

A United Nations Assessment Project Study

January 4, 1988

THE U.N.'s FOOD AND AGRICULTURE ORGANIZATION: BECOMING PART OF THE PROBLEM

INTRODUCTION

The specter of famine again lurks over Ethiopia and other parts of Africa. This once more is testimony, as it was just a few years ago, to the failure of the United Nations Food and Agriculture Organization.

FAO was created in 1945 with the lofty aspiration of feeding the world's hungry. It has not done so, despite over \$8 billion in outlays. The sad fact is that the FAO has become essentially irrelevant in combating hunger. A bloated bureaucracy known for the mediocrity of its work and the inefficiency of its staff, the FAO in recent years has become increasingly politicized. As in the case of other U.N. agencies, the FAO is anti-Western and oblivious, even hostile, to the role of free enterprise in development. It embraces the collectivist ideology espoused by the radical leftist nations who now dominate U.N. proceedings.

The result of this is that the FAO:

- ◆◆ fails to provide effective advice to governments whose policies actually impede agricultural development;
- ◆◆ fails to cooperate adequately with member governments;
- ◆◆ fails to account for how its budget is spent;
- ◆◆ has established a Technical Cooperation Program, which is largely a political slush fund used at the FAO Director-General's discretion;
- ◆◆ provides erroneous, misleading famine statistics; and
- ◆◆ pursues personnel policies that discourage qualified specialists from working for the agency.

The full measure of FAO's problems became clear during the recent Ethiopian famine. At no time did FAO confront the Ethiopian government with the fact that

its own economic and military policies were the principal cause of the catastrophe. FAO also delayed the delivery of food aid to that country, resulting in the loss of thousands of lives. The reason for the delay reportedly was that Edouard Saouma, the Lebanese who has been the Director-General of FAO since 1976, wanted to pressure the Ethiopian government to fire its FAO representative, Tessema Negash, who had fallen out of favor with Saouma. Negash was recalled, and Ethiopia received its food--about three weeks late--while Ethiopians were dying from hunger at the rate of 16,000 a week.

Business As Usual. Saouma last November was elected to his third six-year term. This is a strong signal that he and FAO are determined to continue with business as usual and to ignore Western pleas and pressures for reforms. Only fundamental reforms can resolve the problems that prevent FAO from fighting hunger. If FAO, under Saouma, refuses to reform, then the U.S. should reconsider its participation in the organization and choose more effective ways to help the world's hungry.

FAO: DISGRACE IN ETHIOPIA

In a November 1986 Canadian Broadcasting Corporation documentary on FAO, Eugene Whelan, formerly Canada's Minister of Agriculture, a onetime President of the World Food Council, and Canada's FAO Ambassador for many years, charged that FAO had refused to heed his repeated urgings to deal with the 1984 Ethiopian drought and famine. Complained Whelan: "Why they weren't more concerned, why they weren't more excited about what was taking place with these millions and millions of people in Ethiopia and some of these other countries, I never could understand."

This incident provides a recent dramatic example of FAO's seeming inability to act effectively against famine. While there may be some debate over whether FAO warned the world early enough about the Ethiopian crisis, there is no question that the FAO response was seriously flawed. In May 1984, Trevor Page, head of emergency services at the World Food Program (WFP), nominally an FAO subsidiary, realized the enormity of the disaster in Ethiopia. He helped draw up a request for 26,000 tons of food, which was rushed through WFP paperwork and presented to FAO for final approval. Having received the request on June 7, 1984, FAO Director-General Saouma took twenty days to approve it. Charges Peter Gill in his 1986 book, *A Year in the Death of Africa: Politics, Bureaucracy, and the Famine*: "There is little doubt that the delay was deliberate." Gill cites senior officials in other agencies as believing the delay to "have resulted simply from Saouma's antagonism towards...WFP."

Ambition Before Relief. Maurice Strong, former Canadian FAO Ambassador and later Executive Coordinator of the U.N. Office for Emergency Operations in Africa, charges that for Saouma personal ambition comes before famine relief. Strong reports that a senior member of Saouma's personal staff mounted one of the most effective airlifts to Ethiopia and received "a tremendous amount of world attention and acclaim--and as a result, he was fired by Saouma." And because of political friction with the Ethiopian FAO representative Tessema Negash, Saouma reportedly delayed the food relief, pending Negash's recall home.

Whatever the details of the Ethiopian relief fiasco, FAO has never, either before or after the famine crisis, criticized the Ethiopian government's policies that clearly were principally to blame in that tragedy. These policies, pursued for the past twelve years since the Marxist regime led by Mengistu Haile Mariam took power, have collectivized agriculture, channeled some 90 percent of agricultural investment into inefficient state farms that produce only 6 percent of the nation's grain, confiscated rural property, and required farmers to accept low payments for their crops from state buying agencies.¹ With the material incentives to increase production thus cut, Ethiopian peasants predictably produced less food. This contributed considerably to the famine. Yet FAO never objected to these policies or criticized them. FAO is unwilling--and probably unable--to condemn the political decisions that cause disastrous food and agriculture policies. This is FAO's fatal flaw.

