

Joint Evaluation of European Union Programme Food Aid

Synthesis Report

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by

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Preface

This report presents the findings of a study of European Union food aid to developing countries, focusing on programme food aid. The study has been the first joint evaluation of an aspect of EU development co-operation including both national actions of Member States and Community Actions organised by the European Commission on behalf of the Union. It was undertaken for the Working Group of Heads of Evaluation of EU Member States and was supervised by a Steering Group Committee (SGC) of the same.

The Terms of Reference for the whole study (Annex A) provided for the examination of four main areas:- the effects of programme food aid on food security in terms of availability and accessibility; its effectiveness and efficiency as a resource transfer; the effects and efficiency of counterpart funds; and co-ordination. It was expected that the study would enable lessons to be drawn for food aid policies and procedures used by both donors and recipients. This evaluation provides an opportunity to consider the principle of subsidiarity in operation as all Member States and the Commission are required to provide cereals food aid.

The study involved two stages. Stage One, undertaken solely by the Overseas Development Institute (ODI), London, and funded by the Evaluation Department of the Commission's Directorate General for Development (DGVIII), provided a policy profile and analysis of EU programme food aid through a desk-based review of documentation and statistical analysis. The exercise began in February 1993 and the report was accepted by the Working Group in July 1994. Stage Two, launched by the SGC in October 1994, involved a series of case studies in recipient developing countries, namely, Bangladesh, Cape Verde, China, Egypt, Ethiopia, Kenya, Mali, Mauritania, Mozambique, Nicaragua, Peru and Zambia, as well as updating and finalising information collected in Stage One. It also looked at the rationale and implications of an observed wider shift in policy within the EU and the reduced use of food aid as programme aid. Each of the country studies was financed by one or two of the following: Denmark, France, Germany, the UK and the European Commission. The studies were organised in two phases: initial Rapid Evaluations in all 12 countries and subsequent Extended Studies in 4 (Bangladesh, Cape Verde, Egypt and Mozambique). ODI, financed by the Netherlands, acted as a core group with responsibility for overall co-ordination and organisation of the evaluation, including recruitment and support of the country study teams.

The present Synthesis Report, prepared by ODI, draws together the main findings of both stages of the research. The Stage One report and the country studies are produced as separate Background Papers (BPs), listed in the References (Annex C).

Two limitations of the scope of the evaluation should be noted, resulting from the study focusing on the period 1989-94. First, only the food aid actions organised by the Commission and the then 12 Member States are evaluated. The food aid provided by the three countries joining the EU in 1995, Austria, Finland and Sweden, is reported in statistical tables but is not evaluated. Second, in considering developments in policy, the European Council 1995 (draft) regulation on food security is noted but, again, the evaluation is concerned with actions undertaken under the previous regulations on food aid policy and management.

Those wishing to obtain further information and copies of the Background Papers should contact Head, Evaluation Unit, Directorate General VIII (Development) of the European Commission, who as Chairperson of the Working Group is maintaining a documentation centre on this joint EU evaluation.

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Acronyms

ABC	Africa Bureau Cologne
ACP	African, Caribbean and Pacific (Group of Countries)
ADE	Aide à la Décision Economique (Belgium)
ADP	Annual Development Programme (Bangladesh)
AIDAB	Australian International Development Assistance Bureau
AIMA	Azienda di Stato per gli Interventi nel Mercato Agricolo (Italian Market Agricultural Intervention Agency)
BALM	Bundesanstalt für Landwirtschaftliche Markt Ordnungen (German Federal Office for Agricultural Market Regulation)
BIDS	Bangladesh Institute of Development Studies
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit (German Federal Ministry of Economic Co-operation)
BoP	Balance of payments
CA	Community Action
CEEC	Central and Eastern European Countries
CFA	(WFP) Committee on Food Aid Policies and Programmes
CFA	Communauté Franc Africain
CICS	Comitato Interministeriale per la Cooperazione allo Sviluppo (Italian Interministerial Committee for Development Cooperation)
CIF	Carriage, insurance and freight
CILSS	Comité Inter-États de Lutte contre la Sécheresse au Sahel (French Inter-state Committee for the Fight against Drought in the Sahel)
CMRP	Cereals Market Reform Programme (Mali)
CPFs	Counterpart funds
CSRP	Cereal Sector Reform Programme (Kenya)
CSD	(FAO) Committee on Surplus Disposal
DAC	(OECD) Development Assistance Committee
DG...	Directorate General (of European Commission)
DGCS	Direzione Generali per la Cooperazione allo Sviluppo (Italian Directorate General for Development Cooperation)
DREE	Direction des Relations Économiques Extérieures (French Directorate for Foreign Economic Relations)
EC	European Commission
ECHO	European Community Humanitarian Office
EEP	Export Enhancement Program (USDA)
EIT	Economies in Transition (Eastern Europe and former Soviet Republics)
EU	European Union
FAC	Food Aid Convention
FAIMO	Frentes de Alta Intensidade de Mão de Obra (Hand-labour-intensive work groups, Cape Verde)
FAO	Food and Agriculture Organisation of UN
FAS	Free alongside ship
FEOGA	Fonds européen d'orientation et de garantie agricole
FIRS	Fonds d'intervention et de régulation du marché du sucre (French Intervention and regulatory funds of the sugar market)
FOB	Free on board
FSR	Former Soviet Republics
GDP	Gross domestic product
GIEWS	(FAO) Global Information and Early Warning System
GIP	General Import Programme
GNIS	Groupe national interprofessionnel des semences, graines et plantes (French National Interprofessional Grouping for Seeds, Grain and Plants)
GNP	Gross national product
GTZ	Deutsche Gesellschaft für technische Zusammenarbeit

	(German Agency for Technical Co-operation)
HDI	Human Development Index
HYV	High yielding variety
ICEA	Ingénieurs Conseil et Economistes Associés
ICRC	International Committee of the Red Cross
IDF	International Dairy Federation
IDS	Institute of Development Studies
IFADEP	Integrated Food-Assisted Development Programme (Bangladesh)
IFI	International financial institution
IEFR	International Emergency Food Reserve
IFPRI	International Food Policy Research Institute (Washington, DC)
IGC	International Grains Council
IMF	International Monetary Fund
INTERFAIS	(WFP) International Food Aid Information System
IPP	International parity price
ITSH	Internal transport, storage and handling
LRCS	League of Red Cross and Red Crescent Societies
MAE	Ministero degli Affari Esteri (Italian Ministry of Foreign Affairs)
NGO	Non-governmental organisation
NEI	Netherlands Economic Institute
ODA	Official development assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OFIVAL	Office national interprofessionnel des viandes, de l'élevage et de l'aviculture (French National Interprofessional Office for Meat, Livestock and Poultry Farming)
OJ	Official Journal (of the European Union)
PFA	Programme Food Aid
QMW	Queen Mary and Westfield College
RDI	Relief and Development Institute
SADC	Southern Africa Development Conference
SAP	Structural Adjustment Programme
SIDOS	Société interprofessionnelle des oléagineux, protéagineux et cultures textiles (French National Interprofessional Office for Oleaginous, Proteinous and Fibre Products)
SIP	Sectoral Import Programme
SMP	Skimmed milk powder
STABEX	System for the Stabilisation of Export Earnings (for the ACP states under the successive Lomé Conventions)
SYSMIN	System for Stabilising Earnings from Minerals under the Lomé Convention.
UMR	Usual marketing requirement
UNDP	United Nations Development Programme
UNHCR	United Nations High Commission for Refugees
UNRWA	United Nations Relief and Works Agency for Palestinian Refugees
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
VIB	Voedselvoorzieningsin- en verkoopbureau (Dutch Intervention Agency)
WFC	World Food Council
WFP	World Food Programme

Executive Summary

Background

This study is the first evaluation of an aspect of EU development cooperation, undertaken jointly on behalf of the Heads of Evaluation Services (Development) of the Member States and the European Commission.

The main focus of the evaluation is on programme food aid (PFA) involving the provision of commodities directly to a recipient government or its agent for sale on local markets. PFA is intended to provide some combination of balance of payments (BoP) support, by replacing commercial imports, and budgetary support, through the use by governments of counterpart funds (CPFs) generated from the commodity sales.

The aims of the evaluation were to assess for the period 1989-94:

- the effects of PFA on food security, in terms of overall food availability and access by all people to a safe and nutritious diet;
- the effectiveness and efficiency of PFA as a European aid instrument; and
- the effectiveness of EU food aid coordination.

Stage One of the study provided a policy profile and analysis of EU PFA through a desk-based review of documents and statistical analysis. Stage Two involved case studies in twelve recipient countries: Bangladesh, Cape Verde, China, Egypt, Ethiopia, Kenya, Mali, Mauritania, Mozambique, Nicaragua, Peru and Zambia, which together received 73% of all EU PFA to developing countries during 1989-94. The study was financed by Denmark, France, Germany, the Netherlands, the United Kingdom and the European Commission. The Overseas Development Institute (ODI), London, was responsible for overall coordination and organisation of the evaluation, carried out Stage One and prepared the Synthesis Report. More than thirty economists and food security experts from the EU and developing countries were involved in the case studies.

PROFILE OF EU FOOD AID

Food aid is the only area of development cooperation where the EU Council has formally divided up an EU responsibility. Its minimum contribution under the Food Aid Convention (FAC) of 1.67 million tonnes of cereals a year was divided between Community Actions (55%), organised by the Commission and the national actions of the Member States (45%).

During the period 1989-94, EU shipments of food aid averaged 3.4 million tonnes annually, costing approximately ECU 1.2 billion a year of which 78% went to developing countries and 22% to the economies in transition in eastern Europe and the former Soviet Republics. Community Actions accounted for around 20% of global and 60% of EU expenditure on food aid.

EU food aid to developing countries can be broadly divided into PFA, which accounted for around 25% of total food aid during 1989-94, emergency relief (55%) and project food aid, including contributions to the World Food Programme (WFP) and NGOs in assisting specific target groups (about 20%). Until the end of the 1980s, PFA was the major form of food aid provided by the EU and also globally. This is no longer the case, partly because of a deliberate policy decision on the part of some donors to give higher priority to relief and project

food aid in order to promote food security and human resource development and partly through a reallocation of resources to meet unanticipated emergency requirements. Liberalisation of food trade and markets is also reducing the demand for PFA.

Main Findings

Overall, the impacts of EU PFA on food security have been, on balance, marginally positive, but its provision has involved very high transaction costs, suggesting the need for radical changes to improve effectiveness and efficiency.

EFFECTIVENESS

The EU has contributed internationally to food security by more than meeting its international obligations under the FAC and by responding to major crises with additional resources. However, effectiveness in providing additional imports was frequently reduced by slow implementation, inappropriate commodities and lack of coordination on commitments and logistics.

Most EU PFA is provided to countries with structural cereals imports deficits. The impacts of PFA were unclear because:

- EU PFA has been targeted on only a few of the more food insecure countries such as Bangladesh, Ethiopia, Mozambique whilst over 60 other countries received small, often one-off allocations;
- EU PFA was, in most cases, only a small part of overall food supply and the CPFs generated typically represented a very modest part of recipient public expenditure; and
- there has been a lack of focus in aid policy objectives. Most recipients were involved in structural adjustment and food market liberalisation, but PFA agreements rarely involved explicit linkage with reform policies.

In most cases there were no strong demonstrable positive or negative impacts of PFA on food security. BoP support has been usefully provided. However, minor, short-term negative impacts on local food production were common. Food aid is still being used, though to a decreasing extent, to support subsidised food sales, which in some countries favoured food insecure and poor households and in others, urban middle-class and public sector groups. The little evidence suggests modest positive impacts of food aid on the nutritional status of vulnerable groups.

Some agencies, especially the Commission, are giving increased attention to the use of CPFs as a resource for food security and anti-poverty programmes. The use of CPFs in support of agricultural development and food security had limited success, partly because many countries lack coherent food strategies and different donors had different priorities. Typically, there has also been a lack of information available to donor agencies about the generation and use of CPFs. Such policies may be difficult to implement.

OPERATIONAL EFFICIENCY

Efficiency is strongly influenced by restrictions in tendering procedures, untimely deliveries, costs of supply and inappropriate CPF procedures. CPF generation and management are unsatisfactory in most cases. However improvements in programme management were noted.

COST-EFFECTIVENESS

The overall process of providing PFA involves very high transaction costs, both in the supply

of food and in the creation of CPFs. Typically, in over 80% of cases, EU PFA has been tied by source and commodity to European markets. There are large variations in financial efficiency among donors and within the programmes of individual donors depending on how commodities are procured, the type of commodity and the destination. Actions involving commodities acquired in developing countries were mostly more cost-effective, whereas flour and rice actions and shipments from Europe to Latin America involved very high transaction costs. On average, Community actions were relatively more cost-effective than those of the Member States, which were some 70% higher than the alternative of commercial imports organised by the recipient. Substantial savings could have been made or more food aid transferred for the same cost if there were more flexibility in sourcing, choice of commodity or if some form of import support had been provided rather than food aid.

The use of food aid to provide local currency support, whether for the general development budget or more narrowly in support of food security, has also involved high transaction costs. The value of CPFs generated was at least 23% lower than the financial cost of the actions to EU donors. High transaction costs typically resulted from a combination of factors, including inefficiencies in the supply of commodities, valuing commodities when sold at less than import parity prices, delays in the sale of commodities and high internal distribution costs. Financial aid is usually a more direct and efficient way of providing budgetary support.

COORDINATION

Coordination is especially important for providing food to meet current consumption requirements and where sales revenues are to provide predictable budgetary support. Since the early 1980s, the EU has made substantial improvements in coordination. (e.g., in information sharing, agreeing standard principles for the use, constitution and financial monitoring of CPFs). The EU has also actively sought to coordinate its responses to crises. Nevertheless, the lack of consistent and regular sharing of information about Member State food aid hinders coordination. Practically, there has been little progress within either the EU or the wider donor community in implementing standard procedures in ways that would reduce the administrative burden on developing country governments and enhance transparency.

Recommendations

The Commission and the Member States should consider either:

- *phasing out assistance in the form of PFA, especially in the case of donors with smaller programmes; or*
- *making radical changes in policies and procedures to increase effectiveness and reduce transaction costs to acceptable levels.*

The study indicates need for change in four areas: recipient country selection, choice of form of assistance, management of CPFs and coordination.¹

PRIORITY COUNTRIES

Resources should be concentrated on a limited number (around 15) of low-income, seriously food deficit countries in two specific circumstances:

First, donors can respond to crisis situations by using PFA as part of a response to sustaining availability and meeting temporary food gaps provided that (a) commitments and deliveries can

be made speedily and (b) commitments can be reassessed and modified if the crisis situation changes rapidly.

Second, donors can provide PFA as part of wider support for combatting chronic food insecurity or endemic poverty. However this will only be effective in those countries where there is:

- a coherent national food strategy oriented to the poor;
- a clear need for import support;
- a suitable marketing system; and
- satisfactory donor coordination on policy, priorities, procedures and logistics.

Donors should also be willing to support strengthening of planning capacity and information systems in priority recipient countries.

FORM OF ASSISTANCE

In all circumstances, the relative merits of different instruments (finance for food imports or food aid) and modalities (triangular, local purchase or procurement in Europe) should automatically be considered. The choice of instrument or modality should be based on *explicit* consideration of:

- effectiveness - food security implications for consumption and nutrition, local production and markets; and
- efficiency - in operational terms (timeliness, commodity appropriateness) and cost-effectiveness.

COUNTERPART FUNDS

To improve efficiency there should be explicit agreement prior to shipment on the pricing and deposit arrangement with parallel attention to cost-effectiveness. CPFs should be managed within an appropriate, usually on-budget public expenditure framework and used in ways that directly contribute to clearly defined food security objectives. For emergency support, CPFs should be used to support the crisis management programme or replenish an emergency reserve. Where PFA is supporting longer term household food security and poverty alleviation, this will normally be as part of a sectoral policy agreement that includes explicit targeting criteria (priority regions or socio-economic groups).

The CPF aspect of the donor-recipient agreement should include practicable, transparent procedures that take account of the recipient's own budgetary practice. The agreement will be either part of a common CPF agreement or consistent with parallel agreements by other donors. The European Commission should continue to facilitate the adoption of common procedures. Technical support is often appropriate.

DONOR COORDINATION

Closer cooperation and coordination among donors at headquarters and country level is required to make the most effective use of PFA. Constructive steps include:

- exchanges of information on food availability, requirements and aid actions on a consistent, regular and comprehensive basis within the EU, including both the Commission and the Member States, and with non-EU donors.

- working out common procedures, particularly at a recipient country level;
- integrating food aid into wider support for reform including mitigating the short-term effects of adjustment; and
- building on country-specific circumstances and, where this is especially appropriate, taking into account the regional context.

Ideally, the donors should liaise jointly with the recipient government to produce a country-specific strategy for the provision, monetisation and distribution of food aid, which is, in turn, integrated into a national economic strategy. Where liberalisation of the food economy is proceeding, this strategy may also include a flexible provision for shifting from commodity aid to programme finance for import support.

Notes

¹ The EU has adopted a new Regulation on food aid and food security which addresses many of these issues - European Council, 'Common Position (EC) adopted by the Council on Food Aid Policy and Food Aid Management and Special Operations in support of Food Security.' Brussels, November, 1995.

1

Introduction

1.1 Scope and objectives of the study

This study is concerned with the food aid provided by the European Union both as Community Action organised by the European Commission and also as national actions of the Member States, with the main focus upon programme food aid. Food provided as relief or as project assistance targeted on specific beneficiary groups is excluded from detailed examination.

The **Terms of Reference** (ToR) for the whole study (Annex A) provided for the examination of four main areas:

- the effects of programme food aid on food security in terms of availability and accessibility;
- its effectiveness and efficiency as a resource transfer;
- the effects and efficiency of counterpart funds; and
- co-ordination.

The implications of this narrower focus and its rationale require an explanation. The precise meaning of concepts used, in particular food security, effectiveness and efficiency, also require clarification. This introductory chapter therefore provides an operationally useful definition of programme food aid and reasons for a study on this aspect of food aid. In addition, there is a brief explanation of how the other key concepts are employed in the study as well as a brief description of the method and sources of information and the basis of selection of case-study countries. The organisation of the rest of the report is also outlined.

1.2 Programme food aid: an operationally useful definition

Food aid is conventionally classified in terms of programme, project and relief or emergency aid, but in practice the different categories are not always distinct and different agencies use a variety of definitions. Categorisation is not even standard across the EU and this can pose analytical and statistical problems (see below).

After reviewing the practices of food aid donors and discussions with officials, a definition was adopted for the purposes of this study which involves one *necessary* distinguishing characteristic, namely that:

- commodities are provided *directly* to a recipient government or its agent for sale on local markets, or according to more recent jargon ‘monetised’;

and two typical but *not* necessary characteristics, namely that:

- local currency generated from the sales may be used to establish a counterpart fund (CPF) with some form of agreement between the donor and recipient about its management and use; and
- some form of ‘conditionality’ or policy framework may be associated with the provision of aid on either an annual or multi-annual basis.

The above working definition of programme food aid is not exactly reflected in any of the currently available statistical series. The World Food Programme’s (WFP) International Food Aid Information System (INTERFAIS), the most widely cited statistical series on the categories of food aid, also distinguishes between *project*, *relief* and *programme* uses.ⁱ However, two types of food aid action which WFP categorises as project aid fall under the definition of programme food aid adopted for this study: first, so-called food security projects which support the establishment or replenishment of food stocks or reserves and which typically involve sales, the generation of some form of CPFs, investment in storage capacity, marketing facilities and staff training and some form of policy conditionality; second, dairy development projects involving the sale of commodities to the dairy industry for reconstitution, and entailing the generation of CPFs and sectoral policy conditionality. In terms of national and sectoral economic analysis, these two types of project cannot be formally distinguished from other programme food aid, particularly when provided under multi-annual agreements.ⁱⁱ

The distinction between programme and relief or emergency aid is also ambiguous where commodities are provided to government or parastatal organisations for sale. If programmed well in advance, they are clearly programme aid. But if aid is organised on a more urgent basis, in response to an unanticipated short-term deterioration in the food situation in a recipient country, the important issue is whether the commodities are freely distributed as relief or sold and so provide programme support.

On the definition of programme aid adopted here, the so-called partial ‘monetisation’ of the aid supplied to finance the non-commodity local costs of projects is excluded from consideration.ⁱⁱⁱ

There are, however, difficult boundary cases. Commodity exchanges or swaps, which involve importing one commodity for sale to generate funds for the purchase of other commodities on local markets to be used in projects either in the same or another developing country, are partially programmatic in character. These exchanges are also explicitly excluded from this evaluation as an aspect almost entirely of indirect aid. To date, all such arrangements have in any case been marginal in relation to local markets.^{iv}

In addition to the initial reorganisation of the available data to reflect the above working definition of programme food aid in Stage One and in the preparation of Stage Two, the terms of reference for the country case studies required the study teams to use recipient country information to identify additional actions that could be regarded as programme food aid under the definition adopted in the present evaluation. In some cases, these included actions that were channelled through WFP but for which the source of the commodities and sometimes the recipient country were specified by the donor. In these cases, if the commodities were wholly monetised, the action approximated to a bilateral monetised action and was included in the analysis.

1.3 Why a study of programme food aid?

Subsidiarity in practice Food aid is the only area of development co-operation where the European Council agreed to divide up a collective EU responsibility, namely the minimum contribution to the Food Aid Convention (FAC), between what used to be called Community Action organised by the Commission and national actions by the Member States. This Council decision in 1968 by the original 6 Member States has been reaffirmed following each renegotiation of the FAC. Each new Member State, even those that might appear unlikely food aid donors, has accepted a share of the overall EU contribution. As a consequence, there are now in effect 16 EU food aid programmes: that organised by the Commission is large, accounting for more than 20% of global and 60% of EU expenditure on food aid in the early 1990s; the 15 other medium-sized and very small programmes together finance between 12% and 15% of global and 40% of EU expenditure (see below section 2.4). The review undertaken as part of this study has confirmed that it is these FAC commitments that continue to provide the baseline of expenditure commitments of most EU food aid programmes. Food aid therefore offers an opportunity to consider the consequences of subsidiarity in aid provision.

The drift from programme food aid Until the end of the 1980s, programme food aid was the major form of food aid provided by the EU and also globally. This is no longer the case, partly because of a deliberate policy decision on the part of some donors to give higher priority to relief and project food aid in order to promote food security and human resource development. It is also partly the consequence of the squeeze on programme food aid as donors feel obliged to respond to unanticipated humanitarian crises by reallocating already budgeted resources to emergency uses. This drift away from programme food aid is in marked contrast to the higher priority accorded more generally to giving programme support to developing countries in the form of balance-of-payments and budgetary support for stabilisation, adjustment and economic reform. The increasing attention accorded to food security, especially as part of a poverty alleviation strategy, also raises the question of whether programme food aid is an appropriate instrument for addressing these problems. There are, therefore, strong grounds for examining whether this movement away from programme food aid, which is only partly planned, is a justifiable reallocation of resources in terms of aid effectiveness and efficient resource use.

1.4 Issues and methods of investigation

In addition to the definition of programme food aid set out in section 1.2, a number of other key concepts determine the way in which issues are addressed in this study, in particular food security, the effectiveness and efficiency of aid and the distinction made by donors between the direct role of commodity aid and the use of counterpart funds as budgetary support.

1.4.1 Food security

This evaluation is concerned with the effectiveness of food aid programmes primarily in improving food security. In its most general form, the concept of food security essentially means 'the state of affairs where all people at all times have access to safe and nutritious food to maintain a healthy and active life.'^v Nevertheless, there are many competing concepts in terms of the more specific form of policy and public action, and these have produced many different definitions, reflecting both the shifting focus of concern and changes of emphasis in policies on agriculture, food and nutrition (Maxwell and Frankenburger, 1992). These many ways in which the concept of food security is employed necessitate a definition of food security for the purposes of the study.

