TRILATERAL FOOD AID TRANSACTIONS

U.S.G. EXPERIENCE IN THE 1980s

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PREFACE

Study Objectives

This study examines the pro's and con's of the United States Government trilateral food aid transactions as viewed from the perspectives of the U.S.G., the developing exporting country, and the recipient country. The objectives of the study are:

1. To document the U.S.G.'s past experience with trilateral food aid arrangements; and

2. To enable the Agency for International Development to better determine the extent, if any, to which it should support trilateral food aid transactions.

The study should also be useful to other members of the U.S.G. Development Coordinating Committee (DCC) which jointly administers the U.S. PL 480 food assistance program.

Study Approach

A.I.D. contracted with RONCO Consulting Corporation to undertake the study called for in the Statement of Work (see Annex A). Key issues examined are the effectiveness of trilateral programs in terms of their cost and timeliness compared to bilateral programs; their impact on U.S. market development objectives and regional trade development among the participating developing countries; and the management of the programs as regards design, negotiation, and implementation.

The study team included:

Dr. Alice Morton, Food Aid Specialist and Team Coordinator, RONCO Consulting Corporation;

Dr. Alexander McCalla, Agricultural Economist, University of California/Davis;

Mr. Warren Enger, Agricultural Economist, RONCO Consulting Corporation; and

Mr. G. Reginald King, Agricultural Economist, RONCO Consulting Corporation.

The team adopted a study approach involving country case studies and interviews with officials experienced with trilateral food aid programs in the U.S., Eurpose and Africa. The case studies included trilateral programs in West Africa and Southern Africa as follows:

- The 1985 U.S.-Ghana-Mali/Burkina Faso program involving the exchange of 9.202 metric tons of U.S. rice for 15,000 metric tons of Ghanian white maize for shipment to Burkina Faso (10,000 metric tons) and Mali (5,000 metric tons).

- The 1985 U.S.-Zimbabwe-Mozambique program involving the exchange of 9,600 metric tons of U.S. wheat for 7,000 metric tons of Zimbabwean white maize for delivery to Mozambique.

The 1985 U.S.-Malawi-Mozambique program involving the exchange of 1,400 metric tons of U.S. wheat for 3,000 metric tons of Malawian white maize for delivery to Mozambique.

Mr. Enger visited Ghana, Mali and Burkina Faso to examine the West African experience. Dr. Morton and Dr. McCalla visited Zimbabwe and Mozambique to study the Southern African programs. USAID/Malawi asked that the team not visit Malawi due to shceduling conflicts. Instead, the Mission submitted a succinct case study carrative which is summarized in the main body of the report.

Mr. King made visit to London, Paris, Rome and Brussels to examine the trilateral experiences of European donors and the World Food Program. The team also consulted numerous U.S. organization including the Agency for International Development, Department of Agriculture, Department of State, Department of the Treasury and the Office of Management and Budget.

All team members received extensive cooperation from the agencies just noted and from host-country officials, private citizens and representatives of involved private voluntary organizations (CARE, World Vision, and the Baptist Mission in Burkina Faso). These individuals and groups went out of their way in most instances to provide the team with data on costs and logistics that were not readily available in the form requested.

ACRONYMS

A/A.I.D.	Administrator/A.I.D.
AER	Annual Estimate of Requirements
A.I.D.	Agency for International Development
ADMARC	Agricultural Development and Marketing Corporation (Malawi)
AID/M/SER/OP/TRANS	Transport Division of A.I.D. Acquisitions Office
CCC	Commodity Credit Corporation
CFA/FCFA	West African Franc
CIDA	Canadian International Development Agency
CIF	Cost Insurance Freight
CILSS	Committee Interetatique pour la Lutte contre la Secheresse au Sahel
CIP	Commodity Import Program
CRS	Catholic Relief Services
DCC	Development Coordinating Committee
DPCCM	Department for the Prevention and Control of Natural Calamities (Mozambique)
ECOWAS	Economic Commuity of West African States
ECU	European Currency Unit
EEC/EC	European Economic Community
EMACI	Enterprise Malienne en Cote d'Ivoire
FAC	Food Aid Convention
FAO	Food and Agriculture Organization of the United Nations
FFP	Food for Peace
FOB	Free on Board
FOR	Farmer Owned Reserves
FVA	Food and Voluntary Assistance Bureau (A.I.D.)
FVA/PPM	Food and Voluntary Assistance/Policy and Program Management
FX	Foreign Exchange
GFDC	Ghanian Food Distribution Corporation
GMB	Grain Marketing Board
GOF	Government of France
GOG	Government of Ghana
GOM	Government of Malawi
GOZ	Government of Zimbabwe
GPRM	Government of the People's Republic of Mozambique
GRM	Government of the Republic of Mali
GRZ	Government of the Republic of Zambia
IDCA	International Development Cooperation Agency
IEFR	International Emergency Food Reserve
LOA	Letter of Agreement
MIC	Ministry of Internal Commerce (Mozambique)
MNR	Movimento Nacional Jo Revaluceas (Mozambique)
MOS	Marine Ovrseas Services, Inc.
MT	Metric ton
NGO	Non-Governmental Organization
ODA	Overseas Development Administration (Great Britian)
OFDA	Office of Fireign Disaster Assistance (A.I.D.)
OFNACER	Office Nationale de Cereals (Burkina Faso)
OMB	Office of Management and Budget
ONT	Office Nationale de Transport

OPAA	Office des Produits Agricoles et Alimentaires du Mali
OPIC	Overseas Private Investment Corporation
PA/PR	Purchase Authorization
PID	Project Identification Document
PP	Project Paper
PPC	Bureau for Program and Policy Coordination (A.I.D.)
PTOA	Progressive Transport Owners Association (Ghana)
PVO	Private Voluntary Organization
RAMC	A.I.D. Regional Accounting Office, Paris
REDSO/ESA	A.I.D. Regional Economic Development Support Office/Eastern and Southern Africa
RENAMO	Revolutionary National Movement (Mozambique)
RFPPO	Regional Food for Peace Office
SADCC	Southern African Development Coordination Conference
SHM	Self-Help Measure
SOCOPAO	Societe de Consigne de Pays de l'Afrique de L'Ouest
TA	Transfer Authorization
TDY	Temporary Duty
UDI	Unilateral Declaration of Independence- Zimbabwe/Rhodesia
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
USDA	United States Department of Agriculture
U.S.G.	United States Government
WFP	World Food Programme
WVI	World Vision International
WVRO	World Vision Relief Organization

EXECUTIVE SUMMARY

Background:

This study provides an assessment of the pro's and con's of trilateral food aid transactions as seen from the respective points of view of the U.S.G., the exporting developing countries and the recipient developing countries. By documenting past U.S.G. and other donor experiences in the 1980's, it should enable A.I.D. to determine the extent to which it will support further trilateral transactions. Seven transactions are discussed, but major emphasis is given to four implemented in 1985 and 1986, which are used as case studies. (In a prior case, Zimbabwe provided maize to Zambia in exchange for U.S. wheat in 1983. In 1986, Sudan received maize from Kenya, which received U.S. wheat in exchange. In a 1987 transaction, Zimbabwe again provided maize to Mozambique in exchange for U.S. wheat.) All seven transactions were carried out under PL 480 Title II emergency food aid programs (see Table).

In the two West Africa case studies, U.S. rice went to Ghana, which provided white maize to Burkina Faso and to Mali. In Southern Africa, U.S. wheat went tc Zimbabwe and to Malawi, both of which provided white maize to Mozambique. The total tonnage represented by the six transactions carried out between 1983 and 1986 amounted to approximately .121 % of U.S.G. food aid provided under all Titles of PL 480 during the same period. The four cases chosen for emphasis were selected by A.I.D. and are thought to be representative of this group of transactions.

Issues Addressed:

The case studies provide the basis for analysis of political and policy considerations, developmental impacts and management procedures for trilateral transactions in which the U.S.G. has been, and may again become, involved. Key issues addressed are timeliness, cost, impact on development policies, market development, intra-regional and international trade effects, the barter terms of trade, public versus private sector involvement, donor and product identity, as well as foreign policy impacts derived from trilateral transactions.

Foreign Policy Impacts:

The four case studies show that foreign policy impacts are both positive and significant. Trilateral transactions, as opposed to bilateral arrangements, allow friendly countries on both sides of the transaction to benefit in the context of regional agreements and objectives. This tends to mean that they interpret U.S. intentions as supportive of both national and regional goals. Trilaterals may be used to "reward" two countries at once for friendly behavior toward the U.S. while at the same time providing humanitarian relief to one of them.

U.S. Market Development:

Impacts on U.S. market share development appear mixed. The cases show that U.S. comparative advantage is to promote consumption of U.S. wheat in Zimbabwe, Malawi and Kenya, for example, rather than trying to establish a market in these countries and Mozambique for U.S. yellow maize. Similarly, promotion of increased rice consumption,

including from U.S. exports in Ghana, is likely to develop U.S. market share. By assisting surplus-producing countries to market their surpluses, production and overall purchasing power are likely to increase, in turn enabling these countries to purchase additional U.S. commodities on the world market. The "identity" of the food aid received seems largely unknown at the beneficiary level under trilaterals as well as under bilateral programs despite labeling. Yet, the U.S. definitely gets double credit from trilaterals in terms of local perceptions, rather than less credit as is sometimes feared.

Cost

The costs of trilaterals, as well as those of bilateral alternatives, can vary considerably. The U.S.-Ghana-Burkina Faso/Mali trilateral was 71% more costly than a bilateral program would have been; the U.S.-Zimbabwe-Mozambique trilateral cost 18% more; and the U.S.-Malawi-Mozambique trilateral was 62% less costly. The major factors accounting for cost differences were inland transport in the West African program and the overall unfavorable wheat-for-maize exchange ratio in the Zimbabwe transaction. The more favorable result of the trilateral with Malawi and Mozambique for U.S.G. costs is attributed to the value the Government of Malawi placed on the opportunity for foreign exchange savings and the latter's contributions towards financing transport costs. These results suggest that generalizations on the cost effectiveness of trilateral vs bilateral programs are difficult to make and that a comparative analysis should be done on a case-by-case basis for each trilateral program proposed.

Timeliness:

As to timeliness, of the four, two were about as timely as bilaterals, while two took about nine months for all the food to reach the beneficiaries. The rule of thumb for bilaterals is four to six months. While trilaterals may not, then, be quicker than bilaterals, they may have other benefits. Were trilaterals attempted outside the context of emergency aid, where timeliness is less critical, their developmental impacts could be enhanced, as might their policy impacts and flexibility.

Regional and International Trade:

The U.S. trilaterals of the 1980's have probably had no impact on world prices, or on the U.S. market share overall, since in total they amount to such a small proportion even of U.S. cereals exported. Impacts on regional terms and patterns of trade are less clear. In West Africa, the trilaterals proved that Ghana could, if encouraged, provide commodities to landlocked Sahelian countries. Problems with transport costs, and intra-regional trade barriers, however, meant that the trilaterals did not start innovative trade patterns. Yet, during a period where there was severe port congestion in Ivory Coast, Senegal and Togo, Ghana was able to provide an alternative. The Ghanaian truck fleet benefitted greatly from the influx of scarce foreign exchange under the trilateral, which may have subsequent positive implications for intra-regional trade efficiency. In Southern Africa, trade patterns are most critically determined by the role of the Republic of South Africa, and by the positive approach toward intra-regional trade among the SADCC states. The trilaterals with Zimbabwe and Malawi are seen as fostering such trade, and conforming to SADCC goals, while the role of Kenya as a surplus-exporting competitor is seen as less positive. The trilaterals involving the U.S.G. have set a trend in terms of other donors dealing on a trilateral basis with Zimbabwe and Kenya and have generally contributed to increases in trade in the region.

Programming Lessons Learned:

Determining the "ratio" between the U.S. commodity and that supplied by the exporting developing country is important, and should be done on the basis of some consistent criteria, so that neither a hidden subsidy nor a hidden premium is paid. Using world prices for both commodities is to the advantage of the U.S.

Pre-design analysis and informal negotiation with the potential exporting country tend to ensure successful and speedy formal negotiations, as does communication between the A.I.D. Missions in the exporting and recipient countries, and between their respective grain marketing institutions. Were speed not critical, as it is in emergency situations, more emphasis might be given to using private traders as well as private sector transporters.

To date, negotiations with countries involved have gone smoothly, taken little time barring that required for Washington approvals of language and barter terms of trade, and have not been complex. For implementation, government-to-government arrangements seem at least as expeditious as those involving PVOs, whether expatriate or indigenous. In none of the four cases were there serious complaints after the fact about the quality or quantity of grain delivered. In the Ghana cases, untangling the large number of payments to be made to various intermediaries has been quite staff-intensive for A.I.D. and USDA.

Most field staff have been quite supportive of trilaterals, seeing them as development tools which can effectively support policy dialogue and complement production-oriented project assistance. All those interviewed, however, recommended that A.I.D. and the DCC develop a policy regarding trilateral transactions and provide appropriate guidance to the field.

Conclusions:

1. The cases examined show that trilaterals can be at least as timely as "average" bilaterals, but may also be slower where logistics are too complicated and the food must be transported over long distances by truck. Where civil strife is the cause of the emergency which justifies the aid, (e.g., Mozambique),these constraints are likely to be most severe, although traditional intra-regional trade barriers can be quite constraining, as was the case in the U.S.-Ghana-Mali transaction. Participation of a PVO may be a help or a hindrance, since in some cases, where export policies in the intermediary country are very inhibiting, the government marketing agency may be able to meet export regulations more readily than the PVO, as was the case in Zimbabwe.

2. The cost-effectiveness analysis carried out indicates that the cost to the U.S.G. of bilaterals would have been less in three of the four cases. The degree to which this is true depends on the price of the commodity exchanged for the U.S. commodity (the barter terms of trade) plus transport of both commodities. In the Zimbabwe case study, Zimbabwe paid for the shipment of the U.S. wheat ex-Gulf, and was able to get cheaper rates than the U.S.G. would have paid given the cargo preference regulations of PL 480. However, the U.S.G. then also paid, because of these regulation, an additional $730,876. In the 1987 trilateral with Zimbabwe, the barter terms of trade seem at first less favorable since Zimbabwe asked for more wheat in exchange

for covering the costs of shipping its maize to Mozambique. The Ghana trilaterals cost more than bilaterals since extra costs for intermediaries were covered by the U.S.G. in an attempt to ensure that the food would arrive intact under difficult conditions, and given high transport costs. Assuming increased experience in designing and negotiating trilaterals, as well as competition among potential intermediary countries such as Zimbabwe, Kenya and Malawi, the terms of trade are likely to become more favorable to the U.S.G., and the transactions, therefore, cheaper.

3. The concern about loss of donor identity under trilaterals appears to be largely misplaced. Despite labelling, the ultimate beneficiaries are probably unaware of the source of most donated food aid. There is no confusion in the minds of recipient government officials as to the source of assistance, however. It is clear that the U.S. gained considerably in improvements in relations with intermediary (and recipient) countries as a result of the trilateral transactions studied. It is at this level that there is much to be gained using the trilateral approach. Also, volume or quantity of donated food can be more readily adapted to end-user needs and preferences under trilateral arrangements than is usually the case under bilaterals.

4. Trilaterals do not necessarily have an impact on infrastructure development. Such development may be fostered by trilaterals, as may be the case in Mozambique despite the insurgency, but systematic development can only result from infrastructure-oriented food aid projects such as those envisaged by the EEC and France.

5. The danger of trilaterals reinforcing government parastatal bureaucracies to the detriment of private traders is recognized. To date, most trilaterals have been in response to short-term, emergency deficit and surplus situations, and have sought to maximize short-term goals, such as speedy delivery of the aid being provided. Even so, private transporters have been used in the Ghana and Malawi trilaterals, and if the emergency structure were removed, more attention could be given to private sector marketing alternatives.

6. The impact of trilaterals on market share development has two aspects. First, the study analysis indicates that the negative impact of trilaterals on U.S. trade is marginal if any. In recent years, the total volume of food aid has not been sufficiently large to impact on world prices. Trilaterals as a portion of that volume are insignificant, and are likely to remain so. To the extent that food aid ties the recipient country to the donor and there are emerging markets for wheat in Eastern and Southern Africa, U.S. participation in trilaterals will keep the U.S. in the game where competitive exporters are already practicing trilaterals (Canada, Australia, the EEC). There is some risk that donors may bid up the prices of grain in surplus-producing countries if too many trilaterals or local purchases are made without coordination.

The second aspect of the market development question is that of finding outlets for developing country production. In this regard, the fact that this production finds a market complements and reinforces the results of the significant funding of production projects that all donors have provided in recent years. The acquisition of real purchasing power on the part of farmers in these countries develops a potential market for U.S. products, including cereals, both for human and animal consumption.

7. Pre-design analysis can ensure that trilaterals support or reward positive policy changes in the intermediary country, in the context of on-going policy dialogue. Where food aid is commercialized in the recipient country, as in Mozambique, policy provisions can be associated with the use of local sales proceeds, as under Title I. These sorts of policy considerations can be more heavily stressed outside the context of Title II programs.

8. In none of the cases was the recipient country a party to the formal trilateral agreement. The arrangements with the recipient country were left to the PVO intermediary in most instances. A.I.D. officials interviewed strongly suggested that the recipient country be a signatory to future agreements, so that the matters of taking title, and coverage of costs can be clearly determined at the outset. This would also facilitate the use of trilaterals for policy influence in the recipient country, while helping to avoid misunderstandings after the fact.

9. For implementation, given the cases examined, government-to-government arrangements seem as expeditious or more so than some that involved one or more non-governmental organizations as intermediaries. Too many actors tend to complicate the logistics during implementation, and to make accounting and payment difficult. This is not, however, intrinsic to trilaterals.

Recommendations:

1. It is recommended that the U.S.G. expand its use of trilateral food aid transactions. This should be done within the framework of market development projects designed to encourage the production of indigenous cereals for export as well as for domestic consumption. An assessment should obviously be made in designing such projects as to the probability that the countries in question may become consistent surplus producers. This kind of development approach, in which trilaterals would be part of a multi-year, combined food aid/dollar funding package, would improve the purchasing power of producers and thus provide potential markets for U.S. products, including grains.

2. Trilaterals should, then, be tried either under Title II, Section 206 or under Title I where this is possible, to avoid the constraints that are introduced by emergency situations, and the attendant PL 480 regulations.

3. Design of such trilaterals should emphasize involvement of private sector actors—grain merchants, truckers, freight forwarders and others—so that there will be a positive impact on "normal" trade channels. This does not, however, necessarily mean that parastatal organizations should be ignored or circumvented where they actually have a comparative advantage.

4. Evaluations shoudl be carried out of trilateral and bilateral programs that have innovative features, both those approved and implemented under emergency situations and those that are not. The possibilities for innovation, given A.I.D.'s current mandate to use food aid more creatively and to integrate it more fully into development programming, are considerable. Attendant policy impacts may also be realized, especially if questions about the appropriateness of monetization can be resolved.

5. The barter terms of trade should be carefully examined in the design of future trilaterals. Recent competition, as in Southern Africa, will tned to mean that, near-world prices can be used for both commodities without unfair advantage being given to any party to the transaction.

6. A.I.D. and the DCC shoudl agree to a policy governing the design and approval of trilateral transactions and convey this policy to the field through appropriate guidance.

I. BACKGROUND

What is a "trilateral" food aid transaction? "Trilateral", "tripartite" or "triangular" food aid arrangements are defined differently by the various donor agencies that have implemented them[1] and may take different forms:

- Trilateral transaction is the term used by the U.S. to describe a three-party program in which the first ("developed") country supplies commodities to a second, or "exporting" developing country which, in turn, supplies a third, "recipient" country. The commodities which the recipient receives are of a type that the first country cannot readily provide from its own resources.

- Triangular transaction is the term used by European donors and WFP to describe a three-party program involving (usually) a cash purchase by the donor country made in an exporting developing country. The food purchased will be used as food aid in a recipient developing country.

- Local transaction describes a two-party arrangement used by the European donors and WFP whereby the donor uses cash to purchase commodities within a given country.

- Exchange transaction refers to a triangular or local transaction which is either conducted on a barter basis or may involve the generation of counterpart funds.

For the purposes of this report, we will use the term "trilateral" to denote all the transactions studied in which the U.S.G. was involved. The majority of our discussion will be based on the four case studies carried out by the study team, but we will also draw on information about the other U.S.G. trilaterals implemented in the 1980s, as well as those carried out by other donors (See Table 1).

Why have trilateral food aid transactions become a subject for current policy review and implementation? The simplest answer is that a number of African countries have achieved surplus production of cereals in the 1986/87 year, although deficits persist in some other countries, and sometimes in the surplus-producing countries as well, although on a highly localized basis. Some of these countries are able to market their surpluses in the region using normal market channels. Others need donor support in order to dispose of them. As indicated in the FAO's report on the food supply situation in Sub-saharan Africa of January 1987, twelve countries would need donor support in 1986/87 to dispose of cereal surpluses. Ten of these countries held surpluses of 4 million tons of coarse grains. The FAO estimated that "donor support would make it possible to use these surpluses to meet at least part of the import needs of about 1.6 million tons of the 18 African countries which still have deficits in these grains in the same period" (FAO, 1987).

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1. The French use the term "triangular" to include arrangements within one country where counterpart funds from commodity sales are provided by the donor country for purchase of food to be supplied to a deficit area of the same developing country. WFP calls this same kind of transaction a "local exchange" or "swap" arrangement.

TABLE 1

U.S. Trilateral Transactions 1983-1987

Date Agreement Signed	Donor Country	Intermediary Country	Recipient Country	U.S. Commodity (Metric Tons)	Intermediary Co Commodity (Met Tons)
March 28, 1983	U.S.	Zimbabwe	Zambia	wheat 20,000	white maize 31,000
April 25, 1985	U.S.			rice	white maize
		Ghana	Burkina Faso	9,202	5,000
		Ghana	Mali		10,000
June 13, 1986	U.S.	Zimbabwe	Mozambique	wheat 9,600	white maize 7,000
July 24, 1986	U.S.	Malawi	Mozambique	wheat 1,400	white maize 3,000
Sept. 26, 1986	U.S.	Kenya	Sudan	wheat 2,190	white maize 3,000
Feb. 20, 1987	U.S.	Zimbabwe	Mozambique	wheat 3,372	white maize 2,700
August 11, 1987	U.S.	Kenya	Mozambique	wheat 16,060	white maize 22,000

Table 1a presents data on the utilization of cereal surpluses in Sub-saharan Africa. In a recent paper on food security in Southern Africa, Tsakuni and Eicher (1987) give the following overview of the global food situation and the ways in which it has recently changed:

> "The world food pendulum has swung widely every decade or so....the doomsday predictions of the mid-1970's have been followed by a much more optimistic assessment of the world food outlook in the 1980's, punctuated by the great African Famine of 1985, where a conservative estimate of 300,000 people died in Ethiopia alone. The global food outlook is as follows:
>
> - If food in the world were becoming more scarce, its real price would be trending upward. But the real price of wheat in world markets has been falling for well over a century.... Moreover, the price has declined significantly since 1980.
>
> - Global maize stocks in 1986/87 are 160 million metric tons (a 25 year high) compared with 40 million metric tons in 1983-84.
>
> - The export quotation for No. 2 yellow maize at US gulf ports was US$ 70/ton in late 1986 as compared with US$ 100 in 1985 and US$ 160 in 1980. Maize price is at an all time low in real terms.
>
> - The production of rice is running ahead of demand in several large countries in Asia - e.g., India and Indonesia, requiring large adjustment programmes to shift to alternative crops.
>
> - The production of sorghum is running ahead of domestic demand in China, India and Zimbabwe.
>
> "In summary, the code word of scarcity has been replaced by the appealing phrase that the world is 'awash with grain' because of near record production and stocks of all major grains....
>
> "Despite global food abundance, there are an estimated 300 to 900 million people suffering from malnutrition in the Third World. The FAO estimated that 100 million or roughly one-fourth of the total population of sub-Saharan Africa were not receiving a calorie-adequate diet in 1985."

The Multilateral Concerns:

Meanwhile, some multilateral donor agencies, especially the EEC and WFP, are becoming increasingly concerned with the developmental aspects of food aid as against the formerly dominant concerns of feeding the hungry and, in the case of the EEC at least, disposing of Community commodity surpluses. This shift in the orientation of policy concerns, taken together with the recent availability of surpluses in developing as well as in developed countries, makes the trilateral sort of food aid arrangement more salient.

TABLE 1a

UTILIZATION OF 1986/87 CEREAL SURPLUSES IN SUB-SAHARAN AFRICA
(In Thousand Tons)

Region/ Country	Cereal Import Requirements		Exceptional local puchase requirements in coarse grains	Availabilities for export and/or local purchase	Utilized so far			Re su
	Wheat and Rice	Coarse Grains			Exports Commercial	Triangular transactions	Donor-financed local purchases	
Eastern Africa	1727	590	360	1810	324	26	0	
Burundi	18	-	-	-	-	-	-	
Cormoros	32	4	-	-	-	-	-	
Djibouti	46	4	-	-	-	-	-	
Ethiopia	470	430	-	-	-	-	-	
Kenya	196	-	-	630	224	26	-	
Rwanda	22	15	-	-	-	-	-	
Seychelles	10	-	-	-	-	-	-	
Somalia	173	32		-	-	-	-	
Sudan	550	-	350	1150	100			
Tanzania	160	105	-	-	-	-	-	
Uganda	50	-	10	30	-	-	-	
Southern Africa	1110	841	7	2113	288	169	7	
Angola	190	140	-	-	-	-	-	
Botswana	39	149	-	-	-	-	-	
Lesotho	58	139	-	-	-	-	-	
Madagascar	215	-	-	-	-	-	-	
Malawi	36	-	4	104	-	29	4	
Mauritius	155	11	-	-	-	-	-	
Mozambique	240	365	-	-	-	-	-	
Swaziland	19	27	-	-	-	-	-	
Zambia	65	10	-	-	-	-	-	
Zimbabwe	93	-	3	2009	288	141	3	
Western Africa								
Benin	73	-	-	15	-	-	-	
Burkina Faso	90	-	6-	130	-	-	-	
Cape Verde	25	43	-	-	-	-	-	
Chad	35	-	30	30	-	-	2	
Cote d'Ivoire	540	-	-	200	-	-	-	
Gambia	45	-	-	-	-	-	-	
Ghana	145	-	-	-	-	-	-	

Region/ Country	Cereal Import Requirements		Exceptional local puchase requirements in coarse grains	Availabilities for export and/or local purchase	Utilized so far: Exports			Remaining surpluses
	Wheat and Rice	Coarse Grains			Commercial	Triangular transactions	Donor-financed local purchases	
Guinea	100	-	-	-	-	-	-	-
Guinea Bissau	17	-	-	-	-	-	-	-
Liberia	120	-	-	-	-	-	-	-
Mali	50	-	70	170	-	-	5	165
Mauritania	184	-	-	-	-	-	-	-
Niger	25	-	-	50	-	-	-	50
Nigeria	500	-	-	-	-	-	-	-
Senegal	343	83	25	25	-	-	25	-
Sierra Leone	127	-	-	-	-	-	-	-
Togo	70	10	-	-	-	-	-	-
Central Africa	586	23	0	0	0	0	0	0
Cameroon	200	-	-	-	-	-	-	-
Cent.Afr.Rep.	28	22	-	-	-	-	-	-
Congo	100	-	-	-	-	-	-	-
Equat.Guinea	7	-	-	-	-	-	-	-
Gabon	43	-	-	-	-	-	-	-
Sao Tome	8	1	-	-	-	-	-	-
Zaire	200	-	-	-	-	-	-	-
Total	5912	1590	552	4543	612	195	39	3697

Source: FAO Global Early Warning System.

A certain amount of caution should be used in evaluating the last statement, however. As a number of EEC staff indicated, there is still a tension between those in the EEC secretariat whose primary concern is properly that of surplus disposal and those, in another directorate, whose concern is more centrally on development issues. It appears that this tension closely resembles that which characterizes opinions about similar issues on the part of USDA versus A.I.D. staff in the U.S.G. This tension is then reflected, as will be seen below, by the representatives of these agencies—as well as by others with similarly divided views—when each particular country proposal for a trilateral comes up.

Other Donor Experiences

A detailed discussion of lessons learned from other donor experiences is presented in Annex E, and includes WFP, EEC, U.K., France and the Club/CILSS. Here, we will summarize the data gathered by the food aid specialist who interviewed other donor staff in Europe, primarily at the WFP, EEC, British ODA, and the French Ministry of Cooperation. While there are some generalizations that may be made about these other donor experiences, the differences among these agencies themselves and their respective policies are sufficiently important to warrant a brief discussion of each.

World Food Programme

WFP has for some years been in favor of local purchases of commodities to the greatest extent possible. Data on actual WFP program purchases are provided in **Table 2.** Regarding these actions, the following points are clearest:

- the WFP experience in trilateral arrangements is predominantly in buying foodstuffs for cash from one developing country to supply another;
- local purchases, while many in number, have been of limited size—a few hundred tons in most cases and down to five ton transactions in some;
- exchange arrangements using inputs from the donor are even more limited, but can be valuable in alleviating chronic deficits and assisting production areas; and
- effects on development are unclear. Since trade-flows within and between countries are ill-defined and often clandestine, impact of transfers effected by food-aid flows is difficult to evaluate.

The European Economic Community

EEC food aid has now been "untied" to some extent. This, combined with the flexibility to switch from food aid to cash aid, should enable the EEC to develop projects which can be based on the purchase of agricultural commodities in developing countries. **Table 3a** summarizes EEC triangular transactions, and **Table 3b** gives a summary for such transactions within the SADCC region. These are not "swaps" in that the EEC pays cash for the commodities purchased in one country and distributed in another country. Until now, there is no experience of long-term projects designed on the basis of trilateral food transactions, and EEC is really only in a position to point to the potential benefits

TABLE 2

WFP PURCHASES GROUPED BY TYPE OF FUNDING (1983-86)

	Total US $	Purchases effected in		Purchases in developing countries in relation to overall purchases
		Developed Countries	Developing Countries	
1983				
From regular cash resources	7931109	0	7931109	100
From PAC	3433098	2237192	1195906	35
From IEFR funds	21112880	0	21112880	100
From UN agencies	2095741	0	2095741	100
From Bilateral funds	53282144	20837711	32444433	61
Total	87854972	23074903	64780069	74
1984				
From regular cash resources	9603825	349628	9254197	96
From PAC	6239633	0	6239633	100
From IEFR funds	16059730	27575	16031795	100
From UN agencies	594906	0	594906	100
From Bilateral funds	49737816	16419328	333128488	67
Total	82235910	16796531	65439019	80
1985				
From regular cash resources	6722875	568045	6154830	92
From PAC	1335405	568045	615:830	92
From IEFR funds	12220690	1996190	10224500	84
From UN agencies	671125	102960	568165	85
From bilateral funds	36966665	10718160	26246505	71
Total	57916760	13385355	44531405	77
1986				
From regular cash resources	1608604	20640	1587964	99
From PAC	2883632	0	2883632	100
From IEFR funds	11920725	1510145	10410579	87
From cash in lieu of commodities	24139406	8122666	16016740	66
From bilateral funds	50301392	17762256	32539136	65
Total	90853759	27415707	63438051	70

Source: WFP, Rome.

TABLE 3a

E E C

Purchase of cereals in developing countries
in the context of triangular operations

Programme 1984

Beneficiary	Product	Quantity Tonnes	Origin	Date decision	Approx. date of delivery	Approx. total-value ECU/million 1/
Direct aid*						
Somalia	White maize	2.200	Malawi	6. 4.84	Avril 85	0.5
Zimbabwe	" "	15.000	"	26. 4.84	Nov. 85	4.48
Nicaragua	" "	5.000	Guatemala	3. 7.84	Jan./Fév. 85	1.78
Zambia	" "	20.000	Malawi	3. 7.84	Sept./Oct. 85	6.98
Tanzania	" "	10.000	"	25.10.84	Avril 85	1.79
Mozambique	" "	12.000	Zimbabwe	2. 1.86	Juin/Juil. 86	1.90
Indirect aid *						
Totals	White maize	2.600				
	Millet	2.000				
	Rice/equiv. cereals	11.960				
	Totals	80.760				
	% of total available quantities	7 %				

1/ ECU = European Currency Units

* Through bilateral programs and multi-donor programs, respectively
Source: EEC

TABLE 3b

Triangular EEC financed food aid within SADCC region

Origin	Destination	Budget	Delivery	Quantity	Product Value	Transport Cost	Total Value
				1000 tons		(MECU approx.)	(ECU in millions approx.)
ZIM	ZAM	1982	Oct 83	15,0	1,98	0,58	2,56
MAL	BOT	1982	Dec 84	3,0	0,63	0,64	1,27
MAL	TAN	1983	Aug 84	15,0	2,70	2,30	5,00
MAL	BOT	1983	Dec 84	4,0	0,84	0,99	1,83
MAL	ZAM	1983	Sep 84	24,0	5,06	4,48	9,54
MAL	ZIM	1983	Nov 84	2,5	0,47	0,28	0,75
MAL	ZAM	1984	Sep 85	20,0	4,29	2,69	6,98
ZIM	MOZ	1984	Jun 86	12,0	1,44	0,47	1,91
MAL	ZIM	1984	Nov 84	15,0	2,81	1,67	4,48
MAL	TAN	1984	Mar 86	10,0	1,50	0,29	1,79
ZIM	ZAM	1985	Sep 85	15,0	2,74	0,73	3,47
ZIM	MOZ	1985	Sep 85	10,0	2,04	0,41	2,45
ZIM	ANG	1985	Mar 86	1,2	0,16	0,15	0,31
MAL	BOT	1985	Aug 86	4,0	0,41	0,17	0,58
ZIM	MOZ	1986	Sep 86	18,0	1,59	0,70	2,29
ZIM	BOT	1986	-	4,0	0,38	0,10	0,48
Totals				172,7	29,04	16,65	45,69

Notes: 1. The table refers only to white maize. There was also a delivery of beans to Mozambique from Malawi (2,000 tons worth 1,4 M.ECU)

2. The table given only triangular operations with origin and destination within SADCC. There have been deliveries from SADCC Member States to third countries as well as deliveries from other developing countries to SADCC Member States (e.g. 10,000 tons white maize from Kenya to Angola).

3. The EEC has also delivered other food aid to SADCC on the same period (mainly wheat, rice and dairy products).

Source: EEC Office, Harare.

which should accrue to the exporting country in terms of increasing the market opportunities, and therefore the prosperity, of the farmers and the general economy of the country. The EEC presently undertakes a number of trade promotion projects and the view was expressed that, armed with the new regulations on the use of triangular food aid purchases and the cash substitution system, the way is now open for the design of long-term trade and marketing development projects which will have a direct impact on agricultural development.

Club du Sahel

Club staff interviewed were very much in favor of trilateral food aid transactions, seeing them as a stimulus to development through provision of marketing opportunities, and thus increased revenues, to the vending country. As with other organizations implementing trilateral arrangements, however, the Club had not evaluated particular operations so as to be able to verify their value. Jost, in a consultant study on Club-sponsored transactions, makes several points about technical and political problems that may be summarized here (see Jost, 1985):

- saleable surplus information is crucial to the ability of any organization to initiate a trilateral transaction. Information gathering has traditionally been concerned with shortages, not surpluses;

- donor organizations are institutionally not geared to respond to the micro-shortages or deficits that are characteristic of targets for trilateral transactions. Procedures for financing would have to be refined before most donors would be able to respond rapidly;

- on the recipient side, administrative problems that may have characterized initial trilaterals may be expected to diminish with experience;

- food aid coming to a country under trilateral arrangements may often be following different routes from the normal food aid and commercial imports, and so does not compete for transport facilities (see West African case studies below);

- regarding cost, in each instance, the donor agency has had to make a comparison between the relative cost of a proposed trilateral arrangement and the equivalent—and a more "normal"—bilateral one; and

- regarding delays, while these may be significant in trilateral arrangements, they are often also significant in more regular, bilateral food aid arrangements, even under "emergency" conditions.

Overall, despite these constraints, the position of the Club/CILSS countries is clearly in favor of stimulating local trade as a contribution to agricultural development, using trilateral transactions with donor support as one means to this end.

France

The GOF has an inter-agency food aid committee similar to the U.S. Development Coordinating Committee (DCC), on which Agriculture, Foreign Affairs, Economy, External Commerce and Treasury are represented. Despite pressure from the farm lobby, and the desire to dispose of surpluses, France has favored the trilateral food aid approach to development. Implementation has only begun fairly recently, however, resulting from a reform of the French bilateral food aid program in May 1984. The reform was designed to achieve better integration between food aid, the reorientation a recipient country's agricultural policies and its population's nutritional needs, and the acceleration and rationalization of implementation procedures.

To provide perspective, total French bilateral food aid is 200,000 tons of wheat equivalent and 960,000 tons through the EEC. The ceiling on trilateral transactions is set at 10,000 tons but so far, has not reached 5,000 tons. Total French exports of cereals are on the order of 7-9,000,000 tons. Thus Ministry of Agriculture officials note that trilateral food aid transactions are not seen as a threat to the French farming interests.

Most French trilaterals are implemented by NGOs and their performance is criticized as being patchy, as is reporting of results. Although the French experience of government-to- government transactions has not always been very good, the use of private trade is considered very complicated. Support for long-term contracts between one country and another is being explored. These would be supported by the donor country, or, a price guarantee scheme for the selling country in its transactions might be provided by the donor country.

United Kingdom

The U.K. has a fairly small overall food aid program, approximately 110,000 tons per year. Of this, only about 30% is handled bilaterally by the ODA; the balance is directed through multilateral agencies and especially the WFP. British food aid policy has recently been reviewed by Parliament and the result has been a broadly negative view of food aid, largely because of the disincentives to production that non-emergency food aid is thought to involve. The U.K. does, however, accept that food aid, on occasion, can play a useful role. As a member of the EEC, the U.K. has an obligation under the Food Aid Convention, but seeks to reduce it whenever possible.

The NGOs that provided position documents to Parliament during this investigation came out largely in favor of trilateral purchases. They took the position that bulk food deliveries from donor countries should be the last resort if local purchases could not be made. To the extent that Parliament ratified the approach of providing most U.K. food aid through WFP, it is then the WFP policies that will most directly represent U.K. perspectives, including those on trilaterals discussed above.

U.S.G. Concerns

In the U.S., extraordinarily large surpluses and the related "farm crisis", along with cuts in levels of dollar foreign aid, have combined to make food aid in general much more obviously salient than it may have seemed in the past. The U.S.G.'s food aid program under Public Law 480 is administered by the U.S. Agency for International Development.

As a development agency, A.I.D. has been cautiously in favor of trilateral transactions in those instances where:

- there is a clear cereal surplus in a country neighboring one with a deficit;
- the type of cereal in surplus meets the food preferences of those experiencing the deficit;
- transporting the food from the surplus to the deficit country is relatively simple; and
- when there is a recognized food emergency situation in the deficit country.