FAO: BEGINNINGS AND BREAKDOWN

The FAO was founded on October 16, 1945, in Quebec City, Canada, by 42 nations. It had an initial biennial budget of \$8.3 million. Today FAO boasts 158 members with a biennial budget of over \$1.6 billion, including both assessed and voluntary funds. As such, it is the U.N.'s largest specialized agency. A mere eleven nations provide over 76 percent of the FAO regular budget, 25 percent from the United States alone. As in the rest of the U.N. system, member nations who pay FAO's bills often have little to say on how FAO funds are spent. Those decisions are made by the 125 or so Third World countries, which together pay less than 10 percent of the FAO budget. The major donors, in fact, have voted against or abstained on budgets since 1977. The budget has been the source of growing controversy because it fails to give a clear idea of where the money goes, which makes accountability or evaluation almost impossible.

The Mandate

In the preamble to the FAO constitution, the member nations pledge themselves to raise the levels of nutrition and standards of living of their peoples, improve the production and distribution of all food and agricultural products, and improve the condition of rural populations.

The first decade of FAO saw a number of accomplishments to fit these aspirations. In 1947, FAO established a council whose function was to review the status of food and agriculture in the world. A year later, the first agricultural surveys were made in the Far East and Latin America, and the International Rice Commission was established. And in 1950, FAO conducted the first postwar World Census of Agriculture.

One of FAO's first major operational activities was the 1948 establishment of the Extended Program of Technical Assistance, a precursor of the U.N. Development Program. In 1948 and 1949 a special FAO mission made proposals

1. Roger A. Brooks, "Africa is Starving and the U.N. Shares the Blame," *Heritage Foundation Backgrounder* No. 480, January 14, 1986.

for the development of fisheries in Thailand; a horticulturist worked for a year in China; an entomologist helped Guatemala and Costa Rica in their anti-locust campaigns.

Other FAO accomplishments include:

- ◆◆ Development of the International Plant Convention on prevention of the spreading of plant disease across national borders.
- ◆◆ Establishment of the International Board for Plant Genetic Resources.
- ◆◆ Creation of a joint project with the International Atomic Energy Agency involving a Division on Isotope and Radiation Applications of Atomic Energy to Food and Agriculture, based in Vienna. This coordinates international policy on food radiation and pioneering techniques for producing sterile male flies for integrated pest management.
- ◆◆ Creation of an international technical training program in food and agriculture.

Food Emergency Failures

For nearly a quarter century, however, FAO has become increasingly irrelevant. Hans Jorgen Kristensen, Chairman of the Danish National FAO Committee and Deputy Secretary of the Danish Ministry of Agriculture, charges that "over the past twenty years FAO has moved into a rather weak position in the international set-up."²

During the 1960s and 1970s, for example, the world witnessed a number of massive crop failures and subsequent famines--notably the 1966 Indian famine and the tragic African drought in the Sahel desert in 1973-1974. Between 1950 and 1960, the rate of increase in per capita food production worldwide was 1.6 percent a year, declining to .6 percent annually between 1960 and 1970, then to .4 percent annually during the following decade. The FAO response was typical: more consultants, lengthy studies, and conferences. According to Denmark's Kristensen, FAO is "an unwilling partner in international cooperation"--unwilling to develop agricultural technology specific to problems in the field and unwilling to give up any bureaucratic turf.

Falling Cereal Production. The end result was no real help for the hungry. Indeed, even FAO's own assessments find a worsened world food situation since 1945. By 1972 world cereal production even declined for the first time by a drastic 33 million tons.³ The following year, the oil embargo worsened the world economic situation, prompting the U.N. to call for a World Food Conference in 1974. In

2. *The Future Role of FAO in the U.N. System* (Horsholm, Denmark: The Institute for Food Studies and Agroindustrial Development, 1986), p. 5.

3. "The Origin, Role and Work of the WFC," staff paper (Rome: World Food Council, 1981).

1981, only 31 of 85 developing countries for which data were available had managed to meet their domestic food demand.

Following the 1974 conference, and because many countries still were making little progress in improving food production, other multinational organizations were established to take on some of the tasks originally meant to be fulfilled by FAO. The World Food Council and the International Fund for Agricultural Development, for example, were established by the U.N. in 1974 and 1977, respectively, as a response to FAO's insufficient response to the world food crisis. Other U.N.-related organizations, including the World Bank, the U.N. Development Program, and the U.N. Conference on Trade and Development, have become increasingly involved in food-related issues. In fact, FAO has become redundant. Its costs and the policies it advocates are shortchanging the hungry in underdeveloped countries.