First, issues of *availability* and *access* are distinguished in terms of national and household food security.

- *National food security* is concerned with ensuring availability, that is, the *adequacy* and *stability* of supplies of food at the global and national level.
- *Household food security* is concerned with assuring or enhancing access to food for the poorest, most food-insecure households and groups.

Secondly, the dynamic aspect of food security is recognised by distinguishing between temporal dimensions of food insecurity.

- *Acute* food insecurity involves severe local or national short-term threats to availability, usually a crisis situation at national level, or severe threats to vulnerable groups' access, such as famine, destruction of livelihoods and displacements. The problem may be *transitory*, associated with an environmental shock or an economic shock such as weak commodity prices, or may persist as a so-called 'continuing emergency', especially in a conflict situation.
- *Chronic* food insecurity is a continuing, longer-term problem of the inability of vulnerable households, and often concentrations of vulnerable households in certain regions, to have access to adequate levels of food for normal bodily functioning and development. It is closely linked to poverty. There is also a longer-term aspect of national food insecurity in countries that face persistent difficulties in either ensuring adequate domestic production or financing imports.

These different concerns are reflected, though not in a systematic way, in the Terms of Reference for the present study with respect to examining the (direct) impacts of food aid on food security, namely: i) the impact on structural adjustment and national policy; ii) the additionality of food aid, and the (short-term) effects and longer-term implications for agricultural production and household incomes; iii) the short-term effects on local markets; iv) the availabilities of food commodities at household level for different income groups. In addition, comments on the Stage One report of this evaluation indicated the importance now attached by many development agencies to considering household food security more broadly than in point iv), and in particular examining the indirect effects of actions supported by CPFs generated by the sales of programme food aid.

1.4.2 Food as commodity aid and budgetary support

Both EU and other major food aid donors typically consider programme food aid as a single instrument with two distinct but parallel roles. First, food as commodity aid has potential direct effects on the balance of payments and on the internal market for food. Secondly, the sale of imported commodities on local markets, or food acquired locally with foreign exchange converted into local currency, generates local currency revenue or counterpart funds. The use of these funds is identified by most but not all EU donors as a mechanism for supporting development. Commonly that development goal is still more narrowly defined for food aid in terms of promoting national or household food security. This twin-track approach involving parallel sets of objectives and conditions in providing commodity assistance is well-established, having its origins in the post-Second World War Marshall Plan assistance agreements between the United States and Western European governments (Clay, 1995).

There are well-known methodological problems concerning the ‘double counting’ of commodity assistance as both balance-of-payments and budgetary support and in determining the effects of CPFs. These have been extensively debated for over 25 years (White, 1996) because of the inherent problem of fungibility. Nevertheless, the twin-track approach for determining the objectives set when donors provide programme aid is a fact of life, as reflected in many EU policy statements and the terms of reference for this evaluation. The substantive issues raised by this conceptual ambiguity are explicitly recognised in this study (see below, section 4.1).

1.4.3 *Aid effectiveness: food as commodity aid*

The concept of *effectiveness* describes the extent to which the resources provided relate to and achieve the objectives of policy. The stated objectives of EU policy are contained in Council Resolutions, Community Regulations, and policy documentation of the Commission and the Member States, as well as statements of other international bodies in which the EU participates.

Effectiveness concerns the difficult links between intentions, which for the purposes of the evaluation are taken to be stated policies, actual resource use and impacts, with all the problems of inferring causation that this entails. The evaluation has involved two complementary approaches. First, the contribution of EU programme food aid, and EU food aid more generally, to global and national food security has been examined by a statistical analysis of actual food aid flows. This has involved two components: (i) an examination of the targeting of EU food aid by means of a statistical analysis of the relationship between aid allocations, the objective criteria of needs and the priority accorded to countries identified as having the most severe food-deficit problems (section 2.5); (ii) an examination of the relationship between EU food aid flows and commitments under the Food Aid Convention and also of the relationship with fluctuating international cereal prices (sections 2.4 and 3.2).

Secondly, evidence from the case studies has been used to examine the in-country *impacts*. Because of the variety of evidence, assessments were restructured to distinguish ‘clear’, ‘marginal’ and ‘indeterminate’ impacts that were either ‘positive’ or ‘negative’. The results were then tabulated for countries organised in terms of levels of development and in terms of the national food security situations. The analysis looks at the rationale for food aid to these countries in terms of food security objectives (section 3.3) and then considers its actual impact - on local production and imports; on local markets and the food sector (section 3.4); and the macroeconomic and sectoral impacts of CPFs (Chapter 4).

Household food security and nutrition are analysed in terms of *direct effects* through support for policies on food availability and on nutritional status and *indirect effects* through policies and projects supported by CPFs (Chapter 5). The evidence from the case studies is supplemented by the findings of the desk review of the existing literature undertaken in Stage One of the evaluation.

1.4.4 *Counterpart funds: data and methodological problems*

Food aid CPFs are the local currency proceeds generated from the sale of the aid by recipient governments, parastatal institutions or, in exceptional circumstances, private companies. These funds may be owned by the donor, the recipient government or jointly.^{vi} In accordance with the Terms of Reference, this evaluation has focused on four aspects of CPFs: actual uses and development effects (Chapters 4 and 5); and then, as efficiency questions, their creation and management (Chapter 6) and their cost-effectiveness in generating local currency support from

programme food aid (Chapter 7), which is also discussed below in Section 1.4.5. In Stage One, the literature was reviewed, including documentation on EU and other donor policies and experiences. During Stage Two, the country study teams were asked to provide evidence for three aspects of CPFs: national economic and sectoral impacts, operational issues and the efficiency of CPFs as a resource transfer. The range of projects funded from CPFs was also reviewed, with a particularly detailed examination in the Egyptian case study.

There are considerable practical difficulties in evaluating the impacts of CPFs from food aid or of programme aid more generally. There is a lack of complete data because many donors are not monitoring either effectiveness or efficiency on a routine basis. This was confirmed for donor headquarters in Stage One and at a country level for the 12 case studies. There are also formidable methodological problems measuring impacts of CPF generation and use. (These are discussed more fully below in section 4.2).

1.4.5 Efficiency in providing commodity aid and budgetary support

As aid budgets become tighter and food aid is increasingly regarded as competing budgetarily with other types of assistance, the related issues of efficiency, resource transfer effectiveness and cost-effectiveness have become more important. There are long-standing specific concerns about the efficiency of food aid, first because it has been largely a doubly tied form of aid, *tied to specific commodities* and *tied by source*, usually the donor's internal market, with all the problems of organising aid in the form of ultimately perishable, if usually temporarily storable, commodities. The second issue is that of financial efficiency, i.e. the cost-effectiveness or resource transfer efficiency of commodity aid as compared with financial assistance (see, for example, Abbott and McCarthy, 1982; Pinstrup-Andersen and Tweeten, 1971).

Programme food aid is usually provided with the intention of giving import support in terms of foreign-exchange savings or supplying additional commodities where imports are constrained by foreign-exchange scarcity. Donors commonly see this aid as also providing budgetary support from the local currency CPFs generated by the sale of the commodities. Efficiency in the provision and use of budgetary support involves issues of both managerial or operational efficiency and financial efficiency.

The efficiency of EU programme food aid is examined in two ways. First, by a qualitative analysis of procedures and practices in its supply to the 12 recipient countries and the management of CPFs (Chapter 6).

Secondly, there is a quantitative examination of resource transfer efficiency from the donor viewpoint (Chapter 7). The donor is assumed to be concerned with achieving value-for-money, by comparing aid expenditure in different ways to achieve a specific operational objective, such as supplying commodities or giving local currency support. An appropriate measure of cost-effectiveness in supply is therefore minimising the financial cost of a specific physical quality and specification of commodity support. For aid tied to specific commodities the 'reference cost' for efficiency comparisons is that of the recipient government or a private trader importing equivalent commodities on a commercial basis, since the donor has the alternatives of providing foreign exchange to fund commercial imports or not giving food aid in a particular case because the aid would be more efficiently deployed elsewhere.

As donor costs are determined by the supply of food aid, resource transfer efficiency in budgetary support depends primarily on the level of revenue deposited in the CPF from sales of commodities. This aspect of financial efficiency is explored quantitatively, in terms of actual donor costs for individual food aid actions and reported CPFs generated from sales in the 12 case-study countries (Chapter 7).

Thus Stage Two employs a combination of qualitative and quantitative analysis in exploring the effectiveness and efficiency of EU programme food aid. The overall assessment of performance involves bringing these findings together in relation to the wider literature reviewed in Stage One. This assessment is also necessarily qualitative, given the complexities of EU programme food aid, the different balance of objectives as provided by some donor agencies, and the different forms of evidence.

1.4.6 Co-ordination

The involvement of all the Member States as well as the Commission in providing food aid highlights the importance of the issue of donor co-ordination. In the absence of any more widely-accepted definition of co-ordination, it was decided to focus on three aspects of the relationship between donor agencies: first, the exchange of information, second, co-operation to achieve overall coherence through common procedures and thirdly, co-operative, consistent or joint actions. Co-ordination is also recognised as having European, recipient country level, and wider international dimensions.

1.5 Data for the study

1.5.1 Sources of information

The evaluation draws on the following sources of information:

- *Desk-based review of documentation* published and made available specifically for this study by the Commission, the Court of Auditors and Member State food aid agencies and evaluation departments. Relevant documentation concerning the activities of other major providers of food aid (Australia, Canada, Japan and the United States) as well as other published studies were also taken into account.
- *Desk-based analysis* of food aid flows provided as Community Action, as Member States' actions and by other donors and of domestic food production and commercial imports of recipient countries. The study drew upon statistical information from international data sources including the WFP INTERFAIS, FAO, the International Grains (previously Wheat) Council, the OECD Development Assistance Committee (DAC) and the Club du Sahel.
- *Questionnaires and follow-up interviews* with officials of the Commission (DGVIII, DGI, DGVI), the Court of Auditors and Member States. ^{vii}
- *Country Studies* Each of the country studies concentrated on the four main topics identified for examination in the Terms of Reference as noted above as well as country-specific issues specified in individual work plans.

The analysis of longer-term trends of food aid is based on the FAO series recorded by agricultural year, July-June, since 1970-71 and reported in the series *Food Aid in Figures*.

For consistency, analyses of EU and other donors' food aid since 1989 are largely based on donor information for volume recorded on the WFP INTERFAIS database in metric tonnes and organised by year of shipment. As INTERFAIS usually defines the donor as the organisation responsible for the geographical allocation of food aid and treats WFP as a distinct donor organisation, data have also been adapted to show aid, including that provided through the WFP regular and emergency programmes, according to the original financing source (Community Action and Member States). This form of reporting is preferable in the context of this study which concentrates on bilateral aid. It is also appropriate because a large part of multilateral aid is composed of 'directed pledges' to specific emergency and protracted relief operations.

The financial analysis of food aid as official development assistance (oda) is based on OECD Development Assistance Committee (DAC) data, and updated and modified using additional information provided by the Commission and Member States. The profile of policies and organisational arrangements is based on documentary evidence provided by the Commission and Member States together with answers to questionnaires and an extensive series of interviews. The financial analyses of cost-effectiveness and CPF generation efficiency are based on information provided directly by the Commission and Member States.

1.5.2 Selection of case-study countries

To enable a rigorous analysis of programme food aid as an instrument of EU aid and lessons to be drawn about programme food aid in general, the case studies undertaken as part of Stage Two of the evaluation needed to be representative of the situations in which programme food aid is used. The bulk of EU programme food aid is concentrated on a few large recipients with the rest allocated to a large number of other countries (see below section 2.5). Policies and procedures governing EU programme food aid are very diverse even within the same donor programme. The desk-based review in Stage One suggested a broad typology that covered most recipient country situations:

- a small economies, highly dependent on food aid and food imports;
- b countries subject to war and frequent disasters;
- c major recipients of food aid; and
- d countries vulnerable to exogenous shocks, such as drought.

By selecting one or more recipient countries that fitted into each category, the case studies enabled an examination of the differing roles and objectives of EU programme food aid in a wide range of recipient country contexts. Some case-study countries fitted into more than one of the categories. For example, it could be argued that Ethiopia could be placed in any of the three categories b, c or d.

There is also an issue of coverage in terms of the proportion of total EU programme food aid in volume terms that would be taken into account in the analysis. All the countries selected feature among the 20 largest developing country recipients of EU programme food aid during the study period; indeed 11 of them are in the top 13 (Table 2.5). In total the quantity of EU programme food aid to the 12 case-study countries represents nearly three-quarters of all EU programme food aid to developing countries in the period 1989-94. Regionally the study countries were also important programme food aid recipients. EU programme food aid to Bangladesh and China accounted for 86% of the total provided to Asia, Egypt accounted for

88% of the total to North Africa and the Middle East, Nicaragua and Peru accounted for 51% of the total to Central and South America, whilst the 7 sub-Saharan African countries accounted for 64% of the total to the region. A Summary Profile of the case-study countries is to be found in Annex B3.

Endnotes

i. See World Food Programme, *Food Aid Monitor, Special Issue: 1995 Food Aid Flows*, April 1996. Explanatory Notes - Definitions. When the Stage One Report was prepared WFP was then distinguishing programme aid as 'non-project' uses.

ii. Vegetable oil has also been provided, for example by Canada, to support development of the oil seed sector in a similar way to dairy aid.

iii. This form of monetisation is a characteristic of the food aid activities of US-based NGOs as mandated under US legislation, and sometimes an aspect of WFP operations to meet internal transport, storage and handling (ITSH) costs. Food aid may also be partially monetised to finance non-food items for a project. Such partial monetisation is usually linked to the direct provision of food aid to final recipients, for example, the procedures governing the approval of WFP projects require that sales should have only a marginal effect on local markets and commercial imports.

iv. See RDI 1990 on commodity exchanges. Since the definition of programme food aid adopted here includes both direct programme aid and some direct project aid which is *wholly* monetised and has other programmatic characteristics, we usually refer to *programme aid* in the text. However, in statistical reporting the Stage One report distinguishes between (wholly) *monetised food aid* (which is consistent with our definition of programme aid) and *non-project aid*, when using the previous WFP INTERFAIS category.

v. FAO (1996) has operationalised the concept within its mandate by stressing those aspects of the phenomenon that are related to the availability and stability of food supplies at the national level, through both time and space, and access to food supplies at the household and individual, as well as national, levels. The latter considerations are expressed in the definition of household food security accepted by the Committee on World Food Security as 'physical and economic access to adequate food for all household members, without undue risk of losing such access.

vi. In Bruton and Hill's (1991) classic definition 'Counterpart funds refer to the local (domestic) currency obtained from the sale of commodities or foreign exchange received by a government, from a donor country or international organisation and over whose use the donor has some control.' Some donors, including several EU Member States, have frequently chosen not to exercise any control nor to require accounting of CPFs.

vii. During Stage One of the evaluation, information on food aid flows, organisational arrangements and policies regarding food aid was sought by questionnaire from all Member States after they had been advised of the scope and objectives of the evaluation by the evaluation service within DG VIII of the European Commission and also by the Chair at the monthly meeting of the EU Food Aid Committee in February 1993. Follow-up interviews were undertaken with the relevant officials in the Commission and several of the Member States. A second questionnaire was circulated to the Food Aid Service of the Commission and all Member States as part of Stage Two of the evaluation. Follow-up contacts were made with all Member States and direct interviews were held with relevant officials at donor headquarters in Belgium, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Spain and the UK as well as the Commission. Detailed information was also received on the food aid programmes of Austria, Denmark, Finland, Greece and Portugal.

2

Profile of EU Food Aid and Related Policies

2.1 Introduction: changing policy context

This chapter provides a background to subsequent chapters by presenting an institutional and statistical profile of EU food aid. Focusing on the study period, 1989-94, it firstly describes developments in the economic and policy context within which EU programme food aid has been provided and summarises policies and institutional arrangements governing Community Action and Member States' food aid programmes. Secondly it provides a brief statistical profile of EU food aid and, more specifically, programme food aid, in their wider global context. The geographical allocation of EU food aid is examined in relation to stated donor criteria as an aspect of effectiveness.

Subsidiarity Food aid offers an opportunity to consider the consequences of subsidiarity in aid provision. As noted above (section 1.3), food aid is the only area of development co-operation where the European Council agreed to divide up a collective EU responsibility, the minimum contribution to the Food Aid Convention (FAC), between Community Actions organised by the Commission and national actions by all the Member States. The review of EU programmes and policies undertaken as part of this study confirms that these FAC commitments have provided the baseline for most EU food aid budgetary commitments. The evolution of policies and operational arrangements for providing programme food aid reflects global developments (discussed next) and the ways in which the EU and the individual Member States' agencies have incorporated food aid as a bilateral aid instrument.

Supporting managed food systems Programme food aid policies and procedures evolved in a very different world from that of the late 1990s. Developed industrial economies, initially the USA and Canada and subsequently the then European Economic Community, had surpluses of food commodities available for export. Secondly, the European and East Asian economies initially involved in reconstruction and later the emerging developing economies had in place governments and parastatal agencies responsible for national food security. These agencies sought to assure availability and access, typically by some combination of a rationing system at least for urban populations and formal sector employee households, and the maintenance of intervention stocks to stabilise markets. These economies were also subject to severe foreign-exchange shortages in the context of non-convertible currencies, and developmental expenditure was seen as constrained by funding problems. Finally, many countries were grappling with the prevention of mass hunger and famine associated with low levels of development, natural disasters and economic instability. The direct provision of bilateral government-to-government food aid for sale on local markets addressed both foreign-exchange deficits and the public expenditure problems of recipient governments and

supported their internal food management systems. From its inception until the late 1980s, programme food aid was the major food aid instrument.

Economic liberalisation By the mid-1990s the liberalisation of world food trade and foreign-exchange regimes had opened up a wider range of sources and financing arrangements for food imports on a commercial basis. The ratification of the GATT Uruguay Round points to further development in this direction (Shaw and Singer, 1995). At a national level, liberalisation of foreign-exchange regimes, reform of agricultural sector marketing in the context of structural adjustment and sectoral adjustment programmes have occurred in many developing countries. The widespread liberalisation of foreign-exchange regimes has made a focus on balance-of-payments support more problematic, whilst the management of public expenditure in the context of agreements with international financial institutions and assistance by DAC member country agencies provides a framework within which assistance through individual instruments can be integrated.

2.2 Institutional arrangements

A number of institutional and policy arrangements determine the scale of EU programme food aid and the ways in which it is provided:

- legislative and other formal regulatory requirements: e.g. the FAC commitment of the EU and its Member States, EU Regulations, and the legal requirements in individual Member States;
- thematic statements of, and envisaged changes in, objectives: e.g. the proposal of the Commission in 1982 to give priority to promoting agricultural and food production in the context of national food strategies, and the draft EU Regulation of 1995; and
- actual allocation decisions, e.g. in terms of different modalities and channels.

The main features of these arrangements are set out here to provide the context for assessing the effectiveness and efficiency of EU programme food aid. The review below concentrates on the study period 1989-94 for the 12 Member States and the Commission but also notes developments since 1994 and the programmes of the three new Member States. A more detailed profile of Member State institutional and policy arrangements is presented in Annex B1.

European Commission The Food Aid Service within DGVIII was made responsible for policy and also initial mobilisation of food aid, including for DGI-managed countries, in the reorganisation following the Regulations of 1986 and 1987 (see section 2.3 and Chapter 6). As the Food Security and Food Aid Service it was given wider responsibility in 1995. Since 1993 the European Community Humanitarian Office (ECHO) has had the responsibility for humanitarian food aid where this is a response to armed conflict or a rapid-onset natural disaster. However, the Food Security and Food Aid Service retains responsibility for emergency food aid where this is in response to a 'foreseen' or slow-onset natural disaster such as drought, in particular where the response is partly addressed to tackling the underlying cause of the problem and is therefore regarded more as developmental assistance. The proposed regulations on humanitarian aid (EC, 1995b), support for recovery and reconstruction (EC, 1995a) and on food aid and food security (European Council, 1995) are intended to clarify these overlapping responsibilities.

Responsibilities for relations with the Third World are divided between DGVIII for the Lomé Convention countries and DGI for Asia, the Middle East and Latin America. Both interviews and documentation indicate that the food aid programme has been regarded to some degree as an instrument for counterbalancing development assistance provided under the Lomé Conventions to ACP countries, and that efforts were made through direct programme food aid as well as indirect aid to provide some assistance to low- and middle-income countries in the regions of DGI responsibility.

Historically, EU food aid was closely associated with agricultural trade arrangements through the Food Aid Convention and the management of dairy and other surpluses. A number of important organisational changes have reduced the direct role of DGVII and national agricultural marketing institutions. Nevertheless, the requirement in the 1986 Regulation on Policy and Management that 'products shall normally be mobilised on the Community market' (EC, 1986) was interpreted informally within the Commission as limiting third-country acquisitions to 10% of commodities. More recently there has been an attempt to integrate Community Action food aid more closely into recipient country food security policy. One result has been the relaxation of this informal arrangement; in 1995 some 13% of the total volume of cereals and 45% of non-cereals Community Actions involved developing country procurement (WFP, 1996).^{viii}

The Council of Ministers, particularly through the Working Group on Food Aid and the Food Aid Committee, plays a crucial role not only in establishing legal and binding arrangements, but also in the formulation of food aid policy. **The European Parliament** also influences policy through its comments on the budget. This complex set of institutional relationships explains why the Community Action programme is subject to more formal statements regarding the objectives and use of food aid in general, and programme food aid in particular, than the Member States' programmes. The draft Regulation on the policy and management of food aid adopted by the European Council in December 1995 attempts to consolidate all the previous regulations and policy statements into one document and to formalise existing practices.

Member States Several Member States organise their food aid around their national share of the EU's FAC commitment. These national shares are determined by an internal EU decision to divide up the EU commitment into now 16 food aid programmes. As with other forms of development co-operation, actual policy formulation is usually the responsibility of agencies for development co-operation and humanitarian assistance (see Annex B1). Belgium, Denmark, Germany, Ireland, Italy, Luxembourg, Spain and the UK to varying degrees organise food aid in this way. In France, Germany and Italy, Ministries of Agriculture or intervention boards may have some involvement in mobilisation or, for historic reasons, may play a somewhat more important role in policy consultations. Some Member States (eg. Germany, Italy, UK) have separate units responsible for all food aid, or separate sections within a unit responsible for humanitarian aid (e.g. Spain since 1992); others (e.g. Netherlands) have dispersed responsibilities across the functioning divisions of the development co-operation agency. Some of the smaller programmes (e.g. Ireland) are considered part of a unit responsible for humanitarian aid.

The relatively larger programmes of France and Germany involve several ministries and agencies. France has an interministerial committee for food aid chaired by the Direction des Relations Economiques Extérieures (DREE) within the Ministry of the Economy and Finance, including representatives from the Ministries of the Economy and Finance, Co-operation,

Foreign Affairs, Transport and Agriculture, the Emergency Unit (Cellule d'Urgence) and cereals offices with responsibility for the procurement and transport of aid commodities. With the GTZ as a separate agency to which responsibility for project implementation can be delegated, Germany has the capacity to develop and implement projects with a technical co-operation component on a multi-annual basis, as reflected in its multi-annual food security projects, for example in China, Mali and Mauritania.

The importance of specific institutional arrangements in influencing resource allocations is difficult to establish in any wholly determinate way. Nevertheless the differences mentioned above do appear to be associated with differences in policy and the way resources are allocated.

