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P.L. 480 FOOD FOR DEVELOPMENT

(TITLE III)

PROGRAM GUIDANCE

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P.L. 480 FOOD FOR DEVELOPMENT (TITLE III) PROGRAM GUIDANCE

REF: (A) AID CIRC. A-434 - Nov. 1977; (B) AID CIRC. A-481 - Nov. 1978; (C) State 187442 - July 1982; (D) State 021304 - Jan. 1982; (E) AID Policy Discussion Paper: Food Aid and Development, July, 1981; (F) State 170920 - June 1981; (G) State 305746 - Oct. 1982; (H) State 112711 - April 1982.

I. SUMMARY: The purpose of this paper is to encourage and help guide the preparation of Title III-Food for Development (FFD) programs. It identifies criteria for assessing country suitability for a FFD program and the features of Title III that make it a particularly important development resource, outlines the review and approval process, and sets forth the documentation and analytic requirements of Title III. It has been approved by the inter-agency Working Group of the DCC Food Aid Subcommittee (the Working Group), and serves as guidance to Country Team members from the member agencies.

Title III of PL 480 authorizes concessional food sales to eligible recipient countries over a multi-year period with provision for forgiveness of the repayment obligation as agreements on commodity or local currency uses for the approved development program are satisfied. Title III is geared to those low-income (under \$795 per capita income in 1981 terms), food-deficit countries which have the potential to

significantly raise agricultural production, pursue agricultural based strategies, and are committed to efforts to stimulate rural growth. Consistent with this commitment, Title III's multi-year commodity supply assurance and the potential for forgiveness of loan repayments should provide incentives for recipients to agree to significant policy and institutional reforms and development program improvements.

A Title III program proposal should discuss its relationship to the overall Country Development Strategy as well as to the administration's foreign policy and market development objectives. Where available, the findings and recommendations of any agricultural or food sector studies should form part of the justification of the program. These studies are not preconditions for a program but should be supportive of its development. Missions are encouraged to pursue such analyses with the recipient country government, either as the basis for Title III programs (and other efforts in the food/agriculture sector) or during the implementation of a program in order to strengthen it and follow on activities.

Title III requires the preparation of two program documents -- a Program Identification Document (PID) and a Program Proposal (PP). These will be reviewed first by a Technical Review Committee (TRC) of the Working Group which will be chaired by the appropriate regional bureau of AID. The

Working Group, chaired by USDA, approves the FFD proposal at both PID and PP stages and instructs the field of further actions.

The first document, the FFD/PID, should present in outline form information on the food gap; production and consumption policies; marketing and distribution problems; and the major elements of the overall program and its sub-activities. In essence, the FFD/PID should summarize the analysis of the food/agriculture sector (focussing on constraints) which justifies the program and orients it. Its general description of reforms and sub-activities will be elaborated on in the FFD/PP.

The FFD/PP should expand on the analyses contained in the FFD/PID. Although the FFD/PP does not have to meet the specific requirements of the Foreign Assistance Act, the feasibility of the program and its components must be demonstrated; thus, AID Handbook 3 guidance for preparing AID Project Papers for development assistance is pertinent. The policy framework relevant to the Title III program must be described, as well as the proposed program and its sub-activities. Logistic support, procurement, commodity management, training and technical assistance needs and sources should be specified. The monitoring and evaluation arrangements should identify the conditions which will justify

loan forgiveness. An annual report and annual review are required.

Missions are encouraged to explore opportunities to develop Title III programs with their counterparts, and to request TDY assistance from Washington agencies where necessary. This may be particularly useful in conducting the analyses of the food and agriculture sectors in the course of program development.

## II. INTRODUCTION

Food production and consumption prospects are seriously deteriorating in a number of low-income, food deficit countries.<sup>1</sup> The basic causes of continuing hunger and malnutrition in these countries are inadequate food availability and inability of the malnourished to purchase or otherwise acquire the food they need. Unless the production of major staples and/or other agricultural commodities in developing countries improves significantly more than it did during the 1960-75 period, and unless the effective demand of low-income families is increased, a deterioration in per capita

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1. This section draws on Attachment to the Report to Congress on the Developmental Impact of PL 480 dated March 30, 1982, which represented the Administrations's views. It sets forth the context for U.S. efforts to deal with developing country food and agriculture problems, and the principal objectives of such assistance.

food availability and consumption, especially in low-income countries, may occur.