FAO and the Private Sector

FAO has been oblivious to private enterprise approaches to agricultural development, and it has balked at cooperating with private industry. To be sure, a mandate in 1965 established a cooperative program between private industry and FAO, in the form of an Industry Co-operative Program. This program for a decade provided a direct link between government and industry. A wide range of useful working groups involving FAO and private companies was organized, dealing for example with standardized pilot milk plants, meat processing plants, and the use of pesticides.

In 1976, however, responding to leftist anticorporate pressure, Saouma ended this FAO-private sector cooperation. Walter Simons, then director of the program and currently Executive Director of the Industry Council for Development, a private, nonprofit organization, observes that FAO currently has few active links with industry and "has a bias against multinationals."

While FAO Information Division Director Richard Lydiker insists that FAO cooperates with private industry on many projects, including pesticides, locust control, the Codex Alimentarius--a project intended to coordinate international regulation of food additives--and "aid in kind" projects, this cooperation is sporadic and dwindling. The Codex Alimentarius, for example, is almost completed, having furnished commodity standards for nearly all major food products; many of its committees already have adjourned.

FAO: FAILING TO PROMOTE FREE ENTERPRISE

In its publications describing what it is and what it does, FAO explains that one of its four principal functions is to be "an adviser to governments." Accordingly, FAO advises governments "to upgrade their planning and administrative machinery to develop and manage their agricultural sectors." This is the root of FAO's erroneous approach to agricultural policy. Instead of promoting private sector agriculture, which recently has invigorated even communist China's countryside, FAO stresses government management of farming. Explains Harvard economist Peter Timmer, "governments request FAO advice, from which they seek

support. FAO in turn does not wish to make governments unhappy. There is therefore a built-in bias in FAO to support government policies."

FAO's remedy for hunger is based on government planning. According to the "World Security Compact," published by FAO in 1986, "governments carry the primary responsibility for ensuring the food security of their peoples." The "Compact" emphasizes that industrialized countries in particular bear the primary responsibility for fighting world hunger, and accordingly, tells these governments that "they are...to continue providing emergency food aid to less fortunate countries," the usual FAO panacea. Heritage Foundation Visiting Scholar Doug Bandow, however, in a 1985 monograph *U.S. Aid to the Developing World: A Free Market Agenda*, argues that such policy advice is often wrongheaded. For example, wheat shipments to Guatemala following the 1976 earthquake brought ruin to local farmers by undercutting the demand for their domestically produced wheat. Similarly, regular and large shipments of food to India throughout the 1950s and 1960s bankrupted native farmers there.⁴

Buffer Stocks Fallacy. Government planning and subsidies, rather than free enterprise, is the FAO blueprint for progress. In its *World Food Report 1986*, for example, FAO deplors developing countries' balance of payments problems because "these financial constraints make it increasingly difficult for poorer countries to continue their price support and investment programmes designed to boost food production." Countries whose pricing policies involve price controls that keep food prices low, however, discourage production. This is clear from the experiences of dozens of countries, including Egypt, Tanzania, Togo, Ghana, Mali, Malawi, India, and Pakistan.⁵

In the same 1986 report, FAO urges low income countries "to begin to build their own cereal stocks." This policy, promoted by FAO for decades, also has distressing results and is criticized severely by economists. According to Graham Donaldson of the World Bank, the FAO "want[s] to build buffer stocks so large that in some countries they would be bigger than the total amount of grain traded. That means that the stuff will have to be purchased and imported and then, because stores spoil and have to be replenished every year, the grain will have to be resold on the world markets."⁶

Undermining Private Farmers. Not only are large buffer stocks quite expensive to operate, they also are a financial liability because the stored grain deteriorates and by the time it is resold, its quality is inadequate for human consumption. What is worse, since the stocks are government operated, their very existence further undermines the strength of the private sector.

4. For more examples, see Melanie Tammen, "Inspector General Audits Reveal Foreign Aid Failures and Boondoggles," Heritage Foundation *Backgrounder* No. 618, November 23, 1987.

5. World Bank, *World Development Report 1986*, pp. 64-65.

6. Ann Crittenden, "Donor Nations Challenge Food Agency's Activities," *The New York Times*, November 9, 1981.

FAO consistently chides developing countries for not subsidizing agriculture sufficiently. This is clear from the *World Food Report 1986*. It states: "Agriculture often receives less than 10 percent of public expenditure, even where it provides more than 50 percent of gross domestic product, foreign exchange and employment." This statement strongly implies that more public monies should be devoted to agriculture. The argument evidently ignores the fact that in most socialist countries it is the very small private sector in agriculture that produces most of the food. Public expenditure is not only no guarantee of production, it is in many cases a hindrance. In the People's Republic of China, for example, Sichuan province has been transformed over the past decade into a showcase of privatized rice and wheat fields.⁷ Food output there consequently has been soaring.