The distinctive historical origins of food aid have resulted in many cases in budgetary arrangements separate from other development co-operation, most typically for what is variously known as 'ordinary', 'normal' or 'cereals' aid linked to the food aid committed under the Food Aid Convention. Belgium, Luxembourg, France, Ireland, Italy and Spain have separate budgetary titles for the cereals or normal food aid programme. In 1996 Germany introduced separate budgetary titles for food aid and food security projects.

All national food aid is currently programmed on an annual basis.

2.3 Policy objectives and priorities

Documentation and interviews indicate broadly common themes in the policies of most agencies, as reflected in EU Regulations governing the Commission's food aid and resolutions and reports for discussion at the Council of Ministers. For the period under review they were summarised in Article 2 of the 1986 Regulation on Policy and Management (EC, 1986):

- to promote food security in the recipient countries and regions,
- to raise the standard of nutrition of the recipient population,
- to help in emergencies,
- to contribute towards the balanced economic and social development of the recipient countries,
- to support efforts by recipient countries to improve their own food production.

Subsequent resolutions have stressed in particular:

- 'the integration of food aid with other forms of development assistance' (European Council, 1990);
- 'priority of supporting food security in sub-Saharan Africa (and an implied regional priority)' (European Council, 1988);
- 'integration of food aid with support for structural adjustment' (European Council, 1989);
- 'in particular through the efficient and optimum use of counterpart funds' (European Council, 1991).

The European Council (draft) 1995 Regulation, the latest policy statement, emphasises the need to:

- support efforts by recipient countries to decrease their dependence on food aid;

- integrate Community Action food aid into the development policies and especially agricultural and food security strategies of the recipient countries and to back up policies on poverty, nutrition, family planning, environmental protection and rehabilitation;
- ensure the continuity of programmes particularly in post-emergency situations.

A careful review of successive regulations, resolutions and guidelines indicates a shift away from an emphasis in the early 1980s on support for supply-side-focused strategies to promote self-reliance (even self-sufficiency) to promoting wider objectives of food security, structural adjustment and economic reform, and in particular mitigating the social impacts of policy reform. No explicit guidance is given on the proportions of programme, project and emergency resources, but only on achieving an appropriate balance including multi-annual actions, taking account of changing requirements.

Although the 1995 draft Regulation is outside the evaluation period of the present study it should be noted that it envisages greater flexibility in the use of instruments. A better balance is intended between the provision of food aid and new financial measures to support production and marketing, and also to improve the purchasing power of food-insecure groups. Financial aid, including substitution actions, is allowed where it is more appropriate and efficient (EC, 1996). Guidelines on providing the most appropriate type of assistance are currently being devised and the list of countries eligible for Community Action food aid is being revised. No explicit guidance is provided on the balance of direct government-to-government and indirect aid through multilateral and NGO sources.

Member States, having subscribed to the same broad guidelines, place a similar emphasis on food security and supporting general development, particularly in the context of structural adjustment (BMZ, 1989; Chalker, 1992; Netherlands Development Co-operation, 1991; MAE, 1991). Some states place more emphasis on the role of food aid in the context of humanitarian assistance. A closer examination of Member States' policies indicates important, sometimes subtle, differences in priorities (see Annex B1).

Donor allocation criteria An important element of the context for this evaluation is the criteria which EU donors use in the allocation of their food aid. These provide the objectives against which to assess actual performance.

The objectives and allocation criteria for Community Action programme food aid were first explicitly defined in 1982, following criticisms that food aid policy lacked coherence and that aid was being used as a mechanism for the export of surplus commodities (Herrmann et al., 1990). Title 1, Art. 1 (2) of the Food Aid Policy and Management Regulation (European Council, 1982) states:

Food aid shall be allocated primarily on the basis of an objective evaluation of the real needs justifying the aid. To that end particular consideration shall be given to the following three criteria, without excluding other pertinent considerations: basic food needs; per capita income and the existence of particularly impoverished groups; the balance-of-payments situation.

The 1986 Framework Regulation (EC, 1986) added a fourth criterion: the economic and social impact and financial cost of the proposed action.

In keeping with these criteria, potential recipients were required to provide certain economic data as part of their formal requests for Community Action food aid, namely summary data on the previous marketing year for each commodity requested (including data on total requirements, domestic production, commercial imports, levels of stocks and total food aid receipts) together with forecasts for the current year, plus the most recent available information on summary economic indicators including GNP, the balance of payments and the public external debt.

For Community Action programme food aid there were no specific criteria determining a country's eligibility, nor any overall regional or country priority. However, as a general rule of thumb, per capita GNP has been taken as a useful indicator in deciding whether programme or directly distributed project food aid were more appropriate; among low-income developing countries, those with relatively higher per capita income have been more likely to be allocated programme rather than project assistance.

Nor have the Member States had clearly defined criteria for food aid, although broad humanitarian needs are recognised as important in all cases. Germany and the Netherlands have given priority to sub-Saharan Africa and countries with food-security problems. Italy has a list of 18 first-priority countries, comprising 3 East European countries, 9 middle-income and 6 low-income developing countries, and 20 second-priority countries, although the actual choice of beneficiaries is only partly consistent with this list. In contrast to development co-operation more generally, where historical ties are strong, Shapouri and Missiaen (1990) found that Member States which were ex-colonial powers did *not* distribute the bulk of their food aid to former colonies. The regulations which may tie procurement vary between Member States and introduce additional constraints. The extent to which developmental and humanitarian concerns are combined with foreign policy and trade promotion goals may have some impact on allocations.^{ix}

Overall, a number of common priorities are stated by the Commission and Member States as influencing food aid allocations, including: priority for low-income least developed countries; providing balance-of-payments support, usually linked to promoting food security by targeting countries with structural deficits; and sensitivity to immediate and short-term humanitarian needs. These goals are in turn broadly those of the other major food aid donors, Australia, Canada, Japan and the United States. An important issue for evaluation is therefore the extent to which actual allocations are consistent with these broad priorities for food aid and, more narrowly, programme food aid.

The answer to this question requires an acquaintance with the main features of EU food aid in the period under study. This complex set of flows involving in effect 13 food aid programmes up to the end of 1994 is profiled in section 2.4 before considering the regional and country distribution and the relationship between allocation criteria and actual food aid actions in section 2.5 largely in physical flows. The profile of flows^x draws on information from various international and national sources. In particular it relies heavily on information contained in the WFP INTERFAIS and FAO databases which provide the only consistent sets of information available and without which the exercise could not have been undertaken. The available data on expenditure by the EU Member States were found to be too incomplete to allow any form of detailed statistical analysis (see section 2.4.2).

2.4 Profile of EU food aid flows

2.4.1 Trends in EU food aid

EU regular programmes of bilateral food aid began in the late 1960s following the signing of the first Food Aid Convention (FAC) in 1967, under which the EU (including both Community Action and the national actions of the Member States) made a minimum commitment of 1.3 million tonnes a year in wheat equivalence, representing 30% of total global commitments of 4.2 million tonnes. Between 1980 and 1994, the EU minimum contribution stood at 1.67 million tonnes a year. The sharing of this obligation within the EU, which is an internal EU decision, is outlined in Table 2.1, along with actual quantities provided annually between 1989 and 1994.

Between 1968 and 1974 the EU gradually increased its share of global food aid flows. By 1973/4, despite massive price increases on world markets and the decline in global food aid, it accounted for 21% of cereals food aid, compared with 10% in 1972/3. From the mid-1970s, EU annual shipments of cereals aid followed global food aid trends, with Community Action retaining its position as the world's second largest source, after the United States (Figure 2.1).

Record levels were reached in 1984/5 in response to the crisis in Africa. With a further expansion in 1989/90, largely reflecting the new Polish programme, the EU's share rose to 29%, with Community Action alone representing 23% (Figure 2.2). During the same year, the US provided 53% of shipments, with Canada, Japan and Australia together accounting for 15%.

Fig 2.1

Table 2.1 EU cereals food aid an

Table 2.2 EU dairy and vegetable oil food aid

Synthesis Report

1977-79

17

Dairy products ^a	Community Action	185.3
Vegetable oil	Member States of which:	2.7
	Belgium	
	Denmark	
Notes: a	France	Includes all types of dried milk
products and butter oil	Germany	
b	Greece	Excluding contributions to WFP
	Ireland	
	Italy	
Source:	Luxembourg	FAO, Food Aid in Various;
WFP INTERFAIS	Netherlands	
	Portugal	
	Spain	
	UK	
	EU (12) Total	
	New (1995) members:	
	Austria	
	Finland	
	Sweden	
-	None reported	
Notes:	a Shipments of cereals and cereal products converted into wheat equivalence, by agricultural year, July - June	
	b Shipments by	
calendar year including rice in wheat equivalence	c Possibly incomplete	
reporting to WFP		
Source:	Derived from WFP	
INTERFAIS and IGC data		

New record levels of EU food aid of nearly 4.7 million tonnes were reached during 1992 in response to the southern African drought and with growing support for reform and relief in the economies in transition (EITs) in Central and Eastern Europe and the former Soviet republics (Figure 2.3). Since this peak, total EU cereals aid declined to around 2.8 million tonnes in 1993/4 and 1994/5, largely because of reduced food aid to the EITs. Nevertheless, in 1994/5 the EU share rose to a record 32% of global cereals aid as the US and some other donors substantially reduced their aid.

Globally, non-cereals, largely vegetable oils and dairy products, have been less important than cereals, accounting for only one-tenth of the volume but about one-third of the value of donor expenditure on food aid in the late 1980s (Netherlands Development Cooperation, 1991). The amounts of specific products reflected export availability and have been much more sensitive to short-term supply factors. The EU accounted for more than half the supply of skimmed milk powder, the most important non-cereal commodity in value terms, with over 90% of it provided as Community Action. The EU has also in the past been the main provider of butter oil, but a relatively unimportant source of vegetable oil. Since the early 1980s, Community Action and Member States' dairy aid has declined substantially, with some Member States ceasing it completely. In value terms also dairy aid has declined in importance, accounting for 22% of Community Action commodity expenditure in 1992 compared with around two-thirds in the late 1970s.^{xi} In contrast, vegetable oil has become a more prominent aid commodity (Table 2.2).

Fig 2.2

2.4.2 Food aid as a resource transfer

EU food aid is largely planned, organised and reported in physical terms in relation to recipients' food balance sheets, FAC obligations, tonnages to be mobilised and distributed, etc. But it is also increasingly perceived as a more fully costed resource competing with other activities in aid programmes, implying that cost and efficiency have become issues of increasing concern (Ruttan, 1993). It therefore deserves closer scrutiny as an aspect of official development assistance (oda), as a financial cost and as a resource transfer.

Precise comparative estimates of trends in expenditure on food aid were not possible because of the unsatisfactory data available. There is incomplete reporting by EU Member States to the DAC, due in part to inconsistencies in their accounting of financing Community Actions. Some (e.g. Germany and the UK) appear to have regularly reported their contributions as part of national oda, whereas others (e.g. France and Italy) have not. There also appears to be incomplete reporting of multilateral food aid; for example, the Commission appears to have reported its multilaterally channelled aid only in 1989 and not before or since. These discrepancies are in part due to the changing reporting requirements of the DAC.^{xii} A further omission is food aid to the EITs, although some of these were accorded developing country status in the early 1990s.

Finally, some food aid-related costs of relief operations are not necessarily attributed to food aid budgets. Given these data problems, only very broad trends can be drawn from food aid expenditure as reported to the DAC.

According to DAC data, reported gross food aid flows between 1970 and 1989 accounted for 10.2% of the total oda of all DAC member countries, whilst gradually declining throughout the period. By 1990-92 the proportion had fallen to 6% and by 1993, the most recent year for which data are available, to only 5.4%, partly as a result of reduced food aid by some donors and partly because of the more rapid growth of financial oda from the EU and other donors.

A comparative analysis of food aid expenditure within the EU is also difficult, given the data problems. As part of the present evaluation the Commission and the Member States were asked to provide disaggregated information on food aid expenditure. Only partial information has been received to date (Table 2.3). These data indicate that total expenditure on food aid to developing countries, including food aid components of humanitarian relief, substantially exceeded the expenditure as reported by the DAC. In 1991-92, the two years for which relatively disaggregated information was reported by the Commission and Member States, total EU food aid expenditure was ECU 1.1bn and ECU 1.4bn respectively, over a third higher than that reported by DAC. For Community Actions alone the discrepancy is even more considerable, the Commission reporting nearly twice as much expenditure in 1992 as that reported by DAC.

Community Action accounts for 58% of total EU expenditure, less than its share in physical terms, reflecting the importance of cereals and programme aid compared with some Member State programmes.

The largest Member State programmes are those of Germany, the Netherlands, Italy and the UK in declining order. However, expenditure appears to fluctuate sharply. Those Member States that provide a large proportion of their national actions as regular and special relief-related contributions to multilateral actions through UN agencies and NGOs spend

relatively more on food aid, reflecting the higher cost of providing this type of aid, which sometimes includes all ITSH costs, as compared with programme aid in the form of bulk cereals shipments. France and Italy, which, in tonnage terms, stand second and fourth largest respectively as EU Member State food aid donors and provide a high proportion of aid directly, are relatively less important in expenditure terms.

2.4.3 Trends in Community and national action food aid

EU food aid to developing countries increased from an average of 2.5 million tonnes a year between 1989 and 1991 to 2.9 million tonnes from 1992 to 1994, an increase of 21%. Relief aid accounts for an increasingly large share, 57% in 1992-4 compared with 46% in 1989-91 (Figure 2.3). Meanwhile programme food aid has declined to 21% from 30% over the same periods, continuing a long-term decline since the 1970s when it accounted for more than half. For Community Action alone the trends are similar. For the Member States, programme food aid accounted for only 18% of their total food aid to developing countries, but there are large variations between them, with many providing little or none.

This evaluation is primarily concerned with programme food aid provided to developing countries. However, it is important to appreciate the comparative global importance of programme food aid to the economies in transition (EITs) of Central and Eastern Europe and the former Soviet Republics. Within EU food aid, flows to the EITs have been important, since 1989 around 22% of the total volume; shipments peaked at around 1.3 million tonnes in 1992, declining to 453,000 tonnes in 1994. This aid has been largely organised by the Commission, accounting for 31% of total Community Action food aid between 1989 and 1994, in contrast to only 7% of Member States' food aid. Until the Bosnia relief operations this was also largely programme food aid.

Fig 2.3

These trends are broadly consistent with the policy priorities indicated in interviews during the course of this evaluation. Relief aid has become a substantially more important part of EU food aid since the previous evaluation of European food aid in 1982 (ABC/IDS, 1982). Food aid to the EITs represented significant but apparently only temporary and largely additional allocations of EU food aid during the study period.

Community Action 684.0

of which:

Belgium

10.3

Germany

111.7

Greece^b

0.5

Austria

7.7

One of the most striking trends within the EU has been the increasing share of Community Action, rising steadily from 22% of EU cereals aid in the early 1970s to around 67% during the study period 1989-94 (although only 59% of expenditure), whereas the relative contributions of individual Member States have remained largely unchanged. Germany is still the largest in volume terms, followed by France, the UK, Italy and the Netherlands. The exact rankings have varied between years according to the volumes of additional aid provided as relief and, in some cases, delays in mobilisation.

2.4.4 Commodity composition

Within the broader context of a gradually expanding EU programme and a relative shift towards Community Action, there have been substantial variations in the commodity composition, both among donors and over time. Initially, Community Action in value terms was largely a dairy programme. Gradually cereals aid has displaced dairy aid both in programming and expenditure terms. Coarse grains, largely acquired in developing countries, and vegetable oil have also become more significant.

Cereals food aid The EU collectively contributed approximately 20% of global cereals aid during the period 1989-94, whilst the US provided around half.^{xiii} However, as at least half of US food aid is provided on credit rather than grant terms, the EU share as a net resource transfer was around one-third.

EU cereals aid continues to be dominated by wheat (70% of total cereals aid)^{xiv} and coarse grains (20%), with the remainder made up of rice and blended cereals. Wheat has also been predominant in the Community Action programme (73%), partly reflecting the post-1986 informal agreement within the Commission to source 90% of food aid in internal markets. In practice, this policy has become increasingly relaxed and replaced with a stronger commitment to sourcing food aid commodities in developing countries (see section 2.4.5). The smaller Member State programmes of Greece, Ireland and Luxembourg are largely in the form of wheat. Rice from both EU sources and mobilised through triangular transactions in developing countries featured particularly in the Community Action programme, whilst European rice featured most heavily in the Italian, Portuguese and

-- Data not available
... Negligible (less than 0.05%)

Notes: a As reported by Member State agencies and Commission. Not necessarily consistent with data reported by the DAC. Converted using exchange rates reported by IMF.

b 1992 expenditure assumed to be equal to 1991.

c 1991 expenditure assumed to be equal to expenditure in 1992

Spanish programmes, and rice from developing country sources in the Danish, German and Dutch programmes.

Non-cereals. Community Action was the source of about two-thirds of EU non-cereals aid in the early 1990s, but diversified from the early predominance of dairy products to an increase in vegetable oil, pulses, sugar and fish.^{xv} The decline in Community Action dairy aid accelerated during the early 1990s (Table 2.2), although the Community Action programme still remains the most important source of dairy aid globally. This decline during the 1980s was officially acknowledged as a direct response to widespread criticism of dairy aid, particularly within the European Parliament and by the Court of Auditors, following reports of difficulties in effective use and concerns about health effects (EC, 1983). It was also part of an explicit policy shift away from the use of food aid as a conduit for surplus disposal towards its use as a resource to foster sustained development.

2.4.5 *Triangular transactions and local purchases*

A major development during the 1980s was the increased acquisition of food aid commodities in developing countries, either as triangular transactions purchased in one country and shipped to another, or as local purchases for use in the same country. This influenced Community Action and most Member State programmes to some degree. Around a quarter of EU food aid provided between 1989 and 1994 was mobilised in developing countries and the trend is continuing. Some 19% of Community Action aid and 29% of Member States' cereals aid was acquired in developing countries between 1992 and 1994, although apparently only 13% in 1995 (WFP, 1996).^{xvi} Member States' in-kind contributions to multilateral programmes have also become more likely to be sourced in developing countries, as opposed to EU internal markets and processed foodstuffs purchased within the donor country. Excluding multilateral food aid, 19% of Community and 23% of Member States' actions were mobilised through triangular transactions or local purchases in 1994, as compared with only 0.5%, 2% and 3% of cereals food aid from the US, Australia and Canada respectively.

Programme food aid continues to be dominated by direct transfers and between 1992 and 1994 only 5% of Community and 9% of total EU actions were mobilised through triangular or local purchase operations. These predominantly involved the purchase of coarse grains for the Sahel, maize for consumption in southern Africa and rice imported from Thailand for shipment to Mozambique. Triangular and local purchase operations are more likely to be linked to emergency and relief actions, partly because of the problems of ensuring appropriate commodities for direct distribution and the *ad hoc* way in which some donors have sought to use temporarily available surpluses in developing countries (RDI, 1987; Hay et al., 1988). As with food aid in general, the willingness to employ triangular or local purchase operations for programme food aid varies considerably between donors. Amongst the larger programmes they feature particularly in the programmes of Germany, the Netherlands, and the UK.

2.4.6 *Institutional channels*

Bilateral food aid is handled either directly government-to-government or indirectly through NGOs. The remainder is channelled through multilateral institutions, particularly WFP, with the donor at least partly transferring responsibility for allocation decisions about destination and uses to the international agency. In reality, the distinction between bilateral and multilateral channelling is blurred because some donors earmark their emergency aid for particular relief operations and some specify the destination or commodity composition of their contributions to WFP's Regular Programme. Contributions under the FAC can be made either bilaterally or

multilaterally. Some Member States, for example Germany and the UK, also perceive themselves to be channelling part of their national aid through contributions to Community Action. Lack of information from the Member States has hampered updating of the analysis of Stage One of the present evaluation.

Using information from Stage One for 1989-91, some 75% of EU food aid was bilateral. Some 80% of Community Action food aid was channelled bilaterally, including 15% through NGOs. 16% was channelled through WFP and the remainder through the UN High Commission for Refugees and the UN Relief and Works Agency for Palestinian Refugees.

In aggregate, EU Member States channelled 65% of their food aid bilaterally, but with considerable variation among them. Some 92% of Danish, 80% of Irish and 52% of UK food aid was channelled multilaterally, whilst 86% of French food aid was bilateral.

The picture which emerges from this brief statistical review is of a complex set of food aid programmes which reflect the interaction of international negotiations such as the FAC, highly contingent policy factors such as a particular crisis, and the different preferences of individual donors. The issue of what this has meant in terms of aid flows to individual developing countries or to agreed priority groups such as low-income countries has to be considered as the aggregate consequence of, in effect, one large and 12 (up to 1994) medium-sized and small food aid programmes.

2.5 Geographical distribution of EU food aid

2.5.1 *Regional and country allocation*

There has been a gradual reallocation of food aid from Asia (India was globally the largest recipient in the 1960s) towards sub-Saharan Africa, as most of the larger Asian economies have increased their domestic per capita cereals production. More generally, low-income economies have received an increasing proportion of food aid.^{xvii} The allocation of Community Action aid is not closely linked with the EU's commitments under the Lomé Conventions, but is similar to, and seems broadly to reflect, the global pattern. In contrast, there is enormous diversity in Member States' allocations which can only be explained in terms of special policy concerns and the somewhat arbitrary consequences of dividing small programmes amongst a large number of potential recipients.

Regional allocations During 1992-4, sub-Saharan Africa received some 60% of Member States' food aid and 42% of Community Action in volume terms, compared with 33% from all donors (Figure 2.4). This pattern is consistent with overall EU aid and also reflects the increase in the use of food aid for relief. A recent feature has been to give almost complete operational responsibility for fresh initiatives to the Commission. For example, in 1992 the Community Action programme was responsible for a disproportionate share of EU food aid in response to the drought in Southern Africa.

Country allocation A more appropriate way of examining allocations is by recipient country. As with food aid globally, the bulk of EU food aid is focused on a few recipient countries whilst relatively small amounts went to over 100 recipients between 1989 and 1994 (Table 2.4). Between 1989 and 1994, the top 5 recipients (Ethiopia, Bangladesh, Mozambique, Egypt and Sudan) accounted for 45% of total EU food aid to developing countries and 32% of that to all recipients. The top 20 developing countries accounted for some 77% of the total to all

developing countries, and over half of the total to all recipients. Nearly half of the total volume of Community Actions are shipped to the 5 largest recipients, whilst some 80% is accounted for by the top 20 recipients. Only a few of the larger recipients receive food aid from one or more Member States but not through Community Action. This pattern suggests the diverse factors influencing allocation decisions that result in a large number of countries receiving EU food aid directly as bilateral aid or indirectly through NGOs and international agencies.

Programme food aid allocation The regional allocations of EU total and programme food aid in the period 1989-94 show a high proportion of programme food aid going to EITs (53%) and North Africa and the Middle East, although sub-Saharan Africa is still the most important developing country region (Figure 2.5). This regional comparison is somewhat misleading, however, because programme food aid, as with food aid overall is heavily concentrated on a small number of recipients. Six of the top 10 recipients between 1989 and 1994 were EITs. Four recipients, Bangladesh, Egypt, Ethiopia and Mozambique, accounted for some 53% of the total shipped to 63 developing countries (Table 2.5).

2.5.2 Allocations and donor criteria

The regional distribution and the concentration on a small number of countries indicate that there is *de facto* targeting of a substantial part of EU food aid overall and programme aid more specifically. However, around half of EU food aid is also distributed to around 100 countries. The relationship between formal criteria and these actual allocations is less clear, and was therefore examined systematically by statistical analysis in Stage One of this evaluation. The main finding was that there is only a weak relationship between actual food aid allocations and variables approximating closely to indicators stated by donors as influencing their allocations.^{xviii} Allocations do not reflect direct and simple targeting according to indicators such as per capita income or balance-of-payments problems and food availability in recipient countries.

