

THE SECTION 416 PROGRAM IN CHILE

An Evaluation Report By

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## LIST OF ABBREVIATIONS

ADC	Advanced Developing Country
ADRA	Adventist Development and Relief Agency
APROFA	Association for Family Planning
EEC	European Economic Community
JUNAEB	National Organization for Student Help and Scholarships
MEP	Minimum Employment Program
NFDM	Non-fat Dry Milk
OFASA	Seventh Day Adventist Association for Social Assistance (in Chile)
PNAC	National Program for Complementary Feeding (Ministry of Health preschool food distribution program)
POJH	Employment program for heads of households

## EXECUTIVE SUMMARY

The Section 416 Program in Chile began early in 1983, during a period of abrupt and severe economic decline. The commodities initially supported PVO activities that had continued to receive Title II donations after closing of the AID Mission in May, 1981. Initiation of a Government-to-Government project soon followed, assisting well-established MCH and school feeding activities.

With emergency help during natural disasters in 1984 and 1985, and renewal of the initial 416 assistance, commodity commitments reached :

FY83	\$ 9,500,000
84	10,900,000
85	15,900,000
86	16,700,000
87	13,600,000

These figures represent Section 416 commitments, but shipping delays make it difficult to link commodity deliveries with specific years. Agreements for FY87, for example, were not signed until early July, 1987, and distribution of the commodities will not start before FY88. As the current fiscal year draws to a close, no requests for an FY88 Section 416 Program have yet been invited or received. If previous patterns continue, any new program will also involve shipments through much of the following fiscal year.

CRS and ADRA, U.S. PVO's, are the nominal sponsors in the current private 416 Program, though Caritas/Chile and OFASA, Chilean voluntary agencies, implement the activities with little help from their American counterparts. A Government-to-Government project limited to PNAC, the national health center preschool food distribution program, and the two private projects constitute the FY87 section 416 Program. Lack of commodities, due to shipping delays, has already caused reductions in ration size, coverage, or regularity of distribution. Only OFASA retains some food in warehouses, owing to a late FY86 delivery, but it has also begun reductions designed to stretch availability.

These delays have, to a considerable extent, nullified benefits of a three-year plan, developed by national agencies with Embassy help and approved in Washington after an unexplained eight month delay. In the absence of AID presence in Chile, the Embassy's Economic Counselor and a full-time local employee manage the Program for AID. Their motivation, commitment, and ability, together with the high level of Chilean performance, produce excellent results. Administration of the Chile 416 Program from Washington is less satisfactory and shows little consideration for Chilean sophistication or for the competing demands on Embassy staff time. The Chilean PVO's, who monitor food distribution to centers operated by other local agencies, perform effectively the management role usually handled by U.S. PVO's in other programs.

All of the activities subsidized with Section 416 commodities are well-established, meet the statutory requirement to feed needy people, and include appropriate complementary services. The National Secretariat for Development and Social Assistance, a Chilean government agency, coordinates private and governmental food programs effectively as part of a broader effort to alleviate the impact of economic decline and structural adjustment on poor people. The Government pays Embassy administrative costs of Section 416, ocean freight and all local costs of PNAC distribution, and makes substantial annual payments to the two FVO's. It will pay one-third of their ocean freight charges for FY87, increasing payments to 100 percent by FY89.

From inception, the Chile program relied heavily on milk donations. Nevertheless, participating sponsors accommodated rapidly to the abrupt decline in milk availability early in 1987, by substituting donated rice and wheat. The limited future availability of dairy products under Section 416, and the high cost of the Program to the Government of Chile, make the Program's future uncertain. Although Chilean sponsors manage commodities well, the projects contribute substantially to maintaining nutrition and economic status of the poor, and target group need remains strong, the U.S. Government has not yet decided whether to continue the 416 Program and the Chilean Government has not yet decided to accept any invitation to participate. Immediate resolution of these uncertainties is essential for effective administration of the Section 416 Program and for preserving the political benefits of past activities. Termination of the Program requires adequate notice to Chilean agencies and clear delineation of any political considerations involved.

## Introduction and Method

This evaluation of the use of Section 416 commodities in Chile forms part of a broader study assessing worldwide 416 experience and proposing Program improvements. A separate review of Section 416 Program management, by Planning Assistance Corporation, complements individual country studies.

A one-week visit to Chile, following interviews and document review in Washington, provided evidence for conclusions. Interviews with Chilean Government officials, local PVO staff, and workers at distribution sites, supplemented extensive briefings by the U.S. Embassy Economic Counselor and the local-hire coordinator, who together manage the Program for the U.S. Government.

Because no Section 416 commodities for the FY87 program had yet been delivered, and only DFASA had stocks remaining from FY86, program review emphasized assessment of local management and operations independently of Section 416 donations. The consequences of delays in commodity delivery, and of the reduction of NFDM availability early in 1987, also received attention. Review of U.S. Embassy program management provided useful generalizations relevant to conduct of other 416 programs in countries without AID presence. Although the evaluation also included exploration of logistics and recordkeeping, the agencies' long experience and effective use of PL 480 donations limited these concerns. The evaluation approach also included consideration of AID, USDA, and DCC actions in relation to the Chile Program, the role of U.S. PVO's, and assessment of economic and political impact.

Economic Counselor Wendell Belew and local Coordinator Renato Hidalgo gave their time freely, spoke frankly, and scheduled interviews well. Visits to distribution sites around Santiago supplemented interviews effectively. Excellent cooperation by Embassy staff and Chilean agencies made possible acquisition of considerable information and understanding during the brief field visit.

## The Program Context

An abrupt and severe economic decline in Chile, during 1982, provided the major impetus for initiation of a Section 416 Program. Government and PVO's recognized that poor people needed increased help to maintain themselves. The Chilean economy had grown by more than seven percent (7%) annually during 1977-80, to an annual per capita income level of more than \$1500, though highly skewed income distribution left many families still in need. Growth slipped to 5.5 percent in 1981 and the economy declined by 14.1 percent in 1982. The following year produced only .7 percent growth. Not until 1984 did Chile enter what the Embassy's current Economic Trends Report (August 27, 1987) calls "a new period of economic expansion, well past the recovery phase." The Report projects 5.8 percent growth for 1987 and describes Chile as poised for "solid economic growth" in 1988.