Pleasing Third World Nations. Throughout its history, FAO has stressed food aid to developing countries rather than free market approaches to agricultural reform as the solution to agricultural problems. In one important document, "Agriculture: Toward 2000," the FAO Director-General calls for what he terms the "reasonably equitable distribution of [world] income and output" through the establishment of a global food system.⁸ According to the FAO, this "equitable distribution" is achieved, among other ways, by requiring developed nations to provide an additional 22 million tons of food assistance (a near doubling by 1990 over 1979 levels) to less developed countries.

Today FAO continues to stress food aid to developing countries, rather than improvement of these countries' agricultural practice. In a speech before Catholic University of America last May 16, Director-General Saouma noted that, while the main thrust of the battle against malnutrition must be to increase food production in developing countries, "their efforts must be supported by a substantial increase in the flow of resources from developed countries, from North to South." This continuous emphasis on aid only through governments may please many Third World nations, but it imposes a very high cost. Former World Food Council Executive Director Maurice Williams explains: "Countries tend not to turn down anybody who brings gifts, whether or not they are applicable to their problems. [Instead] FAO should be encouraging, even compelling, them to develop policies, and to look at the tough options." This is exactly what FAO does not do.

Total Silence. In its 1986 *World Food Report*, for example, a table entitled "Reflections on Food and Agricultural Progress," dealing with the relative importance of various factors likely to influence agricultural development in developing countries, cites "population growth" as the principal "negative effect" on development, followed closely by "debt-servicing problems." There is near total silence on one of the key factors influencing food output: agricultural price policies. The one time when price policies are cited by the FAO report, it is in reference to "developed countries." It appears that FAO considers price controls in developing countries an irrelevant factor in agricultural development.

7. Neal R. Peirce, "Lessons for U.S. Farmers from Fertile Sichuan," *National Journal*, August 15, 1987.

8. "Agriculture: Toward 2000," (Rome: FAO, 1981), p. vi. Quoted in Georges Fauriol, *The Food and Agriculture Organization: A Flawed Strategy in the War Against Hunger* (Washington, D.C.: The Heritage Foundation, 1984).

FAO's Field Programs

For the past two decades, FAO has turned its attention increasingly to advocacy of programs in the field, rather than advice on government policies. From about \$200 million spent by FAO on field programs in 1976, the amount rose to \$350 million by 1981, then leveled off to \$300 million in 1985 and \$315 million in 1986. A large portion of this money--ranging from one-third in 1976 and 1985 to as much as one-half in 1981--involves contributions from the U.N. Development Program (UNDP). Voluntary trust funds (earmarked contributions for specific agricultural projects) by member governments have ranged from \$80 million in 1976 to \$150 million in 1985.

The U.S. traditionally has favored channeling its voluntary contributions to FAO through UNDP. Other countries, particularly smaller European states, have preferred the trust funds, which offer them greater visibility. Denmark, for example, supports many seed production and dairy projects, Finland concentrates on forestry and fisheries development, the Netherlands has been involved in the Associate Professional Program, which offers assistance with assigning junior experts to U.N. technical assistance projects.

Questioning Trust Fund Projects. Among the principal beneficiaries of FAO field program money in 1985 were: Mozambique, \$7.5 million; Tanzania, \$12 million; Somalia, \$5 million; Niger, \$7.1 million; India, \$5 million; and Libya, \$2.4 million. "The Palestinian People" received nearly \$250,000 from FAO in 1985, while Saudi Arabia received over \$26 million--by far the largest FAO field program support. By comparison, Ethiopia received \$6.4 million.

Several Nordic representatives to FAO have told The Heritage Foundation that there is increasing concern over FAO's administration of trust fund projects. And according to a March 1987 Nordic Working Paper, "the Nordic countries should establish a closer cooperation in working out better and more standardized reporting routines for Trust Fund activities."

No Independent Evaluation. The FAO indeed does not provide a comprehensive, independent evaluation of its field programs. Writes Rosemary Righter, former diplomatic correspondent for the *London Times*, "In the field, FAO has become a byword for bad planning, poor coordination, and irrelevance to the rural poor." She notes that one FAO Assistant Director-General, Jacques de Meredieu, told colleagues that he was appalled to discover how poorly FAO's field programs had come to be regarded.

