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Fact Sheet for the Chairman, Committee on Agriculture, House of Representatives

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FOOD AID

Integration With Economic Assistance Programs in Four African Countries

GAO/NSIAD-88-96FS

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The Honorable E (Kika) de la Garza
Chairman, Committee on Agriculture
House of Representatives

Dear Mr. Chairman:

As requested by your office, this fact sheet provides supplementary information to our report, Food Aid: Improving Economic and Market Development Impact in African Countries (NSIAD-88-55, Dec. 21, 1987), concerning the economic and market development impact of Public Law 480 food assistance to African countries. Specifically, it provides information concerning (1) integrating Public Law 480 food assistance with foreign economic development assistance[1] and Economic Support Fund[2] assistance and (2) prepositioning of food commodities in Africa to meet critical needs, such as in times of drought or other emergencies.

The United States provides food assistance to African countries to combat hunger and malnutrition, encourage economic development, expand export markets for U.S. agricultural commodities, and promote U.S. foreign policy goals. This assistance is provided primarily under the Agricultural Trade Development and Assistance Act of 1954, commonly referred to as Public Law 480. For fiscal year 1987, food assistance to African countries totaled $297.7 million, or 38 percent of U.S. economic aid to the region.

Title I of Public Law 480 authorizes, among other things, low-interest, long-term credits for friendly developing countries to purchase U.S. agricultural commodities. Countries agree to use local currency generated by the sale of these commodities in-country and to take additional self-help measures to promote economic development. Title II authorizes food donations to alleviate hunger and malnutrition and to promote economic and community development in friendly developing areas. These commodities are usually distributed free or for a small fee by U.S. private voluntary organizations through (1) maternal and child health programs, (2) school feeding programs, and (3) food for work projects; and by other organizations, such as cooperatives through other programs.

[1]Development assistance is assistance under chapter I of the Foreign Assistance Act, primarily designed to promote economic growth and equitable distribution of its benefits.

[2]Economic Support Fund is an appropriation account for funding economic assistance to countries based on considerations of economic, political, or security needs.

Several agencies participate in Public Law 480 through the interagency Food Aid Subcommittee of the Development Coordination Committee, which coordinates the development policies and programs of various government agencies. The Agency for International Development (AID) designs and implements economic development provisions, and the Department of Agriculture oversees U.S. agricultural interests.

Food assistance is integrated with foreign economic assistance through (1) AID's country development strategy statements which detail U.S. objectives and strategy for the next 5 years for each country and attempt to identify opportunities to integrate economic assistance programs; (2) implementation of self-help measures in Title I agreements; (3) use of proceeds generated by selling Title I commodities in-country to support developmental objectives; and (4) use of Title II commodities, together with other assistance, to support developmental objectives. The country development strategy statements for Ghana, Kenya, Madagascar, and Senegal recognized the linkage between food assistance and other forms of assistance in varying degrees. Linkage of food assistance with other assistance during actual program implementation, such as through self-help measures, use of Title I proceeds, and use of Title II commodities, varied considerably by country.

In 1984, the President announced the prepositioning of food commodities at strategic locations in Africa as part of a major food initiative that would allow the United States to respond more quickly and effectively to critical food needs.[3] After considering the concept of prepositioning of commodities in Africa, U.S. agencies concluded it was infeasible to implement because of cost, storage problems, and other considerations.

AID has tried in other ways, with mixed success, to shorten the time required to respond to critical food needs.

- Some commodities were prepositioned at U.S. ports for Sudan, but the anticipated requirements decreased, and it took a long time to dispose of the commodities.
- Trilateral arrangements have been used to a limited extent wherein one country provides commodities to a developing country and the United States then provides commodities to the first country. Results of these arrangements appear mixed. An AID contractor reviewed four such

[3]Our report, Improving U.S. Response Time for Emergency Relief (GAO/NSIAD-86-56, April 3, 1986), contains information concerning the need to improve upon the time required to respond to emergency food needs.

arrangements and found in two instances that deliveries were slow, taking 9 months; and in two instances deliveries were fast, taking 2 1/2 months and 4 months, which was the same time as the best estimates given for direct U.S. deliveries.

- In some instances, commodities have been purchased in advance of a formal request for assistance (this was done most recently for Ethiopia). However, an Agriculture official expressed reservations with this procedure because of the risk of buying commodities which may not be used.