The National Institute of Statistics (INE) reported unemployment of 11.3 percent in 1981 and 19.6 percent in 1982. Although the programs did not absorb all those applying, and pay less than the already low minimum wage, the Government's Minimum Employment Program (MEP) added 150,000 workers in 1982-84 and the Work Program for Heads of Households (POJH) employed another 80,000. Although the information has not been tabulated separately, the PVO'S confirmed that they receive free labor for food programs by employing workers from the two programs.

Other data emphasize the disproportionate impact of the economic crisis on poor people. Prices rose by 273 percent from March, 1980 to June, 1985, and the purchasing power of wages declined by 40 percent during this period. The 14.1 percent reduction in 1982 GNP produced a corresponding decline of over 20 percent in per capita real income among the poor. Despite the beginning of recovery in 1984, the Economic Counselor and other observers emphasize that the situation of the most deprived groups remains precarious. The national economic strategy, skewed income distribution, and emphasis on capital-intensive industry, slows re-employment and restoration of real income among the poor. Payments on Chile's \$20,000,000,000 external debt, and other factors, limit Government's ability to maintain the level of compensatory programs despite increasing needs.

Data on recovery are difficult to assess, because Government and opposition statistics differ dramatically. For example, the September 10, 1987, issue of LA EPOCA, an opposition newspaper, published comparisons between "Official Chile" and "The Other Chile" showing major differences in (e.g.) production and employment. All PVO and feeding site staff interviewed asserted that the alleged national economic recovery has so far produced little improvement in the condition of their target groups.

Because the Government of Chile maintained employment, food and other programs, known as the "Social Network," during the crisis, nutrition and health of the poor have deteriorated less than economic status. Social spending rose from \$1,400,000,000 in 1980 to \$2,100,000,000 in 1984, an increase from 50.4 percent to 61 percent as share of the national budget. Although the Director of PNAC, the National Program for Complementary Feeding, stated that malnutrition rates were slightly higher during the first quarter of 1987 than during the same period in 1986, PNAC data show that nutrition status of children under six, weighed at health centers, held up well during the period of economic stress:

Year	Number of Children	Degree of Malnutrition (percent)		
		slight	moderate	severe
1982	1,160,813	7.8	.9	.1
1983	1,194,351	8.7	1.0	.1
1984	1,226,553	7.5	.8	.1
1985	1,258,171	7.8	.8	.1

(Source:PNAC Annual Reports)

The Social Network provided an excellent infrastructure for use of Section 416 commodities to help protect those who suffered most from the economic decline. The PNAC Director and others acknowledge that the donated food helped to maintain program levels as budgets diminished, since Government gave preference to job programs and cut PNAC. The Section 416 Program continues to serve this structural adjustment purpose.

Establishment of the Secretariat for Development and Social Assistance, in the President's Office, during February, 1985, integrated voluntary agency food programs into the Social Network, enabling the Embassy to plan 416 activities as a single program through one institution. The Secretariat coordinates planning, operations and reporting effectively, reducing the Embassy's monitoring burdens. Although ration size, individual beneficiary selection, and complementary activities remain operating agency decisions, the Secretariat directs geographical targeting and treats food programs as an integral part of the national social program strategy. Government's total budget for food-related activities was about \$70,000,000 for 1987, excluding the value of donations.

This impressive and favorable institutional environment occurs within a highly controversial political context. The wisdom of donating commodities through the Pinochet government depends on political judgments beyond the province of this report. Section 416 emphasis on humanitarian response reduces political involvement, but many opponents of the regime still oppose the Program. Use of Caritas/Chile, a local PVO critical of the government, to distribute food also dampens any impression of exclusive support to those in power. The Embassy persuaded Caritas to treat the program as "apolitical" and the PVO, for the

first time, met directly with government representatives instead of using the Embassy as intermediary. Both FVO and governmental networks provide effective vehicles for use of 416 commodities, if the United States Government chooses to continue using them.

Because the Program is so sensitive politically, Chilean officials interpret any unanticipated delay, for whatever reason, as a political affront. It is important, when no political slight is intended, that commodities arrive on schedule.

The future of Section 416 in Chile is also affected by the substantial national cost of the Program. Using the high cost and great appeal of milk, the Embassy negotiated governmental payment of ocean freight and all local costs of the Government-to-Government component. In addition, Government pays Caritas about \$470,000 and OFASA \$135,000 to support their activities. For FY87, Chile agreed to pay \$30,120 to cover Embassy administrative costs, and one-third of ocean freight charges for commodities to be delivered to the FVO's. By FY89, Chile will cover all FVO ocean freight charges. The requirement that 70 percent of all commodities be shipped in U.S. vessels adds to Chilean costs.

In this financial context, the "gift" of Section 416 food receives close scrutiny. Recent increases in Chilean milk prices, for example, favor continued requests for dairy products, but the Secretariat shows far less interest in wheat and rice. Although this may be a negotiating tactic to encourage milk allocations, the lukewarm attitude toward non-dairy donations emphasizes the difference between Chilean response and that of countries where the commodities cost government little. Where cost comparisons favor donations only slightly, for example, and milk is not available, the uncertainty and complexity of the Section 416 Program may lead to termination of requests from Chile.

## History of the Program

When the AID Mission in Chile closed in May 1981, Caritas and OFASA continued to receive Title II commodities for their long-standing feeding programs. Announcement of the availability of Section 416 commodities late in 1982 offered an opportunity to continue commodity donations as the current projects ended. The two PVO's, emphasizing the severe recession then underway in Chile, requested and received Section 416 projects for a total of 958MT of NFDM in CY82. The Embassy emphasized that the Section 416 Program was temporary and has continued to do so. In CY83, shipments to the two PVO's rose to 1,638MT of milk and also included 1,304MT of butter oil. During the same calendar year, the ministries of Health and Education negotiated a Government-to-Government program for 6,700 tons of NFDM and 335 tons of butter oil to be used in the well-established, high priority school feeding and preschool food distribution programs.