This is a grim picture, but it is not hopeless. The experience of the last 30 years shows that carefully planned and administered economic assistance, combined with the fundamental efforts that a government and people must themselves undertake, can establish a dynamic, self-sustaining food and agricultural system.

The economic objectives of U.S. food and agricultural assistance are to enable countries to become self-reliant in food, assure food security to their populations and contribute to broadly-based economic growth. These broad objectives entail two major sub-objectives, namely: (i) increased food availability; and, (ii) improved food consumption in rural and urban areas. We will seek to concentrate assistance for food and agricultural development in countries that share these objectives and are committed to an appropriate policy framework.

While food aid alone may be limited in its impact on the policies of recipient governments, Title III can be integrated with other assistance efforts to achieve sustainable improvement in agricultural production and the availability of food.

### III. PROGRAM DIRECTIONS

A. Program goals and legislative emphasis: The legislation authorizes the use of FFD assistance to support a broad range of development activities. These include programs in agricultural and rural development, nutrition, health services and population planning. Title III's primary focus, however, is on improved food supply through activities designed to improve the production, handling, and utilization of food, emphasizing those activities which assist small farmers, tenants, sharecroppers and landless agricultural laborers.

For most LDCs, more rapid growth in domestic food production, substantial increases in real incomes, more efficient and equitable marketing of food supplies and increased export earnings are crucial to reducing their growing food import dependency and trade deficits. The food and agriculture sectors of practically all the LDCs receiving PL 480 assistance are substantially underdeveloped, and most people in these countries derive their incomes from farming or agriculturally related activities. Often the low farm productivity and low incomes of food consumers are the most serious constraints on development. Therefore, the primary focus of any Title III program in these LDCs should be on activities which support increased food production and food availability to poor consumers. Usually such objectives will already be the focus of other U.S. bilateral assistance.

Proposals to enhance development through programs which complement direct efforts to increase production and food availability will be considered. Thus, activities in health services and family planning may be appropriate elements of a Title III program. However, the rebuttable presumption for a chronic food deficit recipient seeking Title III assistance is that most resources will be targeted for increased food production and improved consumption.

B. Country Suitability: The programming of Title III resources is most appropriate in an environment where food problems and stagnating economic growth, reflected in food and foreign exchange gaps, will be addressed through an agricultural based development strategy. Title III is most suited to countries where the causes of lagging food and agricultural production are understood by key policy makers in LDCs who are willing to enter into a long range effort -- including policy reforms and program adjustments -- to correct rural-urban imbalances and pursue the broadly-based growth of the rural economy. Beyond meeting statutory eligibility criteria (see Refs A and B), the recipient country government should be committed to, and hopefully have made at least some progress towards:

1. developing the institutional capacity for food and agricultural planning and policy analysis;

2. developing human resources and institutions which (a) generate and apply innovations designed to raise agricultural productivity and rural incomes; and, (b) evaluate and adapt technologies transferred from developed countries and international institutions;
3. encouraging (a) policy and management reforms that make public enterprises more responsive to market forces; (b) greater private sector initiatives in the same spheres; and (c) the reduction of inappropriate public enterprise roles in the economy.

Title III programs are limited to low income countries (under \$795 per capita income in 1981).

C. Characteristics of Title III Programs

The benefits provided by Title III through loan repayment offset terms and multi-year commodity supply assurances require efforts beyond those expected under Title I. Generally, more extensive analysis and a more carefully delineated proposal than for Title I agreements will be required.

Title III is of course only one of the programs authorized under PL 480. The others are more appropriately used in different circumstances. Thus, Title II Section 206 authorizes programs which have similar characteristics. While these programs must have a sound analytical underpinning, they are geared to situations where the institutional capacities and/or

infrastructure of the recipient country pose significant impediments to the design and implementation of the relatively more rigorous Title III programs. Further, given other demands on Title II resources, larger Section 206 programs may be difficult to fund. Multi-year commitments under Title I are also possible alternatives to Title III programs, but these also may be subject to funding constraints. Further, all other things being equal, the presumption is that a Title III program will be more appropriate for a low income country than a multi-year Title I agreement, (except where a Title III recipient may be ready to "graduate" to Title I) and that multi-year Title I agreements will be restricted to middle-income countries.

The following discussion highlights those features which distinguish Title III as a development resource.