FAO field projects are shrouded in much mystery, in part because Director-General Saouma has kept them that way. On January 6, 1983, for example, a directive was issued to FAO representatives' offices not to release information about the agency's field projects without approval from FAO headquarters. A senior FAO official, who insists on anonymity, alleges that some FAO project officers "compiled reports that contained doctored rates of return in an effort to make the projects appear viable."⁹

9. Christopher Winner, "Official Maintains FAO Rigs Bank Projects, *Daily American*, January 16, 1983.

The result is considerable waste of resources. In 1971, for example, FAO started a scheme for commercial cotton production in southern Nepal for people settled in a remote area of virgin forest, miles from any market. Ten years later, by which time the costs of the project had doubled, there had been no FAO assessment of the economic feasibility of the scheme. What had become clear, however, was that farmers preferred other crops to cotton.

Angling for Pensions. This project is typical. One former UNDP representative in Africa with over twenty years of experience in development, who has just joined the World Bank, saw the problem first hand. She told The Heritage Foundation that most FAO projects in Africa are "technically questionable, at times outright inconsistent." Example: FAO requested a training school where no housing was available. UNDP staff often has to rewrite completely projects submitted by FAO consultants.

Another widespread problem, illustrated by the Nepal case, is that projects are not completed on deadline but often drag on and on. Part of the reason seems to be that five years of employment with FAO as a consultant guarantees pension eligibility. Understandably, this encourages consultants to extend a project's life to at least five years.

No Penalties. The same UNDP representative adds that in many cases an FAO field project, which may have been useful at the time it was originally funded, becomes either politically unwelcome or otherwise obsolete by the time it is actually carried out. "The FAO, of course, has no incentive to move fast. No performance criteria are in place, no penalty for late or otherwise inadequate performance."

According to one African Ambassador to the FAO, the field programs involve too many experts from outside, who know very little about local conditions, and by the time they learn, the project is over. The projects then have little if any effect on the economy. Danish FAO representative John Glistrup told The Heritage Foundation that such field projects "may have had some value years ago but are now of little use."

Jobs for Cronies. In an interview with the Canadian Broadcasting Corporation broadcast on November 4, 1986, Joshua Muthama, the former Kenyan Ambassador to FAO, charged that many of FAO's field projects involve money that "doesn't reach the beneficiaries...these are jobs for the boys....FAO boys. People who have longstanding connections and, you know, they're waiting at the door."

One current FAO representative, for example, whose job is to oversee FAO projects in a Central African country, has had no training in agriculture and reportedly had no idea, even after six months on the job, to what projects he was assigned. The case is evidently not atypical, for according to the FAO's own Report on the Evaluation of the FAO Technical Cooperative Programme published on July 12, 1985, not all FAO's representatives in the field, for instance, "are fully conversant with when and how they can approve" small grant requests, even though such an activity is one of their principal functions.¹⁰ Colombian Ambassador to the

10. S. Linner, W. M. Johnson, and T.E.C. Palmer, "Report on the Evaluation of the FAO TCP" (Rome: FAO, July 12, 1985).

FAO Gonzalo Bula Hoyos confirms that FAO jobs in the field are often handed out as political plums. In any event Bula Hoyos opposes FAO's "piecemeal projects approach" on the basis that "they do not meet the real needs of developing nations."

FAO: BUDGET AND ACCOUNTABILITY

One of FAO's principal problems appears to be its loss of direction, purpose, priorities, and accountability. In a working paper distributed at the March 12-13, 1987, meeting of the Camberley Group,¹¹ the top agenda item was "the question of priorities and priority setting in FAO." There is little disagreement among Western contributors to FAO that there is no systematic priority setting in the organization.

Nor is it clear where FAO money goes. Lack of budget "transparency" (U.N. jargon for visibility) has been of increasing concern, particularly to Western nations, for over a decade. As the U.S. in this past year became dismayed with the U.N. system as a whole, the U.S. Congress withheld funds for the U.N., including those for FAO. It received only \$5 million of the \$50 million expected from the U.S. for the regular FAO budget at the beginning of 1987, and another \$20 million last November.

Canadian Criticisms. Many FAO delegates welcomed the U.S. congressionally ordered withholding of funds from FAO, hoping that at last FAO would respond to demands for improved performance. The Canadian delegation to FAO was the most vocal in demanding fiscal responsibility. George Henry Musgrove, Canada's Representative to the FAO, charged that some \$100 million in FAO outlays is essentially unaccounted for. While FAO has contested this figure, the Canadians still are not satisfied that they are being told the truth.

The Scandinavian countries on several occasions have protested the lack of transparency in FAO budget documents. They have charged that "the review reports of regular and field programmes [do not] make it possible with reasonable efforts for member countries to form a clear picture of how the resources have been spent, and how the expenditures have contributed to achieving the main aims of FAO in the budget period."