These early Section 416 donations to Chile were "one-shot" responses, clearly identified as temporary, and involved little planning by either country. They were considered "economic emergency" projects and a 1984 flood and a 1985 earthquake generated additional commodities, yielding total deliveries of:

1984- voluntary agencies-	2,807MT of NFDM
	1,610MT of butter oil
	878MT of cheese
Government program-	3,600MT of NFDM
1985- voluntary agencies-	1,690MT of NFDM
	797MT of cheese
Government program-	15190MT of NFDM
	785MT of butter oil
	2,890MT of cheese

The large increase in commodities for 1985 reflects delayed arrival of shipments originally scheduled for alleviation of the 1984 disaster, which then became part of the following year program. CARE, Inc. and the Knights of Malta were used as US PVO intermediary agencies during the emergencies, but neither implemented any programs.

In 1986, the DCC approved only half of the Chilean request, seeking to put the Program on a fiscal year basis and inviting a new proposal for FY87. The FY86 program included:

voluntary agencies-	1,124MT of NFDM
	376MT of butter oil
	543MT of cheese
Government program-	5,170MT of NFDM
	330MT of butter oil

Best Available Document

An additional 1,250 MT of commodities. request of Malta for use primarily in government program has been approved.

In February, 1986, at the U.S. Embassy in Santiago following considerable work by his staff and other U.S. agencies, the Embassy submitted a proposed plan for Section 416 activities. The plan involved a re-evaluation of the size of the program and a shift of allocations from the Government to the FVO's. Despite several cable requests for response, it was not until September, a delay of several months, that FFP approved a three-year plan. The approval was confirmed, as the Embassy had always acknowledged that commitments remained dependent on availability of commodities.

Shortly after the plan was approved, the request for FY87 that included 15,000 MT of commodities for 1987, after the proposal had been approved and the agreement had been signed, FFP notified Chile that the request had unexpectedly diminished dramatically and requested substituting other commodities. The Chilean Government responded immediately, but FY87 agreements were not signed until late June and early July. No shipments pursuant to these agreements were received before the end of the fiscal year.

The "FY87 Program," as revised, included:

CRS/Caritas-	200 MT of NFDM	3151
	500 MT of cheese	2781
ADRA/OFASA -	450 MT of NFDM	930
	250 MT of butter oil	130
		204
FNAC (Government)-		
	2,350 MT of NFDM	9000

The combined delays due to processing the proposals and the consequences of the unexpected milk shortage have resulted in a Section 416 Program once again divorced from the annual year planning. Agencies are using commodity allocations that have not yet arrived, but no longer include Section 416 commodities in their planning. This Report urges the Embassy to submit proposals for FY88, but it is unlikely that such proposals will receive approval and delivery can be concluded within the fiscal year. Indeed there is still considerable doubt in the minds of the agencies whether to continue to receive Section 416 commodities.

This history emphasizes the conflict between the need for a supply of commodities essential for useful projects and the temporary and uncertain nature of Section 416 commodities. The delays compound the problems but the conflict exists without them. The Embassy and the Chilean Secretariat for Economic Development and Social Assistance emphasize

increased certainty about allocations and deliveries if Section 416 is to be a "program." They recognize that the surplus disposal program can also be administered on a "first come, first served" or other less programmatic basis, and continue to be interested in receiving commodities under such an alternative. AID and USDA need to decide how the Section 416 Program will be managed, especially given current uncertainty about commodity supply, and should inform Chile promptly of the decision.

## Projects

### H. PNAC, the National Complementary Feeding Program

When milk became scarce early in 1987, the secretariat eliminated the national school feeding program from the Section 416 proposal, leaving PNAC the only receiving agency in the Government-to-Government Program. This reflects Government's priority to preschool children, though JUNAEB, the school feeding agency, continues to receive \$38,000,000 annually compared to \$40,000,000 for PNAC.

The PNAC is a preschool child health services and growth monitoring program that uses monthly food distribution as an incentive and as a nutritional and economic supplement. After long study, PNAC staff concluded that all children under two should receive a modest (2 kilos per month) NFDM ration rather than having the Program screen for the most needy. The PNAC Director emphasized that self-selection, and participation in other agency's health programs, limit MCH services in the Ministry of Health's centers, where PNAC food is distributed, to needy people. He estimated that the Program's current coverage of about 1,100,000 children under six, includes 70 percent of all at-risk children of this age group in the country. Pregnant women also receive food under PNAC, though they were not mentioned in the Section 416 Agreement. Distributions take place in 286 urban centers, 93 rural dispensaries, and 983 rural centers. The Section 416 commodities are about 40 percent of all food distributed by PNAC. Workers at the health centers record socio-economic information on all families and, since coverage is not complete, economic criteria of need often supplement nutritional considerations.

The Program provides additional rations for children showing inadequate growth or identified as having other attributes suggesting high nutritional risk. The ration also varies by age, so that, for example, a child of 6-11 months, considered to be at risk, receives a monthly take-home distribution of;

two kilos of 26% NFDM  
three kilos of an NFDM-based soup, and  
two kilos of rice

The ration covers different percentages of target group nutritional needs, diminishing as the child grows older. Because mothers are less likely to bring children over two for routine visits, participation is reduced among the older group. The older children receive a special processed cereal that includes Section 416 NFDM as 47% of the ingredients. The cereal box states that this percentage of the contents has been donated by the United States, though in small letters and without any clasped hands. Mothers must show a card indicating that immunizations are current, and that the child has been weighed that day, to receive

the food. For children over two, weighing is less frequent. Although some centers provide nutrition education for the mothers, current crowding and budget limitations make the growth monitoring the primary educational activity.