The observations in this fact sheet are based primarily on work we did during our review of the economic and market development impact of Public Law 480 in African countries. We reviewed Public Law 480's Title I sales programs and Title II donation programs in Ghana, Kenya, Madagascar, and Senegal for fiscal years 1984-86. We interviewed officials and reviewed documents at the Departments of Agriculture and State, AID, and the Office of Management and Budget.

Copies of a draft of this fact sheet were provided to officials of the responsible agencies for their unofficial review and comment. They agreed with the facts presented.

We are sending copies of this fact sheet to the Secretaries of State and Agriculture; the Director, Office of Management and Budget; the Administrator, Agency for International Development; appropriate congressional committees; and other interested parties upon request.

Should you need additional information or have questions, please contact me on 275-5790.

Sincerely yours,

Nancy R. Kingsbury

Nancy R. Kingsbury
Associate Director

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Abbreviations

AID	Agency for International Development
FAO	Food and Agriculture Organization of the United Nations

Integration of Food and Non-Food Assistance

Strengthening food assistance's developmental impact through its integration with non-food assistance is encouraged in the January 1982 guidance from AID/Washington to its overseas missions. The guidance encourages missions to be aware of the various opportunities for integrating food and non-food assistance as they prepare their country development strategy statement and the annual budget submission. The country development strategy statement is AID's planning document for promoting economic growth in developing countries, which covers up to a 5-year period and shows how resources allocated for a country will be used. The Annual Budget Submission is designed to implement the development strategy.

According to the 1982 guidance, the programming of food assistance should be consistent with an overall strategy governing the use of all development resources. For example, policy reforms sought in the context of Public Law 480 should be consistent with policy dialogue occurring during Economic Support Fund negotiations. Also, self-help measure and local currency use agreements with host governments can be used to support development assistance projects and to strengthen development-oriented institutions. Specifically, local currency generated from the sale of food can be used as complementary funding in situations, such as

- supporting food for work, feeding, and maternal and child health programs under Title II;
- supporting nutrition education and health services programs funded in part or whole by development assistance;
- supporting reforestation, and farm production and distribution projects;
- funding in-country training and management of grain stabilization programs; and
- providing opportunity for policy dialogue with the host government.

Although the guidance indicated where food may be integrated with non-food assistance, it also pointed out certain constraints to increased integration of food and non-food resources. For example, dependence on food or generated local currency creates a problem because the amounts change from year to year, and the timely transfer of local currency to those entities charged with carrying out specific activities cannot always be accomplished.

More recently, the End Hunger in Africa Initiative announced by the President on March 11, 1987, stated that U.S. food assistance is to be provided in the context of country-specific development strategies,

which would orient individual country food programs to the goal of ending hunger in Africa.

Our review showed that Public Law 480 food assistance was linked with non-food assistance, in varying degrees, in the missions' overall country development strategy statements in Ghana, Kenya, Madagascar, and Senegal. For example, in Ghana, food aid and development assistance support the government's Economic Recovery Program by targeting assistance to the agricultural sector to increase food production. In Senegal, the mission's strategy is to help increase agricultural production and reduce the government's role in that sector, and food assistance and economic support funds are targeted to support that effort.

Integration of food and non-food assistance during program implementation in-country also varied. For example, (1) in Ghana and Senegal, some integration of resources occurred for Title I and Title II; (2) in Madagascar, Title I assistance was well integrated with Economic Support Fund and development assistance, but there was no tangible integration of Title II; and (3) in Kenya, little integration of food and non-food assistance had taken place because of multiple U.S. objectives and Kenyan perceptions of the program.

Ghana

In Ghana, the mission's main objective, according to its country strategy, is to help the government achieve food self-sufficiency by increasing food crop production and distribution and reducing the population growth rate. Both Titles I and II food assistance and development assistance support these efforts.

Title I assistance is used to provide industrial raw materials, construct grain storage silos, develop a better grain marketing system, and provide credit through rural banks for small farmers to improve their production. Title II assistance is used to complement family planning by supporting maternal and child health care services. Mission officials told us that food assistance is discussed along with other kinds of assistance at monthly donor coordination meetings.

Mission officials hoped to better integrate Title I programs with other assistance by (1) targeting title I self-help measures to projects identified in Ghana's Economic Reform Program, including education and health, as well as agriculture and (2) gaining the use of more Title I proceeds for World Bank-sponsored studies that would provide information

on which to base future self-help measures. They hoped to better integrate Title II programs by facilitating quarterly meetings between the government and private voluntary organizations.