1. Concessionality

Each FFD agreement contemplates multiple (two to five) year commodity supply assurances and the potential forgiveness of loan repayments. (RLDCs may receive additional benefits: when Title III local currencies expended in any one year exceed the dollar debt due under the Title III agreement, the excess amount may be considered as payment against any Title I dollar debt due in that year. Further, the law provides that in selected cases, ocean freight/inland transport charges may be financed. Sec. 304(d).) These elements should provide

considerable incentives for recipient governments to enter into policy dialogues on key constraints in the food and agricultural sectors. 2

## 2. Analysis

Title III is multi-faceted and can support a variety of programs and projects. Since Title III is a long term program, it can be designed to focus on the most fundamental development constraints in the food and agricultural sectors.

Consequently, the program should be to the maximum extent based on careful analysis of the food and agricultural sectors and impediments to growth. Such analysis will of course depend heavily on the availability of data and capabilities of analysts. Preferably, the analysis will identify opportunities to promote food self-reliance and suggest specific reforms and investments. The analysis should to the maximum extent involve the participation of the recipient country, and may in many cases be supported by the work of other donors, such as the food sector strategy studies of the World Food Council.

Where policy reforms have been introduced, but where continuing data and analysis are required to determine

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2. While the law authorizes a waiver of a number of requirements in Title III programs in RLDCs (Sections 303a, b, c; 304(d); and 306) the relationship of these requirements to assuring developmental impact suggests that waivers will be granted only in particularly exceptional cases.

appropriate follow-on measures as well as to provide a sound basis for determining additional policy thrusts, Title III could be used to support these efforts. A two or three year period of data collection and analysis to monitor policy reforms earlier initiated could be undertaken and, where appropriate, continuation of the Title III program beyond the second or third year might be conditioned upon the government's progress in implementation. Some examples might be developing the recipient country's capacity to assimilate and use agriculture/food sector baseline data; developing or expanding capacity to do policy and program planning in the agricultural sector; or assisting in research and evaluation of the impact of production and pricing policies on marketing and consumption patterns. In short, Title III can support a continuing process of analysis, (and in turn derive strength from that process).

### 3. Greater Opportunities to Program PL 480 Resources

Because of their multi-year availability, Title III commodities and local currency generations can be used to implement the objectives of the agreement. For example, the food can be used in a commodity management system to support development of an efficient stable food market, and enhance food security. Local currencies can be used to finance the construction of grain storage facilities or to repair access roads. In some cases they can defray the cost of

administrative and technical staff. As in the case of Title I agreements, we should be mindful of the potential disincentive impact that local currency generation may have on the recipient government's own efforts to mobilize domestic resources. See Ref. C.

In addition, because it provides balance-of-payments support over an extended period, Title III provides an opportunity to agree with recipients on uses of equivalent amounts of foreign exchange. While most recipient countries, especially RLDCs, have limited foreign exchange reserves and myriad claims on them, Missions may in appropriate cases -- particularly where the allocation can be associated with an integrated development package -- seek government agreement to allocate foreign exchange to priority activities supportive of the Mission's development strategy.

#### 4. Integration

Title III is a long term development instrument (up to 5 years) and may be renewed. As such, the opportunities for integration with non-food aid programs are substantial. Assurances of commodities and of local currencies to support discrete sub-activities should encourage Missions and recipients to link the Title III program to other elements of the country assistance effort. Ref D elaborates on this important aspect.

In summary then, each Title III agreement should seek in exchange for balance of payments support, budget support, supply assurances and debt forgiveness some mix of policy reforms and development activities which will significantly move a country towards greater food self-reliance. The precise degree of emphasis on policy change will depend on the circumstances of each case. Some recipients may warrant USG support for having already begun a process of policy reform, and the agreement may serve to sustain that process and highlight complementary local currency uses; other cases may call for a major focus on policy changes at the outset, with active local currency programming receiving less emphasis. As appropriate to the circumstances of the case, the local currencies, the commodities themselves, foreign exchange, or some combination, should be used to finance projects or undertakings that support agreed upon policy reforms. In all cases, Title III proponents should be mindful of the importance of using the assistance to support rational economic policies and to promote reforms in country policies when these are deemed ineffective.

Title III must be documented and managed under more structured procedures than Title I. This will assure adequate assessment of development objectives against which loan forgiveness can be determined. While these procedures may

appear more demanding, experience proves that their absence will make management and monitoring more difficult.

