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STAT
 Executive Secretary
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Washington, D.C. 20520

May 10, 1984

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Executive Registry
84-921/1

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With ~~SECRET~~ Attachment

Interagency Group No. 45

TO:	OVP	- Mr. Donald P. Gregg
	NSC	- Mr. Robert Kimmitt
	Agriculture	- Mr. Raymond Lett
	AID	- Mr. Malcolm Butler
	CEA	Mr. William Niskanen
	CIA	- Mr. Thomas B. Cormack
	Commerce	- Ms. Helen Robbins
	Defense	- COL John Stanford
	OMB	- Mr. Alton Keel
	OPD	- Mr. John Svahn
	Peace Corps	- Mr. Lon Randall
	Transportation	- Mr. Logan H. Sallada
	Treasury	- Mr. Christopher Hicks
	USIA	- Ms. Teresa Collins
	USTR	- Mr. Dennis Whitfield

SUBJECT: Third World Hunger Relief Study

Attached is a memorandum from Ambassador Robert Keating, Chairman of the Steering Group for the Third World Hunger Study. The memorandum announces the next meeting of the Steering Group and encloses recommendations for improving U.S. response to emergency hunger problems.

Covey

Charles Hill
Executive Secretary

Attachments:

As stated.

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Washington, D.C. 20520

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May 8, 1984

MEMORANDUM

TO : Steering Group, Third World Hunger Study
FROM : Robert B. Keating, Chairman *RBK*
SUBJECT : Recommendations for Emergency Hunger Problems

The next meeting of the Steering Group will be held in Room 208, Old Executive Office Building on Tuesday, May 15, 1984 from 10:00 a.m. to 12:00 noon.

Attached for Steering Group approval are our specific recommendations for improving U.S. response to emergency hunger problems. They have been summarized in one or two pages and have been reviewed by our Composite Working Group.

If you are unable to attend the May 15 meeting, please notify my office at 632-4040 by close of business Friday, May 11. Since space is at a premium, we ask that Steering Group members and Working Group chairmen only attend the meeting.

Attachment: As stated

Distribution: Steering Group Members
Working Group chairmen

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NSSD 1-84 Steering GroupExecutive Staff

Robert B. Seating	<u>Chairman</u> Room 3535, Department of State Washington 20520	632-4040
Malcolm Butler	<u>Deputy Chairman</u>	632-1800
Richard Levine	<u>NSC Coordinator</u> National Security Council Washington, D. C. 20506	395-7351
Robert Bostick	NSC Assistant Coordinator	632-4041
Donald F. Hart	State Department Consultant	632-0702
Alexander F. Holser	Interior Department Consultant	632-4042

Members

Daniel Amstutz	Under Secretary for International Affairs and Commodity Programs <u>Department of Agriculture</u> Room 212A, Administration Building 14th & Jefferson, Washington DC 20250	447-3111
David Smith	Acting Director, Office of Research <u>United States Information Agency</u> Room 352 301 4th Street SW Washington 20547	485-2965
Julia Chang Bloch	Assistant Administrator for Food for Peace and Voluntary Assistance, <u>Agency for International Develop-</u> <u>ment</u> Washington, D. C. 20523	235-1800
Peter A. Cashman	Acting Deputy Assistant Secretary for Africa, the Near East, and Southeast Asia <u>Department of Commerce</u> Washington, D. C. 20230	377-2175

U N C L A S S I F I E D

NSSD 1-84 Steering Group (cont'd)

Bill Eckert	<u>Office of the Vice-President</u> Room 294 Old Executive Office Building Washington, D. C. 20501	395-4223
Steve Farrar	Chief, Economic Affairs Branch International Affairs Division <u>Office of Management and Budget</u> Washington, D. C. 20301	395-4944
George Hoguet	Deputy Assistant Secretary for International Affairs <u>Department of the Treasury</u> Room 3221 Main Treasury Washington, D. C. 20220	566-9756
Burleigh Leonard	<u>Office of Policy Development</u> Old Executive Office Building Washington, D. C. 20500	456-2273
David Cohen	Deputy Director of Global Issues <u>Central Intelligence Agency</u> Room 3G00 Headquarters Washington, D. C. 20505	351-7113
Richard McCormack	Assistant Secretary for Economic and Business Affairs <u>Department of State</u> Washington, D. C. 20520	632-0396
Lon Randall	Assistant Director for Inter- national Operations <u>Peace Corps</u> 806 Connecticut Ave NW, Room 801 Washington 20526	254-3294
Matthew Scocozza	Assistant Secretary for Policy and International Affairs <u>Department of Transportation</u> Washington, D. C. 20590	426-4544
David Shilling	Deputy Assistant Secretary for Policy Analysis <u>Department of Defense</u> The Pentagon Washington, D. C., 20301	697-1802