Now more than twenty years old, the Program handles logistics and growth monitoring very effectively. Families pay no "cuotas" (contributions or charges) for health services or food, since they are provided as a right due all children. The PNAC stems from an earlier "glass of milk every day" program and receives high political priority. Although the emphasis on milk produces a high-cost basic ration, since two kilos of NFDM monthly cost more than \$60 annually at current prices, there is little likelihood of change to another commodity. PNAC recognizes that the milk is shared among all children in the family, but staff are confident that the target beneficiaries do receive additional calories and nutrients. They say that including rice in the ration reduces dilution of milk to other family members, since rice is identified as a food for all.

The cursory assessment possible during the brief evaluation visit suggested that Program quality has suffered a little from increased demand in the face of inflation and reduced real value of budgets. A center visited in a poor barrio of Santiago had an inadequate number of staff serving 7,000 children in a dilapidated facility. Although the PNAC Director emphasized that this example was not typical, and the Ministry of Health's Chief of Supply reported current construction of many new centers, economic conditions. Nevertheless, PNAC still compares favorably with MCH programs anywhere else in the world and contributes substantially to Chile's impressive maintenance of health and nutritional status during a severe economic crisis.

Because Section 416 commodity allocations and deliveries have been so irregular, PNAC presents a budget that is independent of donations and often anticipates a deficit. When the 416 commodities arrive, they allow maintenance of coverage without the deficit or are used to expand coverage further. The Program can continue without Section 416 help, but can make good use of as large a quantity of 416 commodities as is ever likely to be made available for Chile.

The Ministry of Health has met Section 416 reporting requirements without difficulty and, in addition, issues monthly reports on nutritional status, based on PNAC growth monitoring. The health centers also work closely with the preschool centers that receive 416 food from the FVO's, referring for participation those children identified as most needy or most at risk. Growth monitoring serves as both a guide to selection of rations for PNAC beneficiaries and as a tool for assuring that day care and

other programs reach the right participants.

#### B. The CRS/Caritas Program

Although the Section 416 commodities are nominally received by Catholic Relief Services, the U.S. FVO plays little role in operation of the Caritas Program. This resulted mainly from the many years during which CRS helped Caritas, now thirty years old, to achieve the present high level of management capacity.

Any review of the Caritas Program must consider that food donations from the EEC dwarf the modest Section 416 support. In 1985, states the 1986 Caritas Annual Report, the EEC provided 11,813 MT and the United States donated 1,403 tons. During the following year, Caritas received 1,306 MT under Section 416 and 8,235 tons from Europe. The same Report shows 2,732 self-help projects in 1985, with 15,168 workers receiving U.S. food and 114,000 paid with European commodities each month. For 1986, according to the Report (p.21), the planned self-help component using Section 416 commodities could not be implemented because of delays in shipment.

It was clear, during the evaluation visit, that delays in receiving commodities continue to affect the Program. Warehouses were without Section 416 commodities and staff were busy trying to stretch supplies at distribution sites to maintain continuity. Caritas had lent 300 tons of NFDM to FNAC, so the Government program could avoid reduction, a fine gesture that unfortunately compounded the lending agency's problems.

A visit to a Salvation Army center that formerly received food from Caritas illustrated the field consequences of irregular supply. Center staff cut rations, the Salvation Army picked up some slack with special donations, and various makeshift additional efforts kept the program going. Maintaining community participation at current levels is difficult, so staff could not generate higher local donations.

Though the targets will not be achieved, the FY87 Caritas program called for food distribution to 45,000 children in "open centers," day-care facilities that also include other community activities, 62,000 school lunch beneficiaries, and food-for-work to 7,466 laborers. Caritas has already given priority to the two childrens' distributions and shifted commodities out of the FFW component. Although Caritas has no formal rules for "graduation," termination of current beneficiaries, continued assessment of family need leads to frequent substitution of new beneficiaries.

In 1985, Caritas distributed 1,403 MT of NFDM. Beneficiaries included;

34,499 preschool children in 470 centers  
58,348 school children in 606 sites  
15,168 workers and their families

In 1986, the Program distributed 1,306 MT of NFDM to similar numbers of children, taking the reduction from food-for-work. Although Caritas maintains excellent records of participation at each distribution site, and also accounts well for all commodities received, beneficiary numbers and rations can be no more than rough estimates, since the Program appears to have been obliged to reduce coverage or rations on various occasions. Nevertheless, the Section 416 commodities clearly reach the neediest groups and, when cuts are necessary, local staff use need criteria to retain beneficiaries. Participating institutions supplement the school rations from their own budgets and, in the open centers, community organizations often provide additional resources.

Caritas ration goals are nutritionally sound, including;

preschool	- 634 calories and	24.4 grams of protein
schools	- 679	20.5
infants	- 181	6.4
other inst.	792	27.5

This precision is illusory, since site visits suggest that local staff often dilute rations to serve larger numbers, but Caritas shows considerable concern for nutritional aspects of the Program. The extent of growth monitoring varies with the resources and ability of participating institutions, but close links to the FNAC encourage routine monitoring of nutrition status. The health centers also refer needy children to Caritas centers. Caritas-assisted parochial schools are targeted geographically and school staff apply criteria of need in selecting beneficiaries.

Although Caritas reporting has been spotty in the past, examination of the agency's records showed that required information is readily available. The more than one hundred Caritas employees are involved with many different donors and programs, so reporting delays are not surprising.

Caritas asks for no contributions from beneficiary families, emphasizing that the programs serve the most needy. Community activities at the centers emphasize self-help and economic improvement. Volunteers at many project sites contribute labor and resources, though no formal tabulation is maintained.

The well-established Caritas Program can use effectively all the commodities likely to be provided under Section 416. Reverend Baldo Santi, Executive Vice-President of the agency, exhibited a commitment to feeding the hungry, accompanied by appropriate concern for doing it in developmental ways, that encourage confidence in Caritas programming and implementation.

The Caritas experience emphasizes the inappropriateness of using Section 416 commodities as regular support for permanent programs. Uncertainty about supplies, approval time and

shipments make it impossible for receiving agencies to plan effectively and forces them to spend precious time adapting to unexpected delays. If past experience can be taken as a guide, Section 416 in Chile can best be used as an intermittent windfall for local agencies. They are already treating it that way, welcome any commodities that arrive, and make very effective use of them.