D. Program Examples

As experience with the program to date demonstrates, Title III programs and/or the integration of Title II resources with developmental assistance, can support development initiatives in the following areas:

1. At the policy level:
  - (a) Grain price stabilization programs which reduce inter-seasonal and inter-crop price and supply fluctuations;
  - (b) Pricing policies to rationalize and/or reduce subsidies of food/agricultural production inputs and rationalize domestic terms of trade for food/agricultural products;
  - (c) Production incentives programs for small farmers;
  - (d) Increases in budget allocations to the agricultural sector;
  - (e) Improvement in policies affecting production, marketing and storage and food security generally;
  - (f) Removal of constraints to a more effective participation by the private sector in food and agricultural production and distribution;

- (g) Establishment or improvement of food reserves in appropriate circumstances;
- (h) Other policy initiatives in high priority food-related sectors, such as nutrition, health or population.

2. At the project level:

- (a) Increased governmental commitments to specific projects: In those instances where significant efforts are being directed to the rural sector, particularly to increase the productivity and income of small farmers, complementary Title III resources may be appropriate, e.g., to support post-harvest food conservation programs.
- (b) Institutional reforms: Title III resources can help countries develop the institutional capacity for food and agricultural planning and policy analysis; basic and adaptive research, education and training; and, disseminating improved technology and related information in a cost-effective manner. An expanded role for private enterprise should be encouraged, e.g., through financing the processing, preservation and marketing of agricultural commodities and the provision of agricultural inputs. Cooperatives may be of particular value in these activities.

- (c) Expanded access: Title III activities can help implement legislation and policies in the recipient country designed to enhance the status of the poor and expand their access to the rural economy. For example, local currency generations could finance the procurement of productive land by small farmers and start-up costs of cooperatives and small farmer organizations.
- (d) Other projects: Activities in health, nutrition and population which would promote the objectives of the agreement (See III A. supra).
- (e) Agriculture and food sector analysis: While it must be grounded in appropriate studies, a Title III program can also provide resources to further analyze a country's agricultural and food sector, its weaknesses and strengths, alternative plans for addressing short and long term food needs, etc.
- (f) Voluntary organizations: Local currency generations can support the efforts of cooperatives and other private voluntary organizations in sectors where project activity is appropriate.

See generally Ref. E.

IV. PROGRAM DEVELOPMENT

A. Program requirements and operation: Title III agreements are subject to the availability of U.S. commodities for PL 480 programming; the recipient's continued need for the commodities; a determination by the Secretary of Agriculture that the recipient has the ability to receive, handle, and store the commodities, and that there are no substantial disincentives to production and marketing (Bellmon determination); and continued satisfactory progress by the recipient country under the program as determined by annual reviews. Regarding Bellmon determinations, reference should be made to Ref. E and to a forthcoming message which will provide detailed guidance on analyzing the possible disincentive effects of food aid.

Title III permits the dollar value of the local currency proceeds or the commodities utilized for agreed FFD program purposes to be credited against the dollar repayment obligations of new Title III debt (and existing Title I debt for qualifying RLDCs). The specific conditions for qualifying for and receiving currency use offset (CUO) are to be set forth in Annex A of the Title III agreement. Guidance on the CUO reporting format is contained in Attachment C to this paper. Annex B of the agreement sets forth the specific development program, with annual benchmarks set for the activities to be

undertaken by the recipient government. This annex is based on information contained in the FFD/PP described below.

Title III is programmed as part of the Title I budget and is subject to Title I rules and regulations. Thus, the agreement should set forth specific and measurable self-help provisions, which taken together will constitute the Food for Development program. Further, the aid should complement, but not replace, other U.S. and other donor assistance, or development efforts of the recipient country itself. A proposed program which, if successfully implemented, gives reasonable assurance (otherwise lacking) that contemplated policy changes and developmental activities will be carried out meets this criterion.

Since FFD programs involve the transfer of commodities, time must be allowed for this process. Typically, it takes 6-10 weeks from the time an agreement is signed for the commodities to arrive. In addition, time is required to distribute and sell the commodities. Thus, a minimum of 3 to 4 months will generally be required before local currencies will become available for FFD program activities. Recipient countries must deposit the local currency, in a special account where practicable, within six months after the date of the arrival of the final shipment of Title III commodities within the program year. (See Ref. C.)

B. Program Development:

A Title III program should be developed with the participation of the AID Mission, the Agricultural and other appropriate officials of the Country Team and the recipient country. The process should start with a joint review of present and long run food needs of the recipient country, policies and programs aimed at meeting these needs and an assessment of how a Title III program could provide additional assistance in meeting these needs. Country team should bear in mind that whenever a Title III program is suggested to Washington, a discussion of the foreign policy and agricultural export market development rationales for such a program should also be included.