Mission officials believe Ghana's reluctance to develop a formal food assistance policy is a constraint to better integration. In their view, a food assistance policy would facilitate donor coordination and integration of food assistance with government priorities. The mission proposed that the government fund the development of a food assistance policy with Title I proceeds, but the government did not respond. Ghana officials told us that they are reluctant to develop a food assistance policy because they hope to eventually phase out food assistance and do not want it to seem like a permanent program.

Kenya

The overall objectives of the Public Law 480 program in Kenya appeared to be consistent with AID's country development strategy. However, it was not apparent that food assistance had been integrated with other AID resources to enhance the overall effectiveness of U.S. assistance.

In Kenya, according to AID officials, negotiating self-help measures and programming local currency is difficult because the government believes that

- the program serves important U.S. foreign policy and agricultural export objectives,
- local currency proceeds are sovereign funds and use of these funds should not be influenced by the United States, and
- other donors are willing to provide food assistance on a grant basis, with fewer or no self-help and local currency use restrictions.

Kenya's fiscal year 1984 Title I agreement did not describe specific actions required by the government. Two of the four measures in the fiscal year 1986 agreement required the government to appoint a special Title I program coordinator while another required it to establish a special account for Title I local currency rather than require Kenya to contribute directly to economic development goals benefiting the needy. The government of Kenya had not fully implemented the self-help measures for any of the 3 years.

Prior to 1987, AID and the government of Kenya did not reach agreement on the use of Title I proceeds for fiscal years 1984-86. Consequently,

these proceeds had not been used to complement other AID assistance or to support Kenya's development effort. Mission officials said they would seek Kenya's agreement to use Title I local currency in support of priorities outlined in the mission's agricultural sector strategy. They expected significant amounts of local currency to be allocated to Kenya's agricultural research budget, which would complement the mission's ongoing $40 million development assistance agricultural research project. In October 1987, the mission reported that Kenya had agreed to program the proceeds from the 1984, 1985, and subsequent years Title I agreements.

The Food for Peace officer informed us that the Title II program generally supports AID's objective of targeting assistance to the poorest of the poor and the government's development plan objective of providing assistance to the malnourished. However, we did not find any examples where Title II programs were operating together with projects supported by development assistance or other AID resources (for example, operating Title II supported maternal and child health programs in conjunction with development assistance-supported child survival grants). An AID official reported that Catholic Relief Services/Kenya officials stated that Title II programs stand relatively alone. Catholic Relief Services/Kenya officials informed us that Catholic Relief Services/New York used to encourage the establishment of associated development activities (such as vegetable growing and basket weaving), together with Title II supported maternal and child health programs. However, this policy has been changed. Rather than encouraging women to engage in self-help activities at maternal and child health centers, Catholic Relief Services/New York officials believe these types of activities should be undertaken at the village level.

Madagascar

AID's primary objective in Madagascar, according to the country development strategy statement, is to assist the government to achieve higher rice production. Title I food assistance is closely linked with development assistance and economic support funds in achieving that objective. For example, the Madagascar Agricultural and Rehabilitation Support project funded by development assistance and Economic Support Funds and the Title I self-help measures were designed to support Madagascar's Public Investment Program, which is aimed at rehabilitating the facilities essential to recovery of the agricultural sector. Also, Title I proceeds and development assistance funds, as well as other donors' funds, are being used to fund various rice research efforts. Madagascar officials stated that Title I food is integrated into the country's overall

development plan in the agricultural sector and cited these examples as support.

AID officials made similar statements regarding the integration of Title I, but indicated that the Title II program is not well integrated with AID's other development programs. The only example in which other AID resources have been used to support the Title II program was the planned use of Title I-generated local currency to construct a Catholic Relief Services warehouse. An AID Regional Economic Development Services Office/East Africa official stated that Catholic Relief Services is not interested in integrating its Title II resources with other AID resources. The official stated further that some missions perceive Title II as a low priority program in comparison to Economic Support Fund and development assistance.

