulated on the basis of the literature review and phase one interviews. These sections also include a "poor man's content analysis," which measures the extent to which the country evaluation literature focuses on each of the three issue areas (dividing food sector impacts into impacts on the sector as a whole and project-level impacts, as noted above).[11]

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11. Formal content analysis is generally based on a detailed analysis of document content completed by counting the frequency with which key words or phrases appear in the literature analyzed. Our analysis is based on the much more rough-and-ready approach of counting the text pages devoted

The final section discusses the implications of the findings of both phases of the analysis for possible modifications to program food aid.

Appendix A lists the individuals contacted by the team, and Appendix B provides the bibliography of evaluations and other reports reviewed, with detailed annotation of the country reports and other major studies identified.

The two main parts of the report (the review of the general literature and the summary of evidence from the country evaluations) are both related and independent. They are inherently related, in that the country evaluation literature is part of the broader literature on food aid, and they are related by the methodology used in this report, which draws on the broader literature and interviews with practitioners to formulate hypotheses for testing against the country literature.

The two parts should also be viewed independently, however, in that the first part presents and discusses issues related to the development impact of program food aid, including both issues addressed in the country literature and issues that, for various reasons, are not discussed in this literature. The charge given to the authors, to review the development impact of food aid, cannot be addressed through the country evaluation literature alone, because to do so would be to exclude important issues. The authors considered combining the review of the broader literature with the review of the country evaluations, but the decision was made to separate the two in order to highlight the country evaluations. While the authors hope that the report as a whole will be useful in designing and implementing future food aid programs, the review of the general literature is not unique. As noted by Goldman, such reviews seem to emerge every five years or so. We therefore view the main contribution of the report as the systematic appraisal of the lessons contained in the country evaluation literature, and have separated the two to sharpen the distinction between conclusions resting on the general review of evidence and the specific review of the country evaluations.

Study Methodology

The analysis underlying this report proceeded in three phases. During the first phase, the team met with a spectrum of personnel at A.I.D. and other organizations to identify the main issues and to locate evaluations and other reports not already identified by A.I.D. This phase culminated with the formation of eleven hypotheses regarding program food aid, discussed later in the report.

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to discussion of each issue. This approach might more accurately be termed "contents analysis."

In the second phase, the team analyzed the evaluation reports and other material to determine whether the body of evaluations, taken as a whole, supports or contradicts the hypotheses formed. This analysis was completed by first synthesizing the findings of the country evaluations and other major reports and then classifying each evaluation with respect to the hypotheses to be tested. The methodology used in this process is further described below. In the third and final phase, the team incorporated the findings of this analysis into a report, which was reviewed and revised in cooperation with the program office of A.I.D.'s FVA Bureau and other agency personnel.

A secondary but, we hope, useful product of the analysis is an updated bibliography of food aid evaluations, with extensive annotation summarizing the conclusions of the country reports and several of the more important review documents. While there is no consistent policy regarding evaluation of PL-480 program food aid, a substantial number of evaluations have been conducted over the past 10 years under one rubric or another. The team was able to identify 90 country evaluations, in addition to several multi-country studies, and to obtain copies of 86 of them (including 11 audits prepared by the A.I.D. Inspector General) as well as identifying a large number of other reports relevant to an assessment of program food aid's development impact.

In summarizing the food aid literature for this report, an effort has been made to avoid treading ground already covered repeatedly by others. In particular, the 1982 and 1985 reviews by PPC (Clay and Singer, 1982, and Rogers and Wallerstein, 1985, respectively) provide an excellent overview of food aid impact issues. Although many of their findings are persuasive, we have resisted the temptation to repeat them here.

A synthesis of evaluation findings such as the current study is inevitably limited by the methodology used in the evaluations reviewed. In this case, the study team's ability to quantify the impact on development performance is impeded by the methodology used by the evaluation teams. This methodology has rarely included quantitative analysis of program impact. Virtually all of the evaluations were conducted by short-term teams drawing on *ad hoc* data sources. Fewer than five evaluations reflected primary data collection, and all of these focused on accomplishments at the project level (see for example Bolivia 2 and 3 and Dominican Republic 1). Very few of the evaluations were able to quantify the impact of program food aid assistance on economic performance at the macroeconomic or sectoral level, although many of the authors drew on their professional judgment and experience to make qualitative statements on such impacts. Some of these assessments use back-of-an-envelope analyses to marshall the evidence on positive or negative impacts, but many conclusions are simply presented with little or no supporting evidence.

The authors of this report have made no attempt to assess the validity of the conclusions drawn by the country analysts. Our determination of whether the country reports support or do not support the hypotheses framed below takes the reports' conclusions at face value. It is therefore inevitably as subjective as the underlying material. We have also used our best judgment in distinguishing between reports that addressed and reports that did not address the issues identified. Where a report mentions an issue only in passing, without discussion in qualitative or quantitative terms, we have classified it as not discussing the issue, but, because the reports were not designed to answer the questions we have asked, the classification process has been more judgmental than our numerical tallies might suggest.

In formulating hypotheses, the authors have tried to identify a middle ground between hypotheses that are too broad to permit relevant conclusions to be drawn (e.g., program food aid is a good thing) and those that are too narrow to be useful (e.g., Title III programs in Asia have supported reform of ration shops). The limitations of the evaluation literature have in some cases limited the feasibility of formulating hypotheses as broadly as one would like, because the evidence on broad issues is lacking. Thus, for example, the hypothesis on income and employment is formulated in terms of the inability of the evaluators to address this issue. It would be preferable to formulate a hypothesis in terms of program food aid having (or failing to have) an impact on income and employment at the national level, but very few evaluations address this latter issue in sufficient depth for meaningful analysis, whereas discussion of the difficulty of drawing such conclusions is more common.

In other cases, the nature of the evaluation literature has prevented the formulation of hypotheses as narrow as one would like, because a narrow formulation would force too many evaluations into the "not discussed" category. Thus, for example, the hypothesis on program management is stated quite broadly ("current procedures for managing food aid") rather than in terms of specific procedures (for evaluation, for example, or planning), because the latter approach would require either excluding management altogether or greatly expanding the number of hypotheses (with only a handful addressing each). Given that management issues receive a great deal of attention in the literature, the formulation of a relatively broad hypothesis was chosen as the most desirable course in this case, supplemented by two more specific hypotheses (on program integration and local currency programming).

The 11 hypotheses analyzed in detail were chosen from a broader set on the basis of discussions with FVA personnel, taking into consideration the perceived importance of the issue and the extent to which each issue is discussed in the literature. For example, a hypothesis is included on nutritional impact even though the evidence in the evaluation literature is very weak, because alleviation of hunger is clearly central to food aid, but an initial hypothesis on U.S. government management of program food aid at the interagency level (the DCC) was dropped, not because the issue is believed to be unimportant, but simply because the evaluations hardly discuss decision making at this level at all.

For each of the 11 hypotheses identified (and discussed in depth below), each of the 86 country evaluations available to the team was classified into one of four categories:

- Supporting: the conclusions reached tend to support the hypothesis stated
- Not supporting: the conclusions reached tend to contradict the hypothesis stated
- Neutral or uncertain evidence: the conclusions reached are ambiguous with regard to the hypothesis, include both evidence that supports and evidence that does not support the hypothesis, are internally inconsistent, or reach intermediate conclusions (e.g., that the commodities were partly additional to commercial imports and partly replaced such imports)
- Not discussed: the issue was not addressed substantively in the report (e.g., an audit making passing reference to program food aid's role in balance of payments support in the introduction to the audit, but not discussing the issue or presenting evidence one way or the other)

In the discussion, a hypothesis will be classified as strongly supported if more than two-thirds of the evaluations discussing the issue support the hypothesis, as supported if more than half but fewer than two-thirds support it, and as not supported if fewer than half of those discussing it supported it. For ease of presentation, numerical results will be reported as follows: number of evaluations, percent of all evaluations, and percent of those discussing. Thus (21; 24; 72) should be interpreted as 21 evaluations supporting, which is equivalent to 24% of all evaluations and 72% of those evaluations that discuss the issue in question.

With 11 hypotheses and 86 evaluations, nearly one thousand decisions were required by this process. Inevitably, the report's authors will have made some classifications with which other reviewers reading the same report might disagree, just as two evaluation teams reviewing the same project can and do reach different conclusions. From a theoretical standpoint, this situation is less than ideal, of course: it would be preferable to rely on sharply defined and unambiguous criteria to make the classifications. From a practical standpoint, however, the choice is between making classifications based on the information available and refusing to draw any conclusions.

A second methodological problem arises with regard to interpreting the findings of this review. There is no unassailable basis by which to determine whether the country evaluation literature, taken as a whole, supports the hypotheses formulated. The evaluations are not comparable to observations drawn from a known population using a single methodology. On the contrary, they are a highly diverse population of studies developed for a wide variety of purposes, responding to different terms of reference, and displaying varying degrees of depth and quality. The "population" of studies does not correspond to the "population" of program food aid programs, whether defined in terms of countries, dollars, or programs (Title I, Title II/206, etc.). In some cases, only a handful of the evaluations treat the issue in question in sufficient depth to be classified as described above.

The authors have attempted to resolve this problem in two ways. First, the report presents the raw data for each hypothesis in three forms:

- the absolute number of evaluations falling into each of the four categories above
- the percentage among evaluations that discuss the issue
- the percentage among all evaluations reviewed

The summary data also include the number of countries with evaluation studies falling into each category. No attempt has been made to weight the findings to correct for the over- or under-representation of programs, whether by geographic region, size, program type, time period, or other criteria, nor have the authors attempted to analyze subsidivisions within the evaluation literature defined by these or other criteria. While such refinements could be undertaken, the authors believe that to do so would overextend the value of the evaluation literature.

Second, the report presents the full results of the analysis, listing the evaluations in each category and providing the abstracts summarizing the findings of each evaluation. Individuals familiar with specific country situations can thus refer to the more detailed tables in the text and the annotated bibliography to review the findings presented.

Given that the hypotheses were formulated on the basis of extensive interviews and review of the literature, it is difficult to determine a standard for accepting or rejecting the hypotheses. As noted, the population of studies is not appropriate for statistical testing, in that it bears little resemblance to a sample drawn from an identifiable population (in the statistical sense, the set of evaluations constitute a census, not a sample, because all known members of the population are included). Nor is it clear whether the hypotheses stated or their opposites should be considered the null hypothesis.

In nine out of the eleven hypotheses, more than twice as many evaluations support the hypothesis as contradict it. In eight out of the eleven, more than two-third of the evaluations discussing the issue support the hypothesis. But in only one case do more than one-third of the evaluations discuss any given hypothesis in sufficient depth to be classified.

A.I.D.'s entire evaluation effort, surely one of the largest in the U.S. government in proportion to program levels, rests on the ability of experienced professionals to look at a project or a program and draw conclusions that have some validity. Prevailing conditions in developing countries rarely provide the before-and-after data that would be necessary to draw well-supported conclusions regarding project or program impact. Even where program designers and implementers recognize the need for such data, the resources available make it infeasible to collect data on, for example, the evolution of nutritional status nationwide and to determine the impact of program food aid on this status separate from other factors (weather, prices, economic growth, etc.).

Given this reality, the imperative to make the most out of limited information is strong. If the agency's evaluation process is to serve a purpose beyond supporting the implementation of the specific program evaluated, then the agency must be willing to let the evaluations and the evaluators be heard. This study attempts to do just that, but the readers must be the ultimate judges of whether the findings presented and the evaluations themselves are persuasive.

The Country Evaluation Literature

The study team identified 91 country studies and obtained copies of 86. Nearly all of these are formal evaluations conducted for the purpose of assessing a particular PL-480 program at the country level. The group of country studies also includes eleven audits and a number of other country-specific analyses completed for other purposes that address issues in the food sector related to program food aid. (Both Nepal studies, for example, discuss the contribution of food aid in general to Nepali development, rather than the impact of past or ongoing U.S. program food assistance.) . For purposes of this report, these studies were included with the others as country evaluations.

Throughout the body of the report, we will reference these evaluations by country and number (e.g., Tunisia 3), rather than by author. The full references are provided in the bibliography, which is organized into three sections (general and multi-country studies of program food aid, country studies, and other documents reviewed). The annotated bibliography is organized more traditionally, with entries presented alphabetically by primary author's last name. All country evaluations are annotated in the bibliography, as are the majority of the more general food aid reviews identified by the team. The other documents reviewed are not annotated.

The country evaluations are distributed across all of A.I.D.'s three regions, as shown in Figure 1 below. While all of A.I.D.'s regions are well represented in the studies, the evaluations are concentrated disproportionately in countries with Title III or Title II/206 programs (both of these program modes require frequent evaluation, usually annually; see Lynch, 1982, for a discussion of the evolution of evaluation in the Title III program). Bangladesh accounts for 11 of the 29 Asia and Near East evaluations, for example, while the much larger program in Egypt received only 2 evaluations. Bolivia and Haiti, both Title III programs during part of the period studied, account for over half of the evaluations in the Latin America region, while the large Central American programs have only 3 evaluations among them.

Figure 1. The Country Evaluation Literature Reviewed

	Title I	Title I/III	Title II/206	416	Other	Total
Africa	12	4	12	5	0	33
Asia/Near East	16	11	0	0	2	29
Latin America/Caribbean	8	15	0	1	0	24
TOTAL	36	30	12	6	2	86

As might be expected, the country evaluation literature displays a high degree of heterogeneity. With the exception of a handful of impact evaluations and the series of country assessments recently completed by A.I.D.'s Bureau for Asia and the Near East, the scope of work for each study was developed without reference to other evaluations or to a standard methodology. Each evaluation was developed to meet the immediate needs of the Mission and the host government at the time it was conducted, rather than to contribute information on a broader agenda of issues. As a result, there is wide variation in the analytic approach taken and the topics covered.

Equally important, the emphasis in the evaluation design and implementation on generating recommendations to meet A.I.D.'s immediate programming needs has resulted in a strong focus on what should be done in the future to improve the country program in question, rather than on measurement of the program's impact to date.[12]

12. In the authors' experience, this emphasis on short-term recommendations is characteristic of A.I.D.'s evaluation program generally, and is not attributable to program food aid, as such. It might be argued, however, that the absence of a clear and consistent definition of objectives in program food aid relative to other A.I.D. programs discourages and inhibits the measurement of impact. From the operational standpoint of individual country programs, recommendations for modifying programs under way and for designing future programs may represent the best use of scarçe evaluation resources, but the broader purposes of the agency might be better served if more attention were given to addressing program impact and, equally important, to systematic collection of the information necessary for evaluation teams to make such assessments.

OVERVIEW OF PROGRAM FOOD AID AND ITS ROLE IN A.I.D. PROGRAMMING

Over the past decade, U.S. food aid under PL-480 has fluctuated between $1.5 and $2.3 billion in real terms (1989 dollars, U.S. Congress, 1989)[13]. In FY 1988, roughly half of total food aid in dollar terms (PL-480 and 416), was provided as program food aid (54%), of which 75% is accounted for by concessional loans under Title I of PL-480 and the rest is provided through Section 206 of Title II and Section 416. The remaining 46% of food aid funded emergency assistance, projects and programs implemented by private voluntary organizations, and contributions to the World Food Program.

Over the past 10 years, PL-480 levels in dollar terms have tended to decline, both absolutely and as a share of total economic development assistance. Whereas PL-480 food aid (program and project) accounted for nearly 30 percent of such assistance[14] in 1977, by fiscal year 1988 it had fallen to only 21 percent of economic assistance (U.S. Congress, 1989). This overall trend masks the situation in specific countries, where food aid has become increasingly important to the portfolio as other sources of funding have diminished.

A thorough analysis of PL-480 and 416 programming levels is outside the scope of this study. Nonetheless, a brief analysis of program levels will help to put program food aid into better perspective. The following discussion takes the 1988 program as an example. The program in that year,

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13. Assistance under Section 416 began in 1983. Total assistance levels, including program and project-type assistance, has fluctuated in current dollar terms from $88 million in FY 1983 to FY $412 million in 1988. Because the program is dependent on Commodity Credit Corporation (CCC) stocks, which are relatively low at present, the 416 program is expected to be substantially below the 1988 level in future years.

14. The total of Development Assistance, Economic Support Fund, and PL-480.

the most recent period for which complete information on actual assistance levels is available, was typical of recent program assistance, except that the 416 program was substantially larger than in other years (in part because of the sugar quota program, which reimbursed sugar-exporting countries for losses caused by the cut in U.S. sugar import quotas).

Analysis of the 1988 program indicates that program food aid is more concentrated geographically than either total food aid or other economic assistance:

- Overall, an average of 77 countries received economic development assistance (DA and/or ESF) in 1987 and 1988, compared with an average of 70 that received PL-480 assistance (program and/or project); 45 countries received 416 assistance.

- By contrast, only 27 countries received Title I assistance in 1988, as shown in Figure 2, and 51 received program food aid under one of the three programs currently active (Title I/III, Title II/206, and Section 416).

- Five countries (Egypt, Pakistan, Bangladesh, El Salvador, and Sudan) accounted for just over half of Title I assistance in dollar terms. Taking program food aid as a whole, the top five recipients (Egypt, Pakistan, Bangladesh, El Salvador, and the Philippines) received 43 percent of the total.

Program food aid accounted for roughly 30% of total economic assistance going to the countries that received such aid in 1988, but the share varied greatly from country to country:

- Program food aid provided 87% of the assistance going to Sierra Leone, for example, but only 16% of aid to Madagascar.

- Food aid constituted the only economic assistance to 6 countries in 1988.

Figure 2. Summary of Program Food Aid in FY 1988

Country	Region	FY 88 Actual Food Aid $ million	FY 88 Actual Food Aid KMT	DA + ESF $ million	Food Aid Comparison $/capita	Food Aid Comparison Kg/capita	Food Aid/ Total Aid	ESF Countries*	Evaluations	Food Aid/ cereal M**	Percent of Program Food Aid This prog.	Percent of Program Food Aid All prog. food aid
Title I		759.7	4160.0	2222.0	0.98	5.4	25.5	8	59	18.4	100.0	74.9
Egypt	Middle East	180.0	1117.0	717.8	3.38	21.0	20.0	*	2	12.6	23.7	17.8
Pakistan	Asia	80.0	141.0	384.0	0.74	1.3	17.2	*	2	7.4	10.5	7.9
Bangladesh	Asia	60.0	289.0	59.3	0.55	2.6	50.3		11	23.8	7.9	5.9
El Salvador	C. America	42.6	203.0	265.7	7.89	37.6	13.8	*	1	95.8	5.6	4.2
Sudan	Africa	40.0	236.0	13.2	1.67	9.8	75.2		3	37.1	5.3	3.9
Morocco	Middle East	40.0	195.0	32.5	1.60	7.8	55.2	*	3	12.1	5.3	3.9
Jamaica	Caribbean	35.0	286.0	19.1	14.00	114.4	64.7		4	78.6	4.6	3.5
Tunisia	Middle East	30.0	223.0	10.8	3.90	29.0	73.5	*	5	17.0	3.9	3.0
Philippines	Asia	30.0	91.0	70.0	0.47	1.4	30.0		2	8.3	3.9	3.0
Sri Lanka	Asia	26.0	224.0	26.8	1.57	13.5	49.2		2	24.2	3.4	2.6
Zaire	Africa	23.0	114.0	10.0	0.69	3.4	69.7		1	31.6	3.0	2.3
Dominican Republic	Caribbean	20.0	70.0	32.4	2.82	9.9	38.2		1	12.8	2.6	2.0
Bolivia	S. America	20.0	155.0	37.4	3.13	24.2	34.8		8	29.3	2.6	2.0
Peru	S. America	20.0	123.0	27.7	0.94	5.8	41.9		2	7.0	2.6	2.0
Guatemala	C. America	18.0	117.0	109.8	2.05	13.3	14.1	*	0	48.3	2.4	1.8
Indonesia	Asia	15.0	109.0	40.5	0.08	0.6	27.0		1	6.2	2.0	1.5
Honduras	C. America	12.0	90.0	129.9	2.40	18.0	8.5	*	2	73.8	1.6	1.2
Costa Rica	C. America	11.0	63.0	101.7	3.79	21.7	9.8	*	0	41.4	1.4	1.1
Yemen	Middle East	10.0	54.0	22.1	1.49	8.1	31.2		1	21.9	1.3	1.0
Kenya	Africa	10.0	78.0	41.1	0.43	3.3	19.6		2	41.3	1.3	1.0
Zambia	Africa	10.0	45.0	10.0	1.33	6.0	50.0		1	30.4	1.3	1.0
Guyana	Caribbean	7.0	60.0	0.0	8.75	75.0	100.0		0	100.0	0.9	0.7
Ghana	Africa	6.0	37.0	6.0	0.42	2.6	50.0		0	24.0	0.8	0.6
Senegal	Africa	5.0	14.0	20.2	0.68	1.9	19.8		2	2.6	0.7	0.5
Uganda	Africa	4.0	9.0	23.5	0.24	0.5	14.5		0	52.9	0.5	0.4
Sierra Leone	Africa	4.0	16.0	0.6	1.00	4.0	87.0		0	12.3	0.5	0.4
Somalia	Africa	1.1	1.0	9.9	0.14	0.1	10.0		3	0.4	0.1	0.1
Title II ***		90.4	228.3	230.4	0.58	1.4	28.2	0	34	5.3	100.0	8.9
Philippines	Asia	20.3	55.3	70.0	0.32	0.9	22.5		2	5.1	22.5	2.0
Guinea	Africa	13.0	29.9	6.0	1.88	4.3	68.4		2	19.8	14.4	1.3
Liberia	Africa	10.0	25.6	8.8	4.00	10.2	53.2		4	20.6	11.1	1.0
Mozambique	Africa	8.8	19.5	15.0	0.59	1.3	37.0		0	5.0	9.7	0.9
Tanzania	Africa	6.0	15.0	7.6	0.25	0.6	44.1		1	6.1	6.6	0.6
Mali	Africa	5.6	10.0	17.4	0.64	1.1	24.3		6	5.5	6.2	0.6
Bolivia	S. America	4.3	9.1	37.4	0.67	1.4	10.3		8	1.7	4.8	0.4
Mauritania	Africa	4.3	20.0	1.0	2.26	10.5	81.1		1	9.6	4.8	0.4
Somalia	Africa	4.1	5.1	9.9	0.51	0.6	29.3		3	1.9	4.5	0.4
Madagascar	Africa	3.6	5.0	28.0	0.32	0.5	11.4		3	2.4	4.0	0.4
Gambia	Africa	3.3	8.1	3.4	4.13	10.1	49.3		1	NA	3.6	0.3
Ecuador	S. America	2.5	1.8	14.1	0.25	0.2	15.1		0	0.6	2.8	0.2
Cape Verde	Africa	2.5	15.9	1.7	6.25	39.8	59.5		3	NA	2.8	0.2
Botswana	Africa	2.1	8.0	10.1	1.75	6.7	17.2		0	5.7	2.3	0.2

see notes on final page of table

416 (FFPr & Sugar Quota)		163.8	1020.1	627.2	9.16	1.0	20.7	4	18	9.3	100.0	18.2
Philippines	Asia	32.8	190.2	230.4	0.52	3.0	12.5		2	5.0	20.0	3.2
Dominican Republic	Caribbean	27.5	190.0	32.4	3.87	26.8	45.9		1	34.9	16.8	2.7
Peru	S. America	10.8	70.6	27.7	0.51	3.3	28.1		2	4.0	6.6	1.1
Ecuador	S. America	8.8	79.0	14.1	0.86	7.7	38.4		0	27.4	5.4	0.9
Colombia	S. America	9.6	88.1	0.0	0.31	2.8	100.0		0	9.7	5.9	0.9
El Salvador	C. America	7.9	47.9	13.2	1.46	8.9	37.4	•	1	22.6	4.8	0.8
Guatemala	C. America	8.1	40.5	101.7	0.92	4.6	7.4	•	0	16.7	4.9	0.8
Swaziland	Africa	6.4	32.1	7.3	9.14	45.9	46.7		0	NA	3.9	0.6
Honduras	C. America	5.6	28.0	41.1	1.12	5.6	12.0	•	2	23.0	3.4	0.6
Costa Rica	C. America	5.6	48.0	40.5	1.93	16.6	12.1	•	0	31.6	3.4	0.6
Mauritius	Africa	4.5	16.7	0.8	4.36	15.2	85.7		0	NA	2.9	0.5
Malawi	Africa	4.0	18.3	28.0	0.52	2.4	12.5		0	306.0	2.4	0.4
Zimbabwe	Africa	3.8	21.3	5.0	0.39	2.2	43.2		0	39.4	2.3	0.4
Mozambique	Africa	3.4	23.2	15.0	0.23	1.6	18.5		0	5.9	2.1	0.3
Guyana	Caribbean	3.2	6.1	0.0	4.00	7.6	100.0		0	10.2	2.0	0.3
Trinidad & Tobago	Caribbean	3.0	18.4	0.0	2.50	15.3	100.0		0	7.6	1.8	0.3
Jamaica	Caribbean	2.9	23.0	19.1	1.16	9.2	13.2		4	6.3	1.8	0.3
Congo	Africa	2.6	15.8	0.5	1.18	7.2	83.9		1	15.2	1.6	0.3
Fiji	Asia	2.6	13.6	0.0	3.71	19.4	100.0		0	NA	1.6	0.3
Ivory Coast	Africa	2.6	18.8	0.0	0.23	1.7	100.0		0	3.1	1.6	0.3
St. Kitts	Caribbean	2.6	6.0	0.0	65.00	150.0	100.0		0	NA	1.6	0.3
India	Asia	2.3	1.6	23.7	0.00	0.0	8.8		0	—	1.4	0.2
Madagascar	Africa	1.6	8.2	19.3	0.14	0.7	7.7		3	3.9	1.0	0.2
Belize	Caribbean	1.3	14.7	7.4	6.50	73.5	14.9		0	NA	0.8	0.1

Multiple Program Recipients		365.3	2066.8	770.4	2.4	18.5	32.1	4.0	28	56.1	0.0	38.1
Philippines	Asia	83.1	336.5	70.0	1.32	5.3	54.3		2	30.8		8.2
El Salvador	C. America	50.5	250.9	265.7	9.35	46.5	16.0	•	1	118.3		5.0
Dominican Republic	Caribbean	47.5	260.0	32.4	6.69	36.6	59.4		1	47.7		4.7
Jamaica	Caribbean	37.9	309.0	19.1	15.16	123.6	66.5		4	84.9		3.7
Peru	S. America	30.8	193.6	27.7	1.45	9.1	52.6		2	11.0		3.0
Guatemala	C. America	26.1	157.5	101.7	2.97	17.9	20.4	•	0	65.1		2.6
Bolivia	S. America	24.3	164.1	37.4	3.80	25.6	39.4		8	31.0		2.4
Honduras	C. America	17.6	118.0	129.9	3.52	23.6	11.9	•	2	96.7		1.7
Costa Rica	C. America	16.6	111.0	40.5	5.72	38.3	29.1	•	0	73.0		1.6
Ecuador	S. America	11.3	80.8	14.1	1.11	7.9	44.5		0	28.1		1.1
Guyana	Caribbean	10.2	66.1	0.0	12.75	82.6	100.0		0	110.2		1.0
Madagascar	Africa	5.2	13.2	28.0	0.47	1.2	15.7		3	6.3		0.5
Somalia	Africa	5.2	6.1	9.9	0.65	0.8	34.4		3	2.2		0.5

see notes on following page

Figure 2, page 2

REGIONAL SUBTOTALS											
Title I	759.7	4160.0	2222.0	1.0	5.4	25.5	8.0	59.0	18.4	100.0	74.9
Africa	103.1	550	134.5	0.75	4.0	43.4		12	22.4	13.6	10.2
Middle East	260.0	1589.0	783.2	2.80	17.1	24.9		11	13.2	34.2	25.8
Asia	211.0	854.0	580.6	0.44	1.8	26.7		18	12.4	27.8	20.8
C. America	83.6	473.0	607.1	3.78	21.4	12.1		3	65.0	11.0	8.2
Caribbean	62.0	416.0	51.5	5.96	40.0	54.6		5	42.9	8.2	6.1
S. America	40.0	278.0	65.1	1.44	10.0	38.1		10	12.1	5.3	3.9
Other Program Assistance											
Africa	92.5	316.5	165.5	0.72	2.5	35.9		25	8.7	36.4	9.1
Middle East	0.0	0.0	0.0	0.00	0.0	0.0		0	NA	0.0	0.0
Asia	58.0	260.7	254.1	0.07	0.3	18.6		2	6.4	22.8	5.7
C. America	27.2	164.4	196.5	1.23	7.4	12.2		3	22.6	10.7	2.7
Caribbean	40.5	258.2	58.9	3.42	21.8	40.7		5	19.6	15.9	4.0
S. America	36.0	248.6	79.2	0.52	3.6	31.3		10	7.1	14.2	3.6
All Program Food Aid											
Africa	195.6	866.5	290.1	0.76	3.4	40.3		34	15.9		19.3
Middle East	260.0	1589.0	783.2	2.80	17.1	24.9		11	13.2		25.6
Asia	269.0	1114.7	604.3	0.21	0.9	30.8		18	16.0		26.5
C. America	110.8	637.4	607.1	5.01	28.8	15.4		3	87.8		10.9
Caribbean	102.5	674.2	58.9	8.66	56.9	63.5		5	53.9		10.1
S. America	76.0	526.6	79.2	1.10	7.6	49.0		10	15.1		7.5
SUMMARY DATA											
Title I	759.7	4160.0	2222.0	1.0	5.4	25.5	8	59	18.4	100.0	74.9
Largest five recipients	402.6	1986.0	1440.0	1.34	6.6	21.8	3	19	15.5	53.0	39.7
ESF Countries*	413.6	2149.0	1752.2	1.92	10.0	19.1	8	15	14.9	54.4	40.8
Non-ESF Countries	346.1	2011.0	469.8	0.62	3.6	42.4	19	44	17.4	45.6	34.1
Other Program Assistance	254.2	1246.4	754.2	0.2	1.1	25.2	4	45	9.2	100.0	25.1
Largest five recipients	115.7	616.8	394.7	0.64	3.4	22.7	0	9	7.7	45.5	11.4
ESF Countries*	27.2	164.4	196.5	1.23	7.4	12.2	4	3	22.6	10.7	2.7
Non-ESF Countries	227.0	1084.0	557.7	0.21	1.0	28.9	32	42	8.4	89.3	22.4
All Program Food Aid	1013.9	5408.4	2422.8	0.6	3.1	29.5	8	81	17.9		100.0
Largest five recipients	445.7	2086.5	1797.2	0.96	4.5	19.9		22	11.5		44.0
ESF Countries*	440.8	2313.4	1752.2	2.04	10.7	20.1		15	16.1		43.5
Non-ESF Countries	573.1	3095.0	670.6	0.37	2.0	46.1		66	19.7		56.5

* Countries where ESF is greater than Development Assistance

** 1986 imports, not corrected for proportion of program food aid that is not cereals (approximately 10 percent of total); ratio excludes countries for which import data not available.

*** Including 206, non-emergency sales, structural adjustment, and grain reserve

Sources: 1990 Congressional Presentation, 1988 World Bank Development Report, Various FVA Food Aid Reports

Figure 2, page 3

Not surprisingly, program food aid distribution was weighted toward programs in A.I.D.'s Economic Support Fund (ESF) portfolio, rather than toward countries receiving Development Assistance (DA) funds[15]:

- The 8 ESF countries (defined here as countries receiving more ESF than DA support) in the program food aid portfolio received more program food aid on average than the 43 DA countries ($55 million per ESF country in 1988 compared with $14 million per DA country).

- Total program food assistance to ESF countries slightly exceeded aid to DA countries, but ESF countries received five times as much assistance per capita as did DA countries ($2.05 versus $0.38 per capita in 1988)[16].

At the country level, however, program food aid was substantially more important to DA country programs than to ESF programs in relative terms. Program food aid accounted for only 20% on average, of economic assistance to ESF countries (excluding emergency and project food aid), but accounted for nearly half (46%) of the funds available to DA countries. Given this situation, it is not surprising that individuals interviewed by the team indicated that Missions in the DA portfolio are seeking to link food aid more closely to their dollar-funded portfolio and to use food aid in innovative ways to support broader program objectives.

Program food aid is distributed fairly evenly across geographic regions, but is concentrated in a few countries in each region. As shown in Figure 2, the Middle East receives the largest share among A.I.D.'s three regions[17], at 25% of the total, and Africa receives the smallest share, at 19%. On the country level, Egypt receives by far the largest share going to any single country, 24% of total Title I assistance and 18% of all program food aid.

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15. Ruttan (forthcoming) documents the long history of food aid's use to support the U.S. foreign policy agenda.
16. This difference was much larger in 1988 than in 1987, when ESF countries received roughly twice as much per capita as did DA countries. The shift is due primarily to inclusion of India in the base for DA countries in 1988, but not in 1987.
17. In this presentation, the Bureau for Asia and the Near East has been broken down into Asia and the Middle East, while the Bureau for Latin America and the Caribbean has been broken down into South America, Central America, and the Caribbean, because of the special characteristics of these sub-regions and A.I.D. assistance to them.

The distribution across countries is much more skewed when population is taken into consideration:

- Caribbean countries receive more than sixteen times as much per capita as do African countries, with Jamaica's level of 114 kilos per person — very close to the annual consumption requirement — at one extreme and Somalia's 4 ounces at the other.

- Assistance averaged roughly 3 kilos per capita worldwide in 1988, but less than 1 kilo in Asia.

The importance of Title I assistance in financing cereal imports also varies widely across countries and regions.[18] Overall, program food aid financed roughly one-fifth of cereal imports by the 51 recipient countries. The percentage of cereal imports financed ranged from very high levels (three-quarters or more in Jamaica and several Central American countries) to very low levels (less than 10 percent in the Philippines, Bolivia, and Senegal, for example). Overall, program food aid financed 54% of grain imports to Caribbean recipient countries, 88% of imports to Central American recipients, and 16% of imports to African countries.

Program food aid in countries in the DA portfolio is much more likely to be evaluated than program food aid in the ESF portfolio, despite the larger size of the latter:

- In dollar terms, the study identified one evaluation completed over the last 10 years for every $29 million of 1988 assistance in ESF countries, versus one for every $9 million in DA countries[19].

- In Africa, where management problems attracted special evaluation attention, one evaluation was conducted over the past

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18. The figures in this section are based on tonnage of PL-480 as a percentage of total cereal tonnage imported. Although more than 90 percent of PL-480 shipments are cereals, shipments of oilseeds and other non-cereal commodities are significant in specific countries, notably Pakistan. To the extent that Title I finances non-cereal imports, the levels shown in Figure 1 and discussed in this section overstate Title I's importance in financing cereals. Cereals import data are for 1986, rather than 1988, (the latest available) and consequently may misstate the situation in countries with large annual fluctuations in cereal imports.

19. Including only evaluations of countries that received program food aid in 1988.

> ten years for every $6 million in 1988 assistance, whereas the large programs of Central America received much less evaluation attention (one evaluation for every $37 million in 1988 assistance), despite the serious potential for disincentive effects suggested by the large size of these programs in relation to import levels.

It should be emphasized, however, that these findings are somewhat sensitive to the year used for analysis. Although the program food aid portfolio is relatively stable from year to year, countries do move in and out of one program or another from year to year. Movement has been particularly large in the 416 program, which provides food to countries not generally eligible for food aid under Title I (Chile and Colombia, for example) because of the legislative requirement to allocate three-fourths of food aid to low-income countries. When a country with several evaluations (e.g., Haiti, with 6 evaluations) moves in or out of a program, as happened between 1987 and 1988, it can have a disproportionate impact on the ratios described.

ISSUES IN PROGRAM FOOD AID

The impact of food aid on development, both positive and negative, continues to be a major topic for scholarly research and professional dialogue. This section discusses three sets of issues related to program food aid's development impact: the impact on macroeconomic performance, including growth, investment, and national income aggregates; the impact at the food sector level, including both the performance of the food and agriculture sector and donor and host government programming in support of rural development; and the effect of program management, including program design, implementation, and evaluation, on program effectiveness.

The discussion in this section is based on the review of the literature, discussions with knowledgeable individuals in the food aid field, and the authors' analysis. It presents a set of 11 hypotheses that resulted from this preliminary review, which then form the basis for analyzing the country evaluation literature in subsequent sections of this report.

The literature on food aid has generally viewed food aid as a resource transfer with special characteristics (see, for example, Clay and Singer, 1985, and Hermann, 1988). The development impact of this resource transfer links increased resources to increased income and decreased malnutrition at the personal and national level. These links can be described through four models of causality (presented in Figures 3-5 later in the text):

- Resource transfer: Food aid transfers foreign exchange and food to developing countries, which in turn may be used to alleviate poverty directly (by increasing the supply of food in-country or changing its distribution[20] and thereby

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20. It must be noted that a change in distribution without a change in the supply available logically requires that, for every additional kilogram consumed by a poor person, one kilogram is subtracted from the diet of a wealthier (either directly or in the form of reduced consumption of meat,

adding to the real income of the poor) and/or may contribute to long-term development by freeing up foreign exchange or generating local currency to support investment and growth in the economy as a whole (see Figure 3)

- Agricultural development: Food aid generates local currency and foreign exchange savings that can be programmed in support of agricultural development projects, which in turn are expected to increase rural incomes and agricultural output, relieving poverty and promoting overall growth and development over the medium and longer term (see the upper half of Figure 4).

- Policy reform: The attractiveness of quick-disbursing balance-of-payments support at highly concessional terms is an incentive for host governments to engage in policy dialogue leading to reforms promoting overall development; food aid-generated local currency and the food commodities themselves may directly support the reform process as well by relieving resource constraints and enhancing the perception of food security (see the lower half of Figure 4).

- Targeted income transfers: Program food aid could be used to increase incomes and relieve hunger directly, either through distribution of the food to the poor or, more efficiently, through generation of local currencies to finance targeted income transfer programs, such as food stamps or distribution of locally produced commodities purchased with local currency (see Figure 5); this approach has rarely been used, but could be expanded.

Like any model, these models simplify reality to identify key elements connecting economic phenomena. While the mechanisms are logically separate, there is clearly a degree of overlap among them. Targeted income transfers, for example, may indirectly promote agricultural development by increasing the real income of people with a high propensity to consume labor-intensive products, both agricultural and non-agricultural (the Mellor argument), thus fueling a demand-based increase in agricultural production and general incomes.

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where food and feed uses of grains are directly competitive). Given this mathematical imperative, the expectation that distribution can be improved in an atmosphere of stable or declining availability is not necessarily a realistic one.

Figures 3, 4, and 5 indicate the logical steps in these models and the critical assumptions conditioning the linkage of resource availability to positive development outcomes. With the exception of the last mechanism, all of these approaches have been used extensively in food aid programming over the past 10 years, and indeed throughout the 35-year history of food aid. It is therefore appropriate to ask whether these mechanisms actually work.

The remainder of this section discusses each mechanism in detail, ending with the statement of a hypothesis tested using the country evaluation literature. In the best of all possible worlds, a different set of hypotheses might be formulated that would be more closely keyed to macroeconomic and sectoral impacts, but the country evaluations available provide information to confirm or deny only the more limited set.

Impact on Macroeonomic Performance

U.S. program food aid amounts to nearly $1 billion annually and provides 15 percent of U.S. bilateral assistance.[21] It is a major element in U.S. development assistance for many of the countries receiving it, accounting in 1988 for 30% of total U.S. development assistance to countries receiving program food aid (excluding project food aid). Congressional authority for food aid emphasizes the aims of reducing global hunger and promoting economic development. Any assessment of the development impact of program food aid must therefore begin with an analysis of its effects on macroeconomic performance.

At the macroeconomic level, food aid has the potential to add to the availability of three key resources to support developing country consumption and investment (although not necessarily all three at the same time):

- <u>Foreign exchange</u>: In theory and in practice, developing countries face a shortage of foreign exchange to finance imports needed for investment and consumption.

- <u>Food</u>: A stable and reliable supply of food is necessary to maintain consumer prices and wages at levels that support political stability, economic development, and the well-being of the nation's population.

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21. Based on FY 1987 levels, excluding A.I.D. operating expenses, project and emergency food aid, and central bureau programming.

- Fiscal resources: Development places high demands on government resources to support investments and recurrent expenditures in all sectors of the economy.

The impact of food aid on development performance can therefore be disaggregated into two separate questions: Does food aid constitute a net addition to resources at one or more of these three levels? Whether or not they are strictly additional, are food aid resources used in ways that contribute directly to increasing incomes and creating employment?

Macroeconomic Impact: Balance of Payments and Food Availability

The single most important issue in analyzing food aid impact at the macroeconomic level is the question of additionality. Additionality can be achieved at several different levels (although, logically, not all at the same time):

- Foreign exchange and imports: Does program food aid finance food imports that would have taken place anyway, in which case it is essentially balance of payments support, freeing up scarce foreign exchange for other uses including investment, or does some or all of the resource transfer lead to an increase in food imports, diluting the transfer of foreign exchange but, at least potentially, increasing the availability of food in-country?