Excessively food import-dependent ‘poor’ countries
Nevertheless there is an observable but weak targeting of food aid on low-income food-deficit countries. The FAO (1995) recently identified 31 excessively food-import-dependent ‘poor’ countries defined in terms of per capita GDP below US\$1,000 and food accounting for at least 25% of export earnings (Annex Table D11). Table 2.6 shows that these countries accounted for 39% of global food aid, 43% of total

Note:a Including EITs

Source: Adapted from WFP INTERFAIS data (See Annex table D.10 for detail).

Fig 2.4

Table 2.6Excessively food import-dependent ‘poor’ countries: annual average food aid shipments, 1989-94

	All donors		Joint Evaluation of European Union Programme Food Aid
	34	000 t as % of total	
31 recipient countries ^a	5,391	39	EU food aid and 32% of EU programme food aid during 1989-94 (or 61% of EU total food aid and 68% of EU programme food aid, if aid to the EITs is excluded). Furthermore, a comparison of this subset of countries with the 20 largest developing country recipients of EU food aid (Annex Table D10) indicates that much of the remaining aid was relief aid for refugees in neighbouring countries. For example, EU food aid to Pakistan is largely for Afghan refugees, to Kenya for Somalian refugees and to Malawi for Mozambican refugees.
All developing countries	11,012	79	
All recipient countries ^b	13,895	100	
Note: a Excessively food import-dependent ‘poor countries’ as classified by FAO (1995) b Including EITs			

Source: Adapted from WFP INTERFAIS (see Annex Table D.11 for details).

A number of more particular regional and country-specific factors also influence allocations. Conspicuous examples are the political and commercial considerations that made Egypt and Tunisia important food aid recipients. Similarly, Nicaragua, was a major recipient of EU support, but not other conflict-affected Central American states. The large number of small, often single-year allocations can presumably also be explained by the specifics of individual donor-recipient relations.

2.6 Policy outcomes: objectives and allocations

The observed trends indicate a substantial shift in priorities away from providing programme food aid for development to a mixture of emergency, relief and food security objectives involving a combination of relief actions and projects. Germany, the Netherlands and the UK have explicitly shifted resources in this direction. The wider implicit change in priorities is also a response to events, especially conflict situations, and appears to have involved both additional allocations and unanticipated reallocation of some FAC minimum contributions to emergency purposes. This changing balance of *de facto* priorities also seems to have been common to almost all EU Member States (see Annex B1).

A significant common development in both Community Action and almost all Member State programmes has been a growing willingness to finance acquisitions of food aid in developing countries. Explicit policy statements (France, Germany, Italy, Netherlands and UK) in favour of this development, are reflected to a varying degree in actual allocations; Germany, the Netherlands and the UK have gone furthest in directly preferring such actions. Indirectly, it is also occurring through the degree of flexibility allowed to WFP in using either regular or relief commitments (Italy, Netherlands, UK). However, third-country acquisitions are still typically part of emergency operations. This may be because the Commission and some Member States have continued to mobilise the greater part of the regular FAC cereals obligations as wheat, flour and rice from internal markets. There also seems to be some correlation between a high allocation of food aid through multilateral channels and developing-country acquisitions (Denmark, Netherlands, UK).

Another emerging trend is the willingness of some EU donors to consider replacing food aid in kind with financial support tied to the import of basic food commodities. This type of arrangement was examined in the Stage Two country studies, particularly in terms of cost-effectiveness and efficiency for actions by the Netherlands, Germany and the UK. In the

context of a tight world cereals market with rising prices in 1995/6, this shift in policy highlights another issue, that of the need for budgetary flexibility enabling the recipient country to maintain the real value of envisaged imports.^{xix}

Fig 2.5

Important aspects of actual policy, are not always anticipated or subsequently articulated in official statements. Some donors indicate their regional priorities, for example by adherence to the Food Aid Charter for the Sahel (see Chapter 8), or their country aid priorities as in the case of Italy (MAE, 1991). Understandably, donors usually prefer not to provide an explicit statement of the complex and changing balance of considerations that lies behind decisions to give programme food aid. After allowing for both multilateral commitments and increasing reserves for emergency purposes, the resources available for this provision are likely to be quite restricted.

Endnotes

viii.WFP, 1996, Table 8a and 8b.

ix.. In contrast to the EU the US explicitly includes foreign policy goals, market development and surplus disposal as well as economic developmental and humanitarian concerns as objectives for its food aid programme (Hanrahan and Leach, 1994).

x.The statistical profile is supported by detailed tables in Annex D.

xi.Excluding transport, Court of Auditors, 1993.

EU dairy and vegetable oil food aid

	Annual average shipments, (000 t)		
	1977-79	1987-89	1992-94 ^b
Dairy products ^a	185.3	136.3	58.3
Vegetable oil	2.7	40.4	77.8

a Includes all types of dried milk products and butter oil

b Excluding contributions to WFP

FAO, *Food Aid in Figures*, various; WFP INTERFAIS

xii.Since 1989 the OECD has discontinued the publication of disaggregated food aid expenditures in its annual *Development Cooperation Review* because of the incompleteness and possible inconsistencies in the data.

xiii.Excluding contributions to WFP.

xiv.Including contributions to multilateral organisations.

xv.Excluding transport, Court of Auditors, 1993.

xvi.These percentages are based on WFP INTERFAIS data which refer to bilateral aid by calendar years including funding of multilateral actions of the WFP regular programme and the IEFER.

xvii.The regional distribution of aid is based on WFP INTERFAIS data by calendar year and includes only direct aid and bilateral aid channelled through NGOs and multilateral agencies. The country and regional allocation of food aid or finance for food aid pledged to WFP is considered to reflect WFP rather than EU donor programming decisions.

xviii..Multiple regression analysis was used to examine the extent to which allocations had been based on needs or requirements. The methodology employed and the results obtained are discussed in the Stage One report, Chapter 3.

xix.For Community Action an intra-institutional agreement allows for the transfer of resources from the 'Fonds européen d'orientation et de garantie agricole' (FEOGA) to the food aid budget if cereal prices rise above a reference price, fixed at the beginning of the programme year.

3

Effectiveness: International and National Food Security

3.1 Introduction

The overall picture that emerges from Chapter 2 is of a relatively complex set of policies and activities resulting from the decisions of the European Union in providing programme food aid in parallel through both Community Action and the national actions of the individual Member States. The effectiveness in terms of relating objectives to impacts and the efficiency in terms of implementation are the twin themes of this evaluation which are the subject of this and subsequent Chapters. The issue of effectiveness in the sense of linking resources to stated goals and objectives will focus on food security. The potential impacts on food security are recognised as having a number of different dimensions, international, national and household, and depending on the direct role of food aid as commodity assistance and indirect effects through the provision of local currency support to the budget.

First, the contribution of EU food aid more generally to international food security is considered. Whilst the contribution of programme aid to that goal cannot be considered separately, nevertheless the workings of the international food aid system are shown to have important limiting implications for the way the EU has been able to use programme food aid as a developmental resource. The relationship between donor objectives and performance in supporting national food security is considered in section 3.3. The direct impacts of programme food aid as commodity assistance on national food security are considered in section 3.4. This analysis is complemented by a review of the evidence on the indirect impacts of programme food aid through the generation and use of counterpart funds in Chapter 4. Finally, the effects of programme food aid on household food security and nutrition are considered in Chapter 5.

3.2 International food security

3.2.1 *EU cereals aid and the Food Aid Convention*

EU cereals food aid programmes are based on the Union's commitment to the international Food Aid Convention, the primary objective of which is to ensure a minimum availability of food aid both to meet emergency requirements and to sustain developmental activities supported by food aid. The question therefore arises whether overall EU food aid is contributing within this framework of obligations to international food security.

Since the 1980 FAC the EU has been responsible for providing at least 1.67 million tonnes of cereals food aid per year, 22% of the global commitment. During 1989-94, 70% of actual EU shipments were Community Action, with Germany accounting for 8%, France 7%, the UK 6% and the Netherlands and Italy 4%. As Table 2.1 shows, the EU has regularly exceeded its FAC obligations, Community Action by over 150% and the Member States collectively by around 38% during the period of this study. However, there were large differences between

Member States, with the Netherlands, for example, exceeding its commitment by 186%, France by only 7% and some smaller donors apparently failing to achieve the minimum contribution, although this may be a problem of data inconsistency. This considerable variation raises a further issue, that of subsidiarity. The FAC has provided the base level for Community Actions and the extent of additional allocations is openly determined and transparent. Regarding Member States, it can only be assumed that annual minimum contributions will be exceeded on average in aggregate by around 30-40%.

EU Total ^c	1.67	2.18
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Collectively, the EU provided almost twice its minimum commitment compared with a global donor over-fulfilment of 66% (Table 2.1). However, the shipments as reported to the FAC indicate a substantially lower level of over-fulfilment. This is apparently partly because some aid, particularly for relief, which donors did not finance under FAC-related budget lines, was not reported. Assistance to the EIT was also excluded from contributions up to and including 1994/5 (see Table 3.1).^{xx}

On either basis, the EU made a considerable contribution to ensuring that between 1980 and 1994 the donor community collectively exceeded the minimum target of 10 million tonnes of cereals initially set at the 1974 World Food Conference and subsequently confirmed in a number of international fora. This implied a high floor level of availability as the basis for planning food aid actions at an international level; nevertheless, there has continued to be inter-year variability in global food aid flows of up to 20-25%. Whether these arrangements, including the overall EU response, enhance or detract from global food security in meeting the essential import requirements of both crisis-affected and chronic food-deficit economies remains an unresolved issue. Because of foreign-exchange constraints, actual imports other than food aid are likely to be sensitive to highly variable prices in the world grain market. Not surprisingly, the high cereal prices since mid-1995 have stimulated debate about future global requirements and whether supply can increase at a sufficient rate to meet the projected increase in demand and to maintain the long-term decline in prices.^{xxi} Problems of cost-efficiency and absorption also limit effective utilisation (FAO, 1991). Hence it cannot be stated with confidence that higher food aid levels *per se* would necessarily have increased global food security.

3.2.2 Cereals aid and international market price variability

One widely accepted test of the effect of food aid on global food security is whether the volume of commodities provided is positively or negatively correlated with movements in world market prices. A positive relationship implies that food aid dampens and a negative relationship that it accentuates the impact of price variability on vulnerable economies through the cost of imports. The minimum commitment under the FAC was intended to prevent large inter-year fluctuations in food aid; however, between 1981 and 1994, with all donors

Total	7.52	10.02
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collectively exceeding these levels of commitment by a substantial margin, this did not preclude a negative relationship between variable international prices and the availability of food aid.

Globally, there is a clear negative relationship between shipments of cereals food aid and international market prices of wheat (Figure 3.1). In contrast, there is no clear positive or negative relationship between EU cereals food aid and international market prices (Figure 3.2).^{xxii} This is in part because the Community Action food aid budget has been fixed in volume terms, with additional budgetary allocations made in response to major emergencies. Actual expenditure is sensitive to changes in international prices and the rate of disbursement. A closer look confirms an overall upward trend in EU food aid over time, with additional flows occurring in response to major events such as drought-related crises in Africa in the early 1970s, 1984-5, and 1991-2 and the economic problems of reform in Eastern Europe and the former Soviet Republics since 1989 (see Chapter 2).

Broadly, the overall negative relationship between cereals food aid and international prices appears to result from the allocation decisions of the main cereal-exporting donors. Canada and the United States budget food aid on a financial basis, whilst ensuring that they meet their minimum FAC commitments even in tight market conditions. This sensitivity to supply-side conditions has been dampened by the actions of other non-cereal-exporting donors and the European Union.

The sharp decline in global food aid in 1994/5 (Figure 2.1) and the reduction in FAC commitments by some major donors, in particular the US, have highlighted the continuing sensitivity of food aid availability to market conditions. At a global level, this sensitivity indicates a potential constraint on the effective provision of programme food aid as a developmental resource by the European Union which has annually accounted for about 25% of these resources. Put simply, if the quantities of food aid from other major donors are likely to be more limited in tighter market conditions when cereal prices are higher, then this makes allocation decisions for Community Action and the Member States more difficult. It is assumed that 'emergencies' and the most severe chronic cases will have priority. Any attempt to counteract other donors' reduced aid to some high-priority recipients may require cutting allocations to other recipients and so put pressure on those in receipt of less aid to increase commercial imports at a time when prices are higher. For the individual recipient, there must also be an important element of uncertainty about the overall availability of food aid provided largely on an annual basis. This makes its effective utilisation as a development resource more difficult in terms of estimating commercial import requirements and generating CPFs. These issues are

considered below in terms of the evidence from the case-study countries.

3.3 National food security

3.3.1 Donor objectives and performance

No single set of developmental objectives explains the allocation of EU programme food aid or food aid more widely. Section 2.5 showed a broad targeting of programme food aid on lower-income countries with large problems in financing food imports defined in terms of their ratio to export revenues. The country studies have then to show the range of stated and implicit wider (economic) developmental and food security (partly humanitarian) objectives that are associated with its provision.

EU programme food aid is found to be employed as one of a number of aid instruments that can be used pragmatically or opportunistically in a range of situations. Sometimes it has been provided quite separately, for example to China and Egypt, but in many other cases it is part of a wider food aid package including relief and project assistance (Ethiopia, Mozambique, Nicaragua) and sometimes closely integrated with other developmental assistance, for example Community Action aid to Bangladesh under IFADEP or Spanish aid to Peru. Sometimes, but still exceptionally, it is provided as part of co-ordinated assistance by a number of donors, for example as emergency aid to Zambia in 1992 and under the Mali Food Security Agreement. Given the range of objectives and the diversity of situations, the next step in the analysis is to probe more deeply to assess its contribution in terms of *actual* food security objectives and evidence on performance. Such an assessment needs, first of all, to take into account the range of explicit food security objectives (where these existed) and where, in fact, these were achieved. The provision of programme food aid was involved as a resource transfer with potentially direct balance-of-payments and food-supply implications, and also with possible indirect consequences through the use of local-currency CPFs generated by the sale of the imported commodities.

3.3.2 Transitory food insecurity

The first important finding is that explicit emergency and humanitarian objectives are often involved in providing programme food aid. The primary objective in a number of cases was to finance additional food imports in acute, i.e. crisis-deficit, situations, where, in the absence of food aid, there were judged to be risks of intensified problems of undernutrition amongst vulnerable groups and associated problems of social disruption, even famine. Programme food aid was provided in these cases as part of a wider emergency response, without longer-term food security developmental objectives playing a major part in the operation.

Table 3.2 ranks the case-study countries according to UNDP's Human Development Index which is a better single proxy for social development than per capita GDP, (see also Annex B3, Table 1). Table 3.2 also indicates their most recent experience of a national food crisis which in some cases was more than 30 years ago. The food security objectives of food aid are closely associated with the level of development. The provision of programme aid in a crisis situation has been more likely in least developed low-income countries where the risks of transitory food insecurity are closely linked to pervasive widespread poverty and conflict. This was initially the situation in two of the least developed case-study countries, Ethiopia and Mozambique. During the early 1990s EU programme food aid was also provided to Kenya and Zambia as a contribution to reducing the foreign-exchange costs of drought-related food-supply problems. The transitory nature of such problems, even where they had

Table 3.2 Food security policy issues in case-study countries, 1989-94, and most recent national food crisis

Severity of poverty and underdevelopment <i>Synthesis Report</i>	Dominant food crisis (most recent)	
(Human Development Index) ^a	<i>Transitory Insecurity</i>	
0.222		continued for many years, is underscored by the shift in focus to support for reconstruction and sectoral reform in Ethiopia and Mozambique at the end of the study period.
0.227	Ethiopia (1991)	The finding of the evaluations for these four countries is that much of the programme aid made a positive contribution to combating short-term food insecurity. However, this positive impact was partially vitiated in the case of a number of donor actions by inefficiencies in programming and implementation.
0.246	Mozambique (1992)	
0.359		
0.364		
0.425	Zambia (1994/5)	
0.481	Kenya (1993)	The cases of Kenya and Zambia, where programme aid was provided in response to short-term problems, illustrate the importance of a number of factors in determining the effectiveness of such an emergency use of programme aid. These include a rapid response in terms of making commitments and organising shipments, the timing of arrivals, careful selection of the commodities provided, the way imports are allowed to enter the domestic food-supply system and the way in which the CPFs generated are handled. UK aid to Kenya, organised as a triangular transaction of white maize through the commercial sector, accorded well with local tastes and the post-reform market structure, and arrived quickly. Other aid actions to both countries, because of delays in programming and the choice of commodities (less easily absorbed yellow maize), became part of the problem of short-term supply management. In Ethiopia and Mozambique where
0.537		
0.594		
0.611		
0.613		
0.709		

Notes: a In order of increasing development level (see Annex Table B.1).

b A crisis that involved national emergency relief measures and/or an emergency import programme.

Source: UNDP, *Human Development Report, 1995*; Joint Evaluation Country Studies

there was a continuing emergency involving large-scale food aid, the problems resulting from operational inefficiency and delays in programming and delivery had relatively less disruptive effects. The implication of these case studies, which is consistent with findings from other evaluations, in particular responses to the southern African drought,^{xxiii} indicates two ways in which programme food aid can be made more effective as an instrument for responding to short-term intensified food insecurity. First, aid in the form of finance for commercial imports by government, parastatals or the private sector may, as in the Kenya and Zambia cases, be more timely than conventional food aid organised by the donor agency. Second, both the ranking of commitments and arrangements for delivery need to be regarded as issues of special priority involving careful co-ordination with the recipient government and other donors over the provision of both programme and relief assistance.

3.3.3 Chronic food insecurity

The greater part of EU programme food aid is provided in the context of chronic food insecurity of varying severity as illustrated in Table 3.2 for the case-study countries, and is usually provided to countries with structural deficits in the commodities supplied as aid but not necessarily an inadequate overall food supply (Table 3.3). A crisis situation has often provided the context within which emergency food aid in the form of both relief and programme food aid was initiated. Ethiopia and Mozambique are the most recent examples of situations beginning to make the transition from a continuing emergency to one of reconstruction and reform.

Table 3.3 EU programme food aid to case-study countries: policy objectives of one or more EU donor agencies during 1989-94

44		Commodity assistance		Joint Evaluation of European Union Programme Food Aid		
Country (HDI Ranking) ^a	Food security		BoP support	Community Action food aid to Kenya, which ended in 1991, had a similar origin in the 1984 drought. Mali and Mauritania since the early 1970s drought, Bangladesh since post-independence relief and reconstruction in 1972, Cape Verde since independence, Nicaragua since the mid-1980s insurgency and Peru since the food crisis of 1983 and the insurgency of the late 1980s, also illustrate these origins. Egypt for a combination of political and commercial reasons, as well as the economic crisis which followed the 1967 Six Days War, and China, where there were opportunities to utilise available dairy aid commodities, effectively illustrate the pragmatic range of objectives. The literature review in Stage One of this evaluation also confirms this wide range of policy frameworks, which explains the historic lack of overall coherence in EU programme food aid, taking into account the different objectives of the individual Member States.		
	Transitory/ Acute	Chronic				
Mali		*	(*) ^a		The direct provision of commodity support in the form of food has typically been based on a combination of more specific objectives including promoting food security and providing balance-of-payments support for wider economic development. In addition, the provision of budgetary support from CPFs has been linked to both general economic and sectoral goals (Table 3.3). Historically, it would appear that programme aid has in most cases been provided as a form of import support to the balance of payments and general budgetary support (Table 3.3), depending on the envisaged extent of additionality of the food supplies (Table 3.4). ^{xxiv} As discussed below in section 3.4.2, the evidence of the case-study countries, which is consistent with findings in the wider literature, is of programme food aid partially substituting for commercial imports and partially involving additional imports.	
Ethiopia	*	*	(*)			The objective of supporting food security has in practice encompassed a wide range of more specific objectives, including general agricultural development or more narrowly extra food production and poverty reduction. The support in turn has two aspects. First, there is the provision of aid within the framework of wider macroeconomic and sectoral policies that are expected to contribute to this objective. The United States, the major provider of programme food aid, has, since the Marshall Plan era, frequently attached explicit economic and other political conditions to its assistance (Clay, 1995). In contrast, the Commission and the Member States have rarely been involved in explicit macroeconomic or sectoral policy conditionality. Exceptional cases include the multi-donor agreement with Mali and the Commission's multi-year food strategy agreement with Kenya. The choice by an EU donor of programme aid as an instrument, rather than emergency or project assistance through the WFP or NGOs, reflects its assessment of the food security policies already in place. Thus
Mozambique	*	*	(*)			
Mauritania		*	(*)			
Bangladesh	(*)	*	(*)			
Zambia	*		*			
Kenya	*		*			
Cape Verde		*	*			
China			(*)			
Nicaragua		(*)	*			
Egypt		(*)	*			
Peru		(*)	*			
Notes: * Primary objective of programme aid (*) Secondary objective A Conditionality: agricultural sector utilisation of CPFs P Conditionality: anti-poverty programme/project utilisation of CPFs S Conditionality: structural adjustment or sectoral reform programme (S)Conditionality: SAP or sectoral reform in progress, but only informal link in aid discussions a Countries ranked according to Human Development Index (see Table 3.2). bMali is in the CFA so monetisation provides budgetary support in convertible currency						
Source: As for Table 3.2						

programme aid to Ethiopia was introduced in support of the post-Derg economic reform; previously it was not provided because it was seen as likely to be diverted to support the war. In contrast, programme aid was provided to Mozambique and Nicaragua to help feed the urban population in a conflict situation because the EU was broadly supportive of the government. Poverty alleviation programmes have been sustained over an extended period in Cape Verde. In the absence of a satisfactory policy framework, programme aid has been scaled down or terminated in the case of Mauritania, Bangladesh, Kenya and Egypt.

Table 3.4 EU programme food aid to the case-study countries: objectives of commodity support of one or more EU donors, 1989-94

Country (HDI ranking)	BoP support
Mali	(*) ^a
Ethiopia	(*)
Mozambique	(*)
Mauritania	(*)
Bangladesh	(*)
Zambia	*
Kenya	*
Cape Verde	*
China	...
Nicaragua	*
Egypt	*
Peru	*

Notes: **Objectives:**
Impacts:
 * Primary objective
 (*) Secondary objective
 ... Undefined
 a Within the CFA monetisation provides budgetary support in convertible currency
 b dairy aid only

Source: As for Table 3.2

Secondly, the priority attached to programme aid as an instrument for generating local-currency support has varied considerably. Donors have sought to influence the use of CPFs in a variety of ways. The evidence from the case studies confirms that EU donor agencies, in particular the Commission, have attached growing importance to this way of promoting food security.

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The policy objectives of EU donors in the case-study countries during the early 1990s are summarised qualitatively in Table 3.3. In all cases, the Commission was involved as well as typically between two and six of the Member State agencies. The broad range of objectives and pathways of support underscores the importance of scrutinising the efficiency of programme food aid as a resource transfer mechanism in both supplying food imports and providing local-currency support (Chapter 7). Typically donors emphasise both the balance-of-payments and budgetary-support aspects of food aid. In reality, the actual balance of effects, in terms of foreign-exchange saving, additional food supplied and revenue generated, is difficult both to anticipate and, as the case studies and the wider literature indicate, to determine conclusively in retrospect.