Senegal

The Title I and II programs support AID's country development strategy objective to increase Senegal's agricultural production and reduce the government of Senegal's role in the agricultural sector. For example, the Title I program objective is to reduce the government's role in the cereals sector and increase private enterprise's role. A Title I agreement requires the government to lift restrictions on cereal storage and transportation within Senegal. The Title II Food for Work program objective is to encourage the storage of food production and seeds at local nongovernmental sites.

The Title I and II programs also complement each other. For example, one condition of the fiscal year 1986 Title I agreement requires the government of Senegal to budget sufficient funds to cover Title II food transportation costs. However, the government has had difficulty in paying these costs and part of the Title I proceeds will be used to pay for the transportation of Title II food.

The Economic Support Fund program's objectives and conditions are similar to those of Title I. The program is aimed at reorganizing the imported rice sector and phasing out price equalization of groundnut products and vegetable oil. Also, the program limits the government's role in the sale of fertilizer.

AID officials stated that the Public Law 480 program is also integrated with other donor efforts in Senegal. For instance, one requirement of the government's agreement with the International Monetary Fund is to

repay a commercial banking debt that was created when the government dissolved an agency. Title I proceeds are used to accelerate this debt repayment.

The AID mission coordinates its efforts in Senegal with other donors in the multi-donor organization called the Common Fund. The donor community in Senegal created the Common Fund in 1985 in response to an active donor community competing for scarce government resources. One objective of the Common Fund is to agree on common projects and collect donor contributions to accomplish the projects. The mission and government of Senegal agreed that about $1.6 million in Title I proceeds would go to the Common Fund for a cereal price stabilization project.

Prepositioning of Food Commodities in African Countries

The President announced a major food assistance initiative on July 10, 1984, that would allow the United States to respond more quickly and effectively to the food needs of the people of Africa and the world suffering from hunger and malnutrition. Part of the initiative included the prepositioning of grain in selected Third World areas. At that time, it was thought that prepositioning grains in areas especially vulnerable to acute food shortages would help to save lives by shortening U.S. response time from 3 to 6 months to as little as 2 weeks. The announcement grew out of Ambassador Robert Keating's Third World Hunger Task Force, high-level, interagency study of the world-wide hunger situation.

Prepositioning as a possible measure to accelerate the response to food emergencies was also considered by the Food and Agriculture Organization of the United Nations (FAO) during 1985-87 meetings of its Committee on World Food Security. One U.S. official told us that the FAO initiative resulted from the President's announcement.

Our review of the U.S. government's response to the famine in five African countries in 1984 showed that the late arrival of food was a major problem, attributable in part to the length of time required by the U.S. agencies to approve emergency program requests and to ship commodities to affected countries. A follow-up survey of the response time in fiscal year 1985 showed that the combined overall average time of 110 days in fiscal year 1985 to approve requests, obtain commodities, and arrange shipping, plus loading and ocean and inland transport time continued to constrain delivery of emergency food assistance to African countries when it was most urgently needed. For the five countries reviewed, commodities were needed between the prior harvest ending in November and the start of the next rainy season in June, about a 6-month period. For the most part, food needs could not be reliably determined until after crops were harvested. Additional time was then required for the missions to submit a request for emergency assistance. Experience with the 1984 and 1985 programs indicated that about 6 months were required to provide commodities after AID/Washington received a mission's request. Thus, it was extremely difficult to provide commodities before June when they were most needed, and actions were needed to accelerate the response.[1]

[1] Famine in Africa: Improving Emergency Food Relief Programs (GAO/NSIAD-86-25, March 4, 1986); Famine in Africa: Improving U.S. Response Time for Emergency Relief (GAO/NSIAD-86-56, April 3, 1986).

Upon considering the concept of prepositioning commodities in African countries, U.S. agencies found it infeasible to implement. AID and Department of Agriculture officials said that there were many problems in general, as well as many variables related to prepositioning, including

- location and climatic conditions,
- costs of storage and management,
- rotation of stocks,
- quantities (modest amounts would be of little help in times of severe shortages),
- ownership of the commodities, and
- political problems in moving commodities out of the country where stored.