U N C L A S S I F I E D

NSSD 1-84 Steering Group (cont'd)

Paul B. Simmons	Special Assistant to the President for Policy Development <u>Office of Policy Development</u> Room 213 - Old Executive Office Building Washington, D. C. 20500	456-2884
Robert L. Thompson	Senior Staff Economist <u>Council of Economic Advisors</u> Old Executive Office Building Washington, D. C. 20500	395-5676
Fred Wettering	<u>National Security Council</u> Old Executive Office Building Washington, D. C. 20506	395-3393

United States Department of State



Washington, D.C. 20520

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May 9, 1984

MEMORANDUM FOR THE STEERING GROUP OF THE THIRD HUNGER STUDY

Three months ago, President Reagan asked that we examine the problems of hunger and starvation in the Third World, and the U.S. response to them. The President was particularly concerned about starvation in poor countries suffering from drought or other natural disasters, although he asked that we review non-emergency food problems as well. This is the first time that we have looked at Third World food problems from this perspective.

This memorandum reports on the first part of our work, acute food crisis situations where emergency food aid can prevent starvation. We have analyzed our emergency food aid processes from beginning to end, reviewing the adequacy of USG operations and mechanisms, the extent of distribution constraints, the quality of food supply and demand data, and the degree to which we have received international cooperation in our relief efforts.

Our findings reveal that starvation continues to be a real threat to rural populations in the poorest countries of the Third World. It is especially acute in sub-Saharan Africa where millions live in absolute poverty. The United States response to Third World hunger has always been generous--unrivaled in the world. For example, the Reagan Administration doubled emergency food aid over fiscal years 1982 to 1984 to \$343 million. This year we are providing 663,000 metric tons of emergency food aid, amounting to 45 percent of all donor financing. Almost 60 percent of our emergency food aid is going to 24 sub-Saharan African countries hard hit by a drought that this time affects not only the vast Sahelian area in the north, but also the usually fertile savannah and livestock plains as far as the southern African veldt.

Generally, Congressional support for regular appropriations for PL 480 programs (supplemental funds to meet extraordinary emergency needs) is excellent. This is a reflection of our humanitarian concerns, and the existence of U.S. farm surpluses and the many interests served by the PL 480 program. However, the time required to obtain approval of additional funds to meet emergency needs is regarded as unacceptably long in view of the human suffering associated with delays in food shipments.

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The most demanding task of emergency food relief programs begins at the port of entry in the Third World. There the effort to distribute foodstuffs inland to remote areas can be very difficult, and sometimes impossible in countries where military violence either disrupts or prevents access to hungry people. In combination with badly rutted or non-existent roads, and beaten-up trucks, the job of food delivery is indeed expensive, time-consuming, and dangerous. The field workers of the private voluntary organizations and other international programs who have long been in the vanguard in carrying out this responsibility are to be commended for their valiant efforts.

Unfortunately, poor countries suffering from food shortage emergencies have been increasingly unable to share the burden of the internal distribution costs of free food. They were once able to meet the extra expense (both local currency and foreign exchange), but their worsening balance of payments positions increasingly compel them to turn to donors and international organizations to pay these costs. As a consequence, the financing of the complete emergency food aid delivery system, from farmer to port of entry to hungry people, is likely to fall on donors if more lives are to be saved.

The timely provision and accuracy of food supply and demand data are other areas of concern. Various studies suggest that the margin of safety for coping with sudden drops in local food production is shrinking in many Third World countries, particularly in sub-Saharan Africa. They are prone to acute food crises because of irrational government policies which have caused a structural deterioration of their agricultural sectors and a severe decline in food production. While we expect an increase in emergency food requests over the next five years, we are not entirely comfortable with the analytical models now used to estimate demand.