### C. The ADRA/OFASA Project

Although the Adventist Development and Relief Agency (ADRA) is the nominal recipient of Section 416 commodities for the PL 480 Program, the local counterpart agency operates very independently. The OFASA Director is also the ADRA representative for Chile and the U.S. PVO has no other staff in the country.

OFASA operates no centers or programs, but distributes food through agreements made with other agencies or individual sites. It monitors the program as U.S. PVO's do in PL 480 programs elsewhere, and does as well as most of them. OFASA has five convenios (agreements) covering 660 sites and, in addition, has made "compromisos" (commitments) to sixty individual groups or sites. The 720 sites now serve almost 75,000 beneficiaries including;

64,573 preschool children (270 days per year)  
5,775 seriously malnourished children (in six-month cycle at recuperation centers)  
4,242 children in institutions (year-round distribution)

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74,590

The agency has five educators and two inspectors on the staff. The Acting Director and others interviewed emphasized that drivers are also trained to assess local management of the food resource. In addition to providing staff, ADRA and OFASA contribute about \$50,000 annually to support of the food program. Current commodity scarcity has caused a temporary increase in this amount. Although the distribution sites receive considerable volunteer labor and community groups often contribute to programs, the OFASA projects include no systematic solicitation of contributions from recipient families.

OFASA warehouses contained a little food during the evaluation visit, mainly because of an unexplained delay in arrival of a Section 416 shipment due in February. The commodities, received in April, are being stretched to maintain program continuity, so plans for FY87 bear little relation to what is now happening.

Because the arrangements are more formal, organizations with convenios receive preference over those having only a commitment when commodities are scarce. A visit to a small open center in one of Santiago's poorest barrios illustrated the unfortunate result of this priority. A desperate Evangelical pastor, who had received no food from OFASA in five months, was struggling to keep his food program alive. Another center observed, operated

a foundation with a convenio, had continued to receive commodities and was operating without difficulty.

The National Foundation for Community Assistance, OFASA's largest collaborating agency, operates 512 centers serving 44,853 preschool children. A favorite of the First Lady, the Foundation is strong politically and also operates effectively. A meeting with several directors and the head of administration included sophisticated discussion of rations, food costs, and nutritional considerations. With OFASA help, the Foundation provides the centers with daily menus and guidance about preparation.

The OFASA Program also benefits from creative nutrition recuperation project development in Chile, achieved with the help of the Title II Program. OFASA now supplies NFDM to 26 recuperation centers operated by CONIN (Corporation for Infant Nutrition) that have been instrumental in the virtual elimination of third degree malnutrition in Chile.

A convenio with the Red Cross and APROFAM (Association for Family Planning), and related allocations from FY87 commodities, were expected to link food distribution and family planning activities. Delayed commodity supplies have so far limited this initiative to a few centers in Santiago.

OFASA presents training courses open to staff from all of the agencies and sites involved in the Program. The agency has also prepared manuals on food preparation that are distributed widely. In these and other ways, OFASA coordinates and improves private feeding activities. It also maintains close contact with PNAC and the Secretariat, so that private and governmental programs are linked effectively.

The programmed rations for OFASA activities are;

preschool children-	634 calories and	24.4 grams of protein
infants	- 181	6.4
children in		
institutions	- 792	27.5

The Foundation for Community Assistance, CONIN and other wealthier grantees supplement these rations substantially from their own resources.

Preschool children fortunate enough to gain admission to OFASA-assisted centers, especially those of agencies with convenios, do well nutritionally and educationally. Though impact cannot be attributed exclusively to Section 416 commodities, since the centers usually provide health services and education, these children are often characterized as "privileged." The Foundation for Community Assistance reports that, in 1986, centers operated by its affiliated agencies served 7,075 children with first degree malnutrition, and 3,236 "recuperated" during the year. There were 1,163 with second degree malnutrition

and 631 of these recuperated. The Foundation's definition of nutritional recuperation, a term often limited to those with third degree malnutrition, may be unusual but the point remains valid. Chile does an effective job of preventing severe malnutrition and, when anything close to it occurs, the Foundation and others treat it effectively. CONIN's contribution to virtual elimination of third degree malnutrition in Chile is acknowledged widely and the organization now deals primarily with less serious conditions. Through CONIN and others, the OFASA Program now serves about 5,000 preschool children annually in six-month cycles at nutrition recuperation centers.

The current concern at OFASA to maintain program activities with irregular commodity supplies, and the wide variety of agencies and sites served, made detailed evaluation difficult on a brief visit. The Program is clearly professionally administered and is part of an impressive national effort that links private and governmental agencies in an effective effort to provide a safety net for those most vulnerable nutritionally. Resource shortages rather than technical deficiencies account for most shortcomings observed. OFASA, Caritas, and PNAC continue efforts to improve coverage and activities. All three organizations target food and other services well, manage food distribution proficiently, and collect the information needed to measure impact and keep donors informed.

## RESULTS

### A. Development Impact

The well-targeted Chile 416 Program includes an impressive amount of "control nutricional" (nutritional control), the term used by most agencies for regular height and weight measurement of preschool children. Monthly control during the infant's first two years, with less frequent measurement thereafter, characterizes most sites. Where private facilities do not provide MCH services, links to government health centers often fill the gap.

With per capita real income in poor families falling steadily, relative maintenance of national health and nutrition status illustrates an important impact of food programs and the rest of the Social Network. Third degree malnutrition remains negligible and, as the distinguished Chilean nutritionist Fernando Monckeberg emphasizes, is due primarily to social disorganization rather than economic factors. Dr. Monckeberg also points out that Chile and Cuba both maintain consistently low rates of malnutrition. This suggests that national commitment and an effective, broad health services system are more important than form of government in protecting poor people.