Despite this cautiously optimistic de facto approach to trilateral arrangements, A.I.D. does not presently have a distinct policy regarding trilateral arrangements. Further, A.I.D. does not make U.S.G. food aid policy. Rather, policy decisions and approvals of individual country programs are made by an inter-agency committee, the [U.S.] Development Coordinating Committee (DCC) and, specifically, by its Food Aid Subcommittee (see Figure I).

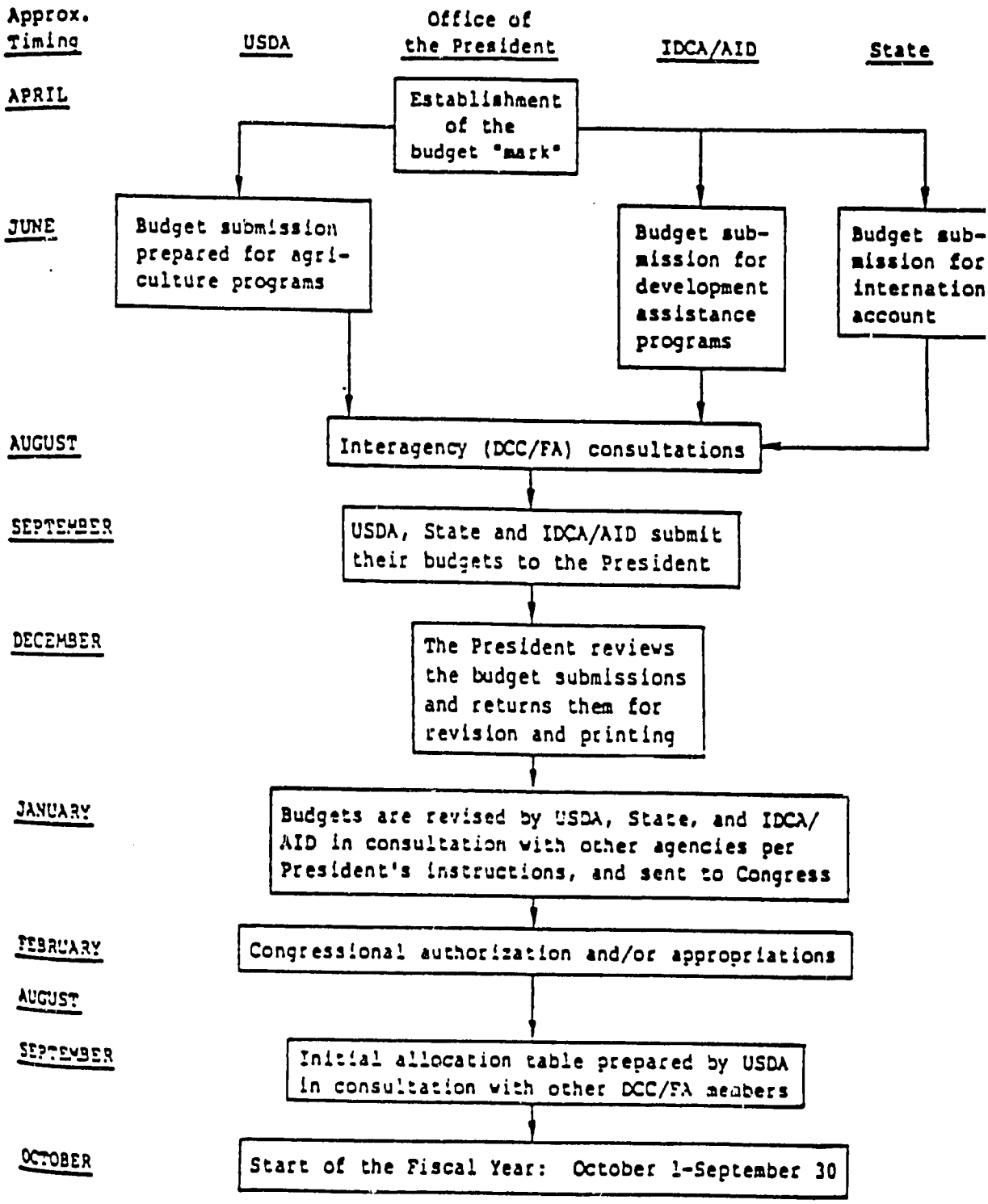
Since the late 1970s, the DCC has only supported these types of programs under PL 480 Title II, the title authorizing relief assistance, and then, only under formally determined emergency conditions. In the past, however, when U.S.G. commodity and development interests were somewhat different (and U.S. surpluses not so great), some trilateral arrangements were sponsored under PL 480 Title I, the act governing concessional sales programs.

Conventional wisdom states that these arrangements entailed many problems, but there is no body of information readily available analyzing these experiences. Since the period when Title I trilaterals were implemented, the USDA has had to take increasing cognizance of the view of American farmers that they are facing increasingly unfair competition in the world market, leading in part to the perceived farm crisis in the U.S., as well as of the farmers' desire that whatever food aid America gives to the poor overseas should be composed of the produce of American farms.

These views of the USDA's major constituency are reflected in the perspective voiced by USDA representatives on the DCC when considering trilateral and all other food aid initiatives proposed. Within the USDA, the Assistant Administrator for Export Credits is often chosen to speak for the Department on the matter of trilateral arrangements. He presents this constituency view quite articulately, and makes it clear that USDA and the Congress are likely to continue to take it seriously. Through the Commodity Credit Corporation (CCC), the USDA plays a key role in supporting and stabilizing prices of a number of key commodities, including grains and dairy products. Thus, it is involved both in the creation and the disposal of U.S.G.-owned surpluses. Under PL 480, the CCC is instructed to "make available to the President such agricultural commodities determined to be available...as he may request...[to] furnish...on behalf of the people of the United States of America, to meet famine or other urgent or extraordinary relief requirement; to combat malnutrition, especially in children; to promote economic and community development in friendly developing areas; and for needy persons and nonprofit school lunch and preschool feeding programs outside the United States" (PL 480, Titles I and II).

FIGURE I

PL 480 PROGRAM PLANNING PROCESS



Source: Lawrence D. Fuell, The PL 480 (Food for Peace) Program: Titles I/III Terms and Conditions; Planning and Implementation Procedures (Washington, D.C.: USDA/FAS/EC, April 1982 Draft), p. 10.

Reproduced in AID Program Evaluation Discussion Paper No. 19, A Comparative Analysis of Five PL 480 Title I Impact Evaluation Studies, Washington, D.C., December, 1983.

There is also a DCC concern about the high costs that may be associated with trilateral as opposed to bilateral transactions, and about the possibility that the recipients do not perceive the aid as coming from the U.S.G. rather than from the "exporting" country. Finally, it is not clear to some members whether trilateral arrangements are really more timely than bilateral ones, or sufficiently so to justify risking the other possible drawbacks just listed.

As a result of these concerns of DCC members, and given the fact that no guidance presently exists within A.I.D. about what circumstances, if any, warrant recourse to a trilateral arrangement, approvals of trilaterals by the DCC have been few, painstaking. Prior review by member agencies, including A.I.D. itself, has been slow. Nevertheless, six have been approved since 1985, including two in the past three months, and to some extent at least, sentiment against them within the USDA may have declined as experience has increased.

Magnitudes

It is important to note at the outset that the total tonnage of commodities donated by donors and received by recipient countries through trilateral or triangular food aid arrangements in the 1980's is very small compared to total tonnage donated and received. Table 2 shows the level of purchases from developing and developed countries by funding source for the period 1983-1986 for the WFP. As may be noted, over 70% has been purchased from developing countries except for 1986, when the level was 69.82%. Some of the developing country purchases, however, are "local purchases" for use in the same country, so not all of the purchases included a third country in the transaction.

Tables 4a, 4b, 4c and 4d summarize triangular transactions in wheat, rice and coarse grains for 1985/6 and 1986/7 as based on the FAO Global Information and Early Warning System. The grand total for 1985/6 including local purchases is 614,158 tons, while for 1986/7, the estimate of planned cereal purchases under these types of arrangements was 59,895 tons. Turning to triangular transactions involving rice, the total was 312,205 for 1985/6. A 1987 WFP review indicates that 880,000 tons of cereals, or about nine percent of total shipments, were made available through production in developing countries in 1985/86 (WFP/OFA, 23/5, March 1987).

If we take the U.S.G. trilateral transactions that have been approved in the equivalent period (1983-86), thus including the U.S.-Zimbabwe-Zambia transaction, the total tonnage of wheat provided is 13,190 tons, and that of rice, 9,229 tons out of a grand total of U.S.G.-sponsored bilateral PL 480 food aid of 39,974,000 tons grain equivalent (Titles I, II and III)—as indicated in Table 5, or .065%. Perhaps more significantly, it is only approximately 26,000 tons grain equivalent out of a total tonnage of 21,572,000 tons provided under Title II programs during that period, or 121%[2] (In both cases, the polished rice is figured at .65 grain equivalent.)

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2. For FY 1986, the estimate of total commodities shipped under PL 480 Title II as of the time this study was carried out was 596,919,000 pounds according to a draft of the Title II annual report provided to the team in April. In FY 1986, the total amount of wheat shipped under Title II was 140,311,000 pounds according to the same document. The trilateral involving the U.S., Kenya and Sudan, and Round II involving the U.S., Zimbabwe and Mozambique are the only ones that might have been included in this estimate, from what we can ascertain. Together, they total "up to" 5,562 metric tons, or approximately 2,236,400 pounds. Thus, the percentage is slightly higher when these latter trilaterals are included—.159% rather than 121%.

TABLE 4a

TRIANGULAR TRANSACTIONS AND CEREAL PURCHASES PLANNED FOR SUB-SAHARAN AFRICA IN 1985/86 AND 1986/87[1]

Donor	Type of operation	Source of supply	Recipient country	1985/86	1986/87
				(..... tons .....)	
Australia	Triang. trans.	Zimbabwe	Botswana, Ethiopia, Somalia, Mozambique, Zambia	29 986 2/	7 000
Austria	Triang. trans.	Zimbabwe	Mozambique	5 050 3/	3 000
	Local purch.	Sudan	Sudan	6 950 3/	-
Canada	Triang. trans.	Cote d'Ivoire, Malawi	Mali,Mozambique	6 600	1 000
	Local purch.	Niger	Niger	5 500	-
Denmark	Triang. trans.	Kenya, Zimbabwe	Ethiopia, Mozambique, Sudan	8 900	2 000
	Local purch.	Sudan	Sudan	5 100	-
EEC	Triang. trans.	Malawi, Zimbabwe	Angola, Botswana, Cape Verde, Ethiopia, Lesotho, Mozambique, Tanzania, Zambia	123 000	4 000
	Local purch.	Burkina Faso, Chad, Mali, Niger, Sudan	Burkina Faso, Chad, Mali, Niger, Sudan	95 000	-
France	Triang. trans.	Cote d'Ivoire, Senegal, Zimbabwe	Cape Verde, Mauritania, Mozambique, Sierra Leone	5 000	1 500
	Local purch.	Mali, Senegal, Sudan	Mali, Senegal, Sudan	5 850 4/	-
Germany,F.R.	Triang. trans.	Cote d'Ivoire, Kenya, Malawi,Togo, Zimbabwe	Botswana, Burkina Faso, Cape Verde, Mozambique	17 800	9 000
	Local purch.	Benin, Burkina Faso, Chad, Mali,Niger,Senegal,Sudan	Benin, Burkina Faso, Chad, Mali,Niger, Senegal,Sudan	24 500	-
Italy	Local purch.	Sudan	Sudan	13 000	-
Japan	Triang. trans.	Zimbabwe	Zambia	9 900	-
Netherlands	Triang. trans.	Zimbabwe	Mozambique	-	15 000
	Local purch.	Burkina Faso, Mali, Sudan	Burkina Faso, Mali, Sudan	44 600 3/	-
New Zealand	Triang. trans.	Zimbabwe	Botswana	-	1 750
Norway	Triang. trans.	Malawi	Mozambique	1 100	-
	Local purch.	Malawi,Mali, Sudan, Togo	Malawi,Mali, Sudan, Togo	4 000	625
Switzerland	Local purch.	Mali	Mali	2 200	-
United Kingdom	Triang. trans.	Kenya, Zimbabwe	Ethiopia, Mozambique	28 200 3/	-
United States	Triang. trans.	Malawi, Zimbabwe	Mozambique	5 000	11 400
	Local purch.	Sudan	Sudan	65 000	-
WFP	Triang. trans.	Eastern & Southern Africa	Eastern, Southern & Central Africa	46 202	622
	Local purch.	Eastern, Western & Southern Africa	Eastern, Western & Southern Africa	54 740	2 930
				286 830	56 327
				327 320	3 569
GRAND TOTAL				614 150	59 895

1/ Based on information reported by donors to GIEWS as of mid-November 1986.
2/ Of which 14 000 tons to WFP.
3/ Partly or fully handled by WFP.
4/ The quantity for Mali and Senegal, includes estimated cereal equivalent of cash allocations.

Source: FAO Global Information and Early Warning System.

TABLE 4b

TRIANGULAR TRANSACTION IN RICE 1985/86 (JULY/JUNE)

RECIPIENT	COUNTRY OF PURCHASE	DONOR	QUANTITY (tons grain equivalent)	SHIPMENT (ALLOCATIO PERIOD
African refugees	Thailand	Japan	17576.0	August 19
Angola	Thailand	Japan	2200.00	February
Angola	Thailand	Switzerland	703.0	July 1985
Bangladesh	Pakistan	Japan	9158.0	January 1
Bangladesh	Thailand	Japan	14426.0	March 198
Benin	Burma	Japan	3979.0	February
Benin	Thailand	Japan	300.0	February
Burkina Faso	Thailand	Japan	4391.0	March 198
Burkina Faso	Local purchase	ICRC purchases	22.0	Jan-June
Burundi	Burma	Japan	1462.0	March 198
Cameroon	Thailand	Japan	1919.0	July 1985
Cape Verde	Burma	Japan	2886.0	March 198
Central African Republic	Thailand	Japan	1440.0	March 198
Chad	Locak purchase	ICRC purchases	24.0	Jan-June
Chile	Local purchase	ICRC purchases	26.0	Jan-June
Comoros	Thailand	Japan	1660.0	March 198
Congo	Thailand	Japan	387.0	February
Cote d'Ivoire	Thailand	Japan	420.0	February
Djibouti	Thailand	Japan	1411.0	July 1985
El Salvador	...	Switzerland	500.0	October 1
El Salvador	Thailand	Switzerland	500.0.	January 1
Equatorial Guinea	Thailand	Japan	3186.0	July 85-M
Gambia	Pakistan	Germany, Fed. Rep.	2330.0	September
Gambia	Burma	Japan	3272.0	February
Gambia	Thailand	Japan	2241.0	July 1985
Ghana	Thailand	Netherlands	1900.0	June 1986
Ghana	Burma	Japan	5687.0	March 198
Guinea	Burma	Japan	6076.0	May 1986
Guinea Bissau	Thailand	Japan	5606.0	March 198
India	Local purchase	Norway	0.3	Begin 198
Indonesia	Burma	Switzerland	420.0	May 1986
Jordan	Thailand	Japan	5500.0	March 198
Kampuchea	...	EEC	950.0	September
Kampuchea/UNHCR	Thailand	Germany, Fed. Rep.	4120.0	1st half 1
Kampuchea	...	Australia	1000.0	February 1
Kampuchea refugees	Burma	Japan	11042.0	September
Kampuchea refugees	Thailand	Japan	55170.0	June 1986
Kampuchea	Burma	Sweden	900.0	Jan-May 19
Kampuchea	Thailand	UNRAM	500.0	Jan-May 19
Kampuchea	Thailand	UN/CR purchases	3162.0	Jan-May 19

RECIPIENT	COUNTRY OF PURCHASE	DONOR	QUANTITY (tons grain equivalent)	SHIPMENT OR ALLOCATION PERIOD
Laos	Thailand	Japan	4279.0	July&Sept.85
Lebanon	Local purchase	ICRC purchases	118.0	1985/86
Liberia	Thailand	Japan	505.0	July 1985
Madagascar	Thailand	Japan	10868.0	March 1986
Malawi	Local purchase	WFP purchases	135.0	Jan-May 1986
Maldives	Burma	Japan	1731.0	February 1986
Mali	Pakistan	Netherlands	2900.0	December 1985
Mali	Pakistan	United Kingdom	1785.0	November 1985
Mali	Burma	Japan	3929.0	February 1986
Mauritania	Thailand	Japan	9024.0	March 1986
Morocco	Thailand	Japan	2933.0	November 1985
Mozambique	Burma	Japan	15898.0	February 1986
Nepal	Thailand	Italy	200.0	December 1985
Nicaragua	Surinam	Switzerland	300.0	February 1986
Niger	Thailand	Italy	5000.0	September 1985
Niger	Burma	Japan	5411.0	March 1986
Philippines	Pakistan	Switzerland	1500.0	August 1985
Philippines	Thailand	Switzerland	500.0	February 1986
Philippines	Burma	Switzerland	2318.0	May 1986
Sao Tome & Principe	Thailand	Japan	1736.0	March 1986
Senegal	Thailand	Japan	10001.0	July85-Mar86
Sierra Leone	Burma	Japan	3380.0	February 1986
Sierra Leone	Thailand	Japan	350.0	July85-Feb86
Sierra Leone	Pakistan	Switzerland	360.0	October 1985
Somalia	Thailand	Japan	1000.0	July 1985
Syria, A.R.	Thailand	Japan	450.0	July 1985
Tanzania	...	EEC	3448.0	February 1986
Tanzania	Thailand	Japan	12267.0	March 1986
Thailand/UNHCR	...	EEC	3448.0	November 1985
Thailand/UNHCR	Thailand	EEC	15000.0	April 1986
Togo	Burma	Japan	4225.0	February 1986
Vietnam	Burma	EEC	2500.0	Jan-May 1986
Vietnam/NGO	...	EEC	2000.0	January 1986
Vietnam	Thailand	Australia	1000.0	October 1985
Vietnam	Burma	Switzerland	2500.0	February 1986
Vietnam	Local purchase	UNHCR purchase	2080.0	Jan-Mar 1986
WFP/Singapore	Burma	Switzerland	1080.0	May 1986
	Total		314610.3	
	Local purchases		2405.3	
	Triangular transactions (incl.....)		312205.0	
			314610.3	

TABLE 4c

TRIANGULAR TRANSACTIONS IN COARSE GRAINS 1985/86 (JULY/JUNE)

RECIPIENT	COUNTRY OF PURCHASE	DONOR	QUANTITY (tons grain equivalent)	SHIPMENT O ALLOCATION PERIOD
Angola	...	EEC	1200.0	February 1
Angola	Zimbabwe	Austrialia	504.0	January 19
Angola	Malawi	ICRC purchases	300.0	Jan-June 1
Angola	Zimbabwe	ICRC purchases	430.0	Jan-June 1
Benin	Local purchase	Germany, Fed. Rep.	4000.0	Begin 1986
Botswana	Zimbabwe	Germany, Fed. Rep.	1590.0	Jan-May 19
Botswana	Malawi	Norway	6500.0	Jan-May 19
Burkina Faso	Cote d'Ivoire	Germany, Fed. Rep.	4000.0	December 1
Burkina Faso	Local purchase	Netherlands	17300.0	Jan/Feb 19
Cape Verde	Zimbabwe	EEC	11000.0	Feb/Mar 19
Cape Verde	Argentina	Germany, Fed. Rep.	4770.0	December 1
Cape Verde	Togo	Germany, Fed. Rep.	4800.0	April 1986
Cape Verde	Argentina	Switzerland	1500.0	July 1985
Central African Republic	Cameroon	Germany, Fed. Rep.	2000.0	January 19
Chad	Local purchase	Netherlands	390.0	1985/86
Chad	Local purchase	ICRC purchases	38.0	Jan-June 1
El Salvador	Local purchase	Norway	2260.0	Jan-May 19
El Salvador	Local purchase	ICRC purchases	149.0	July-Dec 1
Ethiopia	Sudan	Australia	3600.0	April 1986
Ethiopia	Zimbabwe	Australia	6000.0	February 1
Ethiopia	Local purchase	ICRC purchases	500.0	Jan-June 1
Malawi	Local purchase	Norway	448.0	Jan-May 19
Malawi	Local purchase	WFP purchases	629.0	Jan-May 19
Mali	Local purchase	EEC	15000.0	Mar-June 1
Mali	Thailand	EEC	200.0	September
Mali	Thailand	Germany, Fed. Rep.	6000.0	December 1
Mali	Cote d'Ivoire	Canada	6600.0	April 1986
Mali	Local purchase	Norway	1350.0	July-Dec 1
Mali	Local purchase	Switzerland	1600.0	Mar-May 19
Mozambique	Zimbabwe	EEC	12000.0	March 1986
Mozambique	Malawi	Germany, Fed. Rep.	10000.0	Oct/Nov 19
Mozambique	Zimbabwe	United Kingdom	14500.0	May-July 1
Mozambique	Zimbabwe	Australia	9000.0	Dec85-Feb8
Mozambique	Zimbabwe	Austria	5050.0	Jan-May 19
Mozambique	Malawi	Norway	1100.0	July 1985
Nicaragua	...	EEC	5000.0	September
Nicaragua	...	Switzerland	260.0	February 1
Niger	Thailand	EEC	100.0	September
Niger	Local pruchase	Germany, Fed. Rep.	2500.0	1st half 1
Niger	Honduras	Germany, Fed. Rep.	3067.0	October 19
Niger	Thailand	Italy	5000.0	November 1
Niger	Local purchase	Netherlands	4395.0	Jan-May 19

RECIPIENT	COUNTRY OF PURCHASE	DONOR	QUANTITY (tons grain equivalent)	SHIPMENT OR ALLOCATION PERIOD
Niger	Local purchase	Canada	5500.0	March 1986
Rwanda	Local purchase	Norway	180.0	Jan-May 1986
Senegal	Thailand	EEC	11000.0	September 1985
Senegal	Thailand	Italy	2800.0	October 1985
Somalia	Kenya	Germany, Fed. Rep.	7500.0	January 1986
Somalia	Local purchase	Netherlands	1500.0	April/May 1986
Somalia	Zimbabwe	Australia	8000.0	February 1986
Sudan	Thailand	EEC	38000.0	1985/86
Sudan	Local purchase	Netherlands	25000.0	Jan/Feb 1986
Sudan	Kenya	Netherlands	2000.0	Jan-May 1986
Sudan	Local purchase	Austria	6950.0	Jan-May 1986
Sudan	Local purchase	Switzerland	2000.0	March 1986
Sudan	Local purchase	WFP purchases	15000.0	Jan-May 1986
Sudan	Kenya	WFP purchases	1400.0	Jan-May 1986
Sudan	Zimbabwe	ICRC purchases	500.0	Jan-June 1986
Tanzania	Malawi	EEC	10000.0	March 1986
Uganda	...	EEC	2980.0	July 1985
Uganda	Local purchase	ICRC purchases	165.0	1985/86
Zambia	Malawi	EEC	20000.0	October 1985
Zambia	Zimbabwe	EEC	15000.0	March 1986
Zambia	Malawi	Germany, Fed. Rep.	200.0	July 1985
Zambia	Zimbabwe	Germany, Fed. Rep.	660.0	2nd half 1985
Zambia	Zimbabwe	Japan	9854.0	May/June 1986
Zimbabwe	Local purchase	Germany, Fed. Rep.	1300.0	2nd half 1985
UNHCR	...	EEC	2000.0	March 1986
WFP	Zimbabwe	Australia	10000.0	July-Dec 1985
	Total		376619.0	
	Local purchases		108654.0	
	Triangular transactions (incl.....)		267065.0	
			376619.0	

TABLE 4d

TRIANGULAR TRANSACTIONS IN WHEAT 1985/86 (JULY/JUNE)

RECIPIENT	COUNTRY OF PURCHASE	DONOR	QUANTITY (tons grain equivalent)	SHIPMENT ALLOCATIO PERIOD
Cape Verde	...	Austria	5000	Jan/Feb 1
Chile	Local purchase	ICRC purchases	34	Jan-June
Ethiopia	...	Austria	4000	May/June
Ethiopia	...	Switzerland	2700	May 1986
Ethipioa	Local purchase	ICRC purchases	1945	Jan-June
Mauritania	...	Austria	4000	Jan/Feb 1
Zambia	Argentina	Netherlands	5000	June 1986
	Total		22679	
	Local purchases		1979	
	Triangular transactions		20700	
			22679	

Source: FAO Global Information and Early Warning System.

Thus, even if trilateral arrangements may have increased in number, frequency of approval and tonnage in the past three years, they still represent a very small percentage of U.S. food aid.

This factor should be borne in mind when reviewing the findings and recommendations, as well as in the case study narratives, that follow. More detailed case study narratives are presented in Annex B.

The West African Trilaterals

The idea of a trilateral arrangement between Ghana and neighboring food deficit countries appears to have its origins back in at least October of 1984. Discussions undertaken by the U.S. Ambassador on the matter dated to that month. Other communications indicate that it was first given serious consideration in February 1985. By December of 1984, AID/W was showing favorable interest and notes that "FVA/FFP has supported similar arrangements...which have proved to be successful in meeting African food needs and reducing U.S.G. costs" (Working notes, Bill Lefes 1/8/86).

By late 1984, it was becoming clear that a serious food shortage was developing in both Burkina Faso and Mali. CRS was requesting faster deliveries of food relief to Burkina Faso and USAID/ Ouagadougou had requested 19,000 MTN of sorghum. Of this, 7,000 MTN were to be loaded in the U.S. in late January of 1985 to arrive in Lome, Togo on/about March 19. Two shipments of 7,000 MTN and 5,000 MTN were called forward on January 15 to arrive in Lome in April. A.I.D./W suggested that USAID/Ouagadougou consider a barter agreement with Ghana to accelerate deliveries of food aid (State 045624, February 14, 1985). Meanwhile, the Mali situation indicated that there was a deficit of 230,000 MTN of cereals of which the U.S. and other donor commitments were 125,000 MTN USAID/Bamako asked AID/W to increase assistance by 35,000 MTN, raising the U.S.G. total for Mali to 80,000 MTN. The "looming disaster" terms of this request elicited a response from A.I.D./W advising consideration of a barter arrangement, although it is clear that Bamako had already been communicating with Accra on this matter as early as January 25, 1985.

USAID/Ghana, in consultation with the GOG, felt that as much as 40,000 MTN of surplus maize could be provided. (Later, it was determined that this was a high estimate, and that only about 20,000 MTN would be available).

On April 12, 1985 the DCC approved a barter agreement in which the U.S.G. would provide 9,202 tons of U.S. rice to Ghana and in return, the Government of Ghana (GOG) would provide 15,000 MTN of Ghanaian maize (corn) to be shipped to Mali and Burkina Faso under Title II emergency programs. Of the total amount of maize, 5,000 tons were to be delivered to Ouagadougou in Burkina Faso, and 10,000 tons were to be delivered to designated locations in Mali. A letter of agreement was signed between the U.S.G. and the GOG on April 25, 1985, effecting this arrangement.

Burkina Faso

Of the 5,000 tons for Burkina Faso, the first shipments arrived on July 12, 1985 and the last on August 3, 1985. The Ghanaian white maize was officially received by the Office Nationale des Cereals (OFNACER). After receipt, however, it was immediately transported to the warehouses of PVOs where it was discharged directly from the Ghanaian trucks into the warehouses as follows:

Amount	PVO
1,000 MTN	Red Cross (Croix Rouge)
3,015 MTN	Baptist Mission
984 MTN	Essor Familial

The grain was to be used by the PVOs to feed needy families in areas where the PVOs had established programs, and generally only nominal fees were charged to the recipients to help defray transport costs within the country.

Transportation of the grain to Ouagadougou was handled by the Ghanaian Food Distribution Corporation (GFDC), the Ghanaian agent for the trilateral, through a contract directly from A.I.D. with subcontracts from GFDC to the Ghanaian State Transport Corporation (2,000 tons) and The Progressive Transport Owners Association (3,000 tons), a group of independent Ghanaian truck owners. The GFDC handled freight forwarding within Ghana and USAID/Ouagadougou contracted with SOCOPAO in Burkina to handle freight forwarding beyond the Ghana border. A private marine surveyor was contracted by the same U.S.A.I.D. Mission to inspect the condition of the shipments upon arrival. Internal transport in Burkina Faso was the responsibility of the individual PVOs.

Mali

The shipment of Ghanaian maize to Mali was included in the agreement between A.I.D. and the GFDC for the shipment of maize to Burkina Faso. A.I.D. subsequently decided that World Vision Relief Organization (WVRO), a PVO, should transport the grain to Mali. Therefore, a separate sub-agreement was established between World Vision and the GFDC to incorporate this arrangement, and World Vision paid the GFDC a fee for handling the grain in Ghana. World Vision then contracted the shipment of grain to four points in Mali with Super Scientific Farms, Ltd. of Ghana. World Vision's direct costs, an internal transport cost between Bamako and Nioro of approximately 1,768 MTN of grain, and freight forwarding costs through Burkina Faso and Niger were included in a separate PA/PR. The latter also included freight forwarding costs incurred by Marine Overseas Services, Inc.(MOS), which was contracted by World Vision to organize and coordinate the operation.[3]

The 10,000 tons of maize shipped from Ghana to Mali was also furnished by the GEDC out of Kumasi. It was shipped to four locations in Mali—Ansongo, Bamako, Gao and Meneka, via Burkina Faso and Niger. The grain was consigned directly to WVRO, which received the grain and inspected, stored and distributed it in Mali. The first shipments went out on June 6, 1985 and the last on November 23, 1985.

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3. Some question could arise as to compliance with the terms of the PL 480 legislation and A.I.D. Regulation 11 for the transport of maize from Ghana to Mali under this arrangement. Section 211.4.c (2) requires reimbursement by Voluntary Agencies to the U.S.G. for expenses incurred at their request and for their accommodation which are in excess of those which the U.S.G. would have otherwise incurred in making delivery (i) at the lowest combination of inland and ocean transportation costs to the U.S. as determined by the U.S.G. and(ii) in sizes and types of packages announced as available (A.I.D. Handbook Nine).

The Southern African Trilaterals

In September of 1985, USAID/Maputo recommended a trilateral transaction of 40,000 metric tons of white maize from Zimbabwe and Malawi. This was subsequently reduced to an approved level of 10,000 MTN.[4]

There were several long delays in the approval process which ultimately led, after approximately nine months, to a signed agreement (see Section IV below). On June 13, 1986 an agreement was signed between the U.S.G. and the Government of Zimbabwe (and countersigned by World Vision)[5] which provided for the delivery of 7000 tons of Zimbabwe white maize to Mozambique. These transactions came to be known locally as "Tripartite Round I". Grain deliveries from the GOZ Grain Marketing Board to World Vision began five days later.

Slightly later, on July 24, 1986, a similar agreement involving 3000 tons was signed among the U.S.G., the Government of Malawi and World Vision, reflecting a ten-month decision-making and approval process. Deliveries from ADMARC, the GOM grain marketing board, to World Vision of 90% or approximately 2,700 MTN were supposed to begin immediately. As will be seen, deliveries of Malawi white maize under this agreement were still being made to end-users in Mozambique in February, 1987, when the study team was in the field, and in April, at the time of writing this report.

Based primarily on the successful and speedy implementation of the Zimbabwe-Mozambique portion of "Round I", (see **Figure IIa & b**) and the continuing emergency situation in Mozambique, the DCC approved a second U.S.G.-Zimbabwe-Mozambique trilateral on December 24, 1986. Negotiations with the GOZ about the terms of the wheat/maize swap under this transaction took about two months. The agreement was signed on February 20, 1987, and delivery by the Grain

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4. Maputo 2614 and Maputo 1063.

5. In "Round II", as will be seen, World Vision was left out. Even in Round I with the U.S.G.-GOZ agreement, it was not clear at first whether it was appropriate for a PVO to sign as an equal party to the agreement. As was the solution for the Zimbabwe agreement, in the Malawi trilateral agreement World Vision was included as a signatory on a separate line. A point raised by most posts visited was the fact that in none of these arrangements is the recipient country a signatory to the agreements. So, technically, they are not legally obliged to receive the commodities specified, and are not bound in any other way to honor the agreements. Where the PVOs have been included as intermediaries, as in the Southern African trilaterals in Round I, it is the PVO that makes the agreement with the recipient country. However, in Round II, this was not the case, and the agreement is still only between the U.S.G. and the GOZ, not including the GPRM. So far, this does not seem to have caused any problems. However, if the recipient country were a party to the agreement, it would be possible to include policy performance objectives, and to clarify issues of ownership and title such as those that are raised at the end of the West African case study narrative in Annex B.

FIGURE IIa

ZIMBABWE - TRIPARTITE - I

5 Sep 85	Maputo 2614 USAID Recommends Tripartite of 40,000mt of Corn from Zimbabwe/Malawi
21 Mar 86	State 088058 AID/W proposes FFP/W. Pearson and OMB/ Moser travel to region
2 Apr 86	Visit by Pearson/Moser
11 Apr 86	Maputo 1063 USAID Recommends Tripartite of 10,000mt of Corn
11 Apr 86	World Vision Operational Plan for 10,000mt Corn
11 Apr 86	Harare 2264 Proposed Language for Agreement
7 May 86	State 142634 AID/W Approves 7,000/3,000 Split
31 May 86	State 171219 AID/W Approves Language for Agreement
13 June 86	Agreement Signed
19 June 86	Grain Deliveries Begin to World Vision
17 Jul 86	3,028mt Delivered to WVI
6 Aug 86	4,750mt Delivered

FIGURE IIb

ZIMBABWE - TRIPARTITE - II

24 Dec 86	State 397639 PL 480 Title II Emergency Approval (DCC approved wheat/maize swap - 3,372 mt wheat 3,000 mt maize)
9 Jan 87	Harare 0134 Three options on swap for AID/W consideration.
24 Jan 87	State 022053 AID/W chooses option A and approves negotiation with GOZ.
27 Jan 87	Harare 0473 GOZ confirms its agreement re option A. USAID requests authorization to sign.
10 Feb 87	Harare 0797 USAID requests authorization to sign.
18 Feb 87	State 047351 AID/W authorizes signing of agreement.
20 Feb 87	Agreement signed in Harare.

Marketing Board was to begin in three days. In this case, World Vision was not included in the agreement, and the GMB was responsible for delivery to the appropriate GPRM agencies.

On September 26, 1986, a trilateral agreement between the U.S.G. and the Government of Kenya was signed for the provision of Kenya white maize for emergency feeding programs in Sudan. Although this trilateral is not included as a case study here, it has had an impact on the approval of a subsequent trilateral involving Kenya and Mozambique; a discussion of the background to this decision-making process follows.

By February, 1987, there was considerable discussion and cable traffic concerning a further trilateral transaction among the U.S.G., Zimbabwe, and Mozambique. However, there was an equal amount of discussion about whether or not Kenya could beat Zimbabwe's maize prices, and also decrease the delivery time to affected areas in Mozambique—and attendant transport costs—by sending its maize by ship down the coast from Mombasa. These discussions were taking place during the team's visit to the field, and in fact, REDSO/ESA requested that the team visit Nairobi to get the details on the Kenya case for cheaper and more prompt delivery.

Shortly after the team returned to Washington in March, the DCC approved a 22,000 metric ton trilateral transaction to provide white maize for emergency feeding in Mozambique. Despite the case that Zimbabwe had made regarding its ability to provide all or part of this maize, the decision was to use Kenya as the "exporting" country. USAID/Nairobi and REDSO/ESA had argued successfully in cable traffic that Kenya white maize could be procured more cheaply in a barter arrangement than could Zimbabwe white maize. They also posited that this Kenyan maize could possibly be transported more efficiently by sea from Mombasa to Mozambiqan ports, and that this would be cheaper and faster than transporting Zimbabwe maize overland.

It is only fair to note that this possibility was discussed during an earlier visit of high-level A.I.D. officials to Kenya and that the DCC approval took place in close proximity to a visit to the U.S. by Kenya's President. Further, at the time this decision was made, relations between the U.S. and Zimbabwe were still poor, and the bilateral A.I.D. program there had still not been restored. There was also a desire on the part of USDA to establish an export market for wheat in Kenya.

With the exception of the problems experienced with delivery of Malawi maize on schedule, which will be discussed in further detail below, these trilaterals have been relatively simple to implement, once approval has been given by the DCC and agreements have been signed with the respective exporting countries.

II. THE PRO'S AND CON'S OF U.S.G. EXPERIENCE WITH TRILATERALS

In this section, we will discuss specific issues of timeliness and cost, giving our findings both pro and con. We also present our assumptions concerning the developmental impact of these four trilaterals on the exporting and receiving countries, including domestic policy and external policy and trade considerations, suitability of commodities provided in terms of nutritional status and taste preferences of beneficiaries in the recipient countries, and impact on investment in infrastructure in the respective regions. These rubrics essentially cover the "pro's" of such trilateral arrangements.

Next, we will discuss the "con's" as they may have been determined from these same four cases. Here, what will be covered are: the market development interests of the U.S.G., the potential inhibition of normal patterns of intra-regional trade, the matter of loss of U.S. "identity" of the food provided to beneficiaries, and finally, the matter of the complexity and burdensome nature of negotiations and approvals of trilateral transactions. These issues were initially identified in the scope of work for the study, and most of them turned out to be relevant as the study research was being carried out.

Background

It was difficult for the team to obtain reliable composite data about how long it takes to get U.S. relief food to the ultimate beneficiaries under normal bilateral arrangements either in emergency or non-emergency Title II situations. This is in part a result of different agencies of the U.S.G. collecting and storing different data sets. Additionally, what might seem fairly recent data—from FY 1985 for example—are downloaded from the system in A.I.D.. Those responsible in the U.S.G. believe that food originating in U.S.G.-owned surplus stocks, and shipped from Gulf ports on American vessels, can reach ports of entry of countries with hungry populations in about three months from the time the request is approved. Sometimes, in severe emergencies, vessels loaded with food destined for other countries are diverted at sea to ensure quicker delivery to those most in need. Many of those interviewed in the field indicated that if all food aid requested actually arrived on schedule, the local system would be incapable of handling it.[6]

It should be stated that U.S. humanitarian assistance, and the willingness of the American public to contribute for such assistance—through government and private-sector initiatives—is quite well known. As noted in a recent A.I.D.-funded evaluation of African emergency food assistance,

> "In an extraordinary effort, the United States through public and private initiative shipped over three million tons of food, matched by another three million tons provided by the rest of the world [during the 1984-85 African drought]. This immense response saved millions of lives and reduced the suffering of millions more. Despite the heroic effort, however, many died and hundreds of thousands suffered severely" (Devres, et al, 1986).

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6. Recently better methodologies have been developed for assessing food needs, and for scheduling emergency aid to meet them. Some of this work has been funded by A.I.D. and carried out by Laura Tuck under a Food Needs Assessment Project.