In carrying out emergency food aid programs, cooperation from other donor countries and international organizations can increase the effectiveness of our bilateral assistance and lead to a greater total food aid effort. The United States contributes 25 percent of the resources for the FAO and WFP, but with regard to the FAO we are dissatisfied with its leadership and management. Moreover, FAO interpretations of emergency food requirements often do not square with those of major donors. Our own expectations with regard to other donor governments and international food organizations have not been entirely clear; an uncertainty that constrains us in seeking improvements in international emergency food aid cooperation and coordination.

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A final area where improvement is needed concerns cooperation between the public and private sectors on Third World hunger problems. In spite of the United States' tremendous food aid efforts over the past three decades, the general public is still largely unaware of what we have done and are doing. The media have tended to focus, perhaps disproportionately, on the severity of the hunger problem rather than on the many positive actions the Administration has taken to meet the challenge. In addition, the potential of the business community to provide government decision-makers with unique regional perspectives and expertise for Third World hunger problems has gone mostly untapped.

Our findings suggest that if we are to reduce loss of life caused by acute food crises, we must 1) respond more rapidly; 2) deliver food more effectively; 3) improve food data analysis; 4) cooperate more closely with the private sectors, and 5) seek improvements in international cooperation and coordination. We have made ten specific recommendations to reach these objectives.

We have also considered the budgetary implications of our recommendations (attached), proposing small budget increases only in cases where, in our judgement, additional funding (provided in a timely and flexible way) could break critical bottlenecks and help maintain the integrity of our emergency food aid programs. Amended legislation would be necessary for three of our recommendations.

We are continuing to work on the second part of our report, the non-emergency food problems, and will shortly submit recommendations to the Steering Group.

I look forward to your participation at the Steering Group meeting on May 15.



Ambassador Robert B. Keating
Chairman, Third World Hunger Study

Attachments: As stated

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PART I

How can we improve our response to emergency hunger problems?

RECOMMENDATIONS

(more rapid response)

- Special Presidential fund to permit timely response to acute food crises in the Third World
- Prepositioning of PL480 Title II food in selected Third World regions for immediate use in initial stages of acute food crises

(more effective delivery)

- Pay in-country distribution costs of emergency food for poorest Third World countries from PL480 Title II ocean transportation account
- Amortize ocean freight charges for PL480 Title I food shipments for certain Third World countries encountering increasingly severe balance of payment difficulties because of acute food emergencies

(more effective research and analysis)

- Improve forecasting of Third World emergency food needs through further development of USDA and OFDA analytical models
- Inter-agency research working group to develop better Third World food data and analyses

(more effective U.S. public and private-sector cooperation)

- White House-directed public relations program to increase public awareness of Administration efforts to meet Third World food needs
- Regionally-organized advisory groups chaired by business leaders to increase private sector involvement in Third World food problems

(more effective international cooperation)

- Clarify what U.S. seeks from other donors and international food organizations in responding to Third World food emergencies
- Subsequently, a high-level donors meeting to discuss U.S. recommendations for improving international cooperation and coordination

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(more rapid response)

#1

RECOMMENDATION: Special Presidential fund to permit timely response to acute food crises in the Third World

Policy considerations:

- Normal response time for emergency food requests is three to six months from receipt of request to actual delivery in the field.
- Further delays of up to three months can occur when the dimensions of a major food crisis exceed PL480 Title II emergency reserve funds obliging AID to submit a request for a supplemental appropriation.
- In acute food crises, these response times in providing relief call into question our emergency food aid policies.

Rationale for recommendation:

A special Presidential fund, based on a \$50 million, no-year appropriation, would serve the President in expediting emergency relief measures for acute Third World food crises where lack of rapid action would endanger many lives. The special fund would be used only in circumstances where PL480 Title II emergency reserve funds are insufficient for the acute hunger crises, and where supplemental appropriations cannot be made in time to meet urgent needs. It would finance commodities, transportation, and distribution costs of emergency food donations. We do not expect that the fund would require replenishment every year.

Pro:

- The special Presidential fund would underscore the President's personal concern about Third World hunger and starvation.
- Its use would halve the time required to respond to acute food crises and thus help save many lives.
- Its use would motivate government agencies to accelerate emergency relief procedures.
- Its use would reduce the need to disrupt and divert food shipments from regular PL480 Title II programs for acute food crises.

Con:

- Despite the special Presidential fund, Congress will still be under pressure to appropriate an increased PL480 Title II emergency reserve on the order of the 1984 Title II emergency supplemental of \$150 million.