The favorable health and nutrition outcomes can also be attributed to the incentive effects of Section 416 and other food. The monthly PNAC distributions, which require immunizations and growth measurement as prerequisites, clearly encourage mothers to bring their infants to the health centers. Attendance diminishes as the children grow older, suggesting that food is not always a sufficient incentive. In Caritas and OFASA centers, the Section 416 commodities encourage family participation in activities such as home gardens, training courses, and self-help projects. These centers receive volunteer help from both beneficiary families and from people, mostly women, of more prosperous groups. The Social Network depends heavily on financial and work contributions from outside Government.

Development outcomes also include education impact of the preschool centers. For example, volunteers interviewed at the

Foundation for Community Assistance Center in Peñaloen, a poor barrio of Santiago, offered many examples of outstanding performance after their "graduates" enter primary school. OFASA staff confirmed the frequency of such reports.

Commodity shortages have practically eliminated use of Section 416 food in Caritas food-for-work projects. Had FY87 plans been implemented as scheduled, development impact from such projects would have occurred. Caritas reports show impressive development outcomes from FFW activities using EEC commodities.

#### B. Economic and Political Impact

Including emergency assistance, Section 416 support to Chile since FY83 totals more than \$60,000,000. However, this substantial amount has little macroeconomic significance in relation to the Government's annual social welfare budget, now more than \$2,000,000,000. Because 416 commodities are directed almost exclusively to target groups that are unlikely to reduce food purchases significantly, disincentives to local production and commercial imports present few problems. Chilean producers protest strongly at any suggestion of such problems and, for example, influenced reduction of a 1983 Knights of Malta request for cheese that threatened to destabilize the local market.

In microeconomic terms, Section 416 donations have played an important role in maintaining social welfare activities during a period of increased need and budgetary stringency. Government's commitments to PNAC and school feeding, for example, have been difficult to meet in recent years. Section 416 commodities now constitute about 40 percent of the food distributed through the health system and the Ministry of Health would welcome more.

The uncertainty and delay that have prevailed in the Section 416 Program since inception nullify much of the political impact from the economic support. Despite Embassy assurances that delays are not caused by political factors, counterpart agencies constantly suspect the opposite. Prompt commitments and timely compliance assume greater importance, because the commodities are the only tangible evidence of U.S. support to the Chilean people.

The Chilean Government and the private agencies comply with Section 416 labelling requirements, though sometimes in very small letters. The Embassy, however, generates extensive publicity about agreements, deliveries, and ambassadorial visits, thereby adding to political impact. Given the controversial nature of aid to Chile, and the sharp divisions within the country, Embassy emphasis on the humanitarian, apolitical aspects of food distribution makes the best of a difficult situation. If Section 416 ends, termination should be

accomplished with substantial notice and a clear technical explanation of the political consequences, from all sides, will be very disturbing.

## PROGRAM MANAGEMENT

### A. Chile

Although AID has no mission or representative in Chile, Embassy management of the Section 416 Program compares favorably with that found in countries enjoying more AID presence. The current Economic Counselor devotes about 25 percent of his time to the Program, working closely with a full-time local employee, formerly Title II Coordinator with the AID Mission. Their documentation of the Program, response to AID/W inquiries, and relations with Government and the FVO's, merit high praise. Chilean management sophistication and long experience with food programs make many tasks easier, but the Embassy management burden is substantial.

Section 416 activities can be managed effectively in other advanced developing countries without AID presence, if their embassies resemble the Chile example. The Ambassador participates actively in decisions about the Section 416 Program, the Economic Counselor educated himself about it and gives it serious attention despite competing demands, and the former USAID employee provides the necessary routine daily support. Without all of these elements, AID/W needs would not be met adequately.

Though AID cannot assure ambassadorial interest or embassy staff dedication, it can do more to provide adequate routine program monitoring services. Renato Hidalgo, the local Coordinator, has an office in the Embassy but has received no salary during the past eleven months! The FY87 Project Agreement calls for the Chilean Government to pay an amount equal to his salary and travel expenses, but refuses to do so until arrival of an FY87 shipment. Meanwhile, Hidalgo works without pay, hoping that he will eventually receive his due. It would seem fairer to have provided that Government would reimburse for salary paid by a U.S. agency.

This situation emphasizes the need for AID to make appropriate arrangements for support of a local-hire employee, whenever administration of a Section 416 program is left to the

U.S. embassy. The Chile experience suggests that finding funds may be difficult. During the 1985 earthquake, OFDA funds were used to pay Hidalgo temporarily, but no replacement source was found. Review of the relevant cable traffic shows clearly that AID/W has not yet addressed satisfactorily the problem of continued financing for essential management support of 416 programs in countries without an AID presence.

## B. AID and USDA Program Management

The management study that complements this country evaluation details the delays that have reduced effectiveness of the Chile 416 Program. The current situation, in which a) only OFASA has commodities on hand, b) no shipments of FY87 allotments have yet arrived, and c) neither the Embassy or the participating sponsors know whether a program for FY88 is likely, illustrates what can most kindly be described as the Program's "uncertainty." Responding to FFP enthusiasm for multi-year planning and the Ambassador's unusual interest in it, the Embassy submitted a five-year plan in February, 1986. No response was received until September, making the proposed first-year activities obsolete. After milk became scarce early in 1987, Chile submitted new FY87 proposals in April. Agreements were not signed until early July and no shipments have yet been received.

While the Ambassador's insistence on a multi-year plan delayed submission of the initial FY87 request until August, 1986, and the unexpected milk crisis also explains some delay, AID/W and USDA management of the Chile program clearly requires attention. Whether the delays are inherent in the current 416 approval process, or are due to staff inattention, cannot be determined easily. Both aspects of management need improvement.

The Economic Counselor complains of inadequate information, unanswered phone calls, and requests for information already available in Washington. Though there may be reasonable explanations for many of his concerns, it is clear that AID and USDA give little consideration to his special circumstances. The well-established Chile Program and the lack of AID presence suggest that administrative burdens should be kept modest. Nevertheless, the Embassy devotes more time to Section 416 than many USAIDs with larger food programs. Much of this work load stems from the consequences of Washington management. For example, the Economic Counselor and the local Coordinator spend considerable time explaining delays, clarifying confusion about attribution of commodities to specific fiscal years, and apologizing for lack of information about commodity availability. More effective Washington management would simplify the Embassy's

tasks.