Title III programs should flow from an analysis of the food/agriculture sector. Their conceptual framework should derive from an overall discussion of opportunities for and challenges to increased food self-reliance, including consideration of such factors as the role of food aid as an appropriate program element where there is a food gap; the form in which food aid can best be a part of the overall assistance effort; and the country's macroeconomic situation including foreign exchange needs and availabilities.

It is desirable that Title III proposals flow from a comprehensive study of the food/agriculture sector. Where such

studies do not now exist, they should be developed as soon as possible to provide a sounder basis for program design and negotiation. Major undertakings to be supported by Title III should be identified, especially those that otherwise would be unlikely in the absence of multi-year food aid. Opportunities for integration of Title III resources should be explored at the overall country strategy, sector, and project levels. (Missions should of course be alert to possible problems involving the timing of flows of funds under separate assistance agreements in integrating at the project level.) We anticipate that support of Title III proposals will be influenced by the extent of integration with other assistance modes as well as their likelihood of having a significant development impact. In addition, Food for Development program proposals should reflect consideration of the Administration's foreign policy and market development objectives.

C. Program Review and Approval:

Title III FFD program proposals should be submitted in the form of a FFD Project Identification Document (PID) followed by a FFD Project Paper (PP). These documents, when submitted to Washington, will be reviewed by the Title III Technical Review Committee (TRC) of the Working Group, chaired by the appropriate regional bureau of AID and composed of officials from AID, State, USDA, Treasury and OMB. The TRC will review

the proposal (at both PID and PP stages) for conformity and compliance with Title III guidelines, overall conceptual soundness and economic, technical, socio-cultural and institutional feasibility. It will recommend modifications as appropriate, and comment on whether another Title of PL 480 might be a more suitable vehicle of assistance. After completion of each TRC review, the Title III PID or PP, with appropriate recommendations, will be submitted to the Working Group for review and approval/disapproval. If the Working Group approves the PID or PP, appropriate instructions will be sent to the Mission.

V. PROGRAM DOCUMENTATION

While the documentation of Title III-FFD proposals is patterned on AID's PID/PP system for DA-funded activities, it is geared to the specific requirements of Title III. The provisions of the FAA, such as Section 611(d) certifications, do not apply to Title III-FFD documentation. Nevertheless, Missions should refer to AID Handbook 3 for general guidance in carrying out examinations of project feasibility, the social soundness and environmental impact of subactivities, cost estimates, etc.

Where Title III programs will be integrated with other proposed USG-funded development activities, Missions should be alert to possibilities of cross-referencing program

documentation so as to avoid duplication of effort. E.g., the PP for a development project to be supported by local currency generations may be referenced, and a concise summary of the activity may appear in the FFD/PP.

A. FFD Program Identification Document (FFD/PID):

FFD/PIDs should be submitted no later than a Mission's Annual Budget Submission (ABS) to AID/Washington. The FFD/PID should provide the following:

1. Face sheet - (See Attachment A)
2. Eligibility Evidence: Present data and analysis tending to establish that the country:
  - (a) Needs external resources to improve its food production, marketing distribution and storage systems;
  - (b) Is ready and willing to act to improve such systems;
  - (c) Is able to use effectively the resources generated by the sale of the commodities for the agreed upon development effort;
  - (d) Has the capacity to receive, handle, store and distribute the proposed commodity level;
  - (e) Will not, in the distribution of the commodities, be confronted with a substantial disincentive to or interference with domestic production or marketing;and

Washington will independently confirm that the country satisfies the statutory requirement of eligibility for IDA loans (currently, under \$795 per capita in 1981 terms.)

3. A summary of the food supply and demand situation.

Include 5 year projections based on trends of the last 5-10 years, identifying food gaps by commodity. Trend analysis is needed to establish UMRs and meet Bellmon requirements (see (e) above).

4. Problem Definition. Drawing on the above analysis, as well as available sector studies, and referring to those policies and institutional arrangements which impact on food availabilities (production and consumption dimensions), the PID should identify the major constraints in the food and agriculture sector -- some or all of which are presumably to be addressed by the Title III program.

5. Program Justification. The PID should reference the recipient country's development plans and priorities relevant to the problems identified, and actions being taken or proposed in support thereof. The relationship of the Title III program to the country's development strategy and other bilateral and multilateral aid (e.g., IMF Standby Agreements), should be described. In addition, the PID should discuss the proposal's

relationship to the Administration's foreign policy and market development objectives.