- Domestic food availability: Does program food aid add to the total supply of food in-country, rather than displacing some combination of domestic production and imports?

- Government resources: Does program food aid expand the local currency available for investment in development programming or does it simply replace other sources of local currency (e.g., taxation) or transfer local currency resources from the private to the public sector (i.e., profits from the sale of imports)?

- Foreign aid: Would equivalent levels of assistance have been provided by the same or other donors in dollar funds if it were not provided as food aid?

- Policy additionality: Would the policy changes supported by food aid have come about anyway or is food aid actually responsible for some or all of the reform progress?

- Project additionality: Would the development projects financed by food aid have taken place in the absence of food aid-generated local currency and other support?

The last two additionality questions are treated below as food sector questions, but the first four questions lie at the heart of discussions of the impact of program food aid at the macroeconomic level. For a number of reasons, the question of additionality to foreign exchange and additionality to the food supply are two sides of the same coin. Additionality to government local currency resources, by contrast, is relatively independent of additionality at other levels of the macroeconomy, in the view of the authors, because of the potential for food aid to indirectly transfer resources from the public to the private sector, or vice versa, without changing total resource availabilities[22].

The additionality issue, in all its forms, is not new; indeed, these questions have been asked repeatedly in previous reviews of the food aid impact literature (see, for example, Clay and Singer 1985). Despite this continued attention, the questions remain unanswered. Part of the problem arises from the inherent difficulty of predicting so-called "counter-factual" outcomes, that is, guessing what would have happened if food aid had not been provided, when in fact it was. This problem is by no means unique to food aid, but applies to all foreign assistance.[23]

The counter-factual problem should not prevent a rigorous treatment of this issue, however, given the long experience with food aid. Over the past 30 years, levels of assistance to specific countries have risen and fallen, permitting a rigorous examination of the interaction of food aid, commercial imports, and investment. The academic literature includes a growing number of studies that attempt to address this question at the country level (see, for example, Hall, 1980), but the authors were unable to find a thorough treatment of this issue at the multi-country level. Although there are several analyses of the interaction of agricultural imports, economic growth, and

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22. For a conflicting view, see Roemer.
23. In some ways, the public sector bias in other forms of development assistance, particularly traditional projects, has been stronger than that of food aid. For this and other reasons the additionality question is at least as important to a determination of the impact of this assistance as it is in considering the impact of food aid. This question lies outside the scope of the present analysis, however.

production (see, for example, Harrington, et al., 1988), these analyses do not distinguish between concessional and non-concessional imports, much less between project and program food aid.

As further discussed below, the very legislative provisions designed to force implementation of PL-480 assistance to address these issues in fact impede the agencies responsible from grappling with them effectively. PL-480 legislation requires that programs be implemented in a way that simultaneously does not displace commercial imports (the usual marketing requirement, or UMR) or discourage domestic production (the Bellmon determination on production disincentives). At the same time, program design and sound development policy dictate that food aid be sold at market prices, implying that the food is going to consumers who have the purchasing power to meet their food needs without subsidization. The latter requirement can only be met without downward pressure on prices if one of three conditions is met:

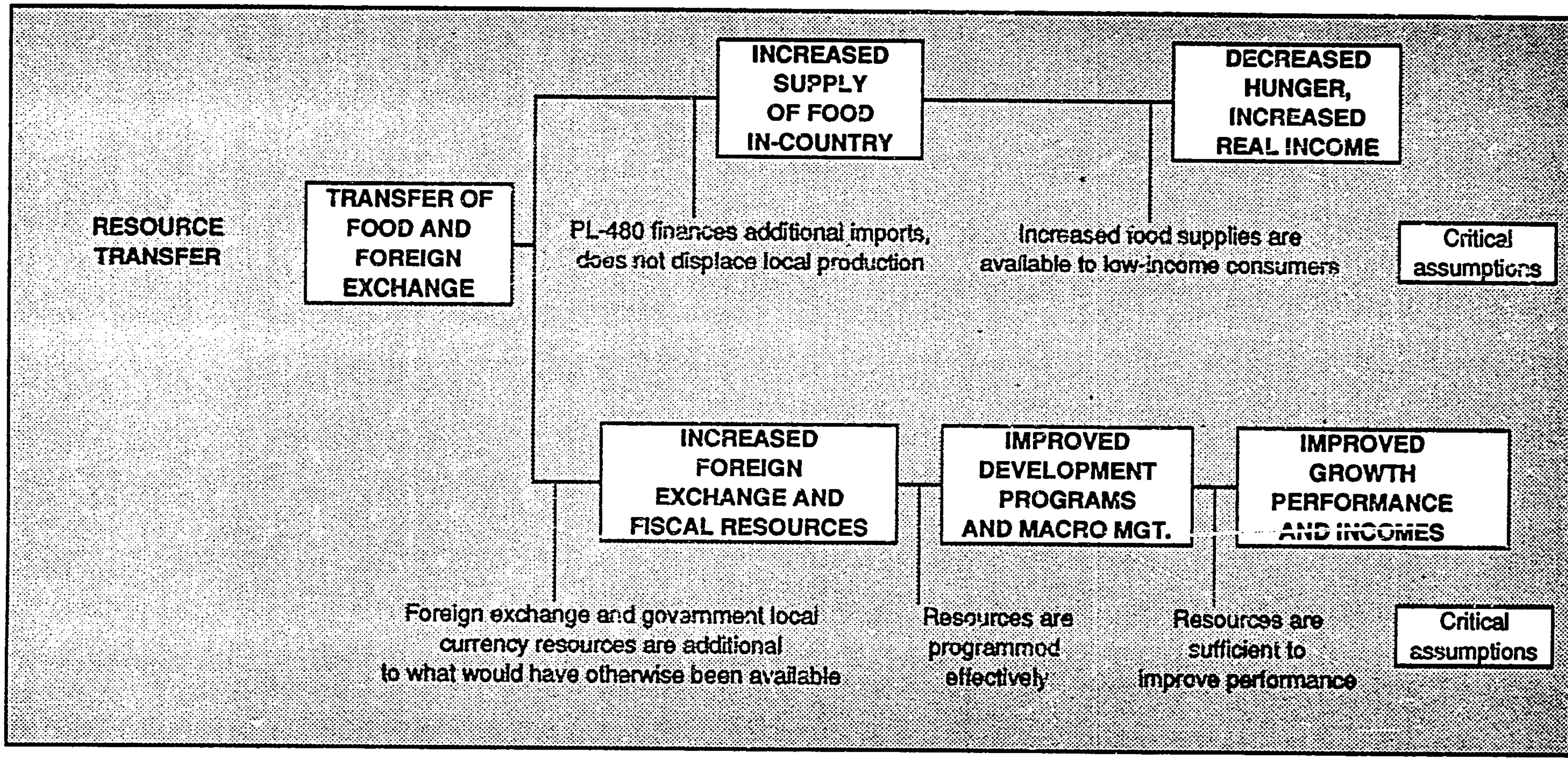
- if food aid levels are too low to have an impact on prices and total supply
- if food aid displaces commercial imports
- if food aid is used to generate resources that are used to increase real incomes and consumption in the short-term, thus leading to an increase in total consumption (but probably not sufficient to offset the total amount of food aid imported)

If the third condition is not met, food aid cannot be adding appreciably to total domestic availability; in other words, the food cannot be additional. If it is not additional and is, in any case, sold to consumers who have sufficient purchasing power to buy it at fair market prices, then it has no impact on national nutrition levels. In other words, the critical assumptions linking food aid as a macroeconomic resource transfer directly with decreased hunger are inherently inconsistent with other program requirements.

These issues are summarized in Figure 3. The figure highlights two critical assumptions underlying program food aid's direct impact on food availability and hunger. Under the current design of most program food aid programs, neither of these assumptions would appear to hold.

Only 25% of program food aid in 1988 was formally provided as a grant (under Title II/206 and Section 416). The remaining 75% was sold at concessional terms under Title I. Title I/III programs in the Sudan, Bangladesh, and Bolivia offered the potential of converting an additional 12% of all program food aid to grants.

Figure 3. Impacts on Development Through Resource Transfers



The grant component in concessional sales under Title I is usually estimated at between 50% and 70%, depending on the terms of the agreement and the methodology used to compare the discounted payments streams under Title I and alternative commercial imports.[24] Where Title III agreements are in place, the estimated concessionality using this methodology actually exceeds 100 percent, because the grant component already built into the agreement is supplemented by the full elimination of past debt, in return for programming of the local currency in accordance with the agreement.

It is not clear, however, whether these estimates fully take into consideration the potential cost differences between PL-480 and commercial imports. The concessionality attributed to PL-480 sales has tended to obscure the issue of whether countries might have been able to import food at a lower cost (e.g., by using nearer suppliers or non-U.S. carriers to lower freight charges, by importing cheaper grains (or a lower quality of the same grain), or by taking advantage of imperfections in the world market to buy grain at a lower price than offered by PL-480 under one or another of the export promotion programs offered by the United States or alternative suppliers). The proliferation of alternative concessional programs, including food aid from other OECD donors, suggests that in some cases U.S. program food aid may simply be substituting for other food aid. It is worth noting, moreover, that the total amount of foreign exchange required to repay a Title I loan greatly exceeds the amount paid out for a typical commercial loan of the same size, although the payments are spread out over a much longer period.[25]

One may question whether concessional borrowing to finance food imports is in the long-term interest of the developing countries. Such borrowing is, in effect, the macroeconomic equivalent of credit card abuse, encouraging countries to engage in long-term borrowing to meet short-term requirements. This practice is no less disastrous for poor countries than it is for individuals. By borrowing at terms of 30 to 40 years for food imports, countries place themselves in the position of having to pay today for commodities that were consumed decades ago. Unless this consumption was directly related to investments in physical or human capital that (1) would not have taken place in the absence of the food aid or would have been financed on more expensive terms if they did take place and (2) generated foreign exchange and local currency resources at least equal to the eventual

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24. OECD applies a standard 10% discount rate in making this calculation, but arguments could be made for other rates.
25. Interest payments total 54% of loan principal for a typical Title I loan (30-year loan with a 10-year grace period and interest rates of 3% during repayment and 2% during the grace period), for example, compared to 21% of loan principal for a 3-year loan at 10% interest.

bill, such borrowing is a losing proposition for the recipient country, whatever its short-term benefits.

It can be argued that developing countries are finding it more difficult, rather than less difficult, to generate foreign exchange now than they did when the loans were made. The assumption that the proceeds of food aid and other loans would finance investments that in turn would generate income appears to have been proven overly optimistic. Inflation, ill-advised policies, and declining commodity prices have kept income low in many developing countries, while the value of their currency has steadily declined against hard currencies. Food aid revenues have too often financed food subsidies or poorly designed projects that did not yield the high return necessary to meet the bill when it finally came due.

The general literature on food aid discusses the issue of additionality at the foreign exchange level in depth. This literature generally concludes that food aid provides balance of payments support with little or no net addition to imports (see, for example, Hermann, 1988). Clay and Singer (1985) note that

> What is striking in the recent literature is the shift in favor of the use of food aid for balance of payments support and more extensive attempts to establish empirically the degree to which food aid has actually substituted for commercial imports (p. 13).

Their review of the evidence suggests that "food aid did *de facto* substitute to a significant degree for commercial imports in a number of important importing countries..." and cites the estimate of other authors that approximately half of cereals food aid has substituted for commercial imports. It must be emphasized that the Clay and Singer review does not distinguish between program and project food aid. Because project food aid is nearly always distributed to low-income consumers on concessional terms with the intention (sometimes successful, sometimes not) of increasing consumption, it would be reasonable to expect that project food aid substitutes for commercial imports to a much more limited degree than program food aid.

A final issue in this area is the question of whether food aid <u>displaces</u> commercial imports or instead <u>replaces</u> imports that can no longer be afforded, whether due to short-term payment difficulties or long-term shifts in country trade patterns. To the extent that food aid replaces commercial imports that took place in the past but would not have taken place in the years when food aid was provided, then food aid does add to the availability of food for consumption, even if total consumption levels appear to remain unchanged (although the absence of a change in consumption together with the difficulty of distinguishing replacement from displacement, make this distinction methodologically difficult to apply). To the extent that this replacement is a short-term phenomenon (i.e., local production would have been unable to increase quickly enough to replace imports), there should be no disincentive effect. Where food aid is replacing commercial imports over a longer time frame, however, they may constitute a disincentive.

This issue is closely tied to the perennial debate on how the Usual Marketing Requirement (UMR) should be set. As a growing number of developing countries move from simple balance of payments deficits to crisis conditions on the foreign exchange account, it is reasonable to ask whether historical levels of commercial imports are an appropriate guide to current or future capacity to import. Because the extreme balance of payments problems currently being experienced are of relatively recent origin, this question is not addressed in depth in the formal literature (but, as discussed in the review of country experience below, it has been addressed in a number of specific country evaluations).

The review of the country evaluation literature was designed to shed further light on these issues, by testing the following hypothesis:

> **Hypothesis 1:** Program food aid is largely balance of payments support; i.e., it largely displaces or replaces commercial imports and adds little to the domestic supply of food for consumption

Macroeconomic Impacts: Government Resources for Development Programming

Regardless of the impact on the balance of payments, food aid may influence overall government programming in ways that promote economic development. Negotiations connected with the provision of food aid may encourage governments to shift their expenditures in ways that promote development, for example. There is an extensive literature on the impact of PL-480 on Indian agricultural development based in part on this consideration, for example (see Ruttan for one review of this literature).

The chain of causality underlying this impact is shown in the lower half of Figure 3. It links increased resources to increased and/or better programming and, in turn, to improved development outcomes.

Food aid provides short-term resources that can be used to finance increased consumption by the poor and/or to finance development programs. With few exceptions, explicit programming exercises for food aid revenues have resulted in their being applied primarily to the latter purpose.[26] When food aid revenues have been programmed for budget support or by ex post attribution to general budget categories (which arguably is the same thing), however, the picture is less clear. In those countries where local currency programming has approached budget support (Pakistan and Kenya, for example), a case could be made that food aid has helped underwrite the cost of food subsidy programs for relatively well-off groups in urban areas and pay wages to relatively unproductive public sector employees, both expenditures of dubious economic value. In other countries (or even in the same countries at other times), food aid revenues have supported food subsidy programs targeted to the poor and have helped maintain development budgets for the agricultural sector during times of fiscal stringency.

In measuring the impact of program food aid on local currency programming, the central questions revolve around what the government would

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26. The guidance in the legislation on this issue permits both types of programming. PL-480 (Section 106(b)(1-2)) states that:

> 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. 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 [the farmer-to-farmer program]..."

The legislation governing specification of self-help measures includes a wide range of rural and agricultural development activities, but specifies (Section 109(d)(B)) that self-help measures shall be described "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.

The language governing Title II/Section 206 programs also has a strong orientation toward direct poverty alleviation. Section 206(a)(3) provides that local currencies generated are to be used to reduce the need for such assistance in the future (i.e., for agricultural development), for health programs, and for "programs and projects to increase the effectiveness of food distribution and increase the availability of food commodities provided under this subchapter to the neediest individuals in recipient countries."

have done in the absence of food assistance. This issue is clearly another case where analysis of the impact of program food aid requires that "counter-factual" judgments be made, that is, that analysts attempt to determine what governments would have done had they faced a different set of conditions. With regard to total expenditures, there are at least three basic alternatives, which can be combined or pursued in isolation:

- Reduce expenditures: The government might simply spend less, either by withholding its contribution from the development projects funded by PL-480 counterpart funds or by reprogramming the available funds to meet the projects' requirements at the expense of other activities.

- Increase taxes: The government could raise the necessary funds by raising tax rates, adding new taxes, or improving collection efforts.

- Increase borrowing: The government could finance project requirements through domestic borrowing, that is, by printing money.

The issue of how program food aid affects total government expenditures is rarely addressed systematically in either the general food aid literature or, as discussed below, the country evaluations. The academic literature on food aid includes a fairly active debate on the issue of whether local currency generated by food aid and the commodities themselves are inflationary (see, for example, Roemer, 1988). In the authors' view, much of this literature overemphasizes the impact on the money supply and underemphasizes the potential or actual macroeconomic impact of the shift of resources both between the public and private sectors and within the public sector that may take place as the result of the food aid program (due to a shift in sales from private sector commercial imports to public sector non-commercial imports, as well as changes in taxation, borrowing, and expenditure patterns, as alluded to above).

Analysis of monetary impact must consider not only whether food aid adds to or subtracts from the money supply, but how food aid affects the government deficit. In this regard, food aid is likely to differ from commercial imports, particularly under the tight budget conditions that are endemic in developing countries. Food aid always passes through the hands of the government at some point, enabling the government to collect local currency, even if the food passes quickly into private channels for in-country distribution (as is increasingly the case).

Commercial sales may or may not pass through government ownership, depending on local policy and the role of the government in foreign exchange management. When commercial sales are wholly in private hands, the government derives fiscal benefit only to the extent that it taxes food-related transactions or income at some point in the process, and even then, the tax cannot approach the in-country value of the food if the transactions are to continue.

The short-term fiscal implications of food imports therefore differ markedly, depending on whether the imports are commercial transactions undertaken by the government, government-to-government concessional purchases, or private commercial transactions. The long-term implications for government revenues and the balance of payments differ as well, but here the difference derives not from who buys the food but, as discussed in the previous section, whether the imports are paid for with cash or by recourse to long-term credit on commercial or concessional terms.

A major review of the food aid literature (Clay and Singer, 1985) examines this issue but reaches a different conclusion. Clay and Singer argue that food aid cannot provide both balance of payments and fiscal revenue support, because real balance of payments support requires that the food imports not be additional and therefore implies that the revenues from food sales are not additional, either. As the foregoing discussion suggests, this analysis would appear to give too little weight to the question of whether the government collects revenues from commercial imports. The two types of support are inconsistent only to the extent that the government is the in-country sales agent for both commercial and donor-provided food commodities.

Whereas the issue of additionality to foreign exchange and total imports has been addressed extensively in the literature on food aid, the literature devotes much less attention to a rigorous treatment of local currency use. (See, for example, the Clay and Singer review, which discusses local currency use only in passing.) The reasons for this gap are not clear. It may be attributed in part to the general focus in the literature on project rather than program approaches (Clay and Singer devote a chapter to food-for-work and other rural infrastructure programs, for example). U.S. program food aid is unique, in that, insofar as the authors are aware, no other donors provide concessional sales labeled as development assistance. In general, the other donors place much more emphasis on project food aid, although monetization of commodities within this context may occur. Local currency generated by commodity sales as part of such programs is most often used to support food distribution, if it is tracked by the donor at all, and therefore the impact on government resources and development programming is a moot issue. (The multi-donor program in Mali represents a counter-example that may indicate a change in other donors' food aid programming.)

Another factor underlying the failure to address this issue systematically is the wide variation in local currency use across programs. The current practice ranges from *ex post* attribution against general development purposes (in Egypt, Kenya, and Pakistan, for example) to highly specific and carefully negotiated joint programming exercises by A.I.D. and the host government (discussions with individuals knowledgeable in the field identify Liberia, Bolivia, Bangladesh, and the Dominican Republic as examples). The authors were unable to find any compilation of the uses made of local currency for PL-480, much less for food aid programs as a whole.

A third factor that may discourage A.I.D. from examining this issue closely is the natural hesitance to cast doubt on host government support for agency-funded development projects. If counterpart funds for A.I.D. projects in fact depend heavily on indirect funding from another U.S. assistance spigot (i.e., PL-480), the depth of host government commitment is called into question, to say the least.

A final factor inhibiting analysis of this question is the lack of centralized and consistent data on local currency expenditures. Despite various efforts to clarify agency policy on local currency (notably Policy Determination 5), considerable confusion existed at the Mission and host government level during the period covered by the literature review. The degree of compliance with A.I.D. reporting requirements by host governments has varied widely, as have Mission efforts to improve this performance. (See, for example, the audit of the PL-480 program in Pakistan and the mission's response.)[27]

To explore this issue at the level of individual country programs, the team formulated the following hypothesis:

> **Hypothesis 2:** Local currency generated by program food aid and negotiations associated with food aid have a positive effect on government development programming.

Macroeconomic Impact: Effect on Employment and Growth

Regardless of whether program food aid resources are additional to host country resources, the central question remains whether food aid contributes to economic development by accelerating income growth and generating

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27. This exchange is not included in the bibliography, which are limited to those that the team was asked to include, but can be found in the files of USAID/Islamabad.

employment. While it would be logical to formulate a hypothesis that food aid does (or does not) contribute to development, discussions with knowledgeable individuals and the preliminary review of the country evaluation literature revealed that very few of the evaluations provided more than a general statement on this issue and only a handful made any effort to quantify the impact.

Given that the principle purpose of the present review is to summarize the information available on the development impact of food aid, however, the imperative to look at the impact on employment and growth is inescapable.

Where this issue has been addressed in the broader literature on food aid, the central tendency has been to conclude that food aid resources are too modest relative to the macroeconomy to have affected macroeconomic performance one way or the other. Rogers and Wallerstein (1985) conclude that "... it was difficult to link the Title I program to specific progress in economic development," although this study cites several examples where local currency funds were believed to have made a positive, if limited contribution.

Rather than leaving this issue out of the country review altogether, the authors have formulated an admittedly limited hypothesis with regard to the impact of food aid on growth and employment at the national level:

> Hypothesis 3: The information available for evaluation does not permit measurement of income and employment effects

Macroeconomic Impact: International Trade

Given the vital importance of trade development to developing country growth, and the market-development aims incorporated into PL-480's enabling legislation, it is perhaps surprising that the impact on international trade has received so little formal attention either in the country evaluations or in the academic literature. The relationship between program food aid and the long-term growth of commercial imports is simply not addressed in the literature.

This importance of this issue goes well beyond the impact on U.S. exporters, if any. The changing nature of a country's relationship with international trade markets and its ability to meet its food needs from its own resources (production and commercial imports) are both indicators of economic development. To the extent that program food aid is successful in helping countries to "graduate" from concessional assistance, this success should be measurable by comparison of aid, production, consumption, and import levels over time. As discussed in the section on evaluation, the team recommends that A.I.D. undertake a formal analysis of these relationships to shed light on this issue, among others.

The evidence currently available on trade impacts is mixed. Overall, the body of development literature supports the conclusion that increases in national income and in agricultural production are associated with increased import levels, particularly as countries move into the ranks of the advanced or middle income developing countries (see Harrington, *et al.*, for a review of this literature). Development by its very nature sets in motion a range of processes that tend to promote increased imports, even where national agricultural production rises rapidly as well:

- Total food consumption increases, particularly if income increases are equitably distributed, so that low-income groups, with a high propensity to consume food, share in the overall rise in income levels.

- Meat and dairy consumption rises, and may even rise more rapidly than income (as superior goods in most economies), leading to an increase in the demand for coarse grains that is likely to outstrip increases in domestic production.

- Taste preferences shift to wheat, rice, and other grains that can be prepared by urban populations with limited time to prepare food (particularly as women enter the work force), that require less fuel to prepare, and that have a higher protein content than some of the local commodities they replace.

The question, as noted above, is whether food aid contributes significantly to income growth. To the extent that it does, food aid can be given part of the credit for the overall increase in food imports, but a reasonable, if informal, assessment of the importance of food aid in the development process must assign it a relatively minor role.

Direct and short-term market development impacts are simply not addressed in the literature. Trade interests, such as U.S. grower associations, appear to place more weight on the sales generated by program food aid itself than on any long-term gain in commercial sales.

Informal comments by individuals inside and outside of government suggest that program food aid supports commercial sales development in some cases and actually harms it in others, but generally has only a modest impact:

- PL-480 may interfere with existing trade relationships within the private sector: As a government-to-government program, program food aid requires formal bidding processes that may educate state procurement agencies about the international bidding process, opening up future sales to non-U.S. sources and disrupting private sector market channels that link U.S. suppliers with host country millers and distributors (the latter are sometimes subsidiaries of the U.S. suppliers or otherwise linked to them commercially).

- Demand for program food aid commodities is not source-specific: Governments and private traders make the sourcing decision based primarily on price and availability, not on source-specific characteristics such as taste, which are relatively minor in comparing U.S. commodities with those of our main competitors in the wheat or oilseeds markets.

- Program food aid may strengthen trade relationships with the United States or sustain these relationships during a period of foreign exchange shortage: Although few instances are cited in the literature, the perception remains strong that program food aid has contributed to maintaining U.S. markets for agricultural products, particularly where imports might have fallen off because of macroeconomic stringency.

Although the lack of a rigorous analysis of the impact of food aid on trade is regrettable (and should be addressed), it appears likely that the truth lies somewhere between the two extremes. Although food aid almost certainly does not increase total food availability in country on a one-to-one basis, food aid may reduce the decline in food imports that would otherwise occur in a period of foreign exchange shortage, thus achieving some increase in the total supply available. As might be expected, governments view the domestic food supply as critical to their survival. Where governments make the decision on allocation of foreign exchange (as in most developing countries), foreign exchange will be allocated to import food. In a truly severe balance of payments crisis, however, food imports would probably not escape the general contraction altogether. An analysis of recent import levels in Latin America, for example, found that agricultural imports generally declined somewhat less than total imports during the balance of payments crisis of the early 1980s (Harrington, *et al.*), but they did decline.

Impact on the Food Sector

Food aid affects the food economy of developing countries through a number of complex and interrelated mechanisms that make it difficult to determine the program's impact with certainty. Setting aside the impact on agricultural imports, discussed above, food aid's potential impact on the agricultural economy of the recipient country can be categorized into two major impacts:

- Changes in domestic production: Food aid has the capacity to improve or worsen the incentives for local production and the systems that support efforts by private sector traders and farmers to increase output and incomes.

- Changes in domestic consumption and nutritional status: Whether food aid is consumed directly, used to finance purchases of foods for consumption, or used to support production systems that indirectly raise incomes and consumption, a reduction in malnutrition remains among the central aims of food assistance.

The achievement of positive impacts on the food economy (and the avoidance of negative impacts) relies in turn on three mechanisms to translate program food assistance into outcomes in the food sector:

- Direct disincentives: A large and still-growing literature addresses the question of whether food aid discourages local production either directly, by increasing in-country availability and creating downward pressure on prices or effective demand at the farm level, or indirectly, by enabling governments to continue policies that suppress agricultural output without paying the cost of high consumer food prices.

- Policy: Partly to counter the policy disincentive argument, increasing attention has been placed in recent years on using food aid to reinforce the policy dialogue on reforms to agricultural markets and to provide the real resources necessary to carry out the reforms. This dialogue has turned increasingly from a narrow focus on farm-gate prices to a broader analysis of government roles in promoting and regulating private sector marketing activities.

- Programming: Food aid resources are used to finance all or part of the expenses of specific agricultural development projects (often donor-funded) and to encourage governments to expand or improve, or at least maintain, their programs in the sector through budgetary support and dialogue.

Impact on the Food Sector: The Disincentive Debate

The debate on whether or not food aid provides a significant disincentive to the agricultural output of recipient countries has raged with varying degrees of ferocity since the 1960s. As argued above, food aid cannot simultaneously provide balance of payments support and add to the food supply without displacing domestic production[28]. The formal literature

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28. Food aid may increase demand in the short or long term in ways that offset the increase in availability:

- If the food itself is provided to low-income consumers at less than the market price, it increases their real income. Part of this increase (but less than 100%, even for the very poorest) is reflected in an increased demand for food. Total food consumption therefore increases, but by less than the full amount of the transfer; demand for food from non-food sources therefore falls.

- If local currency is provided as an income transfer to the poor, the same mechanism operates (increased real income, increased food consumption). Logically, the amount of local currency available for such transfer can be no more than the in-country value of the food aid (and may be less, depending on the sales price) and therefore the transfers must be less than or, at most, equal to the in-country value of the food. Therefore, if low-income consumers use the income to buy food at market prices and have a marginal propensity to consume food of less than one, the increase in demand for food will be less than the volume of food imported.

- If the local currency and/or the commodities themselves are used to finance development programs that increase the real income of on the disincentive issue remains inconclusive. The most recent major review of the evidence (Clay and Singer, 1985), for example, concludes that the evidence is mixed at best. Rigorous examination of historical data has generally not found a disincentive, even in cases where food aid levels were much higher than is generally the case today (e.g., India in the 1960s), but the debate on this issue continues.

Ironically, the provision in the legislation designed to force a more thorough analysis of this issue, part of the Bellmon determination, has served instead to dampen discussion in official channels, driving it underground and into the academic community. Even where a significant disincentive appears to knowledgeable observers to exist (see, for example, the Somalia audits), the U.S. Government has avoided making a positive determination under Bellmon. To do so would require closing down or radically curtailing the program, with potentially negative consequences for U.S. foreign policy interests and U.S. Government credibility.

Advocates on all sides of the argument can find support in some subset of the studies completed, sometimes from studies of the same data by different authors. If any conclusion can be drawn, it is the somewhat unsatisfying one that disincentive effects can be significant under the right (or the wrong) circumstances. This suggests that disincentive effects may be minimized or avoided altogether by careful attention to the commodities and volumes programmed, their relation to domestic production and commercial imports in the short term, and the programming of local currency to achieve both short- and long-term increases in demand.

In evaluating possible disincentive effects, the importance of a thorough understanding of in-country commodity markets cannot be over-emphasized. Yet the discussion of disincentives has generally proceeded on the basis of analysis of food aid's size relative to total production or even total national consumption, rather than the marketed supply. In countries where a large percentage of the population relies primarily on their own production to meet the family's food needs, analysis based on national consumption seriously misstates the potential impact on agricultural production. In such countries, grain markets may be extremely thin and regionalized, with a high proportion of the commodities that move through formal channels being destined for consumption in urban areas. Because program food aid is sold primarily in these same markets, it has the potential to exert a negative impact on price and on the market structure much greater than would appear to be the case

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consumers in the short or long term, part of the increased income translates into increased demand for food. This increase may be more or less than the amount of food imported, depending on the profitability of the projects and programs funded.

based on simplistic analysis of total consumption. This impact is magnified where poor food aid management results in arrivals following too closely on the heels of the domestic harvest. This potential impact is generally not given the attention it merits in the disincentive literature.

An important subtheme that has emerged in the disincentive debate is the importance of the agricultural policy environment in determining whether food aid has created a significant disincentive for agricultural production. The Clay-Singer review (1982) presents an excellent exposition of this view. As the review of the country literature below demonstrates, there are numerous examples where policies in place have either insulated local agricultural production from the potential negative effects of food imports by preventing prices from responding to supply conditions, even in some cases holding prices above world levels (notably in the Caribbean) or, conversely, where any disincentive impact on agriculture pales beside the damage wrought by macroeconomic policies unrelated to food aid (notably overvalued exchange rates in Central America).

This review can add little to the debate apart from a systematic attempt to synthesize evidence in A.I.D.'s own country evaluations, provided in a later section of this report. This synthesis tests the following hypothesis:

Hypothesis 4: Food aid has little or no direct disincentive effect on agricultural production.

Impact on the Food Sector: The Agricultural Policy Environment

The second mechanism used to mobilize food aid to support agricultural production is in part a reaction to the indirect disincentive argument. If food aid has the potential to support a policy environment hostile to agricultural production, then food aid resources can also be used to support a positive policy environment.

This strategy has gained momentum in the past several years, fueled by two quite unrelated factors. First, the policy dialogue and reform process has moved to the top of the A.I.D. agenda worldwide. Second, the increasing scarcity of dollar resources, particularly for agriculture, has encouraged Missions to make the greatest use possible of whatever resources are available. The concern over the potential negative policy impacts of program food aid and the presence of a built-in policy dialogue mechanism — the requirement for self-help measures — added whatever encouragement was needed to ensure increasing use of program food aid for policy reform.

The emphasis on reform has given real meaning to the formulation of self-help measures. Although the requirement has been in place for many years and a 1981 amendment requires self-help measures to be specific and measurable, the authors' experience and the comments of knowledgeable individuals confirm that the process was generally not taken seriously in most country programs until recently. Self-help measures tended to be very general measures (promote agricultural development) or to focus on funding for specific projects and activities, including A.I.D. projects. In the latter case, they often duplicated existing project agreements or agreements on local currency use.

Although neither A.I.D. nor USDA monitors self-help measures systematically, both the Bureau for Food for Peace and the regional bureaus are making a concerted effort to improve this situation. An informal compilation of self-help measures in Africa completed by FVA confirms the impressions communicated to the team by several observers of the program food aid process:

- Self-help measures are increasingly focused on specific policy measures, centering on a reduced role for government in artificially setting prices and an expanded role for the private sector in agricultural marketing.

- Self-help measures are receiving increasing attention in the Mission, going beyond the formal reporting requirement to include analysis and regular monitoring of progress, as well as serious negotiations with the host government.

- The self-help measure negotiation process is increasingly integrated with other policy-related discussions, which makes it less possible to attribute gains to program food aid but strengthens the dialogue process as a whole.

- Self-help measures are more likely than previously to include specific benchmarks, providing the analytic underpinning for a serious effort to monitor progress.

The increasing use of Title II/206, where self-help measures are a critical element in the process rather than window-dressing, has undoubtedly helped to focus attention on the value of self-help measures as a policy dialogue tool. Negotiation of self-help measures with quantified benchmarks was central to the multi-donor reform program in Mali, for example.

In the absence of dollar resources to underwrite the substantive analysis necessary to define appropriate reforms, however, the pressure to make measures specific has sometimes resulted in measures that are stated in terms of plans, studies, reports, and discussions, rather than concrete actions at either the policy or programmatic level. The impact of these measures is by no means assured. Another problem has been the definition of measures in terms that were too specific to stand the test of time. In Senegal, for example, a self-help measure required the government to hold purchased cereals for sale, rather than distributing them free, but the sales price set turned out to be too high to realize significant sales.

One approach developed to address the need for both flexibility and concreteness in self-help measures is the definition of a set of fairly general measures that remain relatively unchanged from year to year, but are backed up by identification of specific measures (often called benchmarks) to be achieved during a given program year. This approach has been used in Pakistan, for example.

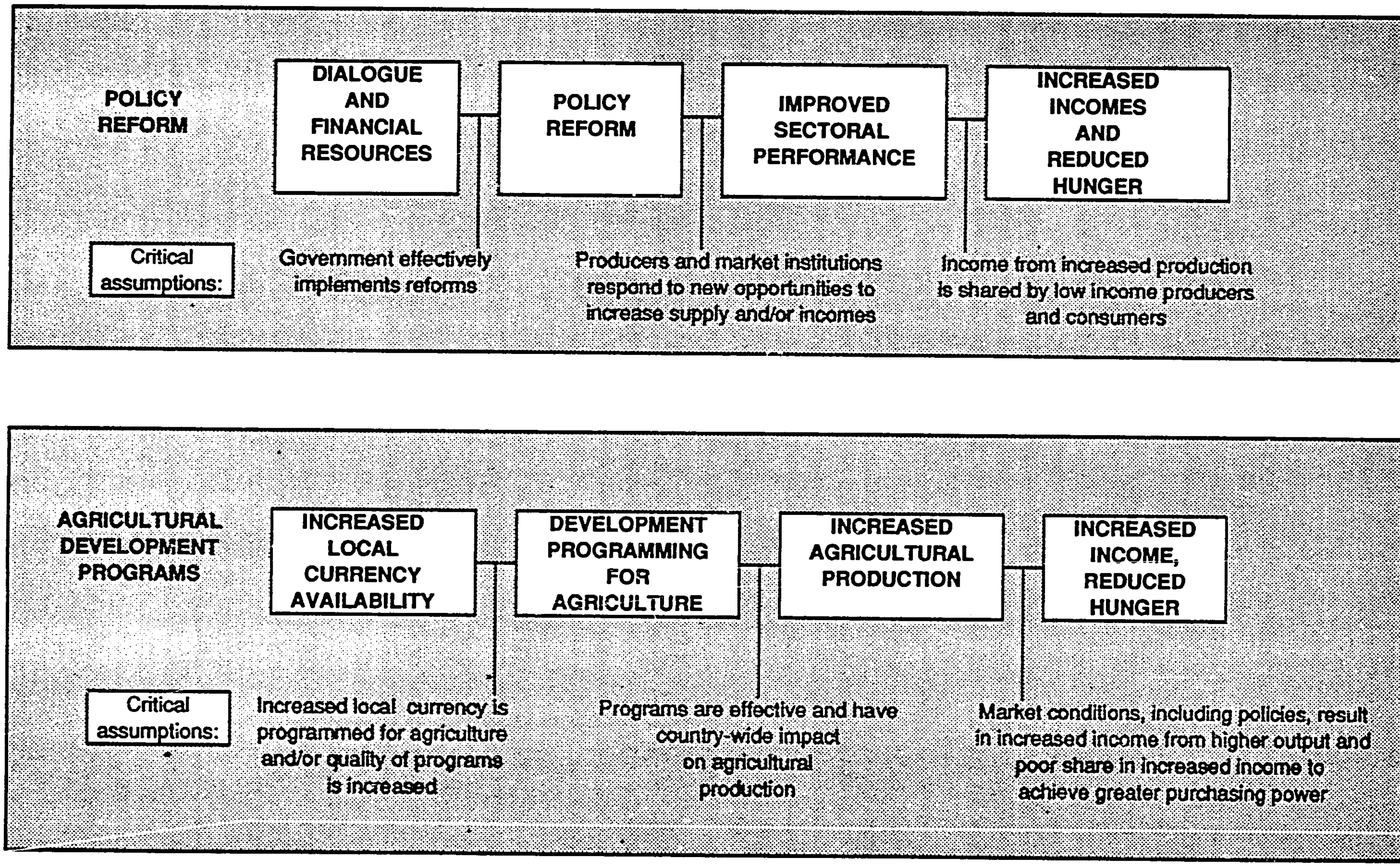
Whether or not the reform dialogue process relies on the self-help measures as an organizing mechanism, the effectiveness of this strategy depends on two conditions being met, as shown in the upper half of Figure 4:

- The reforms agreed upon must be implemented effectively: Not only must the dialogue be successful in gaining government agreement to make changes, but the agreement must be translated into actual changes that are effective nationwide and that stay in place long enough to motivate a private sector response.

- The private sector, both farmers and marketers, must respond to the possibilities opened by reform: For this response to take place, the farmers and others in the private sector must have access to the credit, inputs, information, and technology they need to expand production.

A long-standing history of public sector dominance of agricultural markets places both of these conditions in jeopardy. First, the move from agreement at the decision making level to action at the operational level is far from automatic, when both public and private sector actors have an entrenched interest in the status quo. Second, years of suppressing private sector activity quite naturally result in a weak private sector. A private sector that has faced unfair competition from the public sector or that has been barred outright from competing in agricultural markets cannot be expected to have in place the marketing systems, personnel, or infrastructure that permit rapid response to the new opportunities.

Figure 4. Impact on Development Through Policy Reform and Agricultural Development Programming



Food aid-generated resources can be used to address both these potential problems. First, local currency and food itself can provide funds and resources to buy off entrenched interests or put off painful adjustments until the policy change is safely in place. Second, local currency can be used to finance the rapid growth needed in private sector channels. In some cases, the food itself can be used to "prime the pump," stabilizing supply for both consumers and marketers.

In order for the benefits of the reform process to reach low-income populations, a third condition must be met, as shown in Figure 4:

- Income from increased production is shared by low-income producers and consumers.

To the extent that the strategy relies on higher prices to motivate increased production domestically, low-income urban consumers may not benefit from the reform in the short term to the extent that they benefited from the previous low-price regime. If low-income consumers were effectively excluded from subsidized food distribution systems, as has happened in a number of countries, expanded local production may lower the price they pay even if farmers receive a higher price on average.

Analysts of the reform process are calling attention to the potential negative impact of higher prices on the rural poor. (This interest is reflected in the selection of poverty alleviation as the core topic for the upcoming World Bank World Development Report, for example.) A high proportion of the rural poor, including many small farmers as well as the landless and near landless, are net food buyers. Higher food prices hurt them in the short run; however, they may benefit from increased demand for their labor and, if they can increase their own production, may be motivated to insulate themselves from higher prices by expanding their own output, with positive consequences for the economy as a whole.

Both consumers and producers benefit from reforms to strengthen private sector marketing, however. Farmers benefit from improved access to competitive outlets, higher prices through reduced marketing margins, and, equally important, better access to inputs. Consumers benefit as well from reduced marketing margins and a more competitive price environment. As the recent reform experience in Bangladesh demonstrates, an expanded role for the private sector is fully consistent with an improved system to subsidize low-income consumers (including the rural poor). The non-poor beneficiaries of subsidized food can generate vocal and powerful opposition to such a shift, however, and the experience in Pakistan demonstrates that the millers, shopkeepers, and public servants who benefited from the old system, sometimes improperly, are all too willing to add their voices to the opposition.

To test the impact of program food aid on the economic policy environment, both direct and indirect, the following hypothesis was formulated:

Hypothesis 5: Food aid supports policy reform and a policy environment conducive to agricultural and overall development.