The present situation makes "programming" a misnomer. Local agencies use the donated food if and when it arrives, without regard to specific planning periods. Unless Section 416 for Chile is to be confined to occasional grants, immediate steps to restore some semblance of annual programming are essential. Until these steps are taken, concern for multi-year planning and development impact should remain in abeyance.

## ISSUES

### A. Optimizing Services and Benefits

The major program issue encountered during the evaluation is both technical and philosophical. The sophistication of most activities reviewed, and the current stresses affecting agency staffs, left few other issues worth mentioning. Nevertheless, the Program presents an unusual opportunity to explore the perennial development dilemma of intensive versus extensive programming.

The centers assisted by Caritas and OFASA vary widely in facilities, services, and ration size. Section 416 food goes to some that, even with strong efforts to generate other resources, distribute little else. For example, a visit to the Noah's Ark open center in Cerro Navia, a poor barrio of Santiago, showed an empty storage room because OFASA food had run out. At the other extreme, the Foundation for Community Assistance center in Pudahuel, a similar neighborhood, presented an almost luxurious picture. The staff agreed that preschool children there were privileged, though initially as needy and nutritionally vulnerable as those in Cerro Navia. This impressive center does not serve all poor preschoolers in the neighborhood.

The Foundation continues to receive commodities from OFASA, because it has a more formal agreement than the poorer center. Children in Foundation centers enjoy an ideal diet that, without Section 416 commodities, could continue more modestly using Foundation resources. There are sound political and administrative reasons for giving priority to the Foundation, whose 3876 volunteers are linked closely with the First Lady. However OFASA has some flexibility and can do more to equalize benefits at individual sites. In the underserved poor population of Chile, more concern to optimize institutional resources can increase program coverage and impact. OFASA staff recognized the issue and agreed that further attention to it would be helpful.

The wide range of sites and agencies receiving Section 416 distributions suggests the possibility of using the Program more

as a compensatory mechanism, giving priority to those less able to supplement or replace commodities from their own resources. Poverty of the population and of the sponsor organization are then both relevant to selection of distribution sites. Implementing a policy that favors the poorer agencies without creating excessive dependence on 416 donations would not be easy though the poorest centers already understand that this support is irregular and temporary. Most have always tried to supplement the Section 416 commodities through private donations and community efforts.

Chile's multi-year 416 plan reflected concern for the equalization problem by proposing an increase in the percentage of total program allocated to the PVO's. The plan assumed that Government resources would allow replacement of 416 commodities more easily in PNAC than in private centers. Despite political and administrative constraints, the problem of optimization within the privately administered program merits further attention.

Individual distribution sites appear to strike an appropriate balance between quantity and quality. Many examples of limiting coverage to the most needy, in order to assure a nutritionally optimal ration, were given. A more explicit equalization strategy would apply the same principle at the aggregate program level. Section 416 would then contribute to assuring equal and more optimal benefits among sites.

## B. The Question of Milk

The Section 416 Program in Chile depends heavily on availability of non-fat dry milk (NFDM). Although agencies have adapted well to the abrupt reduction in milk supplies, by substituting wheat and rice, their preference for milk remains clear. Milk is a high-cost calorie and nutrient source in Chile, and has become relatively more expensive in recent years. Government and private agencies nevertheless continue to use it as the main ingredient in all preschool programs. The long-standing national commitment to a daily glass of milk for every child, extensive publicity and Title II precedents have helped to create a mystique, among agencies and beneficiaries, that is independent of cost-benefit analysis. Serious political consequences are expected to follow any attempt to eliminate milk from PNAC or other substantial programs.

Because permanent reductions in milk availability have major implications for budgets and program plans of participating agencies, prompt clarification of likely supplies is essential. For example, the FY1987 substitution of rice and wheat for milk in the PNAC cost the Government about \$4,000,000 more than initially anticipated, since it was now necessary to buy more milk in the open market.

Sponsors are already stretching existing small stocks of NFDM, trying to maintain continuity until new shipments arrive. Interviews revealed considerable uncertainty and confusion about future 416 plans. Although the Embassy emphasized the Program's temporary nature from the beginning, involvement in development of multi-year plans created a contrary impression. Despite constant references to the dependence of future approvals on commodity availability, and the example of the FY87 cuts in milk, sponsors still hope for restoration of earlier patterns.

The Embassy needs firm guidance from AID and USDA on availability of NFDM for FY88. Response should be conservative to avoid disappointment. Unanticipated increases can easily be programmed later, without holding out false hopes now. Unless the milk situation is soon clarified, Section 416 sponsors will be

forced into difficult and unpleasant decisions that can only damage currently favorable perceptions of the Program.

### C. The Advanced Developing Country Strategy

The LAC Bureau of AID expressed little interest in this evaluation of Section 416 in Chile. Absence of AID presence since 1981, the Bureau's relative lack of interest in PL 480 programs until recently, and positive impressions gained during the Chile program officer's 1985 visit, combined to produce a lack of concern. The Bureau's perceptions and priorities seem well-founded, but initiation of an explicit AID Advanced Developing Country Strategy presents new issues that make necessary increased consideration of the Chile Program.

It is not clear, for example, whether the proposed ADC strategy encourages use of Section 416 commodities. If, as seems likely, some 416 projects will continue, positions of (e.g.) Chile and Mexico must be reviewed in relation to commodity availability. Though Chile has not been included in the designations of advanced developing countries, any 416 program there competes for commodities with those classified as ADC's.

Chile and Mexico both continue to show severe consequences for poor people from economic decline and structural adjustment. In both, management implications of a Section 416 program conform to the guidelines for ADC programs and involve permissible levels of donated resources. As in Mexico, the Chile Program stimulates mobilization of private resources and volunteers. Fewer linkages with U.S. institutions occur in Chile, because of distance and political circumstances. The 416 Program nevertheless contributes to foreign policy goals in both countries, a programming criterion included in the draft ADC strategy.