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(more rapid response)

#2

RECOMMENDATION: Prepositioning of PL480 Title II grain in selected Third World regions for immediate use in the initial stages of an acute food crisis

Policy consideration:

- It takes too long to deliver PL480 Title II emergency food to acute crisis areas -- three to six months.

Rationale for Recommendation:

In order to respond more quickly to an urgent food emergency and yet offer effective assistance at reasonable cost, it is recommended that PL480 Title II grain be stored in Third World regions vulnerable to food emergencies. Under U.S. ownership and control, these prepositioned grain stocks would be drawn down only in the event of an acute food emergency. The grain would be available for emergency response in a wide area, not only to the people of the country where the grain is stored. This quick-response capability could be in place by the end of the year.

Initially, four grain storage sites would be considered in western, southwestern, eastern and southeastern Sub-Saharan Africa. Each site would contain about 15,000 metric tons of grain stored in a woven, nylon-fabric container. The total cost of containers for prepositioning about 60,000 metric tons of grain would be approximately \$2 million. The initial grain stocks would be funded within Title II FY 84-85 expected appropriations. As these stocks are drawn down, they would be replenished using Title II emergency reserve funds.

In view of the likelihood that 1985 may be another disastrous year of drought in sub-Saharan Africa, this prepositioning approach is deemed prudent and cost-effective. Having 60,000 tons of grain strategically located in sub-Saharan Africa (representing perhaps 10 to 20 percent of likely FY85 U.S. emergency food shipments to the region) would allow us to act expeditiously when an acute food crisis is in its initial stage, rather than later when the famine situation has taken hold.

Pro:

- Prepositioning of grain would permit immediate response to an urgent food emergency as compared to 3 to 6 months delivery times for U.S. emergency food shipments.
- It would dramatize and underscore U.S. concern for the hungry and starving peoples of the Third World, and our intent to reduce their suffering as quickly as possible.

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- Security would be better in U.S.-controlled, sealed grain storage containers than in rented commercial facilities used for current emergency food programs.
- It would encourage greater regional cooperation and coordination for food emergencies.
- The four sites in sub-Saharan Africa could serve as prototypes for possible installation of similar low-cost/high-benefit facilities in other Third World regions.

Con:

- The prepositioning of grain stocks in a country may subject the U.S. to pressures from the host government to draw down grain for purposes other than urgent food emergencies.
- Making the grain stocks available to neighboring countries for urgent food emergencies could in certain circumstances create problems with the host government.
- The sealed grain storage containers may be difficult to protect in the event of severe civil disorders.
- This approach may be viewed as a first step toward a buffer food security scheme.

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RECOMMENDATION: Pay in-country distribution costs of emergency food for poorest Third World countries from PL480 Title II ocean transportation account

Policy considerations:

- The poorest Third World countries often lack foreign exchange for the fuel, spare parts, replacements and tires to support their delivery of food in-country. Also lacking is local currency to pay for inland transportation, storage, and distribution of emergency food to the people who need it most in the rural areas.
- For lack of a better way to deal with local costs of distribution, the U.S. is now agreeing to the sale in urban markets (i.e., to people with means) of most of our emergency food aid donations to sub-Saharan African countries.

Rationale for Recommendation:

The key to effective emergency food aid is timely delivery and distribution to the most destitute populations, usually far from urban areas and living outside the market economy. Problems of storage and delivery loom largest between the ports of discharge and the ultimate destinations upcountry. It sometimes costs as much as the landed value of the donated emergency food to move it to the point of use.

Given these circumstances, the Administration should ask Congress to amend PL480 Section 203 to permit U.S. payment of inland transportation and distribution costs of emergency food aid provided to the poorest Third World countries. This new authority would be implemented sparingly, only in the most severe cases and then for partial payment of these costs.

Pro:

- The new authority would make our emergency food aid far more effective in some of the poorest Third World countries.
- It would reduce excessive recourse to selling emergency food which does not then reach starving people.
- It would make Private Voluntary Organizations (PVOs) far more willing to undertake certain emergency distribution programs.

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Con:

- The new authority would have little appeal to U.S. producer, processor and shipper interests as they compete for limited Title II funds.
- It would imply either higher Title II budget requests or a squeeze on funds appropriated for commodities and international freight.
- It would be difficult to control and monitor these expenditures in the field.