**Impact on the Food Sector:
Nutrition and Consumption**

The question of food aid's additionality to domestic food availability is central to its impact on the domestic food economy. If food aid does not add to the volume available for consumption, it clearly does not add to total consumption (and, as noted above, it is unlikely to add appreciably to the consumption of the poor if it does not add to total consumption, because this implies a reduction in the consumption of the non-poor). Whether or not food aid adds to the total supply, improvements in the nutritional status of at-risk groups can be expected only (1) if food aid is distributed at below-market prices, (2) if it drives down the domestic price to the point where income effects result in real increases in consumption by the poor, or (3) if it leads to changes in the rural economy that increase the income of the food-deficit rural population sufficiently to improve their nutritional status.

This third mechanism depends on food aid's impact on rural incomes, and is therefore discussed in a later section.

The first mechanism — subsidized sale or free distribution of program food aid — is rarely used. On the contrary, U.S. policy calls for such food aid to be sold (and, of course, it must be sold if it is to generate resources for development programming). In nearly all cases, program food aid is in fact sold at prices that increasingly approach import parity. Consequently, the first mechanism is generally not relevant to program food aid as implemented today. With regard to the second mechanism, few if any serious analysts of the disincentive question have concluded that food aid exerts sufficient downward pressure on food prices to have a significant impact on food consumption levels, except in isolated instances where the volume of food aid is very large and government subsidy programs are equally large (Egypt and possibly Bangladesh before reforms were instituted offer proof that this exception is not an academic caveat).

Based on this reasoning, the direct impact of program food aid on nutrition would be expected to be minimal under the current program design. An analysis of food aid levels relative to the consumption needs of the population in recipient countries indicates the potential for a much greater direct impact on food consumption by the poor, however.

As shown in Figure 2 above, U.S. program food aid averages only 3 kilograms per capita for all countries receiving such aid. Per capita aid levels range from less than one-tenth of a kilogram in India and 0.8 kilograms in Somalia to 124 kilograms in Jamaica and 150 kilograms in St. Kitts. How do these levels compare with the food needs of the poor? Although comparable international data on income-disaggregated food deficits are not available to the team, a rough estimate for purposes of this analysis can be calculated as follows:

- Assume that the seriously food-deficit population (that portion of the population falling below 80% of the WHO standard for calorie intake) is between 20% and 50% of the population.

- Assume that the annual per capita consumption requirement is on the order of 150 kilograms (this figure is based on the level generally assumed when estimating consumption in the Sahel, where the population is highly dependent on grain; alternative estimates might place the annual requirement between 120 and 175 kilograms).

On this basis, the needs of the food-deficit population would be met by addition to domestic food availability of between 6 and 15 kilograms per capita (for 20% and 50% deficit population, respectively, assuming a deficit of 20% of the consumption requirement). In 1988, roughly half of the countries receiving program food aid (24 out of 51) received less than 6 kilograms per capita, while 12 received between 6 and 15 kilograms and 15 received more than 15 kilograms per capita.

At the most macroeconomic level, then program food aid levels must be judged sufficient to have an effect on malnutrition in at least half of the recipient countries. Assistance levels are a necessary but not sufficient condition for such impact, of course. Food aid alleviates malnutrition directly only to the extent that <u>food aid adds to the supply available for consumption and all the additional supply is consumed by the food-deficit population</u>. The latter assumptions are clearly heroic, indeed, they cannot be met by a program that sells food at market prices, unless the local currency resources are used to fund programs with an immediate impact on both the supply of food and the purchasing power of the poor.

Figure 5 presents an alternative approach to mobilize food aid resources to address the hunger issue more directly, including nutritional problems aggravated by either the short-term effects of structural adjustment or the gap between current problems and the long-term benefits expected from development programs. Whether or not agricultural development programming can bring about real progress against rural (and urban) hunger in the long term, the time horizon for country-wide agricultural development is clearly too long to address immediate problems effectively.

Resources generated directly or indirectly by program food aid have generally not been used to finance targeted income transfer programs or feeding programs, although several experimental programs have been initiated using project food aid or working through project food aid channels (in Morocco, for example). As concern grows over the short-term consequences of structural adjustment and the failure of development programs to produce the looked-for benefits as quickly as expected, the use of program food aid to fund safety net programs in developing countries deserves a second look.

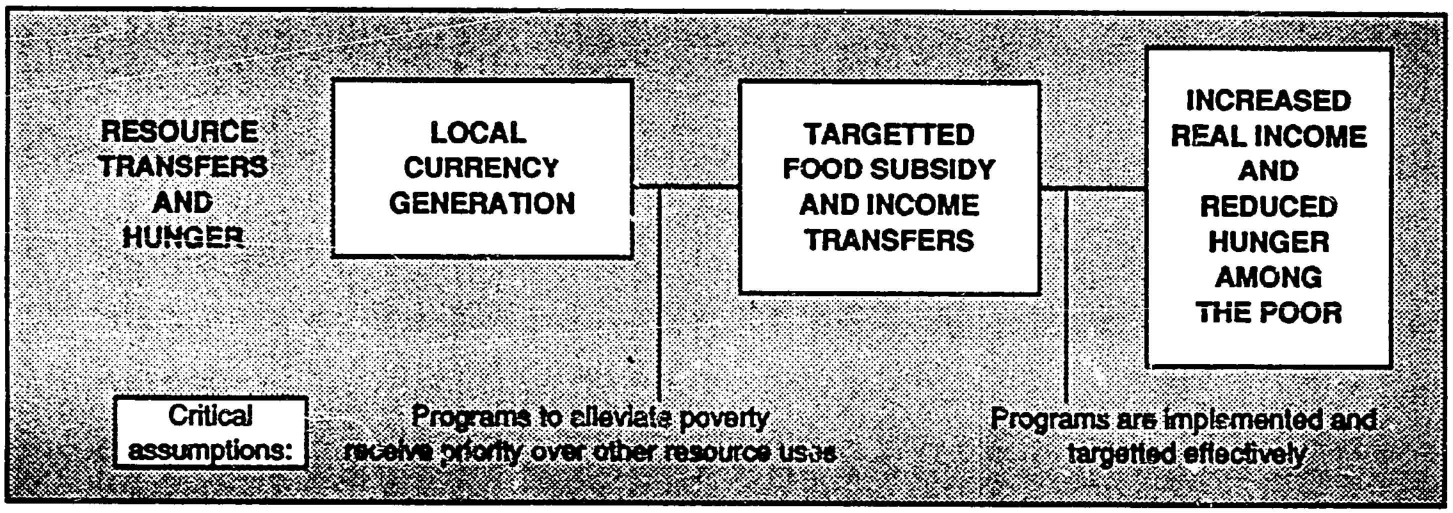
As shown in Figure 5, effective use of food aid resources to relieve hunger directly would necessitate program designs meeting two criteria:

- The expanded resources must go to finance programs that relieve poverty directly: In most countries, this would require either drastically redesigning an existing income subsidy program to improve targeting or introducing an entirely new program.

- The programs must be implemented and targeted effectively: As experience with Great Society programs in the United States demonstrates, this is no mean feat. Nonetheless, a number of developing countries have implemented targeted programs successfully. It is noteworthy, however, that none of these countries is in Africa, where the food deficit problem is growing most rapidly.

Traditional consumer subsidy programs clearly violate the second assumption. The conventional wisdom views these untargeted food subsidy programs as anathema, and with good reason. But there is increasing concern that structural adjustment and short-term macroeconomic problems result in real income declines among the poor, with a negative impact on nutrition, productivity, and political stability. Food aid has been used to finance targeted food subsidy programs in a number of cases, including Sri Lanka, Morocco, and Jamaica. Food aid resources have also been used to improve targeting in a number of cases, most notably Bangladesh, and to provide short-term financing as part of a phase-out of government subsidies

Figure 5. Impact on Development Through Targetted IncomeTransfers



in Mali. Issues related to the design of such programs are addressed in the final section of this report.

To examine the impact of food aid on nutrition, the following hypothesis was formulated for the review of the country evaluation literature:

> Hypothesis 6: There is no evidence that program food aid has a substantial or widespread impact on the nutritional status of the population.

Impact on the Food Sector: Government and Donor Programming for Agricultural Development

Food aid is also credited with a potential long-term effect on food availability through the expansion in domestic production that is fueled by food aid-funded projects. This expansion is expected in turn to raise food consumption levels by providing the food and the increased income levels among the poor that are necessary for them to be able to buy it.

The basic mechanism involved is summarized in the lower half of Figure 4. As indicated in the figure, linkage of food aid to agricultural development through projects depends on the validity of three critical assumptions:

- The increased availability of local currency must result in an actual increase in programming for agriculture and/or an improvement in the quality of programming.
- The projects or programs funded by food aid must have a sufficiently broad impact on the food economy to result in a significant increase in total national production.
- The benefits of the expanded production must be shared equitably so that the income levels of the poor rise along with total production.

All three linkages are open to question, although they have rarely been addressed in the literature on the impact of food aid. Accumulating donor and host country experience with rural development and income growth suggests two particular areas of concern:

- <u>Projects tend not to have a significant impact at the national level</u>: Even highly successful projects, which may well be in the minority, tend to be quite localized in effect, reaching between a few hundred and a few thousand farmers out of national totals more typically in the millions. Even projects nominally operating at the national level (such as development of research institutions) nearly always have a focus much more limited than the agricultural sector as a whole (e.g., a specific set of crops). Moreover, the "demonstration" value of donor-funded projects is questionable; when governments scarcely have the resources to keep up their end of the project's own budgets, much less to replicate them on a large scale.

- <u>The rural poor are net food purchasers</u>: As discussed above, higher food prices and projects designed to take advantage of them tend to benefit primarily commercial farmers, and may provide benefits to their labor force, but may provide little benefit to small farmers who consume more than they produce.

Any assessment of the impact of food aid-financed development projects is greatly complicated by the complexity of government programs and project portfolios in the agricultural sector, which may include several hundred projects of varying size funded by a dozen different donors working with many different implementing agencies at the national and local levels. These portfolios may or may not be effectively monitored by the host governments themselves, much less the A.I.D. Mission.[29] Where food aid has provided general budget support, a thorough analysis of the impact would in theory have to address the impact of the portfolio supported, as well as wrestling with the difficult counter-factual issue of which parts of the portfolio would or would not have gone ahead in the absence of budget support. The assessment of project impact is challenging enough when A.I.D. is directly involved in project implementation and design, assessment of the impact of national extension programs, research, or agricultural education is nearly impossible within the scope of program food aid monitoring.

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29. In some cases, such as Bangladesh and Nepal, the shared desire for better information on project impact has encouraged the donors and the host government to collaborate in setting up monitoring systems to generate the requisite information on project progress and achievements. While this approach is promising, it has proven difficult to implement in practice and, in any case, has not yet been applied in most countries.

Even limiting the scope of the analysis to a specific set of projects may leave an analytic task of unmanageable complexity. In some countries, food aid has financed all or part of the cost of projects numbering literally in the hundreds, some of which have up to a hundred subprojects as well. As might be expected, many of the projects are small, which reinforces the impact measurement problem. (This issue is further discussed in the review of the evidence from the country evaluations.)

If food resources are not devoted to specific projects, they are usually directed to one of two purposes:

- General budget support for agriculture and development programming: In many countries, including several of the largest food aid recipients (Egypt, Pakistan, Kenya), local currencies are not allocated to identifiable projects, but are attributed to the overall development budget or to general categories such as agriculture. Sometimes a polite fiction is preserved by listing projects that the funds supported, but, in the authors' experience, no effort to track actual expenditure is made.

- Food subsidies: Untargeted food subsidies have earned a bad name in recent years, and with considerable justification. Although food aid resources are not intended to be used to support untargeted subsidies, it appears likely that in fact they have done so in several cases, notably in Egypt and Bangladesh.[30] Food aid has also been used to a lesser degree in support of targeted food subsidies and other targeted income transfer programs.

Budget support is increasingly recognized as a valid form of assistance, as budget stringency and the need to contain public sector deficits place growing pressure on the investment budget and on recurrent expenditures, particularly in the agricultural sector. In most cases, it is difficult to determine what effect, if any, food aid has had on government expenditures for agriculture, because the level of government expenditure in the absence of food aid cannot be known. Nonetheless, many observers of food aid programming contacted by the review team expressed the view that food aid has helped to maintain budget levels for agriculture and other areas supported by the donors. In some cases, an aggregate shift in resources

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30. See, for example, Hermann's synthesis drawing on evaluations of eight food aid programs in the Asia-Near East Bureau.

towards agriculture (and away from uses viewed as unproductive) has been included as a specific self-help measure.

In addition to encouraging governments to increase their financial support for agriculture generally and for investment programs in the food sector, A.I.D. has looked to food aid-generated resources to provide greater funding security for the Agency's own projects.

Over the past several years, donor-funded projects have been affected by the widespread fiscal deficit crisis in developing countries. Governments have been increasingly unable to meet their commitments to cover all or part of the local cost component of agricultural and other projects funded by donors. If these costs are not forthcoming from another source, the effectiveness of the dollar resources expended on the project may be greatly reduced, if not lost entirely (although it might seem logical to cancel a project if a critical element of the budget resources that are needed becomes unavailable, donor-funded projects are almost never cancelled for this reason).

Food aid resources have long been used to address this problem. By programming food aid-generated local currency to support donor projects, food aid in effect validates the foreign exchange expenditure on donor-funded projects by ensuring that government resources are available to meet local costs. In extreme cases (typified by the situation in Guyana in mid-1989), food aid can even provide short-term balance of payments support, in effect, by funding local currency expenditures necessary to bring forward donor-funded foreign exchange through project assistance. Dependence on food aid resources has occurred to a greater or lesser extent in most of the countries receiving Title I/III assistance and in some receiving Title II/206 assistance. In some countries, donor programs have come to rely almost completely on food aid resources (examples suggested by knowledgeable observers include Liberia and the Philippines).

Although this reliance has clear implications for donor flexibility in both setting food aid levels and negotiating host government actions, it is not widely discussed in the literature. This gap may be due to differences in food aid programming among donors, with A.I.D. generally much more dependent on food aid resources for local currency support than other bilateral or multilateral donors (with the exception of the World Food Program). It may simply be a function of the distance between the academic concept of food aid and the reality in the field. In any case, the general review literature on food aid scarcely addresses project-level use of food aid-generated funds.

Local currency resources can also be used to support production by underwriting the cost of price support systems for farmers. Effective price support requires that the government stand ready to procure large quantities of the commodities targeted (usually grains), incurring potentially very large costs not only to purchase grain in quantities sufficient to maintain the price, but also to store and transport the grain. The grain must be withdrawn from the market and held until prices begin to rise toward the end of the season if the price effect is to be significant, and in conditions of surplus, the grain may be held for more than one season. In some countries, storage and transport costs, including losses, may exceed the purchase cost — particularly in Africa, where storage losses are high.

Price support systems for farmers are often linked to price stabilization systems for consumers, because sales of government-held grain take place at the end of the season, and therefore tend to reduce the level to which prices rise at this time. In other cases, procurement from farmers has been justified as a price support system, when in fact the main purpose of the system was to generate grain to supply a consumer subsidy scheme. Such farmer-financed consumer subsidies, a primary target of agricultural reform programs, reduce farmer income rather than maintaining it or stabilizing it at an intermediate level, transferring income from farmers and the rural poor to urban consumers, often including those at the upper end of the income spectrum.

Food aid-generated resources have helped to underwrite price support programs, with an emphasis on farm price support rather than consumer price stabilization. Major programs were undertaken in the 1960s, such as those in India and Brazil, establishing principles that are still being applied in programs today, such as those in Bangladesh, Senegal, and Mali.

To synthesize the findings of the evaluation literature on this complex set of interactions, the following hypothesis was formulated:

> **Hypothesis 7:** Resources generated by program food aid are an important source of support for donor and host government programming in the agricultural sector.

Impact on the Food Sector: Project Impact on Income, Employment, Welfare, and Production

Nearly all of the projects financed with local currency generated through the sale of program food aid have been designed to contribute to agricultural and rural development. This priority is clearly in line with the guidance in the legislation (Section 106 of PL-480, quoted above).. As discussed earlier, local currencies have also been used for a wide variety of purposes in support of economic development generally, including budget support. This section focuses on <u>project</u> impacts on the <u>agricultural sector</u>, a subset of all impacts on macroeconomic performance, incomes and employment (discussed above).

A determination that food aid has helped to fund government and donor investments in the agricultural sector is not sufficient to find that such expenditures have had an impact on development. It is also necessary to ask whether these resources have been used successfully to generate employment, increase agricultural production, raise incomes, and improve the living standards in rural areas.

The distinction between expenditure and impact clearly lies at the heart of food aid's impact on development, but it is virtually ignored in the formal literature on food aid (which, as noted above, generally gives only passing attention to the use of food aid-generated local currency). The impact of local currencies generated by food aid has generally been treated as a potential offsetting factor in the ongoing debate on disincentives, rather than as a positive factor in its own right.

This literature is reviewed in Clay and Singer, 1982, which cites the case of Brazil (analyzed in Hall, 1980), among others. Hall concluded that "Econometric analysis of the grain sector of Brazil shows that PL-480 wheat imports have had a positive impact on grain production." Specifically, she estimates that

> The net effect of a sustained increase of 1,000 metric tons of PL-480 wheat imports then would be to increase domestic grain production by 108 percent [1,080 metric tons] ...

Unfortunately, detailed analysis of the impact of program food aid on national production and agricultural incomes has generally not extended to a rigorous analysis of project impacts. It is equally difficult to draw conclusions on the impact of policy reforms supported by program food aid, but in this case the problem is the relatively recent shift to an emphasis on policy reform. Not enough time has elapsed since reforms have been put into place to permit an inter-country comparison of the impact on agricultural production. Although such analysis is now beginning to emerge, the impact of program food aid as distinct from other inputs to the policy dialogue and reform process will make it difficult to attribute impacts to program food aid as such.

The preliminary review of the evaluation literature indicated very little treatment of the sectoral impact of program food aid, apart from the disincentive question. Whereas it would be preferable to use the evaluation literature to test whether program food aid has a positive or negative impact on the sector, taking disincentive, policy, and project effects into consideration, the team found it necessary to formulate a far more limited hypothesis:

> **Hypothesis 8:** The impact of food aid-generated resources cannot be determined due to commingling with other resources and/or the lack of project-level impact measurement.

Food Aid Management

From the perspective of the present review, the key management issue is the extent to which the special characteristics and management requirements of food aid — the inherently cumbersome nature of an assistance program requiring the shipment, storage, and distribution of nearly 8 million tons of food annually — interfere with the program's contribution to development.

By its very nature, program food aid is less complicated logistically than project food aid. Tracking of the commodities themselves nearly always stops at the wholesale level, with the sale of the imported commodity by the government. The emphasis on private sector approaches has further simplified the logistics of program food aid, as an increasing portion of commodities are sold directly to millers or private traders, often even before the commodities physically arrive in country. Complications resulting from storage and handling problems continue, but, with some important exceptions discussed below, they are not a major focus of program food aid discussions.

With regard to program food aid's development impact, the review of the general literature and discussions with knowledgeable individuals identified three broad issues:

- <u>Procedures for food aid planning and management</u>: To what extent do the current procedures impede the effective use of food aid and food aid-generated resources? Do current procedures provide adequate protection against the potential for negative impacts? Are planning, monitoring, and, in particular, evaluation procedures appropriate?

- <u>Integration with other assistance</u>: Is food aid effectively coordinated with dollar-funded assistance? Can coordination with A.I.D. and other donor programs be improved? To what extent is better coordination needed to increase program impact?

- Local currency management: Is the control over local currency sufficient to ensure that the potential benefits to development programs are achieved? Does local currency management impose management burdens that inhibit the effectiveness of A.I.D. and the host government?

While a detailed review of the management of program food aid clearly lies outside the scope of the present study, no review of development impact would be complete without consideration of how program procedures and management impinge on program effectiveness. This discussion becomes particularly relevant in light of the current debate on the future structure for U.S. foreign assistance, including food aid.

Management: Suitability of Current Procedures for Program Food Aid Planning and Management

In addition to the issues of program integration and local currency management, discussed below, the phase one review identified five major issue areas in program food aid management:

- Commodity choice and level
- Timing of shipments
- Organization for management within the Mission
- Host government management responsibilities and structure
- Evaluation and analysis of program impact

This list focuses on problems at the country level. A related but different set of problems arises at the level of multi-agency management of PL-480 within the U.S. government. The core of this system is the subcommittee handling program food aid within the inter-agency Development Coordination Committee (DCC). The DCC offers an interesting case study of formal and informal negotiations in government decision making (and in fact has been the subject of a case study; see Fuell). Although the DCC has very high visibility within the food aid community, including FVA, it is mentioned only in passing in the country evaluation literature and is generally not addressed in depth in other reviews of food aid.

Given the focus in this study on impact at the country level and the multitude of issues arising at that level, the team has chosen not to address questions of program management at the DCC or FVA level. Although a study of the DCC's impact on program food aid operations would be interesting, such an analysis would appear to lie outside the scope of responsibility of A.I.D.'s Bureau for Food for Peace and Voluntary Assistance. (Nonetheless, the team notes that, based on conversations with individuals working in the field, such a study should address the following two questions, among others: does the DCC process delay and complicate the decision-making process, and does the DCC process change program design or implementation in ways that affect program impact at the country level?)

Commodity Choice and Level. The question of which commodities should be supplied under program food aid is complex, involving considerations of taste and acceptability, possible long-term distortions of taste preferences toward imported commodities, and relative value. The last of these issues has received increasing attention, drawing on the work of Shlomo Reutlinger and others to focus analysis on how to extract the maximum in-country value per dollar of assistance. This analysis takes into consideration differences in dollar value per ton and in relative prices for alternative commodities in the exporting and importing country.

The tendency of food aid levels to decline during periods of high commodity prices (the so-called "procyclicality" problem) also constitutes a recurring theme in the literature, expressing analysts' concern that this tendency reduces the effectiveness of food aid in addressing food shortage situations.

Procyclicality is caused by two related factors. First, the availability of food aid commodities tends to be greatest when official surpluses are largest, which, naturally enough, tends to coincide with abundance of food on world markets. This problem has tended to recede over time, as food aid commodities have increasingly been purchased rather than drawn from official surplus stocks (416 programs remain an important exception), making dollar cost and other factors (e.g., acceptability of the commodity in-country, export development potential, etc.) more important than the availability of surpluses in determining commodity levels and mix.

Despite the shift toward purchase rather than reliance on government-held surpluses, the multi-agency planning process for program food aid still requires USDA to certify the availability of particular commodities in excess of the demand for domestic (U.S.) consumption and export, leaving open the possibility that program food levels could be cut if U.S. production should be seriously disrupted in the future. This calculation, which results in the so-called "docket" for food aid commodities, is based on an estimation of the difference between production and market demand, including U.S. consumption and exports. Such a calculation only makes sense in the presence of government market interventions that cause supply and demand to differ. In the absence of such interventions, the price at any given moment rises or falls by the amount needed to bring demand into line with the amount available for sale (which is fixed in the short term, but rises or falls over time to reflect changing demand and production conditions).

A "gap" between demand and supply exists and will continue to exist only so long as the U.S. Government continues to intervene in agricultural markets. It is U.S. policy to cease such intervention and to negotiate a worldwide end to agricultural subsidies and price controls. The very real possibility exists that the surpluses generated by government intervention in agricultural markets will cease to exist within the next ten years. This does not mean, of course, that food aid, or even program food aid, will disappear. It does mean, however, that the continuation of the program will depend to a greater degree than at present on Congressional and Administration support for food aid's humanitarian, market development, and political objectives, however.

The team is not in a position to speculate on whether this change, if it does occur, is likely to have a significant impact on the level or composition of food aid commodities. Observers much closer to these issues than the team generally discounted the likelihood that such a shift would greatly change food aid levels, arguing that support based on objectives other than surplus disposal is sufficiently powerful to ensure the continuation of the program at levels approximating those at the present time.

If food aid were to be fully "delinked" from surplus levels, however, the attention given to the interaction of food aid levels and total exports (ocmmercial and concessional) would obviously increase. The phase one analysis identified this as a priority area where concrete analysis is lacking. The analysis on this issue is limited to country case studies and no study was identified that looked systematically at the relationship among food aid levels, commercial imports, in-country production, and consumption across countries over time. The need to fill this gap in the literature becomes more urgent as concern rises over the extent to which food aid substitutes for commercial imports. A conclusion of the phase one analysis is therefore that a thorough investigation of the interaction between food aid levels and commercial imports is long overdue and should be undertaken if resources permit. Such an analysis is further discussed in the final section of this report.

The second issue related to procyclicality is the impact on program effectiveness of shifts in commodity levels. Because such levels are determined primarily on the basis of relatively constant dollar allocations to program food aid, rather than on the basis of maintaining a certain tonnage or local currency value, the level of commodities tends to fluctuate. Such fluctuations, moreover, by definition move in a direction opposite to the movement in prices. Consequently, the level of assistance provided is lowest when prices are high, which is precisely when countries have the most difficulty importing. This reduces the ability of governments to rely on program food aid as a source of balance of payments support or food for local consumption in periods of worldwide shortage.

A related problem arises from the unpredictability of local currency generations. Because developing countries insulate their markets from international price variation, for both good reasons and bad, the amount of local currency generated is more closely related to tonnage than to the dollar value of the commodities. PL-480 regulations and U.S. policy in principle require that the sales price of food aid approach import parity.[31] Because the application of these policies leaves room for negotiation, the amount of local currency generated tends to follow shifts in tonnage, regardless of change in world prices. The unpredictability of tonnage levels therefore makes it difficult to program currencies fully a year or more in advance or to count on program food aid as a source of budgetary support in the medium term.

Timing of Shipments. The principle that food aid shipments should be timed not to arrive around harvest is well-accepted by food aid managers and analysts alike. In practice, however, poor management of a program has at times resulted in shipments arriving shortly before, during, or shortly after the harvest season, creating the danger of downward pressure on farmer prices, even if overall levels are consistent with country import requirements.

The single-year nature of food aid programming can be identified as a primary factor behind this management failure. Although plans may call for food aid agreements to be signed in time to complete shipments well before the harvest period, the inevitable delays — a week here while the minister is out of town, a week there while administrative details are finalized — too often leave insufficient freedom to time shipments with respect to local harvests and result in shipments arriving at the wrong time, despite the best efforts to avoid this outcome.

The timing problem has long been a favorite target of program food aid critics (see, for example, U.S. Congress, 1988). The agencies responsible for food aid management have repeatedly attempted to improve performance in this area, with limited success. A special initiative has been implemented

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31. The regulation requires that the local currency generated be at least equal to the CCC value, fob U.S., translated at the highest legal exchange rate. This price may be substantially below import parity, however, particularly in countries where international and in-country transport costs are high (e.g., most African countries) and/or where official exchange rates bear little resemblance to a market-clearing level.

for FY 1989, termed early programming, but the results were not available at the time the study was completed.

Organization for Management within the Mission. Food aid is an orphan in A.I.D.'s organization chart. It may be assigned to the office managing PVO programs (often a separate office in large Missions), to the agricultural development office, or to the program office. Sometimes a special food aid office is established, but this approach is taken only rarely, usually in response to an ongoing need to manage emergency assistance (as in Mauritania). Most often, the management responsibility is split among several offices, with the office of agriculture taking the lead for monitoring self-help measures, the controller's office monitoring local currency, and the program office managing negotiation of the annual agreement. This fragmented approach naturally works against any single office making food aid a priority, particularly given other demands on personnel and resources.

At the personnel level, Agency staff reductions have resulted in a drastic cutback in Food for Peace officers, who were never numerous to begin with, undermining the ability of Missions to meet the special demands of food aid management. To address this problem, FVA has proposed establishing a food aid certification program, to build food management expertise in the broader population of A.I.D. development professionals, but this system has not yet been put in place.

Management at the country level is complicated by political and trade-related factors. Program food aid is attractive as a high-visibility gesture of U.S. government support for the local government and friendship with its people. Agricultural interests, represented by USDA or in some cases by U.S. private sector firms and associations, also favor bringing food aid forward with the least possible delay.

A related problem is the lack of formal procedures for planning the use of program food aid. The current system is heavily oriented to justification of the specific type and level of commodities provided. Self-help measures have only recently emerged as a serious programming activity, rather than a pro forma requirement. Local currency use is a focus of program design only for Title II/206 and Title III programs, a small minority of program food aid activity worldwide.

Individual Missions and regional bureaus within A.I.D. are moving to remedy this problem, as demonstrated by the assignment of senior professionals to monitor food aid programming in the Asia/Near East and Africa bureaus, as well as the development of a prototype food aid programming document by the Africa bureau (the Generic Mission Food Aid Management Plan, drafted by Price Waterhouse in 1988). Personnel within FVA are also devoting renewed attention to this problem, but the Agency is still far from having a set of procedures and structures that reflects the importance and potential usefulness of food aid in the assistance portfolio. Many knowledgeable observers of the food aid program also commented on the need for further refinement of procedures within USDA and other agencies responsible for aspects of food aid management. A thorough treatment of management issues lies outside the scope of this study, however.

Host Government Management Responsibilities and Structure. On the host country side, food aid management is typically assigned to the government agency responsible for the domestic food supply. This agency may be the ministry of agriculture but in many cases it is a specialized agency with responsibilities in food distribution, import management, local procurement, and related activities. Examples include the Food Security Commission in Mauritania and the Ministry of Supply in Egypt. On occasion, a special office is created to manage food aid and, more importantly, food aid-generated local currency resources. This model has been followed in Bolivia, for example. Where food aid has a high profile politically, a third model may be followed, placing responsibility for food aid management at the highest levels of the government in the ministry of economy, the ministry of plan, or the office of the head of state.

The proliferation of organizational approaches on both sides clearly creates a communication problem, as each Mission must reinvent procedures for negotiating and implementing food aid, rather than following standard procedures worldwide. Management of food aid is further complicated by the tendency of each office involved to take a different perspective reflecting its own responsibilities. Like the pachyderm in the parable of the blind men and the elephant, food aid is a different program for each agency involved: to the ministry of the economy, it is balance of payments and budgetary support; to the ministry of supply, it is a source of commodities for distribution; to the ministry of agriculture, it is a potential boon or bane for agricultural development.

The potential conflict of interests on the host government side is sharpened when A.I.D.'s agenda turns to policy reform (a problem that is by no means limited to program food aid or, indeed, to A.I.D.). A.I.D. may find itself negotiating a reduced role for government in grain marketing with the very agency whose institutional life depends on the continuation of this involvement.

Evaluation and Analysis of Program Impact. Given the *ad hoc* nature of program food aid management, it is not surprising that monitoring and evaluation systems to measure program food aid are poorly organized, or that systematic data collection efforts to support monitoring are rarely in place. The lack of organized monitoring also reflects a weakness of program food aid programming generally, flowing from the lack of dollar resources to complement local currency with technical assistance, off-shore training for program managers, or other inputs requiring foreign exchange.

The foregoing discussion on program impact also suggests several reasons why systematic collection of impact data is difficult:

- PL-480 programs exist in a sort of time warp. Although they are formally one-year programs, they may continue for 30 years or more with only incremental change as the program goes along. It clearly does not make sense to attempt to measure the impact of a one-year program, yet there is no mechanism built in to initiate an evaluation, as there is in a normal three- to five-year project.

- PL-480 program assistance may affect the national and agricultural economy through a plethora of different mechanisms, and, at the same time, such assistance is generally only one among many factors shaping development outcomes. There is no clearly appropriate procedure for determining which of the various possible effects should receive priority for analysis and to what degree any impact identified should be attributed to PL-480 program assistance.

- The agency responsible for managing program food aid may not have direct management responsibility for the projects funded. Particularly when the host government agency is the food distribution parastatal or a small unit created to manage program food aid financial flows, the unit is likely to encounter difficulties if it tries to enforce the collection of impact data on the more powerful ministries that are responsible for implementing local currency-supported projects.

- Measurement of the impact of balance of payments and budget support is inherently difficult, requiring a macroeconomic perspective and an insight into the workings of the local economy and government sufficient to determine as realistically as possible what would have happened in the absence of assistance.

Rather than formulating a complex series of hypotheses to synthesize the findings of the country evaluations with regard to program management, a single hypothesis summarizing the central management issue was stated:

Hypothesis 9: Current procedures for managing food aid reduce or impede program effectiveness.

This hypothesis places the emphasis on the impact of management problems, rather than on whether such problems exist or whether improvements are possible. In addition to reflecting the overall focus of the study, this emphasis recognizes that, as a practical matter, management is always a problem and procedures can always be improved.

Management: Integration of Program Food Aid into Donor Programming

The recommendation to improve integration with other development programs is the "motherhood and apple pie" of program food aid management. It appeals strongly to teams reviewing program performance, presenting a need that is easy to justify and difficult to refute.

As noted above, developments within A.I.D. are making such integration far more attractive than in the past. First, the gradual reduction in the resources available for programming, particularly for agriculture in Development Assistance countries, have motivated agency personnel to seek additional sources of support for their programs. Program food aid offers one of the best opportunities to address problems that can no longer be squeezed into the regular program.

Second, the emphasis on structural adjustment has increased the attention paid to macroeconomic variables such as deficits in the balance of payments and the government budget. These problems have traditionally been addressed through program assistance, again making program food aid more attractive as a major vehicle for assistance.

Finally, the priority placed on policy reform has added additional impetus to the move to program assistance. Program food aid's built-in mechanism for policy dialogue, the negotiation of self-help measures, has encouraged Missions to integrate program food aid into their policy portfolios.

The findings of the country evaluations were used to test the following hypothesis related to program integration:

> Hypothesis 10: Integration of program food aid with development assistance and, in particular, with policy reform dialogue is increasing.

Management: Local Currency Programming and Accounting

Local currency management has been a continuing problem for A.I.D., not by any means limited to currency generated by PL-480 program food aid. The potential for problems arises at all three levels of currency management:

- Generation of Local Currencies: How should the price for commodity sale be determined? At what point in the stream of transactions are local currencies considered to be generated? Which costs can be deducted in calculating the amount of funds generated? If the price locally differs from the USDA price, which price is used in calculating the amount of currency to be generated? Although guidance is provided on all of these issues, the preliminary review of the country evaluation literature and discussions with knowledgeable individuals made it clear that problems persist in these areas.

- Management of the Sale Proceeds: How should accounts be structured to provide adequate control for multiple agreements without overburdening the system? Which movements into and out of which accounts should be monitored and reported?

- Use for Development Programming: Is A.I.D. entitled to determine the use of funds generated, make this determination jointly with the local government, or only advise on currency use? Does A.I.D.'s appropriate role extend beyond programming to include monitoring of expenditure and, if so, how far does it extend?

Despite recent efforts to clarify these and related issues in local currency programming, disputes between the Mission and the host government on local currency management use and monitoring are a common feature of program food aid programs.

The following hypothesis was formulated to synthesize the country evaluation findings with regard to local currency management:

> **Hypothesis 11:** Local currency programming and reporting impose management requirements that are costly to the mission and/or the host government or that reduce program effectiveness.

EVIDENCE FROM THE COUNTRY EVALUATIONS: OVERVIEW

The findings of the formal review of evidence from the country evaluations are presented in Figures 6 and 7. Figure 6 summarizes the review findings, showing the number of evaluations in each category as as the percentage of all evaluations and of evaluations discussing the iss that do or do not support each hypothesis and the number of countries represented in the evaluation studies in each category. Figure 7 identifi the specific evaluations classified with regard to the eleven hypotheses discussed above. Evaluations are identified by country name and numb following the same numbering system as used in the bibliography. (Evaluations that did not address the issue are not listed individually.)

The results of the detailed review of the country evaluations may summarized as follows:

- The review indicates that the large majority of the country evaluations do not address the issues formulated in sufficie depth to be ranked as supporting or not supporting the hypotheses; on average, only 35% of the country evaluations evaluations) devote sufficient attention to any given issue to ranked.

- Among those that discuss the issue, a large majority provide evidence supporting the hypotheses stated; on average, 67% evaluations that discuss a given issue support the hypothes's of all evaluations, on average), 22% contradict it (8% of all evaluations), and 11% discuss the issue but provide indetermi conflicting, uncertain, or neutral findings regarding the hypotl (4% of all evaluations).

- In nine of the eleven hypotheses, the number of evaluations supporting the hypothesis both exceeds the number that contradicts it by a factor of two to one and exceeds the su those contradicting and those providing neutral evidence by a large margin.

- More country evaluations concluded that project food aid has a substantial or widespread impact on nutrition than concluded the opposite (five found evidence of such impact, three considered the issue but found no evidence of such an impact, and four provided indeterminate findings), but the numbers are so small that, in the authors' view, they could as readily be interpreted as supporting the hypothesis as contradicting it.

- A plurality of evaluations (29 of the 57 that discussed the issue) support the hypothesis that program food aid promotes a policy environment conducive to development, but almost as many found that program food aid does not support such an environment (17) or provided indeterminate findings (11).

These findings are discussed in detail in the following sections, which concentrate on the hypotheses stated above, providing examples from the country evaluation literature to illustrate the overall conclusion reached.

The discussion is not limited solely to the hypotheses that were formally reviewed. Other issues are dealt with reflecting the broad range of information and insights contained in the country evaluation literature.