Examination of the case-study experience also indicates the changing balance of policy objectives. First, there is a decline in the use of programme food aid for balance-of-payments support purposes, as reflected in reduced levels of aid to Bangladesh, Egypt, and Nicaragua and halted or terminated programmes for Mauritania and Kenya. Increasing liberalisation of foreign-exchange regimes and the improved foreign-exchange positions in a number of lower-income developing countries (Bangladesh, Cape Verde, Egypt, Kenya) are making balance-of-payments support a less appropriate way of supporting food security goals. Secondly, some donors are substituting assistance to *finance* local food purchases in economies with highly variable domestic food-supply levels (e.g. Mali, Mauritania, Mozambique) and in other cases (Cape

Verde, Mali, Bangladesh) to fund non-food or complementary food security investments. Finally, liberalisation of food marketing in a number of economies is changing the institutional framework within which food provided for sale can be introduced into domestic markets. These are all considerations explaining the three major developments: the cessation of programme aid by some donors, the ending of some long-standing recipient country programmes and the growing attention to the use of CPFs.

3.4 Direct impacts on food security

3.4.1 *A marginal or significant resource?*

In assessing the direct impacts of programme food aid, the scale of the resource transfer represented needs to be clearly in perspective. Food aid overall, and EU programme food aid in particular, is now concentrated on a relatively limited number of recipient countries (Tables 2.4, 2.5) and is itself a major resource transfer in only a few of them. Thus during the early 1990s in only 6 of the 12 case-study countries did total food aid represent a sufficiently large transfer to have possible substantial implications for national food security, namely those in situations of conflict and immediate post-conflict reconstruction (Ethiopia, Mozambique), those highly dependent on food imports (Cape Verde and Mauritania), Bangladesh where there are large social security nets resourced by food aid and Zambia during the drought-related crisis.^{xxv}

In only 3 countries (Ethiopia, Mozambique and Cape Verde) did EU programme food aid represent a relatively significant financial resource in relation to total public expenditure. In addition to the few major recipients, many developing countries receive small and variable levels of EU food aid that are marginal in relation to national food security. This aid can be considered only in terms of the 'micro' impacts of projects and relief operations on specific groups; wider food security impacts would be difficult to determine. The marginal role of programme food aid in relation to public expenditure also explains why donors have come to focus on 'priority' sectors where CPFs may be more significant.

The overall implication, therefore, is that the assessment of direct impacts will be unavoidably qualitative, focusing on the balance of positive and negative effects of food as commodity aid.

3.4.2 *Additionality to local production and commercial imports*

The Terms of Reference for the evaluation identify as areas for investigation:

- the additionality of food aid in relation to local production and commercial imports, and *the related implications for agricultural production and farm and household incomes*;
- the effects on local market prices in relation to the effects of government policies.

To explore these issues, the approach adopted here is to bring together the partial, often qualitative, evidence from the case studies and compare it with evidence from previous evaluations and published research studies. It is likely to be persuasive where the evidence from a number of studies is broadly consistent. For any individual economy systematic quantitative analysis would be possible only through formal economic modelling. Such research is costly and time-consuming, and where the data for production are weak and there are high but uncertain levels of unrecorded trade (smuggling) results would continue to be at best speculative (see, for example, Maxwell, 1991). In the event, the case studies provided relatively convincing qualitative evidence on short-term relationships between food aid and commercial imports that confirmed findings from the earlier literature. This was because of

two factors: declining levels of aid to a number of recipients, and short-term fluctuations in commercial imports and food aid to most of the others. The studies also show the ways in which operational inefficiencies resulted in actual (*ex-post*) outcomes different from those intended by the donors.

In establishing guidelines for EU food aid in the period under evaluation, the Council of Ministers explicitly indicated that non-emergency aid should normally be provided only when there is a requirement for food imports and it will improve food security or meet the needs of vulnerable groups (European Council, 1989). The 1986 Regulation on Policy and Management indicated the balance-of-payments situation as a criterion to be taken into account in providing programme food aid. However, under the FAO Rules on Surplus Disposal (FAO, 1980) food aid is intended to be additional to, and not a substitute for, normal commercial imports - hence the Usual Marketing Requirements (UMRs) procedure.^{xxvi} There is, however, a clear consensus in the evaluation literature that a large proportion of all programme food aid provides balance-of-payments support, substituting to a significant degree for commercial imports.

Saran and Konandreas (1991) conclude, after careful re-examination of the evidence more generally covering all programme food aid, that approximately 60% of *total food aid* substitutes for commercial imports. This was also the conclusion of the earlier evaluation of Community Action food aid (ABC/IDS, 1982) and the 1989 USAID review:

Programme food aid has largely served as *balance of payments support* and has generally financed imports that would probably have taken place in any case. Therefore it has generally *not added to the supply available for consumption*, although in some cases it may have been partially additive, may have supported income-transfer programmes that raised total demand, or may have enabled countries to maintain established import levels, where reduction might otherwise have incurred short-term financing problems. (USAID, 1989: IX.)

Country evaluations of Community Action food aid subsequent to the 1986 Regulation do not contradict this broad conclusion.^{xxvii} However, the terms of reference for these studies did not require a systematic analysis of the relationship between food aid and commercial imports and the balance-of-payment effects.

Substitution actions may be undertaken by the Commission in the case of a multi-annual programme, and where food imports are temporarily inappropriate. These actions were found to provide a modest level of balance-of-payments support, as intended. This aid finances non-food imports needed by projects supported by programme food aid, but delays in implementation have weakened its effectiveness (SFC SEDES-CEGOS, 1992). The evaluations and policy papers of Member States (Netherlands Development Co-operation, 1991; BMZ, 1989; and unpublished French documentation) again do not contradict this view of programme food aid.

The case-study evidence confirms that programme food aid has been requested and provided in most cases until the mid-1990s as balance-of-payments support. Table 3.4 shows the widespread intention of providing balance-of-payments support and the corollary that planned (*ex-ante*) food aid would not result in additional imports. However, the case studies reveal

other potentially policy-relevant conclusions from what appears to be a period of rapid transition in food aid policy.

Most of the evaluative literature relates to the period before the liberalisation of foreign-exchange regimes and food trade. Economic liberalisation is rapidly increasing the private sector's role in the food imports of food aid recipients (Bangladesh, Cape Verde, Kenya, Peru, Nicaragua). There is also relatively more autonomous, decentralised public sector trading (Cape Verde, China). The apparent effect is to make commercial decisions more sensitive to public sector plans for food aid imports, with a higher level of substitution between food aid and commercial imports than in the past. Although few countries have fully flexible exchange rates, the liberalisation of foreign-exchange regimes makes more complex the links between food aid and the provision of balance-of-payments support to the recipient government.

A second, counterbalancing factor is the effect of delays, uncertainties about aid negotiations, timing of deliveries, poor selection of commodities and rigidities. An example is the problems donors have in postponing or cancelling, or substituting financial assistance for, already committed food aid. This frequently results in higher actual levels of imports than the recipient governments intended or the private sector organised. During the early 1990s this was reported in 5 case-study countries (Bangladesh, Cape Verde, Kenya, Mauritania, Zambia).

This significant discrepancy between the intended (*ex-ante*) and the actual (*ex-post*) outcome had implications both for agriculture and, because of problems in disposing of commodities, for the generation of local currencies earmarked for development purposes (see also section 4.4).

The present evaluation did not include a systematic review of the Rules of Surplus Disposal and their implementation. However, from comments and available documentation, a consistent view emerges that these rules are not being vigorously enforced through the UMR procedure (Saran and Konandreas, 1991). Figures from the FAO Committee on Surplus Disposal also indicate a decline in the number of UMRs established for all the major commodity groups and an increased level of compliance among the smaller number of countries concerned with wheat and dairy products, but not rice (FAO, 1993: Table 30).

An important policy issue is the framework within which the aid is provided - whether in the context of general development, a structural adjustment programme where it contributes to meeting a continuing import gap, or food security sectoral concerns. For example, the Council Resolution of 21 November 1989 and the Lomé IV Convention envisage food aid addressing the social consequences of adjustment. The case studies indicate that aid is indeed being provided *in the context* of structural adjustment or economic reform programmes (see Table 3.3). However, there is typically little direct linkage between these reform programmes and the conditions within which Community Action, and Member State programme food aid in particular, is being provided. Rather, where there is an explicit policy framework for food aid at all, this is only concerned with agricultural and food sector implications and the related management of CPFs.

3.4.3 *Agricultural and food sector impacts*

The Terms of Reference of this evaluation also draw attention to the potential direct impact on agricultural prices and, through interaction with domestic policy, on both the short- and long-term agricultural development of the recipient economy. Debate on the agricultural impact has continued since the beginning of large-scale programme food aid in the 1950s, and

the consensus among analysts is that it remains inconclusive (Ruttan, 1993; Clay, 1991; Singer et al., 1987; Thomas et al., 1989; Maxwell, 1991). Nevertheless, this is not a wholly unsatisfactory conclusion to such an intense debate, for, as suggested below, the remaining areas of controversy appear to have narrowed.

The first important area of agreement is that the direct impacts on agriculture, particularly of cereals as programme food aid, are severely curtailed because, where these transfers are providing foreign-exchange savings, this effectively precludes direct price effects on domestic markets. As noted above, the evidence points to a high proportion of programme food aid substituting for commercial imports. Except in situations of severe short-term food insecurity, additionality is more an inadvertent consequence of operational mismanagement by donor or importer (Table 3.4). Secondly, the scale of the resource transfer, particularly when considering EU programme food aid in isolation, is, except for a few cases, relatively small, accounting for only a minor proportion of total imports. As a consequence, there are severe methodological problems in tracing the effects, even under an extreme assumption of pure additionality, of small increments to imports. For example, EU programme food aid accounted during 1989-91 for 2% of cereal imports by Egypt and 1.2% by Peru and in both for under 1% of cereals supply.

Since the mid-1980s, the focus of the debate has shifted away from generalised disincentive effects *per se* to the relationship between domestic and international import and export parity prices for individual commodities (Thomas et al., 1989; Timmer, 1991). The case studies amply underscore this sub-sectoral, commodity-specific aspect of the short-term agricultural impacts of food aid. The limited, largely urban market for wheat and wheat products is most sensitive to the effects of food-aided imports in a number of recipient economies, including Bangladesh and much of sub-Saharan Africa. The cases of Kenya and Mauritania indicate that it is sometimes the interaction of government policy on commercial imports with weak implementation on the donor side, rather than the scale of food aid and the agreed government-donor policy framework, that may be damaging domestic agriculture and disrupting food markets (see also Dangroup, 1992b).

The selection of commodity type has considerable implications for the short-term interaction of food aid and other imports in relatively thin highly segmented markets. The case-study evidence suggests that where selection is a local responsibility and the commodity is imported with external finance or via triangular transactions, then the commodity choice, timing and level of supplies are likely to be more sensitive to local market conditions. There are, of course, contrary examples of poorly conceived triangular operations in the literature (RDI, 1987; Hay et al., 1988; Clay and Benson, 1991). Some local institutions are too weak to make effective decisions. Nevertheless the balance of evidence and probabilities appears to favour a more demand-based rather than supply-driven approach to providing programme aid.

Overall, the case-study evidence as well as other recent studies (GTZ, 1993; IDS/IDR, 1996; Tschirley et al., 1996) suggest that there are a limited number of distinct recipient country situations in which food aid impacts on agriculture to a different degree and through different routes. First, there are a number of *small island and micro economies*, exemplified by Cape Verde, in which food imports, including food aid, are overwhelmingly dominant in the food system, with an established high level of cereal import-dependence broadly in accordance with comparative advantage and likely to continue indefinitely. Nevertheless, there is scope for combining some increased level of economic self-reliance and broad-based social development.

This will require greater sensitivity to the micro, commodity-specific elements of food balance sheets - such as the role of roots, tubers and other vegetables in diets and the overlap in the markets for basic foodstuffs and animal feeds.

Secondly, in the case of *war- and disaster-affected economies* there is considerable difficulty in isolating the effects of aid or even agricultural policy from those of war or natural shocks on agriculture, quite apart from the constraints due to lack of data. Nevertheless, as economies emerge from a disaster situation and large-scale food aid begins to replace relief, as in Ethiopia, Mozambique and Nicaragua in the early 1990s, the relationships between food imports, agricultural prices and marketing policy are a critical element in determining the rate of transition to sustained agricultural development. The short-term interaction of food aid resources in relatively thin, poorly integrated markets may be large and potentially highly negative. Effects are also likely to be more localised than in larger, more integrated food systems.

Thirdly, as regards *low- and middle-income economies with continuing large-scale structural import deficits*, some change may be indicated in the balance of issues, but no end to the controversy. There has been great variation in the agricultural performance of these economies in the early 1990s, as the case studies indicate, a consequence of many influences among which programme food aid is relatively less important. For example, in Bangladesh from 1988, liberalisation of the irrigation sector and the initially reduced role for subsidised food distribution encouraged a rapid growth of cereal production. Subsequently, a yet to be differentiated combination of political instability, mismanagement of the liberalisation of input supply, lack of effective demand, technical constraints and unfavourable weather, is associated with both stagnating production and declining food aid levels. Egypt, by increasing producer incentives, reducing consumer subsidies, and shifting from food aid to imports financed under export credit programmes, has experienced unprecedented levels of agricultural growth. Nicaragua, during reconstruction with a liberalisation of markets and a shift from food aid to commercial imports, is again experiencing relatively rapid growth. Peru offers the diametrically contrasting experience of low growth increasing imports and food aid.

Fourthly, for *countries vulnerable to external shock*, particularly in sub-Saharan Africa, where evidence from the 1983-5 crises in the Sahel and the Horn of Africa reported some localised negative effects and mismanagement of markets, an important issue is whether donors and governments have learnt from these experiences. The Kenya, Mozambique and Zambia studies all indicate that the provision of programme food aid in response to crisis involved the risk of negative impacts on local markets. The contrasting experiences of Mali and Mauritania during a decade relatively free from weather-induced variability in production illustrate the positive and negative reasons behind the declining provision of programme food aid. The very success of the food security programme in Mali necessitated a decline in food imports and allowed a shift from programme aid to some local financing of reserves and the substitution of financial for food assistance. The unsatisfactory implementation of a shift to a more liberal cereal market regime in Mauritania undermined the continuing role for food aid.

Table 3.5 summarises the case-study evidence qualitatively. First, there is a great diversity in the performance of cereals production and the agriculture sector overall, explicable in terms of a mix of 'exogenous' factors such as favourable weather in the Sahel and droughts in southern Africa and trade shocks. Policy changes such as liberalisation in Egypt and Nicaragua have had major impacts. Secondly, in most cases the sectoral impacts of food aid appear to have

Table 3.5 Agricultural sector performance and impacts of food aid on cereals production in case-study countries, 1989-94

Country (HDI ranking)	<i>Synthesis Report</i>	Annual growth rate of cereal production 1980-94 (%) ^a	(
Mali		5.9	<p>been small or marginal. Mali is the only case where the policy impact was clearly positive. Small commodity-specific negative impacts were identified in 8 countries, many resulting from poor implementation. In some cases (Bangladesh, China, Kenya and Mauritania), pricing policies were seen as clearly associated with negative impacts. The overall impression is that minor, short-term negative or non-positive interactions are common between food imports, including food aid, and local production. The analysis of longer-term effects was, in contrast, speculative and inconclusive. The policy environment and exogenous factors seem to have been dominant, rather than food aid.</p> <p>Part of the response to problems of periodic deficit, particularly in landlocked economies, has been the provision of food aid for security reserves and also the creation of demand for periodic surpluses through local purchases and triangular transactions. Early experiences with cereal reserves appeared to have been a factor in dissuading some EU Member States from continuing with programme food aid on any substantial basis. The more recent experiences in the Sahel and elsewhere monitored under the CILSS/Club du Sahel Charter, and in some cases such as Mali, systematically evaluated (Coelo, 1994), indicate how food aid levels can be phased down in a relatively favourable environment.</p> <p>Dairy aid The China case study covering the largest recent recipient of dairy aid under Community Action, as well as more recent EU evaluations for Ghana, Peru, Tanzania and Tunisia and the many studies of Operation Flood in India (for example EC Court of Auditors, 1988; Doornbos et al., 1991), indicate the continuing concern about the agricultural impact of this form of assistance. As in China, assistance may be linked successfully to the growth of a domestic dairy processing industry. However, Operation Flood apart, this has not been associated with any substantial development of local dairy farming, especially small-scale production. The China study reinforces many earlier findings in highlighting the producer disincentives involved in the regulated pricing policy in the dairy sector. The producer price conditionality, as part of the World Bank's parallel support for Operation Flood III, is also indicative of the tension between sustaining urban demand, including middle- and high-income consumers and the service sector (hotels, public institutions, etc), as well as supporting the marketing, processing and credit chain, and benefitting producers. The record of poor performance and a changing policy environment, in which public sector involvement in dairy processing is considered less appropriate, would seem to justify the considerable cut-back in dairy aid over the past decade (see Table 2.2).</p>
Ethiopia		2.2	
Mozambique		-1.3	
Mauritania		9.3	
Bangladesh		2.1	
Zambia		2.2	
Kenya		1.4	
Cape Verde		9.2	
China		2.4	
Nicaragua		1.8	
Egypt		5.2	
Peru		2.2	

Notes: + Clear positive impact (-)
 Marginal negative impact
 (+) Marginal positive impact ...
 indeterminate
 a Exponential growth rate estimated by ordinary least squares and expressed in annual average terms (see Table B.3)
 b From all donors

Source: As for Table 3.2 and FAO AGROSTAT

Vegetable oil has become an additional feature of EU programme food aid in recent years (see Table 2.2). That UMRs are established for some recipients is indicative of import and

agricultural sector issues to be examined on a narrow commodity basis (FAO, 1993: Table 30). Earlier evaluations by the EU as well as the United States, the major supplier, paid little attention to this aspect of food aid. The limited evidence from the case studies indicates that the pricing and distribution arrangements are likely to involve disincentives to local production.

The prevalence of subsidised distribution is also more likely to be associated with relatively cost-ineffective generation of CPFs. Vegetable oil is a good example of the highly commodity-specific issues of the relationship between food aid and local agricultural production; the scale of actions may be relatively small, even in relation to the local economy, but they are qualitatively negative and inefficient.

Agricultural policy The 1982 evaluation (ABC/IDS, 1982) concluded that few recipients appeared to have satisfactory strategies for effectively integrating food imports in a way that would contribute to longer-term, more self-reliant agricultural growth. There were initial expectations as strategies were being prepared for Mali, Tanzania and some other countries. The pattern of programme aid flows and evaluation documentation indicates a *de facto* shift of emphasis and somewhat changed expectations about the role of food aid. First, there are few multi-annual programmes integrated into food strategies. Mali continues to be regarded as a relative success story but the literature, including Club du Sahel reviews, indicates less satisfactory experiences in other Sahelian countries as well as in Kenya and Madagascar, and countries such as Tanzania where food aid has become of marginal importance in recent years. A recurrent theme is that effective programming is limited by unsatisfactory policies at the recipient country level (see, for example, Netherlands Development Co-operation, 1991; Dangroup, 1991, 1992; PRORURAL, 1992; Dairy Consulting Holland, 1990). In this respect, the evaluation of US food aid provides a strikingly distinctive note (USAID, 1989: IX).

programme food aid has been and should continue to be an *effective tool to support agricultural development programming* ... Programme food aid has been particularly effective in many cases in *supporting policy reforms affecting agriculture* and the food sector and is increasingly used for that purpose, particularly through the formulation of monitoring of self-help measures leading to better integration with other AID and other donor programming.

The case studies suggest a somewhat different conclusion. First, with the exception of Mali, there is little evidence that EU donors individually or in co-ordination with others have been successful in organising programme aid in support of agricultural development. The now widespread process of economic liberalisation and sectoral agricultural reform appears to be occurring within a wider context of international support for, and the commitment of many governments to, structural adjustment. Instead, a picture emerges of donors, governments and parastatal agencies adapting the way food aid is channelled to a changing more liberal environment.

The use of local currencies to support agricultural development policies is discussed more fully in Chapter 4. However, the case-study evidence is broadly consistent in indicating a number of conclusions. First, most recipient countries lacked coherent food security policies that could provide a framework within which such resources could be effectively utilised. Secondly, where CPF arrangements were closely studied (Bangladesh, Egypt, Cape Verde and Mozambique), only in highly food aid-dependent Cape Verde was convincing evidence found of additionality in agricultural and food security-related investment and recurrent expenditure. Also, the range of activities supported was typically so broad that most of them

would in any case have found a place in agricultural development programmes. The more favourable examples occur where there is a generally constructive development policy, such as reconstruction and liberalisation in Nicaragua, the rural drought relief programme in Zambia and sectoral reform in Mali.

Differences in EU and US experience may reflect the latter's willingness to use its relatively large food aid programme as an instrument of political leverage at individual recipient level. The developmental implications of exploiting such leverage have been a continuing subject of controversy and provided part of the rationale for Congress to reframe the policy objectives of the major programme food aid instrument, PL480 Title I, in 1990 in terms of agricultural trade development (Hanrahan, 1990). Budgeted cuts in food aid have also been concentrated on Title III (food for development), the only large grant programme aid instrument (Hanrahan and Lenore, 1995).

Endnotes

xx. This is because only aid to developing countries was included prior to 1995 and the EU contribution may sometimes have been incompletely reported.

xxi. Three main models have attempted to forecast the scale of the expansion of global cereals demand and to predict whether increases in supply are likely to be adequate to satisfy this expansion over the next 15-25 years: the FAO World Agriculture in 2010, (Alexandratos, 1995), the World Bank World Food Outlook in 2010 (Mitchell and Ingco, 1993) and IFPRI's 2020 Global Food Projection (Rosegrant et al. 1995). These models agree that global demand will increase enormously by 2010-2020, as a result of population and income (and consumption) increases especially in developing countries. Whilst a more uncertain variable in the models, supply is expected to be able to be increased sufficiently rapidly to cope with the extra demand and to maintain the long-term decline in cereals prices, provided that appropriate policies are followed and current productivity growth is maintained or elevated. However, the models estimate very different demand, supply and trade levels for different regions, especially given the greater uncertainty of projections for China, South Asia and the former Soviet Union.

From a food security perspective there is greatest concern about sub-Saharan Africa, where certain countries may become increasingly food aid-dependent. Estimates by USDA predict that, to maintain current per capita consumption levels, global food aid needs are likely to increase from around 15 million tonnes in 1996 to 27 million tonnes in 2005, and that the food aid needs of sub-Saharan Africa will climb from 5 million tonnes to 21 million tonnes (Missiaen et al., 1995).

xxii. When the relationship between food aid in the form of wheat and international prices is quantified using regression analysis, these different relationships are confirmed. There are no significant positive or negative relationships between either total EU or Community Action wheat aid and international prices. In the case of Member States there is also no significant relationship in the case of Germany, Italy, Netherlands and the UK, but there is a negative relationship in the case of French wheat food aid. (See Stage One report based on Clay and Benson, 1993). Significant negative relationships exist between prices and volumes of cereals food aid for Canada and the USA.

xxiii. There is a considerable evaluative literature on this subject including SADC, 1993, WFP, 1994, Callihan et al., 1994, and Clay et al., 1995.

xxiv. Strictly, if the food aid substitutes entirely for imports that would have been made on a commercial basis or funded in some other way, then the only direct effect is on the balance of payments. Government policies and therefore revenues would otherwise be unchanged unless conditions linked to the provision of food aid were associated with different internal pricing policies for food and public expenditure (Clay and Singer, 1985; Huddleston, 1984).

xxv. See Stage One Report section 4.3 pp 62ff for quantitative evidence on the relationship between aid, imports and balances of cereals. For the case-study countries see Annex Tables B3, B4 and B5.

xxvi. Notionally, countries in receipt of commodities for sale are expected to continue to import commercially a volume equivalent to the Usual Marketing Requirement, that is, the average tonnage of the same commodity imported in the preceding three years on a commercial basis. In practice, the Committee on Surplus Disposal may agree on a lower UMR proposed by an exporting donor, or not set a UMR at all.

xxvii. See, for example, the studies surveyed in Chapter 4 of the Stage One Report and also ADE/Solagral review for the Commission (1994).