In support of this effort, many American interest groups—including farmer-based organizations and private voluntary organizations—were very active in lobbying the Congress for more and quicker commitments of emergency food assistance for Africa. These same groups are active each year in insuring that the PL 480 legislation continues to be backed up by suitable appropriations, including for Title II.

The "Pro's"

Timeliness of the Four Case Study Trilaterals:

How, then, do these four trilateral arrangements rate in terms of some generally acceptable norms for timeliness of emergency food aid programs? Here, we must take as the baseline the date on which the DCC approved the transaction, since this can be identified readily for bilateral as well as trilateral arrangements. For the two trilaterals involving Ghana, it is easier to determine relative cost than relative timeliness (see Annex C). For the bilateral program with Mali the previous year under Title II, Section 206, there does not seem to be a radical difference (see Newberg, Morton and Harmon, 1985). Here, the approval procedure is somewhat different, and took about two years, since and PID and PP had to be developed and approved. The Program Approval Date for the transaction was June 15, 1984, and the TA was signed in July, 1984. Deliveries in year II were loaded in September in the Gulf and began to be received at the port of Abidjan in October.[7]

For Southern Africa, the bilateral comparison used for a "normal" Title II program is that implemented for Mozambique by World Vision during the same time period as the trilateral. Here, we were able to obtain comparative cost estimates from World Vision, but did not discuss time comparisons in great detail. The World Vision staff interviewed indicated that in both instances, their perception was that delays occurred first at the Washington level, in the approval process for both transactions. They also discussed problems with the bilateral in terms of the appropriateness of the commodities included—yellow maize is included, along with beans and oil—as well as the appropriateness of the volumes and types of containers used. WVRO's contention, which seems to be borne out by the team's research, is that the developmental impact of the bilateral could be enhanced considerably if, for example, oil were shipped in larger drums, and then repacked in smaller drums made in Southern Africa, even perhaps in Zimbabwe.[8]

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7. One of the members of this study team was present at a 1985 donor committee meeting with the GRM where the issue of port congestion and rail and truck constraints for moving food relief commodities to Mali was discussed in some detail. In connection with the 206 commodities, the USAID/Bamako Agriculture Officer came to Washington on TDY at least once to try to speed up the delivery of these U.S. commodities. AID/M/SER/ OP/TRANS indicated that the FY1985 data base had been downloaded so these data were not readily available for FY1985, year I of the 206 program.

8. Their supposition was that it would not be any more expensive to ship the oil in bulk from the U.S. to Beira, then ship it in bulk by rail through the Beira Corridor to a point in Zimbabwe where it would be repacked in locally made, smaller containers, and then shipped to Mozambique, than it was to ship it in five-gallon drums from the Gulf as is currently the case.

World Vision argued, as has been noted elsewhere, that while the trilateral with Zimbabwe had gone very fast and expeditiously, they were now having more and more difficulty getting approvals for the various steps while implementing a number of other trilaterals for other donor countries. Thus, they suspected that subsequent trilateral arrangements negotiated by the U.S. with the GMB would experience delays as well, as more and more demands were placed on limited infrastructure. It was asserted during our visit in February that all freight space on the railroad was booked up through July.

As has been seen, the trilateral involving Malawi was much slower when it reached the implementation stage. At the time of this study, all the maize had finally been received by World Vision, although deliveries in Mozambique were probably still being made. The extenuating circumstances accounting for this will be discussed further in Section IV.

In summary, in two of these trilaterals—the U.S.G.-Ghana-Mali, and the U.S.G.-Malawi-Mozambique transactions—deliveries were slow and took a number of months despite the relative proximity of the source of supply in the exporting country. On the other hand, the U.S.G.-Ghana-Burkina Faso trilateral deliveries were completed in four months, and those for the U.S.G.-Zimbabwe-Mozambique transaction were completed within two and a half months, which seems to at least equal the fastest estimates for bilateral programs, where the commodities come ex-Gulf and on U.S. bottoms.

Cost

Cost-effectiveness of all four trilaterals studied is analyzed in detail in Annex C. Since there are many variables to be factored in, we refer the reader to that Annex rather than summarizing the results here.

Developmental Considerations—Domestic Policy, Market Development and Trade Implications:

Impact on Policy Reform in the Exporting Country

One of the points argued in favor of trilaterals by A.I.D. in its on-going dialogue with USDA, is the positive impact of such arrangements on policy reform in the exporting developing country. A draft Action Memo to the Assistant Administrator for Africa providing the justification for the Southern African trilaterals, noted that such arrangements could reinforce and reward agricultural policy reform initiatives in Zimbabwe and in Malawi that had been encouraged by other A.I.D. programs.

The question of whose policy reform and policy dialogue achievements were most appropriate for reinforcement was an issue raised both in USAID/Zimbabwe and USAID/Kenya when they were competing for a possible Round III trilateral. USAID/Kinshasa raised policy concerns during the pre-Round I exchange of cables, arguing that the vaunted incentive prices for producers in Zimbabwe mentioned in the introductory cable by the FPPO were really inappropriate price subsidies.

The memo outlining the advantages of using U.S.-owned local currency in the Ghana trilateral transactions does make points about reinforcing policy reform objectives as well as solving U.S.G. excess currency and Ghanaian debt payment problems. However, in the written documentation, it is interesting how few of the many pages we were provided from cable traffic and memoranda address policy implications of trilateral arrangements. Yet, trilaterals in themselves may, as we have seen, support existing policy reforms, as well as help to generate new ones.

In fact, given the eagerness of surplus-producing countries to enter into trilateral arrangements, it is plausible to assume that at least in some instances, the sorts of Self-Help Measures (SHM's) required in Title I/III agreements could be included at least as side-letters to trilateral letters of agreement. With A.I.D.'s continuing emphasis on policy reform in Africa, and the new orientation toward integrating food aid more fully into development program planning, this would seem an attractive possibility. Thus, policy progress would continue to be reinforced through trilateral arrangements, while additional policy strides could be encouraged at the same time. All of this assumes, however, an effective, on-going policy dialogue process, and might require longer periods to arrange. Thus, policy provisions are probably not appropriate for the ideally short timeframes of Title II emergency situations.

Trade and Price Impacts

There is now a general consensus that the most critical elements in the development of commercial export markets for U.S. commodities in developing countries are rapid economic development and rising per capita incomes. In this context, the question that arises with respect to trilaterals is whether the fostering of intra-regional trade and the development of regional infrastructure for commercial transactions is in the long-term interest of the U.S.. In the context of Eastern and Southern Africa, there is the question, if Zimbabwe and Kenya could develop viable regional commercial markets for the products which they have a comparative advantage in producing e.g., maize, could they become commercial importers of, for example, wheat?

In the case of Zimbabwe, it is clear that wheat consumption is constrained to an unknown degree by a system which rations wheat to commercial millers and bakers. This pent up demand will clearly expand as incomes rise and urbanization occurs. It is also clear that expanding domestic wheat production is expensive because current production is constrained by irrigation development. There is at least a plausible case to be made for U.S. encouragement of white maize exports as an engine of growth. While it is difficult at this point to marshal hard empirical evidence in this regard, development theory supports this notion. If regional markets develop for some products, there is a real likelihood that more trading patterns could develop.

In many respects, the analysis of a trilateral food aid transaction is similar to that of bilateral transactions in terms of trade impacts. There are, however, some differences regarding market development impacts. The appropriate questions are the following:

- What impact would/does the transaction have on world prices and prices in the recipient country?
- Is the commodity movement in addition to trade or does it partially or completely replace a potential commercial transaction?
- Does it have the potential to increase U.S. market share even if total trade is not increased? (This addresses the issue of competitiveness.)
- Does it compete for transportation and handling facilities that could be used for commercial transactions?

- What are the competitive dimensions of the transaction in terms of other exporters?

- Does it contribute to reducing U.S. stocks?

- Does it have the potential of developing long-term commercial markets for U.S. commodities?

- Does it contribute to U.S. humanitarian and overseas development (aid) objectives?

These questions are general with respect to food aid—bilateral or trilateral. Given that a trilateral involves both surplus and deficit countries, the following additional dimensions need to be addressed:

- Is the market development potential greater (or less) in the target (recipient) countries or the intermediary (exporting) country?

- If both countries are in the same region, does the transaction have regional developmental and/or market implications?

- Does reducing surpluses in the developing country (as well as the U.S.) make a positive development impact?

- What are the implications of the potential loss of product identity in the recipient country?

The impact of food aid transactions on world prices is a function of (a) the size of the transactions relative to commercial trade; and (b) the degree of market separation between commercial and concessional markets and impact of stock overhangs on world prices. Food aid in general and trilaterals in particular have not, in recent years, been sufficiently large to impact significantly on world prices. The critical question for market separation is whether constraints such as availability of foreign exchange would otherwise limit or prevent a commercial purchase by the recipient. This is also the central question in the additionality debate. Accumulated evidence, mainly anecdotal, on food aid in general suggests that food aid is somewhat (10-30%) additional but does to some extent replace commercial transactions. Even poor countries with severe constraints assign very high priority to food supplies. The major difference in a trilateral is the question of whether the intermediary country would otherwise have dumped its surpluses on world markets. The offsetting question is whether that country would have commercially purchased the U.S. product in the absence of the trilateral. In the case studies under consideration, the magnitudes are so small that either eventuality would have had negligible impacts.

The question of domestic price impacts in both countries is a function of domestic policies and would be the same for both bilaterals and trilaterals. In sum, issues of price impacts and additionality are sufficiently similar in both cases so as not to allow differentiation between bilaterals and trilaterals.

The third and fifth question are best answered together. Food aid has the potential advantage of essentially tying the recipient country to the donor source. In this sense it should improve the U.S. share of total world trade to the extent that the transaction has some additionality. If there is no additionality, i.e., the country (Zimbabwe), would have bought wheat anyway, the U.S. still could increase its share to the extent that the country would have bought from other importers instead of the U.S. This, however, is a tricky argument because we have no way of knowing what the total volume of imports would have been. This question has troubled all analyses of bilateral food aid. Given the participation of other exporters in trilateral transactions, particularly Canada and Australia, the U.S. needs to remain active to keep a competitive position in the potentially emerging wheat markets in Eastern and Southern Africa. In other words, if there is to be the possibility of longer-term market development, U.S. participation in trilaterals may be compelled by a competitive imperative, in addition to aid and humanitarian objectives.

Food aid does potentially compete with commercial transactions for space in limited transport and handling facilities in many developing countries. In this regard, trilaterals may be advantageous in that regional trading patterns are likely to be distinctly different from international patterns. For example, shipments from Harare to Biera are not competitive with potential commercial shipments to Maputo or into Zimbabwe via South African ports. How severe transport constraints are would vary from country to country, but certainly here trilaterals could have an advantage.

The question of whether trilaterals reduce U.S. stocks is the same as for bilaterals. It depends on the (additionality of the) transactions: given foreign exchange limits in both Zimbabwe and Ghana, it is likely that the trilaterals studied did contribute to the reduction of U.S. wheat stocks. Conversely, of course, direct food aid shipments of yellow maize to Mozambique, Mali and Burkina Faso would have reduced corn stocks. Thus, the stock question must be answered in terms of the relative burden of stocks of one commodity versus another.

In summary, the trade impacts of bilaterals versus trilaterals are likely to, on balance, even out. To date, trilaterals are sufficiently small so as to have limited impacts on price and world trade volume. If the aggregate volume of food aid remains reasonably stable, shifting volumes from bilaterals to trilaterals should have limited global and U.S. market share impacts.

Market Development Impacts

One dominant objective of U.S. policy under PL 480 is long-term market development. There is considerable qualitative (and anecdotal) evidence that countries in the early stages of economic development which consistently receive food aid shipments, develop trading patterns and national tastes for the donor product. Japan, South Korea and Taiwan are often and appropriately cited as examples. There is also similar preliminary evidence developing in Africa for rice and wheat. Thus, concerns about the potential of trilateral food aid for longer-term market development are well taken. This issue was raised in many of our discussions.

In the case of Southern Africa, the question directly put is, is the potential for the eventual development of commercial wheat exports greater in Zimbabwe and Kenya than one for yellow maize in, say, Mozambique? Informed opinion, plus analysis of income growth and urbanization patterns clearly suggest that it is. The shipment of a clearly non-preferred product to a country is very unlikely to develop long-term markets. In this general sense, the U.S. seems better off to trade wheat for maize in Zimbabwe than to ship U.S. corn to Mozambique. It seems better to effectively meet a country's direct and preferred food needs, even if this is done indirectly. Thus, on market development and aid grounds, the trilateral appears to have an advantage if the recipients' food preferences are not for available U.S. commodities.

This argument, however, probably holds less force in Mali and Burkina Faso where the barter commodity (white maize) was not the preferred commodity. If millet is the dietary preference for the semi-arid area, then that transaction would more than likely have to be justified on the basis of efficiency (timeliness) and cost-effectiveness. However, the potential development of a long-term commercial market for rice in Ghana and other West African countries would still be a factor. Given increasing rice deficits in West Africa, this is an important consideration.

In sum, the market potential of trilaterals versus bilaterals really depends on a careful analysis of long-term demand potential in the intermediary country for U.S. products versus the potential in the target or recipient country. In the case of East and Southern Africa, the potential for a commercial wheat market clearly seems larger than for yellow maize. The same is likely in West Africa for both rice and wheat.

Nutritional Appropriateness and Taste Preference

One of the positive characteristics of trilaterals most frequently stressed by those who support the development impact potential of such arrangements is that they facilitate the provision of locally appropriate commodities to food aid recipients. There have been a number of stories in the past of famine-stricken people in various regions of the world who refused to eat donated food because they didn't know what it was, didn't know how to prepare it, and/or because it was spoiled by the time it reached them. Alternatively, it has been asserted that, in some instances, the reason it is nutritionally better to provide cash for work than food for work is that recipients will sell the food wage in the market if it is an unfamiliar commodity in order to obtain foods that they find more palatable and/or that they will spend the proceeds on foods that are more nutritionally appropriate in terms of the rest of their diet (LeFrank, 1986).

Perhaps fortunately, the extent to which starving people will avoid unfamiliar foods has not been formally quantified. Still, there seems to be a certain amount of anecdotal information to this effect. In any event, it seems fairly clear that a food which people are used to, and know how to prepare with the means at their disposal is more likely to be appreciated—and eaten—than one that does not have these characteristics.

In the Southern African trilaterals, the fact that white maize, the kind preferred by people in Mozambique and elsewhere in the region, was an appropriate commodity for food relief from the point of view of dietary preference is fairly clear. On the other hand, GPRM officials and PVO staff indicated that it was undoubtedly true that people would eat yellow maize if they had to, and as we have seen, the U.S. was providing yellow maize in Mozambique under the regular bilateral program implemented by World Vision. Still, in this region, the preference for white maize is clear and widespread.

In Burkina Faso and Mali, however, the situation is somewhat less clear-cut. In some of the regions of Mali to which Ghanaian white maize was shipped under the trilateral, millet is the generally preferred food. Millet is also a more frequently produced cereal in Burkina Faso. Still, white maize is eaten in both countries, particularly in the south of both countries (white maize can be found in markets in the north, but it is not common), whereas rice is a food more characteristic of urban tastes. Yellow maize, in any event, is not generally available or eaten anywhere in either country.

To some degree, despite the nutritional arguments, and the realities of taste preference, the type of commodity provided remains more a political question than anything else. As we noted in the background section, there are many American farmers who feel positively about their surpluses reaching hungry people in disadvantaged countries, but who are not so positively inclined to providing the produce of other countries and other farmers. At the same time, there are many who share the point of view that if people are really in need, they should take whatever is offered, like it or not.

Subsidiary to these political questions, or perhaps underlying them all the while, are the questions of market development that have been addressed above. But it seems fairly clear that even if people will eat U.S. yellow maize when they are starving, they will drop it as soon as they have an alternative. Thus, unlike the evidence for U.S. wheat, practice encouraged by PL 480 and other import sources does not seem to have much potential to encourage a lasting change in taste preference to yellow maize. The lesson, therefore, seems to be to develop markets for wheat and rice instead, and for yellow maize where it can be imported for animal feed.

Infrastructure Development

A theme often stressed by those who support regional development in A.I.D., and the SADCC initiative in particular, is that of infrastructure development within the region. At a recent conference on Southern Africa, a number of papers addressed this issue, from several points of view. During our field visits, we raised this question in each country, but it was regarded as most significant only in the cases of Zimbabwe and Mozambique, in terms of the impact of the Republic of South Africa—and Renamo (MNR) insurgents—on the ability of Zimbabwe to export its surpluses, and of Mozambique to receive and distribute them. Zimbabwe commercial farmers also discussed with us the problem of limitations to irrigated wheat production, and matters of irrigation in general.

The impact of the Republic of South Africa on agricultural trade in the region is discussed in some detail in a recent paper by Michael Lipton. In the end, Lipton argues for greater resource allocation to agricultural research in the SADCC region, rather than to attempts to circumvent the virtual South African monopoly on transportation infrastructure in the region.[9] Certainly, it is beyond the means of the Front Line States at the present time to duplicate the infrastructure controlled by the Republic. They are presently spending—especially the GOZ—quite high percentages of their limited budgetary resources to protect the Beira Corridor, and contribute to the Corridor project.

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9. See Lipton, September 1986 and H.H. Patel, 1985 for a discussion of the influence of South Africa on Zimbabwe's foreign policy, and Patel, 1986 for a discussion of the Republic's influence in the region.

In terms of the trilateral transactions discussed, South African decision-makers had the ability to decide to divert ships bringing the U.S. wheat for Zimbabwe or Malawi from Durban, the intended port of entry in both transactions, to Port Elizabeth or some even more distant port, either on the basis of real congestion issues or simply as a nuisance to the intended recipients. It was felt by representatives of the Zimbabwe GMB that this might pose problems for the profitability of further trilaterals.

The discussions regarding irrigation development in Zimbabwe to enable increased production of irrigated winter wheat tended to center around the cost of such infrastructure development, and the resultant increased costs of production, as well as issues of equity as between white commercial farmers and communal farmers (Blacks). A new loan program had, in fact, recently been initiated by the government to enable communal farmers to develop small scale irrigation for wheat production, but loans were apparently not being taken up with too much enthusiasm. A further issue was the ultimate limits to irrigation development in Zimbabwe, regardless of cost.

Generally, even the representatives of the Commercial Farmers' Union indicated that they realized that there were definite limits to the development of irrigation in the country—they are quite concerned with conservation in general—and also knew that irrigating wheat is not cost-effective, given world prices. Still, they are not keen about an import policy that would favor importing cheaper wheat and thus encourage diversification of irrigated production. There is a remnant of the "bunker mentality" that arose during the UDI (Unilateral Declaration of Independence) period, which in part relates to contemporary worries about South Africa's control of the long-distance transport infrastructure.

Somewhat ironically, given the present problems with Renamo, Mozambique is the SADCC country charged with infrastructure planning for the region. In this context, it benefits from the services of some expatriate technical assistance from the U.N. as well as from A.I.D. To the extent that emergency conditions continue, and that the many donors providing food aid to Mozambique become increasingly frustrated by limited transport and storage capacity, these donors may become more inventive and more supportive of funding to resolve these problems in Mozambique itself and in the region as a whole.

Meanwhile, the EEC has designed a regional food security project which is estimated to require $200,000,000 in donor contributions. The EEC is guaranteeing the costs of the first year or two, including setting up an office in Harare and costs of technical assistance. This project, if fully funded, will have a significant impact on storage infrastructure, and might have a spin-off effect on transport. To the extent that Zimbabwe surpluses keep going to feed Mozambique—and are also exported commercially—this project, and the trilaterals themselves, may be seen as providing further impetus for such regional projects. These kinds of price-tags, however, are certainly inhibiting.

In Francophone West Africa, there have already been a number of efforts to initiate regional trade incentives, including those of ECOWAS, the West African Economic Community. There are tariff agreements and other incentives already in place, and the CFA zone also facilitates intra-regional trade. However, there are also government-regulated price differentials for freight rates that have, as may be seen in Annex C, deleterious effects on the abilities of some of the countries, such as Mali, to get fast service for delivery of their imports from coastal ports.

While one of the sectors under the original Club-CILSS agenda was improvement o regional transport infrastructure, donors have not been able, on the whole, to come with funds in the magnitudes required. Improvement of roads under the A.I.D. Sah appropriations was a "bete noire" for several years, although such improvements were the top of the list of each host country. It was felt that infrastructure investments wer inappropriate under the A.I.D. policies then in place. Rural roads for farm to mark purposes are the exceptions. The Parakou-Niger border road in Benin is another.

In summary, the idea that trilaterals tend to encourage infrastructure development th will, in turn, facilitate intra-regional trade seems to be neither confirmed nor denied the evidence from these four cases. The problems encountered in the delivery trilateral maize from Zimbabwe to Mozambique are endemic to the present situation the latter country, and cannot be resolved by increased frequency of trade along tho routes. Donors in Mozambique are, however, experimenting with various means delivering relief food to shallow ports between Beira and Maputo, so as to minimi problems caused by the MNR insurgents. According to those with whom we met, the experiments were extremely expensive, and not very successful. In West Africa, t problems of the policies of the land-locked Sahelian states in terms of port congestio rail rates and competition for rail and truck capacity are unlikely to be resolved additional use of the already-strained infrastructure, since funds and—in so instances—the political will are lacking to alter the present situation.

There is some evidence from the West African trilateral cases that the recipient countr might, in fact, have done better to receive U.S. commodities shipped from the Gulf trucked over more normal routes, e.g., from Lome. Yet, as the case study points out, of the major advantages to the economy of Ghana was that the national truck fleet Ghana was greatly improved. High rates paid to contracted truckers in CFA fra allowed them to purchase spare parts and new tires, as well as fuel for which little for exchange would have been available without the transactions.

The "Con's"

Lost U.S. Export Opportunities

All of the cases included in this study have similar basic characteristics. The ta country (e.g., Mozambique, Mali, Burkina Faso,) had an acute food shortage of a pref staple food commodity but lacked the foreign exchange to purchase necessary quanti on world markets. In the case of Sudan, there was not an acute food shortage in country as a whole; rather, there is a problem in the South because of civil strife. U.S. decided, for various humanitarian reasons, that food aid to the target country appropriate but it did not have (surplus) stocks of the preferred commodity available immediate shipment.

An adjacent or close-by developing country had stocks of the preferred commodity but could not afford to give the surplus away and would not accept its neighbor's local currency for commercial purchases.[10] This adjacent country also had the need for a commodity the U.S. had available. To meet the target country's food aid need, the U.S. had at least three options: (1) ship a non-preferred commodity directly to the target country; (2) purchase for cash the preferred commodity from the adjacent country and ship it to the target country; or (3) trade (barter) a U.S. commodity to the a development issues. It is noted that the U.S. really only considers options 1 and 3. Therefore, it is really a comparison of bilateral versus trilateral food aid. But it is noted that other donors use option 2 extensively (see Section II). This factor is recognized in the subsequent discussion of trade competitiveness issues.

The immediate issues are: (1) the effectiveness, in terms of development assistance (aid) and diplomatic advantage, of shipping the non-preferred (U.S.) commodity versus a preferred commodity (adjacent country); (2) the speed (efficiency) with which the needed food can be delivered; and (3) the cost effectiveness of each option. The issue of the delivery of a non-preferred commodity has two parts - first, how will the target country react to a less-desired food product and second, whether a non-preferred commodity shipment has any significant potential for long-term market development. This first part is better answered in aid and diplomatic terms reflecting field and program judgments which are beyond the scope of this study. The second part is addressed above and in Annex E where the general issue of market development potential is discussed in more detail.

The Barter Terms of Trade

The issue of efficiency (speed) has already been discussed. The issue of cost-effectiveness hinges on two critical factors. The first is relative transport and handling costs. This is addressed in Annex C. The second factor is the price paid by the U.S. for the preferred commodity. The price could either be cash or a barter swap of a U.S. commodity. This point deserves a fuller discussion as it is critical to the relative costs of bilateral versus trilateral transactions.

The cost of a bilateral transaction is the U.S. price of the commodity plus transport and handling costs. The cost of a trilateral involves these but also must include the relative price of the U.S. versus the adjacent country's commodity. Unfavorable terms of trade significantly increase U.S. costs and involve an implicit aid transfer to the intermediary country. This issue is best illustrated in the Southern African cases involving Zimbabwe.

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10. Zimbabwe has given surplus maize to Mozambique and to Ethiopia. All of the countries in the SADCC region are probably willing to contribute surplus grain to a grain storage activity for regional food security as and when they have surpluses. It does not seem, from the evidence provided by these case studies, that trilaterals in which the U.S.G. swaps surplus cereals for surplus cereals of a developing country act as a disincentive to self-reliance of individual countries or regional entities.

In Round I transactions, it appears that the beginning point was to value U.S. wheat at FOB gulf (U.S. price) prices and to use internal Zimbabwe support prices for white maize. As world and U.S. prices have fallen, the wheat cost of maize has risen. Stated alternatively, the price of U.S. wheat relative to Zimbabwe maize has fallen, such that in the most recent transaction, unit prices for a ton of wheat are less than that for maize, a price ratio at variance with world and U.S. prices. In Round II transactions, the terms of trade were further distorted by giving an implicit subsidy to Zimbabwe in terms of inflated maize prices to compensate Zimbabwe for transporting the maize to Mozambique.

In evaluating the "appropriate" terms of trade, several critical questions arise if internal Zimbabwe prices are above world (U.S.) prices. The primary one is - what are the appropriate commodity prices to use—world prices for both, internal (Zimbabwe) prices for both, or some alternative negotiated set of prices? From the U.S. point of view, world prices for both would be most appropriate because then the cost-effectiveness question could be directly addressed by comparing transport and handling costs of bilateral versus trilateral cases.

However, bartering at world prices when Zimbabwe has higher internal prices means that the Grain Marketing Board suffers a financial loss on the maize transaction which could reduce or eliminate the willingness of Zimbabwe to participate. On the other hand, valuing both at internal Zimbabwe prices means that Zimbabwe is paying a premium for U.S. wheat, more than Zimbabwe would pay at world prices if it had the foreign exchange. Also, valuing at internal prices would reduce U.S. wheat shipments for a given quantity of maize.

Thus, there are clear disadvantages to Zimbabwe of using either world or internal prices for both commodities. It has therefore appeared to be necessary to reduce relative wheat prices to induce participation. (This appears to have happened in all cases in Africa except the pending U.S.-Kenya-Mozambique swap where Kenya seemed willing at first to accept lower maize prices to move burdensome surpluses.) As the price ratio of wheat or rice versus maize falls relative to world (or U.S.) prices, these transactions involve an implicit aid transfer to Zimbabwe (or Malawi or Ghana). This consideration should be factored in to any cost-benefit analysis of bilateral versus trilateral shipments if comparably based relative commodity prices are not used. The same issue would arise if option 2 (purchases) were used. It is the judgment of the authors of this study that negotiations of barter terms of trade have been location- and time-specific. It is difficult to determine if considerations of implicit aid transfers to Zimbabwe were taken into account. In future transactions, they clearly should be.

Loss of U.S. "Identity" of Food Aid Commodities

During our visits to the field, we tried wherever appropriate to address the issue of the loss of "identity" of food aid commodities since it is a common concern to those who are wary about the value of trilateral versus bilateral food aid arrangements. Since we did not visit end-users and were conducting our study substantially after the West African food had been distributed, we do not have direct evidence from the beneficiaries themselves. We do, however, have the comments of representatives of the recipient governments, as well as those of PVO representatives who distribute the food. While both sources may be considered to be biased, it would also have been likely that had we visited beneficiaries and been announced as Americans, they might have answered questions with what they thought we wanted to hear.

From the evidence we have, this seems to be a non-issue. Despite the efforts made in all cases to mark the containers of the trilaterally provided relief goods "Gift of the United States", in one language and form or another—and in letters sufficiently large to be noticeable—it seems that end-users did not necessarily distinguish the source and origin of food aid received. We have no reason to believe that bilaterally provided food aid is better marked, or that it is somehow seen as more clearly "American" by end-users. In both types of food aid transaction, end-users probably do associate the food received with the PVO that distributes it. In fact, World Vision was interested in changing the terms under which it had to mark all grain bags to be able to include "gift of World Vision", or a similar phrase. To a large extent, labeling of this kind seems to be for the benefit not of the end-users, but of the contributors "back home".

Host government officials interviewed—as well as in-country USAID staff—indicated that there was no confusion at all initiated by trilateral versus bilateral arrangements. In both "rounds" of the Zimbabwe transactions, there were formal signing ceremonies and attendant press releases, and the U.S.G. probably got more favorable publicity for this effort than for a number of others—that is, credit was given both in Zimbabwe and in Mozambique. The A.I.D. Mission in Mozambique is also active in ensuring proper coverage for deliveries of U.S.-funded relief food.

In the absence of evidence to the contrary, the benefit in terms of good press for the U.S. is, then, probably increased rather than decreased by trilateral arrangements, and to the extent that the end-users know that the food they like to eat is being provided by the U.S., whereas foods less preferred may be provided by other donors, this would also amount to an added plus. The fact that the U.S.G. takes the regional strengthening aspirations of the SADCC states into account and provides aid trilaterally is also a point not missed by the concerned governments. This is an instance in which U.S. signals are probably significantly less mixed than in other policy areas in the region.

On the down side, however, is the matter of expectations which were raised by initial agreements to work trilaterally. One thing that was made clear during our Zimbabwe visit was that the Ministry of Agriculture staff interviewed, as well as the farmers and other private sector representatives we met, felt that it was very odd that U.S. policy seemed to be veering away from supporting further trilaterals with Zimbabwe, whose surpluses were, meanwhile, increasing radically. From their vantage point, nothing had changed except that their surpluses were larger, they were willing to sell (trade) at world market prices rather than artificially high prices as before, and the U.S.G. had evidence that the two trilaterals already agreed to worked very well. Why, then, we were asked, the change of policy?

The representatives of both GOZ and private sector organizations were very much aware of overall U.S. policy in the region, and the reason why the bilateral A.I.D. program had not been restored. They were in close touch with both A.I.D. officials and Embassy personnel, including the Ambassador, and tried hard to make suggestions to the study team for the design of trilaterals that might contain more of interest to the U.S.G., such as a sort of combination Commodity Import Program (CIP) and food aid trilateral.

The impact of the trilaterals in West Africa on perceptions of the origins of the aid are less apparent. Given the benefits to the Government of Ghana of the trilaterals, it is clear that the GOG is likely to remember the arrangements quite positively, especially given the sort of windfall that they received in terms of the foreign exchange rates over the life of the agreements (See Annex B).

For Mali, the impact may be less clear. In Mali, the food aid donors have come together to deal with the GRM on a variety of policy reform issues related to liberalization of the grain market. As of 1985, the U.S. was again providing Title II bilateral aid to Mali, although it had ceased doing so for several years because of problems with GRM accounting for sales proceeds. The then-U.S. Ambassador had, however, played an active observer role in the multi-donor group even when the U.S. was not contributing, so his visibility was high to the GRM throughout the period in question (see Newberg, Morton and Harmon, op. cit.).

During 1985, there was considerable concern on the part of the USAID Mission that the capacity of the GRM institutions responsible for food aid delivery was very low, and that there were great possibilities for corruption. Therefore, the Food for Peace Officer (FFPO) was trying to identify an international organization, such as the Red Cross, that could be brought into action once commodities reached Mali. What impact this may have had on end-user perceptions of the source of trilaterally-provided food aid is, however, not clear. World Vision, as we have noted, was new to the country, and therefore probably had little name-recognition or identification with the U.S. as against any other country.

In Burkina Faso, the Red Cross and the Baptist Mission, as well as Essor Familial, had greater longevity, and were probably well-known to beneficiaries by the time the trilaterally provided food was distributed. Certainly, the Burkina Government was aware of the source of the grain, and the relative responsiveness to Burkina's emergency situation by the United States given already-strained U.S.-Burkina Faso relations due to U.N. votes against U.S. positions. This would have applied to bilateral as well as trilateral donations, however, so once again, it seems unlikely that the trilateral nature of the arrangement had any major effect on the "identity" of the U.S.G. as donor. Burkina officials commented favorably on the enhancement of regional commercial relations.

The identity question, it seems to us, is a more relevant question in the intermediary country (Zimbabwe, Kenya or Ghana). If the above analysis is correct, it is in these countries that greater potential exists anyway. Here the development of trading patterns, commercial use of U.S. products and trading interactions, seem to be potentially positive elements for market development. In sum, the more relevant concern with product identity should be in the intermediate country in most instances.

The Complexity Attributed to Trilateral Negotiations

As we will see in more detail in the next section, in the four case examples negotiations were neither particularly complex nor very lengthy. On the other hand, the review and approval process in Washington (from the time the trilateral idea was first put forward to the time DCC approval was given) is complex and has, so far, been lengthy, although it seems to be speeding up with practice.

Figure III outlines the major steps that have to be taken before a Title II emergency program is approved, whether it be a trilateral or a bilateral one. These steps may, obviously, be achieved more or less rapidly, depending on a number of factors most of which are beyond the control of the field Mission(s) and host country(ies) concerned. What further steps are necessitated if the proposed arrangement is trilateral rather than bilateral? Arguably, more information must be provided to A.I.D./W, and from A.I.D. to the other members of the DCC Subcommittee. Once in receipt of this information, A.I.D./W and the other members of the Subcommittee will have to digest it, and determine what policy issues, if any, are raised by the addition of the third country in and of itself. If these are few or none, as was the case, essentially, in all four cases examined here, then the policy question remains the trilateral nature of the proposal itself.

We have a better data base for the review and approval process that preceded the Southern Africa trilaterals than for that which preceded those in West Africa. A memo written May 15, 1985 summarizes an ongoing problem between the GOG and Overseas Private Investment Corporation in the latter's collection of notes due resulting from the sale of Firestone Tire and Rubber's shares in Firestone Ghana Ltd. and Ghana Rubber Estates Ltd. in 1981.

This memo explains that the GOG was obligated to pay approximately nine million cedis or $6,109,800 plus an undisclosed amount of interest on the remaining unpaid notes.

The suggestion made, given the recent signing of the trilateral agreement, was to assist both parties to reach satisfaction by the following mechanism:

> "If...the USG were to pay only the foreign exchange costs (of the trilateral) and the GOG to pay the cedi costs of the transport, the OPIC account could be offset and credited with the equivalent of the $1.60 million in cedis which is near the equivalent of the accumulated interest and one of the outstanding notes. In the event that more barter arrangements are made between our two governments, then the Government of Ghana's payment of cedi costs of transport could be used to cover additional OPIC payments. Both governments can also jointly search for other cedi uses whereby the GOG could credit the OPIC account.
>
> "This proposal would have the following advantages:
>
> — The GOG could make an immediate demonstration of good faith in meeting its OPIC commitment;
>
> — The foreign exchange impact on the GOG would be a net wash — a bookkeeping transaction with neither foreign exchange inflow or outgo, but a reduction in external arrearages; and
>
> — A major reduction in the Embassy's cedi account at the U.S. Treasury would accordingly reduce USG incentives to eliminate the Currency Use Payment (CUP) provision in current and future PL 480 Title I negotiations with Ghana which will, in turn, benefit Ghana's future foreign exchange position by permitting partial repayment of PL 480 Title I loans in cedis rather than dollars." (U.S. Embassy/Accra)

FIGURE III

Major steps in the Approval of Title II Emergency Aid

- A/A.I.D. may offer or instruct a Mission to offer emergency food assistance, or
- Any cooperating sponsor may request food for emergency assistance to USAID and forwarded to A.I.D./W with appropriate recommendations.
- Missions may propose emergency programs for consideration by A.I.D./W prior to required receipt of formal host-country requests.
- Mission Director makes determination regarding ability of the cooperating sponsor to perform A.I.D. Reg. 11 record keeping and other requirements.
- Mission provides information on: other-donor actions; location and nature of emergency; administrative provisions for management and control of the emergency program; adequacy of storage facilities, and assurances that distribution will not result in substantial domestic production disincentives nor disrupt normal marketing.
- Where a PVO is involved, a Plan of Operation or an amended Plan of Operation and supplemental AER are required.
- PVO calls forward the commodities.
- Mission cables a program summary.
- A.I.D./W prepares Transfer Authorization (TA) for signature by recipient government.
- USDA contracts with independent cargo surveying firm to obtain discharge report.
- Ocean freight information provided by Mission, including schedule, port, consignee.

A.I.D./W approval may also include the Office of Foreign Disaster Assistance (OFDA) participation in the review and approval process. Emergency projects take precedence over all other matters.

"It normally takes 90 days from date of program authorization to arrival of commodity at nearest recipient port".

Source: A.I.D. Handbook Nine, Ch.9, p.4-5.

While this memo was written after the trilateral agreement was signed, signed, it seems clear that the excess currency issues faced by the Embassy itself had an impact on the favorable view taken of the trilateral suggestion made by A.I.D./W by the U.S. country team in Ghana. This seems to be the sort of pre-condition to approval of a trilateral that was perhaps missing in the case of the Southern African trilateral(s) that were put to the DCC the following September.

In the latter case, the matter was taken up to the level of the Administrator of A.I.D. and the Under-Secretary of Agriculture, as we have mentioned above. Thus, it went substantially beyond the level of the respective representatives on the Subcommittee from the relevant agencies.

In retrospect, it is not entirely clear, at least to outsiders, why this had to be the case. The respective representatives to the Subcommittee from A.I.D. and USDA were voicing substantially conflicting points of view and were not themselves authorized to be very flexible. But there is no evidence to support the idea that in all such instances, the decision is passed up through the decision-making hierarchy in each agency.

What is also somewhat confusing is how the issue was actually resolved in favor of approving the Southern Africa trilaterals. At one point, within A.I.D., the decision was made that further pursuit of the matter with USDA would be disadvantageous. This position seems to have been successfully countered by senior management of the FVA Bureau who felt it was important to proceed. Perhaps in part this was the result of strong lobbying from the concerned field missions.

We have no evidence of similarly high-level negotiations leading up to the approval of the West African trilaterals. It may be inferred from documentation and interviews that the fact that the U.S. Ambassador to Ghana was strongly behind the trilateral proposal was of importance. Further, the excess currency issue, which the proposed trilaterals would help to resolve, meant that Treasury, as a member of the DCC Subcommittee, as well as OMB were probably on board. Otherwise, both agencies might have been opposed for the sorts of reasons outlined in Section II.

On the face of it, it seems strange that the earlier approval for Southern Africa was somewhat easier to achieve than the later one. The problem seems to have been related to the Southern Africa Round I transactions. Since then, approval has come more quickly, although it has not necessarily been less problematic. Opportunities have arisen for review of the issues involved outside of the context of specific DCC approvals: for example, the report prepared by a Presidential Task Force on Hunger in Africa argues fairly strongly in favor of trilaterals, given certain conditions. The recommendations of the Task Force were recently signed by President Reagan in the form of an Executive Order, including a recommendation for greater use of trilateral transactions. The policy decision said to be lacking on the subject would thus, now, seem to have been made. It remains to be determined how it will be operationalized.