6. The Proposed Program.

- (a) Goals/Components. State the goals and objectives of the program, the policy and institutional reform elements, the uses to which local currency generations will be put and the relationship of the latter to program goals. Where the commodities as well are to be programmed in support of program goals, this should be described. While quantification of results is not expected at this stage, the PID should indicate in general terms what the program will accomplish.
- (b) Beneficiary Participation and Impact. This section should explain who will benefit from the FFD program in terms of both the commodities, the use of the local currency proceeds, and other proposed actions of the recipient. It should indicate why the target group or institution has been selected and how the program benefits are expected to flow.
- (c) Estimate of Costs and Funding Sources. The PID should present the best estimate of program costs -- the annual commodity tonnage, local currency contributions, as well as the contribution, in human

and financial resource terms of the U.S. (through PL 480 and otherwise) the recipient, and other donors.

- (d) Program Preparation. Technical assistance requirements for producing the FFD/PP should be stated, as well as a timetable for preparing the FFD/PP.

B. Food for Development Program Paper (FFD/PP): The FFD/PP must provide detailed answers to four basic questions:

- What is the proposed program?
- Does it meet statutory criteria?
- How will the program be implemented and monitored?
- Is the program feasible and manageable?

Generally, the FFD/PP serves to elaborate information outlined in the FFD/PID; to describe with precision how the program will be implemented and evaluated; to show conclusions of analytical and planning efforts that have been undertaken during program development; and to address issues raised at the PID stage. The presumption is that the direction, dimensions and emphasis of the program will be agreed upon by the time of PID approval. Background studies and analyses (economic, technical, socio-cultural, financial, administrative and environmental) should be provided as back-up papers or attachments.

Specifically, the FFD/PP must include the following:

- (1) Food for Development Program Paper (FFD/PP) face sheet (See Attachment B).
- (2) Executive Summary - A summary statement of the major problems of the sector and the relevance of the Title III program thereto should be presented.
- (3) Analysis of the Food and Agriculture sector - The paper should update (and expand as necessary) the analysis in the FFD/PID of the performance of the agriculture sector, the constraints to increased food self-reliance, and note any changes in food needs. Studies funded or produced by the USG, the recipient country or other donors should be cited and drawn on as appropriate. It is important to describe the policy framework relevant to the FFD program. In developing the FFD program in Bangladesh, for example, it was found that analyses of GOB pricing policies on agricultural inputs and farm outputs, subsidies related to these policies, farm cost of production data, and the role of GOB regulatory policy toward the private sector were particularly relevant. In some countries, policies may already be reasonably well defined and the governments may have undertaken a sound course of action. In others, the needed policy changes have

been identified but the government has not instituted the needed reforms. In still others, the present policies or proposed changes are not so thoroughly understood or identified so as to allow a reliable determination of fully what changes or new actions are desirable. This section should describe the specific situation in the country, confirm the orientation of the Title III program, and lay the foundation for additional analysis during the program's implementation.

- (4) Institutional Environment - This section should describe the institutional environment in which the program will be undertaken: the financial, managerial and other capabilities and weaknesses of implementing agencies and other participants, as well as other factors which will impact on program achievements (e.g., trained manpower, essential infrastructure, availability of equipment and materials, etc.).
- (5) Essential Certifications - To the extent that Washington determined that the PID did not conclusively establish basic eligibility of the recipient and the program (see V A 2 infra), the

FFD/PP should do so in this section. Further, changed circumstances may require an update.

- (6) Program Description - The PP should present a full description of the overall program. It is assumed that the elements of the development program will consist of a number of commitments of the recipient, extending to policy and institutional reform and specific activities to be funded, at least in part, with local currency generations. These commitments, or self-help measures, will constitute the Food for Development program and will be the reference points for determining compliance with the agreement and, accordingly, program continuation. The program goal, purpose and outputs should be stated; they must relate to sector goals, host country development activities, and the overall strategy within the country. If the activities which Title III will finance are part of a longer term undertaking, describe the total program, its scope and implementation timeframe. If the program is a continuation of an existing activity, refer to the results of any recent evaluations. The extent of its integration with other assistance programs should be set forth, as well as those commitments

not directly linked to program resources (e.g., programming of foreign exchange related to the balance of payments support provided by the Title III agreement). If the proposed activities require a longer term "operating" phase to generate benefits, or if recurrent cost financing is necessary, discuss these aspects and how they will be addressed in the years following the program. The section should identify the program inputs (commodities, local currency, AID dollar and other). This section should update the budget data contained in the PID by source of financing. Finally, this section should also identify the intended program beneficiaries. Describe how and to what extent various groups will benefit, directly and indirectly, from the programs and its components.