4

Effectiveness: National, Economic and Sectoral Impact of CPFs

4.1 Introduction

The Terms of Reference for this evaluation identify the actual uses of CPFs and the relation to the overall budget and economic policy as issues for evaluation. This implies examining evidence on the wider national or macroeconomic effects of CPFs, issues addressed in section 4.2. They also identify the developmental effects of CPF uses as a separate issue for evaluation; the developmental effectiveness of CPF generation and use is considered in sections 4.3 and 4.4. This examination draws both on the case-study evidence and on the review of the wider literature in Stage One. Despite the increased interest in these issues on the part of donors and evaluations, the evidence continues to be highly incomplete and also inconclusive, because of difficulties of interpretation, which are partly a consequence of methodological difficulties. But these problems also reflect the limited success of bilateral aid donors in genuinely engaging with decisions about public expenditure in recipient countries.

These data problems particularly reflect the state of donor policies. The Commission has a clearly defined policy on the management and monitoring of CPFs which is set out in a number of Regulations and policy documents. In contrast, most Member States appear to have no such formal legal framework and procedures and policies relating to CPFs appear to be *ad hoc*.

In part, these less formal arrangements reflect the relative lack of importance of programme food aid, and so of CPFs, in a number of Member State aid programmes.

The range and lack of consistency in donor policies and practices for managing CPFs is reflected in the findings of the country studies. First, the multiplicity of objectives found in the evaluation is summarised in Table 3.3. This shows that programme food aid was provided with budgetary support as a subsidiary objective in most cases. Mostly through bilateral agreements donors are also directing CPFs to priority sectors that are commonly broad - agriculture, rural development, social and human resource development. Structural or sectoral reform goals were, however, rarely an explicit aspect of EU conditionality. In contrast, 'policy reform' has been an aspect of US conditionality enshrined in legislative reporting requirements since the 1960s.

The CPF as an aid instrument is also mediated by a diversity of practices that reflect local circumstances rather than donor policy. The case studies revealed a diversity of practice including common or separate bilateral fund management, and the on- or off-budget status of expenditure as well as differences in the basis of valuation, specified uses and reporting arrangements as summarised in Table 4.1. Evaluators typically found that the information on constitution and specific uses of CPFs is commonly limited and lacking in transparency. This reflected the quality of monitoring arrangements and the modest resources that recipient

Table 4.1EU programme food aid: management of counterpart funds in case-study countries, 1989-94.

Country	Organisation of account	Valuation of commodities	Budgetary status
Bangladesh	Separate	Int.	On
Cape Verde	Common (EC excepted)	Dom.	On
China	Separate	Dom.	Off
Egypt	Separate	Int. and Dom.	On
Ethiopia	Separate, (pooled expenditure)	Int. and Dom.	On
Kenya	Separate	Int.	On
Mali	Common	Dom.	Off
Mauritania	Separate	Dom.	Off
Mozambique	Separate	Dom. and Int.	On
Nicaragua	Separate	Dom.	Off
Peru	Separate	Dom.	Off
Zambia	Common (1992/93)	Dom.	Off

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governments and donors have committed to these tasks. The lack of transparency also reflects the performance of many aid recipients in being economical with information on their politically sensitive public expenditure processes. Again, this is unsurprising since the public expenditure reviews undertaken in co-operation with the World Bank are infrequent and less than complete in some cases (Toye and Jackson, 1996). The evidence from the country studies also confirms the findings of a number of wider-ranging studies of CPFs reviewed in the Stage One Report. In particular, the framework adopted by Bruton and Hill (1991) is confirmed as the most useful for assessing the developmental effectiveness of CPFs. In the early 1990s, as detailed below, some, but only relatively limited, progress was made in improving the operational effectiveness of CPF management.

4.2 Macroeconomic impacts

There are four basic impacts of CPFs: monetary, price, fiscal and exchange-rate effects (Bruton and Hill, 1991).

In practice, these cannot be considered in isolation but only as aspects of each case experience.

There are also methodological problems inherent in analysing CPFs. First, the formal comparative general equilibrium model needed for a systematic analysis of impacts is beyond the scope of this study, and such analysis is rarely possible in the evaluation of financial or food aid (White, 1996). Recipient country fiscal policy is directly involved. It is difficult to construct a counterfactual case (without food aid) against which to measure macroeconomic impacts. There is the underlying problem of fungibility, so that it is difficult to demonstrate with confidence that expenditure under a budget line is actually different because of attribution to a CPF account. Where there is such formal attribution, then an examination of sectoral impact in practice focuses on the effectiveness of activities with which CPFs have been *associated*. Despite these practical difficulties, the examination of CPF management at the recipient country level as part of the 12 case studies provides an up-to-date review of progress by the EU on an issue of continuing concern.

4.2.1 Monetary effects

The initial sale of the food aid by the government or parastatal results in a reduction in the money supply, with

Notes:

Organisation of account: *Separate* donor accounts or *common* counterpart fund: In some cases there has been a single expenditure pool derived from separate accounts (eg., Ethiopia).

Valuation of Commodities: Based directly in *International* (FOB or CIF) price or *Domestically* determined formula.

Budgetary status: Formally *on* or *off*-budget

Interest-bearing account: CPFs reported as deposited and interest being accrued.

Monitoring: Regular (ie quarterly, biannual or yearly) reporting to each donor or to all donors for a common fund.

Actual uses: Reported as used for *General* (G), *Sectoral* (S), support for specified *Project* (P).

Source: Joint Evaluation country studies.

a deflationary impact. However, this initial effect is smaller if the government holds the CPFs in a commercial bank account rather than with the central bank. If the donor rather than the recipient government owns the funds, the initial effect will depend on whether these deposits are included in the money supply. The subsequent release of the funds increases the money supply, with an inflationary impact, regardless of who owns them.

The monetary impact of CPFs is also mediated by the impact on the government budget and the balance of payments. Bruton and Hill (1991) argue that the confusion concerning the precise impact of CPFs on the money supply reflects a failure to take account of this. Although the funds themselves do not constitute additional real resources for the economy as a whole, they do increase the government's claims on resources. The effect on the budget, and thus ultimately on the money supply, depends on whether the government increases its spending or reduces taxes or other financing in response to the increased resources provided by the funds.

In practice, the monetary impact of CPFs also depends on their size relative to the total money supply. In Nicaragua they constituted less than 3% of the money supply on average between 1990 and 1994, in Mali 2% and, by 1994, less than 1% in Mauritania. It is also dependent on their rate of disbursement. If CPFs are disbursed immediately, their impact on the money supply is nullified. Similarly, multi-annual food aid programmes, with a constant flow of CPFs in and out of the account, can neutralise the impact. Also, in countries where a number of donors hold CPF accounts from a variety of instruments, deposits in one account may be offset by disbursements from another, again negating the net effect. However, if CPFs are accumulated over an extended period, their sudden release can fuel inflation. Indeed, in some cases the IMF has imposed limits on their release precisely to reduce this impact. Mozambique was the one case of serious difficulty: CPFs from all sources varied between 15 and 25% of public expenditure and slow constitution contributed to macroeconomic difficulties in the transition from a war economy (see section 4.2.3).

4.2.2 Price effects

There is generally little evidence that CPFs have influenced price movements in the case-study countries. This is unsurprising since these funds were typically marginal in relation to the money supply. More broadly, Bruton and Hill (1991) also conclude that there are few cases where they have proved to be inflationary and destabilising.^{xxviii}

4.2.3 Fiscal effects

CPF's are typically a relatively small component of the government budget, seldom exceeding 5% of expenditure according to Bruton and Hill (1991). This is borne out by evidence from the case-study countries. For example, CPFs from all sources formed 3% of government income in Mauritania in 1989, declining to 0.5% in 1994; 0.5% of the government budget in Kenya in 1993/4; and under 1% of revenue and expenditure in Egypt over the period 1989-94.

There are some notable exceptions, often in crisis situations. In Mozambique CPFs generated purely from the sale of cereals aid represented 22% of total government revenue in 1989 (Riley and McClelland, 1990). In post-independence Bangladesh, food aid CPFs briefly represented a similar proportion of revenue, although the share is now much less significant. CPFs from all sources also currently account for around 30% of the Ethiopian budget, allowing the government to increase its expenditure slightly without recourse to domestic borrowing, albeit with some major re-ordering of priorities. Even in Cape Verde, CPFs from all sources represented less than 7% of total budgetary expenditure and 11.4% of the public investment

budget, although, without these funds and in the absence of a reduction in expenditure, there is evidence that the budgetary deficit would have more or less doubled.

Even when CPFs represent small proportions of the total budget, their overall fiscal effect should not be ignored. Even a moderate 5-10% share can lead to fiscal dependence. This is not necessarily disadvantageous if appropriate tax policies are being implemented (Maxwell and Owens, 1991). For example, although there is some danger of real fiscal dependence in Ethiopia in the future, domestic revenues are also increasing so there is at least no trend of CPFs displacing revenue generation (IDS/IDR, 1996). However, if the tax structure is weak as it probably is in many low-income food-deficit economies, then the generation of CPFs can act as a disincentive to overhauling taxation. It is therefore important for the recipient government to be able to incorporate the effects and timing of the generation and disbursement of CPFs in its planning process. This is clearly demonstrated in Mozambique in 1993: poor rates for creation of counterpart value compared with forecast levels obliged the government to increase its borrowing, thereby crowding out the private sector.

On-budget use of CPFs can also influence the pattern of public expenditure, but there are problems of fungibility in assessing the extent to which they alter the relative allocation of resources. For example, in Nicaragua CPFs formed 1.4% of government expenditure between 1990 and 1994 but 65% of the expenditure of the Ministry of Agriculture. Yet it is unlikely that agricultural spending would have been 65% less in the absence of the CPF-generating aid instruments. If CPFs help to meet recurrent costs assured continuity of funds is important, with substitution actions representing a potentially important instrument if food aid shipments are no longer considered appropriate. If future flows of funds are uncertain then they should not be used for recurrent cost purposes.

In the context of structural adjustment programmes (SAPs), disbursement of on-budget CPFs can create difficulties in maintaining overall budgetary ceilings on spending. This has been the Kenyan experience but, at least in this case, the IMF was willing to agree to additional donor-financed projects provided they were in support of the SAP. In Zambia the provision of programme food aid in response to the 1991/2 drought enabled the government to keep the Drought Relief Budget separate from the normal budget whilst minimising divergence from the SAP, although the stabilising effect of CPFs provided during a period of large economic contraction should not be overstated.

4.2.4 Exchange-rate effect

The provision of commodities as balance-of-payments support is likely to have exchange-rate implications. Under the fixed or managed foreign-exchange regimes that were common until recently in all of the case-study countries, programme aid helped to cover part of the government's 'forex gap'. That is probably why Bruton and Hill (1991) found little evidence of the impact of CPFs under different exchange-rate regimes. They note that if aid relaxes the foreign-exchange constraint and leads to an appreciation of the currency, this will partly offset its benefit and leave the country in a worse position than it was initially, if the aid is stopped. Nevertheless, the risks of food aid, as part of overall aid, supporting an overvalued currency with serious distorting effects on the economy are a major theme in the literature and explain why some analysts advocate additional projectised aid in preference to balance-of-payments support (e.g. Schuh, 1981).

In terms of specific cases, programme food aid CPFs can be said to have helped to stabilise the exchange rate in Cape Verde, with no evidence of any major distortionary effects. The assistance to Mali which was partly used to meet a general budgetary shortfall can be seen, with benefit of hindsight, as part of the considerable support that sustained the increasingly over-valued CFA Franc until devaluation in 1994.

4.3 Constitution of CPFs

CPFs do not have to be established following the monetisation of food aid. Indeed, their constitution may perform no useful purpose but, instead, represent a cost. It is USAID policy that CPFs should be established only when required by statute or when desired by the relevant mission (USAID, 1989). However, the Commission and most EU Member States require the constitution of CPFs following monetisation.

Donors typically specify certain requirements governing the constitution of CPFs in their agreements with individual recipient governments, such as whether or not the funds should be placed in a separate account, in a common fund or into the general government budget; whether they should be placed in a non-interest or interest-bearing account; and the maximum length of time permitted between delivery of the food aid and the deposit of CPFs. The Commission requires funds to be constituted within three months of the date of delivery unless expressly stated otherwise, and to be paid into a clearly identifiable interest-bearing account, in countries where such accounts are permitted. The Member States have no explicit policy on this but do include conditions relating to the type of CPF account in their agreements with individual recipients. In practice, donors make varying agreements with different governments, as clearly indicated in Table 4.1, and the Commission does not apply its formal guidelines across the board; for example, it permits six months (after the landing of commodities) for the constitution of CPFs in Bangladesh and Egypt.

4.4 Uses of CPFs

4.4.1 Donor policy and the economic debate on impacts

Until the mid-1980s, the general emphasis remained very much on the use of CPFs primarily in support of agricultural and rural development projects. They were considered a useful tool in achieving longer-term food security objectives by helping redress local currency constraints and also as a means of influencing the economic policy of recipients. Subsequently, monetised food aid was increasingly viewed as useful in the context of SAPs, with CPFs used to mitigate potential adverse social aspects of the reform (e.g. Singer, 1991). Both of these strategies are reflected in the sectoral attribution of CPFs from EU food aid in the 12 case-study countries (Table 3.3), but the balance of objectives in EU donor policies continues to change (see also section 3.3).^{xxix}

CPFs are widely identified as a resource for food security, anti-poverty programmes and agricultural development more generally. In practice, some donors appear to attach a growing importance to the use of programme aid as a mechanism for generating local currency in the context of a structural food deficit. This reflects the high priority accorded to poverty alleviation as a goal. Secondly, the decreasing relevance of import support in a liberalised domestic foreign-exchange market shifts attention to the budgetary impact. Thirdly, close attention to public expenditure in the context of sectoral and wider structural adjustment offers a more transparent policy framework for agreement.

The other donor response to changing circumstances is to ‘projectise’ programme aid, by tying the CPF proceeds to specific project uses. Examples are Bangladesh’s IFADEP, the Mali multi-donor agreement and some bilateral arrangements, such as the German food security projects in the Sahelian countries and China and the Commission-supported dairy development projects. The special circumstances of Franc Zone countries with a convertible common currency explain why the focus of policy dialogue has been on the budget and the uses of CPFs, as in Mali, from 1980/81 onwards.

Underlying these overall developments in policy, the continued debate on the use of CPFs has largely related to whether they should be on- or off-budget. The two extreme views are that the funds should be used as overall budgetary support, without accounting for actual use, and alternatively that they should be used entirely off-budget to finance the costs of specific donor projects.^{xxx} In practice, this largely depends on donor policies, including attitudes on government sovereignty, and on the prevailing economic and political circumstances in the recipient country. Efforts to improve transparency have also sometimes determined whether CPFs are used on- or off-budget.

If the donor and recipient governments have identical priorities, then the utilisation of CPFs is not important because it will not affect the pattern of current government expenditure (Goreux, 1990). Bruton and Hill (1991) go further, arguing that if donors support the recipient government’s policies then even the setting up of CPFs is not necessary. They also question whether reporting on the use of CPFs is meaningful in instances where these funds are jointly programmed. In such cases, the CPFs in effect cover certain expenditure already included in the government budget; if the donor rejects the use of the funds for one budgeted action but agrees to another, government revenue is still almost entirely fungible. Indeed, even in cases where CPFs are allocated off-budget by the donor alone, it is not always possible to conclude that they provide additional resources to a particular sector since they may have triggered a reallocation of budgetary resources away from that sector. The CPFs only have an impact if there is an overall budget deficit and their use influences the pattern of government spending, or if the donor involvement in itself alters the nature of an activity.

If there is a difference of priorities, the donor may seek to influence or even control the use of CPFs in the belief that this will be of net benefit to the recipient country.^{xxxi} Donors may also perceive a role for themselves in determining the use of CPFs in specific areas where a recipient government lacks the administrative and technical expertise or the political freedom of manoeuvre to use the funds effectively. However, they need to have an intimate knowledge of the economic structure and policy context in the recipient country, and to keep well abreast of any changes. That in turn implies a substantial in-country policy and management capacity on the part of the donor which case studies and other evaluations (eg., IDS/IDR, 1996) show has been lacking in the past. Furthermore, the tying of CPFs to specific uses does not necessarily imply control because the recipient government may choose to leave the funds idle.

4.4.2 Country study experiences

In practice, there appears to be a trend towards the increased use of CPFs on-budget, although they have been used for a mixture of purposes in the case-study countries. In the case of the Commission, the general trend towards budgetisation has been formalised in the European Council 1991 resolution and CPFs from all Commission instruments are increasingly used for budgetary support within the public accounting system.^{xxxii} This trend reflects a number of

factors including the more general shift in donor policy towards increased budgetisation of all forms of aid, a change strongly supported and encouraged by the international financial institutions (IFIs), and the increasing rate of take-up of economic reform programmes, where it is generally agreed that CPFs should be on-budget in accordance with agreed public expenditure priorities (see below).^{xxxiii}

The trend, although not uniform, is unlikely to be reversed in the immediate future, with increased budgetisation still occurring in some countries.^{xxxiv} In Mauritania, the Framework Document for Economic Policy makes provision for the inclusion of CPFs in the budget from 1996 onwards. In the past CPF-funded projects had not been part of the Mauritanian Government's public investment programme, but instead were used for a wide range of small projects, mostly in the area of rural development and food security, but also for urban construction (France), health (Spain and Italy) and the reform of the civil registry and cultural projects (Spain). An exception to the trend is Peru, where EU CPFs are used to support agricultural projects, particularly in the poorest regions of the country, Spanish CPFs are largely used in agricultural and social development projects, and French CPFs are mostly utilised in irrigation infrastructure and soil conservation, all off-budget uses partly reflecting donors' lack of confidence in government capacity. In Nicaragua, CPFs are also still used for off-budget projects, particularly to support rural agriculture and food security, possibly in part because the government's food security and development policies are poorly elaborated.

There are also considerable differences in the extent to which donors are involved in the targeting of CPFs to particular projects, regardless of whether they are used on- or off-budget. Maxwell (1996) reports a gradual trend away from the earmarking of CPFs to more open-ended budgetary conditionality. This may well be the case in countries undergoing structural reform with the support of the IFIs, where some donors have been happy to relax targeting of CPFs in the belief that the recipient government is already subject to considerable conditionality and that the IFIs are already monitoring public expenditure. For example, Germany has adopted such a strategy with regard to its import-support programme in Mozambique. In the case of Cape Verde, some donors have become increasingly relaxed about the use of their funds. Until 1993, the Netherlands simply specified that CPFs generated from Dutch food aid should preferably be used in the social sector and even this stipulation has now been dropped. This reflects the Netherlands' perception that CPF management is carried out satisfactorily in Cape Verde and should not be interfered with by double-tying of the assistance.

The case of Zambia illustrates the need not to see on- and off-budget as having radically different economic implications. CPFs from a joint donor trust fund were used off-budget but retroactively to finance government commercial maize imports undertaken as part of the 1991/2 drought relief operation. They were also used to cover monitoring, transport and other costs related to the relief operation; to fund on-budget projects related to food security; and to purchase fertilisers.

Several of the case studies highlight the tendency of donors, in particular the Commission, to become increasingly specific about the use of CPFs, as in the case of Egypt where Community Action CPFs have been earmarked for use in food security, rural development and, more recently, social development projects.^{xxxv} This may partly reflect the increasing difficulty in justifying the provision of programme food aid to Egypt on the grounds of either balance-of-payments support or meeting food deficits. This effectively puts additional pressure

on ensuring that the CPFs are used appropriately. In mid-1995, a CPF Management Unit was established in Egypt with the financial support of the Commission to strengthen project preparation, monitoring and appraisal in view of past difficulties.

In Bangladesh, CPFs are also becoming increasingly targeted. Despite the bulk of CPFs being used on-budget in support of projects under the Annual Development Programme (ADP), which the World Bank considers potentially the most effective instrument at the government's disposal for stimulating investment, employment and economic growth, donors are increasingly requesting their use for specific poverty-oriented non-ADP purposes.^{xxxvi}

Some donors still use at least part of their CPFs to support their own projects. For example, in Mozambique, the Commission uses part of its food aid CPFs to meet the local costs of its own projects in-country although the bulk is transferred for on-budget uses, currently in food security activities. In certain instances, donors have also supported the use of CPFs in their own fairly import-capital-intensive projects which are governed by agreements stipulating that any imports should be procured in the donor country.

Finally, in several countries, for example Cape Verde and Egypt, there have been discrepancies between budget allocations and actual uses of CPFs, with some funds not used as agreed and even, on occasion, transferred to projects not included in the investment programme.^{xxxvii} In Cape Verde, although projects should be proposed to the relevant donor before they are finally approved, in practice some projects are presented to the donors after they have been implemented.

4.4.3 Use of CPFs in reforming economies

Although it is generally agreed that CPFs should be used on-budget in reforming economies, there is some disagreement about whether they should be tied or untied in terms of their sectoral allocation within the government budget. Clement (1989) argues that they should be untied in countries implementing IMF and World Bank programmes, because such programmes include 'a sound public investment programme and a close monitoring of government expenditure'. In some cases donors have effectively had no choice in the matter as, under a reform agreement, CPFs held with the central bank have been frozen as part of the efforts to reduce the budget deficit. But, as Maxwell and Owens (1991) argue, untying could create difficulties if a donor does not agree with the policy orientation of the government's agreement with the IFIs. In such instances, a donor committed to supporting social programmes may opt for direct distribution of the food aid or for its sale to restricted groups of beneficiaries instead, or alternatively to tie the CPFs to specific projects outside the public expenditure programme. Ideally, however, these projects should be intra-budgetary and included as part of public financial resources in the design and monitoring of a SAP.

There were stabilisation or structural adjustment agreements in place in most of the case-study countries at some time during the study period. The diversity of practice amongst donors and between countries indicates that as yet there is limited formal integration between EU CPF use and reform programmes. The main effect appears to have been donor-recipient agreements on use of CPFs in support of activities intended to address the social dimensions of reform (e.g., Egypt, Nicaragua, Peru).

4.4.4 Donor coherence

Donors need to be consistent between countries in the way they use CPFs. A donor faces practical and political difficulties in adopting different approaches in different countries and in switching conditionality 'on and off' as government policies and attitudes shift. Maxwell and Owens (1991) suggest therefore that it may make sense for the EU to establish a system of basic analysis and consultation for use in all countries, and for CPFs to be established even where they are not strictly needed.

Some Member States do, indeed, adhere to a fairly coherent policy which may reflect broader aid policy, as in the case of Luxembourg where all CPFs should be used to support projects in the social sector, in keeping with overall aid policy. The Netherlands, one of the largest providers of balance-of-payments support during the 1980s, has traditionally preferred to provide untied CPFs (Healey, 1996), a policy which it has maintained in Cape Verde, as noted above, and elsewhere.^{xxxviii} Germany typically favours and adheres to the use of bilateral monetised food aid in support of food security projects; for example, CPFs were used in support of a pilot integrated agricultural project to improve food security in China.

In contrast, although French CPFs are initially intended for use in rural development projects, particularly to assist local agricultural producers, in practice protocol agreements do not specifically link a food aid action with a particular project and funds may be used for a variety of development projects. Thus, French CPFs were used in Ethiopia and Zambia in support of agricultural and rural development projects implemented under French bilateral assistance but to fund low-cost housing, under a programme implemented by UNDP/HABITAT, and also a youth skills training centre. However, French funds are typically used on-budget, as in both these examples. Other donors lack even an overall policy on the use of CPFs, which in consequence may be used for a wide range of purposes in different countries.