III. PROGRAMMING U.S.G. TRILATERAL FOOD AID

Programming issues arising from a close examination of the four cases included here can be divided into three broad areas. These would then be: design (including policy questions), negotiation, and implementation and monitoring, both by the relevant field posts and by A.I.D./W.

While we will try to be as balanced as possible, we do not have a way of measuring or weighing those aspects of each trilateral that seem most and least successful in any but the most rudimentary terms—such as prompt delivery of the commodities, for example. Thus, in our assessment of what lessons may be learned, it is possible that we may seem to be taking a pro-trilateral position in some parts of the discussion, and an anti-trilateral one in others. Given the presentation of our views on the "pro's and con's" above, this should not be surprising, however.

Approval Trends

Although the trilateral transactions we are examining here represent less than .121 % of overall Title II food aid for 1983-86, if one includes those approved in 1986-87, the proportion seems somewhat more significant (see Table 5). Whether this really reflects a tendency for the DCC Food Aid Subcommittee to continue to approve such individual agreements more readily on an ad hoc basis or not, however, remains to be seen. The recent Zimbabwe Round II agreement for a swap of U.S. wheat for Zimbabwe maize to be delivered to Mozambique, and that for a similar swap with Kenya represent a total of approximately 18,250 metric tons of wheat, or nearly two-thirds as much U.S. grain equivalent as the five prior agreements combined. However, this may be merely an artifact of the continuing Mozambique emergency rather than a reflection of changing opinions on trilaterals per se.

On the other hand, these approvals have been somewhat more swift, if one starts with the first request from the field, than were the first ones we examined in more detail in our case studies. We return to a discussion of approvals, the policy matters which underlie them, and the amount of time they take, at the end of this section.

Design

The Regional Food for Peace Officer/Lusaka provided us with a summary of design and implementation steps for trilateral transactions, as well as checklists for feasibility determinations on the Zimbabwe and Malawi Round I trilaterals with the U.S. and Mozambique. These seem to us to be well thought out, and to summarize some of the key points to be taken into account when designing and negotiating—and seeking approval for—trilaterals.

Step One: Approve in Principle

Under the heading of "Design Approval", is to "get DCC Subcommittee to approve the idea in principle, demonstrating a willingness to entertain the proposal of a trilateral". This assumes that there has been some prior assessment and/or formal analysis that has led concerned governments and USAID Missions to believe that a trilateral arrangement may be mutually beneficial to at least two countries, aside from the U.S.

TABLE 5

USG FOOD AID THROUGH PL 480 AND SECTION 416
FY 1981 - FY 1988
($ MILLIONS)

	FY 1981 a/	FY 1982 a/	FY 1983 a/	FY 1984 a/	FY 1985	FY 1986	FY 1987	FY 1988 h/
Title I	793.4	792.6	849.5	850.0	1,099.7 c/	988.7	928.9 f/	852.0
(of which Title III)	(91.9)	(123.0)	(139.4)	(98.0)	(119.5)	(117.0)	(87.0)	(95.0)
Title II	768.3	623.9	599.5	724.0 b/	1,060.0 d/	758.7 e/	534.1	535.0
Subtotal P.L. 480	1,561.7	1,416.5	1,449.0	1,574.0	2,159.7	1,747.4	1,463.0	1,387.0
Section 416	--	--	87.2	164.1	163.7	146.4	NA g/	NA g/
Food Security Wheat Reserve	--	--	--	--	91.5	--	--	--
Total Food Aid	--	--	1,536.2	1,738.1	2,414.9	1,893.8	1,463.0	1,387.0

(METRIC TONS) GRAIN EQUIVALENT (000)

Title I	3,869	3,506	4 133	4,466	5,636	6,070	6,290	5,900
(of which Title III)	(491)	(611)	(766)	(503)	(--)	(--)	(--)	(--)
Title II	1,803	1,804	1,950	2,241	2,978	2,344	2,163	1,900
Subtotal P.L. 480	5,672	5,390	6,003	6,707	8,614	8,414	8,453	7,800
Section 416	--	--	90	179	199	293	650 g/	650 g/
Food Security Wheat Reserve	--	--	--	--	292	--	--	--
Total Food Aid	5,672	5,390	6,173	6,886	9,105	8,707	9,103	8,450

a/ P.L. 480 based upon Congressional Presentation figures.
b/ Title II level includes $90 million of $150 million CY 1984 supplemental for African emergencies.
c/ Title I level includes $175 million supplemental of which $90 million was transferred to Title II for African emergencies.
d/ Title II level includes $90 million transfer from Title I supplemental (see footnote c/), $60 million of $150 million CY 1984 supplemental for African emergencies; and $260.3 million of obligations from CY 1985 $400 million African supplemental.
e/ Title II level is derived from a base budget of $650 million plus $139.7 million carryin from CY 1985 African supplemental minus $27.95 million resulting from Graham-Rudman legislation and a $3.0 million transfer to Title I.
f/ Includes a $94.2 million transfer from Title II.
g/ Future year cost estimates not available for Section 416, however, legislation mandates tonnage level.
h/ FY 1988 Congressional Presentation.

This assessment, in turn, is likely to have been based on a number of assumptions. These assumptions focus on: disposable surpluses in one country and complementary deficits in another country in the same region (for another region which is accessible in terms of transport); the availability of reasonable transport possibilities; an estimation of how long it would take to mobilize the two developing country governments to agree to such an arrangement; whether or not there is an available institution—probably a PVO—to act as facilitator and freight forwarder; and, finally the appropriate ratio between U.S. commodities and exporting country commodities that would be swapped under the proposed arrangement. These kinds of assumptions are spelled out and listed as items to check in the checklists presented as Figures IV and V below.

In fact, when we go back to the case study narratives, we find that there were a number of policy considerations entering into the initial calculus behind each of these trilateral transactions at the field level. These policy considerations include but are not limited to: producer price supports; subsidies to parastatal marketing boards; excess currency implications for the U.S.G.; competition among surplus-producing "friendly" countries in the region, and problems associated with monetization apart from excess currency considerations. Of these, perhaps only the issue of competition among those surplus-producing countries having good relations with the U.S.G. is unique to trilateral transactions as opposed to bilateral ones. The potential for political benefits of trilaterals in terms of U.S. relationships with the exporting country seems to be one of the few aspects of such transactions that is rarely questioned.

Step Two: Identify Participating Countries

Assuming, then, that these policy and practical concerns have been assessed, and the DCC Subcommittee is seen by A.I.D./W to be at least potentially favorably inclined, what is the best way to continue with the design process? Returning to RFFPO/Lusaka's list, the next step is to identify the third country or countries to participate. This may seem somewhat odd—why would one be proposing a trilateral arrangement without first having identified these countries in advance? In fact, as the case studies show, there was a great deal of time spent deciding, and communicating about, which countries should participate in Round I in Southern Africa once the basic idea of a trilateral had been broached.

As we see in the case study in Annex B, quite a bit of political pressure was exerted from time to time during this process to ensure that Malawi would be included. Similarly, in the more recent Kenya-Mozambique approval, cost and timeliness alone were certainly not the only criteria involved in the eventual selection of Kenya over Zimbabwe. Malawi did not want to participate in Round II, otherwise, the competition and political trade-offs might have been even greater.

For the West African cases, the focus of political concern in country identification seems to have been more on the intermediary or exporting country that was chosen—Ghana—rather than on an array of possibilities. In all four cases, the recipient countries seem to have been somewhat less relevant from a decision-making point of view since, by precedent, only Title II emergency food aid recipients could be chosen. In all four cases, solving the exporting countries' problems was at least as critical to the

FIGURE IV

TRIANGULAR EXCHANGE: MALAWI/ZIMBABWE—USG

CHECK LIST FOR FEASIBILITY DETERMINATION—MOZAMBIQUE

1. Review results of Tuck assessment of immediate food needs to determine whether or not triangular swap is needed, and can be justified solely on the basis of unmet emergency requirement.

2. Verify that GPRM has no objections to maize from Malawi or Zimbabwe; determine whether they have strong feelings about the choice of the supplying country. If there are any perceived problem, determine to what extent these should influence decision making re: our choice of countries to supply the maize.

3. Make a determination on whether or not the GPRM is willing to make the (what is probably extra) effort to be very cooperative and businesslike, to minimize snags that could wreck the whole deal, or cause significant implementation problems.

4. Make a determination on whether or not bringing maize in by rail (to Maputo, Beria or both) would create significantly more documentation/logistics/internal coordination problems within Mozambique than would sea delivery: i.e., can they handle rail receipts as effectively as sea receipts, and if not, is the difference significant.

5. Does the MIC have the ability to adequately determine (tally and collate) what is received ex-rail wagons? Or is there a good chance that receipt figures will be confused to such an extent that there will be unpleasant differences of options, which are the results of poor record keeping by MIC and which could lead to claim/counter claims? If the answer to the second questions is "yes" is the MIC amenable to an independent surveyor, and will they agree to accept his finding provided there is no prima facia evidence that these findings are flawed.

6. Is the MIC amenable to all three parts agreeing on a method for reconciling any differences of shipment/receipt figures? (For the bilateral part, a tolerance of plus or minus 2% is standard practice, and the GPRM will probably not complain about plus or minus 5% (1,000 MT), so that is not problem. But,if we find ourselves in a situation where Zimbabwe says it shipped 20,000 MT, and the MIC says we got only 19,000 somebody has to pay. Will the MIC agree on a reconciliation methodology and be helpful?)

7. Can MIC agree with the supplying country's Marketing Board on who is to do what, and will MIC clear the way bureaucratically for the shipment to come in and be unloaded as expeditiously as possible: i.e., determine whether MIC can and will truly, meaningfully, and actively cooperate and coordinate to the extent possible to smooth the way for the transport.

8 Will MIC high level decision makers, and other appropriate GPRM officials be willing to travel to Zimbabwe or Malawi to meet with supplying country representatives and USAID, or receive such visitors here for the purposes of agreeing on all details?

9. Has a political risk/vulnerability assessment been done by USAID and/or Embassy to give at least an amber light to proceeding with these arrangements?

FIGURE V

TRIANGULAR EXCHANGE: MOZAMBIQUE—MALAWI/ZIMBABWE—USG

CHECK LIST FOR FEASIBILITY DETERMINATION—ZIMBABWE

1. Review results of Tuck assessment of immediate food needs in Mozambique to determine or not triangular swap is needed, and can be justified solely on the basis of unmet emergency requirement.

2. Determine if Zimbabwe can deliver faster, cheaper and with more guarantees the quantities desired to the points desired, than Malawi can (technical criteria).

3. Verify independently GMB's ability to deliver food to Maputo through rail system, by querying RSA, SATS, and the freight forwarder. Also, get a reading on how much muscle the GMB can bring to bear on the timely delivery issues vis-a-vis Zim RR and SATS.

4. In light (2) and (3) and other considerations (political) that may be important, identify Zimbabwe as the (or one of the) supplying country (ies).

5. Determine if we can expect that the GMB's performance and cooperation will be such to minimize problems, and contribution to finding timely and rational solutions to the problems that do arise.

6. Determine why the pipeline of maize in Zimbabwe (U.K., Japan) has not been delivered.

7. Determine whether or not Zimbabwe is willing to cooperate fully with the GPRM, and an independent surveyor, to reconcile the receipt documentation.

8. Determine whether GMB and the GOZ will be willing to travel to Maputo to work out arrangements, or receive the Mozambicans and USAID in Harare for the same purpose.

9. Agree upon a method for determing the liability of the parties re the maize shipment, dealing with insurance considerations. Explore performance guarantees, and their implication on the Mozambique side of the border.

decision to organize a trilateral arrangement as was the emergency deficit situation in the ultimate recipient countries. Put somewhat more elegantly, the developmental concerns were, indeed, at least as important to these transactions as were the food aid and humanitarian concerns.

Step Three: Identify an Intermediary Organization

Where an intermediary is likely to be required, this is the next step after country selection. The two may, obviously, be related, since not all PVOs that are experienced in Title II emergency food aid logistics are active in all countries. In fact, in Southern Africa, the question of exactly where World Vision actually had offices and staff in the region became a serious—and ultimately determinant—issue in terms of their being selected to act as intermediary the second time around. As a result, if there is a Round III, they will be likely to have positioned their staff and resources closer to the administrative/governmental source in Mozambique than was the case last spring.

Conversely, in the West African cases, the fact that World Vision was selected in addition to other PVOs, parastatal organizations, and Marine Overseas Services (MOS), related more to their presence in the exporting country, than, their relationships in the recipient countries.[11] They did, however, express a willingness to start a feeding program in Mali.

One of the most interesting areas that was not included in the scope of work for this study is, in fact, the whole matter of selection, actions, and payment of PVOs in these and other Title II activities. Since the use of PVOs is mandated by the minimum tonnage provisions of the PL 480 legislation, this becomes potentially as salient for trilateral as for bilateral transactions, depending on when the agreement is approved and negotiated. While it is not appropriate to explore this set of issues here at length, we do wish to note that some basic standard of comparison should be established if the pro's and con's attributed to trilateral are as much conditioned by the behavior of PVOs as was the case in West Africa.

Step Four: Amend Intermediary Organization's Country Agreements

A subsidiary step is to ensure that all amendments or updates to any relevant existing country agreements for the selected PVO(s) are taken care of, so that such agreements will allow for trilateral transactions.

Step Five: Define the Barter and Allocate Costs

This is when the Missions involved work out in detail with the third countries what they will supply, where, who will pay freight to where, of the surplus commodity to be exported and swapped for the U.S. commodity.

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11. At some points in our data gathering on these trilaterals, it began to appear that there were so many indigenous and expatriate organizations involved, that A.I.D. was at risk of having paid twice for all the freight forwarding, transportation and facilitation involved in the two trilaterals in question. As will be seen in the annexed narrative, it is still not certain whether some duplication of payment did not actually occur (see Annex D).

Step Six: U.S. Costs

The sixth step is the same, but for the transport of the U.S. commodity to be received by the exporting country. Here, consensus may be reached at the field level, but the ultimate arrangement may be reworked or completely changed when approval to conclude the agreement is given by the DCC, since there are a number of aspects of the Title II legislation and attendant regulations that enter into play, especially the requirement that a particular proportion of ocean freight for the program as a whole in any given year, to be shipped in U.S. bottoms ("cargo preference").

Thus, if a trilateral is being negotiated early in the fiscal year, it is more likely that it can make a better deal on the ratio of the swap if it offers to pay ocean freight or inland freight, for example. But such negotiating strategies may become of less interest to the CCC later in the year, if the U.S. bottoms quota has not been met. That is, sometimes it is in the interest of the U.S.G. to make a more expensive rather than a cheaper deal, although it is to be hoped that what is spent on the freight will be made up in other aspects of the agreement.

Step Seven: Establish Consensus on all Terms

Here, the point is to get consensus from all parties at the field level for the trilateral arrangement, given that all prior steps have been accomplished. We may note that this is probably an iterative process, not once for all. Here, we are including the agreement of the PVO, although in some or even most instances, this will also involve approval from the PVO's headquarters in the U.S. or Europe.

Step Eight: Obtain Formal AID Approval

This step is crucial—"send in proposal to A.I.D./W...detailing all the arrangements...that have been informally agreed upon, and suggesting language for the Transfer Authorization (TA) and the letter(s) of agreement (LOAs) to be signed with the third country(ies)". (RFFPO/Lusaka, n.d.)

Step Nine: Finalize Barter Terms of Trade

Next comes the critical question of determining how much of the U.S. commodity (wheat, etc.) is to be supplied to the third country(ies) and under what conditions, on the basis of some predetermined criteria. This is usually referred to as the "ratio", but more properly should be called the barter terms of trade. As trilaterals in the Southern Africa region have followed one upon the other, later ones have clearly benefited from prior examples, and there is increasing competition among USAID Missions and their host countries to become involved as supplier countries in trilaterals.

Step Ten: Obtain Formal DCC Approval and Sign Agreements

Obtain DCC approval for the program, and the TA and LOA(s) language. If this is achieved, the next step is to sign the TA and LOA (s), and ensure that the PVO intermediary, if a party to the agreement, is protected by appropriate documentation.

Negotiation

Our data are better for the negotiation of the Southern African trilaterals than for those in West Africa. As we have seen, it took about fourteen months for the DCC to approve Round I. After that, negotiations with the respective exporting countries took relatively little time. To quote the Mission's self-assessment for Malawi:

> "All parties entered negotiations for the agreement with enthusiasm. The GOM was pleased to have the opportunity to reduce what at that time was a surplus of close to 100,000 MTN of maize above its strategic reserve of 180,000. World Vision International was anxious and hopeful that Malawi would be able to deliver the food to points in Mozambique's Tete Province...that were hard to service from other points within the country. A.I.D. wanted to assist Malawi and to determine if Malawi could be an efficient source of servicing these areas in Mozambique and assess whether or not the GOM's system could respond to this challenge. The negotiations were held in a very collegial and efficient manner. GOM officials demonstrated a high degree of professionalism in working out the details of the exchange agreement on a range of matters from calculating the maize for wheat ratio to working out the details of payment and shipping cost reimbursement procedures. No significant problems were encountered in the negotiations and this stage of the program was generally implemented very smoothly." (Lilongwe 01039)

According to the cable traffic at the time, USAID/Malawi's Director and the RFFPO met with ADMARC to begin negotiations on April 30, as authorized by Washington. Negotiations were reported concluded in a message dated June 5, 1986, and suggested language for the letter of agreement was provided. There was then almost a month during which exchanges followed among the concerned A.I.D. Missions and the RFFPO and A.I.D./W about the wording of the agreement. Final language was suggested in Lusaka 3189 in early July, and the final agreement was signed at the end of the month.

These were characterized as "long negotiations" in a subsequent cable from A.I.D./Maputo, probably referring to the whole approval and negotiation process (Maputo 3252, October 22, 1986). When the negotiations themselves are considered alone, they seem relatively quick, as is argued by the Malawi Mission.

In the Zimbabwe portion of Round I, the formal recommendation for a 10,000 ton trilateral came from Maputo in mid-April (the start-off date, in a sense for the Malawi trilateral as well). World Vision presented its operational plan for 10,000 tons on the same date. This plan subsequently had to be revised, when it became clear that 3,000 tons were to originate in Malawi. The revised plan was available May 7, the date on which the 7000/3000 ton split was approved in Washington. USAID/Zimbabwe and the RFPPO were ready with a cable with proposed language for the agreement. Amended proposed language was sent to Washington in Harare 2264 on April 21. The positive response came back from Washington in State 171219, dated May 31, and the agreement was signed on June 13. This seems to be, again, a quite expeditious procedure given the types of delays that are necessitated simply by the exchange of cables between Washington and the field. What is even more impressive, however, is the fact that deliveries began on June 19 from the GMB to World Vision.

As a point of reference, we may note that in Round II, the turn around time from DCC approval of the transaction on December 24 through signature of the agreement on February 20 is only about six weeks. Thus, in none of these three instances does negotiation appear to be a significant bottleneck in the trilateral process.

For the West African trilaterals, the relevant period is April 12 to June 21, when the subsidiary transport agreements were finished for Burkina Faso and Mali. These seem to have been negotiated as essentially one transaction from the U.S. and GOG points of view, despite the fact that there were two different recipient countries.

Implementation

There is evidence that implementation has been smoother in the most recent transactions, if one takes as examples Rounds I and II with Zimbabwe. In both cases, all the maize has been dispatched quite quickly—and with a minimum of difficulty—even though during our visit to Harare, there were complaints from WVRO that the GMB's system was becoming overloaded given commercial sales of surpluses, and a variety of trilateral arrangements with other donors, including the WFP.

Looking back at the two trilaterals with Ghana, it is clear that there were a number of obstacles to smooth implementation. Obstacles arise where the arrangements are too complicated, either because they involve too many players, and/or because the logistics that must be designed and followed-up are more convoluted than would be the case with "regular", bilateral food aid. The adage "keep it simple, stupid", as USAID/Ghana was advised, would have been advice well taken, given the benefit of hindsight.[12]

Once implementation begins, the U.S. country team in the exporting country theoretically has relatively little to do, especially where a U.S. PVO is the intermediary responsible for taking title to the commodities and transporting them to the recipient country government and/or to the end-users in the recipient country. As one such A.I.D. official put it when asked why he was not sometimes more helpful to local staff of such a PVO in resolving problems, "this is what the PVO is supposedly there for in the first place". In reality, however, in at least two of the cases examined, exporting country USAID/Mission staff did considerable monitoring and follow up.

In Zimbabwe, despite the fact that World Vision was virtually a party to the agreement in Round I, the Mission Agriculture Officer and his Assistant kept in close touch with the Grain Marketing Board, with World Vision, and with relevant Ministry of Agriculture and other GOZ officials, to make sure that deliveries took place on time, that local currency funds contributed by the GOZ to WVRO were made available on schedule. It is worth pointing out that there was considerable enthusiasm within the Mission, as well as on the part of the GOZ about the trilateral, and that relations are traditionally good between the Mission and Ministry of Agriculture entities.[13]

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12. In its cable commenting on the draft of this report, REDSO/WA points out that had the port congestion problems been solved at the time the food was needed, bilateral arrangements would have been cheaper (Abidjan 11977, May 18, 1987).

13. USAID/Zimbabwe staff point out with some pride that part of the Round I agreement was that the GOZ would contribute about Z$ 290,000 from local currency sales proceeds of prior PL 480 agreements to support WVRO's costs in transporting and delivering the Zimbabwe maize to Mozambique. This was seen as a gesture from Zimbabwe to its neighbor and fellow member of SADCC, and as an indication that the GOZ was really a full partner in the agreement.

In its case study narrative provided for this study, USAID/Malawi assesses its own performance somewhat sternly:

> "USAID/Malawi Performance: As the Mission's first tripartite program, our retrospective observation is that this Mission should have realistically expected to assume much more of the implementation and follow-up responsibility than it did. At the time the program was concluded the Mission did not have the staff resources to provide monitoring and backup support to the implementing agency. The lack of frequent Mission follow up in the early weeks of the program no doubt also contributed to delays in program implementation." (Lilongwe 01039, March 11, 1987).

In discussions about the Malawi portion of Round I, World Vision staff based in Harare indicated that they had traveled to Malawi numerous times in order to try to free up the bottlenecks that were causing severe delays in maize deliveries. As the Mission points out, one of the problems was whether or not there was any one to talk to at ADMARC, the Malawian grain marketing organization. Just after the agreement was signed (July 24, 1986), ADMARC and WVI concluded a delivery schedule and worked out the logistics for delivering the maize to agreed points in Mozambique. Just after that, however, there were significant management changes made at ADMARC, and the organization was "virtually in limbo". (Ibid.) There was nearly a three-month delay before deliveries began. The Mission indicates that this was a sort of blessing in disguise, as the Movimento Nacional do Revalucas' (MNR) insurgents took over the areas into which this maize was to have been shipped in the interim. This allowed alternative delivery points to be determined, and only 60 tons were lost to the MNR all in a single shipment.

World Vision, on the other hand, points out that had the initial approval process not taken so long, the MNR would still have been at staging points in Malawi, and not where the deliveries were to be made in Mozambique. This matter of the insurgency in Mozambique cannot be ignored in assessing implementation of Round I trilaterals. Which countries in the region were really supporting the MNR, or at least were seen to be doing so by the GPRM, is also an important factor for understanding the context of implementation.

Strictly speaking, there would have been no Round I if there had been no emergency in Mozambique, and there might not have been an emergency in Title II terms but for the MNR (Renamo) insurgency. Further, one reason why Malawi was included more or less toward the end of the whole Round I approval process is alleged to have been the earlier refusal by the GPRM to accept maize from Malawi since it was giving shelter to the MNR. Certainly, the presence or threat of the MRN insurgents has added significantly to the real transport costs of Zimbabwe and Malawi maize, since trucks must go in convoys, and the GOZ pays large sums to provide military personnel to accompany shipments on the railroad and on trucks through the Beira corridor.[14]

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14. Also, it is worth noting that because of the insurgency ("Civil Strife") conditions, the U.S. Ambassador to Mozambique has severely restricted in-country travel by official Americans. This has hampered efforts of the A.I.D. office in Maputo to follow up on deliveries and end use. Rather, they have relied more heavily than might otherwise have been the case on the reports of CARE, who are assisting the DPCCN (Department for Prevention and Control of Natural Calamities of GPRM) and WVRO. This, in turn, has contributed to hard feelings, since AID/Maputo's staff feel that World Vision/Mozambique should have staff located in Maputo as well as in Tete City, and not in Harare, as was the case when the team visited Maputo. Since World Vision is billing A.I.D. only $33,000 out of a total project management cost of $100,000 for "project management - Maputo" and does have staff where deliveries are being made, this seems a moot point—again, given the insurgency.

Implementation lessons for cases in which there is no intermediary PVO can be assessed only indirectly here, through the beginnings of Round II involving Zimbabwe and Mozambique. From WVRO and A.I.D. comments alone, USAID/Harare is able to deal well with GMB, and GMB is able to be more efficient as an exporter since it is part of the GOZ. World Vision, both on behalf of A.I.D. and on behalf of other donors, had been experiencing considerable difficulties in obtaining clearances from the Central Bank, and other concerned bodies, in order to continue exporting relief grain from Zimbabwe. These problems disappear for the GMB, as a GOZ entity.

From what we have learned since our field visit, deliveries have been going smoothly under Round II, in which they are consigned to GPRM agencies (Harare telex, April 16, 1987). We are not able, to assess the quality of implementation for this trilateral once the grain is consigned to the GPRM given the timing of our study. Since CARE has been working with the DPCCN for some time, it is likely that DPCCN is able to achieve delivery readily, especially since this maize is for feeding in the Beira area, and thus does not have to be moved far within Mozambique.

For the West African trilaterals, the case study provides a number of examples of problems in implementation some of which may be attributed to problems in design already alluded to. The FFP Officer in USAID/Ghana indicated that he had spent about six months on the work leading up to the trilateral, whereas he spent very little time when he was dealing with a bilateral arrangement, but we are not clear on how much time he had to spend monitoring implementation. On the recipient country side, there were a number of actors
and agencies involved as has been noted in the case study. Transportation and freight forwarding was done or facilitated by so many organizations it is hard to reconstruct what really happened. Nevertheless, the relief maize did reach the end-users at the agreed-upon points in the recipient countries.

Washington Approval

What remains to be discussed is the matter of the approval process which pre-dates the negotiation process. Here we will try to discuss both the facts as they are available to us, and the perception of those facts by the A.I.D. field Missions, as well as the recipient and exporting country governments that became involved in approved trilaterals.

The Fact Situation

We have seen earlier that in the case of the Southern African trilaterals, the ultimate decision to approve the proposal went up to the level of the Administrator of A.I.D. and the Under-Secretary of Agriculture. This occurred only six months after the Ghana arrangements had been approved with what seems to have been little problem. The main reason for the difference seems to be that Mozambique is a Marxist country, and the idea of providing that government with U.S. food aid, even in emergency conditions, was not popular with a number of people in the U.S. Congress, as well as in the Administration.

Available documentation indicates the following decision-making benchmarks:

- September 26, 1985 - DCC asked to approve the two trilaterals in principle;

- October 2, 1985 - FVA/FFP attempts to avert USDA sending a letter from the Under-Secretary to the Administrator of A.I.D. strongly arguing against any further trilaterals;

- October 4, Letter from Secretary Amstutz received in A.I.D.;

- A/A.I.D. and Under-Secretary have lunch and discuss further;

- November 7, Letter from A/A.I.D. to Under-Secretary of Agriculture is drafted following luncheon discussion;

- March 21, 1986, A.I.D./W proposes FFP/W Pearson and OMB/G Moser travel to region;

- April 2, 1986, Visit by Pearson/Moser;

- April 15, DCC approves 10,000 M.T. trilateral; and

- May 7, 1986, A.I.D./W cables field that 7000/3000 ton split in the proposed 10,000 M.T. trilateral has been approved, including Malawi as well as Zimbabwe.

The issues as presented by the USDA in the Under-Secretary's letter to the A/A.I.D. were expressed this way:

> "I wish to iterate [sic] that the Department of Agriculture does not believe that PL 480 is an appropriate tool to use to help other countries find markets for excess production. The Department of Agriculture views the use of PL 480 resources in tripartite barter arrangements as appropriate only in exceptional emergency cases after careful consideration by the DCC Working Group.
>
> In the Department of Agriculture's view, PL 480 authorities are not intended to relieve surplus supply situations in other countries. The PL resources are designed to support development efforts based on the direct use of U.S. agricultural commodities which remain in a surplus situation causing severe problems in the U.S. farm sector. Furthermore, experience in implementing and monitoring such arrangements demonstrates that these arrangements are more difficult to undertake successfully than bilateral programs. Tripartite arrangements often result in disputes concerning commodity quality, condition or other aspects which cannot be provided for within the framework of PL 480 agreements and regulations". (Amstutz-McPherson, October 4, 1985)

The draft response from Administrator McPherson, after the lunch discussion, was a careful statement of the A.I.D. arguments most likely to appeal to interests represented by the USDA:

> "One major reason for the U.S. to support a tripartite barter arrangement is the development of a new market for U.S. grain such as wheat or rice. A good example of this kind of arrangement is the proposed Zimbabwe-Malawi-Mozambique trilateral barter proposal.

In these three countries, demand for wheat totals about 450,000 metric tons annually, while production is about one-half this level. This production-consumption gap is likely to become larger as demand increases rapidly with urbanization, rising incomes, and increased foreign exchange earnings. Local production, however, will not grow as quickly. The proposed emergency trilateral arrangement, which would provide 43,000 MT of white maize from those countries to Mozambique, presents a unique opportunity for USDA to enter the growing wheat market in the southern Africa region.

In addition to emergency programs, such as the one described above for Mozambique, there may well be regular Title I or Title II tripartite barter proposals which USDA would wish to support for market development purposes. In the long run, A.I.D. and USDA share a common interest in using all possible mechanisms to support economic development and trade approaches based on comparative advantage. These approaches will result in increased trade with an expanded role for U.S. exports to Third World trading partners. Thus, we believe that the DCC should have a measure of flexibility to approve on a case-by-case basis both emergency and non-emergency tripartite barter proposals which strongly serve U.S. interests." (Draft McPherson-Amstutz, November 7, 1985)

What seems to have broken the logjam was the trip of Pearson and Moser to the region, during which they visited Zimbabwe, Mozambique and Kenya, but did not, in fact, visit Malawi as originally planned. Their reading of the emergency situation in Mozambique, combined with their discussions with local A.I.D. and host government officials appears to have convinced them of the value of the trilateral transactions requested by the field. Shortly after their return, the 10,000 ton trilateral was approved. To the extent that OMB had been against the trilateral proposal along with USDA, Moser's participation in the regional visit appears to have been crucial to the ultimate approval by the DCC.

While such visits are often extremely useful, they are also somewhat high-risk for the Missions in question, since the visitor may not come away with the impression the Mission wishes to convey for reasons completely out of its control. Still, in this case, it seems to have worked superbly, as did a subsequent visit to the region by the A.I.D. Administrator.

Developing Country Perceptions

Such visits by American officials to the field may also prove to be more persuasive than visits of host country officials to these same persons in Washington. The Permanent Secretary of Agriculture of the GOZ indicated that when he spoke with senior officials in Washington trying to generate support for Round I, given the success of the Zimbabwe-Zambia transaction, he was certain that policy had changed, although no one would tell him this directly. Where as reception of his arguments had been quite warm on an earlier visit, there was a distinct coolness the second time around. He concluded, as he told us, that there was a stronger lobby against such transactions by the time of his second visit.

The GOZ has been very positive about both trilateral transactions and actively seeks a third round with the U.S.G. In Ghana, the trilateral produced the most spectacular gains for the U.S.G., particularly from a foreign relations perspective. It was emphasized that prior to the 1985 trilateral, Ghana-U.S. relations were, if not strained, certainly only lukewarm. The trilateral produced results because of the financial gains to the Ghana Government in foreign exchange savings, reducing surplus maize supplies, refurbishing a large part of the national truck fleet, producing profits to the GFDC, and reducing the cedi balances in U.S.G. accounts. It was also clear, when talking to Ghanaian officials, that there was a degree of satisfaction in having been able to be a partner in assisting their neighbors. Both U.S. and Ghana officials noted that relations had improved a great deal after the trilateral. Whether or not that improvement was worth the cost, or could have been obtained at a lesser cost, must be answered elsewhere.

Various people interviewed in the region—although not in Malawi itself—indicated they felt that the GOM was fed up with the whole thing by the time the trilateral was finished, and that this is why USAID/Malawi did not make a strong case to be included in a potential Round III. We have no evidence that this is the case, however.[15] We were unable to visit Malawi to interview GOM officials, and the Malawi case study doesn't provide much information in this area.

The Government of the Peoples' Republic of Mozambique, represented by the Director of International Operations in the Ministry of Commerce, indicated strong GPRM support for trilaterals because of the sense that they "help rationing and distribution within the region". He also indicated that, if the GPRM had the money to purchase cereals in the region, they would certainly buy from Zimbabwe and/or Malawi, because to do so is easier, nearer, cheaper and supports regional initiatives. However, he indicated that hypothetically, if the money were available, and if U.S. yellow corn were offered on favorable concessional terms, the GPRM would buy from the U.S. In the same conversation he pointed out that the GPRM has had to stop its PL 480 Title I program and will have to begin paying for the earlier Title I commodities next year at the rate of $1 million a year. They owe $498,000 interest on the more recent Title I agreements as well. He mentioned IMF and World Bank strictures currently in place, and indicated that Title II was certainly easier for them in the present circumstances since it is simpler to arrange, the commodities are donated, and the ocean freight is paid for.

USAID Missions' Perspectives

Here, we have rather more evidence given the extensive cable traffic that reflects the exchange of views to and from the field. We made the point earlier that in Southern Africa, at least, Round I of the trilaterals with Zimbabwe (and ultimately Malawi) seems to have been basically a field initiative, one in which the RFPPO and the USAID/Zimbabwe Mission Director took the lead, but which also involved other posts in the region in a fairly intensive dialogue.

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15. Our data for the 57 perceptions of officials of the GBF and GRM are poor as visits are very brief.

All of the Missions involved in the Southern African trilaterals have been positive about their merit in developmental and humanitarian terms under emergency food aid conditions, but also under other conditions. Even A.I.D./Maputo, while pointing out with some asperity how long the approval and negotiation process took, supports the trilateral approach in principle. USAID/Ghana staff stated that they were "overwhelmingly positive on the overall barter program even though it took a great deal of time and patience to negotiate", and that they "considered the barter agreement a very positive achievement and were pleased with the outcome".[16] Division staff in Mali and Burkina Faso did not seem to be nearly as involved as was AID/Maputo, for example. Perhaps this is because the regional dialogue that took place in Southern Africa among the Missions did not have an analogue in the West African case.

One thing on which all field posts seem to agree is that there should be a definite policy and/or guidelines for trilateral transactions. As USAID/Malawi put it in the cable prepared for this study, and as the Representative in Maputo put it to us during an interview, the hope is that there will be a policy, and that it will be made clear to the field:

> "...USAID/Malawi believes that A.I.D. would be well advised to further develop and refine its trilateral food aid policy. An important consideration in this regard is the need to establish as clear U.S. policy, part and parcel of our economic development assistance strategy, the practice of using tripartite arrangements on a routine and not exceptional basis when it makes sense to do so. It is noteworthy that, despite several precedents, because of the lack of a clear policy regarding tripartite arrangements it required almost nine months for AID and USDA to agree to proceed. Additional time was then required to clear texts of trilateral agreements. Obviously the potential for using the tripartite mechanism would be considerably enhanced if a policy and procedures were established. Again in this regard the Southern Africa region offers an opportunity for use of trilateral food aid programs as a development tool." (Lilongwe 01039)

The A.I.D. Representative in Maputo pointed out that the country experiencing the emergency is caught in the middle, waiting to find out whether a trilateral proposal has been approved or not. By the time the answer is available, as he put it, it will be too late either for the commodities to be shipped directly from the U.S. in time or for them to be available for delivery from the proposed neighboring exporting country.

The Representative also made some interesting points about the ways in which trilaterals could be integrated into other A.I.D. activities in a country like Mozambique, even under emergency conditions. Here, he was primarily discussing the implications of unprogrammed the large amount of local currency that A.I.D. and other donors currently have in accounts. His suggestions included assisting the GPRM to improve its financial management and control over its own financial situation and future by insisting that in any future trilateral, the GPRM be a party to the agreement, and pay the exporting country—or at least reserve the medecais (currency of Mozambique) for such a payment—up front. Since the A.I.D. program consists of a CIP aside from food

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16. (Accra 03429).

aid, this kind of approach to the local currency problem may make considerable sense. The outcome, however, must await the results of a local currency study that was requested by A.I.D./W.

An equally interesting suggestion was put to the study team by a representative of Lonhro in Zimbabwe, on behalf of the commercial farming interests. Here, the principle was to use the trilateral model to help get U.S. wheat to Zimbabwe, to draw down on Zimbabwe maize surpluses, but also help Zimbabwe to mitigate the foreign exchange constraints it is currently experiencing. Thus, the suggestion was to combine the best features of a trilateral swap and a CIP. By trading maize for wheat and U.S. agricultural equipment, Zimbabwe was helping to support what was believed to be U.S.G. private sector orientations, and sweetening the deal for the U.S. by importing more U.S. equipment. This effectively created a market in the region, while at the same time avoided the necessity of using scarce foreign exchange. These ideas give an indication of the extent to which A.I.D. officers, host government and private sector individuals in Southern Africa are interested in seeing the further use of trilaterals contribute to other developmental objectives. Where the surplus conditions are right, it is likely that a good deal of creativity might be applied to the developmental use of the trilateral mechanism, once A.I.D. and the DCC can agree on the appropriate policy guidelines.

IV. CONCLUSIONS AND RECOMMENDATIONS

General Conclusions

1. The cases examined show that trilaterals can be at least as timely as "average" bilaterals, but may also be slower where logistics are too complicated and the food must be transported over long distances by truck. Where civil strife is the cause of the emergency which justifies the aid, (e.g., Mozambique),these constraints are likely to be most severe, although traditional intra-regional trade barriers can be as constraining, as was the case in the U.S.-Ghana-Mali transaction. Participation of a PVO may be a help or a hindrance, since in some cases, where export policies in the intermediary country are very inhibiting, the government marketing agency may be able to meet export regulations more readily than the PVO, as was the case in Zimbabwe.