- (7) Implementation Plan - The FFD/PP should discuss how the program is to be carried out, as well as define responsibilities for coordination, management and monitoring. The plan should reflect an awareness of the likely timing of the arrival of commodities and the generation and deposit of local currencies.

This section should present a plan of important actions which must be accomplished annually. It

should identify the organizational units within the recipient country government which will be responsible for each implementation action. If achieving outputs is sensitive to timely procurement and arrival of goods and services in addition to the commodities, a procurement plan must be included. Arrangements for local procurement, contracting, and securing required technical expertise should be described. The Title III agreement may be signed with one recipient government agency even though the program is co-managed and/or implemented by other agencies. Alternatively, several recipient country agencies may share responsibility for the functional area of which the project is part or be responsible for different subactivities. In programs that have activities in different locations within the host country, regional officials may have responsibilities for implementation. Technical offices in regional or central bureaus of AID and USDA may assist in developing and monitoring the program implementation plan (as well as in program evaluations).

- (8) Annex B - The FFD/PP should include a draft Annex B. Annex B is the specific agreement with the recipient

government and should outline the activities of the FFD program, necessary conditions precedent and covenants, benchmarks, targets, as well as implementation and monitoring plans. It is presumed that the preparation of a logframe will contribute to the precision and specificity of Annex B. (Annex A to the agreement gives the standard provisions for all Title III agreements and need not be attached to the PP. See Attachment B. to Ref. B for format of Annex A.)

VI. REPORTS AND REVIEWS

A. Legislative Requirements: Title III requires the recipient to report annually on progress achieved under the program, including a comparison of results with projected targets, a description of how the commodities were used, an accounting for funds generated and their uses, and the outstanding balances at the end of the most recent (USG) fiscal year. An annual review by the USG of the use of proceeds and how well the country has met the terms of the agreement is also required. The report and/or annual review should recommend any program changes or modifications necessary to accomplish the goals and objectives of the Title III program. The combined annual progress report and annual review are the basic documents used by the Working Group for review and approval of

the subsequent year's allocation for the Title III program. The degree of USG involvement in preparing the annual report will depend upon the management and analytical skills the recipient is able to devote to the task.

B. The Annual Report: Factors that should be covered in the annual progress report are:

- (1) The roles and performance of the cooperating recipient government agencies in fulfilling the terms of the agreement.
- (2) Discussion of progress and achievements with reference to the agreed-upon goals, self-help measures and benchmarks. (Benchmarks will have to be set with reference to the abbreviated period of implementation to be covered by the first report.) Where there are shortfalls, explanations should be offered. Where policy reform predominates the FFD agreement, the report (and the review) should have a commensurate focus.
- (3) A detailed description of how commodities were used and an accounting of local currency generations and their uses. The end-of-year balances should appear. The status of loan forgiveness should be presented.

- (4) Recommendations of the recipient government either for changes in the program or its procedures should be provided.

C. The Annual Review: Factors to be included in the review, the results of which should be recorded and transmitted to Washington, are:

- (1) Review of the uses of proceeds, commodities, unused balances, and compliance with provisions of the agreement. Corrective actions should be described. These actions may include changes in program objectives, new policy initiatives, implementation procedures and program changes.
- (2) Assessment of the recipient government's commitment to the Title III program, particularly with regard to commodity use, policy changes and activities financed by the proceeds should be provided.
- (3) Progress in achieving the program's overall goals.

D. Timing of Reviews: When the Title III agreement is negotiated, the Mission should reach an understanding with the recipient government on the annual review process. The Mission may request Washington assistance to develop the evaluation framework.

The agreement should reflect the legal requirements that the first report be submitted not later than a year after the

initial delivery of commodities. Since the local currency deposit may not be made until six months after the delivery, and the delivery itself may not occur for several months after the agreement is signed, it is likely that the first report may cover a relatively brief period of program implementation (i.e., local currency disbursements). It is important, however, that the first report be submitted sufficiently early to allow for the Mission's annual review, the submission of the report and review to Washington, and the review and approval thereof -- all without jeopardizing the progress of the program in its second year, i.e., the timely shipment of commodities and generation of local currency. The annual review's conclusions, together with the report, should be received in Washington within 60 days of the submission of the report by the government.

Well prior to the due date of the annual report, the Mission should discuss with the government the schedule and content. Agreement should be reached on the level of Mission participation and concerned Washington agencies and on any technical assistance required.

The first annual review should pay particular attention to administrative, managerial and monitoring arrangements. Subsequent reviews should emphasize program achievements and policy impact.