Figure 6. Summary of Findings from Country Evaluations

No.	Impact Hypothesis	Hypothesis supported				Hypothesis not supported				Impacts neutral or uncertain				Not Discussed	
		Number	Countries represented	% of all evaluations	% of those discussing	Number	Countries represented	% of all evaluations	% of those discussing	Number	Countries represented	% of all evaluations	% of those discussing	Number	% of all evaluations
	Macroeconomic Impacts														
1	Balance of Payments	21	17	24	72	3	3	3	10	5	5	6	17	57	66
2	Government Budget	23	16	27	79	5	5	6	17	1	1	1	3	57	66
3	Income and Employment	22	14	26	65	10	8	12	29	2	2	2	6	52	60
	Food Sector Impacts														
4	Disincentive Effect	19	14	22	76	5	4	6	20	1	1	1	4	61	71
5	Policy Reform	29	15	34	51	17	14	20	30	11	7	13	19	29	34
6	Nutritional Status	3	3	3	25	5	5	6	42	4	4	5	33	74	86
7	Agricultural Programming	26	17	30	74	6	6	7	17	3	3	3	9	51	59
8	Project Impact Measurement	14	10	16	67	4	3	5	19	3	3	3	14	65	76
	Food Aid Management														
9	Procedures	24	19	28	89	2	2	2	7	1	1	1	4	59	69
10	Integration with DA and ESF	15	10	17	68	4	4	5	18	3	3	3	14	64	74
11	Local Currency Management	25	15	29	71	10	8	12	29	0	0	0	0	51	59

Figure 7. Matrix of Evaluation Findings: Developmental Impacts from Country Evaluations

Impact Hypothesis	Hypothesis supported	Hypothesis not supported	Impacts neutral or uncertain	Not discussed
Macroeconomic Impacts				
1. Balance of Payments	21	3	5	57
Program food aid is largely balance of payments support; i.e., it largely displaces or replaces commercial imports and adds little to the domestic supply of food for consumption	Bangladesh 1 Egypt 1 Guinea 1 Indonesia 1 Jamaica 2 Liberia 1 Liberia 2 Sudan 1 Tunisia 5 Egypt 2 Tunisia 2 Salvador 1 Jamaica 3 Kenya 1 Gambia 1 Morocco 2 Sri Lanka 1 Yemen 1 Sri Lanka 2 Bolivia 8 Liberia 4	Nepal 1 Jamaica 1 Bangladesh 7	Philippines 1 Peru 1 Morocco 1 Honduras 1 Madagascar 1	
2. Government Development Budget	23	5	1	57
Local currency generated by program food aid and negotiations associated with food aid have a positive effect on government development programming	Mali 1 Peru 1 Bolivia 1 Zambia 1 Sudan 1 Tunisia 1 Guinea 1 Dom. Rep. 1 Liberia 1 Bangladesh 5 Bolivia 4 Liberia 2 Bolivia 6 Honduras 1 Madagascar 1 Rwanda 1 Gambia 1 Kenya 1 Morocco 2 Bolivia 8 Bangladesh 11 Madagascar 2 Madagascar 3	Philippines 1 Senegal 1 Sri Lanka 2 Tunisia 5 Haiti 6	Liberia 4	
3. Income and Employment Effects	22	10	2	52
The information available for evaluation does not permit measurement of income and employment effects	Mali 1 Haiti 1 Philippines 1 Indonesia 1 Bangladesh 4 Guinea 1 Jamaica 1 Bolivia 5 Bangladesh 5 Bolivia 4 Senegal 1 Mauritania 1 Bangladesh 6 Jamaica 3 Sri Lanka 1 Morocco 2 Bangladesh 11 Mali 5 Sri Lanka 2 Zambia 1 Madagascar 1 Madagascar 2	Cape Verde 1 Peru 1 Tunisia 1 Dom. Rep. 1 Liberia 1 Liberia 2 Egypt 2 Haiti 6 Peru 2 Madagascar 3	Egypt 1 Bolivia 1	

Figure 7, page 1

Food Sector Impacts

4. Disincentive Effect	19	5	1	61
Program food aid has little or no direct disincentive effect on agricultural production	Haiti 2 Indonesia 1 Peru 1 Bolivia 1 Nepal 1 Guinea 1 Liberia 1 Jamaica 2 Guinea 2 Sri Lanka 1 Tunisia 5 Yemen 1 Mauritania 1 Bolivia 6 Bangladesh 7 Jamaica 3 Sri Lanka 2 Salvador 1 Madagascar 3	Bangladesh 1 Egypt 1 Egypt 2 Honduras 1 Somalia 2	Bangladesh 4	
5. Policy Reform	29	17	11	29
Program food aid supports policy reform and a policy environment conducive to agricultural and overall development	Bangladesh 1 Cape Verde 1 Haiti 1 Haiti 2 Indonesia 1 Bangladesh 4 Liberia 1 Bangladesh 5 Bangladesh 8 Mali 6 Sudan 1 Guinea 2 Haiti 6 Kenya 1 Bangladesh 9 Sudan 3 Mauritania 1 Mali 4 Mali 5 Bangladesh 6 Mali 3 Tunisia 4 Tunisia 2 Morocco 1 Bangladesh 11 Liberia 2 Zambia 1 Madagascar 1 Madagascar 3	Egypt 1 Bolivia 2 Bolivia 1 Nepal 2 Guinea 1 Senegal 1 Egypt 2 Haiti 3 Pakistan 1 Honduras 1 Jamaica 3 Sri Lanka 2 Salvador 1 Sri Lanka 1 Tunisia 5 Yemen 1 Somalia 2	Mali 1 Bangladesh 2 Philippines 1 Mali 2 Pakistan 2 Bangladesh 7 Haiti 4 Gambia 1 Morocco 2 Bangladesh 10 Bangladesh 3	
6. Nutritional Status	3	5	4	74
Theres is no evidence that program food aid has a substantial or widespread impact on the nutritional status of the population	Philippines 1 Morocco 2 Nepal 1	Egypt 1 Haiti 2 Tunisia 2 Honduras 1 Bangladesh 7	Bangladesh 1 Guinea 1 Mauritania 1 Morocco 1	

Figure 7, page 2

7. Agricultural Programming	26	6	3	51
Resources generated by program food aid are an important source of support for donor and host government programming in the agricultural sector	Mali 1 Bolivia 5 Moroco 2 Indonesia 1 Liberia 2 Bolivia 8 Bolivia 2 Haiti 3 Yemen 1 Peru 1 Bolivia 6 Liberia 4 Cape Verde 2 Rwanda 1 Jamaica 4 Sudan 1 Bangladesh 8 Bangoldesh 3 Dom. Rep. 1 Jamaica 3 Madagascar 2 Sudan 3 Morocco 3 Madagascar 3 Liberia 1 Bangladesh 11	Philippines 1 Pakistan 2 Honduras 1 Kenya 2 Haiti 6 Congo 1	Senegal 1 Sudan 2 Zambia 1	

8. Project Impact Measurement	14	4	3	65
The impact of food aid-generated local currency resources cannot be determined due to commingling with other resources and/or the lack of project-level impact measurement	Bangladesh 1 Morocco 3 Cape Verde 1 Bangladesh 11 Dom. Rep. 1 Bangladesh 3 Mauritania 1 Madagascar 1 Yemen 1 Tanzania 1 Bolivia 5 Sri Lanka 1 Morocco 2 Bangladesh 5	Mali 1 Bolivia 2 Bolivia 3 Haiti 6	Bolivia 1 Zambia 1 Tunisia 5	

Figure 7, page 3

Food Aid Management and Evaluation

9. Procedures for Program Food Aid	24	2	1	59
Current procedures for managing food aid reduce or impede program effectiveness	Bangladesh 1 Peru 1 Liberia 4 Cape Verde 1 Mali 4 Congo 1 Haiti 1 Gambia 1 Somalia 3 Bolivia 3 Kenya 1 Tanzania 1 Bolivia 1 Sri Lanka 2 Zambia 1 Dom. Rep. 1 Kenya 2 Bangladesh 3 Liberia 2 Morocco 3 Madagascar 1 Rwanda 1 Somalia 2 Madagascar 2	Mali 1 Pakistan 2	Sudan 1	

10. Integration with DA and ESF	15	4	3	54
Integration of program food aid with development assistance and, in particular, with policy reform dialogue is increasing	Bangladesh 1 Tunisia 2 Mali 1 Tunisia 4 Indonesia 1 Kenya 1 Sudan 1 Tunisia 5 Guinea 1 Zambia 1 Bangladesh 5 Bangladesh 3 Bangladesh 6 Madagascar 3 Liberia 2	Bolivia 5 Mali 3 Jamaica 3 Sri Lanka 1	Pakistan 2 Bangladesh 7 Haiti 6	

11. Local Currency Management	25	10	0	51
Local currency programming and reporting impose management requirements that are costly to the mission and/or the host government or that reduce program effectiveness	Haiti 1 Senegal 1 Somalia 3 Bangladesh 2 Haiti 3 Bangladesh 11 Bolivia 3 Bolivia 7 Zambia 1 Bolivia 1 Cape Verde 2 Bangladesh 3 Sudan 1 Haiti 6 Madagascar 1 Nepal 1 Gambia 1 Madagascar 2 Guinea 1 Honduras 2 Madagascar 3 Dom. Rep. 1 Liberia 4 Liberia 1 Sudan 2	Mali 1 Zaire 1 Haiti 6 Bolivia 4 Mauritania 1 Pakistan 1 Tunisia 4 Mali 3 Pakistan 2 Bangladesh 7		

Figure 7, page 4

EVIDENCE FROM THE COUNTRY EVALUATIONS: IMPACT ON MACROECONOMIC PERFORMANCE

Overview

The country evaluations illustrate the diverse ways in which program food aid can affect macroeconomic management:

- Policy dialogue encourages sound macroeconomic policies: Dialogue supports the adoption of public sector management and macroeconomic policies that are consistent with long-term growth, as illustrated by cases as diverse as Haiti (where dialogue addressed taxation issues) and Tunisia (where the dialogue contributed to a greater role for the private sector).

- Local currency resources may directly support sound policy management: Mali and Bolivia provide examples of very different but equally effective ways to use local currencies in direct support of policy reform. In Mali, local currencies underwrote the cost of reforming public sector agencies, and in Bolivia local currencies helped sustain the banking system during a severe liquidity crisis caused by macroeconomic disruption.

- Program food aid replaces other means of generating local currency that may be better or worse than program food aid itself: Both Liberia and Bangladesh offer examples of countries that have come to rely heavily on food aid-generated local currencies to finance development projects; some observers questioned whether this had led in the Bangladesh case to "addition" to food aid resources, delaying implementation of sound fiscal management policies and development of a self-reliant tax system.

- <u>Program food aid reduces the cost of bad macroeconomic policies</u>: In extreme cases, such as Honduras, Egypt, El Salvador, and possibly Morocco, program food aid has helped governments postpone addressing major macroeconomic problems, notably inappropriate exchange rates and consumer food subsidies, although program food aid is only one of several factors in these decisions.

The experiences documented in the country evaluations underscore the neutrality of program food aid as a development instrument: used wisely, program food aid can support reform and the broader development process; used incorrectly, program food aid can become part of the problem rather than part of the solution. In other words, program food aid is not inherently beneficial or harmful as such. As macroeconomic and sectoral reform have moved into the spotlight, the potential for program food aid to contribute to deleterious policies is reduced, although countries where program food aid levels are large and based on political considerations continue to pose problems in this regard.

The country evaluations illustrate the importance of the existing policy environment in conditioning the impact of program food aid on the macroeconomy. Where ill-advised policies at the macroeconomic and sectoral level remain in place, the additional resources provided by food aid are likely to be used unwisely or to have negative effects, particularly at the sectoral level.

Egypt offers a leading example of such a situation. A policy environment characterized by economy-wide food subsidies, distortion of the terms of trade against agricultural production, a highly controlled and distorted trade regime, and poor fiscal management have created economic conditions that were cited as severe barriers to growth in both evaluations of the extremely large Egyptian food aid program (Egypt 1 and 2). Food aid has contributed to these policies, but it is not at all clear that reform would have proceeded more quickly in the absence of such assistance. Blue (Egypt 1) analyzes the effect of a decline in program food aid levels during a period of bilateral tension between the United States and Egypt, however, and finds that domestic grain prices and production both increased during this period, suggesting that foreign aid levels, including program food aid, have played a role in maintaining a disastrous policy environment.

Several other country examples emerge from the evaluation literature. Most notably, Morocco, Honduras, and El Salvador are identified as large food aid recipients that pursue macroeconomic policies seriously restricting growth, particularly in the agricultural sector. Both of the latter countries maintain an overvalued exchange rate, leading to depressed agricultural prices.

Evaluations in both countries (El Salvador 1 and Honduras 1) find that program food aid helps those governments maintain this inappropriate policy without suffering disastrous impacts on food availability or the foreign exchange position, but the studies generally conclude that it is the policies themselves, not food aid, that are responsible for the negative impact on macroeconomic performance. Morocco 1 questions whether food subsidies could have been maintained in the absence of food aid provided by the U.S. and other donors, leading to higher food consumption and higher import needs than would otherwise have been the case.

Macroeconomic Impacts: Balance of Payments

Hypothesis 1: Program food aid is largely balance of payments support; i.e., it largely displaces or replaces commercial imports and adds little to the domestic supply of food for consumption: strongly supported.

A large majority of the evaluations addressing the balance of payments issue (21, 24%, 72%)[32] concluded that program food aid was essentially balance of payments support, with little if any impact on total food supply. Only 3 (3%, 10%) found that program assistance provided additional food, and 5 (6%, 17%) fell somewhere between these two conclusions.

Some of the evaluations that found program food aid to be primarily balance of payments support nonetheless also concluded that it may have been partially additional. Both evaluations of the Egypt case (Egypt 1 and 2), for example, concluded that the government might have been forced to decrease imports somewhat if food aid levels had been reduced, even though every effort would have been made to maintain them for political reasons. The first of these evaluations noted that import levels had fallen during a period when program food aid was suspended for political reasons. Morocco 1 reached a similar conclusion, arguing that food aid might have

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32. Throughout the remainder of this section, numerical results will be summarized as follows to conserve space: the first number refers to the number of evaluations with the finding referred to in text, the second number presents the percentage of all evaluations with the finding, and the third to the percentage of all evaluations that discuss the issue. Where a number is given in the text, it refers to the absolute number of evaluations and will be followed by the percentages in the same order; e.g., "four evaluations (14%, 2%)." Naturally, only one percentage will be provided when referring to evaluations that did not discuss the issue.

permitted the government to maintain consumer subsidies that increased total import requirements.

Two-thirds of the evaluations (57, 66%) did not address this question in sufficient depth to be rated, however, and virtually none of the evaluations analyzed the issue quantitatively (Egypt 1 constitutes an exception).

In several cases, the evaluations supported a modified form of this conclusion: program food aid did not so much displace commercial imports as replace commercial imports that the country could no longer afford, because of a balance of payments crisis. In other words, the evaluations concluded that import levels are set on the basis of practical and political considerations and are not responsive to the financing mode (commercial, concessional, or grant). Both Tunisia and Morocco offer examples where evaluators determined that PL-480 financed imports that would have taken place in any case, possibly financed in Morocco by other donors (see, for example, Tunisia 2 and 5 and Morocco 2, which differs in this conclusion from Morocco 1). A similar case was made in Jamaica where, despite the large percentage of total imports financed by food aid and the very high level of assistance per capita, evaluators argued that the government would have allocated the foreign exchange necessary to maintain food imports at approximately the same level as observed.

Macroeconomic Impacts: Government Development Expenditures

Hypothesis 2: Local currency generated by program food aid and negotiations associated with food aid have a positive effect on government development programming: Strongly supported

A large majority of the evaluations addressing the issue provide conclusions supporting the hypothesis. Overall, 23 evaluations (27%, 79%) supported the view that food aid resources and negotiations have a positive effect on overall government investment and/or current expenditures for development (whether by increasing the level or by encouraging funding of programs viewed by the evaluators as having a high priority). Five evaluations (6%, 17%) provided evidence contradicting the finding, while only 1 evaluation (1%, 3%) provided neutral or conflicting evidence. Fifty-seven studies (67%) did not address this issue.

Like the impact on the balance of payments, the effect of food aid on government resource availability and use requires a judgment regarding what would have happened if aid had not been forthcoming. Few of the country studies present any analysis to support their conclusion, whether by considering the impact of alternative revenue sources or considering how a drop in revenues might have affected government expenditure patterns.

In some cases, government development programming has become heavily dependent on local currency generated by food aid. Liberia is an extreme example of this problem, with 90 percent of the development budget derived from such revenues (see Liberia 1). Bangladesh offers a second possible case where an unhealthy "addiction" to food aid revenues may have occurred, generating pressures within the government to continue food aid even if it were no longer justified by balance of payments or nutritional concerns.

At the same time, several evaluations cite food aid's role in helping the government maintain expenditures during a temporary budget crisis. A recent evaluation in Morocco (Morocco 2), for example, finds that

> ... in light of Morocco's acute budget financing difficulties, the Title I local currency program has been a very efficient mechanism for allocation of resources to those activities in the public sector investment program (PSIP) favored by the USG [U.S. government].

Food aid resources are also credited with helping to maintain the viability of the banking system in Bolivia during a period when extremely high inflation had dried up alternative sources of financing (see Bolivia 1, 4, 6, and 8).

Macroeconomic Impacts: Income Growth and Employment

The ultimate measure of program food aid's value as a development tool is, of course, its effect on macroeconomic performance, particularly income growth and employment. The preliminary review of the evaluations indicated that the reviewers were able to reach few conclusions with regard to this important, but difficult question:

> Hypothesis 3: The information available for evaluation does not permit measurement of income and employment effects: <u>Supported</u>

Twenty-two evaluations (26%, 65%) provided evidence to support the hypothesis stated, generally in the form of comments that the team was unable to estimate the program's impact at this level due to the lack of data or the unavailability of analytic resources sufficient to separate the effect of food aid from that of other factors. A significant minority (10, 12%, 29%), however, made an effort to measure impacts on either income and employment and did arrive at a quantitative estimate. 52 evaluations (60%) failed to address this issue in a substantive manner, while 2 evaluations (2%, 6%) provided indeterminate evidence (by making a partial estimate of the impact at this level, for example).

Given the importance assigned to economic development in program food aid's enabling legislation and in A.I.D.'s overall mandate, the failure of the evaluation literature to address the program's impact on development performance might appear difficult to justify. At the same time, this lapse is readily explainable by the difficulty of isolating the effect of a single factor, in this case food aid, on a process as complex and differentiated as national income growth and distribution. If it is difficult to attribute specific developments such as successful policy reform to program food aid — given the intervention of other programs, other donors, complex domestic political factors, and other considerations — it has proven nearly impossible to measure the program's impact on development performance overall.

This problem is by no means unique to food aid, leading to frustration among those outside the development community regarding the difficulty of determining program impact (see U.S. Congress, 1989, for example). This frustration has generated support for imposing requirements on A.I.D. to measure the impact of its programs at the macroeconomic level, a requirement that would be extremely difficult, or at least costly, to fulfill.

In general, the evaluators have not tried to chop through the Gordian knot of factors that interact with and supplement food aid to affect macroeconomic performance. To the extent that the country evaluations address the issue at all, the discussion is limited to general statements that program food aid has (or in a minority of cases has not) supported development. These statements generally are not backed up by analysis — qualitative or quantitative.

The lack of evidence regarding impact at the macroeconomic level does not imply that such an impact does not exist or is not substantial. It implies only that, despite the very large level of resources allocated to program food aid, we really do not know whether we are having an impact and, if so, how large that impact might be.

Program food aid has clearly contributed to the international transfer of resources to the developing countries to underwrite development programs. If this transfer has been successful, the success must be attributed to the leveraging of total public and private sector investment and policy, as much as to its direct investment effect, given the small size of the transfer in per capita terms.

Several of the country evaluations commented that program food aid resource levels are simply too low, in and of themselves, to claim a significant impact on national development. Only two countries, Jamaica and St. Kitts, received Title I aid worth more than $10 per capita in 1988. The St. Kitts program is of relatively recent origin and has not been evaluated, but the size of the Jamaica program has made it a target for frequent evaluation. Even in this case, however, only two of the four evaluations addressed the question. A major evaluation (Jamaica 3) concluded that the level of assistance was too low relative to total imports to have a significant impact at the macroeconomic level, although food aid was found to contribute to a multi-donor program that did supply a significant level of inputs. Although the evaluators did not attempt to measure the impact, they reached the overall conclusion that the program increased Jamaica's long-term debt without achieving the looked-for restructuring, with the result that the country was no more able to achieve self-reliance in imports than before the program began.

The worldwide average for countries receiving program food aid in 1988 was only $0.58 per capita. Even assuming that food aid and/or local currency generated by food aid supported activities with a 20 percent rate of return that would not have taken place in the absence of food aid (an assumption that is admittedly heroic), program food aid would have added only about a dime's-worth of income to the annual earnings of an average citizen in a recipient country. This measurement does not include the impact of any policy reforms or resource reallocation achieved through food aid-supported dialogue and negotiations.

Given the difficulty of measuring food aid's impact, the 10 evaluations that made an effort to measure impact or the lack of it quantitatively are perhaps more noteworthy than the 76 that did not. These evaluations fall into two categories: those that found an impact and those that found there was little or no impact. (Given the small and unrepresentative nature of this group, a calculation of the percentage in each group would be more misleading than enlightening.)

A few evaluations made an effort to measure direct impacts on incomes or employment. An evaluation in the Dominican Republic (Dominican Republic 1), for example, analyzed the activities funded with local currency project by project and aggregated the impacts to calculate that the program generated DR$ 554 per family nationwide and created more than 1,000 years of employment. This same evaluation noted, however, that the impact on exports claimed in the project reports substantially exceeded the actual increase in imports during the period, raising doubts regarding the validity of the gains reported. An evaluation of the Cape Verde program, where food aid finances specific projects, also found positive employment effects using a similar methodology (Cape Verde 1). A third evaluation (Liberia 1) used a

Keynesian aggregate demand model to estimate the cumulative contribution of program food aid to the Liberian economy, calculating that the recommended level of assistance (somewhat higher than current assistance levels) would yield a cumulative impact on GDP of $118 million between 1987 and 1992. This study estimated the multiplier from food aid resources to be 1.18.

EVIDENCE FROM THE COUNTRY EVALUATIONS: IMPACT ON THE FOOD SECTOR

From the beginning of the U.S. food aid program, emphasis has been placed on incorporating measures to improve food security into program food aid, including policy reform and support to agricultural development activities in-country. At the same time, many observers have questioned whether providing food on concessional terms might create a disincentive to expanding local production, either directly by driving prices down or indirectly by allowing counterproductive or ineffective policies and programs to continue.

Impact on the Food Sector: Disincentives

The disincentive issue lies at the heart of the debate on the positive and negative impacts of food aid on the development of the agricultural sector. The review of country evaluations generally supported the predominant trend in formal reviews of this issue, which find that disincentive effects are generally not significant or cannot be demonstrated, but that important disincentives may arise in particular instances.

Hypothesis 4: Food aid has little or no direct disincentive effect on agricultural production: Strongly supported

Given the legal requirement to consider whether food aid discourages local production, it is perhaps surprising that so few of the evaluations included a serious treatment of this issue. Only 25 evaluations (29%) addressed the disincentive impact analytically, with 61 (71%) of the 86 country evaluations reviewed providing no discussion of this question or treating it only in passing.

Among those that did address it, however, 19 (22%, 76%) concluded that program food aid did not have a disincentive effect on local production. Five evaluations (6%, 20%) concluded that program food aid has undermined local production to a greater or lesser degree, while 1 evaluation (1%, 4%) provided intermediate findings.

The finding that no disincentive resulted generally relied on one of two arguments:

- Food commodity prices are independent of program food aid or not affected by it. Evaluations in Haiti, Jamaica, and Liberia, among others, found that government policy maintained prices above world levels, so that no disincentive resulted. Evaluations in Bangladesh, Sri Lanka, and Indonesia, among others, found that program food aid levels were too low to have a significant effect on commodity prices and/or did not affect prices for local commodities because of taste preferences.

- Food aid generally replaced commercial imports, leaving the total supply unchanged. Evaluations in Jamaica and Tunisia, among others, found that program food aid did not increase the total supply of imported food in-country.

Despite this overall finding, a number of evaluations reported direct disincentive effects for one or more of the commodities imported, even though the overall effect on total production was neutral or positive. A recent evaluation of the Bangladesh program (Bangladesh 1) quotes a Mission Title III planning document, which recommends phasing out rice imports "because of its probably disincentive effect on Bangladesh rice production."

Similar crop-specific disincentives were identified for oilseeds and feed grains in a number of situations. A 1982 evaluation of the program in Sri Lanka (Sri Lanka 1), for example, concluded that program food aid provided no disincentive for rice production, but may have a negative impact on the production of coarse grains, although the latter are minor crops in the Sri Lankan agricultural system. An evaluation of the program in Tunisia (Tunisia 5) suggests that, although policies prevent any disincentive impact on wheat production, food aid imports may create a disincentive for fodder producers, in that imported maize is an important ingredient in subsidized feed concentrates distributed by the government.

The Bangladesh evaluation cited also demonstrates the general absence of rigorous analysis of the disincentive issue. Noting the general finding of no disincentive effect in previous evaluations, the study notes that

> ... it does not appear that this finding was based on a rigorous analysis.... [S]uch an analysis had not been done for at least five years, probably because the PL 480 guidelines do not require a th[o]rough examination of possible disincentives unless PL 480 food aid approaches 10 percent or more of total staple food consumption over a five year period.

As discussed in the review of the disincentive problem above, a guideline based on total production may be overly restrictive, given the low percentage of total consumption that passes through market channels in heavily agricultural countries such as Bangladesh or many African countries.

Only three studies (Haiti 2, El Salvador 1, and Honduras 1) made a real attempt to measure disincentive impacts. All three used econometric evidence to explore the impact of food imports on prices and of prices on production levels. The El Salvador study does not distinguish between food aid and other imports (although, given that food aid financed more than 80 percent of cereal imports, perhaps such a distinction is unnecessary).

The study of the Honduras case indicates that wheat imports (again, largely financed at this time by PL-480) have depressed domestic maize production, possibly halving the growth rate. The study finds that maize prices, and maize production, are linked to the domestic price of imported wheat, not to the level of imports. Given the government's role in setting this price, apart from market factors, it is again policy rather than PL-480 imports *per se* that must take the blame for a disincentive effect.

The other two studies, however, reach an interesting and unexpected conclusion. In the words of the El Salvador study, the econometric analysis indicates that

> Agricultural imports do not depress domestic food production, but on the contrary, they tend to increase it!

The findings in the case of Haiti are similar. Food aid imports are found to be positively related to domestic grain prices (i.e., an increase in imports leads to an increase in prices) and food imports are also found to be positively related to domestic production in the following year (i.e., an increase in aid leads to an increase in production), although the finding regarding the latter relationship is statistically weak.

The authors of both studies express surprise at these findings and are at something of a loss to explain them. The authors of the Haiti study speculate that food aid levels may be linked to increases in national income that in turn increase production, although such a short-term impact seems unlikely, or that high food prices motivate an increase in food aid (i.e., the direction of causality runs the other way). Another possible explanation is that food aid helps to meet rural food requirements during the lean season, thus increasing domestic production capacity. Additional analysis would be required to determine which of these explanations, if any, is the correct one, but the very strong finding of no disincentive, and indeed a positive incentive in two out of the three studies is certainly worthy of note.

Impact on the Food Sector: Agricultural Policy and Management of the Domestic Food Economy

The increasing attention focused on policy has highlighted the potential value of food aid in supporting reform or lessening its short-term negative impacts.

Hypothesis 5: Food aid supports policy reform and a policy environment conducive to agricultural and overall development: Supported

The evaluations document the wide variety of innovative approaches taken to support policy reform in the agricultural sector. Overall, a large majority of the evaluations considered the impact of food aid on policy reform (57, 66%). The largest share of these evaluations (29, 34%, 51%) found food aid to be supportive of a policy environment conducive to expanded production. A significant minority (17, 20%, 30%) found that food aid was a factor permitting counterproductive policies to remain in place, however.

Not surprisingly, several of the countries where inappropriate policies have received indirect support from food aid are countries where assistance is dominated by foreign policy motives, including Honduras, El Salvador, and Egypt. In other cases, though, poor analysis of the policy environment has led to a failure to address policy problems while indirectly supporting government programs that are counterproductive in the long run. Food aid helped to provide below-market credit in Bolivia, for example, leading to an unhealthy dependence of farmer organizations on food aid resources, and was identified as a likely contributor to the establishment of subsidized feeding programs in Pakistan in the early years of the program (although the contribution to policy reform in more recent years has been strongly positive).

Reforms supported by food aid have generally fallen into one of two categories:

- Price reform: Removal of price controls or raising of government procurement prices to establish sound incentives for farmers

- Market liberalization: Increase in the role of the private sector in agricultural marketing and reduction or elimination of the role of parastatals and government agencies

Many reform programs have involved a combination of these two measures, with increased private sector involvement in marketing advocated at least in part because it is expected to lead to better incentives for farmers. Examples of reform programs serving both purposes and receiving substantial food aid support include Bangladesh, Mali, and Tunisia (most of the evaluations discuss the substance of the reform program).

In some cases, food aid has been used to support better price incentives for farmers by underwriting government price support systems. Some elements of the reform programs in Bangladesh and Mali, as well as programs in Liberia and Mauritania, are based on this strategy.

These two strategies are not as inconsistent as they might seem. In the Mali case, for example, the reform program involved an elimination of the government's official monopoly on coarse grains, an increase in procurement prices, and funding of a price support system. Food aid-generated resources played a critical role in the transition, permitting the government to maintain subsidies for consumers while raising procurement prices for farmers. This transition has now been completed, at least on the producer side, and the government has virtually withdrawn from the market for coarse grains, although continuing to support rice prices directly and through a number of policy measures (restrictions on imports, tariffs, and so on).

The policy dialogue has effectively neutralized the potentially negative impact of food aid on the private sector's role in domestic agricultural marketing. Although food aid goes initially to government agencies, thereby preserving a role for the government in the grain market, there is a marked tendency for domestic distribution of food aid commodities to be transferred to the private sector. The use of food aid auctions in Somalia and Mali, while not entirely successful operationally, provide examples of this shift.

The special nature of food aid has led to an emphasis on policy reform in two other areas, although neither has been as important as the two reform emphases identified above:

- Public food distribution: Rationalization of distribution systems to improve targeting to poor consumers, reduce costs, and eliminate distortions of local markets

- Lifting of trade restrictions: Increase in the private sector's role in import and export of agricultural commodities

Reform of public food distribution programs has been a central feature of programs in Bangladesh, Pakistan, and Mauritania, among other countries. An evaluation of the Pakistan case notes, however, that food aid may have contributed in its early years to the very programs now targeted for elimination (Pakistan 2). The availability of food aid resources has also been cited as providing support to overly ambitious and potentially harmful programs that might otherwise have been eliminated, in Egypt and possibly in Bangladesh (see Egypt 1, for example). Guinea provides an example of a reform program focused in part on grain exports and imports (see Guinea 2), although liberalization of imports has been only partially effective in this case.

Food aid resources have also been used to support a range of other reforms that cannot be categorized easily. The program in Haiti, for example, has included various measures ranging from reforms in specific agricultural taxes (coffee) to institutional reforms (see Haiti 1 and 3, in particular, for a detailed discussion of the program and its achievements).

The self-help measures have been the focus of the policy dialogue process. Over the past 10 years, the evaluations document a shift in the way self-help measures are used. Two important changes have taken place:

- The measures have become more policy-oriented.

- The measures are increasingly accompanied by specific benchmarks or other quantifiable measures.

In several countries (Tunisia, Pakistan, and Mali, for example), the self-help measures have remained essentially the same for a number of years, but dialogue and benchmarks have been used to give the program substance. This flexible, multi-year approach is viewed by a number of observers as key to achieving progress (see, for example, Morton and Newberg, 1986, which summarizes a series of country studies on the negotiation process). In other countries, however, self-help measures have remained a formality, with the appearance of the same measures year after year indicating an absence of progress rather than step-by-step progress toward broad goals. (See Kenya 2 for a discussion of this problem in a specific country.

The drive to make self-help measures specific and additional to other reforms has not always been productive. In some cases, specificity has taken the form of trivial measures — to undertake a study, for example, or name a commission — rather than real, if harder to measure, progress. Several evaluations noted that reform additionality was inappropriate, arguing for using program food aid to lend additional support to a sound reform program sponsored by the IMF or World Bank. (See, for example, Morocco 2.) This argument would appear to have strong merit, as shown by the general success of the multi-donor reform program, where U.S. goals were subsumed into a program supported by several donors under the leadership of the World Food Program.

Impact on the Food Sector: Nutrition

Hypothesis 6: There is no evidence that program food aid has a substantial or widespread impact on the nutritional status of the population: Not supported

Given that a basic motivation for providing food aid is to improve the nutritional status of the recipient population, it is surprising that only 12 of the evaluations (14%) directly addressed nutritional impact. Of those that did (only 12 evaluations), a slim plurality of 5 evaluations (6%, 42%) concluded that the program had a positive impact. Almost as many (3, 3%, 25%) concluded that there was not a significant positive impact, while 4 evaluations (5%, 33%) reached indeterminate or conflicting conclusions. No evaluation concluded that nutrition was worsened (with the possible exception of Egypt, where food aid was implicated as a possible contributor to grain consumption levels that were too high for sound nutrition [Egypt 1]).

It must be emphasized that only 12 evaluations documented a conclusion on nutritional impact, one way or the other. Moreover, one of the evaluations (Nepal 1) included in this group discusses programs of other donors and a possible, but not actual, U.S. program. Thus the evidence could be interpreted with some justification as too weak to support any conclusion, one way or the other. According to the criterion laid out in the methodology section above, the country evaluations do not support the hypothesis, but the silence of the evaluations on the nutrition issue could also be interpreted as confirming the absence of evidence that program food aid has a nutritional impact.

Where a positive impact on nutrtion was found, the impact tended to be associated with a targeted food distribution program (Bangladesh 7 and Tunisia 2) that was implemented in a reasonably effective manner or that was improved through food aid-supported interventions.

Impact on the Food Sector: Donor and Government Programs in the Rural Sector

The country evaluations strongly support the conclusion that food aid-generated resources have aided rural development programs:

> **Hypothesis 7:** Local currency resources generated by program food aid are an important source of support for donor and host government programming in the agricultural sector: Strongly supported

The degree of support ranges from near total reliance of rural programs on local currency provided by food aid (in Haiti and Liberia, for example) to modest support for specific programs in Mali, Mexico, the Dominican Republic, and several other countries. Food aid support has been particularly valuable in times of major macroeconomic upheaval. Aid to Bolivia is credited with keeping the financial institutions in the agricultural sector going during a period of hyperinflation that would otherwise have bankrupted the system, for example.

Overall, 26 evaluations (30%, 74%) supported the hypothesis that the effect on agricultural development programming was positive in that food aid increased the resources available for such programs. Several of the evaluations noted that food aid provided the resources to meet the host country's commitment to A.I.D.-supported projects and that, without this assistance, the effectiveness of the projects and of the aid program as a whole would have been seriously undermined. Examples of such support include Liberia and Jamaica, among others. At the same time, the evaluators seemed reluctant to examine this point too closely, possibly hesitating to suggest the limited support for the projects by the host government.

It is difficult to generalize on the types of programs funded, particularly where food aid has either been used for general budget support, with only loose attribution (Kenya and Pakistan offer examples) or where food aid has underwritten a very large share of the total development program (as in Liberia).

Even in cases where specific projects are identified and discussed in the evaluations, the range of programs supported is too wide for easy generalization. In the Dominican Republic, for example, program funds have financed road construction, training, credit, and PVO programs, as well as agricultural projects. In Bolivia, funds have underwritten credit projects, cooperative development, and many other purposes.

A weakness in the evaluations is the general failure to put program food aid resources in the context of other support to the same projects. The degree of support provided by program food aid ranges from near-total funding (as in some irrigation projects in Bangladesh, for example) to only minor support that complements hard currency funding by donors (other projects from Bangladesh fall into this category). The evaluations generally do not distinguish between the two, making it difficult to determine food aid's contribution to total project funding and, therefore, to any impact that may have taken place.

Impact on the Food Sector: Project Impacts

Although the evaluation literature strongly supports the hypothesis that food aid-generated resources have supported programming in the agricultural sector, very few evaluations were able to draw conclusions on the impact of these programs.

> Hypothesis 8: The impact of food aid-generated local currency resources cannot be determined due to commingling with other resources and/or the lack of project-level impact measurement: strongly supported

Several of the evaluations made an admirable attempt to measure project-level impacts, however, as discussed under hypothesis 3 above. The proliferation of projects supported and the commingling of food aid funds with other donor and host government resources made the assessment technically difficult, and few of the projects supported were designed to generate the impact measurement necessary to a determination of benefit. An unusually thorough evaluation conducted in the Dominican Republic, for example, catalogued the dozens of projects funded, together with their goals and the degree of progress achieved, but noted that very few of the projects provided sufficient information to judge more than immediate outputs (Dominican Republic 1).

Of those evaluations attempting to examine program impact, 14 (16%, 67%) found that impact could not be measured. Part of the problem lies in the long-term nature of development impact, which may not fully materialize until several years after formal assistance terminates. This problem affects both project and policy assistance. Although in principle project impacts should be easier to capture, measurement in the field almost invariably encounters serious methodological problems related to separation of project and non-project influences, lack of control populations for comparison or poor comparability between the two, inadequate baseline data, and insufficient resources for measurement. Two of the Bolivia evaluations (Bolivia 2 and 5) made an intensive effort to measure impact by interviewing farmers and other beneficiaries and visiting project sites. In both cases, the difficulty of measuring income effects and resource limitations prevented the teams from making a definitive assessment of project impact.

These problems are by no means unique to program food aid, but they are exacerbated by several features of food aid, including the lack of hard currency funds to support technical assistance, the tendency for project proliferation, and the limited degree of involvement by donor personnel in projects funded with local currency.

EVIDENCE FROM THE COUNTRY EVALUATIONS: PROGRAM FOOD AID MANAGEMENT

Approaches to development programming have changed drastically since PL-480 was initiated in the late 1950s, and PL-480 programs have been affected by shifts in emphasis among the competing objectives of trade promotion, development, and relief to hungry people. Some of the changes to PL-480 — notably the addition of Title II/206, Title III, and Section 106/108 programming — have had only a marginal impact on the portfolio as a whole, either because program requirements limited their application (Title II/206 and Title III) or because they are relatively new (Sections 106 and 108). The large increase in 416 program levels since 1983 has shifted food aid resources toward countries that would generally not be able to receive PL-480 assistance, adding an additional degree of flexibility to food aid programming.

This study examined evidence from the country evaluations with regard to three hypotheses related to program management:

> **Hypothesis 9**: Current procedures for managing food aid reduce or impede program effectiveness: strongly supported
>
> **Hypothesis 10**: Integration of program food aid with development assistance and, in particular, with policy reform dialogue is increasing: strongly supported
>
> **Hypothesis 11**: Local currency programming and reporting impose management requirements that are costly to the mission and/or the host government or that reduce program effectiveness: strongly supported

Because management issues tend to be tightly interrelated, the results of the review of the country evaluations will be discussed jointly.

This section summarizes the findings on these three hypotheses and summarizes the findings of the evaluation review on several management-related issues that, while important, were discussed by too few evaluations to warrant formulation of hypotheses.

Before turning to a review of the findings in these areas, it must be emphasized that program food aid has been and continues to be a useful tool to support U.S. development objectives. Indeed, the country evaluations lend strong support to the conclusion that USAID Missions are wringing more benefits out of program food aid than ever before. In only one case — Somalia — did the evaluators (auditors in this case) recommend reducing program assistance.

Nonetheless, the evaluations provide equally strong support to the conclusion that current procedures are so cumbersome that they can impede or reduce program effectiveness. It would greatly overstate the case to interpret this finding as evidence that procedures prevent program effectiveness: the evaluations document the efforts of the missions and the host governments to overcome the barriers imposed by current procedures and implement programs with a positive impact. Sometimes this adjustment has taken the form of a lengthy familiarization and adaptation process, leading to establishment by the host government of a bureaucratic unit whose sole responsibility is tracking food aid-generated local currency (this move has proven necessary in Bangladesh, Haiti, Bolivia, and elsewhere). Sometimes the adjustment has taken the form of liberal interpretation of the requirements for expenditure tracking (in Kenya and Pakistan, for example), indirectly liberating resources for policy dialogue or other purposes.

At the same time, the evidence is strong that current procedures, particularly local currency management, force missions and host governments to place the emphasis on monitoring and control of expenditures, rather than on achieving or measuring program impact. In a world of limited resources, burdensome management requirements can be observed only by allocating resources that might otherwise be used to strengthen program content or improve measurement of outcomes.

Twenty-four evaluations (28%, 89%) identified procedures that appear to reduce or impede program effectiveness, while twenty-five evaluations (29%, 71%) found that local currency management requirements in particular are costly or reduce program effectiveness.

Not surprisingly, 15 of the 24 evaluations supporting a need for revision were in Africa, a proportion roughly twice Africa's representation in the total group of evaluations. Many evaluations offered specific suggestions, often keyed to the characteristics of the particular country program involved. Several of the audits, for example, recommended greater involvement for the Controller's office in monitoring and managing local currency.

The specific problems identified varied greatly, as might be expected, making it difficult to generalize regarding specific procedures that should be targeted for reconsideration. Several evaluations (e.g., Dominican Republic 1, Somalia 2) emphasized the need for better analysis of program food aid impacts during the planning stage. Others (e.g., Kenya 1 and 2) addressed the need for closer coordination with the host government in both planning and managing program food aid. Still others discussed specific management problems, such as project monitoring or commodity handling.

Discussion of management problems was not limited to the 27 evaluations classified as supporting, not supporting, or providing indeterminate evidence on hypothesis 9. Almost every evaluation cited and discussed management problems of one sort or another. As will be seen below, an average of over 30% of the discussion of substantive issues in the evaluations focussed on management issues. Only those evaluations that found that management problems were substantial and likely to have impeded or reduced program effectiveness were classified as supporting hypothesis 9, however.

Although the evaluations strongly support a conclusion that there is room for improvement in program food aid management procedures, it would be inappropriate to conclude that current management procedures are preventing the programs from being effective. Several evaluations (including studies in Bangladesh and the Sudan) noted that A.I.D. and the host government had required several years of experience to establish the procedures necessary to manage the program under the current system, but that they had succeeded in the end. Equally important, USAID missions have demonstrated an ability to make program food aid meet their needs, drawing on the lack of specificity in PL-480 legislation to direct assistance where they perceive it to be most needed. Thus programs that are superficially the same have evolved in quite different directions, responding to differences in local needs and mission strategies. Title II/206 programs in Mali and neighboring Mauritania, for example, are entirely different: Mali's program focuses on technical and budgetary support to policy reform while Mauritania's focuses on feeding programs and local currency support to specific projects.

The evaluations support the conclusion that food aid programs are becoming more effectively integrated into A.I.D.'s overall development program. The effect appears to be strongest in the area of policy dialogue, where food aid provides an additional resource and a specific mechanism — self help measures — to support the dialogue. Fifteen evaluations (17%, 68%) cited strong or improved coordination at either the policy or project level.

The management procedures and workload requirements associated with program food aid vary greatly depending on the type of program (Title I, Title II/206, etc.) and its design. Despite continuing problems associated with monitoring the programming and use of local currencies, USAID Missions would appear to have adjusted to the procedures and workload for most types of program food aid. Host governments are experiencing somewhat more difficulty, in part because the requirement for joint programming is sometimes viewed as an invasion of their sovereignty (in Pakistan, Egypt, and Kenya, for example) and in part because the U.S. government attempts to impose a standard of fiscal probity and control that exceeds that applied to their own funds, with predictable results. The evaluations make clear that the management burden associated with programming local currency depends on program design, as shown in Figure 8 (416 programs are not classified in this schema, because very few evaluations addressed activities funded under this program). In other words, a shift in program food aid management to emphasize policy rather than projects reduces the management burden on both the U.S. and the host governments, whereas a Title III program with a high component of non-donor projects is the most difficult to manage.

This is not to say that management burdens disappear when policy becomes the focus of local currency use and self-help measures. On the contrary, the RONCO evaluations and specific country experience (notably in Pakistan and Haiti) stress the importance of backing policy dialogue initiatives with well planned and executed analytical and technical discussion programs.

Coordination with other donors has taken on increased importance in food aid programming for two basic reasons:

- Other food donors are a larger part of the picture: The U.S. share in total food aid has fallen since the program began and now accounts for about 60 percent of total food aid worldwide; the United States is no longer the leading food aid donor in several of the countries where food aid is an important element of total U.S. assistance (e.g., Mali)

- Policy reform requires greater coordination than project assistance: Whereas projects generally focus on activities implemented in a specific location with specific local partners, and therefore can be implemented in isolation with little loss of effectiveness, policy reform by its very nature focuses on decisions that are taken at the highest level of government and implemented nationwide.