2. The cost-effectiveness analysis carried out indicates that the cost to the U.S.G. of trilaterals is usually greater than the cost of equivalent bilateral arrangements. This depends on the price of the commodity exchanged for the U.S. commodity (the barter terms of trade) plus transport of both commodities. In the Zimbabwe case study, Zimbabwe paid for the shipment of the U.S. wheat ex-Gulf, and was able to get cheaper rates than the U.S.G. would have paid given the cargo preference regulations of PL 480. Subsequently, however, the U.S.G. paid and additional $730,876 because of these regulations, making the cost of this trilateral artifically high. In the 1987 trilateral with Zimbabwe, however, the barter terms of trade seem at first less favorable since Zimbabwe asked for more wheat in exchange for covering the costs of shipping its maize to Mozambique. The Ghana trilaterals cost more than bilaterals since extra costs for intermediaries were covered by the U.S.G. in an attempt to ensure that the food would arrive intact under difficult conditions, and given high transport costs. The Malawi trilateral was less costly than a bilateral would have been despite high inland transport costs. Assuming increased experience in designing and negotiating trilaterals, as well as competition among potential intermediary countries such as Zimbabwe, Kenya and Malawi, the terms of trade are likely to become more favorable to the U.S.G., and the transactions, therefore, cheaper.

3. The concern about loss of donor identity under trilaterals appears to be largely misplaced. Despite labelling, the ultimate beneficiaries are probably unaware of the source of most donated food aid. There is no confusion in the minds of recipient government officials as to the source of assistance, however. It is clear that the U.S. gained considerably in improvements in relations with intermediary (and recipient) countries as a result of the trilateral transactions studied. It is at this level that there is much to be gained using the trilateral approach. Also, volume or quantity of donated food may be more readily adapted to end user needs and preferences under trilateral arrangements than is usually the case under bilaterals.

4. Trilaterals do not necessarily have an impact on infrastructure development. Such development may be fostered by trilaterals, as may be the case in Mozambique despite the insurgency, but systematic development can only result from infrastructure-oriented food aid projects such as those envisaged by the EEC and France.

5. The danger of trilaterals reinforcing government parastatal bureaucracies to the detriment of private traders is recognized. To date, most trilaterals have been in response to short-term, emergency deficit and surplus situations, and have sought to maximize short-term goals, such as speedy delivery of the aid being provided. Even so, private transporters have been used in the Ghana and Malawi trilaterals, and the emergency stricture were removed, more attention could be given to private sector marketing alternatives.

6. The impact of trilaterals on market share development has two aspects. First, the study analysis indicates that the negative impact of trilaterals on U.S. trade is marginal if any. In recent years, the total volume of food aid has not been sufficiently large to impact on world prices. Trilaterals as a portion of that volume are insignificant, and are likely to remain so. To the extent that food aid ties the recipient country to the donor and there are emerging markets for wheat in Eastern and Southern Africa, U.S. participation in trilaterals will keep the U.S. in the game where competitive exporters are already practicing trilaterals (Canada, Australia, the EEC). There is some risk that donors may bid up the prices of grain in surplus-producing countries if too many trilaterals or local purchases are made without coordination.

   The second aspect of the market development question is that of finding outlets for developing country production. In this regard, the fact that this production finds a market complements and reinforces the results of the significant funding of production projects that all donors have provided in recent years. The acquisition of real purchasing power on the part of farmers in these countries develops a potential market for U.S. products, including cereals, both for human and animal consumption.

7. Pre-design analysis can ensure that trilaterals support or reward positive policy changes in the intermediary country, in the context of on-going policy dialogue. Where food aid is commercialized in the recipient country, as in Mozambique, policy provisions can be associated with the use of local sales proceeds, as under Title I. These sorts of policy considerations can be more heavily stressed outside the context of Title II programs.

8. In none of the cases was the recipient country a party to the formal trilateral agreement. The arrangements with the recipient country were left to the PVO intermediary in most instances. A.I.D. officials interviewed strongly suggested that the recipient country be a signatory to future agreements, so that the matters of taking title, and coverage of costs can be clearly determined at the outset. This would also facilitate the use of trilaterals for policy influence in the recipient country, while helping to avoid misunderstandings after the fact.

9. For implementation, given the cases examined, government-to-government arrangements seem as expeditious or more so than some that involved one or more non-governmental organizations as intermediaries. Too many actors tend to complicate the logistics during implementation, and to make accounting and payment difficult. This is not, however, intrinsic to trilaterals.

Lessons Learned about Management of Trilaterals:

The following lessons are derived from our four case studies, all of which were approved and implemented under Title II emergency situations. They may apply, we believe, to an expanded arena for trilateral food aid that would not be restricted to emergencies, however.

1. Pre-design analysis, both in terms of the surplus commodity situation in the potential exporting country and of the deficit in the potential recipient country, should be done as expeditiously as possible, so that the basic fact situation can be relayed to Washington early in the design process. A second part of this pre-design phase should be an assessment of the policy leverage that may be available in each country as a result of trilateral negotiations. These must be carried out in the context of an on-going policy dialogue to be effective, however.

2. For design, once there is an initial indication that Washington may be sympathetic, the policy performance criteria for approval, the barter terms of trade, the points of delivery and all other logistical arrangement should be reviewed and determined. This should go on simultaneously with the potential exporting and recipient countries, and wherever possible, should involve private sector entities—grain merchants, truckers, freight forwarders, or others—so that there will be a positive impact on "normal" trade channels. This does not, however, necessarily mean that a PVO is the best channel for this kind of transaction especially if the Title II emergency limitation is removed for such transactions.

3. For negotiation, it seems that the case studies indicate relatively little that is surprising. The smoothest negotiations seem to have been those where the developing country government had been on board from the beginning of the discussion of a trilateral, and was pushing for such an arrangement as it would be to its own advantage. Whether Missions must take the time to cable back and forth suggested agreement language, and/or whether this needs to take as long as it sometimes does to attain final approval will depend on A.I.D./W staffing patterns and the perceived "normality" of trilaterals. If trilaterals increase in number and frequency, boilerplate wording can be developed.

4. For implementation, given the cases evaluated, government-to-government arrangements seem as expeditious or more so than those involving one or more non-governmental organizations, whether expatriate-based or indigenous. Too many actors tend to complicate the logistics and especially the payment and accounting process. This is not, however, something that is necessarily intrinsic to the trilateral sort of transaction per se.

5. Where more than one U.S.G. office must be involved in monitoring and reimbursement, such as AID/FVA/FFP, OFDA, and the appropriate Regional Bureau Development Programs Divisions, and in USDA and A.I.D., those responsible for shipping and accounting, there should be an attempt to organize compatible data gathering and retention systems, including with other donors.

6. Evaluations should be carried out of trilateral and bilateral programs that have innovative features, both those that are approved under emergency situations and those that are not. The possibilities for innovation, given A.I.D.'s current mandate to use food aid more creatively and to integrate it more fully into its country development programs provides a good opportunity for new thinking, and for developmentally sound mixes of food aid and dollars for programming. Some of these opportunities can be based on trilateral models, especially if problems associated with monetization can be resolved.

Recommendation

On the basis of the findings of the report it is recommended that the U.S.G. expand trilateral transactions, in line with the Executive Order signed by the President. This should be done within the framework of market development projects which are designed to encourage the production of indigenous cereals for supply to chronically deficit countries or regions while at the same time, raising the living standards of producers. This type of development would improve the purchasing power of producers, thus providing markets for developed country products over the medium term. Long-term development projects would allow careful design to encourage private trade participation and to reinforce rather than disrupt existing commercial networks. U.S. participation in this development process will ensure its ability to take advantage of market opportunities as they occur as well to exert an influence on the policies of recipient nations.

ANNEX A

STATEMENT OF WORK

The contractor will provide a report on trilateral food aid transactions as described under the "Purpose" section above, and will made a presentation of study results at an informal consultation among major food aid donors in the spring of 1987 in the Washington, D.C. area. The study will be prepared on the basis of independent research and analysis, existing program documentation, the academic literature, and interviews with officials experienced with tripartite agreements in the United States and selected European and African countries.

Specifically the contractor will:

1. Identify and evaluate the pro's and con's of U.S.G. trilateral food aid transactions from the perspectives of the U.S.G., the developing exporting country and the recipient country. Pro's and Con's might include the following among others:

   Pro's

   a. create additional effective demand and help develop agricultural markets in developing countries with agricultural surpluses;

   b. provide food commodities for beneficiaries consistent with their food production and consumption habits;

   c. promote the development of regional trading relationships;

   d. encourage investment in improved transport and logistics infrastructure in the developing countries involved; and

   e. reduce transport costs and delivery time.

   Con's

   a. promote developing country exports at the expense of U.S. agricultural exports;

   b. inhibit the development of regional trade that would otherwise occur;

   c. entail negotiations that are too complex and time-comsuming;

   d. incur more costs than bilateral food aid transactions; and

   e. lose the U.S.G. identity as the food aid donor among the beneficiaries.

2. Describe the U.S.G.'s past experience with tripartite programs.

3. Describe the policies and experience of other food aid donors most active in trilateral food aid transactions. This will entail visits to London, Paris and Rome.

4. Identify lessons learned from past U.S.G. experience in terms of program design, negotiations and management.

5. Examine the timeliness with which the U.S.G. can respond to a food aid request under a trilateral as opposed to a bilateral program.

6. Assess the recipients' perception as to who donated the food under trilateral programs. Does the U.S.G. lose its "identity" in such transactions?

7. Prepare a cost-effectiveness analysis of U.S.G. bilateral vs. trilateral food aid programs. The recent U.S.-Ghana-Mali, U.S.-Ghana-Burkina Faso, and U.S.-Mozambique-Zimbabwe programs will serve as case studies.

8. Assess the likely impact of trilateral food aid transactions on U.S. short-run and long-term market development objectives. Assess the likely impact on regional trade and economic development. Identify trade-offs between U.S. and regional market development.

9. Items 4 through 8 will entail travel to Ghana, Mali, Burkina Faso, Zimbabwe, Malawi, and Mozambique.

10. Recommend whether or not the U.S.G. should expand trilateral transactions, and, if so, how might they be improved in terms of design, negotiation, and management.

A suggested outline for the report is attached.

Personnel Requirements and Tasks

The contract requires four consultants as follows:

Food Aid Specialist (2)

The food aid specialists will examine past U.S.G. and other donor's experiences and policies regarding trilateral food aid transactions. They will identify lessons learned from past experiences with respect to the design, negotiation and implementation of tripartite programs. The food aid specialists should have had previous experience with U.S. food aid programs and should be familiar with PL 480 terms and policies.

Agricultural Economists (2)

The agricultural economists will prepare a cost effectiveness analysis of U.S.G. bilateral vs. trilateral food aid programs. They will also assess the likely impact of such programs on U.S. market development objectives and on the regional trade and economic development of the developing countries involved. One of the agricultural economists should be familiar to the U.S. agriculture "community" in Washington and have a good understanding of U.S. agricultural export policies and issues.

Both agricultural economists must be knowledgeable about commodity and non-commodity accounting issues that are likely to arise in undertaking the cost-effectiveness analysis and have experience working in developing countries.

Reporting Requirements

A draft report will be submitted to FVA/PPE within three months after the contract is signed. It is anticipated that the contract will be signed about mid-December, 1986. A final report will be submitted to FVA/PPE no later than 30 days after receiving A.I.D.'s comments on the draft report.

Timing

The preparation of materials and reports required under this contract will be completed within four months after the contract is signed.

ANNEX B

CASE STUDIES - WEST AFRICA - 1985

SUMMARY

On April 12, 1985 the DCC approved a proposal for a trilateral transaction in which the United States Government would provide 9202 metric tons of U.S. rice to Ghana[17] and in return the Government of Ghana would provide 15,000 metric tons of Ghanaian maize (corn) to be shipped to Mali and Burkina Faso.[18] Of the 15,000 metric tons of maize, 5,000 tons were to be delivered to Ouagadougou, Burkina Faso and 10,000 tons were to be delivered to designated places in Mali. A barter agreement was signed in Accra on April 25, 1985 to this effect.

Of the 5,000 metric tons for Burkina Faso, the first shipments arrived on July 12, and the last on August 3. The Ghanaian white maize was officially received by the Office Nationale des Cereals (OFNACER). After receipt, however, it was immediately transported to tne warehouses of PVOs (Private Voluntary Organizations) where it was directly discharged as follows:

Metric Tons	PVO
1,000	Red Cross (Croix Rouge)
3,015	Baptist Mission
984	Essor Familial

The grain was used by the PVOs to feed needy families in areas where they had established programs, and generally only low or nominal fees were charged to help defray the costs of transport within Burkina Faso.

Transportation of the grain to Ouagadougou was handled by the Ghanaian Food Distribution Corporation (GFDC), the Ghanaian agent for the barter trade, through a contract directly from A.I.D.[19] with subcontracts by GFDC to the Ghanaian State Transport Corporation (2,000 MTN) and The Progressive Transport Owners Association (3,000 MTN), a group of independent Ghanaian truck owners. The GFDC handled freight forwarding within Ghana and USAID/Ouagadougou contracted with SOCOPAO in Burkina Faso to handle freight forwarding beyond Ghana. A private marine surveyor was contracted with by USAID/Ouagadougou to inspect the condition of the shipments upon arrival. Internal transport in Burkina Faso was apparently the responsibility of the individual PVOs. Reports, for example, from the Baptist Mission indicate that they paid the internal freight charges. It is likely that at least a portion of this cost was funded under OFDA or other U.S. Government programs funds, but it is not included in the CCC costs.

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17. Transfer Authorization number 641-XXX-000-5603.

18. A number 688-XX-000-5622.

19. Contract number 641-000-C-00-5004-00 executed by the USAID Mission Director in Ghana.

The 10,000 metric tons of maize shipped from Ghana to Mali was also furnished by the GFDC out of Kumasi, Ghana. It was shipped to four locations in Mali: Ansongo, Bamako, Gao and Meneka, via Burkina Faso and Niger. The grain was consigned directly to a PVO, World Vision Relief Organization (WVRO)[20], who received the grain, inspected it and stored and then distributed the grain in Mali. The first shipments went out on June 6, 1985 and the last on November 23, 1985.

The shipment of Ghanaian maize to Mali was included in the agreement between USAID and the GFDC for the shipment of the maize to Burkina Faso.[21] The inland transport costs of the maize shipments to Burkina Faso were covered by a Procurement Authorization from A.I.D.[22] A separate agreement was established between World Vision and the GFDC to incorporate this arrangement, and World Vision paid the GFDC a fee for handling the grain in Ghana.[23] World Vision then contracted with Marine Overseas Services (MOS) to handle the shipment of the maize to Mali, which in turn contracted the shipment of grain to four points in Mali with Super Scientific Farms, Ltd. of Ghana. World Vision's direct cost, an internal transport cost between Bamako and Nioro for approximately 1,768 metric tons of grain, and freight forwarding costs through Burkina Faso and Niger, were included in a separate agreement.[24] The latter also included freight forwarding costs of Marine Overseas Services, Inc. (MOS).

BACKGROUND

The concept of a barter arrangement appears to have its origins in discussions dating to at least October 1984.[25] It was noted in a cable from Ghana[26] that discussions by the U.S. Ambassador date to the previous October. Later, in working notes apparently prepared by Bill Lefes on 1-8-86 it was remarked that the idea was developed in November of 1984 and serious consideration was given it in February of 1985. By December of 1984[27] A.I.D./W shows favorable interest and notes that FVA/FFP "has supported similar arrangements...which have proven to be successful in meeting African food needs and reducing U.S.G. costs."

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20. PA/PR number 899-950-XXX-5784 in the amount of $3,040,000, June 4, 1985.

21. Contract 641-000-C-00-5004-00.

22. PA/PR number 641-48-000-5701 in the amount of $677,000, June 28, 1985.

23. The fee was $3,.60 per m.t. as established in the USAID - GFDC contacted noted above.

24. PA/PR number 899-950-XXX-6784. This PA was issued in June of 1986 following requests by WVRO to cover additional costs incurred with the shipment, particularly the fees to MOS. This request was made in December of 1985, approved by the USAID Mission in Ghana in January, but because of various delays was not issued until June of 1986.

25. Memo from DAA/FVA Walter Bollinger to C/FFP Thomas H Reese III and DC/FFP Steve Singer, October 4, 1981.

26. Accra 02994, 26 April, 1985.

27. State 375790, December 21, 1984.

In late 1984 or early 1985 it was becoming clearer that a serious food shortage was developing in both Burkina Faso and Mali. CRS was requesting faster deliveries of relief food to Burkina Faso. A.I.D./Ouagadougou had requested 19,000 metric tons of sorghum. Of this, 7,000 metric tons were to be loaded in the U.S. in late January, to arrive in Lome on/a March 19. Two shipments of 7,000 metric tons and 5,000 metric tons respectively were called forward on January 15 to arrive in Lome in April. CRS had 8,790 metric tons of cornmeal and 525 metric tons of oil ordered in mid-February to arrive in May or June. A.I.D. suggested that Ouagadougou consider a barter arrangement with Ghana[28] to accelerate deliveries of food aid.

Meanwhile, the Mali situation indicated that there was a deficit of 230,000 metric tons of cereals of which the U.S. and other donor commitments accounted for 125,000 metric tons. USAID/Bamako asked A.I.D. to increase assistance by 35,000 metric tons, raising the U.S.G.'s total for Mali to 80,000 metric tons.[29] The "looming disaster" terms of this request elicited a response from A.I.D./W to consider a barter arrangement, although clearly Bamako had been communicating to Accra on this matter as early as January 25, 1985.

USAID/Ghana, in consultation with the Government of Ghana, felt that as much as 40,000 metric tons of surplus maize could be provided.[30] It was later determined, however, that this figure was high, and that only about 20,000 metric tons would be available. A major reason for this was that the GFDC, after examining the situation, found that large quantities of maize were already moving across the border into Burkina Faso through clandestine trading operations. The 20,000 metric ton figure was retained in the DCC approval of April 12, whereby the U.S.G. would exchange 12,258 metric tons of rice for the maize. Apparently, Ghana further reduced its estimates of what it could supply as Mali agreed that the quantities of maize targeted could be reduced to 10,000 MTN for Mali (8,000 for Gao and 2,000 for Nioro).[31]

THE TERMS OF THE BARTER

The determination of the exchange rate of Ghanaian white maize for U.S. rice was established in negotiations between USAID/Accra and the GFDC. The value of Ghanaian maize was established at $190.00 per metric ton, including bagging in jute, 100lbs. net, loading "free on truck" and marking bags "gift of the United States Government. Not to be sold or exchanged." The price of U.S. No. 5 medium-grain rice, bagged, 100 lbs. net, was put at $310.00 per metric ton. This established a ratio of 1.63 tons of maize per ton of rice. According to Paul Russell[32] who undertook most of the negotiations on behalf of A.I.D., there were several possibilities to use in pricing the exchange. Ghana used

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28. State 045624, February 14, 1985.

29. Bamako 0605, January 29, 1985.

30. The figures of 40,000 to 50,000 metric tons came from the Ghanaian National Mobilization Committee.

31. Bamako 2638, 25 April, 1985.

32. Paul Russell was a private consultant to A.I.D. in the early stages of the barter program. He later was employed under the MOS contract with WVRO when the maize was shipped to Mali.

procurement prices, world market prices, sales prices, etc. The price decided upon was the procurement price (to GFDC) plus the cost of fumigation, rebagging and loading, converted at the official exchange rate obtaining at the time the agreement was reached.[33]

Apparently the U.S. price of rice was set as the market price in the States.[34] Although these exchange rates were originally calculated for the 20,000 tons level, they were maintained for the actual 15,000 tons that were finally agreed upon. One problem with the values used here for exchange of commodities is that the rice tonnage was calculated on an approximate world market price while the maize was valued at a Ghanian protected market price. For example, at the end of 1984, the price of U.S. corn was $2.56 per bushel,[35] while the figure used above puts the value of Ghana maize at $4.83 per bushel.[36] A second problem with the exchange formula is that it did not take into account the market rate of the cedi versus the U.S. dollar. At the time of the agreement, the cedi was about 50 to 1. Shortly after the arrangement was made, the cedi was devalued to 53 to 1, and before the grain was shipped the cedi had reached 57 to 1. The final payments made by WVRO to the GFDC (for their handling charges) were converted at 90 cedis to the dollar. In February of 1987, the cedi had been devalued to 154 to the dollar. This issue is important not only in terms of the exchange of maize for rice, but will also be seen to affect the transport costs and handling charges levied by GFDC.

THE TRANSPORTATION OF MAIZE FROM GHANA TO BURKINA FASO AND MALI

The trilateral agreement between the U.S.G and the Government of Ghana called for a separate transport agreement to be reached to ship the maize from Ghana to the inland countries. The negotiation, costing, administering and accounting for the transportation is the most complex and confusing aspect of the Ghana agreement. In the cable to Washington laying out the terms of the barter,[37] the proposed language of the letter of agreement in Section 1.5 stated "DELIVERY OF THE BARTERED MAIZE AND RICE SHALL NOT COMMENCE UNTIL THE SEPARATE TRANSPORTATION AGREEMENT BETWEEN THE GOG AND THE USG HAS BEEN

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33. This figure is approximately 9.5 cedis per kilogram. There is some inconsistency here with the figures given to me by the GFDC which were quoted as 18 cedis purchase price for the maize involved in the barter. If the 9.5 cedis figure is accurate, then the net benefit to the GFDC noted elsewhere in this paper would be considerably higher. In 1984, according to a cable from Accra (09172, 24 December, 1984) wholesale maize prices ranged from cedis 3,227 to 3,755 and wholesale rice prices from 7,506 to 8,844 for 220 lbs., or a ratio of about 2.35:1.

34. It should be noted that the CCC actually paid $291.00 per ton for the rice that was shipped under the agreement.

35. USDA Agricultural Prices: 1984 Summary, June 1985.

36. The March 21 price given for number 2 yellow corn from the U.S. was $120.00 per ton delivered Gulf ports, and $222.00 for Thailand white rice 5% f.o.b. Bangkok, according to the FAO Food Outlook, April 1985. Using this basis the change rate should have been 1:85.1.

37. Accra 02495, April 4, 1985.

EXECUTED, EXCEPT AS THE PARTIES OTHERWISE AGREE IN WRITING." In this cable, the cost basis for the inland transport was based on 5.5 cedis per ton-mile. Using this rate and Kumasi as the marshaling point for the maize, the cost estimate was $212.00 to Mopti (6,000 MTN), $248.00 to Gao (6,000 MTN), and $103.00 to Ouagadougou (8,000 MTN). The estimated total cost was $3.6 million. This is based on a shipment of 20,000 metric tons. This figure was approved by the Inter-agency DCC Subcommittee on food aid,[38] and was broken down as $2,160,000 for inland transport to Mali (Gao and Mopti) and $1,440,000 for inland transport to Ouagadougou.[39] In the same cable it was noted that FFP had been in touch with World Vision Relief Organization (WVRO) which had expressed its willingness to undertake a feeding program of 10,000 MTN in Gao/Meneka and 2,000 MTN in Nioro.

USAID/Accra, on April 30, 1985 requested permission to negotiate a fixed-price contract with the GFDC for the transportation of the Maize to Mali and Burkina Faso. This was described as a contract with GFDC "to assume complete responsibility for the delivery and discharge of the foodgrain at the inland points of entry in both Mali and Burkina Faso."[40] Later, on June 14, REDSO cabled for clearance for this contracting arrangement as well.[41] This culminated in a contract that was drawn up in Accra and handled through the Contracting Officer, A.I.D./REDSO in Abidjan. This contract, dated June 21, 1985, was in the amount of $3,503,450.00 and covered the shipment of the entire 15,000 tons as follows:

Contract to the GFDC for inland transport based on mileage from Kumasi, Ghana;

To Ouagadougou, Burkina Faso	470 miles
To Ansongo, Mali	1,154 miles
To Bamako, Mali	1,048 miles
To Meneka, Mali	1,026 miles
To Gao, Mali	1,327 miles

38. State 114065, 16 April, 1985.

39. Why these figures were approved is unclear given that the Mission estimated $824,000 for Ouagadougou and $2,760,000 for Mali would be needed.

40. Accra 03072, April 30, 1985.

41. Abidjan 10039, June 14 1985. It is interesting that this cable also refers to the complex arrangements for the use of OPIC-generated cedis. See below for further discussion of this issue.

The following rates in U.S. dollars were to apply:

CALCULATION OF FREIGHT RATES FOR INLAND TRANSPORT IN U.S. $

Destination	Metric Tons	Transport per ton	Handling per ton	Total per m.t	Total to dest.
Ouagadougou	$5,000	$106.50	$7.00	$113.50	$567,500
Meneka	2,500	251.70	3.60	255.30	638,250
Ansongo	1,500	283.00	3.60	286.60	429,900
Gao	4,000	325.50	3.60	329.10	1,316,400
Bamako	2,000	257.10	3.60	260.70	521,400
SUBTOTAL					$3,473,450
Freight Forwarding to Ouagadougou					$30,000
TOTAL CONTRACT					$3,503,450

The contract was to be for 120 days and included loading in Ghana and unloading at destination.[42] The $30,000 for freight forwarding services in Burkina Faso was included at the recommendation of the USAID Mission in Ghana. [43] which felt that the GFDC would have a difficult time handling those responsibilities in Burkina Faso.

Prior to signing this contract, a separate PA[44] was issued in favor of World Vision, to cover transport costs of 10,000 metric tons of maize from Ghana to Mali. This PA in the amount of $3,040,000 was signed by WVRO on June 6, 1985. This apparently caused a great deal of consternation on the part of the GFDC, and it was only through the good offices of the U.S. Ambassador to Ghana who intervened with the Minister of Finance that the issue was resolved. The resolution was in the form of a separate contract from the GFDC to WVRO for the transport of the maize to Mali. Under the terms of this contract, the GFDC reserved the right to transport 5,000 tons of maize to Burkina Faso with WVRO paying the $3.60 per metric ton handling charge to GFDC. The transport rate was set at 13 cedis per ton mile with 40 % paid in cedis and 60 % paid in CFA.[45] The requirement for partial payment in CFA francs was pushed by the Ghanaians due to the need for spares and fuel outside of Ghana. The ratio of cedis to francs had been established as a function of the ton-miles of the entire 15,000 metric tons and total distances within and outside of

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42. Appropriation: 72-12X4336. Allotment: 782-38-099-53-51 (Burkina Faso) and 59-51 (Mali). BPC: ECCX-85-13830-KG-34 (Burkina Faso) and 35 (Mali). Because WVRO was unable to handle the grain this fast, the 120 day period had to be extended.

43. Accra 04217, June 14, 1985.

44. PA 899-950-XXX-5784

45. The CFA is the West African Franc and is a hard currency backed by the French Franc.

Ghana. In order to cover the grain shipments to Burkina Faso, a separate PA/PR[46] was issued in the amount of $677,000 which included $647,000 for transport and $30,000 for freight forwarding fees in Burkina Faso.

It is not clear when or how the original DCC-approved amount of $3.6 million for inland transportation was amended to increase the total figure by the additional $117,000 in the two PAs. It was noted earlier that any amount over the $3.6 million would require DCC approval.[47] It appears, however, that this amount was approved later when the amended PA to cover additional costs to WVRO was approved by the DCC. It is also interesting to note that the GFDC contracted with WVRO to transport the grain to Mali even though payments for these services went directly from A.I.D. to WVRO, who in turn paid the GFDC for the $3.60 per ton handling costs.

At this point WVRO engaged the services of Marine Overseas Services (MOS) to organize and handle the shipment of the maize from Ghana to Mali. However, no funds were available for this service. Therefore, A.I.D. issued an amended PA/PR[48] to cover this as well as WVRO's direct costs in Mali. This included, for example, the additional cost of shipping the grain delivered to Bamako and on to Nioro du Sahel. Other items included freight forwarders in Burkina Faso and Niger who were engaged to facilitate Mali-bound grain shipments through those two countries. Finally, an item was also included for grain unloading at the destination in Mali. The total amount of this amendment was $748,181, and it was finally approved in June of 1986.

The actual transporting of the grain was done with Ghanaian trucks. MOS, on behalf of WVRO, contracted with Super Scientific Farms, Ltd. to transport the grain to Mali. The rate was 13 cedis per ton mile with 40% paid in cedis and 60% paid in CFA. The GFDC contracted with the State Transport Corporation to haul 2,000 tons to Ouagadougou at a rate of 12 cedis per ton mile with 65% paid in cedis and 35% paid in CFA.[49] The GFDC also contracted with the Progressive Transport Owners Association (PTOA) to transport 3,000 tons to Ouagadougou, presumably on the same terms as the State Transport Corporation received.

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46. PA/PR 641-48-000-5701

47. State 185218, June 18, 1985.

48. PA/PR 899-950-XXX-6784

49. The contracts for transport, according to officials at the GFDC, were written in cedis and apparently the cedi portion of the payment was held at the contract rate. However, payments to GFDC were made according to dollar amounts so that the GFDC received increased amounts of cedis as devaluation occurred. For example, the contract amount to the State Transport Corporation for 2,000 MTN of maize at $106.50 MTN was $213,000 and to the Progressive Transport Owners for 3,000 MTN at $106.50 per MTN was $319,000. These amounts were paid to the GFDC. We could not verify the GFDC's payments to their contract transporters.

Meanwhile, the A.I.D. Mission in Ouagadougou contracted with SOCOPAO for freight forwarding services in Burkina Faso. The contract was for 2,200 CFA per ton to (1) pass goods through customs, (2) cover border crossing costs, (3) unload in Ouagadougou, (4) recondition broken sacks and (5) survey arrival of grain on a daily and weekly basis. At the time this contract was written the exchange rate was approximately 460 CFA to one dollar, making the cost $4.78 per ton. MOS contracted with SOCOPAO in Burkina Faso to facilitate grain movement across Burkina Faso in transit from Ghana to either Mali or Niger, and with Nitra in Niger to facilitate movement of grain across Niger in transit from Burkina Faso to Mali (particularly the grain going to Meneka). SOCOPAO received $13,289.47, or $1.33 per metric ton and Nitra received $15,733.05, or $4.13 per metric ton for these services. It appears that MOS received a total of $488,893.16 for their services in connection with the Mali shipments, or $48.89 per metric ton, although at one point they submitted a summary accounting to WVRO which included their charges of $516,632.[50]

Under the original plan of a fixed price contract to the GFDC, freight forwarding and handling costs were budgeted, including unloading at destination. With the actual operation, therefore, it appears that both freight forwarding and unloading costs were paid twice, first to the GFDC (the GFDC received a total of $71,000 for handling costs), and then again to MOS, SOCOPAO, Nitra and WVRO.

The basis for contracting the hauling on a ton-mile rate was to have been no more than the highest rate permitted by the Government of Ghana. At the time of negotiations, this rate was 6.5 cedis per ton mile for a one way trip. USAID/Ghana indicated to the team that if the truck was required to return immediately without having time to arrange to haul anything on the return journey, it was normal practice to pay half the rate again for the return journey. Thus, the 6.5 cedi rate per ton mile translates into a rate of 9.75 since the trucks were required to return immediately to avoid any delays in the shipment of the maize. This rate was unacceptable to the transporters, however, who were arguing for a rate of from 13 to 19 cedis per ton-mile because of the poor roads and long distances involved. Approval of a 13 cedi rate (paying 6.5 cedis for each part of each round trip journey) was sought from the Secretary of Transport. The Secretary of Finance was asked to indicate the percentage of foreign exchange to be paid to truckers hauling to Mali and Burkina Faso respectively.

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50. The evidence for the lower payment is that the PA number 6784 which included MOS fees was completely used up in April of 87, while the PA 5784 had funds left. The difference between MOS summary of costs and actual payments made by A.I.D. was $241,813.20. See cost factors below. According to the MOS summary, three account items covered the fees to the truckers, (1) $110,000 listed as trucking fees, presumably within mali for the Nioro shipments, (2) $2,155,578 as dollar transfers, and (3) $868,088 as dollar equivalent transfer, or a total of $3,133,666. If WVRO paid MOS the additional amounts as noted in their summary of accounts or not is not clear. If they did they additional funds had to come from WVRO's own funds or other (possibly OFDA) funds from the U.S.

The Mission also notes that the main reason Ghanaian freight rates were considerably higher than in neighboring countries was that the cedi was still extremely overvalued at the time the trilateral was implemented. The parallel rate was approximately three times the official rate in April 1985.[51] By the time the transport contract was negotiated with the GFDC, the rate had apparently increased to 13 cedis per ton-mile. During this same period, some devaluation had taken place, the cedi going from about 50:1 to 57:1 in relation to the U.S. dollar, or about a 14% devaluation. At the same time the freight rates increased by 230%. At the first devaluation which occurred at COB 4/18/85, setting the rate at 53 cedis to the dollar, fuel prices were increased effective the following day, apparently by 14% (against a 5% devaluation).[52]

By comparison, freight rates in the neighboring Francophone countries were significantly less. In the Ivory Coast the rate in the spring of 1985 was given as 38 CFA per ton-kilometer, which would equal from 11.4 to 13.7 U.S cents per ton-mile depending on exchange rates over the period.[53] By comparison, the rate paid for shipments to Ouagadougou ranged from about U.S. cents 21 to 22.8 while the Mali rate would have been from 22.6 to 24.5. In Burkina Faso the Baptist Mission paid an average cost of $20.78 per metric ton for transport inside of the country, or an average of 42.12 CFA per ton-kilometer; 9 to 10 cents per ton-kilometer, or 13.7 to 15 cents per ton-mile. They did have in their budget 45 and 55 CFA francs depending on road, although in their report to USAID they cite figures of 38 CFA on all-paved road haulage, 40 CFA on hard-surface (presumably laterite surface) and 45 CFA on unimproved roads. This would translate into ton-mile (from ton-kilometer) rates of 11.7 to 14.25; 12.3 to 15.0; and 13.95 to 16.875 for the three rates depending on the exchange rates over the period.

Mali rates were controlled by the National Transport Office (ONT) and rates for freight were set at 20 CFA for paved roads, 30 CFA for hard-surface roads and 40 CFA for sand and bush roads.[54] However, the report giving these figures noted that the low rates allowed by the ONT was a major cause of the backlog of cereals in Abidjan awaiting shipment to Mali. It does seem, however, that the contracts with the Ghanaian truckers were at least 4 cents per ton-mile higher than those found elsewhere and in some instances could have been double rates paid in neighboring countries.

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51. Accra 03424, May 22, 1987.

52. Accra 02994, April 26, 1985.

53. Adams, Robert L. and W. Benton Hoskins, "A Report on the Drought Situation In the Republic of Mali and Recommendations for a USG Response", Office of Foreign Disaster Assistance, AID/Washington D.C., March 1985.

54. Adams and Hoskins, Ibid, March 1985.

The argument here, of course, will be made by some—including USAID/Ghana—that the over-valuation of the cedi required higher rates. This would be true except that in this instance the contracts were written in dollar terms and payments were made in dollar amounts at whatever rate prevailed at the time of payment. Finally, it is also true that the payments were partially made in CFA (60% in the case of Mali, 35% in the case of Burkina Faso). Further, in several cases the roads were paved for the greater part of the trip. For example, transport to Meneka through Burkina Faso and Niger would not have to leave paved road until after Ouallam, leaving only about 100 miles of unpaved road. The route to Gao is paved from Kumasi except for about 150 miles in the north of Mali. The Ouagadougou and Bamako routes are paved in their entirety, unless the short-cut from Hamale to Bobo-Dioulasso is used on the way to Bamako and Mopti.[55] However, in fairness it should be noted that trucking was in short supply at the time of the shipments, most trips had to be made during the rainy season making any non-hard-surfaced travel difficult and trucks had to dead-head back to Ghana. Additionally, there is ample evidence of the difficulties with border crossings, and with various authorities which make travel slow. In the OFDA report cited above, they noted that there were at least 50 checkpoints between Abidjan and Bamako. In addition to causing delays, these checkpoints often cost money as well. In fact, special stickers had to be used on trucks coming to Ouagadougou from Lome in 1985 to assure easy passage, and some problems were noted on the Ghana-Burkina Faso border for the shipments made under this trilateral arrangement.

TIMING AND SPEED OF SHIPMENTS

Once the DCC approved the transaction in April, the movement of grain began fairly soon. Some delay was experienced due primarily to the cumbersome shipping agreements noted in a previous section. Negotiating this agreement took about six weeks, and was not finalized until June 21. However, shipments started immediately, and 167 trucks in 14 convoys carrying 5,290 tons of maize were sent to the four destination points in Mali in June. The Mali shipments were held up after this, mainly because WVRO in Mali was unable to handle the shipments at this rate. Consequently, WVRO requested a delay; shipments were not resumed until late September, and were completed by November 23.

For the 5,000 metric tons of maize shipped to Burkina Faso, the first shipments arrived on July 12, and the last arrived on August 3. Thus it was fairly clear that the GFDC was capable of organizing and moving the grain expeditiously.

It is difficult, however, to determine if the duration of the barter arrangement was faster than would have been the case of a bilateral PL 480 program. For example, the shipment of the rice in the trialteral was accomplished in a little over 6 weeks. One shipment was sent out of Freeport, Texas and the other out of Lake Charles, Louisiana. Both shipments were loaded by the 4th of October and the ship arrived in Tema, Ghana on the 15th of November. Hypothetically, we could assume that the same trucks that hauled maize to Burkina and Mali would have been organized to evacuate the rice (or maize if that had been the food shipped), then the U.S.-shipped grain could have been in Burkina Faso in 8 to 10 weeks from U.S. ports, and in Mali in 8 to 14 weeks.

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55. Note that a cable from Ouagadougou, 01244 of March 11, 1985, says that the Hamale/Ouessa border point to Bobo road, 146 kms. of 188 kms. had recently been improved.

However, neither the trilateral arrangement nor the direct bilateral arrangement take into account the time factors prior to the approval and agreements. In the case of the trilateral we have evidence of discussions, reports and requests dating to late of 1984. Therefore, we have to consider that the entire project began at least 3 months before the DCC approval was obtained. In the case of bilateral aid, we note that calls-forward from January were not expected to arrive in Lome before mid-March, and February calls were expected in mid-May. The timing seems to be very close to the same by these dates.

THE JUSTIFICATIONS FOR THE BARTER ARRANGEMENT

Several arguments have been put forward to justify the trilateral arrangement undertaken in West Africa in 1985. The primary one was that the ports of Dakar, Abidjan and Lome available to Mali and Burkina Faso were congested and delays would be experienced when shipping grain through them. In the case of Mali, 80% of the freight traffic was being sent through Abidjan because of the deteriorated condition of the Dakar to Mali railroad, both in terms of the line and the rolling stock. The OFDA report cited above reviewed a UNDP report on deliveries of food aid to West African countries. They noted that over a 5 month period only 1/3 of the food aid requested for Mali, Senegal, Niger and Burkina Faso could be delivered. In the previous year tonnage of food aid handled at the three most commonly used ports were Dakar 102,000, Abidjan 118,095 and Lome 40,508 (Lome figures were only for a three month period).