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RECOMMENDATION: Amortize ocean freight charges for PL480 Title I food shipments for certain Third World countries encountering increasingly severe balance of payment difficulties because of acute food emergencies.

Policy considerations:

- Many Third World countries utilize Title I concessional food aid to keep urban markets supplied with food. Some countries find themselves strapped for up-front foreign exchange to pay the ocean freight charges on PL480 Title I concessional shipments (as our law requires), especially at times when they are also dealing with acute food emergencies brought on by drought and other disasters.
- Sometimes we are unable to provide a food program because of the recipient's lack of foreign exchange. At other times, we get around this problem by shifting countries that cannot pay ocean freight costs to PL 480 Title II programs because our law allows us to pay Title II freight charges.

Rationale for recommendation:

Amortizing the international freight charges of PL480 Title I food would make it possible to finance ocean freight in instances where we have been unable to provide a food program in countries that cannot afford ocean freight, or where we have been forced to use PL480 Title II because of lack of foreign exchange.

Given these circumstances, the Administration should request Congress to authorize PL480 Title I long-term concessional credit for ocean freight, in addition to commodities.

Pro:

- The new authority would help rationalize the PL480 program by providing food-for-sale primarily through Title I, and food-for-donation through Title II.
- It would free Title II's 500,000 ton emergency reserve for its intended use of feeding people threatened by starvation.
- It could be funded initially within the \$175 million FY84 PL480 Title I appropriation request for FY85, now pending in Congress. New funding would not be needed until FY86.

Con:

- The new authority would result in a PL480 Title I budget increase to cover freight costs and commodities.

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(More effective research and analysis)

#5

- RECOMMENDATIONS:
- 1) Improve forecasting of Third World emergency food needs through further development of USDA and OFDA analytical models
 - 2) For inter-agency research group to develop better methodology for estimating Third World emergency food needs

Policy considerations:

- Current analyses of Third World emergency food needs are based on inadequate and incomplete data.
- Third World emergency food needs are defined in different ways by the U.S. and international food organizations which further complicate demand and supply estimations.

Rationale for recommendations:

The lack of an adequate data base and agreed-upon methodology for estimating emergency food requirements have lent uncertainty to conclusions reached with respect to the magnitudes of Third World food emergencies. Greater efforts must be made to improve evaluations of Third World agricultural demand and supply. Further refinement of the USDA and OFDA analytical models (in initial stages of development) should be pursued. Additionally, an inter-agency Emergency Food Needs Research Working Group should be formed to provide guidance on development of a better data base and analytical techniques. This group could improve our coordination with other donor governments and international food organizations in the assessment of Third World emergency food needs.

Pro:

- With an improved data base and methodology for estimating Third World emergency food needs, the U.S. would enhance its capabilities to respond to acute food crises in a timely manner.
- The research working group would facilitate the exchange of essential information for improving the data base and analytical techniques.

Con:

- U.S. taking the lead in improving the data base and methodology for estimating Third World emergency food needs might be viewed unfavorably by FAO.

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(more effective U.S. public and private sector cooperation) #6

RECOMMENDATION: White House-directed public relations program to increase public awareness of Administration efforts to meet Third World food needs

Policy considerations:

- Private citizens have heard through the media about the current acute food emergencies in the Third World. They are concerned about the Administration's response.
- The public perception is that more could be done easily and without cost with our agricultural surpluses to meet Third World hunger needs.

Rationale for recommendation:

The general public is largely unaware of the following facts:

- the United States provides more total food aid to the Third world than all other donors combined (nearly 60% of total donor contributions);
- the Reagan Administration has doubled total emergency food aid over fiscal years 1982 to 1984 to \$343 million. This year, the majority of our emergency food shipments is concentrated in sub-Saharan Africa (this includes a \$90 million supplemental approved in March of this year for sub-Saharan Africa, and a \$60 million supplemental that is pending).

These and other facts concerning U.S. emergency food aid to the Third World are not well known to the general public. What is needed is a White House-directed public relations program that will increase public awareness of and support for the Administration's efforts to meet Third World food needs; a program that should be started immediately.