Although coordinated donor efforts to support policy reform are still relatively uncommon, successful experiences in Mali and elsewhere have received considerable attention. Attempts to replicate this experience (e.g., in Mauritania) are only beginning to appear, but they should become more common in the future.

The emphasis on reform and donor coordination also requires that A.I.D. recognize the lead role played by the World Bank Group, including the

Figure 8. Relation Between Program Type and Management Complexity

Degree of Complication:	High	Medium	Low
Program Type:	Title III	Title II/206	Title I
Currency Use:	Host government projects	A.I.D.-funded projects	Policy

International Monetary Fund (IMF), in policy negotiations. The country evaluations revealed at least two instances in which programs supported by food aid counterpart funds have come into conflict with IMF efforts to restructure government spending. In Mali, the donor committee controlling food aid reflows came under pressure to make these funds available to help the government close its fiscal deficit and implement reforms outside the food sector, putting the reform program advocated by the donors in jeopardy. In Morocco, the IMF has strongly opposed earmarkings and creation of special funds in order to improve control over government expenditures and investment levels. This viewpoint creates a potential conflict with A.I.D.'s policy of maintaining separate accounts and strict accountability for local currency generations. An actual conflict has at times been avoided by failing to adhere strictly to this policy (see the Mission's response to the audit recommendations on local currency in Morocco 3).

Actual and potential conflicts at this level highlight the need to integrate program food aid and other mission activities, particularly in the policy area. In this regard, it should be noted that both the Africa and the ANE Bureaus are experimenting with measures to improve integration bureau-wide. The food assistance strategy statement developed by the Kenya Mission (Kenyaa 1) is an excellent example of how the two can be integrated, and it offers a model that the Africa Bureau plans to extend throughout the program.

Where program food aid has been used as a major support to the policy dialogue, integration has been particularly successful. Several of the Bangladesh evaluations (1, 5, and 6), for example, fall into the supporting column, based on discussions of the integration of the Mission's policy dialogue with specific self-help measures and benchmarks. Tunisia offers an additional example of effective integration of the two assistance modes, with parallel policy agenda items, with three evaluations (2, 4, and 5) supporting the hypothesis. It is noteworthy that both these countries followed a multi-year strategy, with sustained discussion and review of policy progress over time.

With regard to local currency management and monitoring, the evaluations clearly identify this issue as a sore point in program food aid management. With the exception of the impact on policy and agricultural programming, more evaluations addressed this issue than any other reviewed by the team (although the margin is small). In many cases where the review found that local currency management problems were not overly costly and did not reduce program effectiveness, our review of the evaluation indicated that the Missions and host governments involved have been able to make the adjustments necessary to program local currency, without undue strain or loss of overall effectiveness. One of the evaluations for the Sudan (Sudan 1), for example, found that, although the Mission had underestimated the investment needed to make a Title III program work, once the program was in place, it operated effectively. The audit of the same program (Sudan 2), however, found significant delays and other management problems sufficient to reduce the program's overall effectiveness.

In some cases, the management burden has been brought into line with available management resources by liberal interpretation of the official procedures. Host country governments, in particular, have been adept at evading requirements to deposit the funds into separate accounts and program them jointly with A.I.D. The evaluations did not reveal any instances in which lack of compliance with local currency requirements resulted in programs being reduced or cancelled, although signings were sometimes pushed back later in the year (and several audits — see Sudan 2, for example — recommended withholding future assistance if compliance did not improve).

The evaluations confirmed host government objections to joint programming of Title I funds as an infringement on their sovereignty. Kenya, for example, has steadfastly refused to do more than make a vague, ex-post attribution of local currency funds. A.I.D. guidance continues to call for joint programming, but the interpretation of the guidance varies considerably from country to country. Whereas local currency is viewed as a potential source of additional funding for policies and programs supported by the agency, it is also recognized that Title I generations belong to the host government. Missions differ with regard to the emphasis they wish to place on local currency programming (and their position may shift over time, as policy reform emerges as a high priority, for example). Host country governments also differ with regard to their willingness to program jointly and the degree to which their compliance in this regard can be achieved only at the expense of other, arguably more important, concessions.

Based on the evidence in the country evaluations, it would appear that Title II/206 funds and Title III funds, deriving from grants, are less subject to this problem, which suggests an additional rationale for shifting program food aid to a grant basis, if programming of local currency is viewed as an important part of the program.

In several instances, governments have chosen to set up special management units to handle the extra requirements imposed by program food aid. Examples include Bolivia, Haiti, and the Dominican Republic. This approach would appear to have been used most frequently where a large number of projects and subprojects, not necessarily supported by other donor funds, have been funded out of local currency generations, creating a need for an office to allocate and manage these funds among many separate entities. Although this approach has simplified (or at least organized) reporting and provided a focal point for A.I.D. involvement in the process, the office has not always had sufficient power to assemble the information needed for effective monitoring and management (see, for example, Dominican Republic 1).

An additional potential drawback of such separate offices is the increased possibility for proliferation of projects and activities that have a life of their own and only tenuous connection to the priorities and programs of the donors and host government. Although this problem is not directly addressed in the evaluations, the discussion of the specific projects funded provides indirect evidence that this problem has arisen in the Dominican Republic and possibly elsewhere.

The country evaluations also provide evidence on a range of issues related to program management that were difficult to generalize into hypotheses. The remainder of this section focuses on three issues of importance to program design and management: commodity availability and selection, Title I financing, and conditionality.

Commodities: Availability and Selection

Few of the evaluations addressed the commodity selection issue directly, apart from discussion of possible disincentives to local production (see above). Other questions related to commodity choice, such as the acceptability of the commodity provided to local tastes and preferences, were treated in only a handful of evaluations. In most cases, the commodity provided — usually wheat, rice, or coarse grains — was essentially identical to the commercially imported equivalent and marketing posed few problems. Exceptions include Senegal, where long delays in commodity sale were experienced because the type of rice provided was not acceptable locally, and Bangladesh, where the evaluators recommended shifting to parboiled rice to improve the fit with local market preferences.

Title I Financing

The role of Title I in adding to the debt burden and the debt repayment problems of developing countries is only beginning to get serious attention within A.I.D. and the Department of Agriculture. The long history of ignoring repayment questions makes analysis in this area difficult, as consolidated estimates of outstanding debt are simply not available. The number of countries shifting from net receipt to net outflow is climbing, however, and increasing problems with arrearages are beginning to attract the attention of program managers both inside and outside the food aid arena.

As discussed above, the high degree of concessionality attached to Title I loans is a two-edged sword. In the short run, PL-480 loans provide significant balance of payments support and economic theory says that this benefit should extend to the long run as well. The authors believe this benefit is at least partly illusory, however, and that countries may end up paying a very high price for food aid. There may be a reason why the United States is the only donor to operate a concessional loan program.

Conditionality

The evaluations do not reveal a single instance in which program food aid was cancelled, or even held up significantly, because the host government had failed to meet policy or program conditions. In several instances, notably Liberia and Congo/Brazzaville, auditors recommended that future assistance be withheld if performance did not improve, but the concern focused on local currency management rather than program conditionality.

As discussed above, the weak enforcement of conditionality cannot be interpreted as a sign that policy reforms and project activities supported by program food aid have been implemented to the full extent of the agreement. On the contrary, the evaluations document numerous cases where conditions were not met but programs continued.

Although the reasons behind weak enforcement are rarely discussed in the evaluations, the country evaluations and the general literature suggests several alternative explanations:

- The <u>collaborative style</u> that characterizes bilateral negotiations on reform is not conducive to cancelling or withholding assistance. Both sides hesitate to label the experience a failure in so clear and unequivocal a fashion. The incentive is always to continue the dialogue, accepting host government excuses and hoping for better progress in the future.

- The importance attached to <u>U.S. agricultural sales</u> also clearly plays a role in the failure to enforce conditionality. The experience in the Philippines, where pressure from U.S. wheat interests forced the Mission to back off from reforms to permit a PL-480 sale to go through, provides a recent example. The conflict between U.S. oilseeds interests and reform in Pakistan was not as detrimental to the dialogue as in the Philippines case, but U.S. sales interests clearly limited the reform agenda. This conflict could be partially resolved by using the degree of grant concessionality rather than program size or timing as the focus of negotiation.

- The <u>political value</u> of program food aid has also worked against a hard-line negotiating position on policy reform, as both sides are aware that the assistance will go through, and probably sooner rather than later.

- A.I.D. itself may be unwilling to hold up assistance, where <u>local currency programming</u> underpins the success of the Mission's regular portfolio.

The inherent weakness of program food aid conditionality has reduced the effectiveness of the policy dialogue in some cases, but overall, Missions have been able to overcome this problem through skillful negotiation, convincing analysis, and patience. As one evaluation of the Haiti experience correctly notes, a reform that is not supported by decision makers in the host government is a reform with a very limited lifespan.

EVIDENCE FROM THE COUNTRY EVALUATIONS: CONTENTS ANALYSIS

In an attempt to analyze more rigorously the focus of the country evaluations, the team conducted what might be termed a "poor man's content analysis," or, more precisely, a "table of contents analysis." The results of this analysis are shown in Figure 9. The country studies available to the team were analyzed to determine the proportion of the total text devoted to each impact area. For the purposes of this analysis, the food sector impact area was divided into two subcategories: impact on the agricultural sector and impact on local currency programming.

On average, 68% of the 3,500 total pages of the evaluations were devoted to discussion of impact or implementation issues, the remainder being devoted to summaries (which were not analyzed separately), introductory material, description of the PL-480 program and its antecedents, evaluation methodology, and analyses of the country context, including in particular descriptions of the food economy, nutritional status at the national and micro-economic level, and recent agricultural performance.

Discussion of the impact of the program at the sectoral level received the greatest attention in the evaluations, which have tended to focus increasingly on policy reform performance, self-help measures, and market privatization, reflecting the shift in program emphasis worldwide. Discussion of sectoral issues accounted for 39% of the total evaluation volume devoted to issues (or 60% including both project-specific and sector-wide issues).

Not surprisingly, management issues received the next largest share of the total, accounting for 31% of the total issue discussion. Although the team did not attempt to quantify the relative attention to A.I.D. and host government management, the discussions are divided about evenly between these two topics, which are closely related in any case.

Local currency programming accounted for 21% of the total discussion of issues, although the evaluations generally did not review project progress in detail. (Exceptions where project implementation was analyzed on a project-by-project basis include several of the Bolivia evaluations and the

Figure 9. Priority Assigned to Issue Areas in Country Reports

Country	No.	Main Author	Issue or Impact Category				Pages	
			Macro	Sectoral	Program	Mgt.	Issues	Total
			Percent of Issue Pages				No.	No.
Bangladesh	1	Alverson	42	54	0	4	24	30
Bangladesh	2	Butler	0	55	14	31	42	42
Bangladesh	3	Gold	11	53	21	16	19	29
Bangladesh	4	Gunther	0	60	20	20	15	24
Bangladesh	5	Kunkel	0	50	50	0	12	14
Bangladesh	6	Molldrem	0	45	14	41	29	29
Bangladesh	7	Richardson	0	100	0	0	26	42
Bangladesh	8	Riordan	0	80	20	0	25	38
Bangladesh	9	USAID 81	0	91	9	0	44	44
Bangladesh	10	USAID 79	0	71	29	0	14	36
Bangladesh	11	Wein	0	48	17	34	58	68
Bolivia	1	Boonstra	7	37	37	18	83	106
Bolivia	2	Hatch 82	0	8	82	11	92	114
Bolivia	3	Hatch 84	0	0	84	16	109	139
Bolivia	4	Ladman	50	28	22	0	18	18
Bolivia	5	Lesser	0	74	0	26	54	66
Bolivia	6	NMSU	0	9	59	31	32	42
Bolivia	7	SocCons.						
Bolivia	8	USAID	1	4	75	20	71	72
Cape Verde	1	Apodaca	0	24	41	35	49	64
Cape Verde	2	Saunders	0	100	0	0	9	110
Cape Verde	3	Steigleder	0	0	0	100	26	28
Congo/Brazzaville	1	USAID	0	0	0	100	9	9
Dominican Republic	1	Hatch	1	0	93	5	167	185
Egypt	1	Blue	84	16	0	0	25	48
Egypt	2	Morris	6	76	0	18	17	29
El Salvador	1	Torre	25	75	0	0	44	114
Gambia	1	USAID	5	20	0	75	20	23
Guinea	1	Hanrahan	8	50	25	17	12	18
Guinea	2	USAID	2	93	0	5	41	69
Haiti	1	Brinkerhoff	0	0	13	86	16	26
Haiti	2	Deaton	0	59	12	29	17	107
Haiti	3	Morton	0	25	7	68	60	84
Haiti	4	Sylvain	0	22	22	56	18	27
Haiti	5	USAID 86	1	0	83	16	139	161
Haiti	6	USAID/IG	0	0	0	100	7	7
Honduras	1	Norton	29	66	5	0	41	59
Honduras	2	USAID	0	0	0	100	2	9
Indonesia	1	Gellerson	20	20	20	40	5	12
Jamaica	1	Kilmer	0	33	33	33	6	23
Jamaica	2	McClelland	0	100	0	0	6	27
Jamaica	3	Sidman	29	29	21	21	14	31
Jamaica	4	Wagner	4	0	96	0	25	34

Figure 9. Priority Assigned to Issue Areas in Country Reports

Country	No.	Main Author	Level of Impact Category: Macro	Sectoral	Program	Mgt.	Pages: Issues	Total
			Percent of Issue Pages				No.	No.
Kenya	1	USAID/strat	2	34	20	44	41	80
Kenya	2	USAID/IG	0	0	50	50	8	11
Liberia	1	Kiehl	9	7	61	22	54	77
Liberia	2	Moore	32	26	5	37	65	79
Liberia	3	Trapp	67	33	0	0	3	36
Liberia	4	USAID	0	0	0	100	12	15
Madagascar	1	Hough	4	65	15	15	26	26
Madagascar	2	McPherson	0	79	13	8	24	27
Madagascar	3	Rasses	23	53	13	10	30	33
Mali	1	Bremer	0	100	0	0	23	26
Mali	2	Humphreys	0	90	6	3	31	36
Mali	3	Newberg	0	0	0	100	22	22
Mali	4	Scott	0	96	0	4	23	33
Mali	5	USAID	0	100	0	0	6	7
Mali	6	Wilcock	5	95	0	0	22	32
Mauritania	1	McClelland	0	35	46	19	48	62
Morocco	1	Nelson	40	50	10	0	10	10
Morocco	2	USAID/86	33	42	17	8	12	12
Morocco	3	USAID/IG	0	0	0	100	8	8
Nepal	1	Fletcher/88	0	0	81	19	23	67
Nepal	2	Fletcher/84	0	11	20	69	35	67
Pakistan	1	Mulligan	0	100	0	0	5	5
Pakistan	2	Newberg	0	81	19	0	27	47
Peru	1	Johnson	15	45	40	0	20	40
Peru	2	USAID	0	0	57	43	7	54
Philippines	1	Crosswell	11	61	0	28	36	41
Philippines	2	GAO						
Rwanda	1	Reintsma	0	0	82	18	11	17
Senegal	1	Livingston	0	7	24	69	42	82
Senegal	2	USAID						
Somalia	1	USAID						
Somalia	2	USAID/IG 87	0	89	0	11	18	20
Somalia	3	USAID/IG 82	0	0	0	100	7	7
Sri Lanka	1	Steinberg	60	20	20	0	15	36
Sri Lanka	2	USAID	24	48	14	14	21	21
Sudan	1	Dunlop	17	41	19	23	78	95
Sudan	2	USAID/IG	0	0	0	100	18	18
Sudan	3	Winch	0	50	0	50	10	41
Tanzania	1	USAID	0	0	0	100	4	4
Tunisia	1	Unidentif.	21	32	37	11	19	22
Tunisia	2	Nelson	86	7	7	0	14	15
Tunisia	3	Newberg 85	0	0	0	100	33	33
Tunisia	4	Newberg 84						

Figure 9. Priority Assigned to Issue Areas in Country Reports

Country	No.	Main Author	Issue or Impact Category				Pages	
			Macro	Sectoral	Program	Mgt.	Issues	Total
			Percent of Issue Pages				No.	No.
Tunisia	5	USAID	36	43	14	7	14	17
Yemen	1	USAID	27	18	9	45	11	11
Zaire	1	USAID	0	0	0	100	4	4
Zambia	1	Duncan	0	36	33	31	55	77
AVERAGE PERCENTAGE:			10	39	21	31	30	44
TOTAL PAGES:							2536	3708
Africa			5	40	14	41	849	1253
Asia			8	57	19	15	473	682
Latin America and Caribbean			8	26	36	30	1053	1570
Near East			33	28	9	29	161	203

Hatch evaluation in the Dominican Republic, all of which made yeoman efforts to track down and analyze program performance at the local level.)

Macroeconomic impacts accounted for only 10 percent of total issue discussion and analysis, even with a fairly generous definition of what belongs in the macroeconomic arena. Nearly all of this discussion focused on the balance of payments question, as evaluation teams wrestled with the question of whether program food aid was or was not additional to total availability.

The analysis indicates some interesting differences in evaluation content at the regional level. Evaluations for the Near East region devoted a much larger share of the total discussion to impact or issues at the macroeconomic level (33%, versus 5-8% for the other regions). This emphasis might be attributed to the importance of many programs in this region in terms of U.S. foreign policy objectives, leading to concern to ensure that the programs support overall macroeconomic performance and political stability.

Management issues were a particular concern in the Africa region, where evaluations devoted 40% of the issue discussion to management, compared to 15-30% in the other regions. This finding is not surprising, given the lack of management structures in the region and the rapid growth in Title II programs during the study period.

Project-related issues absorbed a larger share of the total discussion in Asia, and, to a lesser extent, in Africa (57% and 40% respectively) compared to the other two regions (26-28%). With regard to the African region, this finding may be interpreted as an additional indication of management difficulties, as well as the importance of local currency in meeting the needs of donor-funded projects in this region, while the finding in Asia reflects the importance of Bangladesh in the sample and the ambitious project portfolio funded with the large program in this country.

The level of evaluation effort is clearly related more to the type of program than to its size. Title III programs are by far the most heavily evaluated, followed by Title II/206 programs. Bolivia and Bangladesh alone accounted for 19 evaluations — about 20 percent of the worldwide total. Several of the larger Title I programs, notably Egypt and Pakistan, have received relatively little formal evaluation.

OPPORTUNITIES FOR INCREASING THE EFFECTIVENESS OF PROGRAM FOOD AID

The experience to date with program food aid demonstrates the potential usefulness of the resource and suggests the wide array of options available for using the resource effectively. The experience also suggests that the effectiveness of program food aid could be increased by giving USAID Missions greater flexibility in how they use the resource.

Several options for redesigning the program are currently under discussion within the development community. Although a detailed analysis of these options clearly lies outside the scope of this review, a brief discussion of the implications of the country evaluation literature for future food aid programming may help support the redesign process.

Program food aid could be modified along any or all of the following three dimensions:

- Who gets program food aid: Should program food aid continue to be allocated on the basis of country-by-country decisions with a heavy emphasis on support to U.S. foreign policy objectives, rather than need?

- How program food aid is structured: Should food aid be redirected to shift the emphasis among the competing aims of direct hunger alleviation, general budget support for rural development, support for donor-assisted projects, and policy reform? Should the terms of program food aid be restructured to respond to changing macroeconomic conditions?

- How food aid is managed: Should procedures be simplified to reduce the management burden on Missions and host governments, or should management be tightened to improve control and accountability?

This section briefly considers several options with respect to these issues. Although it is impossible to discuss these options without addressing their implications for management, discussion of management issues is presented as a separate subsection.

Allocation of Program Food Assistance

As the brief analysis of Title I program levels earlier in this report makes clear, the current allocation of food aid bears little relation to need, however defined. Roughly 40% of program food aid is allocated to ESF countries, which generally have a high priority in U.S. foreign policy objectives, resulting in an allocation that may safely be assumed to be quite different from one based on need or the efficiency with which program food aid resources can be used to support development. Nearly one-fifth of all assistance goes to a single country, Egypt, where nutritional levels are already relatively high compared with developing country averages. The effort made to direct food aid to low-income consumers by requiring that most aid go to the poorest countries has not generally resulted in a need-based allocation, although the requirement has been adhered to, because many countries on the political priority list meet this requirement.

At the same time, a reallocation of food aid based on need at the national level would not necessarily result in a better performance in alleviating hunger or supporting economic development at the macroeconomic or sectoral level. Except in times of emergency, hunger is a microeconomic problem, not a macroeconomic one. It is a problem of income distribution and government priorities, not total resource levels. To put it simply, individuals are hungry, not nations, and they are hungry because they cannot afford to buy food. There are very few countries, if any, where foreign exchange resources are so scarce that sufficient food to meet national needs could not be imported, if food imports were the top priority.

Simply financing food imports does not address these microeconomic problems, even if it does increase total food supplies in the country. The country evaluations indicate, moreover, that program food aid as currently structured does not generally increase the supply of food in the country, nor does it increase the ability of the poor to buy food, at least in the short run. A reallocation of food aid among countries to target those with the greatest hunger problem would therefore not improve program food aid's performance in reducing hunger, unless the reallocation were also accompanied by measures to increase the program's impact on the microeconomics of hunger (as discussed below).

At the same time, there may be real benefits to making the allocation mechanism more transparent and more systematic. From a developmental perspective, the impact of food aid on policies and program implementation could be strengthened by abandoning the current system of *de facto* entitlements, so that the allotment or withholding of food aid would effectively communicate support or the lack of it. Such a system would give greater emphasis in allocating food aid resources to the government's commitment to implement sound programs and policies to promote short-term alleviation of hunger and long-term development, not necessarily to the prevalence of hunger in the applying country.

The degree of support provided to policies would be increased by limiting the restrictions placed on the types of commodities imported. Program food aid is a transfer of resources, not of food, and could well operate along the lines of any commodity import program. In any case, the need to link program food aid to specific commodities is substantially weakened by a shift in U.S. farm policy away from programs that result in official (if hard to define) surpluses.

Redirecting Food Aid Resources to Reduce Poverty Directly

Although food aid cannot be expected to increase food supplies in country on a ton-for-ton basis, a redesign of the program could substantially increase the impact of program food aid on the income of the poor, identified as the target of assistance in the PL-480 legislation. Experiments with targeted food programs in Jamaica, Bangladesh, and Sri Lanka demonstrate that it is possible to implement a broad-based, effective food distribution program targeted to the poor. Although such programs are often attacked as lacking in long-term development impact, an effective safety net program can in fact provide significant support to a broader development effort, by reducing unrest associated with structural adjustment and by contributing to the productivity of low-income farmers and laborers.

In general, direct distribution of food aid commodities — particularly high-cost grains such as wheat and rice and oilseeds — is not the most cost-effective way to implement these programs, for two reasons. First, these grains are preferred by high-income consumers as well as low-income groups. Experience around the world demonstrates conclusively that high-income groups will use their influence successfully to gain more than their share of income subsidies provided in this form, greatly increasing the cost of reaching poor consumers, if they are reached at all.

Second, there are a number of advantages to using the food indirectly, selling high-cost imported food to purchase low-cost local food. First, the total nutritional value of the program is vastly increased by buying lower-cost foods and therefore providing more food to more people. Second, targeting is improved by using self-targeted local commodities. Third, the logistic cost can be reduced, as local foods can be purchased much closer to the point of consumption, particularly for rural programs. Fourth, purchase of local grains for distribution to consumers who would not otherwise consume as much has the potential to increase effective demand, providing direct support to local producers and generating potentially important multiplier effects throughout the rural economy. These demand-driven effects may be as effective as traditional development programming in encouraging greater agricultural production.

Despite these advantages, income transfer programs such as direct feeding programs could be implemented only at the cost of reduced support to agricultural projects, including donor-funded projects that now rely heavily (if unofficially) on local currencies generated by food aid. Such a shift may therefore imply trading off future development for reduction of hunger in the near term. A very real question, however, is whether the stimulus given to production by the current development projects is greater than that provided by increased demand through a broad-based targeted income transfer program. Where development projects offer greater long-term benefit than feeding programs, each country and each Mission must address the question of whether long-term benefits should be sacrificed for short-term gains.

A thorough treatment of the feasibility of using program food aid-generated local currency to encourage targeted feeding is outside the scope of the present study. Discussions with knowledgeable individuals and review of the literature highlight two additional design issues regarding such a shift, however.

First, an effort to increase or maximize the impact of program food aid on hunger suggests (but does not require) a shift in the allocation among countries. Such a shift would not necessarily target countries where the greatest percentage of the population is malnourished (however defined or measured). On the contrary, a country allocation designed to maximize the immediate impact on nutrition would rely on two criteria:

- the existence of an institutional structure to implement targeted feeding programs (including government commitment to targeting)

- the cost per ration or per beneficiary of implementing a targeted feeding program in terms of program food aid-generated resources

The first criterion is relatively self-explanatory. Provision of food to countries that are not prepared to or are not able to implement a targeted feeding program will clearly not result in a direct or immediate increase in food consumption by the low-income population.

The second criterion requires some elucidation, however. If food aid is consumed directly by the target population, then one ton of food will feed the same number of people in any country. Where some or all of the food aid is sold to generate local currency that in turn is used to finance the purchase and distribution of food (local and/or imported), then the number of people reachable with the resources generated by a ton of food varies greatly from country to country. In particular, the costs will be highest in countries where:

- few local resources are available to help defray the cost of the program
- logistic and administrative costs are high, due to the lack of social and physical infrastructure
- local foods are relatively expensive in dollar terms

Experience with Title II programs indicates that these differences are not trivial. On the contrary, administrative and logistic costs can equal or exceed the local-currency value of the food. It is highly likely that the same program level that will meet the food deficit of 10,000 people in one country will meet the food deficit of only 5,000 in another country. The Title II experience indicates that it is far more expensive to implement such programs in Africa than in Latin America or Asia, although country-to-country differences are also large within and between the regions. Programming and foreign policy considerations would undoubtedly make it necessary to achieve a reasonable degree of geographic distribution in any program of this kind, but the importance of cost-effectiveness in an environment of resource scarcity must also be recognized.

A second consideration relates to the potential value of targeted feeding programs in supporting structural adjustment programs. Recent experience in countries from Argentina to Zambia demonstrates the political consequences of rising food prices. Such increases, whether caused by a reduction in subsidies or a devaluation of the currency, tend to accompany structural adjustment programs. Indeed, they are an important element of programs designed to encourage production and investment rather than consumption.

Regardless of the long-term improvement in equity and income levels made possible by a successful structural adjustment, the real hardship imposed by the adjustment process cannot be ignored. Moreover, the evidence is accumulating that the shift of large portions of the labor force from low-productivity activities producing nontradeables (including services) to high-productivity, export-oriented activities cannot be achieved overnight and that the low-income population may suffer a real drop in income during the transition.

Targeted income transfer programs can help to address this problem, by providing a short-term safety net and by demonstrating the government's concern over the well-being of the population. To be effective, such programs must move from the drawing boards to the streets in a matter of weeks or months, not years. In countries with an established food distribution system that is already reasonably effective in reaching the poor (such as Bangladesh), provision of program food aid commodities may be sufficient. In the majority of countries, however, there is no such mechanism or it is wholly unreliable.

Neither program nor project food aid mechanisms are currently able to respond to this need. Program food aid can be provided quickly, but does not come "packaged" in a form permitting rapid start-up of targeted feeding programs (which require specialized expertise currently found primarily in PVOs and the World Food Program). Project food aid, whether U.S. or other country, moves much too slowly to meet this need. Emergency assistance moves rapidly but, given current limitations on this assistance, cannot be used to addressed an emergency caused by devaluation.

Consideration should therefore be given to designing a "structural adjustment facility" that would combine rapid provision of program food aid commodities with modest amounts of dollar assistance to finance the logistical inputs and administrative expertise needed to implement such a program.

Program Structure: Terms and Conditionality

Concern over the debt problem has spread from the relatively high-income countries of Latin America to countries at the lowest end of the spectrum in Africa and Latin America. This problem, posing a serious threat to the future development of the poorest countries and possibly to the international finance structure as well, demands that the terms of PL-480 assistance be reconsidered. It is simply unacceptable for PL-480 to contribute to the net outflow of resources from countries still at the bottom of the international heap.

As a first move, it would be highly desirable to consider shifting future program assistance to a grant basis. This shift would reflect the increased use of grant funding for all U.S. bilateral assistance and would also bring the United States more closely into line with other food aid donors.

But shifting current programs to grant basis may not go far enough. Consideration should also be given to measures to reduce the outstanding debt. As argued above, the concessionality of the current program, although high, is also somewhat illusory, in that countries must ultimately pay out far more in foreign exchange than they would from comparable commercial loans.

Wholesale forgiveness of outstanding debt, although advocated by some, would not appear to be justified. Instead, forgiveness or debt restructuring might be linked to implementation of policy reforms, documented allocation of increased resources to agriculture, funding of targeted hunger alleviation programs, or other measures on the part of the host government.

Changes in Management Procedures

There is a clear need to improve the management procedures for PL-480 program assistance. At the same time, it must be recognized that the cumbersomeness of the current procedures reflects the underlying complexity of using food to accomplish an international resource transfer. The multiplicity of interests underlying food aid are an inherent part of the process and, in the view of some (but not all) observers, any attempt to cut the commercial and political interests out of the decision making process would undermine the program's support.

Virtually none of the evaluations deal with the allocation process itself. The Development Coordination Committee, for example, is scarcely mentioned. Although this lapse may be a reflection of the focus at the country level, we would argue that it reflects a widespread recognition that the allocation among countries is simply not that important to the program's impact. No matter how the food is allocated, programs at the country level can be effective or ineffective. Working together, the Missions and the host governments have found ways around the uncertainties and limitations of the program, implicitly or explicitly following long-term strategies even though Title I is a single-year program, for example, and applying the program's resources to address project, program, or policy problems as local conditions dictate.

Local currency management, on the other hand, is a serious problem. As Mission resources shrink and local governments become increasingly hesitant to direct intervention in internal management, the requirement to program local currencies jointly and monitor their expenditure all the way to the field level will become an increasing burden for the field. Given the shortage of resources for food aid management, attention to local currency programming inevitably detracts from the resources available for analysis and monitoring of program impact. Stated in this manner, it is clear that the requirements of managing local currency reduce the overall effectiveness of the program.

A particular problem highlighted by the evaluations is the confusion surrounding the calculation of exactly how much local currency is generated and when. At a minimum, these issues should be clarified and a revised set of guidelines promulgated for inclusion in program food aid agreements.

In both economic and practical terms, however, it really does not matter what happens to the specific gourdes or pesos or rupiah generated by food aid sales, which accounts they flow into, and when. What really matters, both institutionally and developmentally, is whether the government lives up to its commitments to fund specific projects, policy reforms, or line items in its budget at the agreed-upon level. By focusing reporting and monitoring at the level of allocations and allotments[33], rather than at the level of flows through special accounts, A.I.D. could increase the effectiveness of its dialogue on resource use.

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33. Most governments, including that of the United States, manage their budgets in a three-step process. In the first step, a national budget is prepared with allocations to specific line items in the capital and current budgets (the U.S. has only one budget) and this budget is approved (usually by the legislature and often just before — or just after — the beginning of the fiscal year). The budget almost always applies to a single year. In the second step, operating units receive notice of funding, generally termed an allotment, which permits them to spend funds for approved purposes up to a specific level. Allotments may be issued monthly or quarterly and often total less than the approved line items in the budget. Government accounting systems differ, of course, but formal notice to line agencies of their allotments is a common feature of most such systems. In the third step, agencies actually expend the funds allocated. By shifting local currency monitoring from the complex and slow-moving expenditure step back to the allocation or allotment step, the difficulty of tracking expenditures could be greatly reduced. Moreover, by tracking changes in allotments, A.I.D. would gain a more accurate and comprehensive picture of whether expenditures in a particular priority area are actually being increased.

Improvements in Program Evaluation

A widespread perception exists that program food aid has not received an appropriate share of evaluation attention. This review does not confirm that perception. On the contrary, the review identified more than 90 country evaluations completed over the past 10 years, and we remain convinced that additional evaluations have been undertaken that, for one reason or another, eluded our net. In addition, a large number of formal and informal reviews of food aid have been conducted both by the donors and by academics or by others outside the formal process.

The amount of information generated by these efforts is less than might be expected, however. A review of the evaluations makes clear that a consistent evaluation methodology and scope has not evolved for program food aid assessments. Evaluations range from those that concentrate almost exclusively on program management to those that focus on the macro-economic impact to the exclusion of sectoral or management issues.

An important exception to this finding is provided by the various series of evaluations that have been conducted, including the impact evaluations conducted by PPC in the early 1980s and the review of program food aid in the ANE region completed in 1987 and 1988. Both of these series used a consistent methodology designed to focus attention on macroeconomic and sectoral impacts, although the approach differed in each series. A third series of evaluations conducted by RONCO focused on management of the policy dialogue and reform process under program food aid, with case studies in five countries. This series also used a consistent methodology, but it was restricted to process issues and, consequently, does not provide a useful model for evaluations overall.

A Systematic Approach to Program Food Aid Evaluation

The importance of program food aid and program assistance in general demands a more systematic approach to evaluation. Improvements are needed in two areas:

- <u>Evaluation scheduling</u>: Title I programs are one-year programs in name only; all programs should be analyzed at least every five years, and large continuing programs should receive evaluations on a regular basis, perhaps every three years. A formal evaluation of Title II/206 and Title III programs every year (as is currently required) is excessive, however; many of the evaluations cover the same ground year after year. A simpler assessment of progress, perhaps completed by Mission staff, should replace the heavier requirement, with outside evaluations every two to three years.

- Evaluation methodology: Given the similarity of program food aid activities across countries, a standard evaluation methodology should be developed that would deal with issues at the macroeconomic, sectoral, and management levels. This methodology could be formulated most easily as a scope of work for evaluation teams, which could be adjusted by individual Missions to address country-specific concerns.

Figure 10 summarizes the key questions that should in principle be addressed in any evaluation of program food aid. This list can be used to develop the basic scope of work proposed, but no standard scope can substitute for terms of reference developed to reflect the concerns of the Mission and the host government and the need for additional information for program support. If the evaluation literature on program food aid is to serve a broader purpose, however, these questions should be addressed to the extent that evaluation resources and information permit.

These two improvements will not address a major evaluation problem, however, which centers on the difficulty of measuring program impact on sectoral or macroeconomic performance. Information on sectoral performance is inevitably delayed, particularly where national information systems are weak. More importantly, assessment of the causal relationship between food aid and performance is compromised methodologically by the large number of other factors that intervene, ranging from weather to international market conditions to the IMF. Simply spreading the evaluations out would help put the program in perspective, but resources are not available to permit a systematic, quantified analysis of program impact at the country level.

A Key Priority for Future Analysis

Many of the impacts at the macroeconomic and sectoral levels depend on whether food aid is additional to domestic availability. As argued above, PL-480 program assistance cannot be expected to have a direct impact on nutrition or income levels of the poor, if food aid simply displaces commercial imports. Although many evaluations address this issue, only a few have attempted to analyze additionality with any rigor, comparing food aid relative to actual import levels over time (see, for example, Haiti 2, Honduras 1, Egypt 1, and El Salvador 1, as discussed above).

Figure 10. Priority Issues for Program Food Aid Evaluation

1. Balance-of-payments support: To what extent is balance-of-payments support a primary purpose underlying the program? What evidence can be presented to determine whether import levels would have changed in the absence of program food aid? What proportion of total imports and total food availability is provided by program food aid? What proportion of the total balance-of-payments deficit is financed with program food aid?

2. Government spending: What role did program food aid play in maintaining or increasing total investment and development expenditures; maintaining or increasing expenditures in the agricultural sector; ensuring counterpart funds for A.I.D. projects; providing an alternative source for revenues with fewer negative effects on macroeconomic or sectoral performance; and funding other programs with net positive or negative benefits?

3. Nutrition: What was the contribution of program food aid to nutrition at the national level and with respect to disadvantaged groups?

4. Disincentives: What impact did program food aid have on domestic prices, domestic production levels, the policy environment for agriculture, and taste preferences or demand for local products?

5. Project impacts: What impact did projects funded by program food aid have on national or local development? What role did program food aid play in financing these projects? How would the projects have been affected if counterpart funds were not available?

6. Policy impacts: How has food aid been used to promote market liberalization or other policy changes important for agricultural development? What progress has been made in these areas? How important has food aid been in achieving this progress?

7. Management: Has program food aid imposed a significant management burden on the host government or the Mission? How have the management requirements of the program affected the effectiveness of food aid or other programs?

The issue of whether food aid is additional to domestic availability is critically important to understanding the interaction of food aid and development. It merits a rigorous analysis of experience across countries. The team therefore recommends that A.I.D. undertake a study of the relationship among key variables linking food aid and economic performance. Such a study would draw on readily available macroeconomic and food sector information to assess the relationships among food aid levels, domestic food production, domestic food prices, the balance of payments, and commercial imports. The study methodology would be based on the econometric approach used in the country studies cited above, making it possible to examine more rigorously than has been possible here whether food aid really adds to the food supply, expands development resources, and contributes to economic growth and development.

APPENDIX A
INDIVIDUALS AND ORGANIZATIONS CONTACTED BY THE TEAM

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APPENDIX B

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This bibliography is organized into three sections. The first section references general reviews and multi-country evaluations of program food aid, the second section lists country evaluations, audits, and other studies specific to a single country, and the third section lists A.I.D. guidance documents and related material on program food aid reviewed by the evaluation team. In addition to this material, a number of informal memoranda and other working materials were reviewed, but are not included here. Country studies that were identified but not available to the team are marked with an asterisk (*).

All country studies that were located and many of the review documents referenced in the first section below were annotated by the team. Documents in the third section were consulted as reference documents, but were not annotated. The annotations follow the body of the bibliography and are organized alphabetically by author's name. Country evaluations are numbered to facilitate review of the impact matrix presented elsewhere in this report.

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ANNOTATIONS ON SELECTED BIBLIOGRAPHIC ENTRIES

- Alverson, David and Paul Golding. *Bangladesh: P.L. 480 Title III Paper.* U.S. Agency for International Development. May 1987.

Nature of the Document: One of the series of ANE reviews of P.L. 480 programs, this paper examines the "developmental appropriateness and effectiveness of the two Title III programs in Bangladesh from FY 1978 through FY 1986."

Primary Conclusions Regarding Macroeconomic Impacts: Experience shows that Bangladesh would have allocated its scarce foreign exchange and limited international credit to purchase food on the commercial market if P.L. 480 imports were not available, so the real resource transfer is foreign exchange and not additional calories.

Conclusions on Food Sector Impacts: The Title III programs were generally successful in promoting marketing arrangements that favored the private sector, including grain dealers/traders, edible oils traders, and handloom operators (cotton is a Title III commodity in Bangladesh). The government's record in providing agricultural production incentives has been mixed, and incentives for oilseed production in particular may have been reduced by edible oil imports and subsidized sales of non-P.L. 480 oil through the ration system. The Title III programs have helped stabilize consumer grain prices through reforms, and targeting to the needy population improved so subsidy costs of monetized ration channels declined although overall costs of consumer subsidies rose. The Title III program achieved some notable successes in agricultural policy, including institution of open market sales and reform of the ration system, although these changes cannot be totally attributed to Title III since the World Bank was pursuing the same changes through its policy reform dialogue.

Conclusions on P.L. 480 Management: The mix of commodities was generally consistent with program goals in that it seems to have helped promote policy reform and has clearly helped fill the gap between production and consumption. Inclusion of rice, however, was ill-advised because of probable resultant disincentive effects on domestic rice production, and because of

P.L. 480 rice's high cost compared to wheat. Monitoring and evaluation of local currency programming concentrated on accountability and performance at the input-output level, and thus no conclusions about developmental impacts can be drawn.

- Apodaca, Richard and Antonio Sabino, et al. *P.L. 480 Title II Section 206: Cape Verde Evaluation (Volumes I and II/Appendix).* USAID/Cape Verde. 1983.

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Nature of the Document: This report presents a mid-term evaluation of the P.L. 480 Title II Section 206 program in Cape Verde, covering January 1982-June 1983.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: The report found that the government was delinquent in complying with two of the SHMs, although the selling price for corn had been allowed to rise to close to the international market price in early 1983. Under the present program, U.S. corn is sold and the funds allow GOCV to provide wages through a public works program, but those wages appear to be below the necessary cost of living level, in an environment where rural poverty is found to be the cause of higher malnutrition levels. The marked success in certain of the public works subproject sites is attributed to the availability of technical personnel and labor, while limitations in staff availability, overoptimistic workloads, and lack of GOCV absorptive capacity were the constraints to achieving increased employment.

Conclusions on P.L. 480 Management: Accounting procedures used by the COCV were found adequate for monitoring the developmental use of Title II funds. Storage of the grain was found to be a problem, with insufficient closed bulk silo storage available and moth infestation found in some stored stocks.

- Blue, Richard. et al. *P.L. 480 Title I: The Egyptian Case.* A.I.D/PPC/CDIE, Evaluation Series. June 1983.