Rude Response. Because it is not clear just how FAO money is spent, its officials can manipulate budget figures loosely. One example, angering the U.S., involves FAO's claim that its personnel costs are decreasing as a proportion of its overall budget. This June 19, the U.S. charged that "we do not believe the Secretariat's claim" and pointed out that FAO lists its extensive use of consultants under "Goods and Services" rather than under "Personnel" in order to prove its claim of lowered costs.

FAO deals rudely with questions about its budget. When the U.S. and Britain, at the June FAO Executive Council meeting, requested that budget reform

11. A group consisting of representatives to FAO from Australia, Britain, Canada, Denmark, West Germany, Japan, the Netherlands, Norway, Sweden, Switzerland, and the U.S., which was organized for informal discussion of such problems. It was so named because of the location of its first meeting in the suburb of London called Camberley.

be put on the agenda for last November's FAO General Assembly meeting, they were ruled out of order. U.S. Ambassador to FAO Fred J. Eckert demanded an immediate meeting with Saouma and protested such "shabby treatment." Budget reform then was placed on the agenda. But the U.S. proposal to set up a system whereby all budget and programming decisions are made by consensus was rejected resoundingly by the Third World majority.

Only recently has the U.S. become actively involved in the Western movement to reform FAO. According to Max L. Witcher, Director of International Organization Affairs at the Department of Agriculture, who has worked on U.S. policy toward FAO since 1961, the U.S. always has regarded FAO as one of the "most efficient" international organizations, although "not everything there is good." Witcher notes that the U.S. increasingly has pressed FAO for better evaluations. Questioned whether he thought that FAO is doing enough to promote free enterprise solutions to food problems, Witcher answered that "the organization carries out programs requested by governments and there is only so much flexibility FAO can have." Witcher's views typify the U.S. neglect of FAO that, to great extent, has allowed the organization to slide into trouble. Not until last year did the U.S. withhold financial contributions to FAO--and this was under congressional directive.

Even as recently as late 1986, the U.S. was not yet among the members of the Camberley Group, which met periodically throughout 1986 to consider FAO reforms. Several Western representatives to FAO told The Heritage Foundation that U.S. policy on FAO has not been at all clear over the years. The Canadians in particular expressed frustration at U.S. reluctance to criticize FAO.

Saouma's Slush Fund. Perhaps the most glaring FAO budget irregularity is the so-called Technical Cooperation Program (TCP). This essentially has become a discretionary fund for the personal use of the Director-General. From 1976, when the TCP was started, to 1985, some 2,441 TCP projects have been approved costing \$164 million. This year's allocation amounts to about 13 percent of the regular FAO budget, or approximately \$25 million.

Little is known about TCP; there is only a very general description of its programs, whose titles are not even published. Nor are there any genuine evaluations of TCP projects. The FAO's 1985 evaluation report admits that "there is a striking lack of knowledge about the TCP and the way it functions." Says the report: "it is not always known whether the recommendations made by [TCP] consultants are being made use of by the governments and if so, what the results are."

Colombian Ambassador to the FAO Bula Hoyos refers to TCP as Saouma's "political budget, to be disbursed according to the political support he needs from Third World delegates." Among recipients of TCP funds have been the United Arab Emirates, one of the world's richest countries, as well as Bahrain, Libya, Iceland, Venezuela, and Brazil.

Not only is there little accountability for TCP projects, there is no independent assessment or public audit of FAO's use of its other resources. FAO relies almost

exclusively on internal mechanisms for this. Rosemary Righter described a 1983 internal memorandum signed by R.S. Lignon, FAO Assistant Director-General in charge of the development department that referred to day-to-day monitoring as "extremely unsatisfactory." Information from the field, he wrote, was "available only after long delays" and was "usually treated at random." Records of spending were "often in too cryptic a form to be useful for accurate monitoring," and work plans were so vague that it was impossible to measure progress.¹²

While Lignon reportedly notes that such problems are "being dealt with," government delegates to the FAO disagree. FAO was unable to provide The Heritage Foundation with any independent assessment of spending or monitoring its funds. According to the late Dr. Otto Matzke, a senior official with the World Food Program from 1962 to 1974, Saouma considers any request for independent evaluations as a personal attack.¹³

FAO: STATISTICS THAT MISINFORM

FAO prides itself for being "the world's premier source of statistics on agriculture, fisheries, and forestry."¹⁴ Expert economists dispute this. According to an article by Nicholas Eberstadt of Harvard University and the American Enterprise Institute and by World Bank agricultural economist Clifford M. Lewis, FAO is spreading "misinformation" about food production.¹⁵ Eberstadt and Lewis argue that FAO has had "the tendency to dignify assumptions about the global food or nutrition situation with undeserved decimals." Meaning: FAO claims far greater precision than its methodology warrants. FAO numbers, for example, suggest that 34 million more people were malnourished in noncommunist developing countries in 1972-1974 than in 1969-1971.