The Commission had a coherent policy, with priority for the use of CPFs in the area of agricultural and rural development, until the late 1980s when it was shifted to measures to alleviate the negative social dimensions of adjustment. Thus, in 1989 Community Action food aid CPFs were utilised as follows: 71% for agriculture and rural development purposes, 12% for administration, 6% for emergency operations, 6% for infrastructure and transport and 6% for health (Knop, 1990). With the subsequent change in priorities, by 1994 almost 70% of total Community Action CPFs from all aid instruments were allocated to the social sector, particularly basic health care and education, with a further 10% to infrastructure, particularly roads (EC, 1994). Community Action CPFs have also been increasingly used on-budget, again in accordance with shifts in the Commission's policy. The latest reformulation of policy stipulates the use of CPFs in support of anti-poverty and food security actions (EC, 1996).

4.4.5 Timing of decisions on the use of CPFs

Ideally, to avoid future disagreements and delays in their disbursement, the use of CPFs should be defined, in agreement with the recipient government, in the design phase of a programme food aid action and specified in the official agreement. This is now largely the position in the case-study countries, but there are still some exceptions. For example, the use of CPFs in Mauritania is still generally not decided until after the funds have been constituted. Similarly, the use of CPFs generated under a 1994 French programme food aid action to Kenya and a 1994 Greek food aid action to Ethiopia was not decided prior to the delivery of the food aid.

4.4.6 Effectiveness of CPF-funded activities

An overall assessment of the appropriateness of CPF use must be partly based on the quality and achievements of the projects and programmes supported, including their relevance, impact and effectiveness. In cases where CPFs are not earmarked but, instead, provide untargeted sectoral or general budgetary support, evaluations should also ideally assess policy dialogue and public expenditure management (Maxwell, 1996). However, this is particularly problematical, as has already been noted.

The case studies contain limited information on the quality of CPF-funded projects and activities as this was beyond their terms of reference. Exceptions were Egypt, the largest recipient accounting for almost a quarter of EU programme food aid, and Cape Verde, the most food aid-dependent case-study country. The issue of fungibility is also a constraint in evaluating the use and effectiveness of CPFs in some instances. No assessment would, in any case, be possible at the present time in countries where donors are not informed of CPF-funded activities, as, for example, in the case of Community Action programme food aid to Bangladesh, the second largest recipient. Similarly, the partial failure of the Mozambique government, the third largest recipient, to constitute CPFs severely restricts assessment in this case.

However, one positive example did come to light, Peru. A fairly rigorous selection procedure, including field visits by local consultants, appears to have been applied by the Commission. Once a project is approved, quarterly progress reports and a mid-project audit are required. Intermediate and end-of-project evaluations are also expected. Reasonably well-defined selection and reporting requirements appear to have been applied in the case of French and Spanish assistance as well. However, it is not clear how effective these donor procedures have been in enhancing the quality and achievements of CPF-funded projects in practice.

In contrast, in Kenya some projects financed by Community Action CPFs were reported as poorly formulated. The funds were originally intended for use in support of the Cereals Sector Reform Programme (CSRP) but were subsequently allocated to a range of on-budget projects, mostly in the field of rural development, after international support to the CSRP was suspended. The selection of projects did not appear to follow any systematic pattern but, instead, reflected the availability of CPFs, with allocations decided by the EU Delegation, taking Kenyan government considerations into account. Given the high degree of complementarity of funding with other EU-funded projects, the Commission's priorities appear to have played a significant role in practice in the allocation of these funds. Nor was much emphasis placed on the formulation and appraisal of projects, in view of the limited capacity of the government. In addition, the amount of time spent by the Delegation on identification, formulation, appraisal, approval, monitoring and evaluation of CPF-funded projects is reported to have been kept to a minimum, in part reflecting staffing constraints.

The use of CPFs has sometimes been more closely evaluated in cases where they have been used as part of a broader programme. For example, the Mali Cereal Market Reform Programme (CMRP), which is heavily supported by donors, has been evaluated on several occasions.^{xxxix} These evaluations have suggested a more successful use of CPFs, enabling the implementation of a cereals sector reform programme which has resulted in market liberalisation, benefitting agricultural production and commercialisation. However, even here there have been difficulties as the CPFs were partly used to fund activities requiring technical expertise which an informal structure such as the CMRP simply does not have.

Other broader programmes part-funded by CPFs have also sometimes experienced difficulties. For example, in the case of Cape Verde, there have been a number of problems associated with the FAIMO programme, including irregularities in the pre-identification and presentation of projects for external funding; lack of monitoring, follow-up and evaluation of projects; and arbitrary execution of the investment programme by the government, with some of the projects executed not pre-identified and others identified but not executed. The productivity of the FAIMO projects and their contribution to economic development are currently being questioned, and some donors have already indicated that they would prefer their CPFs to be invested in income-generating productive projects instead. The government itself has also taken the first steps to review the FAIMO system and to consider alternatives to be implemented by the private sector.

Some concerns have been expressed about the sustainability of CPF-funded projects after CPF support is stopped, as, for example, in Egypt and China. In the case of China, Community Action dairy aid was provided to finance the infrastructure and support services for the dairy industry and applied research. The funds have effectively subsidised domestic milk production via interest-free loans, but it is not clear how sustainable the project will be following the cessation of dairy aid for monetisation.

4.4.7 Functional use of CPFs

In evaluating CPFs, there has been little examination of functional, as opposed to sectoral, use. This reflects the way in which data on the use of CPFs are reported. Thus, for example, although all the case studies were expected to consider the functional allocation of CPFs, only the Peruvian study team was able to obtain information on this aspect of CPF use. Over the period 1993-5, of the US\$7.6m Community Action CPFs allocated, 38% was awarded to consumables (including seeds, fertiliser and other inputs), 23% to equipment and materials, 17% to technical assistance, 8% to food for work and 7% to administrative expenses. The remaining 7% was allocated to a range of other expenses. Another earlier exception, an evaluation of Community Action food aid to Tanzania (Clay and Benson, 1988), found that CPFs had been used on a number of occasions to meet the cost of local components of projects originally envisaged as being met from other sources, and additional unforeseen costs arising from delays in implementation, particularly in government office and housing construction.

4.4.8 Suspension or postponement of programme food aid actions

An important issue emerging from the country studies is the increasing emphasis placed by donors on more effective use of all aid instruments and on improved transparency, which has resulted, in the more extreme cases, in the suspension of programme food aid until more acceptable arrangements can be agreed. Mozambique provides the most notable example. During the study period the Commission, France and Spain independently suspended their programmes at different times because of non-adherence to protocol agreements, non-respect of conditions governing the provision of food aid and budgetary problems respectively. The situation as regards the constitution and management of CPFs is slowly improving, aided by the government's progress with economic reforms and the growth of the commercial and financial sectors.

France and the Commission have also suspended their programme food actions to Mauritania because of difficulties encountered with the monetisation of the aid, particularly relating to lengthy delays in the sale of the food, non-compliance with agreements on sale procedures and

floor prices and insufficient transparency of the CPF accounts. Neither donor will renew shipments until more satisfactory agreements have been concluded with the government.

More generally, the Italian Government has also been placing particular emphasis on the improved transparency of its development assistance worldwide. As part of this process, some of its programme food aid actions have been temporarily halted because of problems relating to the CPFs. For example, Italian programme food aid to Egypt was temporarily suspended recently, although it has now been reinstated.

4.4.9 Conclusions

The combination of genuine methodological problems, inherent in trying to determine actual CPF uses and establish their development effectiveness, and a poor information base make it difficult to draw robust conclusions. The case-study evidence, consistent with the wider literature, suggests that performance in relation to donor objectives is patchy. In most cases, the information available on the use of CPFs, whether on- or off-budget, does not make it possible to establish the genuine element of additionality in terms of sectoral activity that is associated with a particular bilateral agreement between government and donor (Bangladesh, Ethiopia, Kenya, Mauritania, Nicaragua). It is therefore analytically more correct to describe CPFs as associated with a sector or more specific set of activities. The evidence on the quality of activities associated with CPF use also suggests that performance is often less than satisfactory (Cape Verde, Egypt, Kenya). There is also a lack of evidence on the functional use as distinct from the sectoral allocation of CPFs which would also contribute to better understanding of real impacts on, for example, poverty. The more specific question of the contribution that CPF use has made to household food security is considered in Chapter 5.

Endnotes

xxviii. The impact of CPFs on prices depends on their effect both on the money supply, as discussed above, and on the price and availability of goods. Maxwell and Owens (1991) explore the impact on the demand for goods, examining its multiplier effects, and citing earlier work by Ezekiel (1955) which estimates that only a third to a half of the additional demand resulting from a typical works project would be for the commodities provided as aid. Changes in demand will vary between goods, depending on the income elasticity of demand, with implications for relative prices and income distribution among productive sectors and between producers and consumers. There will also be second-round effects, with a potential impact on inflation, the balance of payments and demand for foreign exchange. Thus, donors need to conduct *ex-ante* analysis of the sectoral response, jointly programming different types of assistance to provide a basket of complementary aid commodities.

xxix. For example, the Commission's Food Aid Policy Guidelines of 1983 state that the generation of CPFs should not be the 'primary justification' for food aid (EC, 1983).

xxx. The economic case for 'on-budget' accounting without attribution for actual use is based on the fungibility problem, which makes it difficult to determine any causal relationship between the attribution of CPFs and genuinely additional activities even within a full analysis of public expenditure.

xxxi. In some instances, CPFs have even been used by a donor as an instrument of leverage, creating tensions with the recipient government. Bruton and Hill (1991) conclude that the effectiveness of such conditionality depends in part on the relative share of the funds in the government budget and on the degree to which the government believes that it will continue to receive the aid regardless of its behaviour. For example, in the context of US aid to Egypt, where political and strategic factors ensure a continued flow of aid, USAID was unable to make any claim on government policy-makers' time. In that instance, use of the CPFs in the private sector was considered a more effective use of them.

xxxii. The Commission has adopted a 'blanket approach' to all CPFs, regardless of the instrument by which they are generated (EC, 1994).

xxxiii. For example, the OECD (1992) states that 'donors should give priority to supporting reform policies, including budgetary policy and

effective and accountable management of public funds generally, when seeking agreement on CPF management'. Furthermore, 'the recipient government should closely monitor use of CPFs to ensure that they are consistent with public expenditure programmes, both investment and recurrent, to ensure that public resources are channelled in accordance with the priorities defined in the budget'. In countries undergoing economic reform, it is also important to ensure that CPFs are taken into account in the planning and design of policies.

xxxiv. For example, in Mozambique there was a general shift to increased use of CPFs on-budget between 1990 and 1994. Ideally, the government would like to use them to write off public debt or to sterilise them (as is already the case with World Bank CPFs) but donors are unlikely to agree, partly because of concerns about transparency.

xxxv. French CPFs have been used off-budget for projects which fall within government priorities but without other guidelines on uses. Spanish CPFs are intended for investment in priority sectors, particularly food production and related sectors, whilst Italian CPFs are used for storage, distribution and processing purposes.

xxxvi. These new projected uses, including the EC's IFADEP and the Canadian Rural Maintenance Programme, comprise socio-economic, infrastructural, agricultural and rural development programmes aimed at the most vulnerable groups, with CPFs often used in combination with direct food distribution.

xxxvii. Knop (1990) also reported this problem.

xxxviii. All Dutch programme food aid has been purchased under general import-support programmes and there is no specific budget line for government-to-government programme food aid.

xxxix. CPFs have been used off-budget in support of activities under the CMRP, including an early warning system and a cereals reserve. Over time, these activities have shifted from a concentration on specific cereal market reform initiatives and interventions to structural funding of food security instruments and services (such as market information and early warning systems) and to recurrent high-risk financial transactions such as credit facilities, the setting up of guarantee funds or the advancement of funds to the Office du Niger. The common CPF fund, which also includes funds from financial external assistance in support of the CMRP, was also used controversially in 1988/9 and 1989/90 to cover a government budgetary deficit.

5

Effectiveness: Household Food Security and Nutrition

5.1 Consumption and nutrition impacts

The Terms of Reference for this evaluation identify ‘the availabilities of food commodities at household level for different income groups, as a result of programme food aid’ as a subject for evaluation. The Guidelines of the Council of Ministers, the Regulations for Community Action food aid and the bilateral food aid documentation all emphasise the promotion of food security at household, local, national and regional levels, as well as raising the nutritional standards of the recipient population. More recently this has been refined to emphasise the ‘social aspects of access to food in the recipient countries, and especially of the most vulnerable groups, and the role of women in the household economy’ (European Council, 1995, Art. 1.3; 2.1).

Because this increasing refinement of food security objectives is a recent development, few of the actions under examination were organised within such a policy framework. Hence the need for the ‘new orientations’ of EU food security policy (EC, 1996). Nevertheless, in considering in this Chapter the consumption and nutritional impacts of programme aid some relevant evidence is provided on the scope for directly influencing the status of poor and vulnerable groups. The case studies and the related review of the literature also provide evidence on the extent to which the provision of programme food aid has been organised to promote both the availability of and access to food. It is also appropriate to consider the impacts of programme food aid in relation to such objectives, not least for potential lessons for future practice.

There is a broad consensus that programme food aid is not an effective instrument for targeting poor and vulnerable groups *directly*. The provision of commodities for sale to consumers on the open market or through the wholesale and processing sectors does not lend itself to precise targeting. Indeed, in terms of access, the cumulative evidence is that, whatever the nominal intention, many public ratir-income countries are regressive in their practical effects. The groups most likely to have access are urban, formal and public sector employees, the military, civil service and other such groups. Evidence from the case studies is broadly consistent with this widely accepted finding. Such regressive targeting has been a factor in causing a number of EU Member States to end or give lower priority to programme food aid in some countries.

There is a second scientific or technical reason why there is now little expectation of a direct link between imports (especially food aid) and the nutritional status of vulnerable groups. Ensuring adequate consumption in terms of calories as measured in food balance sheets at an aggregate level does not necessarily ensure effective access of poorer households to an adequate and nutritious diet. Recently, however, evidence has been accumulating that even satisfactory access at the household level is a necessary but not sufficient condition for

achieving satisfactory nutritional status (Pelletier et al., 1995). The important exception is extreme circumstances of acute short-term food insecurity where, but for large-scale aided imports additional to local food supplies, there would be massive distress and starvation. The effect of additional food imports is to limit upward price movements, thereby positively affecting people's capacity to acquire food. During the study period, such conditions were likely to have occurred only in conflict-affected Ethiopia and Mozambique and conceivably in drought-affected Zambia in 1992.

A third consideration, as nutrition policy has increasingly focused on micro-nutrients as well as energy intake (calories), is that instruments for organising the supply in bulk of food for sale are too insensitive to be used in support of interventions with more refined micro-nutrient improvement objectives.^{xi} A fourth consideration, particularly relevant to aid actions not directly intended to improve household food security and the nutritional status of vulnerable groups, is that, in the absence of coherent national food security policies, the data are unlikely to be available to assess such relationships.

The evidence of the case studies, particularly the five which focused more closely on food security issues (Bangladesh, Cape Verde, Egypt, Mozambique and Peru), reconfirms the conclusions of earlier evaluations and is consistent with recent scientific evidence on food aid, consumption and nutrition relationships.^{xii} The findings, or in most cases the lack of conclusive findings, also offer some lessons for the design and monitoring of future actions.

The observed impacts are those of the policies explicitly or in many cases implicitly supported by food aid rather than of food aid *per se*. This is partly because food aid is only occasionally large enough to have had effects which can be separately distinguished. In most of the case-study countries, there is no separate statement of the food policies, in terms of internal prices, levels of subsidy and so forth, associated with food aid actions. There is also a lack of explicit coherently formulated food security policy; the *de facto* policy continues to involve some form of subsidised sale directly to consumers through administered retail prices or indirectly through cereals processors and millers. However, the case studies also confirm the widespread reduction in and phasing out of consumer subsidies as part of the process of economic liberalisation (see Table 5.1).

The partial additionality of EU programme food aid in the short run implies some increase in availability and aggregate consumption levels. Medium-term effects are ambiguous in some cases, as illustrated by wheat in Bangladesh, maize and wheat in Kenya and maize in Zambia. Elsewhere, as in the middle-income case studies (Nicaragua, Peru, China and Egypt), where there is no foreign-exchange constraint on cereals imports there is little evidence of effects on overall availability and consumption levels. The main impact on aggregate consumption is likely to have been in the conflict-affected economies with the severest balance-of-payments constraints, notably Ethiopia and Mozambique.

Food imports including food aid are widely considered to have had both immediate and longer-term effects on the *commodity composition* of consumption. Policies sustained by imports have increased the consumption of wheat and processed wheat products in Bangladesh and Egypt. The consumption of yellow maize in East and southern Africa and of rice in Cape Verde and Mozambique is probably higher as a result of food aid-supported import policies. Wheat-related products are important, particularly in urban consumption, in most sub-Saharan African countries which do not produce, or lack a comparative advantage in the large-scale

Table 5.1 Status of subsidies on sale of EU programme food aid commodities in case-study countries, 1989-94

Country ^a	Cereals	Non-cereals
	70	
Mali	CS	-
Ethiopia	CS	-
Mozambique	CS	CS
Mauritania	CS	CS
Bangladesh	CS removed	CS
Zambia	CS removed	CS
Kenya	CS removed	-
Cape Verde	CS	-
China	CS	WS
Nicaragua	CS removed	WS
Egypt	CS reduced	-
Peru	CS removed	-

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Notes: a In order of HDI ranking (see Table 3.2).

CS: Consumer subsidy in place 1989-94;
WS: Wholesale/industrial subsidy in place 1989-94;

Source: As for Table 3.2

production of, wheat. However, as many countries import all or most of the wheat and flour commercially, these developments cannot be attributed to food aid *per se*. Rather, its role is one of having supported trends in consumption that would otherwise have been sustained by commercial imports including smuggling, as in the case of the Sahelian economies (for example, wheat from Mauritania to Mali).

Supporting household food security of poor and vulnerable groups The socio-economic and spatial incidence of food insecurity limits the scope for targeting or systematically biasing market-based intervention in favour of poor and vulnerable groups, as illustrated by the 5 case studies which focused more closely on food security issues. For example, in Bangladesh food insecurity is concentrated among the landless, female-headed households, the elderly, those with least effective demand or least able to assert their entitlements. The food-insecure are also relatively concentrated in more risky environments, such as riverine areas vulnerable to flooding and coastal islands. In

Mozambique the food-insecure are rural and have been concentrated in the regions most affected by conflict. In Cape Verde, they are concentrated on some of the least developed islands and amongst the rural unemployed and underemployed. In Egypt, the poorest are concentrated in the rural areas and in Peru they are disproportionately in the highlands in provinces away from the capital. In the four larger economies (i.e., excepting Cape Verde) there is also considerable, closely interrelated, extreme poverty, underemployment, malnutrition and ill health in the urban slums and the informal sector. The absolute, if not relative, numbers of the urban ultra-poor are growing rapidly.

The socio-economic impacts of policies supported by food aid depend on the incidence of subsidies and also the characteristics of the aid commodities. Some aspects of the policies may be at least relatively weighted in favour of the food-insecure. In Cape Verde and Egypt, general subsidies and some elements of the self-targeting of commodities have been advantageous to the poor. In Bangladesh, the subsidised monetised channels of public distribution benefit the poor less clearly. In urban areas eligible groups were largely employed in the public and formal private sectors. Rural rationing was both poorly targeted and extremely leaky. Wheat, the main commodity subsidised, is a small proportion of consumption, except in the towns, and a substantial part of the wheat in rural areas is provided by targeted interventions and market purchases of food leaking from these programmes. The overall effect of food policy has been to reduce inter-seasonal fluctuations in prices, but this has more to do with the growth of irrigated rice and the better integration of markets. Open market sales involving monetised food aid affect prices to only a limited extent.

The controversial effects of food policy in Mozambique illustrate the difficulties of clearly determining the food security implications of food aid in a period of post-conflict reconstruction. Are subsidised sales consistent with a reintegration of the marketing system and a return to greater self-sufficiency where there is enormous potential for rural food-insecure

people to grow more food? The contrasting experiences of Mali and Mauritania illustrate the wide range of possibilities depending on how policies interact with a more favourable period climatically; both have experienced significant improvement in food security, but in the former with greater self-sufficiency whilst in the latter dependence on imports and subsidised distribution has continued. Consumption of subsidised imported commodities is concentrated in urban areas virtually throughout sub-Saharan Africa.

The so-called 'self-targeting' of commodities has been the subject of much policy analysis. These effects can sometimes be progressive, involving an income (transfer) effect for poorer consumers. For example, in the case of soft wheat which is an inferior good in Bangladesh, this effect has become even clearer with market liberalisation; the private sector is now importing different, higher grades for a largely urban market for processed products. The subsidised bread market in Egypt similarly involves a high proportion of low-income consumers. Imported maize in Cape Verde and yellow maize types in Mozambique are again consumed disproportionately by low-income, more vulnerable households.

There are, however, limits to such a use of 'self-targeting' commodities. There is evidence from Cape Verde and Egypt that some subsidised maize and wheat have been used for animal feed. There is also some evidence from East and southern Africa that yellow maize may be disposed of in this way as well as other commodities provided on programme terms in the past. In the case of rice (Mozambique, Cape Verde) and non-cereals (vegetable oil in Bangladesh, milk products in China), the limited evidence indicates that these are more likely than other commodities to be regressive in the distribution of benefits. However, throughout most of sub-Saharan Africa wheat is also likely to have regressive income effects.

The lesson of these experiences is that the differentiating characteristics of commodities should be carefully considered. There is no basis for generalisations that rationalise the provision of what happens to be available for supplier reasons, such as soft wheat, yellow maize or short-grain rice. These may be highly inefficient ways of trying to achieve an income transfer to the poorest households.

Local purchases, triangular transactions, and also finance for commercial imports generally appear more likely to accord with local tastes (beans in Nicaragua, white maize in East and southern Africa, and *tef*, if available, in Ethiopia). However, this means that the commodities are likely to be widely acceptable to all consumers, thus precluding implicit targeting on poorer households. Such imports and local acquisitions are also likely to pose fewer problems for local processors, as in the case of Argentinean wheat in Peru. However, where markets are thin, as in Mozambique, local purchases or even the prospect of such operations can lead to price spikes and speculative hoarding in the source region and thus potentially negative effects on poor consumers. The success of such operations requires expertise in purchasing and transport arrangements and good market intelligence.

The range of case-study experiences indicates that programme food aid is not an ideal instrument for directly promoting household food security. It also indicates scope for improvement. In most cases the historic threat of famine has receded (Table 3.2). In China, Egypt, Ethiopia, Mauritania, Peru and Zambia there no longer appears to be a rationale, in terms of the likely direct impact on household food security, for continuing to provide programme food aid under normal circumstances. Bangladesh and Mali also illustrate circumstances favouring a strategy that allows for a shift away from programme food aid, in the

one case to supporting targeted interventions, in the other to financial assistance, as a way of promoting food security. Cape Verde exemplifies the challenge of a small, but not least developed, economy likely to remain food import-dependent indefinitely. Much has been achieved in food security, but the question arises as to whether programme food aid or finance for import support is the more appropriate, relatively resource-efficient way for the EU to contribute to sustaining these achievements.