Nature of the Document: Part of the USAID Project Impact Evaluation series, this evaluation focuses on the impact of Title I assistance on Egyptian economic development, U.S. foreign policy objectives, U.S. trade/market development objectives, and USAID use of Title I resources as a development resource.

Primary Conclusions Regarding Macroeconomic Impacts: P.L. 480 imports help GOE finance its imports, and the GOE's ability to finance high levels of imports, even concessional P.L. 480 food, depends on availability of foreign exchange. As the sources of Egypt's foreign exchange stagnate, the importance of P.L. 480 in providing balance of payments support/import financing assistance may increase. The share of the GOE budget supported by P.L. 480 sales proceeds have dropped from 5.5 percent in 1976 to 2.4 percent in 1981. On the nutritional side, the team found it difficult to disaggregate P.L. 480 effects from total supply effects. There is some inferential data that per capita caloric intake has increased to 2,800 calories/day, with a high percentage in carbohydrates like bread (thus some indication of increased obesity and diabetes). On the positive side, these is also some evidence from research that suggests that the infant mortality rate has fluctuated positively with total wheat supply.

Conclusions on Food Sector Impacts: To the extent that P.L. 480 reduces the cost to GOE of imports in support of its "cheap wheat flour/bread" policies, P.L. 480 contributes to the implementation of policies which act as disincentives to local producers. The interruption of food aid between 1967-74 allowed the team to statistically analyze the changes in price policy and supply response during a period without food assistance. The analytical evidence shows that GOE responded with higher producer prices, and producers then responded with expanded production. There is some evidence that wheat may be in excess supply in some areas, leading to the perception of wheat by consumers as a "free good." The government distribution of wheat through the Ministry of Supply makes it difficult to envision reorienting procurement and distribution to a system relying upon domestically produced grain, and it is clear that the current system has eliminated or severely reduces private marketing and processing of wheat and wheat flour. SHMs before 1979 were poorly written, generally stated, and not monitored; policy dialogue since 1979 has improved.

Conclusions on P.L. 480 Management: Not addressed.

- Boonstra, C. and I. Kraljevic, et al. *Evaluation of P.L. 480 Title I and Title II Agreements.* Tropical Research and Development, Inc. 1987.

Nature of the Document: Evaluation reviewing Bolivia program performance between June 1984 and March 1987 to identify program accomplishments and weaknesses and provide suggestions for improvement. Discusses program management and financial control, evaluates representative projects, and discusses health and agricultural credit programs in depth.

Primary Conclusions Regarding Macroeconomic Impacts: The availability of credit based on local currency generations has been a major source of resources to carry Bolivian credit institutions through a difficult period of macroeconomic adjustment. P.L. 480 has, in effect, become a significant second-tier financial institution.

Conclusions on Food Sector Impacts: The availability of credit and other assistance funded by P.L. 480 has enabled farmers to sustain production levels, but credit and other assistance has been too limited and too spread out to support production increases. Farmers' associations and other credit intermediaries have become overly dependent on food aid resources. Below-market credit rates have transformed the program into an income-maintenance activity rather than a production-increasing activity. Disincentives to local wheat production are unlikely, because of the availability of subsidized Argentine exports, which would fill in behind any drop in P.L. 480.

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Conclusions on P.L. 480 Management: The growth of the program and the need to account for each year's program separately has overwhelmed the management capability of the GOB unit charged with program administration, suggesting a need to expand resources for administration and simplify procedures, as well as a need to separate A.I.D's role more clearly from the GOB's. Recommends development of a strategic plan. Project proliferation (with 267 projects funded with l.c.) is a major management problem.

- Bremer, Jennifer and Philip Steffen. *Evaluation of the Title II Section 206 Project in Mali (688-0230).* USAID/Bamako. February 1987.

Nature of the Document: Conducted under the auspices of the worldwide Agricultural Policy Analysis Project, this evaluation assessed progress made on the self-help measures of Mali's Title II Section 206 program during 1986. The study was to serve as the basis for the mission determination as to whether the progress was satisfactory.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: The self-help measures linked to the Title II Section 206 commodities fall into three categories: cereals marketing liberalization; improving cereals production incentives; and reducing the costs of the official marketing system. The evaluation team found that the majority of the SHMs under the first category, liberalization, were achieved, but that SHMs under the second two categories were on the whole not met.

Conclusions on P.L. 480 Management: Because the scope of necessary reform actions (including these SHMs) extends beyond the one agency that is the direct financial beneficiary of the restructuring and liberalization program, the government's commitment to the reform progress has wavered. In many cases, the team found that the technical and institutional changes required in order to meet the SHMs were much too ambitious to be leveraged by food aid alone. The market conditions have also changed substantially, driven by climatic variability that produced two drought years followed by two years of record production, and these changes necessitate changes in the policy objectives which defined the SHMs.

- Brinkerhoff, Derick, and C. Grandpierre. *Policy Reform, Program Management and Bureaucratic Politics: Haiti and P.L. 480 Title III.* A.I.D (Sponsor). 1987.

Nature of the Document: This paper was presented at the 48th National Conference of the ASPA in Boston, Massachusetts in 1987. It examines the USAID program in Haiti with the goal of "clarifying the management implications of efforts to implement policy reforms in development programs, using a definitional framework of programs to interpret the P.L. 480 Title III program from a bureaucratic politics perspective." The paper discusses in detail the management and political frameworks within which the P.L. 480 program in Haiti should be understood, but does not go into detail on developmental impacts of the Title III-funded projects.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: There were 17 policy reform measures specified as part of the Title III Agreement, of which some were enacted prior to the Agreement as signs of "good faith" on the part of the government. Several others were enacted according to schedule, including agricultural tax reductions, fuel tax increases, and increased vehicle registration fees. The SHMs related to decentralization, institutional reform, and recurrent costs, however, were not enacted.

Conclusions on P.L. 480 Management: At the time of the paper (March 1987) the program's implementation had run into some key problems: (1) insufficient government commitment to program goals; (2) confusion regarding managerial roles of each implementation actor; and (3) low levels of sectoral implementation and management capacity. The paper's conclusions point out "the near exponential rise in complexity of the manager's task when dealing with a program rather than a relatively more discrete intervention like a project."

- Butler, Letitia and Paul Wenger. *Title III: Food for Development Program, FY 1985 Evaluation of the Bangladesh Program.* USAID and ANE. 1985.

Nature of the Document: An evaluation of the FY 1985 activities under the Title III FFD program in Bangladesh, plus highlights from the program in FY 1984. The evaluation specifically responds to some of the management and implementation issues raised in the GAO report entitled "Financial and Management Improvements Needed in the Food for Development Program." The evaluation also discusses the generation and programming of local currencies, which has slowed because record local production has kept market prices low.

Primary Conclusions Regarding Macroeconomic Impacts: None.

Conclusions on Food Sector Impacts: In summary, the evaluation found the government of Bangladesh's performance with regards to policy changes and SHMs under Title III to be "very good" from July 1983-September 1985. Following the 1984 flooding, responsible management of resources kept consumer prices from shooting upwards and ensured a sufficient supply in the market. However, progress towards removing unwarranted subsidies has been only incremental, and "full elimination of such subsidies through removal of rice as a part of the ration system is in the final analysis a political decision of the highest order," not likely to be leveraged by Title III commodities. In the area of increasing private sector participation in the marketing system, Title III efforts met with little interest in participation by private importers of rice because of the restrictive financial conditions of the importation requirements.

Conclusions on P.L. 480 Management: Not addressed.

- Clay, Edward J. and Hans W. Singer. *Food Aid and Development: The Impact and Effectiveness of Bilateral P.L. 480 Title I-Type Assistance*. U.S. Agency for International Development. December 1982.

Nature of the Document: Part of A.I.D.'s impact evaluation series, this report surveys the literature regarding Title I food aid and summarizes findings regarding (1) the direct impact of food aid as a resource transfer and balance-of-payments support; (2) the development impact of food aid, particularly incentive and disincentive effects and the effects on low-income groups; and (3) programming and operational issues, particularly linkages. Bibliography.

Primary Conclusions Regarding Macroeconomic Impacts: Concludes that food aid is an effective form of balance-of-payments support, if somewhat inferior to a pure financial transfer. Discusses problems such as UMRs limiting flexibility to program food aid as needed to maximize impact on structural adjustment, but concludes that these problems are manageable.

Conclusions on Food Sector Impacts: Reviews disincentive and incentive arguments and concludes that, although the evidence is inconclusive, the presence of disincentive effects is related primarily to host country policy conditions. Such policy conditions may be supported by food aid but are not primarily due to food aid. The way in which food aid is combined with other aid and government policies and programs interacts with local market and technical conditions to determine the impact, making each country situation unique. Food aid relieves pressure on the host government to raise domestic food production, on the one hand, but generates or frees up resources to accomplish this aim on the other hand; the net effect depends on how governments make use of the resources provided by food aid.

Conclusions on P.L. 480 Management: Discusses briefly some of the "donor-end" constraints to effective linkage to policy dialogue and reform, including political factors, single-year programming, and the isolation of food aid management within the donor structure.

- Crosswell, Michael. *Philippines: P.L. 480 Title I Paper.* U.S. Agency for International Development. March 1987.

Nature of the Document: One of the series of ANE Title I evaluations, this paper examines the Title I program in the Philippines from the standpoint of the "fit" between the program and the economic development situation. It focuses on the Title I program initiated in 1985 and secondarily with the follow-up program in 1986.

Primary Conclusions Regarding Macroeconomic Impacts: The Title I program was designed to provide financial support to the country and to promote policy reform; in this context, the choice of rice as the commodity for 1985 was "regrettable" because the higher price of U.S. rice negated most of concessionality of the resource transfer," contributing far less balance-of-payments support than wheat would have, and because of high rice stocks in-country, none of the rice was actually sold, so no local currency was generated.

Conclusions on Food Sector Impacts: The most significant feature of the Title I program was the associated policy dialogue, facilitating SHMs as a vehicle of agricultural policy discussions and coordinating policy programming with the DA and ESF resources. On the negative side, U.S. agricultural market development concerns reinforced Philippine efforts to sabotage the implementation of the wheat import liberalization measures. The wheat/flour privatization reforms have been essentially a transfer of monopoly power from the public sector to the private, producing much higher consumer prices for flour, although the price for wheat is more stable. The fertilizer reforms, on the other hand, have allowed competitive reforms to act strongly and prices have moved favorably.

Conclusions on P.L. 480 Management: For purposes of both financial/balance-of-payments support and policy dialogue, U.S. agricultural market development concerns "seriously hampered the effectiveness of P.L. 480"; once the rice lobby in the United States was mobilized, it was impossible to switch the 1985 shipments to wheat, although it would have been of much greater value to the Philippines. Another lesson was that "there is little to be gained by compelling a government to implement a reform to which it is not really committed."

- Deaton, Brady J. and Arthur T. Siaway, et al. *A Food Aid Strategy for Haiti: Maximizing Developmental Effectiveness, A Report of the Technical Support to Mission USAID/Haiti.* Virginia Polytechnic Institute. 1987.

Nature of the Document: This paper, commissioned to assist the USAID mission in Haiti, presents a food aid strategy for the period 1984-94 and recommendations for the FY 1988 Title III commodity mix. In the course of

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its analyses, the paper addresses some questions about the impact of the program to date.

Primary Conclusions Regarding Macroeconomic Impacts:

Conclusions on Food Sector Impacts: The report's analyses of the levels of food aid, domestic production of grains, and price trends provide "no evidence of disincentives," an empirical finding which is not consistent with the general public perception of food aid held by many in Haiti. Edible oil imports under P.L. 480 play a "major nutritional role in Haiti" and have been a critical factor in the successful privatization moves.

Conclusions on P.L. 480 Management: The authors argue that "disincentives" appears to be a "misunderstood term," proposing that disincentives should be interpreted within the context of possible ill effects of food aid on cost-reducing technologies, government pricing policies, and "consumer/human capital gains that may accrue to the economy."

- Duncan, F. et al. *P.L. 480 Title I Case Study: Zambia.* RONCO Development Co. 1986.

Nature of the Document: This case study of the Zambia Title I program is part of a series designed help AID improve the programming and evaluation of non-project food assistance. Most of the review's focus is on management and implementation issues, and little discussion is devoted to developmental or economic impact.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: SHMs centered on policy initiatives to improve producer prices and reduce subsidies, moving towards market liberalization. Local currency programming was judged both an asset and a liability, in that the local currency resources are not viewed as fully valuable because of the attendant monitoring and reporting requirements. "LC programming can produce serious and destabilizing uncertainty in the host government's budgetary process" when, as in Zambia, LC generations are large compared to total resources, and USAID/Lusaka must approve LC uses.

Conclusions on P.L. 480 Management: The report concluded that P.L.480 Title I and overall program management can be facilitated if program objectives are integrated and focused on one or two key goals or sector. It was noted that a small USAID post can increase its analytical capacity through regular repeat TDY's of direct hires and consultants, and that the SHM identification process can be strengthened in larger missions by appointing a committee to identify SHMs. Informal discussions with HG counterparts in advance of the formal SHM negotiations were found to provide insight into possible decisions, and that mixing informal and formal negotiating approaches facilitates agreements and leaves the HG feeling that they were involved in "dialogue", not "leverage".

- Dunlop, David, and Christine Adamczyk. *A Comparative Analysis of Five P.L. 480 Title I Impact Evaluations Studies.* A.I.D Program Evaluation Discussion Paper No. 19. U.S. Agency for International Development. December 1983.

<u>Nature of the Document:</u> A comparative analysis of the findings of five country case studies (Bangladesh, Egypt, Jamaica, Peru, Sri Lanka) addressing the impacts of Title I programs. The five country case studies were based on a common scope of work and methodology developed after the 1983 Clay and Singer literature review was completed.

<u>Primary Conclusions Regarding Macroeconomic Impacts:</u> Title I programs contributed to balance-of-payments support in all five countries studied. Witl the exception of Peru, the countries' SHMs were so generally specified that little empirical judgement can be made about the developmental impact of th(measures. In all five studies, "little if any specific policy could be identified as having been altered in a desired direction via the policy dialogue process" <u>specifically</u> as a consequence of the P.L. 480 Title I programming, although in Peru the unique joint programming method of program implementation has provided a mechanism for policy dialogue and potential change, and in Jamaica the P.L. 480 program was integrated with an IMF standby which incorporated several of the P.L. 480 policy reform conditions. In terms of U.S. foreign policy objectives, the quick-dispersing capabilities of food aid as a resource relative to other forms of support has meant that P.L. 480 has given foreign policy officials a greater degree of flexibility.

<u>Conclusions on Food Sector Impacts:</u> To date, none of the countries have experienced significant increases in domestic production of the commodities used in P.L. 480 programs, but the theoretical potential still exists for P.L. 480 UMR (usual marketing requirements) to present disincentives to countries in pursuing vigorous agricultural development programs. The rate of adjustment of UMRs is the critical tool in avoiding this potential problem. In two of the five studies, either the government (Egypt) or the marketplace (Sri Lanka) ha: tended to shift the direct principal benefits of the program to the poorest segments of the population. In Bangladesh, total food availability to the poor increased, but substantial deficits remain, while in Peru and Jamaica the mor(affluent segments of the population have been the direct beneficiaries.

On production disincentive impacts, the empirical results are mixed: (1) Title I programs generally contributed directly or indirectly to a disincentive to the production of one or more local crops, although not always the same crop imported through P.L. 480; (2) the direct disincentive effects are much more easily discerned than the indirect substitution effects; (3) the disincentive effect (at least in Egypt) could be ameliorated by increasing domestic procurement prices and by changing government policies of non-procurement from local sources; and (4) Title I programs must be measured in light of their contribution to the entire food import policy of a country — it is not satisfactory if, as in Jamaica, no P.L. 480 disincentive effects were found but aggregate food import policies posed a severe disincentive to domestic production.

Imported food and commodities also have implications for domestic backward- and forward-linked industries, such as food distribution, storage, milling, and processing. Not all of the five studies addressed this issue, but the evidence supports the disturbing conclusion that the potential multiplied development benefit from linkages represented by poor people's demand for food is increasingly threatened by imported foods (partially P.L. 480) replacing locally produced inputs.

Evidence on nutritional impacts is mixed: Jamaica, no information was unearthed in the country study; in Bangladesh, food aid was thought to provide a minimum nutrition floor since food aid is such a large share of total consumption; in Egypt, nutritional status is improved, and an increasing percentage of the population is overweight; and in Peru and Sri Lanka, no evidence of increased nutrition or food consumption on the aggregate or income-specific levels. Changes in dietary patterns may follow from food aid if, as in Egypt, the food aid imports significantly alter the relative prices of different basic foodstuffs over a long period of time. Limited evidence from Sri Lanka also hints at the same type of change in relative prices.

<u>Conclusions on P.L. 480 Management:</u> Title I programming would benefit from multi-year arrangements, perhaps through Section 413 of Title I or through Title III. Self help measures need to be less vague, more "implementable," and more amenable to evaluation. Title I programming should be coordinated with the recipient country's budgeting cycle. Coordination with other food aid donors could help alleviate constraints on shipping, port storage, and distribution. Host government commitment to agricultural policy change is essential.

- Dunlop, David and Nancy Metcalf. *FY 1984 P.L. 480 Title III: Sudan Program Evaluation.* USAID/Sudan. November 1983.

<u>Nature of the Document:</u> Evaluation of program implementation and performance from 1978 to 1983, with emphasis on later period. Discusses the policy context at the macro level, grain market issues, program administration, and project performance.

<u>Primary Conclusions Regarding Macroeconomic Impacts:</u> Finds the program successful, particularly in supporting macroeconomic reform. Delays in project implementation threaten the loan reduction value of the Title III program, due to devaluation of the currency. Recommends shifting offset to

policy performance basis. Cites program contribution to balance-of-payments support. Title III-financed studies provided important support to the reform process. Local currency has also helped to fill the investment gap, maintaining public investments in the rural sector.

Conclusions on Food Sector Impacts: Project progress has been much slower than expected, due to A.I.D contracting delays. Concludes that local currency provided significant support to A.I.D project implementation, but does not assess program impact on rural sector. Concludes that information on possible disincentive impact is inconclusive, due to widely varying estimates of the gap between local production and requirements. Title III has contributed to success in policy reform in the food sector, including price reform for wheat products.

Conclusions on P.L. 480 Management: The Sudan program effectively combines program assistance aimed at policy reform with project support through local currency generation. Management burdens were underestimated and became a major problem in the early years, but systems are now in place for adequate control and monitoring. The requirement for Washington approval of individual project budgets continues to be a problem.

- *Evaluation of the "Chantiers Regionaux de Developpement" Program.* Mimeo. No date.

Nature of the Document: Evaluation of P.L. 480 support to a public sector job-creation program, focusing on the first seven months of A.I.D assistance during 1987/88.

Primary Conclusions Regarding Macroeconomic Impacts: The equivalent of 22,000 jobs were created, compared to the target of 35,000. This level accounted for roughly one-quarter of the jobs created by the program (totaling 87,000) and was judged significant relative to total unemployment of about 314,000, although much of the job creation is temporary employment only.

Conclusions on Food Sector Impacts: Projects focused primarily on agricultural activities, such as forestry and soil conservation, and the quality of the output was judged to be excellent. Projects are well integrated into national development activities. Impact on production cannot be assessed from the information available.

Conclusions on P.L. 480 Management: Suggests improvements to project selection, monitoring, and worker selection.

- Ferguson, Donald S. *Improving the Effectiveness of P.L. 480 Food and Agricultural Commodity Assistance.* United States Department of Agriculture, Office of International Cooperation and Development. January 1988.

<u>Nature of the Document:</u> A description of the major provisions of P.L. 480 as they relate to administration and programming of food and agricultural commodities. Special attention given to the identification of technical assistance which has or potentially could improve the effectiveness of the use of food itself or the proceeds from the sale of commodities.

<u>Primary Conclusions Regarding Macroeconomic Impacts:</u> Not addressed.

<u>Conclusions on Food Sector Impacts:</u> Not addressed.

<u>Conclusions on P.L. 480 Management:</u> Recommends technical assistance for improved management effectiveness.

- Fletcher, Lehman, and Louis Connick. *Food Aid as a Development Resource in Nepal: A Reassessment.* Development Associates. June 1988.

<u>Nature of the Document:</u> Assessment of the possible role for program food aid and the current role of project food aid in Nepalese development. Reviews the food situation, citing deteriorating conditions in production and nutrition, and discusses experience with U.S. and other food aid. Assesses the possibility of instituting Title I assistance in cotton and vegetable oil.

<u>Primary Conclusions Regarding Macroeconomic Impacts:</u> Not addressed, as no program food aid is currently provided, although argues that food aid would help meet balance-of-payments shortfall and offer limited possibility for generating local currency for development (restricted by high cost of bringing food to Nepal and commercializing it). Food aid *per se* would not help to meet nutritional gap, as problem is caused by micro-level income shortfall, not inability to import.

<u>Conclusions on Food Sector Impacts:</u> Not addressed, as no program food aid is currently provided, although argues that disincentive impacts could be "contained."

<u>Conclusions on P.L. 480 Management:</u> Not addressed, as no program food aid is currently provided.

- Fletcher, Lehman, and David Sahn. *An Assessment of Food Aid as a Development Resource in Nepal.* Community Systems Foundation. December 1984.

Nature of the Document: Assesses potential role for food aid in supporting rural development in Nepal. Analyzes food supply and demand situation and projects future food deficit. Discusses role of policy and government interventions in grain market. Focuses on project food aid, as the United States does not currently have a P.L. 480 program in country and most interventions are project-based, but also considers future program assistance.

Primary Conclusions Regarding Macroeconomic Impacts: Not discussed, but recommends against project-type food aid due to unresolved policy problems at the macroeconomic and sectoral levels, as well as lack of government resources for counterpart expenditures.

Conclusions on Food Sector Impacts: Not discussed.

Conclusions on P.L. 480 Management: Not discussed, but management burden of potential program cited.

- Gellerson, Mark. *P.L. 480: Indonesia.* U.S. Agency for International Development. September 1987.

Nature of the Document: An internal review of the Title I program in Indonesia from 1982-86, in the context of significant macroeconomic challenges and an A.I.D mission with increasingly scarce DA resources attempting to integrate P.L. 480 into the development policy dialogue.

Primary Conclusions Regarding Macroeconomic Impacts: Since 1984, Title I has primarily supplied wheat to Indonesia; wheat is not grown domestically, and Title I accounts for a small percentage of total annual imports. Domestic imports and consumption of wheat were not found to be highly correlated with Title I supplies — all of which suggests that the net effect of Title I programs is to provide the country with additional foreign exchange. The macroeconomic adjustment policy pursued since 1983 is generally praised, and thus Title I resources in support of those economic policy reforms are justified.

Conclusions on Food Sector Impacts: Local currency was used up to 1982 as primarily a political/commercial tool, but was reoriented in 1983 to include specific SHMs aimed at improving the production, distribution, and storage of commodities. The report finds that there are few reasons to believe that P.L. 480 wheat has been a disincentive domestic wheat or rice production, and points out that the imported wheat is milled and stored by the private sector. The increased involvement of mission staff in programming and monitoring SHMs and local currency has helped increase the perception of the additionality of the SHM policy changes.

Conclusions on P.L. 480 Management: Not discussed.

- Gold, Rick and Tridib Mukherjee. *P.L. 480 Title III Food for Development Program.* FVA/FFP/ANE and ANE/TR/ARD. 1988

Nature of the Document: The requisite annual evaluation of the Title III food for Development program in Bangladesh, for FY 1987.

Primary Conclusions Regarding Macroeconomic Impacts: No aggregate balance of payments, supply, or consumption/nutrition impacts are presented or discussed. The evaluation team does recommend that the FY 88 allocations include $60M in Title III commodities and $15M in flood relief, to provide "maximum leverage for policy reforms".

Conclusions on Food Sector Impacts: The report notes that policy reforms in the areas of government procurement/open market sales were disappointing, but that much of the lack of movement in price liberalization was caused by delays in imported grain arrivals from donors. Progress on exploring the expansion of maize consumption was judged good, while additional analysis is necessary on rural free food distribution programs and on modified rationing for the rural poor.

Conclusions on P.L. 480 Management: The report strongly recommends increased monitoring of Title II projects, while the mission response states that they believe the success of Title III will be measured by policy reforms not by results of the projects.

- Gunther, Helen and Donald Ferguson. *Title III: Food for Development Program — FY 1986 Evaluation of the Bangladesh Program.* USAID/Washington and USDA. 1986.

Nature of the Document: This review evaluates the performance and progress of the Title III program in Bangladesh during FY 1986.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: The price policy conditions were effective in stimulating a "productive policy dialogue", and the evaluation team believes resulted in government commitments to reduce the subsidy element in marketing operations where income of beneficiaries does not warrant subsidization of food. The government has not been able to maintain the benchmark stock levels set forth, and was thus not able to benefit from special currency use offset provisions. The team noted that "while the

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programmed level of P.L. 480 wheat and rice may not in and of themselves constitute a significant disincentive to policy and price reforms, the total grant and concessional food aid provided from all source could represent such a disincentive." The government has been more successful in leveling out fluctuations in farm prices through its acquisition program. The team cautions that the government should be gradually increasing domestic purchases in order to become less dependent on imports and food aid, and that they must introduce greater location- and market-specific flexibility into pricing decisions.

Conclusions on P.L. 480 Management: Not addressed.

- Hanrahan, Charles, and Steven Block. *Food Aid and Policy Reform in Guinea.* Abt Associates. No date.

Nature of the Document: Assesses role of food aid in policy reform, including both Title I and Food for Progress grants, with emphasis on use of food aid to (1) support economic and agricultural policy reform, (2) overcome constraints to producing and marketing domestic rice, and (3) strengthen private market institutions. Competitiveness (comparative advantage) and disincentive impacts are treated in depth.

Primary Conclusions Regarding Macroeconomic Impacts: Emphasizes importance of currency overvaluation in making domestic rice production non-competitive with imported supplies. Food aid accounts for over one-third of rice imports, which are one-third of total grain consumption, providing significant foreign exchange savings. Cites continued prevalence of hunger among the poor, but the impact of P.L. 480 is not addressed. Also reviews possible role for P.L. 480 in financing poverty-alleviation programs to balance short-term effects of structural adjustment.

Conclusions on Food Sector Impacts: Identifies additionality of P.L. 480 rice as critical to disincentive effect, if any. Imported rice as such clearly serves as a disincentive to local production, because it is cheaper and drives down the local price, but food aid appears not to be additional to commercial supplies. Recommends program of investments to support domestic marketing and reduce margins to increase domestic rice competitiveness. Recommends consideration of variable levy for commercial imports, although possible negative impact effects on poor appear important.

Conclusions on P.L. 480 Management: Cites management burden, but does not discuss.

■ Hatch, John et al. *An Evaluation of the Bolivian Food for Development Program: Its Institutional Performance and Impact on Farmers 1979-1981.* Rural Development Services. March 1982.

Nature of the Document: This report is the written product of an in-country evaluation conducted under contract to the U.S. Department of Agriculture assessing the Title III Food for Development program in Bolivia. It is much more extensive than the average P.L. 480 evaluation, covering detail in five topics: (1) program administration; (2) performance of funded projects, including impact on rural beneficiaries; (3) government compliance with SHMs and policy reform measures; (4) accuracy and completeness of Title III Annual Report mechanism; and (5) recommendations for improving future programs. In a departure from standard centralized evaluations, this review included individual level observations obtained by 11 campesinos (trained to interview rural households), who collected responses on 13 projects in the Title III program from 227 rural households. In contrast, little or no data is provided at sectoral or macroeconomic levels. The evaluation is unreservedly positive in its assessment, calling this program a "model for development worthy of study and imitation."

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: Although the interviews with rural beneficiaries yielded qualitative data on individual level project benefits — increased cash income, improved yields, enhanced sense of health and security, greater legacy for children — analyses at the government policy level showed "Bolivia's record to have been modest to poor." Out of eight SHMs, Bolivia achieved only partial compliance on five, and in the policy reform area, only one of the four (maintenance of health budget allocations in real terms) was achieved.

Conclusions on P.L. 480 Management: Not addressed.

■ Hatch, John and A. Flores. *Evaluation of the A.I.D. P.L. 480 Local Currency Program.* Rural Development Services. 1986.

Nature of the Document: Extensive review of projects funded with local currency in the Dominican Republic, including project-by-project status and financial report for over 100 projects. Focuses on P.L. 480 loans made in 1984 and 1985, which funded projects in credit, road infrastructure, irrigation, electricity and other infrastructure, PVO activities, extension and agricultural studies, and free zones. Evaluates 59 projects of the 73 that have actually expended funds to date, out of a total approved of 104. Projects were scored quantitatively based on progress toward target outputs and consistency between expenditures and outputs achieved.

Primary Conclusions Regarding Macroeconomic Impacts: Cites impossibility of assessing impact, due to failure of projects to define desired impact or monitor progress to achieve it. Estimates that program benefits reached RD$ 554 per family nationwide, and thus plays a "decisive role" in the national economy. Program has succeeded in expanding credit supply; generating 380,000 labor-days of employment, largely unskilled; and export expansion.

Conclusions on Food Sector Impacts: Not addressed, except in context of individual projects, although expansion of rural lending credited to the program.

Conclusions on P.L. 480 Management: Identifies failure to establish systematic approach to project monitoring and tracking as major management problem. Cites need to track project funding by source as significant problem, given multiple funding for many projects. Also recommends system to speed funds disbursement.

- Hatch, John and Tonia Papke, et al. *Second External Evaluation of the Bolivian Food for Development Program (Title III): Its Institutional Performance and Impact on Farmers.* Rural Development Services. July 1984.

Nature of the Document: This report on Bolivia's Title III program, produced under contract with USAID, is a follow-up to the 1982 evaluation conducted by the same contractor for USDA. The report includes (1) an institutional analysis of the Title III Executive Secretariat; (2) a village-level impact evaluation of Title III projects; (3) specific evaluations of certain Title III natural resource projects; (4) special evaluation of health sector projects; and (5) review of USAID monitoring and logistical support of Title III program.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: The evaluation gave highest marks to projects providing credit to small farmers, regional development cooperatives' forestation projects, and campesino scholarship programs. The report concluded that these Title III-funded projects provided an efficient allocation of resources with high benefits per dollar expended. Agricultural sector projects which the evaluation found to have substantially failed to achieve their goals included what collection centers, agricultural service centers, pesticide control, micro-irrigation, and rural development studies.

Conclusions on P.L. 480 Management: The evaluation team gave the Title III Executive Secretariat praise for "reliable and competent" management, high morale, and low staff turnover, but pointed out that with an ever-increasing portfolio of Title III-funded projects, field level project supervision is being diffused and project performance is suffering, and USAID staff have imposed

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an unwieldy project approval process. The report recommends an inventory of field-level accounting needs and problems.

- Hermann, Chris. *A Review of the Asia & Near East (ANE) Bureau's P.L. 480 Title I and III Programs: A Summary of Key Findings and Issues.* U.S. Agency for International Development. December 1988.

Nature of the Document: A summary of findings and issues from case studies of Title I and III programs prepared by the ANE Bureau for Morocco, Tunisia, Egypt, Yemen, Pakistan, Sri Lanka, Bangladesh, Indonesia, and the Philippines.

Primary Conclusions Regarding Macroeconomic Impacts: ANE's Title I/III programs permit savings in foreign exchange to help ease the recipient countries' balance-of-payments problems. The programs provide this balance-of-payments support with varying degrees of efficiency, ranging from "highly inefficient" (Egypt) to "acceptable" (Pakistan). Self-help measures designed to improve efficiency and productivity also support the objectives of macroeconomic growth and adjustment. Thus, the Title I/III programs are economic resource transfers rather than nutritional or feeding programs. The macroeconomic/balance-of-payments contribution from Title I/III programs is additive to IMF/World Bank structural adjustment resources, to the extent that Title I/III programs provide additional, not replacement, resources.

Conclusions on Food Sector Impacts: In the majority of cases, ANE's Title I/III programs have not served as disincentives to domestic agricultural production, with the notable exception of Egypt where, "in the context of current producer and consumer price policies, the Title I program helps enable the GOE to maintain economically unsound food policies." In cases such as Egypt, where entrenched policy distortions exist, strong U.S. market development and foreign policy objectives cause food aid programs to contribute to the maintenance of those distorting policies, "thus weakening A.I.D's ability to use food aid to promote development." In contrast, in several countries the self-help measures have produced important agriculture policy changes and promoted private sector development (Pakistan, Bangladesh, the Philippines). In light of this experience, it appears that the usefulness of food aid as a policy dialogue instrument has been underestimated to date. Several of the case studies raised the question of whether the self-help measures produced changes in addition to those the country would have enacted without the food aid; the review argues that "additionality" is best measured by (1) asking "whether food aid contributed effectively to the overall policy process," and (2) defining self-help measures more specifically.

Conclusions on P.L. 480 Management: Several of the ANE studies on Title I/III noted the increase in management demands resulting from greater

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programming of local currency. The policy issue is whether the gains from greater LC programming exceed the increased management demands, increases in required staff time, and conflict over the questions of "ownership" of local currency.

- Hopkins, Raymond F. *Ending Hunger in Africa: The Role for U.S. Food Aid.* Report to the U.S. Agency for International Development Office of FVA/PPE. June 12, 1987.

Nature of the Document: Brief review of issues surrounding the End Hunger Initiative for Africa, developed to support implementation of the program. Discusses African food situation globally, argues that food programs should be adapted to reflect individual country constraints and opportunities. Recommends emphasis on food market reform and support to private sector marketing, including measures to stabilize prices where feasible, together with increased program flexibility to respond to changing needs. Advocates moving away from humanitarian feeding programs to institution-building and strengthening of markets.

Primary Conclusions Regarding Macroeconomic Impacts: Although not a formal program evaluation, reviews macroeconomic impacts in Africa, arguing that food aid should focus on food system. Recommends cooperative donor effort to move food aid levels up to substitute for commercial imports. Food aid has a real role in supporting reform, which will be harder to achieve than donors believe, and can be used to buy support of urban groups, as in Mali. Cites corruption problem regarding local currency generation and commodity management, but ability of food aid generations to serve as progressive tax. Cites Bangladesh as counter example, where food aid revenues enabled government to avoid addressing fiscal problems and continue expensive subsidy programs.

Conclusions on Food Sector Impacts: Recommends emphasis on (1) improving national food markets, (2) reducing vulnerable group malnutrition, (3) fostering local development actions, and (4) assisting in structural adjustment. Argues that production variability and resulting price variability are disastrous for both producers and consumers and destabilizing for governments. Food aid has been found "not guilty" on direct disincentives, although issue is poorly studied, but may have supported disincentivating policies in Tanzania, Zambia, Somalia, and Ethiopia. Argues that taste preference impact depends on how program is handled, not commodity choice as such.

Conclusions on P.L. 480 Management: Recommends flexibility to shift to cash from commodities in surplus situation, and increased flexibility on commodity mix and timing to improve donor coordination and ability to meet changing local needs. Suggests variety of mechanisms using sale of P.L. 480 commodity to generate local currency for purchase of local food and support to local development programs, rather than distribution of food per se. Suggests

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donor working groups on PRMC/Mali model as standard element in program administration. Recommends shadow-pricing approach to commodity selection based on price differential between donor country and recipient country for different grains (i.e., maximize in-country economic value of grain).

- Hough, R., J. Martin and N. Jenks. *Madagascar Food for Progress Evaluation.* Abt Associates. 1987.

<u>Nature of the Document:</u> This report presents the findings of an evaluation of the Madagascar Food for Progress program from 1986-87.

<u>Primary Conclusions Regarding Macroeconomic Impacts:</u> Barriers to international trade in rice have been eliminated.

<u>Conclusions on Food Sector Impacts:</u> The report found that the FFP program "successfully accomplished its short-term goal of stabilizing prices for consumers in urban rice markets", and that the effectiveness of the buffer stock program was greatly aided by other rice supply factors in 1986-87. Private operators in all sectors of the rice trade enjoy increased access to the market; a dramatically smaller proportion of rice is sold through official channels at subsidized prices now. The report cautions, however, that the operation of the buffer stock has the potential for adversely affecting rice production and trade, since the government can be tempted to use the stocks to neglect the rural producers in favor of politically important urban consumers. This tendency of the government has resulted in some level uncertainty already, and thus operators have acted cautiously in production and trading.

<u>Conclusions on P.L. 480 Management:</u> The bureaucratic management system supporting the buffer stocks is now unwieldy and stiff, and should be changed; the report also states that "AID needs to drastically improve its monitoring and oversight of the operations of the buffer stock."

- Humphreys, Charles P. *Cereals Policy Reform in Mali.* Draft Working Paper. May 1986.

<u>Nature of the Document:</u> A country study of the experience with grain marketing reform in Mali since 1980-81, a program widely heralded as one of the few examples within Africa of donor coordination leading to fruitful dialogue. The author concludes that, while some reform has occurred, it has been far less that expected in terms of quantitative attainment of targets for higher market prices and lower public sector deficits. Other benefits perhaps have been attained but are less simple to quantify, including the improved environment for private traders under the liberalized system and better management of the government marketing board.

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Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: Concludes that success of program (funded by multi-donor food aid) in achieving price and marketing reform has been overrated.

Conclusions on P.L. 480 Management: Not addressed.

- Johnson, Twig et al. *The Impact of P.L. 480 Title I in Peru: Food Aid as an Effective Development Resource.* U.S. Agency for International Development. October 1983.

Nature of the Document: One of the series of A.I.D project impact evaluations, this report examines several aspects of the Title I program in Peru up to 1983: balance-of-payments support; agricultural price policy reform, and incentives/disincentives to local production; changes in income distribution; and nutritional or dietary effects.

Primary Conclusions Regarding Macroeconomic Impacts: The macroeconomic impact was judged to be very small due to the small percentage that Title I resources represent in the total government budget and general import portfolio. In the areas of food imports and external debt, however, Title I was a more substantive factor — "Title I imports serve to improve Peru's current external debt structure and can be viewed as additions to the stock of public debt at relatively long maturity." In the areas of nutrition and dietary patterns, "Title I commodities probably increased the total amount of food that Peru was able to import, although one cannot say how much," and the report concludes that the program has not measurably affected food consumption and nutrition on a macro level, but may have had localized effects on poorer consumer groups by helping to fund Title II administrative costs of localized feeding programs.

Conclusions on Food Sector Impacts: The analysis found that Title I imports did not have a significant contributory effect to disincentives to local production — "production, price, and subsidy policy were governed by forces which far outweighed the resource impacts, even negative ones, of Title I." While in some cases the availability of Title I commodities might have reinforced some existing trends, in others it appears that their most likely outcomes were overridden by other economic forces. The developmental impact of Title I in Peru was summarized as follows: "its effect on national policy was negligible, but at the project level it made a decided and positive difference." Title I has provided support for the development budget, leveraged non-Title I Peruvian funds for development projects, and underwritten targeted Title II activities. Title I imports have coaxed additional significant revenues from the Peruvian government for agricultural and developmental projects.

Conclusions on P.L. 480 Management: The year-to-year uncertainty of Title I has, in the Peru case, reduced its effectiveness as a developmental tool, with the results of 1982's delay evident in the slow disbursement of Title I resources to Title II projects. The report finds that programming local currencies should be integrated with the Peruvian budget cycle, facilitated by multi-year programming.

- Kiehl, Elmer R. et al. *Liberia Food Aid: P.L. 480 Title I Program Study.* University of Missouri. November 1986.

Nature of the Document: A study of all aspects of the Title I program in Liberia, this evaluation includes a section on program issues and impacts as well as discussions of the general economic situation and P.L. 480 management/logistical issues.

Primary Conclusions Regarding Macroeconomic Impacts: The $20 million in sales proceeds from Title I commodity sales were programmed to finance over 90 percent of the government's development budget in 1986, a proportion which has been consistent since 1984, reflecting the extreme economic distress in Liberia. The direct balance-of-payments effect from 1980-86 was measured as a savings of $76 million, and the estimated BOP savings from 1987-92 are an additional $66 million. Impacts on gross domestic product depend on the uses of the sales proceeds and the subsequent ripples through the Liberian economy — an econometric simulation model based on a Keynesian aggregate demand framework estimates that the cumulative contribution of P.L. 480 to GDP, based on the econometrically-derived multiplier plus estimated increased P.L. 480 levels, would be $118.28 million between 1987-92.

Conclusions on Food Sector Impacts: The P.L. 480 program has been managed to support government policy in providing incentive prices to domestic producers of rice; the study finds that if P.L. 480 rice were sold at imported rice costs rather than at the administered price, virtually no domestic rice would be marketed in Monrovia. P.L. 480 rice also contributes to price stabilization goals through a strategy of supply management, allowing the GOL to maintain rice stocks. Substantial price stabilization has been achieved by the government through this policy, though at costs higher than expected. Deficiencies in storage capabilities and in timing of imports have resulted in high costs and waste.

Conclusions on P.L. 480 Management: The government organization charged with management of P.L. 480 rice is the LPMC, and this parastatal has encountered management and financial problems including losses through uncollectible accounts receivable and unpaid transfers to other ministries. The LPMC is in arrears with regards to the debt from these losses.