In fact, the FAO method of converting average food availability estimates into estimates of individual malnutrition in any particular country has never been clarified. Such false precision about the world food and hunger situation is dangerous. Eberstadt and Lewis warn that it leads to "erratic interventions and eventually to a reluctance of political figures to commit their reputations and resources to a sustained effort to alleviate hunger systematically." That is, Third World politicians are reluctant to give up food aid for the politically unpopular measures that would increase food production at home. They have taken a calculated decision to pay farmers sometimes as much as three-quarters of the

12. Rosemary Righter, "U.N. Bureaucracy 'Makes the Hungry Hungrier,'" *London Sunday Times*, August 26, 1984.

13. An exhaustive, well-documented series of articles by Dr. Matzke and others concerning the financial and political crisis at FAO was published in the *Daily American*, "FAO Dossiers 1 and 2," December 18, 1982, and April 17, 1983, each 48 pp.

14. *World Food Report 1986* (Rome: FAO, 1986).

15. "Global Nutrition and the World Food Economy," unpublished. A less technical version of this paper appeared in *The Atlantic*, May 1986, under the title "How Many Are Hungry?"

market value of their products in order to placate urban populations with cheap food.

Political Statistics. In a thorough critique of FAO statistics, Thomas T. Poleman, Professor of International Food Economics at Cornell University, notes that the documentation presented by the FAO to the 1974 U.N. World Food Conference indicated a sharp and scientifically inexplicable increase in world malnutrition. Writes Poleman: "My suspicion is that the figures were derived less through research than through a political decision imposed from on high. Few bureaucrats wish to admit that the problem they are relieving is a modest one, and international bureaucrats are no exception."¹⁶ Poleman also notes that food production in developing countries tends to be understated because taxation is often based on production; much backyard production is locally consumed and never counted.

FAO's tendency to exaggerate Third World malnutrition, together with its need to use statistics provided by the governments involved, can bode ill for the hungry. In 1980, for example, the Mali government, having its usual troubles procuring grain, declared that it was facing a tremendous shortfall in grain production. The FAO accepted the official estimate and recommended that almost 100,000 tons of cereals be supplied by donors as emergency assistance. The World Bank, however, reported that Mali in fact had harvested an average crop, and *The New York Times* stated on November 9, 1981, that the "emergency" aid would enter the country after the crop was in, would depress prices, and would risk undermining the new efforts to improve producer incentives. According to World Bank economist Graham Donaldson, such pessimistic assessments of the world food situation as FAO's in the case of Mali can have a destructive impact: "They have a Malthusian, crisis mentality that is defeatist, and it can cost poor countries dearly."

Contributing to Hunger Crises. Permanent humanitarian aid is known to have a number of counterproductive effects. It subsidizes Third World agricultural policies that discourage domestic farming and contribute to periodic hunger crises. Such policies include retail price controls on food and monopoly government marketing boards that pay farmers artificially low prices for their products.¹⁷ By underwriting such policies, permanent aid programs reduce the accountability of foreign governments for their own mismanagement, thereby allowing them to continue to ignore self-help measures such as privatizing near-bankrupt government marketing boards or ending state monopolies on transportation of crops.¹⁸

16. Thomas T. Poleman, "Cornell/International Agricultural Economics Study--World Hunger: Extent, Causes, and Cures" (Ithaca, New York: A. E. Research 82-17, revised January 1984), p. 12.

17. Doug Bandow, *U.S. Aid to the Developing World* (Washington, D.C.: The Heritage Foundation, 1985), pp. xiv-xv.

18. Common to many sub-Saharan African countries is the situation in which people starve in one province while grain surpluses pile up in another province because states have proved inept at transportation and cannot maintain their trucking fleets in good repair. The (illegal) activities of private traders--often part-time farmers themselves---act to round out the market by reducing supply and price differentials between provinces. Yet traders must pass on to farmers, in the price paid for their grain, the costs resulting from breakdowns, transporting shipments in small lots, and substantial bribes to the police. See John D. de Wilde, *Agriculture, Marketing, and Pricing in Sub-Saharan Africa* (University of California, Los Angeles: African Studies Center and African Studies Association, 1984.)

Equally critical of FAO's statistical and analytical work is Maurice Williams, Executive Director of the World Food Council from 1978 to 1986. He told The Heritage Foundation that "in the early 1970s, for example, FAO's assessment of the world food crisis was grossly exaggerated." In 1984, FAO called for a doubling of food aid and drew up a list of 24 African countries "on the brink of starvation." According to the assessments of one donor government, however, there were only six countries "on the life-and-death borderline," and in many others, only a fraction of the requested food was needed. Some countries, such as Tanzania, have had surplus food in parts of the country, but farmers refused to sell because the official price was too low.¹⁹

Louis M. Goreux, currently Deputy Director of the African Department at the International Monetary Fund, left FAO twenty years ago after eight years as head of the Commodities Department because of his increasing disillusionment with its flawed assessment of economic parameters in general. "You cannot judge a country's whole economy on the basis of agricultural indicators."