Generally, however, the studies did not indicate that it was the ports themselves that were the problem. In the case of Abidjan the UNDP noted that the maximum offtake rate of the port was between 5,000 and 6,000 metric tons per week, which was double the current usage. The backlogs, rather, occurred at EMACI (Enterprise Malien au Cote Ivoire) which operated under the direction of ONT in Bamako. In early 1985 they had a backlog of 60,000 to 80,000 tons of freight in warehouses in Abidjan of which 25,000 MTN was cereals.[56] Evacuation of cargo was taking place at the rate of about 4,000 MTN per week to Mali. The UNDP noted that "this is primarily due to the extremely low trucking rates paid to truckers by ONT to carry Malian goods." As we have noted, set rates for Malian goods were 20 CFA per ton/kilometer compared with an Ivory Coast rate of 38 CFA per ton/kilometer on paved roads, while Malian rates for laterite roads were 30 CFA and 40 CFA on sand and bush trails. In addition, EMACI had to conform to a ratio of 2 Malian truckers for each non-Malian trucker engaged. Very few of the truckers were interested in hauling food aid commodities at these rates. Foreign aid Missions in Mali had tried to get the Government of Mali to raise these rates but this was refused. If these rates were raised, then the Government would be required to pay higher rates on government-imported goods.

From Dakar, the only transport available to Mali is the railroad. Mali has about 185 extremely worn out freight cars (versus 338 for the Senegalese). EMASE (Enterprise Malien au Senegal) controls shipping from Dakar under the supervision of ONT. Their first responsibility is to ship goods required by governing Malian government bodies. The rate structure for freight to Mali is 10 CFA per ton kilometer. This compares with a rate for Senegal cargo of 20 CFA per ton kilometer on the same line. Thus, generally the Malians operate at a loss and cannot maintain their line nor replace their rolling stock.

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56. The WFP on 2/10/1985 cited 52,800 MTN total freight in Abidjan.

In the case of Burkina Faso, the main ports of entry are via the port of Abidjan and then by rail through Bobo-Dioulasso to Ouagadougou, or through the port of Lome and then by truck north. Most grain coming by rail will be off-loaded in Ouagadougou and trucked north to the chronically grain-deficit areas such as Yatenga and Dori.

Shortage of railcars and heavy demand for the use of the railroad to haul exports for Ivory Coast often cause bottlenecks on the Abidjan-Ouagadougou railroad. In 1985 much of the food aid was being sent through Lome and trucked north. Burkina Faso had a freight rate structure similar to that of Mali, but yielded to the demands of foreign donors to raise rates sufficiently to compete with private cargo. Burkina almost doubled its rates, and the result was that the congestion in the port of Lome was eliminated in a few weeks.

Another argument advanced for the use of trilateral arrangements is that food more preferred by the local populations will be made available. In this case, that would mean that Ghanaian white maize would be preferable to U.S. maize or sorghum. For this particular case the argument is weak. Most of the grain sent to Mali and Burkina Faso went to the northern parts of those countries. The maize-producing and consuming regions of the two countries are in the south. The north consumes primarily millet with some sorghum eaten where climate and soils permit its growth (although in Burkina Faso most sorghum is made into a local fermented drink). Therefore, it would seem that the taste of white maize would be as foreign as red sorghum to the recipient populations.

THE IMPORTANCE OF U.S. GOVERNMENT-OWNED CEDIS

Several references are made to the U.S. Government-owned cedis, particularly those that had accumulated through an OPIC-guaranteed investment in Ghana, as a factor promoting the trilateral arrangement. On June 1, 1981 the GOG and Firestone Tire Company of Akron, Ohio signed an agreement for the sale of the company's shares in Firestone Ghana Ltd. and Ghana Rubber Estates Ltd. to the GOG. The sale was covered by 20 notes of $359,400 each bearing an interest rate of 6.5% payable to the Overseas Private Investment Corporation (OPIC). The first note was paid in cedis in September 1982. As of March 31, 1985 there were two other outstanding notes due. There was therefore, $1,078,200 in cedis supposedly available to use for the Ghana grain transaction. The balance of the funds plus interest were to be paid, at OPIC's request, in dollars.

In addition to the OPIC cedis, there were cedis being accumulated through the repayments of loans from Title I sales and other locally-managed cedis from reverse accommodation and sales proceeds, special deposit accounts and host country contributions to the Peace Corps. There seemed to be some concern, primarily on the part of the U.S. Embassy and A.I.D. Mission in Ghana, that the Treasury Department would declare Ghana an Excess Currency Country.[57] There was also some concern that a demand from the U.S. for repayment of outstanding debts in dollars would have adverse effects on Ghana's Economic Recovery Program (ERP) in which economic policies promoted by the U.S., the IMF and the World Bank were beginning to be implemented. The U.S. Embassy in Ghana felt that the trilateral arrangement offered a viable alternative to dispose of some of the excess cedis in U.S.G. accounts.[58] It was suggested that the portion of the transportation of Ghanaian maize that was to be paid in cedis (estimated to be $1.6 million) be paid from the OPIC account.

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57. A country can be declared an Excess Currency Country where the U.S. owns more local currency than needed for normal requirements in that country for two fiscal years following the year in which determination is made by the Treasury.

58. U.S. Embassy, Working document entitled "OPIC Collection of Notes," May 15, 1985.

The actual holdings of cedis by the U.S.G. were apparently considerably less at the time of the trilateral agreement than was presumed by the U.S. Embassy. In late June, balances in the OPIC account[59] were 11,021,473 cedis,[60] and the Treasury account contained 23,636,507.93 cedis.[61] The two accounts, together with other U.S. Government-owned cedis totaled approximately 42 million ($U.S. 840,000 at 50:1). This amount was evidently the level set in agreements by A.I.D. for use by WVRO/MOS for local transport as MOS confirms this in a telex to USAID/Ghana in October. They noted at that time that it had agreed to use 42 million cedis and had already spent 33 million. Therefore, they planned to take 9 million additional and purchase any further cedis on the open market.

There is evidence in cable traffic, notes and reports that the cedi question was of importance to the Ambassador as far back as mid-1984. How much influence it had with the DCC's decision to approve the trilateral transaction with Ghana is not clear. The best we can say is that it appears to have provided a vehicle by which Treasury was able to get rid of a large amount of cedis that were rapidly devaluating, for a purpose that the U.S. Government would have funded in any case.

BENEFITS TO THE VARIOUS PARTIES TO THE TRANSACTION

In assessing the benefits accruing to the various parties, the stated advantages or disadvantages—or "pros" and "cons"—of the transaction were used as the basis of consideration. In this sense we look at the individual gains and/or losses rather than the transaction as a whole, where total pluses may be greater than total minuses. The total transaction will be discussed in summary to temper comments made about individual aspects.

The recipient countries for the food aid, Mali and Burkina Faso, obviously gained in that they both received food at little or no cost to their respective governments or to the populations or end-users. With current policy in Mali, the national grain company experienced no costs as they were not required to handle or store the grain sent there. Under normal bilateral food aid programs, OPAM, the national cereals company, receives the grain and stores it. Then, as PVOs request food, OPAM releases it to them for distribution. In the Ghana-Mali arrangement, the grain was consigned to WVRO, and OPAM had no role in the transaction. However, WVRO did not have adequate storage for all the maize it was to receive from Ghana.[62]

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59. Accra 05185, June 24, 1985.

60. Account 20FT 470

61. Account 20FT 400.

62. In fact, WVRO apparently rented space from OPAM on one occasion to handle storing the maize.

In Burkina Faso, OFNACER, the government grain agency, officially received the grain as would be the case in a normal bilateral arrangement. However, in this case it was immediately sent to the warehouses of PVOs who distributed the grain. In one sense we could say that OFNACER lost in this arrangement. In most bilateral food aid shipments, grain would be sent to OFNACER, which would distribute it to deficit areas. OFNACER would sell the grain and recoup its operating costs from the sales. As this income is OFNACER's sole source of operating funds, it is important for them to maintain a certain level of flows of commodities through their system each year. Thus, food aid that by-passes OFNACER helps meet food needs in the country but contributes nothing to maintaining the agency.[63]

In terms of the PVOs, WVRO was the greatest winner, as A.I.D. covered its expenses in the transaction and helped them to establish a presence in Mali, where they had previously done little work. It also enhanced their position to a certain extent in Ghana, although the negative impact of their transport agreement with A.I.D. as seen by the GFDC probably offset those gains. In Burkina Faso, the three PVOs involved apparently covered their own costs from regular budgets so that there was neither gain or loss in terms of this arrangement versus a straight bilateral arrangement that would have consigned food to them from the U.S. The Baptists, for example, spent a total of $145,286.58 for internal handling and transport costs of 6,991.8 metric tons of food which included the 3000.9 MTN of Ghanaian maize, or $20.78 per MTN. This money would have been spent regardless of the mechanism by which food was sent to them.

Benefits to Ghana

The Ghanaian Food Distribution Corporation (GFDC)

The transaction had clear benefits to the Ghanaian GFDC. In discussions with them, several important benefits were mentioned:

1. The GFDC was able to sell stored maize, for which the market was weak, at a good exchange rates;

2. The sale emptied warehouses of grain that could conceivably have spoiled;

3. The sale of rice used in the exchange vastly improved the liquidity of the organization;

4. The GFDC was able to meet commitments to commercial banks; and

5. The GFDC was able to undertake further commodity buying campaigns from proceeds of rice sales.

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63. See Warren Enger, An Analysis of the Marketing Position of the National Cereals Office (OFNACER), Upper Volta, RONCO Consulting Corporation, 1981. Because the national grain/food companies in West Africa, for the most part, are funded from a percentage of the sales receipts of food, there is a need to have large and regular flows through their system and a tendency to overstate the need for food.

To demonstrate the impact of the maize-for-rice exchange and subsequent sales of rice on the financial situation of the GFDC, we have calculated the net benefits to the GFDC. These are given in low and high estimates. Figures for purchase cost of maize, overhead, handling and storage of maize, and sales prices for rice used for the calculations were furnished by the GFDC, but we were not able to inspect GFDC's accounts for verification.[64]

The figures used for overhead, handling, storage and distribution costs of the rice are estimated from two sources. The first figure is the negotiated cost for handling paid to the GFDC for the maize sent to Burkina Faso, of $7.00 per metric ton. The second figure is the calculated overhead figure of 8,100 cedis per metric ton given as an overhead, handling and storage cost for the maize to the GFDC (this figure was 45% of purchase cost of grain). The figure used for transportation, 1,625 cedis per ton, is based on the 13 cedis per ton-mile set with A.I.D. for the WVRO transport and an average haul of 125 miles from the port of Tema. The 125 miles would include the cities of Takoradi, Secondi and Kumasi as well as Accra and the lower lake region, and should cover almost all of the rice sales zone.

The following would give estimates of the net benefit to the GFDC according to the assumptions made above:

ESTIMATED COSTS AND RETURNS TO GFDC
FROM TRILATERAL FOOD AID - 1985

	Low (in cedis per MTN)	High (in cedis per MTN)
Purchase cost of maize by GFDC	18,000	18,000
OH, storage, handling (45%)	8,100	8,100
Ex storage cost of maize	26,100	26,100
Value of rice sales		
2,800 cedis/250kgs.	56,000	56,000
Less handling		
Tema port to distrib. point	2,017	8,100
Net return for rice sales	53,983	46,275
Estimates of rice handling		
Transport at 13 cedis/ton-mile	1,625	1,625
OH, storage, handling ($7/MTN)	392	
OH, storage, handling (45%)		8,100
Total handling costs	2,017	9,725

64. In fact we suspect some figures may not have been for the period of the transaction in 1985. For example, the figure for maize used in calculating the exchange ratio was about 9.5 cedis per kilogram, and we were told the cost to the GFDC was 18 cedis. However, the magnitudes of financial benefits will remain applicable.

Net returns to GFDC from exchange

Gross cost of maize x 15,000 MTN	391,500,00
High return to rice x 9,229 MTN	498,209,110
Low return to rice x 9,229 MTN	427,071,980
Net return in cedis (High)	106,709,110
Net return in cedis (Low)	35,571,980

Value in U.S. dollars at 57 cedis = 1 dollar

High return	$1,872,089.60
Low return	$ 624,069.82

The high benefit values to the GFDC come mainly from the fact that the exchange of maize for rice was based on the Ghanaian cost of maize and U.S. price for rice rather than on the Ghanaian buying or selling price for both commodities.

Benefits to the economy of Ghana and the GOG

Direct benefits accrued to the Ghanaian economy i ys:

1. The economy saved a considerable amoutn of foreign exchange by receiving rice at no FX cost. If we use as an international price f.o.b. Bangkok for Thai rice at $210.00 per ton, plus shipping costs of $50.00 per ton, tha c.i.f. price Tema woudl be $260.00 per ton. That would make the FX cost of 9,229 MTN of rice $2,399,540. This FX value accrues directly to Ghana as it would nto have received the food under a PL 480 Title II program without the trilateral arrangement.

2. The above savings would have to be offset by the quantity of maize that would have gone out of Ghana through clandestine exports into the CFA zone. If we estimated 2,000 MTN[65] would have moved in this way in the absence of the trilateral arrangement, at a value of 10,000 per MTN at an exchange rate of 57 cedis = 1 dollar, then the loss in FX would be $350,877. Reports by both the GFDC and OFNACER that Ghana maize was selling on the market in Burkina Faso would support this assumption. The volumes can only be guessed at.

3. The national truck fleet of Ghana was greatly improved. The high total payments made in CFA to contracted truckers, approximately $2,155,578, allowed the truckers to purchase spare parts, new tires, etc., as well as fuel for which little foreign exchange was available without the transaction.

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65. There is some indication in reports and cables that the GFDC did not have in storage the entire 15,000 m.t. Some appears to have been purchased after the barter agreement was signed. This open market grain would have been available to private traders for shipment north. Sanctioned commercial exports required an export permit.

4. The Government of Ghana was able to support the price of maize at the farm level without large inputs of cash. In addition, the government benefited from the liquidation of grain stocks for which there was little or no market. In fact, the GFDC was concerned that the maize in store would have spoiled without the transaction.

5. The GOG was able to reduce som of its debt obligatioins to the U.S. Government, with the money going directly back into the economy of Ghana. This refers to the $868,088 worth of payments made in cedis from U.S.-held cedi accounts. In fact the transport contract as originally negotiated called for payments of $1,531,255 in cedis (81,156,515 cedis, based at that time on 53:1) out of a total of $3,473,450, which exceeded the amount of USG-owned cedis.[66] However, additional cedis were to be paid into USG accounts in August in the equivalent of $441,000.[67]

Benefits to the U.S. Government

Benefits to the U.S.G. are difficult to quantify. In fact, given the cost of the operation—that is, the portion that is contained in the inland transport cost of maize—the U.S.G generally lost a great amount: at least $100 per MTN on the Mali shipment of 10,000 MTN would be a reasonable estimate. From other perspectives, it is more difficult to judge. It is probably safe to say that in Mali and Burkina Faso the U.S. neither gained nor lost using the trilateral arrangement as opposed to a bilateral arrangement. The Secretary General of the Ministry of Commerce, the Ministry directly responsible for grain marketing and food aid in Burkina Faso, did express certain positive feelings for using regional sources of food in emergency situations. However, this may have been more a strong concern for the surplus position of Burkina Faso in 1987 than any strong position about the 1985 arrangement.

In Mali, the trilateral food aid of 1985 was of little concern to the Government other than that it provided food aid in the northern regions during a period of massive shortages. However, the GOM had absolutely no involvement in the transaction other than permitting the maize to enter the country.

In Ghana, the trilateral produced the most spectacular gains for the U.S.G., particularly from a foreign relations perspective. It was emphasized that prior to the 1985 trilateral, Ghana-U.S. relations were, if not strained, certainly only luke warm. The trilateral produced results because of the financial gains to the GOG in foreign exchange savings, reducing surplus maize supplies, refurbishing a large part of the national truck fleet, producing profits to the GFDC, and reducing the cedi balances in U.S.G. accounts. It was also clear, when talking to Ghanaian officials, that there was a degree of satisfaction in having been able to be a partner in assisting their neighbors. Both U.S. and Ghanaian officials noted that relations had improved a great deal after the trilateral. Whether or not that improvement was worth the cost, or could have been obtained at a lesser cost, must be answered elsewhere.

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66. Accra 05648, August 9, 1985.

67. Paris 32523 from RAMC, August 13, 1985 and State 134706, May 8, 1985.

The overall impact of the trilateral would have to be judged as positive. There is, however, a distinct difference in the cost between the shipments to Burkina Faso and Mali. The most negative part of the transaction is the high cost of the inland transport, and the Mali portion is the highest per ton of all.

CASE STUDIES - SOUTHERN AFRICA - 1985 - 1987

SUMMARY

On April 21, 1986 the DCC approved a barter agreement in which the United States Government provided 11,000 m.t. of wheat to Malawi and Zimbabwe in exchange for 10,000 m.t. of white maize (corn) to be delivered to Mozambique. World Vision International was to receive the maize in Mozambique to use in its program to feed people affected by the drought and civil unrest in that country. This barter exchange was split between supplies of maize coming from Zimbabwe and Malawi.

An agreement was signed between the U.S. Government and the Government of Zimbabwe on June 13, 1986 under which the Government of Zimbabwe was to provide 7,000 m.t. of maize delivered to Mozambique in exchange for 9,600 m.t. of U.S. wheat delivered to Durban, South Africa. On July 24, 1986 a similar agreement was signed by the U.S. government and the Government of Malawi under which the Government of Malawi was to deliver 3,000 m.t. of maize to Mozambique and the U.S. government was to deliver 1,400 m.t. of wheat to the government of Malawi in Durban, South Africa. In southern and eastern Africa, USAID officials referred to these barters as "Tripartite Round I." In both cases World Vision International acted as the intermediary, receiving the shipments of maize for its Title II emergency food distribution programs in Mozambique.

Shipments of maize from Zimbabwe began in five days and were concluded by August 1986. By contrast, the shipments from Malawi to Mozambique were considerably delayed, and final shipments were not completed until June of 1987.

In another barter agreement, the DCC approved an exchange of wheat for maize with Zimbabwe under the PL 480 program on December 24, 1986. On February 20, 1987, the U.S. Government and the Government of Zimbabwe signed an agreement whereby the Government of Zimbabwe would deliver to Mozambique 2,700 m.t. of bagged white maize in exchange for 3,372 m.t of U.S. wheat delivered to Durban, South Africa. This "Round II" barter was based primarily on the successful and speedy implementation of the Zimbabwe portion of the "Round I" barter, and the continuing emergency situation in Mozambique. Nevertheless, two months were taken up with approval of the agreement language between the field and Washington. All shipments were to Government of Mozambique agencies. World Vision International, who acted as intermediary for feeding programs in Mozambique in Round I, was not included in Round II. Again the shipments were rapid, all grain had arrived by late March 1987, three months after DCC approval was obtained, and only one month after the agreement was concluded.

Another barter transaction of wheat from the United States was established in order to provide maize from Kenya to be used in feeding programs in the Sudan. In this case the U.S. delivered the wheat to Kenya in exchange for maize to be delivered to designated intermediaries at Kenyan grain storage depots. An agreement to this effect was signed on September 26, 1986 in Kenya. Although this barter was not one of the cases included in this study it is noted to demonstrate the acceptance of a barter arrangement for another region of Africa.

Subsequently, and partly based on the above experience with Sudan, the DCC approved an exchange of U.S. wheat to be delivered to Africa for African maize to be delivered to Mozambique. This exchange was with the Government of Kenya, which was to undertake to deliver approximately 22,000 m.t. of maize to Mozambique. The agreement to implement this transaction has not yet been negotiated. The intent was for Kenya to ship its grain down the coast to Mombasa, saving transport costs.

At the time of this study, the deliveries of grain in Round II from Zimbabwe to Mozambique had been completed. Grain from Kenya to both Sudan and Mozambique still remained to be shipped. The first round of the grain from Zimbabwe had all been delivered, and the grain from Malawi was finally all delivered by the time this study was completed. The most complete documentation on the southern and eastern Africa barter arrangements was on the 1986 shipments to Mozambique from Zimbabwe and Malawi. These were, therefore, the main cases the study team was directed to examine.

BACKGROUND

The cases studied for this report involved trilateral arrangements with Zimbabwe and Malawi in 1986, generally referred to as "Round I" by AID in Southern Africa, and another involving Zimbabwe in 1987, which is referred to as "Round II." The background to these transactions, as well as other trilateral arrangements predates the 1986 arrangement. The United States Government had been involved in two barter or tripartite arrangements in Southern Africa prior to the cases examined in this study. These were a 1979 arrangement with Tanzania and Zambia, and a 1983 arrangement with Zimbabwe and Zambia. A brief review of these cases provides some background to the reception that the 1985 and later trilateral transaction proposals received in Washington.

A barter arrangement that had been established in 1979 among the U.S., Tanzania and Zambia appears to have had problems. In this transaction, The National Milling Company (NMC) of Tanzania was to have supplied 40,000 m.t. of bagged white maize to the Zambian grain agency, NAMBOARD, at Bwana Mkubwa, Zambia no later than October 31, 1979. In return the U.S. was to deliver to NMC, extackle Dar es Salaam, approximately 14,280 m.t. of milled white rice within three months of the delivery of the maize to Zambia.[68] Existing documentation is fragmentary, but it suggests that the maize was either only partly delivered or not delivered at all. This experience as well as others involving PL 480 commodities on other continents[69] created a reluctance on the part of some DCC members to involve the U.S. in further barter trades.

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68. Letter of Agreement dated 14 September, 1979.

69. Specifically, a barter arrangement with Burma was mentioned.

Two years before Round I of the Mozambique trilaterals, an agreement had been concluded among the United States Government, the Government of Zimbabwe and the Government of Zambia. That agreement, signed March 28, 1983, called for the exchange of 20,000 net metric tons of bulk U.S. No. 2 wheat for 31,000 net metric tons of bagged A-B quality Zimbabwe white maize, an exchange ratio of 1.55 to 1.0. The agreement called for the maize to be delivered to the Government of the Republic of Zambia (GRZ) through NAMBOARD free-on-road at the Government of Zimbabwe Grain Marketing Board's depot at Karoi, Zimbabwe. Transport was contracted by NAMBOARD to haul the maize to Zambia. The U.S., in turn, agreed to deliver bulk No. 2 wheat to Zimbabwe free-in-elevator at Durban, South Africa. The U.S. also agreed to reimburse the GMB of Zimbabwe up to $57.00 per metric ton for transporting the wheat from South Africa to Zimbabwe.[70] Apparently, there were no major problems with this agreement and its implementation,[71] and consequently that fact helped ease the acceptance of the 1985 tripartite arrangement. The estimated export market value of the wheat was $3,420,000 and the estimated ocean freight and inland transport cost for the wheat was $3,140,000. By July 29, 1983 all of the 31,000 MTN of maize had been shipped to Zambia. The U.S. wheat had arrived in Durban in June and 16,500 MTN had been shipped by rail to Zimbabwe by the end of July, 1983.

In September of 1985, the A.I.D. Office in Maputo, Mozambique recommended a trilateral transaction of 40,000 metric tons of white maize from Zimbabwe and Malawi. The issue of Malawi's participation seems to have been one that shifted position over the months preceeding the actual agreements. Although the Lilongwe Mission argued for including Malawi as a supplier as soon as the issue of a barter trilateral transaction was broached, the strong position of Zimbabwe as a surplus producer and traditional regional grain exporter made it more difficult to justify including Malawi's participation in the arrangement.

JUSTIFICATION FOR THE BARTER ARRANGEMENT

A dialogue began in early 1985 among the A.I.D. Missions in the East and Southern Africa region, with some input from A.I.D. in Washington, regarding the possibility of undertaking a trilateral barter transaction for grain. It appears that the 1983 agreement involving Zimbabwe and Zambia set the tone for the discussion.

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70. Letter of Agreement dated March 28, 1983.

71. The inland cost of shipping the wheat to Zimbabwe from S.A. was billed as $57.05 per MTN additional to the .05 having been apparently absorbed by the GMB. One of the issues that arose from this transaction was the terming of the agreement. Although the USG, represented by the American Ambassador and USAID Mission Director in Zimbabwe, had agreed to deliver the wheat "free-in-elevator" at Durban, SER/COM/TR in A.I.D. Washington contract transport on "full berth" terms. Thus warfare charges at Durban were not covered in the shipping contract. [Harare 6808, 19, Oct., 1983.] In fact, according to the RFFPO, wharefage is always to contract transport "free-in-elevator" through the shipping agent. The charge was made to the consignee, i.e. the GMB of Zimbabwe who in turn "added it to" the inland freight costs.

To a considerable degree, this dialogue was initiated and orchestrated by the Regional Food For Peace Officer (RFFPO) based in Zambia. It is worth citing at some length the text of an introductory cable drafted by him and sent to a number of A.I.D. Missions in the region. This cable makes the general case for trilateral (tripartite) transactions as follows:[72]

> "In 1984/85, Zimbabwe grew enough maize to provide for domestic consumption, and keep a security stock of 900,000 mt for 86/87. The country also has at present in excess of 600,000 mt for export. The GOZ is currently seeking buyers for that exportable surplus.
>
> "USAID/Zimbabwe, AID/W/FFP, and R/FFPO are very interested in the possibility of entering into tripartite Title II arrangements involving Zimbabwe maize, for the following reasons:
>
> > (A)...If Zimbabwe is unable to dispose of its surpluses, the decision may have to be taken (for pragmatic economic reasons) to curtail production by reducing producer incentives....It would appear to us that our most promising option (since the USG cannot purchase Zimbabwe maize directly) is the tripartite barter arrangement.
> >
> > (B) Zimbabwe is centrally located in Southern Africa, and for various reasons can be expected to produce marketable surpluses in reasonable years, when most neighboring countries will only be able to satisfy domestic requirements or, more likely, be in an import posture. Accordingly, surpluses in Zimbabwe are in many ways tantamount to regional food security stocks, and have been used as such in the past by WFP, the EEC and USAID, which have all used Zimbabwe white maize in feeding programs in third countries....It is in the interest of the USG, (especially insofar as indications are that the Southern Africa drought cycle has several more years to run, despite good weather in 84/85) to encourage Zimbabwe to continue to play this role.
> >
> > (C) Zimbabwe maize can in many cases be moved to locations in East and Southern Africa faster, and at less cost than corn from the U.S...
>
> "It is obvious that the ability of the USG to help move Zimbabwe's exportable maize surplus through PL 480 Title II tripartite arrangements is quite limited."

Other posts were asked to comment and to indicate interest, specifying tonnages that might be needed for Title II activities, including commodities approved and not yet called forward. As appropriate, the cable indicated that A.I.D./W would be informed that the possibility for a trilateral arrangement had been identified and approval to negotiate was then sought by the Zimbabwe Mission. Project design was to be a collaborative effort among all concerned parties.

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72. Lusaka 2513, May 25, 1985.

There was considerable response from addressee posts. In replying, the Malawi Mission indicated that it accepted the RFFPO's offer to explore the possibility of including Malawi in tripartite programs as a supplier, indicating that the Government of Malawi was very concerned about a large surplus which might go from a current 200,000 m.t. to 400,000 m.t. by September or October of 1985.[73]

Other A.I.D. Missions were quite supportive of the general idea, as well as of the particular proposal to do another trilateral transaction with Zimbabwe as the source of white maize. This was felt to be particulary appropriate given Zimbabwe's role in the Southern Africa Development Coordinating Committee (SADCC) as Zambia, Botswana, Lesotho, Mozambique and Swaziland. Nziramasanga (1986) noted in a recently delivered paper on food aid, intra-regional trade and economic development in MAA responsible for food security planning.[74]

Although this planning role for Zimbabwe is broadly recognized as appropriate within the SADCC region, there is also a certain amount of latent hostility toward Zimbabwe surpluses, based on a "big brother" sort of reasoning. This came out in many of the team's discussions both in Zimbabwe and in other countries in the region. On the other hand, when suggestions began to be made that Kenya maize was cheaper, and could be delivered more cheaply and expeditiously to Mozambique than could Zimbabwe maize, the SADCC ideology was raised to support the view that Zimbabwe was crucial as a supplier for the region, and it was pointed out by some of the same people that Kenya was not, after all, a member of SADCC. Therefore, the price consideration, even if real, should not necessarily be determinant of intra-SADCC policies, issues and actions as they saw it.[75]

Although timing and cost were raised in the discussions about employing a trilateral transaction, they seem to be almost secondary to the main issue. That is that regional trade could be enhanced and it was important to assist Zimbabwe in pursuing its agricultural policy reforms. The fact that Zimbabwe was a major surplus producer of grain, and that it was in surplus position, made the regional trade issue even more interesting. Two policy goals could be achieved at the same time within the scope of U.S. program goals, i.e. promoting regional cooperation and reducing U.S. farm surpluses. U.S. trade issues do not seem to have been considered, or at least to have been given little attention.

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73. This figure was later given by the A.I.D. Mission as 100,000 MTN above its strategic reserve of 180,000 MTN [Lilongwe 01039, 11 March, 1987].

74. SADCC is comprised of nine member states; Zimbabwe, Malawi, Zambia, Botswana, Lesotho, Mozambique and Swaziland. Nziramasanga (1986) noted in a recently delivered paper on food aid, intra-regional trade and economic development in SADCC, that "The SADCC countries have agreed in principle to formulate a common food security strategy and Zimbabwe has been charged with the responsibility of formulating a food security programme. However, national considerations still dominate the internal pricing decisions of each country...There still is yet to be a common definition of what food security means and the least cost method of attaining it for the region as a whole."

75. For detailed discussions of food security policy and agricultural policy in SADCC, see Eicher and Mangwiro, 1986.

ISSUES RELATING TO THE 1986 TRILATERAL

The main issue that the early discussions raised was the logistic and administrative complexity of undertaking a trilateral barter transaction. These discussions seemed to center mainly around the 1983 trilateral arrangement among Zimbabwe, Zambia and the United States. Apparently, either the earlier Tanzania barter was unknown or was ignored, as it is not mentioned in the record of discussion leading up to the 1985 arrangement. In commenting on a cable from another Mission describing the Southern Africa trilateral involving Zimbabwe and Zambia, USAID in Harare seeks to refute the impression that the 1983 triangular exchange was terribly difficult and of questionable management effectiveness.[76]

> "This is not the Mission's view. It is true that negotiations were protracted and time-consuming. However, this was expected as the tripartite exchange between the three parties was unprecedented. Zimbabwe and Zambia took the transaction very seriously, hence negotiations were detailed. This is in part why the exchange went very well after the negotiations and signing. It would be misleading to leave the impression that the work was not worth it. We would do it again and the Zimbabwe Ministry of Agriculture would gladly do it again.
>
> "...we already have an official request from [the] Minister of Agriculture for similar triangular programs and with the success of the earlier program we are confident that the Grain Marketing Board and the Ministry of Agriculture would move expeditiously and responsibly to complete negotiations and assure early maize delivery."
>
> The cable sent by the RFFPO[77] made the point that, obviously, tripartite programs were "necessarily more complex than straight bilateral programs and that the difficulties may appear, at first glance, insurmountable. However, tripartite programs have worked well in the past, especially those involving Zimbabwe, as the GOZ approach is very professional indeed. Logistics and management considerations are real, and will be dealt with to ensure a practical and workable program design and effective implementation. we request that addressee posts not dismiss this initiative out of hand as unworkable or too complex."[78]

The issue of Malawi's participation as a supplier of grain shifted somewhat over the period before negotiations were completed. At one point the question was raised as to the ability of Malawi to supply the grain. There was also the troubling question of Malawi's tacit support for the "Renamo" insurgents (MNR), who were using southern Malawi as a staging area for incursions into Mozambique. A number of those interviewed in Africa indicated that the Government of Mozambique did not want to be party to an agreement that would

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76. Harare 1743, March 27, 1985.

77. Lusaka 2513, May 25, 1985

78. Ibid.

have included Malawi as a source of food aid commodities unless Malawi's policy concerning the MNR changed.[79] USAID/Lilongwe however, persisted, and at one point enlisted the support of a U.S. army general who was visiting Malawi and with whom the apparent reluctance of others to include Malawi in the proposed trilateral was discussed. As the Mission pointed out in one cable, his contacts in Washington were "high and wide."[80] A subsequent cable indicates that the General did, in fact, bring the Malawi's Mission message back to Washington and apparently in persuasive terms.[81] In the end, Malawi was included, but as the source of only 3,000 metric tons of maize, with Zimbabwe providing 7,000 metric tons. In fact, there seems to have been more of a reluctance on the part of the national grain company in Malawi to participate in a larger degree than on the part of the A.I.D. Mission.

At least one post, USAID/Kinshasha, raised a policy issue concerning producer price supports and then-current A.I.D. policy. On the one hand what was being recommended was using an A.I.D. program to assist Zimbabwe in maintaining price supports while general A.I.D. policy was seeking, on the other hand, to promote the "free market." This issue was not effectively addressed in the available document.

THE BARTER TERMS OF TRADE

As was the case in West Africa, determining the barter terms of trade in a trilateral transaction required difficult negotiations in all of the east and southern Africa cases. It is also interesting that the shifting barter terms of barter, starting from the U.S.-Tanzania transaction of 1979 to the recent U.S.-Zimbabwe transaction of 1987, have not paralleled the international ratios for the same commodities. If we can assume that the African white maize in each case was equal in quality, and given that the U.S. No. 2 hard red winter wheat would be of consistent quality, then some similarity of ratios should have existed among the various barters. Several points arise in reviewing the barter terms of the transactions. First, the basis of costing the grain varies, both by country and in time. Second, the inclusion or exclusion of transaction costs varies, i.e., including delivery in the price basis. Third, costs may vary due to competitive conditions among suppliers vary. Finally, the position of the participating country in regard to exchange rates and hard currencies also varies. The following shows the ratios for each of the transactions:

1979: United States - Tanzania - Zambia.

- U.S. delivered 14,280 MTN No. milled white rice ex-tackle to Dar-es-Salaam.

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79. This is one of the areas in which it is probable that more information exists in the record, but was classified and unavailable to the study team. In most cases assertions were made off the record.

80. Lilongwe 04381.

81. Lilongwe 04951.

- Tanzania supplied 40,000 MTN Tanzania grade A white maize delivered to Bwana Mkubwa, Zambia.
- Ratio of exchange: 2.80 MTN maize: 1 MTN rice.
- Delivery Costs: Included.

1983: United States - Zimbabwe - Zambia.

- U.S. delivered 20,000 MTN No. 2 hard red winter wheat "free-in-elevator" to Durban South Africa.
- Zimbabwe delivered 31,000 MTN A-B white maize to the Government of Zambia "free-on-rail" in Zimbabwe.
- Ratio of exchange: 1.55 MTN maize: 1 MTN wheat.
- Delivery Costs: U.S. delivered wheat to Zimbabwe including reimbursement of inland freight costs from Durban to Zimbabwe up to $57.00/MTN. Zambia paid freight costs from Zimbabwe to Zambia.

1986: United States - Zimbabwe - Mozambique.

- U.S. delivered 9,600 MTN No. 2 hard red winter wheat f.o.b. vessel U.S. Gulf ports.
- Zimbabwe delivered 7,000 MTN A-B white maize to WVI "free- on-road or free-on-rail" at Rusape, Zimbabwe.
- Ratio of exchange: 1.0 MTN wheat:0.73 MTN maize.
- Delivery Costs: U.S. delivered wheat F.O.B. U.S. Gulf ports. World Vision International paid delivery costs from Zimbabwe to Mozambique.

1986: United States - Malawi - Mozambique.

- U.S. delivered 1,400 MTN No. 2 bulk hard red winter wheat "free-in-elevator" Durban, South Africa.
- Malawi delivered 3,000 MTN A-B white maize to WVI warehouses in Tete Province, Mozambique.
- Ratio of Exchange: 2.25 MTN maize:1 m.t wheat
- Delivery Costs: U.S. paid all ocean freight costs to Malawi for the wheat, and reimbursed Malawi up to $145.00/MTN for inland transport and handling costs from Durban to Malawi. Malawi paid for the freight costs of shipping maize to Mozambique. WVI paid for unloading in Mozambique and securing all import permits and documents.

1986: United States - Kenya - Sudan.

- U.S. delivered 2,190 MTN hard red winter wheat to Mombasa, Kenya.
- Kenya delivered 3,000 MTN of K-3 Standard white maize to organizations chosen by the USG at depots in Kitale, Kenya.
- Ratio of Exchange: 0.73 MTN maize: 1.0 MTN wheat.
- Delivery Costs: U.S. paid delivery costs of wheat to Mombasa. PVOs paid freight costs of maize to Sudan. Kenya paid freight costs of wheat from Mombasa to inland destinations, and was responsible for any costs at the Port of Mombasa including wharfarage, demurrage, handling, etc.

1987: United States - Zimbabwe - Mozambique.

- U.S. delivered 3,372 MTN of No. 2 hard red winter wheat "free-in-elevator" Durban, South Africa.

- Zimbabwe delivered 2,700 MTN of A-B white maize to Beira, Mozambique.
- Ratio of Exchange: 0.80 MTN maize : 1.0 MTN wheat.
- Delivery Costs: U.S. paid freight costs "free-in-elevator" to Durban, South Africa for the Wheat. Zimbabwe paid all handling and freight costs of shipping wheat from Durban to Zimbabwe. Zimbabwe paid shipping costs "free-on-rail" of maize to Beira, Mozambique.

What is clear from the examples above is that past negotiations have usually taken into account more issues than the market exchange ratios between commodities. First, market values for the maize supplied from African grain agencies has usually been negotiated taking into consideration the cost to the agency at the official exchange rate of local currency to the U.S. dollar. Often the market value of the U.S.-supplied commodity is either the c.i.f. cost to the importing country for usual market requirements or the price f.o.b. U.S. Gulf ports. These calculations, however, mask price subsidies that may be in effect in participating countries. The exchange ratios may also mask over- or undervalued currencies in the participating countries. Second, the value of local grains in Africa may be calculated on a less than efficient cost basis. For example, Zimbabwe valued its maize starting with a producer cost of approximately U.S.$ 108.00/MTN plus handling and storage costs of U.S.$36.00/MTN.[82] Thus a cost of U.S.$145.00/MTN was used as a basis to establish exchange rates on the principle of no benefit/no loss to the agency. However, USAID in Harare noted that the GMB in Zimbabwe had been

offered U.S.$74.50 per metric ton on tenders from exports,.."which GMB appears willing to accept."[83] Finally, transport and handling costs are included or excluded in various ways. For example, for the 9,600 m.t. shipment of wheat to Zimbabwe in 1986, the ratio was calculated on an f.o.b. price at Gulf ports. This was because GMB in Zimbabwe was instructed to meet its wheat import requirements through barter. However the GOZ agreed to pay transport costs of bartered wheat. Thus, the GMB combined its Section 416 wheat with the PL 480 wheat and contracted shipping of its own accord. This resulted in a more favorable exchange ratio than is seen in the Malawi transaction of the same period. In other cases, as can be noted above, inland transport costs have been included such as the transport cost of wheat from Durban to Zimbabwe, or the cost of transporting maize from Malawi and Zimbabwe to Mozambique. Trying to determine what an appropriate ratio should be for any transaction is difficult, and may require guidelines for future transactions.