- Kilmer, Richard L. *A Market Analysis of Cheese, Butter, Nonfat Dry Milk, and Butter Oil in Jamaica.* University of Florida. August 17, 1987.

Nature of the Document: This paper presents the results of an analysis conducted at the request of USAID/Jamaica, examining the capacity of consumer dairy market to absorb an increase in the supply of cheese, butter, nonfat dry milk, and butter oil. The review included an analysis of commercial imports of these commodities to "determine the extent to which the P.L. 480 commodities affect commercial imports."

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: Over the three years of existence of the non-profit (JADF) which imports these commodities, the P.L. 480 imports have ranged from 31.3 percent to 41.9 percent of total imports. This is below the informal guideline limits of 50-50 percent followed since the inception of JADF. The dairy industry wholesaler (Dairy Industries -- DI) buys JADF products at a lower cost than other cheese, which allows them to offer it at a lower price to consumers. Given the importance of price on consumption of dairy products in Jamaica, "it is likely that more cheese is consumed" through the subsidization effects of P.L. 480.

Conclusions on P.L. 480 Management: Not addressed.

- Kunkel, David E. and Peter Thormann. *FY 1982 Evaluation of the Bangladesh Title III Food for Development Program.* USAID/Dhaka. November 24, 1982.

Nature of the Document: This review covers the evaluation of the Title III program in Bangladesh for FY 1982, analyzing annual progress towards program goals and other factors affecting the operations.

Primary Conclusions Regarding Macroeconomic Impacts: Total Title III sales proceeds were the local currency equivalent of $117.4 million, of which $113.8 million was disbursed to approved development projects, and USAID/Dhaka certified to Washington the amount of $99.8 million as applicable to Title I and III loan obligations.

Conclusions on Food Sector Impacts: In the area of open market sales, the evaluation noted that prices were generally correctly set as required by the Title III agreements, and there appeared to be a consensus among dealers and grain traders that the open market sales had a positive impact on constraining prices. However, government officials imposed restrictions on the open market sales program which conflicted with the agreements. The government made considerable progress in restructuring the ration programs, including price changes where the ration price exceeds the procurement price

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for the first time in Bangladesh history. In the area of maintaining incentive prices to farmers, progress is deemed good, although there is some concern that the increases in the price of fertilizer and other inputs have exceeded the increases in output prices, leading to a decreased use of fertilizer.

Conclusions on P.L. 480 Management: Not addressed.

- Ladman, Jerry R. *Bolivian Rural Financial Markets (Chapter II: Refinancing for Agricultural Sector: Bolivian Central Bank and P.L. 480).* Arthur Young and Company. December 1987.

Nature of the Document: This section of a larger report deals specifically with an analysis of Bolivian Central Bank refinancing for agriculture, and P.L. 480 refinancing. In 1984, a pilot trust fund program was established to refinance national private-sector banks with Title III funds derived from sales of wheat, and the program met with success and was formalized in 1986. Now, P.L. 480 also undertakes refinancing with Title I wheat-generated funds. This evaluation does not discuss any developmental impacts of refinancing efforts.

Primary Conclusions Regarding Macroeconomic Impacts: It is noteworthy that P.L. 480 does not provide refinancing for public-sector institutions, reflecting the focus on private sector initiatives.

Conclusions on Food Sector Impacts: Not addressed, other than expansion of credit availability.

Conclusions on P.L. 480 Management: Roughly, P.L. 480 refinancing for agriculture is about one-sixth that of the Central Bank. The P.L. 480 Secretariat entered refinancing with "operational norms, policies, and procedures that were designed to be simple, direct, flexible, and easy to implement . . . their program design was very successful in this regard."

- Lesser, William. *A Review of Bolivia's Title I/III-Supported Agricultural and Livestock Production and Marketing Credit Program.* IFPRI. May 1987.

Nature of the Document: This report is an evaluation of the P.L. 480 Title III small farmer credit program in Bolivia. The program, known as the "Trust Fund," utilizes private Bolivian banks and cooperatives to channel loan credits to small- and medium-sized farmers, and agroindustrial and artisanal enterprises. The evaluation addresses three aspects of this Title III-funded project: its institutional success, its fiduciary integrity, and its impact on credit recipients.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

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Conclusions on Food Sector Impacts: Three groups receive credit under this program. Agroindustrial and artisanal enterprises are probably not receiving optimally allocated credit, since (1) the artisanal sector is poorly defined and (2) no detailed evaluation of the Bolivian input and processing/distribution sectors exists from which to evaluate returns to investments. Medium-sized farms benefit directly from the availability of credit, but the evaluation was not able to document the magnitude of production response from the files. Very small farms benefit as well, but informal interviews indicate that these "Trust Fund" loans are substituted for other higher-cost loans, so little net increase in production is expected, while technical assistance is most likely necessary "if small farmers are to make efficient use of increased credit for production costs."

Conclusions on P.L. 480 Management: Not addressed.

- Livingston, Geoffrey and T. Resch. *Senegal P.L. 480 Title III, Food for Development: USAID/Senegal Final Evaluation, Lessons Learned.* USAID/Dakar. 1987.

Nature of the Document: A review of the six years of Senegal's Title III FFD program, addressing the policy reforms attempted under the program in the areas of (1) protection and rejuvenation of the natural resource base; (2) strengthening of parastatal regional development agencies; (3) enlargement of the roles played by agricultural cooperatives; and (4) improvement of the agricultural economic knowledge base. The report's conclusions focus on the management constraints of the Title III program.

Primary Conclusions Regarding Macroeconomic Impacts: The rice imported under Title III did not correspond to the taste preferences of the Senegalese, and thus it sold slowly, at low prices, and the GOS had to make up a $7 million shortfall in sales from the Treasury. In contrast, the government had no trouble selling the sorghum which had been imported under Title III and thus generating revenues.

Conclusions on Food Sector Impacts: The slow rice sales interrupted funding to several associated projects, and delayed implementation of some up to two years. Projects which achieved their stated objectives had the following commonalities: technology chosen was appropriate; beneficiaries clearly perceived that their economic interests were being served; GOS and NGO project directors had necessary technical expertise and administrative capacity; and projects with multi-site arrangements had a tight hierarchical management structure.

Conclusions on P.L. 480 Management: "Programming and monitoring difficulties hindered the achievement of project objectives and impeded the efficient administration of overall program, with difficulties manifesting themselves in sometimes questionable project selection and an inability of the administrative structure in place to effectively direct the program." Program-specific implementation procedures and unanswered questioned about policy and guidelines were at the root of all administrative problems — "Title III legislation is generally not well understood by Agency personnel or by host country governments."

- McClelland, Donald G. et al. *Evaluation Report: Mauritania P.L. 480 Title II Section 206 Program.* U.S. Agency for International Development. December 1984.

Nature of the Document: An evaluation of the Title II Section 206 program in Mauritania, the study assessed three elements of the program: price policy initiatives, local currency programming, and organizational success of the Food Security Commission (CSA) in distributing the food aid.

Primary Conclusions Regarding Macroeconomic Impacts: The improved ability of the CSA to handle and distribute grain to both paying and non-paying recipients implies that some part of those grain calories are finding their way to people who would not otherwise be consuming them, but since the CSA cannot quantify the size of the two different recipient groups, the extent to which this food is providing additional calories, and thus a net nutritional benefit, is indeterminate. The food consumption and income distribution studies called for in the original program were not completed (because no dollar or local currency resources were specifically allocated to support these activities), and so the overall income and nutritional effects are still unknown.

Conclusions on Food Sector Impacts: Marketed domestic grain production did not increase during the period under study (1982-84), in spite of the price policy initiative designed to improve producer incentives and in spite of the availability of increased budgetary resources to allocate to food production. The evaluation team attributed this negative result largely to the severe drought which was not anticipated when the program was designed in 1982. Within the domestic marketing system, 85 percent of the program's grain is distributed through private sector traders.

Conclusions on P.L. 480 Management: The host government parastatal organization charged with distribution of the commodities, the Food Security Commission (CSA), was strengthened in its ability to handle, transport, store, and distribute grain, both to those able and those unable to pay for it. The primary bottleneck identified in the local currency programming process is the transferral of the sales proceeds into the special account, whereas committing proceeds from the special account to specific activities has been relatively smooth.

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- McClelland, Donald G. *Jamaica: Food Aid Disincentives Study.* A.I.D/PPC. 1987.

Nature of the Document: An analysis of the impact of concessional food aid on domestic food production in Jamaica, conducted at the request of A.I.D/Washington in order to provide input into the decision on levels of Title I commodities for FY 1988/89.

Primary Conclusions Regarding Macroeconomic Impacts: "Food aid makes a positive contribution to alleviating Jamaica's balance-of-payments constraint."

Conclusions on Food Sector Impacts: Jamaica produces no wheat because it is not technically feasible to do so; it produces only 7 percent of its rice requirements, and although government plans call for an increase to 42 percent by 1988-89, most analysts agree that it will not be reached because farmers see more profitable alternative uses for the land. The report concludes that P.L. 480 concessional food imports are substituting for commercial imports "they are not additional, and if food aid shipments were interrupted the government would probably allocate the scarce foreign exchange to purchase food on commercial terms." Thus, the author concludes that "virtually any level of food aid could be supplied without hampering domestic production."

Conclusions on P.L. 480 Management: Not addressed.

- McPherson, P. and M. McCoy. USAID Madagascar: *Evaluation of P.L. 480 Self-HelpProjects.* 1986.

Nature of the Document: This report is the result of an evaluation of projects carried out in Madagascar under the P.L. 480 Title I counterpart funds. The evaluation assessed the progress made and difficulties encountered in a significant sample of the self-help projects financed under Title I.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: The six Title I agreements from 1980-86 designated self-help measures to be taken to improve the production, storage, and distribution of agricultural commodities. Several studies were conducted and completed using these funds, in addition to range of projects: small water control and irrigation projects; rice storage facilities and water delivery projects; rural health projects; and rice research projects. Water management and irrigation schemes were judged the most successful; water delivery projects have been less so, perhaps because no integrated projects combining water management and water delivery have been designed and implemented. Roads projects have been the most disappointing, with few feeder roads constructed and poor reporting from the Ministry on project status.

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Conclusions on P.L. 480 Management: The delays in disbursements cited in earlier CDSS and evaluations, but the report finds that this delay has been "remarkable reduced since September 1985."

- Molldrem, Vivikka, and Paul Wenger. *Title III: Food for Development Program — FY 1983 Evaluation of the Bangladesh Program.* USAID/Dhaka. 1983.

Nature of the Document: This evaluation covers the fiscal year 1983 performance of the Title III program in Bangladesh.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: In summary, the team found the government's performance in food policy areas to have "continued to be good in 1983," in particular citing the open market sales wide usage and acceptance as the major mechanism to moderate price increases. Procurement prices have been increased as appropriate to provide incentives to farmers, although this year extensive procurement was not necessary. An appropriate relationship was maintained between OMS prices and procurement prices, and procurement prices were announced prior to the planting season, while ration prices remained at or above procurement prices.

Conclusions on P.L. 480 Management: Not addressed.

- Moore, John and James Pagnano, et al. *Liberia: Food Aid: P.L. 480 Title I; Program Evaluation.* USAID/Liberia. 1983.

Nature of the Document: A special evaluation carried out to improve P.L. 480 implementation, assess development impact of rice imports and possible disincentive effects, and determine the effect of P.L. 480 on resource transfer and the balance of payments. Covers the period from program initiation in 1980 to 1983.

Primary Conclusions Regarding Macroeconomic Impacts: Found that the P.L. 480 program was a significant element in a multi-donor effort to stabilize the economy and that P.L. 480 aided the GOL to meet its foreign exchange requirements. Nonetheless, concludes that P.L. 480 levels are too low to have a measurable impact on Liberia's macroeconomic performance.

Conclusions on Food Sector Impacts: Concluded that P.L. 480 does not constitute undue disincentive effect on local production, because a large and growing structural deficit exists between domestic production capacity and demand and because P.L. 480 resources help the government to implement a program to support local producer rice prices. P.L. 480 rice has either displaced commercial imports or replaced imports that did not materialize due to the decline in the financial status of the private sector and importing parastatals. The domestic rice price to producers is maintained well above the world price by government marketing interventions. Many projects funded by A.I.D. would have been seriously delayed or hampered if local currency provided by the program had not been available. Food is sold primarily to urban residents, but their shift to rice is attributable to factors other than P.L. 480.

Conclusions on P.L. 480 Management: Local currency shortages on the GOL side have delayed disbursements to projects. P.L. 480 is closely integrated into the full A.I.D. program. Self-help measures were formulated in too general a way for effective monitoring or reporting. Cites pro-cyclicality of assistance based on setting assistance with dollar values rather than on fixed tonnage basis.

- Morris, Paul D. *Egypt — P.L. 480 Title I.* U.S. Agency for International Development. July 1987.

Nature of the Document: Internal evaluation of the Title I program in Egypt, addressing the following issues: program objectives vs. Egyptian needs; incentives/disincentives; policy dialogue; budgetary allocations and local currency; and programmatic issues.

Primary Conclusions Regarding Macroeconomic Impacts: To the extent that Title I commodities reduce the cost of overall wheat import bills, they help the Egyptian government maintain policies that keep producer prices for wheat low and discourage production (see below). P.L. 480 is generally viewed by the government as providing a crucial element for financing wheat and flour imports and providing general balance-of-payments support.

Conclusions on Food Sector Impacts: The report points out that the government distribution supply provides the population with a caloric wheat supply significantly above the WFP's minimum food security, which can be regarded as a contribution toward attainment of equitable development. On the negative side, however, that subsidized distribution represents a production disincentive equally comprehensively distributed to all farmers who grow wheat. The report concludes that resultant disincentives have probably had greater impact on general agricultural sector development through a distortion of wheat prices vs. other crops.

Conclusions on P.L. 480 Management: Not addressed.

- Morton, Dr. Alice L. et al. *Haiti Food for Development P.L. 480 Title II and Title III Case Study.* RONCO Consulting Corporation. November 1985.

Nature of the Document: This case study of the Haiti Food for Development program is part of a series designed to help A.I.D. improve the programming and evaluation of non-project food assistance. Most of the review's focus is on management and implementation issues, and little discussion is devoted to developmental or economic impact.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: The "majority of local currency sales proceeds are programmed as the GOH counterparts for the DA-supported A.I.D. projects" in Haiti. There are bottlenecks in the programming systems as well as insufficient reporting, and "the fact that the GOH knows how dependent A.I.D.-DA projects are on LC proceeds reduces the amount of leverage the U.S. has in requiring SHMs."

Conclusions on P.L. 480 Management: The report concludes that the quality of the underlying analyses and of the technical personnel (both A.I.D and government) assigned to food assistance programs are critical in predetermining the success. Noting the unusually high level of political importance and economic assistance attached to Haiti, the report notes with approval that the use of P.L. 480 as leverage has been achieved more through policy dialogue and "rewarding the GOH for positive performance" rather than conditionalities which penalize non-achievement. The report notes long delays experienced in communications from the field to Washington and back, and recommends an experiment in "limited delegation of authority to the field."

- Morton, Alice R. and Richard R. Newberg. *Negotiating and Programming Food Aid: A Review of Successes: Final Report on Results of Five Evaluative Case Studies.* Ronco Consulting Corporation. May 1986.

Nature of the Document: A summary of the recommendations/conclusions of five studies of P.L. 480 food programs (Haiti, Mali, Pakistan, Tunisia, and Zambia), stressing the process of identification, negotiation, implementation, and reporting on self-help measures (SHM), and on the programming and monitoring of local currency use.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: The study series specifically does not attempt to assess developmental impact, although in some cases observations and comments on program impacts were recorded. An attempt was made, however, to gauge "congruence" between host government policies and the commitments those governments made in signing P.L. 480 agreements. Considerable congruence was found over time in the countries studied (examples in the five countries were given), although intervening exogenous variables also proved critical in influencing host government policy choices.

<u>Conclusions on P.L. 480 Management:</u> The extent to which SHMs are appropriately tailored to the policy context and country realities, rather than applied as a blanket prescription across countries, is a key indicator of a successful P.L. 480 program. Programs are most successful when the SHMs (1) are based on joint A.I.D-host government analysis, (2) draw on governmental plan objectives enjoying established support and momentum, (3) limited to a few important and logically consistent policy-related goals, and (4) hold to the same set of SHMs for several years. Negotiations are most successful when (1) technicians conduct intensive preliminary analyses, (2) U.S. officials involved are perceived as having mastered the technical intricacies of host government policies and issues, (3) proposed SHMs are discussed in advance, providing tentative informal consensus, (4) United States is perceived as taking negotiations seriously without threatening punitive actions, (5) a history of honest open policy discussions exists, and (6) host government "sacrifices" required by SHMs are backed up by jointly-programmed local currency sales proceeds. In the areas of implementation and monitoring, conclusions are that (1) officers with substantial P.L. 480 experience should play the major role in implementation/monitoring, (2) use of U.S. TDY staff or consultants should be an auxiliary resource funded on a continuing basis, (3) SHMs should be integrated with policy implications of DA- and ESF-funded projects, (4) ministry officials responsible for SHM reporting should be assisted in making those reports as technically detailed and substantive as possible, and (5) timing of host government reporting on SHMs should be adjusted, where possible, to fit in their schedules (agricultural calendar, fiscal year, etc.) rather than meeting USAID convenience. Recommendations for local currency programming are that (1) large amounts of LC can cause programming problems, (2) management of LC proceeds should be kept as simple as possible, with sensitivity to the burden of reporting systems, (3) the mission should, where possible, adapt its reporting format and timing requirements to the host government's accounting and budgeting procedures, (4) early joint programming is preferable to post-negotiation "loose ends" programming decisions, (5) using LC proceeds to meet the 25 percent counterpart requirement for DA-funded projects may be a liability when government approval requirements result in implementation delays, (6) creative use of LC funds to support compatible other-donor policy reform efforts should be encouraged without fear that "co-mingling" will reduce accountability or additionality, (7) special accounts *per se* should not be required on the assumption that they will greatly facilitate accountability or additionality, and (8) LC proceeds should be programmed more often to help cover the costs of implementing SHMs, including assistance to the sector agency where reform implementation occurs.

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Frequent amendments and changes to the P.L. 480 legislation, motivated by the diverse constituency expressing itself through Congress, have added new requirements, purposes, and criteria, weakening one of the greatest strengths of the program — its flexibility in negotiation and design in the individual country context. At the report date, no single communication or set of guidelines gave field staff a consistent set of rules. If, as other sources of development funds become even more scarce, Congress is tempted to use P.L. 480 local currency proceeds to substitute for losses elsewhere, the successes found to date in this report will be harder to replicate because missions will be pressured to do too many things under the umbrella of P.L. 480.

- Morton, Alice R. et al. *Trilateral Food Aid Transactions: USG Experience in the 1980s.* Ronco Consulting Corporation. March 1988.

Nature of the Document: This study examines the pro's and con's of the United States government trilateral food aid transactions as viewed from three perspectives: USG, developing country exporter, and recipient developing country. Seven transactions from 1983 to 1987 are discussed, but emphasis is placed on case studies of four transactions implemented in Africa in 1985-86. Developmental impact is assessed among other criteria.

Primary Conclusions Regarding Macroeconomic Impacts: Trilateral transactions do not necessarily have an impact on infrastructure development, because the transactions are not systematic. The danger of trilateral transactions reinforcing government parastatal bureaucracies to the detriment of private traders is recognized; however, most trilateral transactions to date have been short-term responses to emergencies, and some private transport and traders have been used.

Conclusions on Food Sector Impacts: The impact of trilateral transactions on U.S. and developing producers' market share development has two aspects: (1) the negative impact of trilateral transactions on U.S. trade, if any, is marginal, as the total volume of food aid in general, and trilateral transactions in particular, has in recent years not been sufficiently large to have an impact on world prices; and (2) trilateral transactions find outlets for developing country production, some of which is the result of donor funded production projects, and the resultant producer income increases the potential market for U.S. products.

Conclusions on P.L. 480 Management: Trilateral transactions can be at least as timely as the average bilateral transaction, but may also be slower where logistics are complicated and food must be transported over long distances by truck. Cost-effectiveness analyses show that the cost to the United States of bilaterals would have been less in three out of the four cases, the degree of difference depending on the barter terms of trade plus transport of both

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commodities. U.S. concern about loss of donor identity under trilateral seems to be largely misplaced; there is no confusion in the minds of recipient governments as to the source of assistance. In none of the cases was the recipient country a party to the formal trilateral agreement, but A.I.D officials suggest strongly that future agreements include the recipient as signatory in order to determine issues such as taking title and coverage of costs. In implementation terms, government-to-government arrangements have been as expeditious or more so than those involving one or more NGO intermediaries.

- Mulligan, Paul. "The P.L. 480 Title I Program in Pakistan, 1981-1988 and Future Prospects." Memorandum. U.S. Agency for International Development. 1988.

Nature of the Document: An internal document providing a retrospective history of the changes in Title I in Pakistan from 1981-88, with recommendations for future areas of attention and change.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: Cites progress in achieving reforms but does not discuss impact in detail.

Conclusions on P.L. 480 Management: Emphasizes value of mission's investment in analysis to support the policy dialogue and multi-year focus on a restricted dialogue agenda, which was refined and adjusted as reform implementation and changing economic conditions made changes necessary.

- Nelson, Eric R. *Morocco P.L. 480 Title I Program Update Report.* U.S. Agency for International Development. August 1987.

Nature of the Document: An update on the status of the Title I program in Morocco covering events between May 1986 and August 1987, addressing the four objectives of the program: assisting in grain importing; encouraging economic policy reform; generating local currency for agricultural sector investment; and stimulating private enterprise through Section 108. The report concludes that Title I resources have not distorted incentives for local production, consumption, or distribution, but may, through self-help, be contributing to the removal of distortions under the structural adjustment program.

Primary Conclusions Regarding Macroeconomic Impacts: The Title I program has provided significant balance-of-payments support particularly in 1983-87, a role which was made explicit by a U.S. pledge to the consultative group to help Morocco's debt problem and was justified by Morocco's high debt service payments (68 percent of export revenues). It is unclear exactly how much foreign exchange help is provided by the food aid, since heavy subsidies "lead consumers to purchase more foodstuffs than they would without the subsidies, and so total import requirements are greater than they would be if the GOM were forced to eliminate the subsidy." Morocco has not purchased wheat on the cash market since 1979, benefitting from competition between donors.

Conclusions on Food Sector Impacts: Most of the Title I assistance is wheat, and wheat's role as the dominant commodity has "accorded the Title I program considerable leverage in agricultural sector self-help," except in the elimination of subsidies mentioned above. The model proposed to describe Morocco's wheat situation is one where consumption is essentially "exogenous to economic events, while domestic production is climate-driven, and the residual is imported." Thus, P.L. 480 wheat imports are not serving as disincentives to local production (where producer prices are maintained higher than world prices), but rather climate is the constraining factor. The structural adjustment program being implemented in the country is resulting in the removal of some distorting policies on the agricultural sector, but Title I is not the leverage point in these activities.

Conclusions on P.L. 480 Management: Not addressed.

- Nelson, Eric R. *Tunisia P.L. 480 Update Paper.* U.S. Agency for International Development. August 1987.

Nature of the Document: An update report on the Title I program assistance to Tunisia, focusing on the programmatic changes since the 1986 review paper was written. The pre-1984 program was designed to support Tunisian agricultural programs and policies dedicated to accelerating production and farm income — balance-of-payments support and budget support were not design elements of the program, nor were self-help measures targeted at economic policy reform. This set of objectives could not maintain continued assistance, because the Tunisian economy is very broad-based and agriculture represents only 14 percent of GDP. The objectives of the post-1984 program are unrelated to the old ones — Title I resources are programmed as a part of the total Mission resources, as a complement to ESF funds, targeted in the context of a severe structural adjustment process to provide a "safety net" within a "relatively sophisticated economy undergoing difficulties and needing budgetary and BOP support."

Primary Conclusions Regarding Macroeconomic Impacts: "If the structural adjustment process fails, or is greatly prolonged, then the Title I resources used in the safety net program will have provided nutritional benefits for those most affected. If the government falls or greatly modifies its policies because of the hardships imposed by the SA process, then both the nutrition and foreign exchange benefits from Title I will alleviate some of those hardships."

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Conclusions on Food Sector Impacts: Under the new regime, subsidies are being reduced, and although the price increase will reduce the quantity of food demanded which may eliminate the anecdotally reported wastage of past subsidized grain, it will also directly affect the poorest segment of the population. Thus, in such a transitional policy regime, any part of P.L. 480 resources which are targeted will contribute directly to nutrition, and will probably have some income effect, as will the restructuring of prices.

Conclusions on P.L. 480 Management: Not addressed.

- Newberg, Richard et al. *P.L. 480 Pilot Case Studies: Tunisia Title I and Mali Title II Section 206.* RONCO Consulting Corporation. 1985.

Nature of the Document: This report, which concentrates on program management rather than developmental impact, presents findings of two brief case studies on the use of P.L. 480 resources as a development tool, stressing (1) identification, negotiation, and monitoring of self-help measures, and (2) programming and monitoring of local currency sales proceeds. A proposal for further case studies concludes the report. (These further case studies were eventually performed, and two synthesis papers, reported on in this bibliography, resulted.)

Primary Conclusions Regarding Macroeconomic Impacts: In both cases, the P.L. 480 programs supported an increased role for private enterprise, in the context of addressing other primary policy issues — thus, private enterprise was stressed "where there was seen to be a clear economic benefit to be derived from additional private sector activity."

Conclusions on Food Sector Impacts: In Tunisia, other USAID programs (DA and ESF) are closely in tune with Title I objectives and food sector changes, whereas in Mali some of the P.L. 480-supported cereals market restructuring runs counter to sectoral objectives in some DA-funded projects.

Conclusions on P.L. 480 Management: Both programs were based on a multi-year approach (a multi-year strategy in Tunisia and a formal multi-year commitment in Mali). SHMs were initially sharply focused and later amplified or varied to include related issues or accommodate change.

- Newberg, Richard. *P.L. 480 Title I Case Study, Pakistan.* RONCO Consulting Corporation. June 1986.

Nature of the Document: One of a series of studies conducted to analyze the policy dialogue and reform process financed by P.L. 480. Reviews P.L. 480 programming in Pakistan from initiation in the 1950s through 1986, with emphasis on the later period. Discusses self-help measures, negotiation, implementation, and monitoring, as well as local currency programming.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: Early food aid programs contributed to establishment of relief-based systems that are now a major policy problem, and may also have contributed to conditions leading to nationalization of the oilseeds processing industry. More recently, policy progress has been positive.

Conclusions on P.L. 480 Management: Integration of P.L. 480 and other programming has been achieved to some degree, but further progress is needed. U.S. involvement in local currency programming has continued to be a problem. Progress was made in implementing self-help measures through low-key dialogue backed by analysis and continuity and focused on a limited set of issues. The single-year nature of Title I was not a problem, due to mutual perceptions that Pakistan had priority and would continue to receive assistance and a mission multi-year strategy for using food aid. Greater attention to host government program priorities and budgeting cycles would increase effectiveness of local currency programming.

- New Mexico State University. *Evaluation of P.L. 480 Title I and Title III Agreements and Development of Wheat Marketing Strategy for Bolivia.* New Mexico State University. September 1988.

Nature of the Document: An evaluation conducted for USAID/Bolivia of (1) the general functioning of the P.L. 480 Title I/III Executive Secretariat, and (2) the wheat marketing system for P.L. 480.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: The wheat market is divided by geography and infrastructure into two areas; the market area containing the major national commercial production of wheat receives little or no P.L. 480 wheat, and thus the report concludes that "P.L. 480 wheat has had little or no detrimental impacts on national production or the prices of nationally produced wheat." The credit programs financed by sales proceeds are generally functioning well, with cooperatives noting that they could disburse more funds if they were available, and farmers commenting that they would like to receive technical assistance in addition to credit. The major criticism was the late arrival of funds. There is evidence that most of the credit supplied through the program is not just substituting for more expensive credit, but rather is helping to finance new production and expanded use of inputs.

Conclusions on P.L. 480 Management: Not addressed.

- Norton, Roger and Carol Benito. *An Evaluation of the P.L. 480 Title I Programs in Honduras.* Winrock International Institute for Agricultural Development. September 1987.

Nature of the Document: This evaluation reviews all Title I and related Title I/III programs in Honduras during the period 1976-85.

Primary Conclusions Regarding Macroeconomic Impacts: "It is clear that the presence of P.L. 480 Title I programs are a net economic benefit to Honduras . . . it is also clear that considerable wheat imports would occur in the absence of Title I." The evaluation concludes, because of the large percentage of the development budget financed through P.L. 480 sales proceeds and the concurrent pressure to raise revenues for the government budget, that "it is likely that Title I has been used to increase the wheat imports over what they would have been otherwise (and one consequence is a declining real consumer price of wheat flour)," although the authors conclude that the increase in import volume is probably marginal. Thus, the bulk of Title I wheat represents import financing for balance-of-payments support although some of it represents additional calories.

Conclusions on Food Sector Impacts: Imported wheat, which is 80 percent provided by P.L. 480 Title I concessional imports, represents 12 percent of the annual intake of protein in the country and 10 percent of the annual caloric intake — and the consumption patterns for wheat are heavily biased in favor of urban population groups and upper income groups. The authors found "reasonably reliable statistical evidence" that the wheat imports have reduced farm gate prices for corn by reducing the demand for corn — with the cause being as much the declining real administered price of wheat flour as the volume of wheat imported. This effect would have occurred with commercial imports, but "no doubt the presence of P.L. 480 imports made the effect stronger through volume." In overall terms, then, the developmental beneficiaries of the program are (1) consumers (usually urban and well-off), (2) farmers with the very smallest holdings (less than 2 hectare), (3) the government budget, and (4) the balance of payments. The local currency proceeds are used as general programmatic support for the government budget, with no specific agricultural/rural development focus, and indeed the allocation to the ministry concerned with agriculture has declined in the past year in both absolute and relative terms. It is unlikely then that Title I local currency provides additional agricultural development resources — "Thus, it appears that the government is compensating for the Ministry of Natural Resources' receipt of Title I proceeds by reducing its regular allocations from the central budget."

Conclusions on P.L. 480 Management: An analysis of the development projects funded by Title I programs indicates that those with the greatest impacts have been those under Title I/III — they have had the greatest effects on export crops, while few MNR projects have had any impact on domestic staple crops to date.

- Rassas, B., C. Robenarivo and L. Meserve. *Evaluation of the Food for Progress Rice Program in Madagascar.* International Science and Technology Institute, Inc. 1988.

Nature of the Document: This report presents the findings of an evaluation of the Madagascar Food for Progress program from 1986-88. Although only the first year of the 3-year program was funded, because good harvest and large stocks obviated the need for 1987-88 shipments, this evaluation was undertaken to underline USAID's continuing concern and to document the final disposition of the 87 shipments.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed, other than the statement that "the FFP program, although providing rice only during its first year, was able to play a considerable role in USAID's support to the GDRM's overall structural adjustment program."

Conclusions on Food Sector Impacts: The supply of FFP rice was used to establish a buffer stock program to help maintain stable consumer prices on the open market during traditional periods of scarcity, providing the necessary resources to support the continued implementation of rice marketing liberalization. This liberalization resulted in "immense benefits to producers...increased real and nominal producer prices...increases to consumers were 8% less than increases to producers, resulting in improved relative prices" and greater purchasing power. The success in buffer stock price management has been mixed, with evidence clearly indicating that the government continued to use some of the buffer stocks to placate the politically savvy urban consumers. Private sector participation in the market has unfortunately contracted due to continuing uncertainty on the part of traders as to the government's planned actions.

Conclusions on P.L. 480 Management: The 1987 evaluation had noted that the physical management of FFP stocks presented serious problems; this evaluation notes that improved monitoring and treatment procedures resulted in only 4.2% total loss due to delivery, spoilage, or handling.

- Reintsma, M. *P.L. 480 Title II-Section206 (Communal Development Fund) Evaluation Report.* USAID/Rwanda. 1983.

Nature of the Document: This report reviewed the use of local currency resources generated by the sale of Title II imported vegetable oil in Rwanda during 1980-82. Under the program, the commodity was transferred to Rwanda and the proceeds were required to be deposited in a special account in the Communal Development Fund for projects to be implemented by local communal organizations with objectives that fit in with Title II legislative goals: (1) alleviating the causes of the need for food assistance, and (2) increasing the effectiveness of food distribution and the availability of food commodities to the neediest individuals.

Primary Conclusions Regarding Macroeconomic Impacts: None.

Conclusions on Food Sector Impacts: The project financed the construction of four nutrition centers in rural areas (two of which were subsequently used as dispensaries); two storage silos (one new construction and one extension) and one health center renovation. At the time of the evaluation, two nutrition centers and one silo were not yet operational, but the other facilities were providing the services as designed. The evaluation found the program to have been particularly efficient in two areas: (1) channeling of funds through the government to the local administrative authorities in the communal areas selected; and (2) use of the funds by the local authorities in construction of the facilities.

Conclusions on P.L. 480 Management: The major implementation problem encountered was time lags in construction, due to the fact that the negotiations between GOR and USAID on the specific projects to be undertaken did not begin until after the commodity sales had been completed The report recommends that in future II-206 programs, project negotiation be conducted concurrently with the delivery and sale of the commodity.

- Richardson, Blaine and Daniel Erickson, et al. *Food Aid: P.L. 480 Title I and Title III; Project Impact Evaluation.* A.I.D/PPC. 1983.

Nature of the Document: Draft impact evaluation carried out by A.I.D/PPC in Bangladesh. Assesses program impact on food grain production, producers, consumers, and institutional mechanisms.

Primary Conclusions Regarding Macroeconomic Impacts: High population growth has resulted in a deterioration in the nutritional status of the rural poor, despite expanded production.

Conclusions on Food Sector Impacts: Credits program with providing food supplies during critical period, increasing agricultural production (thereby enhancing food security and economic stability), strengthening government policy planning, improving food distribution, and reducing subsidies, while expanding private sector participation, although, in light of implementation problems discussed, this conclusion would appear to be overstated. Food price supports have not been fully effective due to delays in announcing levels and poor program coverage. Self-help performance has been "spotty." Finds program has added to availability of food in-country, and, through distribution programs, added supplies reached the rural poor. Program also indirectly stimulated production, further adding to supplies. Open-market sales also helped to moderate price increases, further aiding consumers.

Conclusions on P.L. 480 Management: Donor coordination has been important but integration with the A.I.D./DA program could be improved. Overall, mission support for the program has been highly effective.

- Riordan, James and Steven Block, et al. *Towards a New P.L. 480 Agreement with Bangladesh.* Abt Associates. November 1985.

Nature of the Document: This report, commissioned under the worldwide Agricultural Policy Analysis Project, was designed to "suggest an overall direction for the new Title III agreement" in Bangladesh, examining how Title III assistance can promote food security. This study proposes revised and expanded elements for the consideration of USAID and the government of Bangladesh during new Title III negotiations, and presents specific recommendations as to policies and programs, but does not assess quantitatively the developmental impact of past Title III efforts.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: Not addressed.

Conclusions on P.L. 480 Management: Not addressed.

- Rogers, Beatrice and Mitchel Wallerstein. *P.L. 480 Title I: A Discussio of Impact Evaluation Results and Recommendations.* U.S. Agency for International Development. February 1985.

Nature of the Document: Part of the impact evaluation series, this report summarizes evaluations of the impact of food aid in Sri Lanka, Egypt, Peru, Jamaica, and Bangladesh.

Primary Conclusions Regarding Macroeconomic Impacts: P.L. 480 has been effective in providing balance-of-payments support and supporting political stability. Policy change is viewed as more important than project support (local currency programming) in promoting long-term development.

Conclusions on Food Sector Impacts: Disincentive effects are a function of the local policy environment and the program design. Success in the policy dialogue is more likely in cases where the program is large and operates in an effective (if unofficial) multi-year environment. Consumer subsidies supported by food aid may have positive income distribution and nutrition effects, which must be balanced against their potential negative effects on production and government finance. Poor control over the selection of commodities makes it more difficult to limit disincentive effects or increase nutritional benefits through self-targeting. Some observers view P.L. 480 as valuable for U.S. market development. The potential for either negative or positive impacts on private sector food channels, depending on program design, was noted.

Conclusions on P.L. 480 Management: Multiple agencies with multiple objectives — market development, political support, self-help — reduce the effectiveness of the dialogue. UMRs restrict program effectiveness in very poor countries. The administrative complexity of Title III rules out participation by the poorest countries and those with poorly articulated development strategies. More attention should be given to designing and monitoring self-help measures. Planning for food aid should be more closely coordinated with other forms of aid and with other donors. Consideration should be given to programming food aid on a volume rather than value basis to improve program consistency over time.

- Saunders, John, et al. *Cape Verde Watershed Development Project Mid-Term Evaluation.* Tropical Research and Development, Inc. 1987.

Nature of the Document: An external mid-term evaluation of a specific P.L. 480 local currency funded project, the Cape Verde Watershed Development.

Primary Conclusions Regarding Macroeconomic Impacts: None addressed.

Conclusions on Food Sector Impacts: "The linking of P.L. 480 and watershed development activities has proven to be a cost-effective mechanism for development project implementation...the WDP represents a valuable model of conservation practices, organization of resources, and innovative use of P.L. 480 funds." No discussion of the nutritional or production related benefits of the project.

Conclusions on P.L. 480 Management: Project implementation discussed but P.L. 480 not addressed.

- Scott, William. *Mali Cereals Marketing Restructuring Program: PRMC Annual Evaluation.* U.S. Agency for International Development. June 1988.

Nature of the Document: This document is the annual evaluation of the PRMC policy reform project for 1987. It addresses specific issues in USAID's role in this multi-donor effort, and makes recommendations as to future policy reform efforts under PRMC, a program funded solely by the United States and other food aid donors under the coordination of the World Food Program.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

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Conclusions on Food Sector Impacts: Substantial progress was made in completing the liberalization of the coarse grain markets with the abolition of official prices and abandonment of the parastatal's role in price regulation, which had proven impossible to achieve. Progress has continued to be slower in rice market liberalization.

Conclusions on P.L. 480 Management: Greater attention to design of counterpart fund programming is recommended, as funds use shifts from covering direct costs of the reform to trader credit and other programs requiring greater attention to project design and implementation.

- Sidman, Barry, and Michael Crosswell, et. al. *Jamaica: The Impact and Effectiveness of the P.L. 480 Title I Program.* A.I.D/PPC, Evaluation Series. 1984.

Nature of the Document: A formal impact evaluation examining the performance of Title I in Jamaica from 1975 to 1980. Analyzes impacts at the macroeconomic, sectoral, and project level, as well as the effectiveness of self-help measures.

Primary Conclusions Regarding Macroeconomic Impacts: Concludes that Title I assistance was too "insignificant and fungible a resource to have any discernible impact on the Jamaican economy," although food aid was a significant element in a multidonor effort to stabilize the economy. Although food aid contributed short-term balance-of-payments support, the program was not successful in increasing the country's ability to meet its foreign exchange requirements. Finds that it is "unlikely" that Title I imports were additional.

Conclusions on Food Sector Impacts: The self-help measures did "little if anything to contribute to development," because they were too diffuse and too poorly defined for effective dialogue on Jamaica's many pressing policy problems. Concludes that there was no significant disincentive effect, both because food was not truly additional and because aid was associated with a policy regime (regarding imports) that stimulated local production. Food aid-generated resources ensured that A.I.D. project financial needs would be met in a period when other donors were experiencing serious difficulties in this area. Found the feeding programs funded (an anomaly of the Jamaican program) were generally effective, but did not measure nutritional benefits. Recommended shifting programs to locally-procured commodities for greater cost effectiveness.

Conclusions on P.L. 480 Management: Recommends greater program coherence (i.e., focus on policy at all levels if policy is a priority, rather than combining feeding programs, projects, and dialogue into one package).

- Sociedad Consultora y Auditora Ltda. *Informe de Auditoria Externa Independiente Referida a la Comercialization del Arroz Americano Titulo III.* La Paz, Bolivia. April 4, 1984.

Nature of the Document: Audit report reviewing management of P.L. 480 rice sales in Bolivia Title III program from October 1983 through May 1984.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: Not addressed.

Conclusions on P.L. 480 Management: Found that management systems in place were not sufficient to permit sound control over the operation and accounting for rice sales. Identified numerous discrepancies and gaps in the audit trail regarding the sale of the rice and the accounting for the local currencies generated.

- Steinberg, David et al. *Sri Lanka: The Impact of P.L. 480 Title I Food Assistance.* PPC/CDIE Evaluation Series. October 1982.

Nature of the Document: A part of the series of impact evaluations initiated by the Administrator in 1979-80, this study evaluates the impacts of the Title I program in Sri Lanka.

Primary Conclusions Regarding Macroeconomic Impacts: Overall, the team found that Title I in Sri Lanka was "policy neutral"; that is, it continued to provide commodities to the country through broad swings in government economic policy. Title I represents "a significant and positive balance-of-payments resource," and the Sri Lankan government views the program basically in this light. The team reports that nutritional considerations have not entered directly into Sri Lankan food policy formulation.