FAO: PERSONNEL POLICIES AND POLITICS

There is virtually universal agreement that FAO Director-General Saouma's personnel policies are a key factor in the current problems faced by the organization. Several ambassadors to FAO called Saouma's style "dictatorial." Dissent is not encouraged nor is it tolerated. The result is rampant mediocrity.

There is no unequivocal figure of the FAO staff size. Some experts, notably Otto Matzke, have estimated that it may be as high as 10,000--about 3,000 more than FAO claims officially. Former Kenyan Ambassador to FAO Joshua Muthama explains that Saouma is "very fond of promising jobs." Muthama himself was offered a job in 1981, contingent on his report of Saouma's second reelection as FAO head.

Timid Liaisons. Yet FAO continues to want to increase the number of its "representatives" in the field--currently at least 80. This is opposed by the U.S. and other Western nations. These representatives provide mainly a "liaison" role, of limited value in practice, because of FAO's timidity in providing useful advice to governments.

Danish representative to FAO John Glistrup finds FAO personnel policies to be "outrageous." There are no staff evaluations, he says, and the management system is medieval. "Saouma absolutely does not believe in organization, only in individuals," says Glistrup. "Promotions are political, particularly at the highest level." As a result, Glistrup believes that "FAO has totally lost its direction, and is gradually losing its position in the world. It is a very good thing that the U.S. has finally become tough on FAO, but it's probably too late now. FAO should have started to reform long ago."

At FAO in Rome, everything is centralized around Saouma. For this reason, The Heritage Foundation was forbidden to contact FAO employees individually. All

19. See Rudolf Grosskopf, *Hannoversche Allgemeine Zeitung*, November 13, 1981.

substantive questions had to be answered by FAO's Information Director, Richard Lydiker.

According to Raymond Lloyd, an FAO official from 1961 to 1980, "appeasement and venality have been rampant at FAO, even among delegates from the funding democracies." One reason is that Saouma promises jobs to those who support him. Several government delegates obtained lucrative positions with FAO as a result of support for Saouma and his policies. The current FAO representative in Washington, Roger A. Sorenson, for example, the U.S. representative to FAO in Rome from 1979 to 1983, now presents FAO in a rather positive light in the U.S. At his office in Washington, Sorenson is currently providing space to the newly formed Friends of FAO, a group that urges its members "to take part in a letter-writing campaign aimed at members of Congress." This action violates U.S. law, which prohibits lobbying by international organizations.

CONCLUSION

FAO has become discredited as a source of reliable statistical information, and its policy advice--increasingly limited though it may be--is usually ignored. Louis Goreux of the International Monetary Fund observes that FAO has declined increasingly in importance, until "today FAO is largely irrelevant. People in the field of agricultural development simply don't care about FAO. It has become a huge bureaucracy." From its inception, moreover, FAO advice has shunned free enterprise approaches to agricultural reform, opting instead for government regulation.

FAO's Demise. Edouard Saouma has exacerbated the deterioration at FAO since his election as Director-General in 1976. His dictatorial and inefficient management practices, his use of the Technical Cooperation Program as a slush fund to further his own future in the agency, the lack of accountability in the FAO budget, all have contributed to the virtual demise of the agency.

Accordingly, the U.S. Congress decided to reduce the 1987 U.S. contribution to the regular FAO budget from \$50 million to \$5 million, and \$20 million more, frozen until the end of the year, which has recently been paid. Since nothing has changed at FAO, the U.S. should completely cut off funding for the agency and serve notice of withdrawal--particularly as Saouma was reelected head of FAO on November 9.

The interests of the developing world are not well served by an agency whose principal solution to agricultural problems is foreign handouts that discourage the development of poor nations' agricultural resources. At a time of fiscal reorganization throughout the U.N. system, moreover, FAO is resisting reform. The U.S. and other Western nations should strengthen their help to the world's poor through bilateral programs or alternative means of development assistance, and allow FAO to die a well-deserved death.

Juliana Geran Pilon, Ph.D.
Senior Policy Analyst

All Heritage Foundation papers are now available electronically to subscribers to the "NEXIS" on-line data retrieval service. The Heritage Foundation's Reports (HFRPTS) can be found in the OMNI, CURRNT, NWLTRS, and GVT group files of the NEXIS library and in the GOVT and OMNI group files of the GOVNS library.