TIMING AND SPEED OF THE GRAIN SHIPMENTS

Discussions relating to a trilateral transaction which ultimately led to the "Round I" trilateral began in early 1985. It was almost a year, however, before the DCC approved the arrangement, on April 21, 1986. World Vision International had included a 10,000 MTN trilateral arrangement in its operational plan for Mozambique as early as April 11, 1985, anticipating the approval by the DCC. Actual approval of the arrangement to supply 7,000 m.t. from Zimbabwe and 3,000 m.t from Malawi was not approved by AID until May 7, 1986. This led to agreements with the Grain Marketing Board (GMB), signed June 13,1986 and ADMARC national grain company of Malawi, signed July 24, 1986.

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82. By way of comparison, the U.S. Government pays farmers an annual storage fee of $0.26 per 56 lb bushel or $10.22 per m.t. for Farmer Owned Reserves, or grain stored on the farms.

83. Harare 00296, Jan. 20, 1987.

The shipments of maize from Zimbabwe to Mozambique began one week after the agreement was signed, on June 19, 1986. These shipments were expeditious and regular, so that the agreed upon quantity had reached its destination by August 31, 1986.[84]

The deliveries from Malawi were not so smooth. In both the Zimbabwe and the Malawi cases, World Vision International was the intermediary that had operational responsibility for implementing the program and receiving the grain in Mozambique. USAID/Harare was satisfied with the operational procedures of WVI. However, this was not the case in Malawi. The main problem in the case of Malawi seems to have been that operational control was vested in WVI headquarters in Zimbabwe, both for shipping the grain and receiving the grain in Mozambique. However, other issues outside of WVI's control seem to have been the major factors causing delays in grain deliveries. The first deliveries of grain were delayed from July 1986, when the agreement was signed, until September. Even then, further deliveries were slow. Although the grain company in Malawi, ADMARC, indicated that they could effect deliveries of the 3,000 MTN to Mozambique in three weeks,[85] by October 15, 1986 only 7 truck loads of approximately 210 MTN had been delivered.[86] The main reason given initially for this delay was insurgent activity in the areas of Mozambique where the grain was to have been delivered. However, it was clear that the deliveries from Zimbabwe were timely; in fact, ahead of schedule. Yet, shipments of the maize from Malawi to Mozambique were not completed until June of 1987, almost a year after the agreements were signed. In the meantime, U.S. wheat destined for Malawi was delivered to Durban in September of 1986.

USAID/Lilongwe, in a summary cable for this study, reviewed the logistics and delivery by ADMARC. In their view, the major problem was due to top management personnel changes in ADMARC shortly after the agreement was reached. In fact they state, "...These changes were not made public for several weeks after they had been made. During this period, ADMARC was virtually in limbo. Phone calls were not returned, it was very difficult to arrange meetings and correspondence went unanswered....Despite constant prodding from both WVI and the Mission, these management changes effectively resulted in several weeks delay in moving the agreed program forward. During August, September and part of October, virtually no action was taken by ADMARC to initiate maize shipments. After several tries by the Mission and WVI, the bottleneck was broken and the maize began to move. Unfortunately, by this time, one of the critical areas in Zambesi Province where the food was needed most had been overrun by insurgents and the maize could not be delivered to these destinations."[87]

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84. The actual delivery was 6,450 MTN, allowing for a portion to be held back until final shipments of U.S. wheat were done and the maize quantities could be calculated against the agreed upon ratio of exchange.

85. Lilongwe 01710, May 5, 1986.

86. Maputo 3552, October 22, 1986.

87. Lilongwe 01039, March 11, 1987.

CONCLUSIONS

The trilateral transactions with Zimbabwe clearly worked well, were timely and appear to have been economically efficient. The trilateral arrangement with Malawi seems questionable. Given the small amount of grain involved, it is doubtful if the transaction with Malawi was advisable. The original idea was to supply all of the grain from Zimbabwe, which clearly had supplies available, had experience in exporting grain, and where WVI was well established. The inclusion of Malawi seems to have been more a political choice than one based on recognition of the country as a source of grain suitable quickly to relieve "emergency" conditions in the region. One has to question the wisdom of promoting Malawi's participation given that they were at least tacitly harboring insurgents from Mozambique. Surely, they did not seem to be overly enthusiastic about the program given their performance. This brings out a final point made so well by the RFFPO in Kenya. That is, a major concern when evaluating a potential trilateral should be the willingness and enthusiasm of the supplying country.

For "Round II", the 1987 trilateral involving Zimbabwe and Mozambique, the deliveries were again timely and efficient. This trilateral, as noted above, did not involve a PVO as intermediary, but rather provided for shipments of maize from the GMB directly to the Government of Mozambique. The entire delivery of grain was completed within three months of receiving approval from the DCC for the trilateral.

BENEFITS TO VARIOUS PARTIES TO THE TRANSACTIONS

The recipients of the food aid in Mozambique definitely gained from the program. In as much as these people had a clear preference for white maize from neighboring African countries over U.S. yellow maize, the gain to them was even greater. Without this distinction, however, it is not certain that any greater gain came from a trilateral arrangement as opposed to a bilateral program.

Clearly Zimbabwe gained in the first transaction. The Grain Marketing Board was able to sell 7,000 metric tons of maize at a price far above the world market price. The fact that they paid this price for this grain does not alter the fact that the grain recovered, via the U.S. wheat, a high return. In turn, Zimbabwe was able to convert the value of its own maize into a commodity that it needed to import, while using foreign exchange only for the shipping. By contracting for the shipping itself, it also was able to utilize low-cost non-U.S. flag vessels, something that would be difficult for the U.S. to do. In the Round II shipments, Zimbabwe again received a high price for its maize. This is most clearly seen in the fact that it appeared to be willing to export other surplus stocks for about one-half of the price used in the exchange ratios.

It is not easy to ascertain if Malawi gained as much as did Zimbabwe. Contrary to earlier optimistic reports, it appears that Malawi did not have the immense surpluses that existed in Zimbabwe. Therefore, selling off excess stocks was of much less concern to Malawi. However, it is clear that in Malawi, as was the case in Zimbabwe, was able to bring in wheat at virtually no foreign exchange cost. In fact, as the U.S. paid all of the shipping costs for the wheat going to Malawi, the only foreign exchange cost to the latter was the small amount that her truckers may have had to pay while transporting maize to Mozambique.[88]

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88. Trucks went in convoy. Only in one instance, according to WVI, was a shipment of 60 tons lost to the insurgents.

Gains for the U.S. are hard to measure. Most of these are in political good will. At a time (1986) when the U.S. bilateral foreign aid program to Zimbabwe had been suspended, this trilateral provided a means of keeping up the possibility of improving relations further, at a time when the U.S. was openly supporting contra-government UNITO forces elsewhere in the region, and seen as indirectly supporting the MNR, the trilateral reinforced the commitment the U.S. claimed to have to SADCC, and to democratic government in the region as a whole. One gain that may be longer-term and hard to quantify would be the potential for marketing wheat in the Southern (and Eastern) parts of Africa. Clearly that would not have been the case if yellow corn had been shipped. The latter is considered an inferior food in Africa, and although it would be accepted under emergency conditions such as existed in Mozambique, it would have no lasting impact as a foodstuff. Wheat, on the other hand, is not only in demand in most areas of Africa, but that demand is growing. Good quality wheat, imported at competitive prices, entering the markets of southern Africa, could have an impact on decision-makers and future imports.

It is not as clear that the truckers and railroads gained substantially as was the case in Ghana. Freight rates appear to have been competitive and normal. There is not the evidence that local operators needed the foreign exchange to repair trucks. Indeed, the local government grain agencies contracted trucking without the use of U.S. funds directly, so that any foreign exchange gains would have accrued to the governments.

In summary, it would appear that the clearest and most substantial gains accrued to Zimbabwe, both in terms of foreign exchange savings and support for its agricultural price policy.

ANNEX C

COST EFFECTIVENESS ANALYSIS

Introduction

This annex compares the U.S.G.'s costs of the trilateral barter programs examined in this study to the costs it would have incurred had emergency food assistance been provided bilaterally. The unit of measurement is the cost per ton of food delivered to the target groups in Burkina Faso, Mali, and Western Mozambique.

The analysis does not address important non-quantifiable factos that are usually considered when determining the merits of program alternatives. For example, the timeliness of deliveries may be an overriding consideration where emergency food needs exist and food is readily available in a neighboring country. Or the achievement of U.S. foreign policy or market development objectives made possible through a trilateral program may be worth the additional cost such a trilateral may entail. Cost considerations are nevertheless important, and the study team recommends that a cost effectiveness analysis by an integral part of any trilateral program proposal.

Findings

General

Table C-1 shows that the costs of trilaterals, as well as those of bilateral alternatives, can vary considerably. Table C-2 shows the actual costs incurred by each party to each of the transactions. The U.S.-Ghana-Burkina Faso/Mali trilateral was 71 % more costly than a bilateral program would have been; the U.S.-Zimbabwe-Mozambique trilateral cost 18 % more; and the U.S.-Malawi-Mozambique trilateral was 62 % less costly. The major factors accounting for cost differences were inland transport in the West African program and the overall unfavorable wheat for maize exchange ratio in the Zimbabwe transaction. The more favorable trilateral with Malawi and Mozambique is attributed to the value the Government of Malawi placed on the opportunity for foreign exchange savings and the latter's contributions towards financing transport costs. These results suggest that generalizations are difficult to make on the cost effectiveness of trilateral vs bilateral programs and that a comparative analysis should be done on a case-by-case basis for each trilateral program proposed.

U.S.-Ghana-Burkina Faso/Mali Trilateral

The 71 % higher cost of the U.S.-Ghana-Burkina Faso/Mali barter - $507 vs $296 per MTN - was due mainly to higher inland transport costs. These higher costs are largely explained by the longer route entailed in trucking the maize from Kumasi Ghana, the depot area for Ghanian white maize; rather than from Abidjan, Ivory Coast, the port of entry had yellow maize been provided bilaterally. Other factors were the poorer road conditions of the Kumasi route and the more limited opportunities for "backhauling" goods to Kumasi rather than Abidjan.

TABLE C-1

Comparative Cost Analysis
Trilateral vs Bilateral Food Aid Transactions
(U.S. Dollars)

	Ghana - Mali/Burkina:		Zimbabwe - Mozambique:		Malawi - Mozamaique:	
	Trilateral	Bilateral a/	Trilateral	Bilateral a/	Trilateral	Bilateral a/
U.S.G. (Metric Tons)	Rice (9,202 MTN)	Yellow Maize (15,000 MTN)	Wheat (9,792 MTN)	Yellow Maize (7,000 MTN)	Wheat (1,409 MTN)	Yellow Maize (3,000 MTN)
Intermediary (Metric Tons)	White Maize (15,000 MTN)	NA	White Maize (7,000 MTN)	NA	White Maize (3,000 MTN)	NA
Commodity Value	2,688,000	1,350,000	1,034,039	630,000	149,454	270,000
Ocean Freight	502,964 b/	1,633,500	730,876	427,000	142,983	222,300
Storage Savings c/	(55,044)	(47,628)	(28,740)	(22,226)	(4,191)	(9,526)
Sub-Total	3,135,920	2,935,872	1,736,175	1,034,774	288,246	482,774
Inland Transport	4,465,181	1,500,000 d/	315,000 e/	700,000 f/	210,000 g/	837,000 h/
Total Costs	7,601,101	4,435,872	2,051,175	1,734,774	498,246	1,319,774
Cost Per Ton	507	296	293	248	166	440

SOURCES: USDA, Commodity Credit Corporation, Report No. FM-301R and Baltimore Form C. Berth Term Grain Bill of Lading.
USDA, Foreign Agriculture Service, PL 480 Operations Division, Rate Analysis and Statistics Area, and USDA, ADCS, Warehouse Division.
AID, Bureau for Food for Peace and Private Voluntary Assistance, Office of Food for Peace, Program Operations Division.

a/ Bilateral Program Assumptions:

Ocean Freight = 70% U.S. flag and 30% foreign flag.
Commodity Value = $90.00 per metric ton or $2.29 per bushel.

b/ 100% foreign flag.

c/ Based on 90 day CCC storage. Costs range from a high of $5.96 per MTN for the rice shipped to Ghana, to a low of $2.99 for the wheat shipped to Malawi and Zimbabwe. The storage savings are higher for rice than for wheat, which in turn is higher than for corn according to USDA. In both cases, the commodity was hard red winter wheat. Note that the lowest storage costs to the CCC are for Farmer Owned Reserve corn where farmers receive $0.26 per bushel, or $10.23 MTN per year.

d/ $100 per metric ton; A.I.D. estimate.

e/ Costs of transporting the wheat by rail from Durban to Harare totaled $55.70 per MTN and were paid by the GOZ. WVI paid the costs of transporting the maize by rail from Harare to Tete ($45 per MTN) and were reimbursed by the U.S.G.

f/ $100 per metric ton by rail; WVI estimate.

g/ Represents transport costs of $149.07 per MTN for transporting the wheat by truck from Durban to Malawi. Inland transport costs for transporting the maize by truck from Malawi to Tete (estimated at $130-135 per MTN) were subsumed in the exchange ration of wheat for maize.

h/ Represents costs of transporting the maize by truck from Durban to Malawi ($149 per MTN) plus truck transport from Malawi to Tete Province in Western Mozambique ($130 per MTN).

TABLE C-2

Cost Analysis
U.S.G. Trilateral Programs
(U.S. Dollars)

	U.S.-Ghana-Burkina Paso/Mali		U.S.-Zimbabwe-Mozambique:		U.S.-Malawi-Mozambique:	
	U.S. Costs	Ghana Costs	U.S. Costs	Zimbabwe Costs	U.S. Costs	Malawi Costs
Commodity	2,688,000 (Rice)	2,850,000 (Maize)	1,034,039 (Wheat)	1,015,000 (Maize)	149,454 (Wheat)	435,000 (Maize)
Ocean Freight	502,964	0	730,876	131,250*	142,983	0
Storage Savings	(55,044)	NA	(28,740)	NA	(4,191)	NA
Sub Total	3,135,920	2,850,000	1,709,175	1,146,250	288,246	435,000
Inland Transport	4,465,181 (Ghana to Mali & Burkina Faso)	C	315,000* (Harare to Mozambique)	534,720 (Durban to Harare)	210,000 (Durban to Malawi)	390,000 Malawi to Mozambique)
Total Costs	7,601,101	2,850,000	2,051,175	1,680,970	498,246	825,000

SOURCES: USDA, Commodity Credit Corporation, Report No. FM-301R and Baltimore Form C. Berth Term Grain Bill of Lading.
USDA, Foreign Agriculture Service, PL 480 Operations Division, Rate Analysis and Statistics Area, and USDA, ADCS, Warehouse Division.
A.I.D., Bureau for Food for Peace and Private Voluntary Assistance, Office of Food for Peace, Program Operations Division.

NA not available.

The GOZ paid the ocean freight in the amount of $131,250. However, the USG subsequently paid $730,876 differential to meet U.S. cargo pilference requirements.

The trilateral would have been even more costly - $587 per MTN vs $296 per MTN, or 98% higher - had the U.S. rice been shipped under the same shipping arrangements assumed for the bilateral alternative. The analysis assumes that the bilateral alternative would have been shipped 70% U.S. flag and 30% foreign flag. However, the bartered rice was shipped on 100% foreign flag vessels. Had the bartered rice been shipped on 70% U.S. and 30% foreign flag bottoms, the ocean freight costs would have been $135 per MTN instead of the $55 per MTN actually paid, or an additional cost of $80 per MTN.

A closer look at the negotiated inland freight rates shows that the Burkina Faso component of the transaction was less costly than the Mali component . Transport rates negotiated with the Ghanian Transport Company show that the cost of trucking Ghanian white maize to Quagadougou was $106 per MTN (see Table C-3). This is about the same as the $100 per MTN estimate for trucking bilaterally provided maize from Abidjan to Quagadougou or Bamako.
The most economical mode for transporting maize to Burkina Faso would have been by rail from Abidjan to Ouagadougou. This route costs only about $30.00 per ton. However, port congestion was a problem in Abidjan in 1985 and much of the food aid shipped under bilateral programs that year went through Lome. We can only conclude that the cost of trucking the Ghanian maize to Ouagadougou was reasonable. Rates paid were only slightly higher than were the prevailing rates for Burkanabe truckers.

The Mali component of the U.S.-Ghana Burkina Faso/Mali trilateral
was much costlier. The negotiated transport rates show that the cost of trucking the Ghanian white maize to Bamako was $257 per MTN compared to the $100 per MTN estimate for providing maize bilaterally. The negotiated weighted average cost of trucking the maize to all of destination points in Mali (Bamako, Menaka, Ansongo and Gao) was $287 per MTN.

As in the Burkina Faso case, more economical routes for transporting the maize to Mali were unavailable in 1985. These routes were from either the port of Abidjan and then on by road, or from the port of Dakar and then on by rail. Port congestion impeded the flow of food aid through Abidjan; government-controlled low freight rates permitted truckers from Abidjan to Mali were also a problem. The rail line from Dakar to Mali was not an option due to the poor condition of the rail line and its rolling stock. On the other hand, A.I.D.'s Regional EconomicDevelopment Services Office (REDSO) in Abidjan felt that the issue of port congestion, etc., was overstated and that the grain could have been shipped on a bilateral basis through Abidjan and Lome.

The study team also compared the unit cost of the Mali component to those of a Title II Section 206 program which provided 10,000 MTN of rice the previous year. The costs of ocean freight and inland transport for the latter was $293 per MTN compared to $403 per MTN for the Mali component of the trilateral. The $403 per MTN figure included prorated costs of $349 per MTN for the portion of the barter trucked to Bamako and $54 per MTN for the actual cost of ocean freight from the U.S. to Tema, Ghana.

U.S.-Zimbabwe-Mozambique Trilateral

The U.S.-Zimbabwe-Mozambique barter cost 18% more than a bilateral program would have. The totals of ocean freight and inland transport costs between the two program alternatives were about the same. This suggests that the higher cost of the trilateral can be attributed to the wheat for maize exchange ratio. Cost estimates at the time of negotiations indicated that the trilateral would be less costly. However, actual costs turned out to be higher.

U.S.-Malawi-Mozambique Trilateral

The U.S.-Malawi-Mozambique barter was less costly than a bilateral would have been owing largely to the value the Government of Malawi placed on foreign exchange savings and the GOM's agreement to pay inland transport costs from Malawi to Tete Province. The value placed on foreign exchange savings is reflected in Table C-2 as the difference between the costs to each party. The inland transport costs to deliver the Malawian white corn to Tete were subsumed in the exchange ratio of wheat for maize.

The World Vision Regional Office (WVRO) and the local governments used truck transport for most of the 1986 maize shipments from both Malawi and Zimbabwe as rail transport was unreliable. In fact, WVRO noted in its 1986 operations report that the Western areas of Tete and Manica Provinces had to be supplied from Zimbabwe "as these areas are for all intents and purposes cut off from the rest of Mozambique by the activities of the insurgents.[89]

The following sections present more detailed breakdowns of the costs and obligations incurred by the various parties to the trilateral transactions.

The Cost of the U.S.-Ghana-Burkina Faso/Mali Trilateral

Table C-3 shows the freight rates negotiated with the GFDC and Ghanaian truckers to transport maize from Ghana to destination points in Burkina Faso and Mali.

Table C-3 illustrates points made earlier; namely:

- The transport costs for trucking maize from Ghana to Quagadougou are comparable to those for trucking maize from Abidjan to Quagadougou; i.e., $106.50 per MTN vs $100.00 per MTN respectively; and

- The transport costs for trucking maize from Ghana to Bamako was about 2.5 times more expensive than trucking it from Abidjan; i.e., $257.10 per MTN vs $100.00 per MTN respectively.

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89. Bruce Menser, Mozambique Program Director, World vision International, May 7,1986.

TABLE C-3
U.S.-Ghana-Burkina Faso/Mali Transaction
Calculation of Freight Rates for Inland Transport
(U.S. $)

Destination	Metric Tons	Transp. Per Ton	Handling Per Ton	Total Per Ton	Total To Dest.*
Ouagadougou	5,000	106.50	7.00	113.50	567,500
Menaka	2,500	251.70	3.60	255.30	638,250
Ansongo	1,500	283.00	3.60	286.60	429,900
Gao	4,000	325.50	3.60	329.10	1,316,400
Bamako	2,000	257.10	3.60	260.70	521,400
		SUBTOTAL			373,450
Freight Forwarding to Ouagadougou					30,000
		TOTAL CONTRACT			3,503,450

Source: Transport Agreement.

* Mileage from Kumasi, Ghana was negotiated as follows:

To Ouagadougou, Burkina Faso	470 miles
To Ansongo, Mali	1,154 miles
To Bamako, Mali	1,048 miles
To Menaka, Mali	1,026 miles
To Gao, Mali	1,327 miles

CCC records show that the following costs were incurred in the Ghana-Burkina Faso/Mali transaction:

TABLE C-4

U.S.-Ghana-Burkina Faso/Mali Transaction
Costs Incurred
(U.S. $)

U.S. rice (9,207 metric tons)	$2,688,000.00
Transport of rice from U.S. Gulf to Tema	502,964.00
Inland freight and handling charges:	
10,000 MTN maize Ghana to Mali	$3,040,000.00
	748,181.00
5,000 MTN maize Ghana to Burkina Faso	677,000.00
TOTAL COST	$7,656,145.00

SOURCE: USAID reports, USDA reports.

Table C-5 shows A.I.D. payments against the Purchase Authorizations for inland transport as of April 13, 1987.

TABLE C-5
U.S.-Ghana-Burkina Faso/Mali Trilateral
A.I.D. Expenditures for Inland Transport
(U.S. $)

Transaction	Total Dollars	Dollars /M.T.
10,000 MTN to Mali:		
PA/PR 899-950-XXX-5784	$3,040,000.00	$304.00
Payments against 5784	2,970,849.90	297.08
Unused balance	69,150.10	6.92
PA/PR 899-950-XXX-6784	$ 748,181.00	$ 74.82
Payments against 6784	748,180.88	74.82
Unused balance	.12	
5,000 MTN to Burkina Faso:		
PA/PR 641-48-000-5701	$ 677,000.00	$135.40
Payments against 5701	545,163.20	109.03
Unused balance	131,836,80	26.36

SOURCE: USAID reports, invoices, and USDA reports.

Payments reflected in Table C-5 may not be complete. USAID/Accra records (Accra 07651, October 15, 1985) indicate that a total of $575,163.20 had been authorized for payment against PA/PR 5701. However, four vouchers approved for payment indicate that $545,163.20 is correct (Abidjan 14764, January 27, 1986). Bills in question against PA/PR 5701 for inland transport to Burkina Faso include payments to SOCOPAO to handle customs clearances, reconditioning, rebagging and unloading in Burkina Faso.

Cable traffic also indicates that the $30,000 freight forwarding bill to SOCOPAO could not be paid as the cost had increased by about $5,500.00 due to the decline of the dollar against the franc (the contract with SOCOPAO was denominated as 2,200 FCFA/MTN). This amount would have to come out of the residual funds in PA/PR 5701.

Table C-6 breaks down the shipments of maize from Ghana to Quagadougou and the four points in Mali. The mileage figures are based on the contract terms with GFDC. The tons shipped are based on the actual records of dispatches.

TABLE C-6
GHANAIAN WHITE MAIZE SHIPMENTS
TO MALI - 1985

Date (1985)	Convoy No.	No.of Trucks	MTN	Destination
JUNE 6	1	6	150	GAO
JUNE 6	2	6	180	BAMAKO
JUNE 6	3	6	180	MENAKA
JUNE 6	4	7	200	GAO
JUNE 6	5	13	455	GAO
JUNE 6	6	8	260	BAMAKO
JUNE 6	7	7	215	MENAKA
JUNE 6	8	6	180	MENAKA
JUNE 6	9	14	450	GAO
JUNE 6	10	11	355	GAO
JUNE 6	11	14	455	BAMAKO
JUNE 6	12	11	350	ANSONGO
JUNE 6	13	30	975	GAO
JUNE 6	14	28	885	BAMAKO
SEPT 28	15	7	210	GAO
SEPT 28	16	7	210	GAO
SEPT 28	17	7	210	GAO
OCT 5	18	5	150	ANSONGO
OCT 5	19	7	210	ANSONGO
OCT 5	20	6	180	MENAKA
OCT 11	21	7	210	GAO
OCT 11	22	7	210	GAO
OCT 11	23	7	210	GAO
OCT 11	24	7	210	GAO
OCT 11	25	7	210	MENAKA
OCT 11	26	7	210	MENAKA
OCT 27	27	7	245	GAO
OCT 27	28	8	280	GAO
OCT 27	29	7	210	MENAKA
OCT 27	30	7	210	MENAKA
OCT 27	31	7	210	ANSONGO
OCT 31	32	8	250	ANSONGO
NOV 16	33	14	425	MENAKA
NOV 20	34	10	300	MENAKA
NOV 23	35	5	150	MENAKA
TOTAL TO MALI		321	10,000	
SUBTOTALS BY CITY:			1,170	ANSONGO
			1,780	BAMAKO
			4,580	GAO
			2,470	MENAKA

SOURCE: MOS REPORTS

The Cost of the Zimbabwe-Mozambique-Malawi Trilaterals

Table C-7 shows the CCC's contributions to the Malawi-Mozambique and the Zimbabwe-Mozambique trilaterals.

TABLE C-7

CCC Costs of Zimbabwe/Malawi/Mozambique Trilaterals (U.S. Dollar)

	Zimbabwe-Mozamb.	Malawi-Mozamb.
Commodity (wheat) Value	$1,034,039.00	$149,454.00
Ocean Transport	730,876.00	142,983.00
Inland Transport	315,000.00	210,000.00
TOTAL	$2,079,915.00	$502,417.05

Source: A.I.D. and USDA reports, invoices and B.O.L.'s.

Actual shipments of bulk wheat to Zimbabwe were 9,792.13 MTN. The average purchase cost was $105.60 per MTN ($2.88/bushel). Actual shipments of bulk wheat to Malawi were 1,408.7 MTN at an average cost of $101.50 per MTN ($2.77 per bushel). Inland transport costs paid by the Government of Zimbabwe for transporting the wheat from Durban to Harare were $ZW 88.56 per MTN including port handling and clearing charges of $ZW 21.83. This would be equivalent to US$ 55.70 per MTN calculated at the current exchange rate of $ZW 1.59 to US$ 1.00. The costs of transporting the maize from Zimbabwe to Tete ($315,000) were paid by WVI and were reimbursed by the U.S.G.

Inland transport costs paid by the CCC for transporting the wheat to Malawi were $149.07 per metric ton ($4.04 per bushel). Inland transport costs thus exceeded the commodity value and were about 72 % of the commodity's c.i.f. value in Durban, the delivery port.

Costs incurred by the Government of Malawi for transporting the local maize to points within Mozambique were picked up by the U.S. government and PVOs. These costs are not explicitly identified in Table C-1 as they were subsumed in the exchange ratio of wheat for maize.

Figures supplied by World Vision show inland transport costs of African-purchased maize ranging from $27.78 for deliveries from Rusape to $45.00 per ton for deliveries from Mutoko. By comparison, their figures for deliveries of U.S. bilateral aid from South African ports to Mozambique points of entry are $89.00 per metric ton.[90]

90. World Vision International working document, Mozambique, using FY 1986 prices.

Considering that the cost for Zimbabwe-destined wheat was a total of $55.70, all inclusive, from Durban to Harare, and adding to that the $45.00 for Zimbabwe to Mozambique points of entry, we would have a comparable cost of $100.70, or $11.70 more than for direct South African ports to Mozambique points of entry. That is to say, the cost per ton on a trilateral would be about $11.70 per metric ton higher than a bilateral program. On the other hand, if rail could be used for at least part of the Zimbabwe to Mozambique shipments, then the cost of the inland transport costs of a trilateral could be made equivalent to the bilateral costs.[91]

91. World Vision International indicated the following rates would have applied had the maize been transported by rail or boat:

Mutare to Chimoio (Eastern Zimbabwe to Western Mozambique) by rail; $12.23 per MTN.

Mutare to Beira (Eastern Zimbabwe to Mozambique coast) by rail; $20.16 per MTN.

Chicualacuala to Chokwe by rail; $13.44 per MTN.

Incomatiport to Muputo by rail; $7.44 per MTN.

Beira to Inhambane by boat; $12.50 per MTN.

ANNEX D

TRILATERAL FOOD AID: POTENTIAL IMPACTS ON MARKET DEVELOPMENT REGIONAL AND INTERNATIONAL TRADE AND ECONOMIC DEVELOPMENT

Trilateral food aid to date represents a relatively small part of total food aid. Food aid in turn is a small portion of total world transactions in grains and oilseeds. Thus, it is generally considered appropriate to attribute little or no impact on world market prices to these transactions. This is probably appropriate in the short run. There are, however, broader questions to be addressed. In this annex, we will deal with three such questions. These are:

1) implications for world and regional market.,

2) the potential advantages and disadvantages of trilateral food aid transactions for U.S. market development; and

3) potential contribution to national and regional economic development.

Each question is considered in turn, using mainly U.S. experience in Southern and Eastern Africa to illustrate the issues.

1. WORLD AND REGIONAL MARKET IMPLICATIONS

All U.S. trilateral transactions in Africa have involved the trading (bartering) of U.S. surplus commodities (wheat and rice) with a second country for a locally-produced commodity (white maize) which is the apparent preferred commodity in a third country. These cases have been discussed in the body of this report. The issues for world markets relate to potential impacts on world prices and trade volumes. Using the case of the United States trading wheat to Zimbabwe for white maize for shipment to Mozambique as an example, the following issues emerge. World price impacts could arise from several parts of the transaction.

Recall that Zimbabwe is a deficit country in wheat. There is an apparent water and irrigation development constraint on increased winter wheat production. Production at present is unlikely to exceed 250,000 tons. Domestic consumption is rationed by the Grain Marketing Board to level around 300,000 tons. However, rising incomes and increased urbanization are creating increased (but quantitatively unknown) excess demand for wheat. At the time of Independence support prices for white maize were increased and made available to communal as well as commercial farmers. Output of maize has increased significantly, particularly on communal farms. For example, in 1980, 10% of maize production occurred on communal farms. Last year, 42% came from communal farms where output totalled nearly 700,000 tons. The result is a surplus of white maize of nearly 2 million metric tons of maize. Support prices this year have been reduced for individual farm production in excess of 91 tons. But increased surplus will still accrue. Similar trends have occurred in Kenya which also has a surplus of white maize and a shortage of wheat. It is therefore in Zimbabwe's and Kenya's interest to increase domestic availability of wheat and reduce costly stocks of white maize.

With the above stylized facts in mind, it is possible to explore potential world market price and volume impacts. It must be remembered, however, that trilateral transactions are a small part of U.S. food aid and that food aid is a small proportion of total world trade. If the shipment of wheat to Zimbabwe is additional to total trade (i.e. Zimbabwe would not have bought as much wheat commercially, presumably because of foreign exchange constraints), this would reduce U.S. stocks and potentially lessen downward pressure on world prices. If on the other hand Zimbabwe (and Kenya) would have purchased wheat commercially, there would have been direct upward pressure on world wheat prices and increased U.S. shipments. Thus, the wheat side of the transaction would have potentially positive (though clearly small) impacts on world markets. However, the more that the trilateral replaced (lower additionality) commercial purchases, the relative increase in world prices would be less.

In maize markets the potential forces are more complex. If the U.S. had shipped yellow maize directly to Mozambique, that transaction would have reduced U.S. stocks and, given Mozambique's total lack of foreign exchange, would have represented an addition to trade volume and put upward pressure on world prices. Thus, the relative benefits of potentially higher wheat prices and lower maize prices would depend crucially on the additionality of wheat shipment to Zimbabwe versus maize shipment to Mozambique. (These outcomes are not influenced by the fact that yellow maize is not a preferred product in Mozambique). However, there are additional implications which depend on what Zimbabwe would have done with surplus white maize in the absence of stock-reducing trilaterals. If Zimbabwe (or Kenya) dumped surpluses on world markets at very low prices as Zimbabwe did just before Independence, this would tend to depress world maize prices. Thus, the impact on world maize prices of a direct maize shipment by the U.S. to Mozambique would depend on Zimbabwe behavior. To the extent the trilaterals by the U.S., Canada, Australia, and triangular deals by the EC and Japan have taken pressure off Zimbabwe stocks potentially price depressing effects of Zimbabwe dumping are reduced.

Thus, there are offsetting effects on world prices. Wheat prices would tend upward, while maize prices would tend downward. In the absence of a trilateral, pressure on wheat prices would be downward and maize prices could go either way, depending on whether Zimbabwe dumped its surpluses. These tendencies are discussed to show the potential impacts on prices if larger transactions were to take place. We can safely say however, that given magnitudes to date, world price impacts have been marginal at the most.

A second set of market considerations relates to the potential for developing a regional market in Southern and Eastern Africa for white maize. There is considerable interest in the SADCC (Southern Africa Development Coordination Conference) region for developing a regional food security scheme which would focus on production, distribution and trade of basic food-stuffs (see paper by Carl K. Eicher and Mandwamba Rukuni, "Developing a SADCC Food and Agriculture Strategy: Objectives, Components and Process"). Such a plan would encourage Southern African countries to develop their agriculture in terms of their comparative advantage. This presumably would result in increased productivity, better prices, and could serve as an engine of positive economic growth. Clearly in the long run, sustained rural based economic growth and raising incomes are both in the interest of the countries themselves and for potential exporters such as the United States. This is so because with rising incomes, the region would experience rising demand for food and, in particular, wheat. Given constraints on wheat production, such policies could expand wheat imports for example.

In addition, the development of regional trade in, say, white maize would not likely be directly in competition with U.S. exports of yellow maize. This is so because white maize is primarily used for direct human consumption. Further, rising incomes would shift demand patterns toward meat consumption which might increase more rapidly than indigenous or regional feeding stuffs production. This was clearly the case in Taiwan and South Korea. It is also argued that the development of regional trade would be more likely if transportation and trading infrastructure were encouraged by initial trilateral transactions.

These potential developmental impacts in emerging regional food markets we discussed at length in the body of this report. However, one must be cautious about excessive expectations. Regional trade depends, as does international trade, on the capacity of importing countries to pay for commodities they import. This requires foreign exchange of a sort that exporting countries are willing to accept. While there is incomplete information available on the convertibility of local currencies, what evidence there is suggests significant difficulties here. Most countries in the region would strongly perfer to earn hard convertible currency rather than inconvertible local currencies. Thus, at this point the potnetial for developing a viable commerical regional market of any magnitude seems limited. About the most that can be said is that if trilaterals moved countries in that direction it would be a positive development. Yet, on the basis of our analysis, this is much more a potential rather than an actual benefit of already-consummated trilateral transactions.

2. THE POTENTIAL ADVANTAGES AND DISADVANTAGES OF TRILATERAL FOOD AID TRANSACTIONS FOR U.S. MARKET DEVELOPMENT

A continuing objective of PL 480 has been long-term development of commercial export markets for U.S. commodities. A necessary question to address, therefore, is whether trilateral transactions:

a) contribute to market development activities and,

b) whether more traditional methods would do the job as well.

Compared to a bilateral food aid transactions, trilaterals are more complicated. On the surface the basic question appears to be whether the potential is greater with direct shipment to the ultimate beneficiary country of available food stocks or with bartering in an intermediate country. In the Southern Africa case this would be the choice of shipping yellow maize to Mozambique versus trading U.S. wheat to Zimbabwe for white maize to be shipped to Mozambique. Our analysis plus interviews suggest that long-term market development for U.S. maize exports to Mozambique are limited. This is so both because yellow maize is a non-preferred product and because the current economic and political disarray in Mozambique do not bode well for sufficient economic development to generate a commercial market. On the other hand several factors suggest the potential for market development for wheat exports to higher income countries in Southern and Eastern Africa. Both Zimbabwe and Kenya have deficits of wheat. The deficit is contributed to by both lack of comparative advantage in wheat production and by rapidly expanding demand fueled by income and population growth and by accelerating urbanization. Thus, the argument that trilaterals should be looked at in terms of market development in the intermediary country rather than in the final recipient country.

Several issues still require further exploration. First, is the U.S. product properly identified in either the intermediary or final recipient country? We have argued elsewhere in the report that final recipients in Mozambique are unlikely to identify the product with the donor, whether shipped directly or indirectly. Even Zimbabwe maize is labelled as a gift from the United States. Evidence suggests that illiteracy and language difficulties prevent strong identity. On the Zimbabwe side, U.S. wheat swapped for maize is mingled with other wheat and so is not identifiable to the final consumer. But clearly final consumer identification is not the major issue. The more critical question is whether those responsible for food procurement recognize the source of the commodity. This is clearly the case in Zimbabwe where the Grain Marketing Board is well aware of the U.S. source. Similarly, food distribution agencies in Mozambique know the original source of the food aid shipment. Thus, it was concluded in the body of the report that physical identification of the commodity is largely a non-issue.

If the above identification issue does not prevail, it is clear that in the foreseeable future the potential for U.S. wheat exports to Eastern and Southern Africa (and probably rice and wheat exports to West Africa) is greater than that for yellow maize. But trilaterals are not the only way to develop wheat marketing in Eastern and Southern Africa. As argued by USDA officials interviewed, an additional relevant question is—why not use Title I bilateral food aid to Zimbabwe and Kenya directly? Looked at in this way the relevant comparison is the cost to the U.S. of delivering a fixed amount of wheat to Zimbabwe under Title I as opposed to the costs of the trilateral. As argued in the body of the report this comparison hinges directly on the barter terms of trade of wheat for maize. If the wheat price of Zimbabwe maize is higher than the world price of wheat, then the trilateral would involve an important subsidy to Zimbabwe. Our analysis suggests that there are not significant transportation and handling cost differences, at least in Eastern and Southern Africa; therefore the terms of trade are crucial to the comparison, as is the concessional sales aspect of Title I.

An even broader question is whether Zimbabwe would commercially purchase U.S. wheat in the absence of either trilateral or Title I programs. The answer to this question cannot be rigorously determined. Obviously, increasing difficulty with foreign exchange in Zimbabwe, for example, suggests a real foreign exchange constraint on commercial purchases. Futhermore, as our export competitors Canada, Australia and the EC are actively engaged in trilaterals, Zimbabwe could turn elsewhere for ever-larger quantities. In fact this reality of trilateral competition suggests that if the U.S. is to benefit from longer-term market development it has to be involved in trilaterals as long as competitors are.