The LAC Bureau expressed concern about the relation of Mexico's Section 416 activities to ADC strategy, only partly because of the Program's size. Unless Chile is somehow to be programmed outside regular AID channels, or terminated, similar concern seems appropriate. Prompt decisions are essential for both countries.

Reinitiation of a Title II program in Chile has not been mentioned, among those interviewed, as a feasible alternative

and would only complicate an already unsatisfactory programming process. Treating the 416 commodities as part of a continuing "Emergency Program" could be justified, but would only postpone the necessary fundamental decisions about the future of Section 416.

Monetization of Section 416 commodities has not been an issue in Chile as it has in some other countries. The sponsoring agencies use the commodities in their distribution programs, meeting other costs with funds saved by not having to buy what is donated. There is no felt need to monetize and no program reasons for doing so.

#### D. The Future of Section 416 in Chile

As the beginning of FY88 approaches, Embassy and sponsors in Chile do not know whether there will be a Section 416 Program, what the likely program level would be, and what commodities may be available. On notice that NFDM will "probably not" be included, they continue to hope for the improbable. They do know that, if past patterns continue, current delays make it very possible that signed agreements and subsequent shipments will not occur during the 1987-88 fiscal year. Under the most favorable assumptions, stocks remaining from FY87 deliveries will be insufficient to maintain program continuity if there is an FY88 program.

The foregoing suggests need for two immediate decisions. If Chile is not to receive Section 416 commodities for FY88, as rumored currently in the halls of FFP, because of political decisions or ADC development strategy for example, this should be announced and communicated promptly. If there is to be a program, AID, USDA and the DCC should decide now how to accelerate approvals, signing of agreements, and shipment of commodities. Continued delay will cause many Chileans to assume that political factors are at work, despite contrary protestations from the Embassy. Program discontinuity arising from failure to give the Chile approval process appropriate priority will also nullify much potential positive impact.

While the basic political decision whether to have a 416 program depends on many other factors, the damaging consequences of abrupt termination should be considered. Chilean agencies deserve reasonable notice of U.S. intentions. Leaving aside political and foreign policy issues, there is still serious poverty in Chile and current effective sponsor management makes Section 416 commodities an important contribution to alleviating it.

This Report recommends that the Economic Counselor invite immediate presentation of operating plans for the FY88 program. Agencies and the Secretariat for Development and Social Assistance should present alternatives based on various

assumptions about commodity mix and quantities. There are no major issues to deter immediate approval of what are now conventional and effective uses of 416 food. Once Washington decides that Chile may receive commodities, accelerated negotiation, approval, and agreement execution should proceed.

## RECOMMENDATIONS

### The FY88 Program

1. AID, USDA and the DCC should promptly reconsider future Sec 416 commodity availability, Chile's economic situation, and all other factors affecting the Chile 416 Program, advising the Embassy immediately thereafter whether a Program for FY88 will be considered.

2. The U.S. Embassy Economic Counselor in Chile should solicit and present proposals for the FY88 Program immediately, even in the absence of firm guidance from Washington, to accelerate decision making and, if a program may be approved, to restore orderly program planning.

3. The Economic Counselor should include with the program proposal a detailed and dramatic description of the continued existence of poverty in Chile, to assure more adequate consideration of the proposal.

4. The FY88 program presentation should address the problem of wide variation in resources and services among privately operated centers that receive Section 416 support.

5. The FY88 Section 416 Program for Chile, if any, should be approved, agreements signed, and commodities shipped as rapidly as possible, giving the Program highest priority, to assure continued program effectiveness and political impact.

### Program Management

6. AID should arrange for timely salary payments to the U.S. Embassy's Food Program Coordinator in Chile and for any local staff expected to monitor future Section 416 activities in countries without an AID presence.

7. AID, USDA and the DCC should make special efforts to reduce requests for information, approval times, and management lapses in Section 416 projects for countries without an AID

presence, to simplify the monitoring tasks of non-AID personnel.

8. Multi-year planning for Section 416 programs should be discouraged, in the absence of multi-year commodity availability commitments, because it creates expectations among sponsors that too often cannot be met.

9. In Chile and elsewhere, use of temporary 416 commodities to support permanent programs should be limited to provision of temporary incentives or intermittent donations intended to maintain coverage for short intervals.

10. FFP, USDA, and the DCC should take no steps to promote development impact of Section 416, until programming to feed needy people proceeds in orderly fashion and without delay.

LIST OF PERSONS INTERVIEWED AND SITES VISITED

U.S. Embassy - Wendell Belew, Economic Counselor  
John Child, Agricultural Attache  
Renato Hidalgo, Section 416 Program Coordinator

National Secretariat for Development and Social Assistance:

Patricia Matte, Executive Director  
Rosa Camhi, Coordinator of Nutrition Programs

Ministry of Health:

Dr. Carlos Castillo, Director of PNAC  
Dr. Ivan Arteaga L., Director of Supply Office

JUNAEB- Colonel Carlos Lorca, Director  
Julio Figueroa, Chief of Operations

Caritas/Chile- Rev. Baldo Santi, Executive Vice President  
Carlos Mourgues, Director of Operations

OFASA/Chile- Joel Fonseca, Acting Director of ADRA and OFASA  
Magali Vivanco R., Director of Nutrition

Foundation for Community Assistance:

Five members of the Governing Board, including  
Sra. Eugenia de Hernandez, Executive Vice-  
President for the Metropolitan Region and  
Major Rafael Sanchez Vera, Director of  
Administration

Directors and staff of the following institutions  
(sites) in Santiago;

Consultorio (health center) of Municipio Peñalolen

Centro Abierto Lucia Hiriart de Pinochet in Peñalolen  
(Foundation for Community Assistance)

Centro Integral Arco de Noe, Cerro Navia

Comedor San Pablo, Pudahuel (Salvation Army)

Escuela 392 Melvin Jones, Pudahuel (School feeding activity)