Once received in Washington, the report and the Mission assessment thereof shall be reviewed by the TRC and the Working Group. Approval of the evaluation report and the Mission's assessment is required before the next Title III commodity shipments occur.

For budget planning purposes in Washington, PL 480 funds will be earmarked in advance for all Title III programs active during a given fiscal year. If an intervening review determines that insufficient progress is being made which warrants suspending the Title III program, the program could be converted to Title I; more likely the line item in the budget will revert back to the Title I reserve, since non-compliance with the provisions of the Title III agreement would raise serious doubts about suitability of the recipient for out year funding under Title I.





REPORTING FORMAT FOR TITLE III, P.L. 480  
CURRENCY USE OFFSET CREDIT

1. Annex A, Item III B for Food Development Program (FFD) agreements require that the government of the importing country report quarterly on deposits of local currencies and disbursements in connection with the FFD program incorporated in the agreement. It is necessary for the USG to determine that the local currency equivalent of the dollars disbursed by CCC has been deposited; to review the disbursements of the importing country and certify that they are eligible for application against Title I payments. The Ambassador should delegate this authority to the proper office. Disbursements in turn must be reported quarterly by the Embassy to USDA's Commodity Credit Corporation. The reports will constitute the required certification that the disbursements were made in accordance with the FFD Agreement.

2. The complete Title I debt will be deemed to be offset when there is full disbursement of the local currencies, which were deposited in the special account in an amount equal to the dollar value of the CCC Credit, regardless of fluctuations of exchange rates that may occur during the life of the program. Full forgiveness does not apply in the case of RLDC's which elect to utilize disbursements from the special account to offset other Title I debts during the fiscal year. The Embassy should certify when local currency generations have been fully disbursed, otherwise only the dollar value at the time of actual disbursement will be applied against the Title I debt. It will be necessary for the Embassy to notify CCC when all of the local currency has been disbursed, otherwise, full forgiveness will not occur.

3. The Embassy is to work with the government of the importing country on a mutually acceptable format to use in reporting deposits and disbursements for eligible uses to the Embassy. If such a format has not been developed, your transmission of copies to Washington would be appreciated.

4. Attached to this message is a reporting format for use by the Embassy in reporting disbursements to the Commodity Credit Corporation.

Following are instructions for its use:

a. Reports should be submitted under cover of a transmittal airgram, marked for the attention of the Chief, Fiscal Operations Branch, Financial Management Division, Agricultural Stabilization and Conservation Service, USDA/FOB/ASCS/USDA).

b. Items 1 through 3 of the form are self-explanatory.

c. In Item 4, insert the current cumulative value of disbursements reports to the Embassy by CCC through form 331, Advice of Payment.

d. In Item 5, insert the cumulative value of deposits made to the special account.

e. In Item 6, report the figure from Item 8 of the report of the previous quarter. For the initial report this will be zero.

f. In Item 7, indicate all disbursements reported by the Government of the importing country for approved eligible uses during the quarter covered by the report, by date of disbursement amount of disbursement and exchange rate in effect on the date of disbursement, and insert their total U.S. dollar equivalent on the indicated line. If the number of disbursements is voluminous, they may be detailed on a separate sheet using the indicated format, and their totals inserted in this time.

g. Add Item 6 and 7.

h. Subtract Item 8 from Item 5.

i. Specific time deadlines have not been established for submission of the subject report. However, reports should be submitted as soon after the close of the reporting quarter as possible.

Agency for International Development  
 United States Department of Agriculture  
 Quarterly Report on Title I, P.L. 480 Currency Use Offset

1. Country: \_\_\_\_\_ 2. Currency: \_\_\_\_\_  
 3. Title I Agreement Date: \_\_\_\_\_ 4. Disbursement Value: \_\_\_\_\_

U.S. Dollar  
Equivalent

5. Cumulative Deposits: \_\_\_\_\_  
 6. Cumulative Disbursements Previously Reported \_\_\_\_\_  
 7. Disbursements Current Quarter: \_\_\_\_\_

Date Disbursed	Local Currency Disbursed	Exchange Rate to Dollar	U.S. Dollar Equivalent
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XX XX	TOTAL
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8. Cumulative Disbursements to Date (6 + 7) \_\_\_\_\_  
 9. Unsued Balance Available for Offset (5 - 8) \_\_\_\_\_

CERTIFIED CORRECT:

\_\_\_\_\_  
 (Name)

\_\_\_\_\_  
 (Date)