Given "trilateral competition", then, the preferences of Zimbabwe and Kenya would have heavier weight. Our interviews in Harare clearly suggested that officials in Zimbabwe were very pleased with trilateral arrangements. They got them the wheat they needed without having to expend hard currency in the short term or incur long-term dollar debts (Title I). They reduced burdensome and very expensive maize stocks and generated business for handlers and the transportation industry. (The flip side could be that it puts stress on over-burdened infrastructure). In fact it appears that Kenya is now willing to reduce maize prices to compete for trilaterals with Zimbabwe. Thus we must conclude that, given the clear preference of African countries for trilaterals and the active roles taken by other exporters, the U.S. should be actively involved in trilaterals if longer-term market development is an objective.

This conclusion, coupled with the unlikely possibility of developing markets in the final recipient with direct shipment of a non-preferred product, suggests that in market development terms trilaterals have the potential of being useful. When one factors in development objectives and potential diplomatic gains in both countries, the conclusion seems clear that properly structured and efficient trilaterals have significant potential advantages. Of course all of the above is premised on the initial case of the emergency food aid need being for a commodity not available from U.S. stocks. If the food need could be met with U.S. stocks, the main reason for using trilaterals would have to be for economic development and diplomatic objectives. It is unlikely, unless the intermediate country gave very favorable terms of trade, that a trilateral would compete on cost-effectiveness and efficiency grounds with a well-formulated bilateral. In sum our conclusions are that in the short-term competition from other exporters in the trilateral business probably necessitates U.S. involvement at least on a limited scale. Further, this short-term imperative is a necessary precursor for the longer-term potential outlined above.

3. REGIONAL ECONOMIC DEVELOPMENT OBJECTIVES

The issue of contribution to regional and national economic development is discussed at length in a number of places in the report. Here we draw the major impacts together in summary form. It seems no longer necessary to argue extensively for the general proposition that the most critical element in developing commercial export markets for U.S. commodities in developing countries is rapid economic growth and rising per capita incomes. Growth and development create employment and purchasing power. They also seem to stimulate rural to urban migration. This necessitates the development of marketable surpluses (or increased imports) of basic food stuffs. Thus, in countries with a preponderance of employment and GNP generation in agriculture, commercial growth in agriculture is critical. For example the rapid expansion of market surplus by communal farmers in Zimbabwe in response to price incentives is having practical impacts on income improvement in that country.

It is quite likely that if countries pursue agricultural development on the basis of comparative advantage they will develop national surpluses of some commodities and shortages of others. If comparative advantage is to be capitalized upon, an export (open economy) oriented development strategy is clearly preferred to more typical import-substitution approaches with over-valued currencies. The old adage that "you have to export to import" is as true for developing countries as it is for rich countries. Therefore, to the extent that trilaterals encourage increased economic activity in developing countries and that they develop patterns of regional trade which are economically viable, they must get positive marks in both development and market development terms. However, given their limited magnitudes and intermittent nature, they would have to be integral parts of broader and sustained development efforts. To the extent that development efforts are successful in improving income generation and distribution, then it would be contributing to solving critical food needs (see World Bank, Poverty and Hunger, Issues and Options for Food Security in Developing Countries, Feb. 1986)

SUMMARY

The analysis in this annex has addressed several related issues regarding market, trade, and development issues. The conclusions are that, given the current magnitudes of U.S. trilaterals, they are unlikely to have significant world market impacts. However, even if the volumes of transactions were larger, the nature of the trilaterals analyzed would not necessarily be contrary to U.S. interests. The market development potential is more complex than with bilaterals, but can be analyzed. The analysis suggests market development potential. Further, the presence of other exporters prepared to engaged in trilaterals almost forces U.S. participation. This is so because trilaterals are very attractive to countries such as Zimbabwe and Kenya which have periodic surpluses of some commodities and chronic shortages of others. Foreign exchange shortages at home limit commercial imports and similar shortages in neighboring countries limit commercial exports. In terms of development objectives, trilaterals, properly designed, can contribute to an overall development program in a positive fashion. However, as lone program their limited magnitudes and intermittent nature constrain their individual effectiveness.

ANNEX E

OTHER DONOR'S EXPERIENCE AND POLICIES

INTRODUCTION

Before an assessment of other donors' experience, terminology should be clarified.

Trilateral transactions, as defined in the statement of work for this study, are those involving three countries. The first country supplies commodities to the second country which, in its turn, supplies a third country with commodities which the first country is unable to provide from its own resources.

The term used in Europe and the multilateral agencies is "triangular" rather than trilateral, and even this is interpretated differently between FAO/WFP usage and French terminology. The French use the term "triangular" to include arrangements within one country. In these cases counterpart funds from commodity sales, or money, are provided by the donor country for the purchase of food to be supplied in a deficit area of the same country. This type of transaction is described by WFP as a local exchange (swap) arrangement or "local purchase".

In FAO/WFP terminology triangular arrangements are those involving three countries and may be either by cash purchases in the supplying country or, in a few cases, by exchange of commodities. The latter arrangements may involve selling the commodities to generate counterpart funds or bartering the donated goods for those destined for the recipient third country.

To sum up, the FAO/WFP terminology generally understood by the Committee on Food Aid (CFA) is as follows:

> Triangular transactions are those involving three parties and, in practice, usually involve a cash purchase by the donor country or agency from an exporting developing country, for use as food aid in another developing country. This would not include purchases in a developed food exporting country.
>
> Local transactions are those conducted within one country and in practice usually involve cash purchase of commodities by the donor country or agency rather than the supply of commodities by the donor.
>
> Exchange transactions are practiced and can be triangular or local and can involve the generation of counterpart funds or be conducted on a barter basis.

UN/FAO/WFP

For some years it has been the declared policy of the World Food Programme that food purchases should be effected in developing countries to the greatest extent possible. The Committee on Food Aid (CFA) has repeatedly urged all donors to increase triangular transactions, local purchases, and exchange arrangements. Recommendations for the triangular transactions in food aid were made at the World Food Conference of 1974 and

incorporated in the "Guidelines and Criteria for Food Aid" approved at the seventh session of the CFA in 1979. The benefits of triangular transactions are seen by the Committee "both as a means of stimulating food production and trade among developing countries and in order to make food aid more effective". The advantages of triangular transactions were set out in more detail in the information paper presented at the twenty-second session of the CFA by the WFP Executive Director. He was reporting on the joint WFP/African Development Bank seminar on food-aid for development in Sub-saharan Africa. Advantages were said to include:

- support for the balance of payments and for food production and agricultural policies of the supplying country;
- support for the export demand and, therefore, a stimulus for the development of regional food markets;
- speedy delivery to neighboring countries;
- the provision of more appropriate foods than are often available from traditional food-aid donors;
- the promotion of regional cooperation;
- a reduction in transport costs and improved transport links among neighboring countries.

The total amount of food-aid handled by WFP in 1986 was 2.4 million tons. Of this 567,446 tons (23.6%) were purchased, the balance being commodity donations. Table 2 shows the level of purchases from developed and developing countries by funding source in the years 1983-86. A level in excess of 70% from developing countries has been maintained except for 1986 when 69.82% was reached. There have been changes in percentages between the various funding sources. These are dictated by changes in policy, e.g., in the case of the Food Aid Convention (FAC) relaxing its source requirements to allow developing country purchasing, or by changes in availability or delivery costs from developing country sources from one year to the next.

The totals purchased from developing countries include purchases within a country for supply to another region of the same country ("local purchases" in FAO/WFP terminology) and so not all purchases from developing countries in the Table involve a third country.

DETERMINATION OF THE COMMODITY PURCHASE SOURCE

The decision as to whether a purchase should be made in a developing country or not is based on cost-effectiveness. This is determined by the price, the timeliness of availability and the appropriateness of the commodity to satisfy a particular need, which depends on end-use and country. The Resources Division prepares a submission to the Purchasing Committee, which is chaired by the Executive Director. The submission sets out the alternative sources of supply and the reasons for recommending a particular choice. Resources Division admits that this choice does not normally take into account developmental considerations, except the broad one of providing an outlet for developing country produce.

Within the broad class of transactions involving three countries come some which are dictated by motives other than cost-effectiveness or development. The purchase of American wheat using Japanese funds to assist the Japanese/American trade disequilibrium is an example.

Over the years there has been an increasing tendency for some countries to stipulate the destination of their donations, thus restricting WFP's freedom of action in its programming operations. On the other hand, some donors have untied their aid and allow the use of their bilateral funds to be used at WFP's discretion rather than by purchase from the donor country's own stock, e.g. the United Kingdom, the Netherlands and the FAC.

PURCHASING

Purchasing procedures vary according to supply availability. From developed countries international tendering is practiced and the Purchasing Committee is informed what the cheapest offers are. The director of the Resources Division has discretion as to whether purchases go to international tender and his decision is usually determined by the scale of the transaction. In developing countries responsibility for purchase is delegated to the WFP representative in some cases. Local competitive tendering is used, if there is a competitive trade. If this is not so the purchase is made from the state marketing board. It is estimated that some 20-25% of WFP purchases are made through the private sector. Final authorization for purchase rests with the WFP Rome office. In the case of emergency operations field staff are authorized to buy directly.

STAFFING

WFP field offices in those developing countries which are regular exporters have extra staff to cope with this function. Offices in countries which generate intermittent surpluses and are only occasional exporters do not carry extra staff, but it was felt that the more triangular trade is encouraged, the more food trading specialist staff will have to be engaged. It was also felt that the field offices would have to have greater data resources than they have currently. The view was expressed that Rome headquarters staff could handle three times the volume of purchases were they all to be from developed countries or from traditional developing country exporters, e.g., Thailand, Argentina or Pakistan. The size of purchase in the case of most triangular arrangements, and almost all local transactions, is small.

THE DEVELOPMENT PERSPECTIVE

The benefits accruing to triangular arrangements have been listed earlier. The WFP Operations Division has not generally designed projects with these development aims specifically targeted nor has it evaluated these aspects, and so is not in a position to demonstrate that the hoped for benefits of triangular or local purchase transactions have been realized. Currently WFP would have difficulty in designing a marketing development project because cash could not be earmarked specifically for triangular transactions as part of the project design. The new WFP Project Cycle involves new procedures and a more coherent conceptual framework for the use of food-aid in development but WFP will continue to be constrained in its actions. The major constraints are that the final decision as to source of supply is weighted towards financial advantages; that many projects

require a cash/food-aid mix which is outside WFP's mandate; and that WFP does not have long-term command on its resources and so cannot enter into long-term commitments. It is admitted by the Operations Division (which is responsible for project design and execution) that WFP must husband its resources in the most economical fashion from a food brokering point of view and that this, together with the fact that the bulk of WFP resources come as food donations, will override development considerations.

In a recent (October 1986) WFP review of the Japanese experience with food aid policies and programmes one of the issues for the future was seen as the considerable scope and opportunity for Japan's food aid to be more effectively linked to the financial and technical elements of its food aid programme in a comprehensive approach to helping developing countries.

The concern that A.I.D. has expressed about the extent to which triangular or local purchases might inhibit rather than strengthen local trading networks has not been determined up to present. WFP does concede that by the nature of its organization it has most usually to buy from parastatals rather than private merchants and that this could be to the disadvantage of the local trading network. On the other hand, by the nature of the demand to which WFP is responding the need is for a homogeneous product assembled quickly and in large quantities, a demand which local merchants frequently cannot readily satisfy. It can be argued, however, that they never will be able to do so if they are not given the opportunity.

There have been relatively few exchange (swap) arrangements and these have been largely confined to local exchanges rather than trilateral arrangements. In Kenya, wheat has been supplied to the National Cereals and Produce Board which then supplied beans and white maize to WFP projects. This has amounted to some 14,000 tons of wheat per year for the last six years. A similar arrangements in Uganda will involve about 10,000 tons of wheat in 1987 and 1988. In India and Mozambique WFP grain is supplied at the port and local grain provided to WFP projects inland by the government, which saves WFP the overland transport costs. Such arrangements depend, however, on the availability of grain at the project site or the willingness of the government to meet costs. In one case in Ethiopia the constraint of internal transport costs was relieved by the supply of extra produce which was sold locally to generate counterpart funds. An evaluation of this arrangements concluded that the local market had not been disrupted, but such arrangements would obviously have to be made on a case-by-case basis, depending upon the local market conditions.

CONCLUSIONS

1. The WFP experience in trilateral arrangements is predominantly in buying foodstuffs for cash from one developing country to supply another.

2. Local purchases, while many in number, have been of limited size—a few hundred tons in most cases and down to five-ton transactions. There are considerable benefits perceived as flowing from these transactions, and scope for many more—particularly in Africa.

3. Exchange arrangements using inputs from the donor are even more limited but can be valuable in alleviating chronic deficits and assisting production areas.

4. Effects on development are unclear. Since trade-flows within and between countries are ill-defined and often clandestine, the impact of transfers effected by food-aid flows is difficult to evaluate. The development effect of purchases from some traditional exporting developing countries is probably marginal but for some which have the potential to become regular exporters, e.g. Zimbabwe, the effect of food aid purchases is possibly greater.

UNITED NATIONS FOOD AND AGRICULTURE ORGANIZATION (FAO)

The Food Security and Information Service of FAO favors triangular trading transactions. The initiation of trading opportunities in surplus areas and the consequent rise in living standards is considered a vital element of development. It is conceded that triangular arrangements, whether between or within countries, might incur greater costs and more complex logistical problems than bilateral operations but these are viewed as investments in long-term development. Futhermore, the view that the promotion of the export of food commodities by a country, or a region of it, will compete with the exports of the donor nations is not considered valid. It is argued that the economic development of a country or area as a result of trading opportunities will raise its buying power and thus increase its real demand, and in turn raise its import demand.

The Food Security and Information Service staff agreed that the opportunities for longer-term development projects based on triangular transactions were limited at present in that many of the opportunities were relatively ad hoc. There are currently a small number of localized deficit areas which could be supplied from neighboring countries but the FAO Global Information Early Warning System, in cooperation with A.I.D. among others, is trying to generate an assessment of cross-border and localized needs on a longer term basis. As these data are accumulated, together with a monitoring system to generate information on current cross-border trade, it is felt that the opportunities for marketing development projects, based on triangular transactions, will develop.

The Food Security and Food Aid Policies Group has accumulated information on the triangular transactions in wheat, rice and coarse grains. (Table 4a., 4b. in main report.) The Global Information Early Warning System has prepared a table demonstrating the 1986/87 cereal surpluses in sub-Saharan Africa. (Table 1a in main report.)

THE EUROPEAN ECONOMIC COMMUNITY (EEC)

The food aid policies of the European Economic Community have evolved over its lifetime from being seen largely as a means of disposing of surpluses to a programme which looks more and more to the development effect of food aid provision. The objectives of food aid operations were stated in the 1982 Council Regulation (EEC) No.3331/82 as:

- to raise the standard of nutrition of the recipient peoples;
- to help in emergencies;
- to contribute towards the balanced economic and social development of the recipient countries.

The regulation went on to elaborate the conditions upon which food aid should be granted. Included in these conditions were the implementation of annual or multi-annual development projects, priority being given to projects which promoted the production of food.

The source of the food aid was to be the Community market except that,".... in an emergency or if products are not available on the Community market, the products supplied as aid may be bought in another developing country, if possible belonging to the same geographical region as the recipient country" (our emphasis).

A series of critical reports by the European Court of Auditors on the EEC food-aid machinery and the program's inability to cope with emergencies, together with some highly publicized criticism of official relief by Bob Geldof, stimulated the Africa Committee of the Commission to prepare new policy proposals. In December 1986 Council Regulation (EEC) No. 3972/86 was published. In the statement of the development objectives the major change is that of support for efforts by recipient countries to improve their own food production, as well as the promotion of food security, have been added to the three primary objectives originally set out in the 1982 regulation.

The most important change for the execution of the EEC development program, and the use of food-aid as a development tool, is the change in the requirement as to the source of the commodities supplied. As before, the regulation expects that "products shall normally be mobilized on the Community market", except when unavailable, or in an emergency, as in the 1982 regulation, but the important addition is, "where the following conditions are met":

a. stocks or surpluses of the necessary products are in fact available in a developing country, if possible one of the developing countries in the indent of Article 4 (1), (which requires that the Council shall determine the countries and organizations to which food-aid may be supplied on an annual or multi-annual basis), at a total cost, including transport, which compares favorably with the cost of similar products mobilized on the Community market, taking into account the beneficial effects of the purchases to the developing country from which such purchases are made;

b. such purchases are not liable to disrupt the market of the supplying countries nor have any negative effects on the food supply of the population;

c. such purchases remain in aggregate at a level compatible with the principle that aid should be mobilized on the Community market;

d. such purchases in a developing country shall be integrated as thoroughly as possible into Community development policy towards that country, in particular as regards the promotion or its food security.

The removal of the imperative that the food aid be obtained on the Community market is seen as new starting point for development and not as a panacea for all developing country problems. The major effect is to remove from the food aid programmers the pressure to rid the Community of its surpluses.

Triangular transactions now constitute some 5-7% of the value of the total food aid budget. There is no explicit ceiling on triangular transactions but it is not anticipated that this will become a great deal higher because there is an internal agreement in the EEC Commission that they will be restricted, and because such transactions are often more complicated to arrange and more costly, than bilateral arrangements.

The EEC would be interested in more exchange (swap) arrangements but fears were expressed about the complexity of such deals. It is pointed out that some of the triangular transactions have taken some years to conclude.

Most EEC missions do not have staff dealing solely in food aid and the execution of the transactions is frequently delegated to the host country organization. The view was expressed that the Community should not control too tightly the funds generated by food aid sales except where the host country parastatal was clearly ineffective.

Considered important by the EEC officials concerned with food aid and its use as a developmental tool, is the capability, granted under Council Regulation (EEC) No. 1755/84 of June 1984, of substituting cash for food aid when circumstances warrant it. Substitution allows for flexibility in project design and is aimed at supplying inputs for food production, financing food production projects or the development or storing, transporting, processing and marketing of agricultural and food products.

EXECUTION OF TRIANGULAR TRANSACTIONS

The EEC has been practicing triangular transactions for some years. One of the first was in 1978 when beans of a type not available in Europe were required and it was considered important not to change the dietary habits of the recipient population. Similarly, triangular transactions have been used to satisfy emergency needs.

The food aid division has a good deal of liberty to make its own decisions as to where to place contracts, within the overall requirement that comparable offers be taken within Europe and in developing countries and the most cost-effective opportunity chosen. The division is ultimately answerable to an overseeing committee. Largely, food aid is arranged in response to requests from the host country and the local EEC mission does not generally attempt a rigorous analysis of the nutritional impact nor of the cost-effectiveness of the food aid. The possibility that local purchases will disrupt the market either in price or functional terms is not considered very important given the relatively small amounts involved at present. For the same reason it does not see a problem of buying from parastatals as opposed to private traders. However, EEC is sufficiently concerned about the impact of several donors bidding against each other that it is currently trying to devise machinery for coordination. Questionnaires have been sent to all the donors but response has been slow. The feeling in EEC is that the WFP would be the most appropriate body to coordinate buying.

The experience of triangular arrangements has been that inland transport poses the most problems, although the cost of products on local markets as compared to world market prices causes difficulties. In cases where local prices are above world market prices the developmental aspects weigh heavily in deciding where contracts will be placed.

THE DEVELOPMENT PERSPECTIVE

EEC food aid has now been "untied" to some extent. This, combined with the flexibility to switch from food aid to cash aid, should enable the EEC to develop projects which can be based on purchase of agricultural products in developing countries. Until now, however there is no experience of long-term projects designed on the basis of triangular food transactions and EEC is really only in a position to point to the potential benefits which should accrue to the vending country in terms of increasing the market opportunities—and therefore the prosperity—of the farmers and the general economy of the country. As yet no formal evaluations have been attempted.

The EEC currently undertakes a number of trade promotion projects and the view was expressed that, armed with the new regulations on the use of triangular food aid purchases and the cash substitution system, the way is now open for the design of long-term trade and marketing development projects which will have a direct impact on agricultural development.

LE CLUB DU SAHEL

The Club du Sahel personnel with whom discussions were held, were very much in favour of triangular food aid transactions, regarding them as a stimulus to development in providing marketing opportunities, and thus increased revenues to the vending country. Unfortunately, as with the other organizations practicing this type of transactions, there are no evaluations of particular operations which can verify their value.

The Club du Sahel has, however, initiated a number of studies on the cereal trade in the Sahelian region, most notably "An Appraisal of Triangular Transactions (Purchasing Food Aid on Local Markets) in West Africa" by M. Stephane Jost, CILSS/Club du Sahel meeting October 1985, and a series of studies for the Conference on Cereals Politics in Sahelian Countries held in Mindelo, Sao Vicente, Republic of Cape Verde in December 1986.

In the former study M. Jost discusses the problems encountered in the execution of triangular transactions. He divides these into technical problems and political problems:-

a. Technical problems

Localization of surpluses:

M. Jost points out that triangular transactions, whether between countries or local arrangements within country, cannot be conducted if the information is not available regarding the whereabouts of saleable surpluses. He points out that whereas in the past the objectives of information collecting missions were to identify shortages, FAO and CILSS were now collaborating in identifying surpluses also. As has been discussed under the paragraphs dealing with FAO, the Food Security and Information Service of that organization, in addition to identifying the local areas of deficit and surplus, is trying to accumulate information of existing regional trading networks. This information source, when it is sufficiently developed, should enable donors to undertake triangular transactions which are effective and fit into local trading patterns.

·The release of finance:

M. Jost raises the question of the response of the donors in the event of changed production patterns. As he says, when the problem was one of deficit the donors poured in food aid. However, when surpluses arise there remain areas of deficit which could be supplied from neighboring areas or countries but which demand finance to mobilise the transfer. He points to the need to refine procedures for the transfer of funds and of the rapid mobilisation of funding. These are problems which are being addressed by the positive approach to triangular transactions which the changes in policy in Europe now allow. The administrative problems within the developing countries will probably diminish as more experience of this type of "aid trade" develops.

Logistical problems:

M. Jost comes to the conclusion that the delays which can be ascribed to the difficulties of inter-country transfer between developing countries are no greater than those encountered in shipping food aid direct from a developed country. Furthermore, the food aid provided under triangular arrangements is frequently following different routes from the normal food aid and commercial imports, and so does not compete for transport facilities. Again, the advocates of triangular transactions would point out the beneficial development effects of this trade on the logistical capabilities of the developing countries.

Administrative problems:

The problem posed by the use of transfer routes not habitually used for the provision of food aid are mainly those of administrative delays. The Club du Sahel/CILSS advocates the creation of a "common market" throughout the West African region in order to facilitate intra-regional trade. In the short term, however, the increased use of triangular transaction should bring some improvements as administrators become more accustomed to applying the procedures.

. Cost:

The duration of the study did not permit M. Jost to make detailed cost comparisons between triangular transactions and bilateral food aid arrangements. It must be emphasized, however, that those donor agencies which are practicing triangular transactions are always required to compare alternative sources of supply and only if the development imperatives are very strong may they use the more expensive option. The increasing number of triangular transactions suggest that there are many cases where developing country purchase is competitive.

Delays in execution:

As with costs, comparisons of speed of delivery were not specifically made in M. Jost's report. He points out however, that the delays in delivery of even "emergency" assistance from the developed world have been, and are, considerable, and have been the subject of much official and unofficial criticism. Those triangular transactions which M. Jost did examine were more swiftly

executed than many bilateral transactions, although one must see this against the reported long delays of some EEC triangular transactions. These have been attributable to the inability of the developing country to fulfill the contract due to its difficulty in purchasing the product. Again, as with administrative delays, it is likely that increased experience should bring improvements.

Product quality:

A major reason for the use of produce bought locally is that it satisfies the eating habits of the local populations. As M. Jost says, however, this consideration should not be allowed to impede proper control both as regards quality and quantity. On the whole he feels that quality has been satisfactory and the organizations practicing triangular transactions exercise control of this aspect. This is, however, a major aspect of marketing development which projects based on triangular transactions could possibly address.

b. Political Problems

M. Jost points out that the concept of triangular operations poses problems for the donors as well as the recipients of food aid.

The policies of the donors:

M. Jost makes the point that the separation of the "push" motivation of food aid as a way of getting rid of surpluses from the "pull" effect of satisfying a need is unresolved. He indicates also the differences in attitude between those parts of the administration and organizations which are responsible for production and those for development, as well as between those in the field and those at headquarters.

He suggests that triangular exchange arrangements are the best way of reconciling the interests of all and cites the U.S.G.-Ghana-Mali transaction. However, as has been discussed in relation to the operations of EEC and WFP, the scope for these "swap" arrangements is regarded as relatively limited. Greater possibilities lie in selling grain from a developed country to generate counterpart funds for the purchase of food on the local market to supply some other deficit area either in the same country or another—the example most frequently cited is that of Kenya.

The policies of the beneficiaries:

M. Jost did not find unanimity of view among the developing countries on the desirability of triangular transactions nor their efficacy. This may be attributed to the fact that until now triangular transactions have been largely experimental and "ad hoc" for the countries which are not regular exporters. M. Jost makes the point that triangular transactions appear to be an evolved form of food aid but that the transactions are not commercially viable because the products are distributed at a subsidized price. The risk is then the one which A.I.D. has expressed in the scope of work for the present study, that existing trade channels will be disrupted.

Among the studies prepared for the Cape Verde Conference on Cereal Policies in Sahel Countries one is of particular relevance to triangular food aid transactions, and concerns the point made in the last paragraph. This was prepared by Johnny Egg and John Ogunsola Igue on the food trade between the Sahelian and littoral countries. The report emphasizes the importance of the trade which is conducted by the traditional trading network but which goes unrecorded in the official statistics. An attempt is made to put some broad orders of magnitude on these trade flows.

At the conclusion of the conference in Cape Verde several recommendations were made. Among them was the proposal that a study be made of the ways to create a regional trading community within which national production would be safeguarded but where international trade would be encouraged. This community would have to be sufficiently large, consist of contiguous countries and include some littoral nations. The executive secretariat of CILSS was charged with identifying the obstacles to inter-country trade and suggesting means of overcoming them, as well as proposing that the countries themselves and the donors, promote trade, processing and transport of local grain, particularly by the private sector.

Conclusions:

The Club du Sahel/CILSS countries are clearly in favor of stimulating local trade as a contribution to agricultural development. There are many obstacles to be overcome not least of which has been difficulty that many donors had of "untying" their aid. Given the change in donor policy and the will on the part of the beneficiaries to cooperate and encourage their private sector networks the possibilities for market development through triangular food aid project appear good.

FRANCE

The Ministries of Agriculture, Foreign Affairs, Economy, External Commerce and the Treasury are represented on an inter-ministerial committee which supervises French food-aid activities. The execution of food aid policies and actions are the responsibility of the Ministry of Cooperation. Despite a very strong farm lobby, and the desire to rid itself of the surpluses built up under the Common Agricultural Policy, France has favored the triangular food aid approach to development. The development of these operations has been fairly recent, resulting from a reform of the French bilateral food aid program at a meeting of the Council of Ministers on May 30, 1984. The reform had as its objectives:

- to achieve better integration between food aid and the agricultural policies of the country concerned on the one hand, and the nutritional needs of the population on the other;

- to accelerate and rationalize execution procedures.

Regarding the first objective the text of the ministerial proposals offers the following explanation concerning local purchases:

"It is sometimes possible, in the region of the requesting or the recipient countries, to find food surpluses, either local cereals (sorghum, millet, maize....) or legumes (haricots...) and various products, which would permit a more rapid and appropriate response to specific needs, at the same time creating trade between neighboring countries, benefitting the populations and the countries."

It was proposed:

- To fulfill the undertakings of the French government to the Food Aid Convention in the framework of the allocation defined within the European Community, to create an element of additional flexibility in the present mechanisms;

  To increase to the maximum the value of local or regional products by assisting "triangular" transactions by the purchase and transport of food products between deficit and surplus countries or region;

From the date of these proposals a sum of 15 million Francs was allocated to finance triangular transactions and diversification of production.

To assist in the realization of the second objective of speeding and rationalizing the execution procedures, a unit was set up which is under the joint tutelage of the Ministries of Foreign Affairs and of Cooperation. The unit has the task of mobilizing assistance within the framework of a program of aid, with French assistance being coordinated with that of the European Economic Community and of other donors. The "Cellule d'Urgence et de Veille" (literally the Emergency and Wakefulness Unit) has three sub-sections: one dealing with strictly emergency aid, one for food aid and one for information dissemination. The Non-governmental Organizations and the official bodies actively pursued the possibilities for triangular operations during early 1984 but with the stated reservation that care should be taken to make sure that other national or regional plans do not exist (i.e., the displacement of trade which would have taken place in any case) and that the assistance provided does not destroy local marketing opportunities for producers.

The French NGO's have played a very active role in promoting debate on food aid by their own actions; in their role in the Commission of Cooperation and Development, which is the forum at which the government and NGO's meet; and by mobilizing public opinion, parliamentarians and members of the administration.

The transaction executed:

Before the reform one small triangular transaction was carried out. This involved the purchase of cereals in Mali for Burkina Faso destined for the refugee camps in Ghana. This was not notably successful, however, because owing to poor supervision the cereals supplied were of such poor quality that they ended up as poultry feed.

The finance provided under the reform allowed triangular transactions to be arranged at the suggestion of several NGO's. In 1985 several transactions were performed, in Senegal (800 MTN of millet & rice), Mali (300 MTN of millet & several other products), Burkina Faso (40 MTN of millet), Chad (seed & rice) and Zaire (seed & rice). Table 1a in the main report shows the extent of the transactions and it will be noted that the majority are local purchase, i.e. that they are purchases in one country to supply a deficit in the same country.

To put French experience of triangular food aid transactions into perspective, the total bilateral aid is 200,000 tons of wheat equivalent and 960,000 tons through the European Community. The ceiling on triangular transactions is set at 10,000 tons but until now this has not reached 5,000 tons. Given that France's total export of cereals is of the order of 7-9,000,000 tons the French Ministry of Agriculture representative with whom the policy was discussed expressed the view that the triangular food aid transaction is not seen as a threat to the French farming interests.

The problems of triangular transaction execution:

In most cases the bodies executing triangular transactions are the Non-Governmental Organizations. The experience of the French Ministry of Cooperation is that these bodies are not professionals in grain trading or in food aid administration. There were also criticisms of the lack of evaluation of the transactions but it is admitted that the triangular transaction is still at the experimental stage, and that as yet the Ministry of Cooperation has not an analytic methodology for their design and implementation.

The Ministry of Cooperation admits that it has not had very good experiences in dealing with government bodies but that purchases through private merchants are complicated too.

The possibility of long-term contracts is being considered which might take the form of support of contracts between one country and another by the donor country, or a price guarantee scheme for the selling country in its transactions with a third country.

THE UNITED KINGDOM

The food-aid program of the United Kingdom is fairly small at some 110,000 tons per year. Of this about 30% only is handled bilaterally by the Overseas Development Administration (ODA) and the balance is directed through multilateral agencies, with the FAO/World Food Programme handling some 50% of the whole.

The policies directing British food aid have changed over recent years and the United Kingdom claims to have influenced the policies of the European Community considerably.

During the 1984-85 parliamentary session the Foreign Affairs Committee of the House of Commons enquired into famine in Africa, concentrating on the issues of the United Kingdom and European community relief efforts and the role of food aid.

The controversy surrounding the use of food aid as a development tool was examined, starting from the basic rationale that food aid—other than for emergencies—is an available resource which can be transferred to a country in need as beneficially as financial or technical assistance. This resource can be used either as project or program assistance in various ways to relieve constraints imposed on governments by the need to import cereals commercially, at great cost to their balance of trade. What is described by the Committee as the major charge against food aid is the disincentive effect it provides to local food production. Additional criticisms are that food aid is motivated by the self-interest of the donor, financial inefficiency, that food aid

displaces more effective forms of aid from limited aid budgets, that abuse of food aid projects is rife, that provision of food for work is inherently unsatisfactory and that much of the food being provided is of an inappropriate type. It was accepted that there was some degree of truth on both sides but that carefully designed food aid projects can avoid the problems suggested.

Those in favor of food aid claim lessons have been learned from past mistakes, and point to changes in European Community policy and practices under the 1983 guidelines as an example. Here it is claimed that better policies for choosing recipient countries and projects and programs and incorporation of food aid into well-designed multi-annual strategies have improved matters. The 1984 regulation allowing the substitution of financial assistance instead of food aid had also played its part. The British Government claims credit for applying pressure for the acceptance of the latter regulation.

The Committee report describes the British Government as having adopted a broadly anti-food aid position, but that it accepts that such aid can have a useful role to play on occasion. As a member of the European Community the United Kingdom has an obligation under the Food Aid Convention but it seeks to reduce its share when the opportunity arises—as for example upon the entry of Greece into the Community.

As with most European countries the food aid budget is a part of the overall aid budget, so that an increase in food aid reduces funds for other purposes. The United Kingdom government therefore tries to devote as much food aid as possible to emergency purposes. The Committee therefore concluded that as long as food aid displaces other forms of aid, "...we support the Government's broad approach on food aid policy and accept their doubts as to the effectiveness of such aid for other than emergency purposes." This, the Committee said, was not that it accepted that food aid could not be effective if care were taken with the administration of such aid, and that the weaknesses of food aid policies are avoidable.

In its consideration of the policy of the treatment of the overseas aid budget, the House of Commons Committee accepted that, on the assumption that food aid was regardedas beneficial, greater resources could be devoted to food aid from a separate budget for that purpose; France, the European Commuity and the USA were cited as treating their aid funding separately. For the United Kingodm this was considered inappropriate and food aid should be considered outside the aid budget only 8if it was not regarded as aid, as such, at all. The argurment for a separate budget could be founded ont he basis of food aid becoming an item of agricultura policy, perhaps to eliminate the surpluses built up under the Common Agricultural Policy. Alternatively, food aid could beregarded as a foreign policy commitment and it could be argued that were it not for the United Kingdom's commitment under the Food Aid Convention, food aid would not, on merit, find a place in the aid budget at all. THis stance is modified, however by the need of emergency aid even in non-crises years. The Committee concluded therefore that, "...so long as food aid is given for reasons of aid policy there is not reason for it not to be included within the aid budget."

Earlier, the high proportion of the United Kingdom food aid channelled through the multilateral agencies was indicated. In addition to this, WFP handles most United Kingdom food donations not channelled through them in terms of transport, and on occasion Britian pays transport costs when WFP transports Britain's bilateral donations. The Committee supported, "...the increased concentration of the UK bilateral programme, and the commitment of the major part of the programme to WFP."

Part of the evidence considered by the Committee consisted of memoranda submitted by various Non-Governmental Organizations. In its memorandum the Save Children Fund discussed the types of aid needed saying, "it is rarely the case that food shortages affect an entire country, and therefore the provision of cash or transport to assist in distribution from food surplus to food deficit areas should first be considered. If this is not feasible triangular purchases should be explored (i.e. the purchase of food in neighboring countries). Bulk food shipments are the final solution. Oxfam took a similar line saying,".. we would submit that the key to any solution is to recognize that particular sections of the population, not countries, have a food crisis.....then it follows that we will look for the solution at the level of the affected groups and their need". Oxfam concluded their memorandum by saying that,"....first of all, no country should ever rely on the redistribution of world surpluses to solve its own shortages". A memorandum submitted jointly by Christian Aid and the Catholic Fund for Overseas Development states their view,"...that the use of food-aid has often been counterproductive except in the case of emergencies where it is necessary to keep people alive.....there have been examples of damaging uses for food-aid, confirming that domestic production seldom benefits from its importation". They do concede, however, that some more sensitive uses of aid are now being developed within EEC programs and cite the benefits of the development of triangular operations, with Malawi becoming a food exporter with the use of European Community funds as an example.

Since the publication of the House of Commons Committee report the British Government has pushed actively for the adoption of the new food-aid policy regulation in the EEC permitting purchases of food aid from third country sources, thus allowing the development of triangular transactions freed from agricultural policy imperatives. The Overseas Development Authority takes considerable pride in the formulation and acceptance of this regulation during the British chairmanship of the EEC in 1986. In addition, United Kingdom aid donations through WFP have been untied, so that WFP can use these donations for triangular transactions, if it wishes to do so, rather than purchasing from the UK.

CONCLUSION

There is clearly a strong feeling among all the agencies with whom discussions have been that the triangular transaction has a good deal to commend it. This would appear to represent a recognition that people respond to market demand and that the triangular transactions is one way of creating effective demand. From the point of view of a marketing economist the development aid emphasis on production projects which had no real demand for their production because the in-country urban demand was often satisfied by imported products, either food aid or commercial, has been disappointing, to say the least. The triangular transaction, whether it is within one country (local purchase), involves three countries, with the donor country providing the funding, or

tripartite in the sense of the donor country providing product, say wheat or coarse feed grains, to generate funds for the purchase of a locally produced and preferred foodstuff, can create a real demand for the local farmer's produce and start him on the path to "development". Until farmers can rely on finding a rewarding outlet for their produce the uptake of inputs and the acceptance of the extension packages will remain low and all the persuasiveness of extension workers and of politicians will fail. Given the uncertainty of the climate and the past uncertainties of policy in many countries fluctuation in production will be a feature for some long time. The opportunities to build a project on the basis of food aid only will therefore be limited, a fact recognized in the EEC regulation permitting flexibility between food aid and funding. Its inability to change from product provision to funding could handicap WFP as is seeks to broaden its development role and its involvement in triangular transactions.

As can be seen, the size of the triangular transactions carried out so far remains limited in comparison to the total food aid provision world-wide. Moreover it is likely to remain so, as many of the markets which are likely to be sources of grain for provision to a deficit country or region are frequently relatively thin.

The disruption of local trade patterns is a distinct danger, but probably not much more so than the effect of selling food aid from overseas. It would seem desirable to integrate the purchases and sales of food products into the local commercial network. Unfortunately, few of the aid agencies are in a position to deal other than with government agencies. It is for this reason that, if the various benefits claimed for triangular transactions in building up local infrastructure and expertise are to be realized, this has to be within the framework of a carefully designed multi-annual project and not on "ad hoc" purchases, as is often happening at this stage.

There is considerable danger of disrupting local trade if too many agencies are seeking to purchase produce on the same market and compete with each other to the point of forcing up prices. This danger was raised by both EEC and WFP (each accusing the other of being prepared to buy at whatever price was asked). The EEC is seeking the views of other donors on creating a mechanism for avoiding this situation.

Currently none of the agencies does any formal analysis of proposed triangular transactions, but given the fragmented, ill-documented, (and in some cases clandestine) nature of many of the markets this would be an extremely difficult exercise. Similarly, there are only a limited number of evaluations of the effects of triangular transactions. Both WFP and EEC have commissioned studies on triangular transactions and these are currently being undertaken. Possibly, they will reveal the costs and benefits of the concept as applied.

Until now the majority of the transactions undertaken by the agencies visited have involved a cash injection by the donor and it is the view of most people that this is likely to remain so. The possibility for supply of food grains to generate funds for local purchase is seen as growing in countries such as Kenya and the view has been expressed that the market for animal feed grains in Southern Africa could expand to provide opportunities for tripartite transactions involving commodities rather than cash input by the donor.

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