Pro:

- A public relations program on the Administration's response to Third World hunger and starvation would address the public concern that the United States be caring and responsive to Third World hunger needs.
- It would encourage private citizens to support the Administration in its emergency and non-emergency food aid programs.
- It would build greater public understanding of the fundamental causes of food shortages in the Third World, the costs and constraints in meeting food emergencies, and what can be done over the long-run to overcome hunger and starvation.

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Con:

- A public relations program could result in public pressures to increase U.S. food assistance levels beyond realistic budget limits, and the absorptive capacity of recipient countries.
- It may revive criticism of Administration on domestic hunger question.

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(more effective U.S. public and private sector cooperation) #7

RECOMMENDATION: Regionally-organized advisory groups chaired by business leaders to increase private sector involvement in Third World food problems

Policy considerations:

- The perspective and regional interests of U.S. business leaders represent a largely untapped resource in dealing with Third World food aid problems.
- Private volunteer organizations (PVO) are brought into the decision-making process through a formal AID advisory mechanism. The broad business community, however, is only brought in on an ad hoc basis.

Rationale for recommendation:

The considerable expertise of the business community which might be brought to bear on Third World food problems is largely untapped because of the lack of an adequate mechanism for presenting its views to the Administration. AID, through its Advisory Committee on Voluntary Foreign Aid, effectively involves the PVOs on an on-going basis in its food aid programs. From time to time, this committee calls upon certain segments of the broader business community, but there exists no channel for continuous high-level input. Bringing the perspective and interests of members of the broader business community into our process on a regional basis could improve the effectiveness of our foreign food aid programs. The regional approach would spare the members from a commitment to frequent Washington meetings and would take into account our regional strengths. For example, the mid-western group is especially well-suited to contribute to our understanding of international commodity and production issues, the eastern group to advise on export financing issues, the southern region to comment on transportation and shipping, and the western region to bring a particular orientation toward Asia.

Pro:

- Regional advisory groups could provide an opportunity for a larger cross-section of influential U.S. business interests to exchange views on foreign food aid policy matters directly to the Executive Branch.
- They would enable local businessmen to gain visibility and prestige associated with playing a direct role in helping the Administration on Third World hunger problems.

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- They may provide new, innovative ideas on how the private sector might better participate in and help solve some of the Third World hunger.

Con:

- Regional advisory groups can further complicate the existing foreign food aid policy-making process.

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(more effective international cooperation)

#8

- RECOMMENDATIONS: 1) Clarify what the U.S. seeks from other donor governments and international food organizations in responding to international food emergencies
- 2) Subsequently, a high-level donors meeting to discuss U.S. recommendations for improving international cooperation and coordination

Policy considerations:

- Problems of international emergency food cooperation and coordination are numerous. Because they arise in many forms and at many levels, they do not lend themselves to a single, specific solution.
- FAO data on emergency food requirements often do not square with the appraisals of major donors. Moreover, the FAO allocates its own emergency food aid without prior consultation with other donors.
- While significant progress has been made over the past decade, our objective of examining food aid burden sharing by other donor governments has not been fulfilled. Exchanges of information among donors on emergency food commitments and shipments are incomplete.
- The degree of in-country coordination among donors and international food organizations varies considerably, and depends heavily on the calibre of the representatives of the international food organizations.

Rationale for recommendations:

In order to achieve an effective and efficient global response to Third World food emergencies, the U.S. must take the initiative to define the specific improvements needed and desired from the community of donor governments and international food organizations.

The intensified efforts we are making to meet current food emergencies, particularly in sub-Saharan Africa, could position the U.S. to propose a high-level donors meeting in the fall at which we should be prepared to seek specific improvements to the system and examine burden sharing.

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Estimated costs of emergency response recommendations

<u>Recommendations:</u>	<u>Budget Impact (Est)</u> <u>(\$ in millions)</u>		
	<u>1984</u>	<u>1985</u>	<u>1986-1988</u>
o Special Presidential Fund	50	50	63
o Prepositioning Title II food	24	22	12
o Pay in-country food distribution cost for some Title II program	-	80*	320*
o Amortize Title I ocean freight costs for some programs	-	50**	150**
	<u>74</u>	<u>202</u>	<u>545</u>
New budget authority	-	110*	330*

All other recommendations should be financed from on-going agency programs.

*Represents the U.S. contribution toward estimated in-country distribution costs, recipients will finance the balance.

**Repayments that begin 3 to 4 years after delivery will finance additional grain exports and reduce budget costs.