Conclusions on Food Sector Impacts: The team concluded that the supply of wheat and wheat flour produced no disincentive effects on the domestic production of rice since bread is considered a supplement to, not a substitute for, rice. Domestic production of rice has increased markedly over the period observed, as have P.L. 480 imports, as a result of effective pricing policies and technological innovations. It is possible, however, that P.L. 480 imports may have a disincentive effect on the production of coarse grains, which are relatively minor corps in Sri Lanka. The team concluded that the SHMs have been "virtually superfluous and also unquantifiable and non-additive above basal efforts" because Sri Lanka was already pursuing generally sound rural development strategies.

Conclusions on P.L. 480 Management: "P.L. 480 is highly regarded in the government and is treated as a multi-year resource even through it is

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programmed annually." The team found that Sri Lanka would benefit from a multi-year Title I-type arrangement, but is not in need of the policy reform measures that accompany the existing Title III multi-year mechanism.

- Steigleder, Steve. *Financial Management/Reporting Systems Review, P.L. 480 Section 206 Program, Cape Verde.* Sahel Regional Financial Management Project. May 1988.

Nature of the Document: An evaluation of the financial management system for project implementation and Title II management. Proposes a modified reporting system to speed identification of problems and facilitate resolution.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: Not addressed.

Conclusions on P.L. 480 Management: Documents a range of problems in financial management revolving around inadequate implementation of the reporting system designed into the program, which was found not to be consistent with GOCV practices. Recommends improvements in payment schedule for workers, reporting on sales and currency generation, and budget control.

- Sylvain, Harvey. *Haiti: Food for Development Program (P.L. 480 Title III) Lessons and Recommendations.* U.S. Agency for International Development. September 1986.

Nature of the Document: An evaluation of the P.L. 480 Title III program in Haiti from 1985-86, this review discusses in depth the institutional and political constraints which affected the level of success in implementing the SHMs and policy reforms attached to the Title III Agreement. Most of the conclusions are in the area of program design and management.

Primary Conclusions Regarding Macroeconomic Impacts: None.

Conclusions on Food Sector Impacts: The only two SHMs directly affecting the agricultural sector that were successfully completed were (1) coffee tax reduced, and (2) wheat flour price reduced. In the area of general marketing systems reforms, the transportation sector, which affects agricultural traders, was affected by (1) the increase of diesel fuel taxes, (2) revised procedures for petroleum import taxes, and (3) increased use of labor-intensive methods for road construction.

Conclusions on P.L. 480 Management: The review concludes that government officials, not surprisingly, will not hesitate to agree to a set of reforms in order to secure financing for food imports in politically unstable times, even

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though they are not strongly committed to the reforms — and that, once committed to a set of reforms on paper, the government only implemented those which it perceived to have direct immediate benefit, i.e. revenue-producing measures, and politically positive changes affecting prime constituencies. Another main conclusion of the review was that "real reforms will not take place if they are not placed within a viable institutional framework," and that the lack of an institutional framework and positive attitude in Haiti was the primary barrier to effective developmental change leveraged through Title III.

- Torre, Muna and Roger Norton. *Food Imports, Agricultural Policies and Agricultural Development in El Salvador 1960-1987.* Draft. USAID/El Salvador. June 1988.

Nature of the Document: This is a broad historical review including detailed economic and econometric analyses of food imports and domestic agricultural policies. Its analyses of and conclusions on the role of food imports in El Salvadoran agricultural development have implications for P.L. 480 program design.

Primary Conclusions Regarding Macroeconomic Impacts: Both agricultural imports and domestic agricultural production are jointly determined by exchange rate policy, and government decisions on the XR swamp the effect of other domestic policies designed to affect agricultural production and prices.

Conclusions on Food Sector Impacts: The authors use a vast amount of data in an econometric model to test a number of hypotheses about trends in imports, prices, and production. Conclusions include: (1) food import policy has not brought in agricultural commodities in excess of the amount indicated by the economic circumstances of the country — exchange rate policy is the major determinant of those imports; (2) the overvalued exchange rate has also been the major cause of the decline in real farmgate prices — it is not the amount of agricultural imports that is depressing domestic food production, but rather their price, which is determined to a large degree by the XR; (3) domestic food production shows a statistically significant responsiveness to real farmgate prices, with a short-run price elasticity of about 0.37.

Conclusions on P.L. 480 Management: Not addressed.

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- Trapp, James et al. *Liberia: Liberian Rice Policy— Rice Self-Sufficiency Versus Rice Security.* U.S. Agency for International Development. 1985.

Nature of the Document: An APAP Staff Paper discuscing policy alternatives for achieving "rice security" status in Liberia, as opposed to rice self-sufficiency. The paper does not directly discuss the developmental impacts of P.L. 480 rice in Liberia, but it does explain the role of P.L. 480 rice in the rice security model presented in the paper.

Primary Conclusions Regarding Macroeconomic Impacts: A cash reserve security system would cost roughly $50,000/year in this model, while a buffer rice stock reserve security system would cost $3.7 million/year, and both would produce a positive cash flow which would improve the government's budgetary position.

Conclusions on Food Sector Impacts: These two types of reserve security systems would reduce price fluctuations and thus possibly increase consumption during the "hungry" season.

Conclusions on P.L. 480 Management: Not addressed.

- U.S. Agency for International Development. *An Evaluation of United States Food Aid in Guinea.* U.S. Agency for International Development. August 1987.

Nature of the Document: An internal evaluation of the Title I and Food for Progress programs in Guinea. The team examined three areas: GOG performance on the six specific factors included in the original FFP agreement; GOG progress to date on overall economic policy reform; and the effects of continued rice imports into Guinea on domestic agriculture.

Primary Conclusions Regarding Macroeconomic Impacts: Progress on the six policy factors has been good: although official prices have not been entirely abolished, these prices now realistically account for costs and margins. A schedule for privatizing the import and sales of agricultural inputs, and for privatizing the parastatals, has been prepared, although Min Agricultural resistance to these changes will cause problems in future policy reform efforts (USAID AEPRP) which hinge on these steps. The government has made some progress on general economic policy reform objectives, although some areas have slipped, such as reform of civil service and reduction of parastatals. The study concludes that the costs of the "slippage" are outweighed by the benefits of steps taken.

Conclusions on Food Sector Impacts: As part of the economic policy reforms, food rations and consumer food subsidies have not been

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reintroduced, and measures to improve handling and security at the port in Conakry have been completed. The team's analysis concludes that the agricultural sector has the natural resources necessary for Guinea to be food self-sufficient, and that the agricultural sector has already started to respond to policy changes. Imports of rice should be closely monitored to ensure that as the domestic sector strengthens, the concessional P.L. 480 imports do not begin to be a disincentive. In the medium- and the long-term, the team concludes that food aid is detrimental to the development of the agricultural sector in Guinea, an impact accentuated in the case of Title I because of the repayment requirements in the context of Guinea's debt situation. The lack of an adequate internal transportation system remains the biggest obstacle in the domestic marketing system.

Conclusions on P.L. 480 Management: Not addressed.

- U.S. Agency for International Development. *Annual Evaluation Report, Fiscal Year 1986*. USAID/Haiti Food for Development Program P.L. 480 Title III Management Office. Port-au-Prince. November 1986.

Nature of the Document: Internal mission evaluation of the Title III program, covering progress during FY 1986. Discusses physical progress, economic policy reforms, institutional reforms, self-help measures, and progress in projects funded in agriculture, transport, and health, as well as management issues.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed, although estimates that the program created 3463 "permanent" jobs, nearly all (2185) in the roads sector.

Conclusions on Food Sector Impacts: Finds that excellent progress is being made on economic reforms, with slower progress on institutional reforms, which have proven more difficult to implement and more dependent on the support of the ministries involved, which has not always received sufficient attention in formulating and managing the program. On the project side, the agricultural projects were estimated to have achieved 58 percent of the planned level of activity, the transport projects 45 percent, the health projects 50 percent, and the PVO Title II program (supported with Title III funds) 80 percent.

Conclusions on P.L. 480 Management: Recommends greater reliance on contractors for project implementation, concentration in a single geographic area to facilitate monitoring, and greater delegation of authority to the project level.

- U.S. Agency for International Development. *Evaluation of the Title II Section 206 Program in Mali.* U.S. Agency for International Development. 1985.

Nature of the Document: An internal evaluation of the Title II Section 206 program in Mali (Cereals Market Restructuring Project), including self-help measures, designed to (1) evaluate progress on SHMs and (2) determine level of assistance for 1985. Progress on SHMs is reported, but no details on developmental impacts in the macroeconomic or nutritional areas are provided.

Primary Conclusions Regarding Macroeconomic Impacts: None.

Conclusions on Food Sector Impacts: Most of the benchmarks set in the SHMs have been met, including (1) import liberalization and coarse grain marketing liberalization; (2) producer price announcement times and levels revised; (3) increased support of rice-growing rural development organizations (4) cost reduction plans implemented in official marketing system. Failures to meet benchmarks included consumer prices, which remained frozen, and official prices still not being seasonally adjusted.

Conclusions on P.L. 480 Management: Not addressed, although difficulty in tracking data on performance of the parastatal is noted as a barrier to effective monitoring of self-help measures.

- U.S. Agency for International Development. *Evaluation Report: Section 206, Food for Development Program, The Gambia.* U.S. Agency for International Development. April 1988.

Nature of the Document: An internal USAID evaluation of the Title II Section 206 program in The Gambia, addressing four primary questions: terms of compliance with the policy reforms; commodity storage procedures and Bellmon determination; government P.L. 480 eligibility due to export/import policies; and management of local currency accounts.

Primary Conclusions Regarding Macroeconomic Impacts: The team determined that, in spite of its generally liberal import/export policies, the government of The Gambia was in compliance with the specific re-export provision of the program agreement, since it seemed that all P.L. 480 rice stayed within the country, but questioned whether the broader export restrictions of Title I ("same, or like, commodity") apply, in which case the compliance may be questionable because private traders do re-export rice commercially imported into The Gambia.

Conclusions on Food Sector Impacts: The team concluded that it was unlikely that the government would be able to comply with the condition precedent to the fifth tranche "schedule for ultimate divestment and privatization of all GPMB (grain price and marketing board) operations and assets." Program resources were found to have facilitated both payment of higher groundnut producer prices and price stability in the Banjul rice market, thus benefiting The Gambia's "neediest groups."

Conclusions on P.L. 480 Management: The two local currency accounts established under the program were extensively mismanaged. Present storage procedures for P.L. 480 rice were found to be substandard, and commodity accounts were not reconciled to equate in-country accounts with tonnage indicated on bills of lading.

- U.S. Agency for International Development. *Food Assistance Development Strategy Statement.* U.S. Agency for International Development. 1988.

Nature of the Document: A strategy statement laying out the mission's proposed approach to using food aid to promote development in Kenya. Assesses the status of the food sector and reviews food assistance from 1980 to 1987. Discusses the proposed strategy for program and project food aid and reviews implementation issues.

Primary Conclusions Regarding Macroeconomic Impacts: Concludes that the growing structural deficit for wheat and rice cannot be met with commercial imports without jeopardizing the national development program, due to the shortage of foreign exchange (implying that food is not additional, but fiscal rescurces are).

Conclusions on Food Sector Impacts: Cites progress since 1984 in privatization of imports, development of a plan to promote private sector marketing domestically, and counterpart programming. Concludes that the "developmental impact of the program has continued to be constrained by the fact that the Title I resources belong to the government, limiting A.I.D leverage on both programming counterpart and requiring strong SHMs." In addition, the mission concluded that "the government's performance has not been nearly as weak as its reporting of its own performance," because although many reforms have actually been undertaken, ineffective communication and a desire not to "answer to" the United States have prevented the reporting of this progress.

Conclusions on P.L. 480 Management: Discusses strong (and to date effective) resistance by the GOK to joint programming of local currency, viewed as a GOK resource. Proposes integrated program of DA, P.L. 480, and other resources to promote domestic market privatization and expansion. During the first phase, Title I resources were used primarily for emergency relief, and Kenyan officials perceived the purpose of the program "to be political rather than developmental." An emphasis was placed on moving the commodities, some of which (rice) sat in storage for more than a year before consumption (thus delaying any balance-of-payments support).

- U.S. Agency for International Development. *Morocco: P.L. 480 Title I Program.* U.S. Agency for International Development. May 1986.

Nature of the Document: An internal USAID review of the Title I program in Morocco up to 1986, addressing the three primary objectives: assisting in grain imports; encouraging economic policy reform; and generating local currency for agricultural sector investment.

Primary Conclusions Regarding Macroeconomic Impacts: The Title I program has furnished significant balance-of-payments support over the years, increasingly so in the mid to late 1980s. Of the three program objectives, "the assistance for grain import requirements has assumed the utmost importance . . . providing free foreign exchange in effect." While the Title I program has enabled the Mission to participate in the process which produces structural adjustment, "it is difficult to associate the P.L. 480 program with specific reforms."

Conclusions on Food Sector Impacts: If the program provides food that would have been imported anyway, then it is essentially providing free foreign exchange; on the other hand, if the program provides additional food to the economy, it has a nutritional impact but lessens the positive impact on the balance of payments. Available evidence in Morocco indicates that the program is providing free foreign exchange. Wheat is the primary staple in Morocco and consumption is heavily and historically subsidized, and since production is constrained by climate rather than price incentives (which are supported above the world price), there seem to be no disincentives to either production or consumption. Morocco aims at a certain level of wheat supply, which it will provide at all times if at all possible — price and concessionality factors do not alter total supply, but they do affect the supplier mix.

Conclusions on P.L. 480 Management: While no formal analysis has been done of the "economic impact of the uses to which the local currency has been put, a cursory review suggests that the activities have been productive and worthwhile. In fact, in light of Morocco's acute budget financing problems, the Title I local currency program has been a very efficient mechanism for allocation of resources to those activities favored by the USG."

- U.S. Agency for International Development. *P.L. 480 in Sri Lanka.* U.S. Agency for International Development. No date (after 1984).

Nature of the Document: An undated review of the P.L. 480 Title I program in Sri Lanka, discussing the three basic objectives of the program: balance-of-payments support; improved nutrition, and increased consumption and production; and local currency for developmental and general budgetary support.

Primary Conclusions Regarding Macroeconomic Impacts: To the very large extent that P.L. 480 commodities are substituting for commercial wheat imports, the bulk of Title I impact is balance-of-payments support. On the nutritional side, the review says that analysis suggests that food aid had a "facilitating rather than an instrumental role" in whatever nutritional changes may have taken place in the country. Overall, there is no evidence that P.L. 480 Title I commodities have directly improved food consumption for any nutritionally at-risk groups. Title I wheat's role in affecting food availability may have been indirect in that it may have freed rice for broad consumption. The report reports that "just as most experts are convinced that GOSL would have imported food commercially had it been provided concessionally, they also believe that the government would have continued to subsidize food consumption even without the local currency provided by the Title I sales."

Conclusions on Food Sector Impacts: The review states that P.L. 480 is not displacing local production since at the same time that wheat was being imported under P.L. 480 wheat was also being imported commercially. Thus, disincentives to local production may have occurred because of an overvalued exchange rate or agricultural pricing policies, but not directly because of P.L. 480. The Sri Lankan government has traditionally implemented policies biased in favor of the agricultural sector, unlike other developing countries, so the GOSL policies provide incentives for food crop production higher than those that would prevail in the absence of intervention, and it is unlikely that P.L. 480 affects those policy choices. "The P.L. 480 program in Sri Lanka has been neutral in relation to Sri Lankan policies, in that it has neither caused nor responded to changes in GOSL development policies." Private sector participation in marketing grain, flour, and bread has increased since 1977.

Conclusions on P.L. 480 Management: The SHMS associated with Title I in Sri Lanka have been "generally superfluous" for two reasons: (1) Sri Lanka was pursuing sound agricultural sector policies independent of Title I, and (2) the sales proceeds, compared with overall rural development budget resources, were minor. "The fact that the GOSL does not want P.L. 480 programs to be associated with policy reform was illustrated in its recent rejection of the offer for a Title III program."

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- U.S. Agency for International Development. *P.L. 480 Title III Bangladesh U.S. FY 1981 Evaluation Benchmark Analysis, Assessment of Foodgrain Procurement, and Procurement Price Considerations.* November 20, 1981.

Nature of the Document: Three memoranda submitted to the BDG as part of the design dialogue for the 1981 Title III program. Reviews performance against benchmarks for soybean oil sales, grain reserves, open market sales program, domestic grain procurement, phasedown of public food distribution, policy analysis, and grain storage.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: Describes progress on policy reform measures agreed on and generally finds that the BDG has performed very satisfactorily in meeting the benchmarks. Does not assess impact of reforms or other activities on agricultural output or incomes.

Conclusions on P.L. 480 Management: Not addressed.

- U.S. Agency for International Development. *P.L. 480 Title III Program Food for Development Program Annual Report FY 1984.* U.S. Agency for International Development. October 1984.

Nature of the Document: This review is the annual report on the progress and status of Bolivia's Title III program.

Primary Conclusions Regarding Macroeconomic Impacts: Balance-of-payments support is provided through foreign exchange supplied to projects for importing equipment inputs.

Conclusions on Food Sector Impacts: In spite of severely adverse socio-economic conditions related to the economic crisis and structural adjustment measures, Title III programs made "significant accomplishments" during this period, channeling $2 million in agricultural credit funds to four cooperatives used to plant local crops. Another accomplishment cited was the opening of Title III financing to investments by the private sector through the commercial banking system (as the public finance system has been crippled by the economic crisis, the P.L. 480 program has begun to finance private sector projects previously promoted by the government).

Conclusions on P.L. 480 Management: Not addressed.

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- U.S. Agency for International Development. *Report to Congress on the Developmental Impact of Public Law 480.* U.S. Agency for International Development. March 30, 1982.

Nature of the Document: A response to the House Foreign Affairs Committee on the question of the developmental impact of P.L. 480, this report assesses the impact of programs as of early 1982, identifies major constraints, and represents the Administration's viewpoint at the time. Arguing that the paucity of comprehensive impact evaluations prevented conclusive judgments, the report presents anecdotal case study illustrations from several countries for each program (Title I; Title III; Title II — MCH, School Feeding, and FFW; and Section 206).

Primary Conclusions Regarding Macroeconomic Impacts: Title I local currency programming permitted USAID/Peru to demonstrate innovative programming and administrative mechanisms, and thus expand rural development programs affecting the very poor during a period of budget austerity. Annual reviews of the seven Title III programs initiated between 1978-82 suggest that the loan forgiveness provision and the multi-year programming helped induce recipient countries to undertake policy and institutional reforms supporting budget allocations to rural development, financing high priority projects that would otherwise not be undertaken. During periods of financial stress, Title III proceeds also serve to sustain priority projects. Title II Food for Work projects have been successful in creating productive physical assets and infrastructure, and in bettering the economic status of recipients through changes in wages and prices and increases in income (especially to female heads of household).

Conclusions on Food Sector Impacts: Title I local currency programming in Sierra Leone successfully increased understanding and use of improved crop varieties by concentrating LC funds in a small focused program during a period of budget austerity. In Pakistan, Title I programming supported agreements in policy reforms which supported increased wheat production, through increases in procurement prices, reductions in fertilizer subsidies, and unrestricted private marketing/storage of wheat. In Bangladesh, Title III programming leveraged sectoral policy changes, including support of producer incentive prices, reduction in volume of cheap food allocated through rationing to urban population, and open market sales during scarce times. Title III sales proceeds in Egypt financed a multi-year effort to decentralize agricultural sector decision making and improve local village-level implementation, and results include dramatic increases in community participation.

Conclusions on P.L. 480 Management: Anecdotal comments on Title II program management conclude that effective programs shared qualities of "good management": adequate supervision and training provided; commodities distributed regularly and reliably; monitoring systems in place to collect information; host governments committed; local customs and systems applied.

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- U.S. Agency for International Development. *The P.L. 480 Program in Bangladesh: An Evaluation of the First 16 Months.* USAID/Dhaka. December 13, 1979.

Nature of the Document: This was the third joint U.S.-Bangladesh evaluation of the Title III program.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: "Generally adequate" incentive prices to farmers were maintained through "effective procurement programs," although the government "has shown itself to be more interested in procurement for the perceived needs of the ration system than in the more appropriate objective of providing adequate incentive prices." Open market sales of rice were lower than the intended levels, and low stocks were partly responsible. A high proportion of open market sales was to rice flour meals, which did not contribute to the goal of constraining coarse rice prices on the market (which was not achieved). Licensing and selection of dealers and traders became increasingly controlled and politicized as prices rose.

Conclusions on P.L. 480 Management: Not addressed.

- U.S. Agency for International Development. *Tunisia: P.L. 480 Title I Program.* U.S. Agency for International Development. 1986.

Nature of the Document: A review of the Title I program in Tunisia up to 1986, culminating in recommendations which produced dramatic programmatic changes in the program for 1987 and beyond, reorienting it towards SA support and general economic policy reform.

Primary Conclusions Regarding Macroeconomic Impacts: Over $100 million in balance-of-payments/import support has been provided from 1976-86, but the assistance in any one year accounted for a relatively small portion of the total balance-of-payments or budget deficits. Up to this point, local currency programing and SHMs have been targeted to general agricultural sector development, and not used as policy reform tools — "the self-help measures have been essentially devoid of economic policy content."

Conclusions on Food Sector Impacts: Title I imports have been determined not to have been a disincentive to local cereals production, because domestic procurement prices were at or above world prices, with the exception of 1983. The mission believes, however, that the program may have had some adverse effects on forage production because some of the P.L. 480 imports of maize may have been used as feed concentrates; thus, the subsidized feed concentrates were used to the exclusion of domestic forage for animal

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fodder. Self help measures, which were identified as an "outgrowth of a multi-year strategy," amount to "specific development activities, e.g. mini-projects, and these activities appear to be having a positive developmental impact" (although no specific measures of productivity of resources from SHMs or local currency programming are presented). The program may have contributed to the record cereals harvest in 1985 through projects which encouraged a substantial increase in fertilizer usage and corresponding cereal yields.

Conclusions on P.L. 480 Management: Mission suggested reorientation of the program towards support of the SA process, using the Title I resources as a linchpin for economic policy reform dialogue with government and providing more balance-of-payments support through higher Title I levels.

- U.S. Agency for International Development/Peru. *USAID/Peru Food for Development Program Review.* 1988.

Nature of the Document: An internal mission review of P.L. 480 programming, concentrating primarily on Title II and other project assistance, but also covering 416 programming, which is projected.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: Finds the impact on nutrition to be "widespread and significant" with an average of 1.2 million beneficiaries receiving 416 commodities.

Conclusions on P.L. 480 Management: Management issues addressed are primarily related to project food aid (such as ration size).

- U.S. Agency for International Development. *Yemen Arab Republic: P.L. 480 Title I Background.* U.S. Agency for International Development. Draft paper. No date.

Nature of the Document: A draft paper on the economic background, basic objectives, and chronology of the Title I program in Yemen Arab Republic.

Primary Conclusions Regarding Macroeconomic Impacts: The mission points out that the Title I program was originally proposed by USDA, not USAID, as a market development tool; however, in 1984 foreign exchange grew short and there was increased scope for using local currency generations for disaster relief in the rural Dhamar region. As the program developed, however, it has increasingly acquired a primary balance-of-payments support function. Circumstantial evidence and Mission reports suggest that most if not all of Title I imports have substituted for commercial imports, and thus have saved YAR foreign exchange rather than supplied additional food. It is, however, seen as possible that commercial imports of rice in 1987 might have been constrained in favor of wheat if increased rice had not been allocated through P.L. 480 channels. Efforts to use P.L. 480 as leverage for macroeconomic policy change (in context of failed SAL negotiations with WB) have been problematic at best, but self help measures have been refocused to the agricultural sector.

Conclusions on Food Sector Impacts: P.L. 480 was apparently not considered a tool for "motivating policy changes" prior to 1986, but proceeds from 1986 sales were used to support a variety of programs in the agricultural sector, although progress has been reported on none of these: citrus canker eradication; plant quarantine program; training in fruit and egg production facilities; irrigation program to increase cereal and vegetable production; establishment of national agricultural extension service; and establishment of agricultural databank.

Conclusions on P.L. 480 Management: Not addressed.

- U.S. Agency for International Development Inspector General, *Audit of Local Currency Controls in Zaire*. Audit Report No. 3-660-87-3. December 3, 1986.

Nature of the Document: An audit of local currency controls in Zaire, covering Title I agreements for 1983, 1984, and 1985, and two program grants.

Primary Conclusions Regarding Macroeconomic Impacts: Cites benefit of import financing and local currency revenues to government, but does not discuss.

Conclusions on Food Sector Impacts: Not addressed.

Conclusions on P.L. 480 Management: Found that joint programming and monitoring procedures were accurate, but recommended placing local currency in interest bearing accounts.

- U.S. Agency for International Development Inspector General, *Audit of Local Currency Programming in Kenya*. Audit Report No. 3-615-87-14. May 29, 1987.

Nature of the Document: An audit of local currency programming under four P.L. 480 Title I agreements and five other program assistance agreements between 1982 and 1986.

Primary Conclusions Regarding Macroeconomic Impacts: Cites benefit of import financing and local currency revenues to government, but does not discuss.

Conclusions on Food Sector Impacts: Not addressed.

Conclusions on P.L. 480 Management: Concluded that agreements for joint programming of local currency have been ineffective, although progress is being made through negotiation with the Government of Kenya, that local currency proceeds were not being programmed or expended in a timely manner, and that Title I agreement provisions were inadequate to provide for programming or to specify the level of proceeds to be generated. The GOK held a strong preference for programming local currency as budget support, and USAID was ineffective in shifting this policy. The GOK also considered proceeds to be net of in-country expenses and transport, which together accounted for about one-third of the total in-country sales value of the grain, thus reducing the total value of proceeds significantly.

- U.S. Agency for International Development Inspector General, *Audit of the Accountability for Local Currency in Africa*. Audit Report No. 87-10. September 17, 1987.

Nature of the Document: Audit of local currency accounting systems and agreements governing local currency in ten African countries (Burkina, Congo, Gambia, Kenya, Liberia, Mauritania, Madagascar, Somalia, Sudan, and Zaire), covering Title I, II, and III agreements, CIP and cash transfer grants from 1979 through 1986.

Primary Conclusions Regarding Macroeconomic Impacts: Cites benefit of import financing and local currency revenues to government, but does not discuss.

Conclusions on Food Sector Impacts: Not addressed.

Conclusions on P.L. 480 Management: Found that nine of ten countries required improvements in accounting procedures and greater specificity in agreements to improve local currency use. Finds wide variety in systems and procedures across countries and substantial loss of fund effectiveness. Estimates total generations on the order of $1 billion annually. Audit covers $868 million in local currency programming, including $351 million in P.L. 480 funds, of which a total of $107 million was missing, delays were experienced in depositing $113 million, and delays in expenditure resulted in loss of another $9 million, or a total of 26 percent of the total. Recommended a greater role for USAID controllers in designing and monitoring local currency systems.

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- U.S. Agency for International Development Inspector General, *Audit of the P.L. 480 Title I Program in Morocco.* Audit Report No. 3-611-87-1. November 21, 1986.

Nature of the Document: Covers six Title I agreements from 1980-85 totaling $193 million and assesses involvement of USAID in programming, examines USAID's accountability for proceeds.

Primary Conclusions Regarding Macroeconomic Impacts: Cites benefit of import financing and local currency revenues to government, but does not discuss.

Conclusions on Food Sector Impacts: Not discussed.

Conclusions on P.L. 480 Management: Finds USAID successful in incorporating programming of local currency in line with USAID priorities (grainfed agriculture) in agreement, but follow-up and reporting are insufficient to ensure that funds are spent as agreed. Cites problem of IMF opposition to earmarking funds, given Morocco's fiscal difficulties, and P.L. 480 policy of requiring earmarking.

- U.S. Agency for International Development Inspector General, *Audit of the P.L. 480 Title I Program in Somalia.* Audit Report No. 3-649-87-2. January 26, 1987.

Nature of the Document: Audit of Title I programs in Somalia between 1976 and 1986 (with a total value of $142 million), with emphasis on 1984-86 period. Examined (1) disincentive effect on local production, (2) achievement of program objective to expand private sector food distribution through use of auctions to sell commodities, and (3) whether collection of auction proceeds was effective. Finds that Title I levels were too high relative to the gap between domestic supply and demand, which, together with poor timing of shipments, resulted in downward pressure on prices. Concludes that GOS management of auctions interfered with achievement of market system objective and full collection of proceeds. While food management had improved, continuing deficiencies in storage and sales resulted in unsold volumes of nearly 10,000 MT, which had spoiled in storage.

Primary Conclusions Regarding Macroeconomic Impacts: Not discussed, but see comments on food prices and privatization of marketing in the following sections.

Conclusions on Food Sector Impacts: Food aid levels had not responded to improvements in domestic food production, due in part to poor ability to predict the harvest in a drought-prone country. As a result, P.L. 480 imports continued at levels that contributed to severe downward pressure on farm profits, which were projected to fall by at least 50 percent from 1985 to 1986.

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Concessional imports from all sources had increased 200 percent, and P.L. 480 had increased 96 percent from 1980 to 1985. Recommended reducing program by half. The disincentive impact was worsened by poor timing of deliveries, nearly all of which coincided with the harvest period in 1985 and 1986.

Conclusions on P.L. 480 Management: Found that A.I.D. management and monitoring had substantially improved, but that deficiencies in storage and handling on the Somali side continued, with resulting high losses of grain in storage. Concluded that disappointing results in auction of food aid to the private sector (only 23 percent auctioned, versus target of 40 percent in agreement for 1985) were due to government interference in the auction process and poor government handling of grain destined for successful private traders, resulting in long delays and inconvenience for the traders and possible collapse in the auction system, as well as reductions in the local currency generated by the auctions.

- U.S. Agency for International Development Inspector General, *Audit of the P.L. 480 Title I Program to Liberia.* Audit Report No. 7-669-85-8. May 24, 1985.

Nature of the Document: Audit of the Title I program from 1980-84, with the objective of determining GOL compliance with the agreement, including use of sales proceeds and self-help measures. Found that the 1982-85 period was characterized by shortfalls in payment into the local currency accounts due to GOL liquidity problems. Shortfalls totaled $16.5 million out of total shipments valued at $65 million, of which half was deemed uncollectible. Recommends suspending future Title I agreements until local currency management improves.

Primary Conclusions Regarding Macroeconomic Impacts: Title I was provided as budgetary and balance-of-payments support and to help finance the national development program. The latter purpose was effectively achieved in the first half of the audit period, but after 1982 government liquidity problems resulted in long delays in depositing funds into the appropriate accounts, greatly reducing their effectiveness as a source of funds for the development program, with adverse effects on the program. Credit sales were made to the rice parastatal and to individual officials or traders and these sales are unlikely to be made good in full.

Conclusions on Food Sector Impacts: Reporting on self-help measures was insufficient to determine whether measures agreed upon had been taken. Development projects were delayed or hampered by the lack of funds, partially made up by USAID inputs in the case of U.S.-supported projects.

Conclusions on P.L. 480 Management: Recommends much tighter control of local currency, including prior USAID approval of releases from the local

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currency account. Improved monitoring of physical stocks was also recommended.

- U.S. Agency for International Development Inspector General, *Audit of USAID/Haiti's P.L. 480 Title I, Title II (Emergency), and Title III Programs*. Audit Report No. 1-521-87-1. October 2, 1986.

Nature of the Document: Audit conducted in response to reports in the U.S. press indicating diversions of P.L. 480 funds. Examines Title I, II, and III performance with respect to currency management and achievement of objectives. Recommends improved coordination and financial management of programs.

Primary Conclusions Regarding Macroeconomic Impacts: Concludes that Title III (and II) are not achieving desired impact on the incomes of the rural and urban poor due to delays in program implementation. Only $3.4 million of the planned $23 million had been expended at the time of the evaluation.

Conclusions on Food Sector Impacts: Delays and resistance by GOH officials were reducing the effectiveness of the Title III programs. (Programs were not being concentrated in a specific region as planned.)

Conclusions on P.L. 480 Management: Found that procedures for generating local currency and depositing it into accounts were generally adequate. Recommended placing local currency in interest-bearing account.

- U.S. Agency for International Development Inspector General, *Monitoring Dollar and Local Currency Resources under Economic Recovery and P.L. 480 Title I and Title III Programs in Honduras*. Audit Report No. 1-522-85-1. October 25, 1984.

Nature of the Document: Audit of local currency usage under P.L. 480 programs totaling $121 million between 1982 and 1984 (also covers cash transfer program).

Primary Conclusions Regarding Macroeconomic Impacts: Cites benefit of import financing and local currency revenues to government, but does not discuss.

Conclusions on Food Sector Impacts: Notes that A.I.D. staff have been unable to monitor projects funded with counterpart funds due to lack of staff and that procedures to improve monitoring will be established when four additional analysts are added to the staff.

Conclusions on P.L. 480 Management: Summarizes management procedures for Title III, which were at too early a stage in implementation to review

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formally. Finds procedures for tracking deposit of local currency proceeds from private millers have not yet been set up and recommends improvemen in this area, as well as in formalizing the reporting system for GOH funds use.

- U.S. Agency for International Development Inspector General, *The Government of the People's Republic of the Congo had not Complied with the Terms and Conditions of its P.L. 480 Title I Program.* Audit Report No. 3-679-84-6. January 31, 1984.

Nature of the Document: Audit of the 1982 P.L. 480 agreement to assess program management and contribution to A.I.D. development purposes in the country.

Primary Conclusions Regarding Macroeconomic Impacts: Found that P.L. 480 had effectively displaced commercial imports, due to government's non-compliance with UMR.

Conclusions on Food Sector Impacts: Not addressed, except to note that no reporting on self-help had been made and no accounting of deposits into the special account had been made, presumably indicating that the planned support to development programs had not materialized.

Conclusions on P.L. 480 Management: Found that the government had not complied with the terms of the agreement regarding accounting for local currency and other management terms.

- U.S. Agency for International Development Inspector General, *The P.L. 480 Title I and Title III Programs in Sudan are in Need of Management Attention.* Audit Report No. 3-650-84-14. July 23, 1984.

Nature of the Document: Audit of Title III program to determine whether (1) the Government of the Sudan is using program resources effectively, (2) program objectives and goals are being achieved, (3) USAID monitoring is effective, and (4) applicable regulations are being followed.

Primary Conclusions Regarding Macroeconomic Impacts: Not discussed, although potential loss of Title III offset due to delay in expenditure is noted

Conclusions on Food Sector Impacts: Found delays in program implementation, with expenditures running at about 67 percent of the planned level. A.I.D. contracting delays were cited as a major problem.

Conclusions on P.L. 480 Management: Finds numerous problems in program management and improper determination of local currency amounts for

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deposit into special accounts. Local currency generations are therefore only two-thirds of what they should be. Recommends withholding future agreements to ensure compliance.

- U.S. Agency for International Development Inspector General, *USAID/Somalia P.L. 480 Title I Program*. Audit Report No. 3-649-82-20. July 19, 1982.

Nature of the Document: Audit of Title I program to assess contribution to A.I.D.'s development program and status of program management.

Primary Conclusions Regarding Macroeconomic Impacts: Not discussed.

Conclusions on Food Sector Impacts: Not discussed.

Conclusions on P.L. 480 Management: Recommends several management improvements to bring program into line with established procedures. Recommends that A.I.D. consider reducing program, as government's absorptive capacity appears to have been reached.

- U.S. Agency for International Development Inspector General, *USAID/Tanzania P.L. 480 Title I Program*. Audit Report No. 3-621-81-15. September 24, 1981.

Nature of the Document: Audit of Title I program management.

Primary Conclusions Regarding Macroeconomic Impacts: Not discussed.

Conclusions on Food Sector Impacts: Not discussed, although lack of documentation on implementation of local currency projects and lack of self-help reports cited.

Conclusions on P.L. 480 Management: Recommends variety of measures to improve monitoring of government implementation under Title I. Questions whether government can absorb additional program assistance, given implementation and management difficulties experienced.

- U.S. General Accounting Office. *GAO Report to the Honorable George E. Brown Jr.: Financial and Management Improvement Needed in the Food for Development Program*. 1985.

Nature of the Document: In response to a request from the former Chair of the Subcommittee on Department Operations, Research, and Foreign Agriculture of the House Agriculture Committee, GAO evaluated the Title III programs in Bangladesh, Senegal, and Bolivia (accounting for about 73 percent of the Title III agreements). This report primarily addresses problems with accounting for and monitoring local currency proceeds and constraints posed by lack of institutional and host government capacity for administrative management.

Primary Conclusions Regarding Macroeconomic Impacts: GAO found that recipient governments' policy reforms, whether macroeconomic or sectoral, are "generally directed toward long-term objectives" but that in the three countries examined, the reforms were rarely achieved.

Conclusions on Food Sector Impacts: In Senegal, GAO found that "some progress was achieved in strengthening regional development organizations and farmer cooperatives," but almost no progress made in marketing system and price policy reforms. Political and economic factors prevented the achievement of any reform progress in Bolivia, while the report concluded that progress in Bangladesh could not be directly attributed to Title III, because of the large forces exerted by other donors on the same policy issues.

Conclusions on P.L. 480 Management: Discusses local currency management problems and limited government capacity to improve administrative and financial management.

- Wagner, Robert L. and Melville S. Brown. *Evaluation of Jamaica Agricultural Development Foundation (JADF).* International Scienc and Technology Institute, Inc. June 20, 1987.

Nature of the Document: This evaluation reviews the operations and activities of the Jamaica Agricultural Development Foundation (JADF), a non-profit venture-capital institution funded primarily by local currency sales fro Title II food grant commodities (bulk cheese and butter). The evaluation does not discuss the developmental impacts of JADF operations.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: Discusses projects but does not assess benefits. Concludes that JADF is a potentially strong private institution, addressing a real need for additional private sector financing. Expresses concern over sustainability of institution and reliance on P.L. 480 funding, as well as high operating costs relative to income.

Conclusions on P.L. 480 Management: Recommends various management improvements for JADF.

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- Wein, Gerald, et al. *P.L. 480 Title III Bangladesh Food for Development Program Annual Evaluation for FY 1988.* November 1988.

Nature of the Document: Evaluation of the Title III program from 1978 to 1988, with emphasis on recent developments. Discusses local currency generation and use, projects and programs funded by local currency, policy reform, commodity issues, and program management.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: Concludes that the local currency portfolio is well focused and should make a "significant contribution to expanding agricultural production," although delays are being experienced in project implementation. Concludes that policy reform targets have substantially been met and that reform will make an "important contribution" to development. Cites need for additional analysis, particularly in the area of subsidized food distribution programs and setting of the procurement price.

Conclusions on P.L. 480 Management: Cites continued improvement in local currency management and reporting, although continued progress is needed to address the complexity of a multi-year program with heavy reporting requirements. Recommends shifting funds to donor-sponsored projects to improve expected rate of return. Recommends various measures to improve management by mission and BDG personnel.

- Wilcock, David C. et al. *Cereals Marketing Liberalization in Mali: An Economic Policy Reform Assessment.* Development Alternatives Inc. March 1987.

Nature of the Document: This study was commissioned under the Macroeconomic Policy IQC by the Office of Development Planning in response to a request from the management of the Africa Bureau, to improve A.I.D knowledge regarding the impacts on economic growth and equity of policy reform programs in Africa. The study concludes that policy reforms had a positive but limited impact in Mali, and that the most significant gains for the economy as a whole came through increased efficiency through activities with producers, consumers, and traders. A transfer of benefits occurred through policy reforms, including a shift in subsidies from consumers to producers, and the private sector gained for decreased government intervention and an expanded role in the cereals sub-sector. This study does not directly discuss any impacts from P.L. 480 or other food aid.

Primary Conclusions Regarding Macroeconomic Impacts: Concludes that significant economic benefits resulted from the reform, but does not quantify or analyze systematically. Reforms also shifted income from consumers to producers and promoted private sector expansion.

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Conclusions on Food Sector Impacts: Private trading activity expanded as a result of the reforms.

Conclusions on P.L. 480 Management: Not addressed.

- Winch, Fred E. *How USAID has Initiated and Encouraged Economic Policy Reform in the Sudan.* U.S. Agency for International Development. Paper prepared for the USAID Economists Conference, November 4-9, 1984.

Nature of the Document: This paper was prepared by the Associate Director for Economic Policy and Program, USAID/Sudan, and presented at the A.I.D Economists' Conference in November 1984. The paper does not specifically analyze developmental impacts of P.L. 480 in the Sudan, but it provides an anecdotal discussion of the negotiating of policy reform and the role P.L. 480 programming plays in that process.

Primary Conclusions Regarding Macroeconomic Impacts: Not addressed.

Conclusions on Food Sector Impacts: Not addressed, although success in achieving reforms is cited.

Conclusions on P.L. 480 Management: Discusses approaches to policy dialogue at operational level, with recommendations for analysis and dialogue support