AID sent cables to its overseas missions soliciting feedback on the feasibility of prepositioning Title II stocks at ports in Africa. Ports in Kenya and the Ivory Coast were targeted as the best choices. However, AID stated in the cables that because of poor climatic conditions in both countries, it envisioned storing grain stocks for 3 months or less. The missions did not respond favorably toward the possibility of prepositioning food stock in Africa. For example, the Nairobi mission stated that at the time, Kenya was experiencing an emergency food crisis itself, and to attempt to store food at the Port of Mombasa for use in other countries was not considered a good idea. The mission suggested that discussion of prepositioning with the government of Kenya be delayed. The mission in Abidjan, Ivory Coast, responded by suggesting that AID further clarify its objectives before initiating a plan of action. It suggested that some other alternative might be preferable to costly prepositioning. For example, perhaps earlier approval and shipment of commodities to individual countries might be a partial alternative to prepositioning.

Missions, visited during our review of fiscal year 1984 famine relief and during our review of the economic and market development impact of food assistance in 1986, stated that prepositioning food commodities in African countries was not feasible for the reasons cited above.

At its session in April 1985, FAO's Committee on World Food Security cited the President's 1984 prepositioning food initiative as a way to reduce the response time and make food more readily available to those who suffer most severely from the ravages of famine. According to FAO, the main advantage of prepositioning of commodities in a disaster-prone country is that it ensures speedy delivery to a target area. FAO endorsed

the initiative, but stated that because of various constraints voiced by donors, the prepositioning initiative had not been implemented. In its report for the 1985 meeting, FAO said some of the constraints included

- identifying suitable ports in Africa conveniently located for quick emergency action;
- tying up limited port-site storage facilities needed for regular flow of imports;
- determining management and ownership of commodities; and
- assessing cost-effectiveness, logistical problems, and shipping to neighboring countries.

The concept was studied and further considered at meetings in 1986 and 1987. In preparation for the 1986 meeting, FAO did an analysis of economic and logistical feasibility of prepositioning food stocks for meeting emergency needs. The study showed that during the recent African crisis, donors pledged food in a timely manner, but its delivery was not timely. However, the study concluded that emergency supplies could be delivered more rapidly if procurement and other logistical delays in donor countries were avoided. Additionally, this process could be further enhanced by prepositioning supplies in strategic locations where they could be quickly deployed when emergencies arise. The study acknowledged that prepositioning of stocks would add additional costs to commodities, ranging from $14 to $25 per ton, assuming a maximum of 6 months for supplies to remain prepositioned before they are used. At its April 1987 meeting, the Committee on World Food Security concluded that because of the problems posed by the members, prepositioning needed further study.

Throughout the FAO discussions, the U.S. representative maintained a position that the United States did not consider it feasible to participate in prepositioning food stocks in African countries or in other countries. According to a position paper prepared for the U.S. delegation to the 1986 meeting, the United States felt that prepositioning of emergency commodities would not necessarily lead to improved responses. The U.S. position was that maintaining storage at U.S. ports for Title II commodities was unnecessary since Title II commodities could be diverted from regular ongoing programs to emergency sites. Locating emergency stocks in third countries also posed problems and involved high costs for long-term storage. Other problems associated with using African ports are high humidity and short-life of grain, and tying up limited storage facilities at a time when short-term capacity is needed.

Related GAO Products

Compendium of GAO Reports Pertaining to Public Law 480 from July 1973 through August 1985 (GAO/NSIAD-85-96, Sept. 13, 1985).

Famine in Africa: Improving Emergency Food Relief Programs (GAO/NSIAD-86-25, Mar. 4, 1986).

Famine in Africa: Improving U.S. Response Time for Emergency Relief (GAO/NSIAD-86-56, Apr. 3, 1986).

Foreign Aid: Agency for International Development's 1978 and 1986 Programs for Jamaica, Kenya, and Senegal (GAO/NSIAD-86-103BR, Apr. 15, 1986).

The Philippines: Accountability and Control of U.S. Economic Assistance (GAO/NSIAD-86-108BR, May 2, 1986).

The Philippines: Distribution and Oversight of U.S. Development and Food Assistance (GAO/NSIAD-87-24, Nov. 7, 1986).

Liberia: Problems in Accountability and Control Over U.S. Assistance (GAO/NSIAD-87-86BR, Feb. 13, 1987).

Foreign Aid: Information on U.S. International Food Assistance Programs (GAO/NSIAD-87-94BR, Mar. 27, 1987).

Liberia: Need to Improve Accountability and Control Over U.S. Assistance (GAO/NSIAD-87-173, July 16, 1987).

Food Aid: Improving Economic and Market Development Impact in African Countries (GAO/NSIAD-88-55, Dec. 21, 1987).

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