There is professional near-consensus, reflected, for example, in the International Conference on Nutrition in 1992, that addressing poverty and problems of poverty-related access to adequate and nutritionally satisfactory diet is a necessary condition for achieving a satisfactory nutritional status for vulnerable groups. However, disease, general hygiene and water provision as well as education levels are also important factors. Programme food aid is a blunt instrument. In a few cases it has been critically important in ensuring adequate food availability, usually in conflict- or natural disaster-related situations of acute food insecurity. In some cases it has supported policies that are on balance progressive in their distributional implications, but in other cases the policies were regressive. However, in the context of liberalising foreign-exchange and domestic food markets, as the case studies indicate, there are decreasing opportunities for using programme food aid in this way.

Table 5.2 provides a qualitative summary of the case-study evidence on the nutritional impact of food aid more generally, and EU programme food aid specifically. In only half the recipients did food aid overall have a significant impact on national food security, namely availability, in the early 1990s. In some cases, notably Mauritania, Kenya (a mixed case with different donor actions respectively positive and negative) and China (dairy products), these effects were not necessarily positive. EU programme food aid was a marginal resource in all but three cases.

The nutritional impacts are more speculative, but were probably positive, partly because of the aggregate effects on availability. Relief and targeted projects also have to be taken into account, as in less satisfactory cases such as Kenya and Mauritania, in producing a possibly overall positive outcome. Relief aid was especially important in countries with acute food insecurity. The targeted distribution of project food aid appears to have been especially significant in Ethiopia, Mauritania, Bangladesh, Cape Verde, Nicaragua and Peru. In only four cases (Cape Verde, Ethiopia, Mozambique and Zambia) did EU programme aid appear to have even marginal positive impacts. Again, these impacts were largely concentrated in least developed economies in crisis or with severe chronic food insecurity.

Table 5.2 National food security and nutrition impacts of EU programme food aid: Qualitative assessment for case-study countries during 1989-94

Country ^a	National food security		
Synthesis Report			73
Impact			
	All food aid ^b	EU PFA	5.2 CPFs and household food security
Mali	(*)	(*)	The growing attention given to the links between food commodity support and the budget or public expenditure has resulted in greater donor interest in associating CPF usage with promoting household food security (see section 4.4). The clearest example is the new EU Regulation which stresses providing food aid in the context of a longer-term strategy focused on poverty alleviation (European Council, 1995). In the past this was not a priority for programme aid, except in the sense of linking budgetary support to agricultural development. Consequently, as the detailed analysis in Chapter 4 indicates, there is little evidence that EU programme food aid had, or was intended to have, such impacts.
Ethiopia	*	*	
Mozambique	*	*	
Mauritania	*	(*)	
Bangladesh	*	(*)	
Zambia	*	(*)	
Kenya	(*)	(*)	It is difficult to demonstrate that agricultural development with which CPFs were associated was targeted at poor, food-insecure regions or groups, for example in Bangladesh, Egypt, or Mozambique. The additionality of on-budget agricultural sector expenditure is not established. Nor is the pattern of agricultural development expenditure demonstrably influenced by the assignment of CPFs. There is no evidence of priority in agricultural sector programmes for especially food-insecure regions (spatial targeting) and vulnerable groups. Cape Verde and Peru are the conspicuous exceptions, the former with its large aid-funded rural employment and income-support programmes, the latter with CPF-supported activities concentrated in the poorest regions and implemented by NGOs and church organisations. There are also, in for example, Bangladesh, Ethiopia and Mozambique, initiatives in this area which are too recent to evaluate.
Cape Verde	*	*	
China	(*)	(*)	
Nicaragua	(*)	(*)	
Egypt	(*)	(*)	
Peru	(*)	(*)	
Notes: +/-	Clear positive or negative impact		5.3 Conclusions
(+)/(-)	Marginal positive/negative impact		
/()	Significant/marginal resource transfer		
...	Indeterminate effect		
a	In order of HDI ranking (see Table 3.2)		
b	Including all donors		

Source: As for Table 3.2

The uncertain and modest impact of EU programme food aid on food security is underlined by the case studies. Partly this is a matter of the scale of resources required to make a substantial impact. Partly, the marginal and inconclusive impacts reflect a multiplicity of objectives and the trade-offs this implies. Providing food commodities as import support is a more obvious instrument for enhancing national food security by assuring overall supply. In the study period such assistance has been part of complementary actions to support food security, also involving relief and project food aid as well as financial aid. Programme food aid is most likely to have an effective role in combating food insecurity in the context of two sometimes overlapping problems: first, as part of a response to a short-term crisis, induced for example by a drought shock as in southern Africa in 1991/2 and again in

1994/5; second, in a continuing situation of severe food insecurity often associated with conflict. There has been a third but perhaps now less common situation of chronic food insecurity associated with a severe structural balance-of-payments problem, in which programme food aid played a critical positive role. This was the situation in Cape Verde after independence.

The complex of pathways by which the nutritional status of vulnerable groups is determined makes it difficult to establish in any scientifically satisfactory way relationships between programme food aid and nutritional status. Malnutrition has clear demographic dimensions in terms of status and growth relationships for children. It also has socio-economic dimensions in terms of poverty. However, its spatial dimensions are recognised as increasingly complex. The evidence brought together in this evaluation is mostly non-negative in its conclusions about the relationships between food imports, food aid and the direct implications for nutritional status. However, there is little evidence in either the Stage One review of previous findings or the case studies of any strongly positive impacts of food aid more generally or programme food aid more specifically. This indeterminacy in findings is clearly illustrated when particular Extended Studies allowed a close examination of the evidence, for example on Bangladesh and Peru.

The various findings on issues of effectiveness in this and the preceding two chapters indicate some of the necessary conditions for programme aid having a possible role in poverty alleviation and promoting longer-term food security. Overall, the case studies underline the highly country-specific nature of impacts on both national and household food security and the need to avoid simplified assumptions about an appropriate strategy and appropriate commodities. Recipient governments and agencies may have become accustomed to making the best use of what happens to be available. The onus is therefore on the aid provider to assess carefully the consumption and implied income-distributional implications of the commodities provided as well as the impacts on public expenditure of CPF arrangements. The policy implications are considered further in Chapter 9.

Endnotes

xi. There are possible exceptions where specific micro-nutrient deficiencies are widespread within the whole population. In such a case nutritional and health improvement might be achieved by fortification of processed staples such as flour or meal. The fortification of a dietary essential, salt, with iodine to prevent goitre is the most obvious possibility.

xli. The 1989 evaluation of US programme food aid is quite emphatic (USAID, 1989:x)

Whether or not programme food aid adds to food availability, there is no evidence that such aid leads to a widespread or substantial improvement in the nutritional status of the lower-income population, at least in the short run, *and the design of the programme effectively precludes such an impact at present* (emphasis in the original)

6

Efficiency of EU Programme Food Aid: Management and Operational Issues

6.1 Issues and methodology

The operational or managerial efficiency of food aid can be a critical determinant of effectiveness. Issues of assured delivery dates, timeliness and selection of appropriate commodities are all aspects of efficiency. As already noted in Chapter 3, the extent of unplanned additionality - operational problems resulting in greater than intended levels of food imports - reduces the effectiveness of programme food aid as a source of balance-of-payments support and in supporting government efforts to assure availability without negative impacts on local agricultural production. Operational inefficiency can also reduce the effectiveness of budgetary support from CPFs. This chapter considers the cost-effectiveness aspects of managerial or operational efficiency and provides the context for the review of resource transfer efficiency in Chapter 7.

The evidence from the country studies has been reviewed in terms of a checklist of efficiency issues concerning the supply of food aid (section 6.2) and the management of CPF arrangements (section 6.3). Issues of operational efficiency were examined during Stage One of the evaluation but were not identified as a high priority for evaluation during the country studies. The country studies were unable to obtain information on a complete and consistent basis, particularly within the time constraints of the shorter rapid evaluations. Any attempt at overall quantification would therefore have been misleading. Nevertheless, the country studies did provide a substantial body of additional evidence on these issues, demonstrating the diverse and complex sets of arrangements that exist.

6.2 Operational procedures and management practices

6.2.1 Tendering procedures

Tendering procedures for both acquisition of commodities and transport vary in degrees of restrictiveness amongst the Community Action and Member States' programmes. Some practices are more likely to promote greater cost-competitiveness among tenderers, with an impact on cost-efficiency. For example, donor restrictions on the source of procurement of commodities, on the nationality of ships used for transport or on the port of shipment are likely to decrease the competitiveness of the tendering procedure. A detailed account of Member States' procedures is given in Annex B2.

A notable development in the course of this evaluation is that, since the EU single market regulations came into effect at the beginning of 1993, Union-wide open tendering is stipulated for the procurement of single contracts worth more than ECU 200,000. As the present

evaluation only covers the period to the end of 1994 it was not possible to demonstrate any clear conclusions as to whether there has been any significant efficiency gain as a direct result of this change.

Whilst an in-depth analysis of donor tendering procedures was outside the terms of reference for the individual country studies, several recognised their importance. In Kenya, where three EU donors provided programme food aid during the study period, the least restrictive procedure, that of the UK, which involved the provision of a financial grant and the transfer of responsibility for tendering to a private company, was found to be particularly efficient. Restrictive procedures were identified in Nicaragua and Peru as a major cause of loss of efficiency both in terms of costs and in the provision of inappropriate commodities. On the other hand, no strong relationship between restrictiveness and cost-efficiency was found in Mozambique.

Several case studies also included a comparison of the cost and overall efficiency of alternative purchasing procedures such as triangular transactions or local purchases, or commercial imports organised by the recipient government, in some cases supported by financial assistance from donors (see section 6.2.8 and Chapter 7). The evidence supports the view that more flexibility in tendering procedures typically, but not necessarily, enhances efficiency.

6.2.2 Method of payment

Within the EU payment is broadly of two types. Some agencies contract commodity tenders on a full internal market basis including the restitution element, and others at international (export) prices, leaving suppliers to reclaim the export refund themselves from the relevant national intervention agency. In the former case, the food aid title of the Member State aid budget may meet part or all of the restitution payment. But if this cost is not reimbursed, there may be distortions; in effect, food aid is subsidising the financing of the internal market. This would also potentially increase the cost to the donor of food aid purchased within the EU.

The Commission concludes purchases of food aid from within the EU at the world market price, with export refunds^{xliii} paid directly to the suppliers from national bodies. The Community Action food aid budget is funded under two headings, section B1 and section B7.^{xliiii} Since the export refund associated with a particular food aid action cannot be separately identified, the exact cost of the aid cannot be ascertained. Thus this procedure is not fully transparent. France, Germany and Italy normally contract commodity tenders on a full internal market basis, including restitution. The UK and Denmark pay suppliers net of restitution, with suppliers reclaiming the refund themselves.

This latter method may ease the administrative burden on development co-operation agencies and simplify the contractual process from the point of view of the donor government, effectively shifting this hidden transaction cost to the supplier. It also avoids the statistical confusion which can occur if payments to suppliers fall in one financial year and restitution payments are made in the following one, possibly resulting in the reporting of a negative flow of food aid. However, if suppliers were paid the internal market price instead, this might increase the competitiveness of suppliers in EU Member States where refund payments are made relatively slowly. Restitution payments are reclaimed from the intervention agency in the country where the commodity is cleared through customs; suppliers may therefore prefer to carry out export formalities in countries where the payments will be made relatively quickly. For example, in the case of Community Action cereals food aid, a number of commercial

suppliers choose to ship from Rotterdam, although the Netherlands is not a significant cereals producer. This implies that companies based in the southern Member States may be at a disadvantage because of the higher costs entailed in moving commodities to northern ports.

6.2.3 International transport

International transport costs are partly determined by the degree of openness of the tendering practice, as already discussed. For example, an examination of all food aid and commercial food shipments to Zambia revealed that transport costs ranged from \$29 per tonne for commercial imports to \$75 per tonne for the most restrictive food aid shipment. The transport costs of food aid to the point of entry to the recipient country also vary between destinations and between consignments depending on a number of factors including: the distance travelled; whether the country is landlocked, implying land as well as sea transport; whether the route taken is a regular commercial shipping route; the type of ship used (liner or charter), which is in part determined by the route taken and the size of shipment; the type of packaging; and the level of 'red tape' costs.

The impact on costs of whether ships are operating on fixed or flexible routes is demonstrated by the Peruvian study. As would be expected, shipments using well-established trade routes are significantly less costly. For both the Latin American case studies, international transport costs from Europe of programme food aid appeared to be substantially higher than shipments from Western Hemisphere sources of commercially imported commodities.

Community Action cereals programme aid is normally shipped in bulk (not pre-bagged) in the smallest number of shipments. This consolidation of cargo can permit savings but may entail logistical problems at receiving ports with low capacity for handling large shipments. Two case studies explored this issue in depth, testing statistically for economies of scale gained by using fewer, larger shipments. The China study found no evidence of economies of scale for shipments of skimmed milk powder, but concluded that for butter oil most shipments were of a sub-optimal size and potential savings could be made by consolidating (combining) cargoes. The Bangladesh study reported inconclusive evidence on economies of scale.

In the case of Community Action food aid delivered free-at-port-of-landing, under Regulation 2200/87 commodities must be delivered ex-quay, which entails the supplier bearing all risks to the point when the goods are unloaded. In contrast, Member States' delivery free-at-port-of-landing is typically made on a cif basis, with the supplier responsible only to the point of loading and with the insurance contract made in favour of the beneficiary. Ex-quay delivery has significantly improved the image of Community Action aid since, as they are responsible to the point of delivery, suppliers have to ensure that the quality of the food is maintained during transport.

During the study period, all the Member States and the Commission favoured the provision of programme food aid to the case-study countries on a cif basis. The exception was Egypt; both France and the Commission provided food aid on a fob basis, with the Egyptian authorities responsible once the commodities were loaded on-ship. A quasi-public Egyptian agency was responsible for transportation using commercial transporters. However, as the rates reported appeared to be substantially higher than commercial company quotes in Egypt, especially in the case of wheat, the Commission has, since 1995, joined Belgium, Italy, Luxembourg and Spain in providing food aid on a cif basis.

6.2.4 Monitoring

The monitoring of commodities prior to the point at which they are taken over by the recipient government or organisation is a further cost. Particular importance is attached to monitoring by the Commission for Community Actions. Although the thorough monitoring procedure raises the cost of the Community Action programme as compared with those of the Member States, this cost may be partly or wholly offset by reducing losses due to delays and low quality, pilfering and deterioration of commodities which might have occurred in the absence of adequate supervision.

The Commission at present employs four monitoring companies to act on its behalf. The same agreed tariffs are charged by all monitors, and they cover all aspects of the mobilisation procedure until a final inspection at the port of delivery. The cost of monitoring undertaken in Europe is normally not included in the cif price as it comes under a different budget line. However, monitoring at the port of landing or the point of delivery is paid for by the recipient authorities and is, in some cases (e.g. Kenya), deducted from the CPFs generated by the sale of the commodities (see section 6.3.1).

In spite of rigorous monitoring procedures, disputes over quality and quantity of delivered food aid can still occur (see section 6.2.5 below). For example, even though Community Actions in Egypt were monitored by an agency assigned by the Commission to undertake quality, quantity and packaging inspections of goods at the port of shipment and by a representative of the Egyptian Ministry of Agriculture and the health authorities present during the inspection of commodities at the point of delivery, isolated disputes have arisen. Spain has also been involved in disputes over the quality of its food aid commodities to Egypt and, in the absence of formal monitoring conditions, was obliged to accept the decision of the Egyptian authorities.

6.2.5 Appropriateness, quality and packaging of products

The appropriateness and quality of commodities supplied, the degree of specificity of composition and the type of packaging and marking have a direct impact on the cost of a food aid action. Better quality and more stringent specifications normally imply more costly actions, reflecting the smaller market availability of the commodity specified. This raises a number of interrelated issues with regard to efficiency.

Case-study evidence indicated that the most common losses of efficiency resulted from the following:

- the provision of inappropriate commodities which as a result are sold at a lower than expected price with direct implications for the generation of CPFs. Disputes between donor and recipient may also delay either delivery or monetisation of commodities which, in turn, may lead to deterioration and even declassification.
- the provision of inappropriate specificities (qualities) of commodity types, resulting from donor quality specifications and/or reflecting availability in the donor country, may lead to a devaluation of the commodities for sale. Problems typically arise if the quality of the commodities supplied differs significantly from what is normally imported, if they are not in keeping with local tastes, not compatible with the processing capacity in the recipient country, or not sufficiently resistant to local climatic conditions.

- low-quality or inappropriate packaging can lead to a deterioration of commodities, problems for local handling and storing agencies, higher incidence of pilferage and an increase in costs.

The ways in which commodities are selected vary by donor and recipient, with the efficiency of this process reflecting the restrictiveness or openness of tendering procedures (see Annex B2). In general, the less restrictive the process and the greater the input from the recipient importing agencies in the selection process, the lower the likelihood that inappropriate commodities will be supplied.

In the case studies the types of commodities provided were found to be mostly appropriate for sale on local markets, despite restrictions on what was available as food aid from the donor country. Also the scale of EU food aid relative to the recipient's total imports and total food supply is usually small, and therefore any negative impact on domestic production incentives or local tastes tends to be marginal (see Chapter 3). However, in a number of cases, disagreements between donor and recipient about appropriateness led to problems with marketing and deterioration and declassification of the commodities. These problems tend to be commodity-specific:

Maize The most common issue is whether it is appropriate to provide a yellow or white grain type. Yellow maize is typically sourced in Europe, whilst white maize is grown in sub-Saharan Africa and is therefore usually more in keeping with local tastes. In post-crisis or non-emergency situations in, for example, Kenya or Zambia, yellow maize can only be sold on local markets at much lower than import parity price, if at all, thus creating marketing problems.

The lower prices also imply a reduction in CPFs generated (see below). These problems partly explain why local purchases and triangular transactions involving white maize have been replacing shipments of yellow maize from Europe.

Wheat One issue is whether it is more appropriate and cost-effective to provide wheat or wheat flour. In general, if adequate milling capacity exists in the recipient country, wheat is more cost-effective because it is cheaper to ship with lower risks of spoilage or loss in transit and store. The donor also avoids the extra cost of value added in milling. A second issue is the choice of grain-type. For example, soft wheat provided to Nicaragua by France was considered inferior by the purchasing mills, driving its sale price down. In Mozambique, millers normally combine hard and soft wheat, but the government has no choice of types to be supplied as food aid. In several cases (Mauritania, Cape Verde, Nicaragua) disputes arose over quality, with the recipient government authorities regarding the wheat provided as inferior and correspondingly downgrading it and reducing its selling price.

Rice Quality standards were raised in several case studies. The Commission and some Member States have provided round, or short-grain, varieties with a low proportion of broken, which are available for export from the European market. A general quality standard of 5% broken is imposed for rice acquired on the internal market for Community Action. However, the Commission waives this requirement in the case of triangular and local purchases, allowing up to 15% broken. In contrast, the WFP normally regards 35% broken as the standard grade for both development projects and relief operations. Some Member States also follow this standard in triangular operations undertaken with WFP bilateral services.

Recipient government behaviour also illustrates the complex issues involved. The Government of Bangladesh procures domestically typically low-grade, coarse (HYV) rice which is distributed through the public rationing system and direct distribution projects. However, its commercial imports for distribution to 'high priority' groups through the public distribution system have been Thai 5% broken or their equivalent. Lower grades are likely to be 'self-targeting' on poorer income groups, whereas higher-grade rice may be more generally acceptable and more likely to be consumed by middle- and upper-income groups.

The Commission has normally supplied 10% and sometimes 5% broken rice as Community Action to Mozambique. The latter is regarded locally as a luxury commodity and its provision as food aid raised the possibility of informal re-exportation to neighbouring countries, in particular South Africa. In Cape Verde, there has been a dispute over grain length. The short-grain rice provided is regarded as second-quality according to the local authorities. However, the Commission and Germany have both considered short-grain rice as in keeping with the first-quality rice stipulated in the donor-recipient agreement and therefore regard the agreed selling price as valid.

Vegetable oil The only reported problem was complaints by the Nicaraguan import companies that the type of oil provided as Community Action needed further refining before it could be sold on local markets, which represented an additional cost. However, the study noted that this may have been an attempt to strengthen their bargaining position in negotiations over the sale price.

In general, the problem partly results from having different specifications of the type of commodity suitable for procurement on European or international markets, which may not be suitable for every recipient country. The Commission has detailed rules covering composition, quality, packaging, storage, labelling and marking to which commodities supplied as Community Action food aid must conform. It also lays down special provisions on a case-by-case basis where appropriate. The current rules, C114, introduced in 1991, cover a number of products and largely pertain to tighter regulations on packaging and marking. Since 1987 there appear to have been fewer complaints about the quality and the exact tonnages of food aid actually delivered as Community Action, reflecting the highly specific nature of the regulations as well as the importance the Commission attaches to monitoring.

Although Commission specifications are broadly in accordance with international standards, in some cases they exceed them. For milk powder^{xliv} and sugar in particular, EU standards are higher than the commercial norms, which could force up costs. Only three or four companies usually respond to the Commission's tenders for milk powder and sugar, partly because of these specifications. Also, traders rather than producers typically respond to bids for milk powder because the delivery and tendering procedures are quite specialised. The bulk of milk powder supplies appears to come from a few marketing organisations, and there has recently been a close examination of the cost-effectiveness of these procedures.

Cereal quality specifications for Community Actions are intended to provide commodities appropriate for human consumption, whilst also allowing competition across EU markets. If the narrowest protein quality standards were applied, this would effectively restrict procurement sources and could increase costs.

Some Member States, for example Germany and Denmark, follow the Commission's regulations on specifications while others employ their own. The UK uses specifications roughly similar to the Community Action feed-wheat specification but with lower requirements regarding impurities and moisture content (14%). A technical manual for use by NGOs in the procurement of food aid has recently been commissioned by the UK Government.

Problems of appropriateness can be resolved to some extent by procuring local traditional cereals either within the recipient country itself or in neighbouring countries. However, evidence from the country studies shows that this is often far from straightforward. Monitoring of commodities procured locally in third countries is more complex than for direct transfers. The examples of France procuring sorghum in Mali for delivery to Mauritania and white maize in Togo for Cape Verde demonstrate that, especially when undertaken on an occasional basis, such actions can be time-consuming, costly and may not necessarily avoid disputes over quality. Difficulties can also arise in evaluating performance when quality specifications are either not adhered to or different interpretations are applied. Donor knowledge and experience of the local market appear to be important in determining the successful mobilisation of food aid commodities in third countries or as local purchases.

The Mozambique study noted that triangular transactions can only be carried out on the assumption that surpluses exist elsewhere in the southern African region, and that when there is a region-wide production shortfall as happened in 1992 and, to a lesser extent, 1994/5, the cost of procuring the preferred white maize may be prohibitive.

Packaging also has an impact on costs and operational efficiency. The choice is partly determined by the commodity, although for each commodity there is a choice of packaging material and size of unit with varying associated costs. TecnEcon (1992), in an analysis of 170 direct and indirect Community food aid actions over the period 1987-91, found that containerised shipments are the most expensive and bulk shipments the cheapest. However, it also noted that containers offer greater security against loss through pilferage and damage. A trade-off exists, therefore, between the desirability of good quality packaging and the associated costs. It is more difficult to impose rigorous packaging standards on commodities purchased in developing countries. Quality regulations on such purchases for Community Action are therefore sometimes not enforced.

Packaging problems with programme aid appear to arise infrequently.^{xlv} An efficient choice of packaging often involves balancing unit costs and robustness of packaging.

6.2.6 Timeliness of delivery

The decision on when to deliver food aid commodities in a non-emergency situation should take into account both the seasonal pattern of production and storage and the expected timing of other imports including food aid from other donors. A systematic quantitative analysis of lead times from request to delivery is therefore not the most appropriate way of measuring the timeliness of programme food aid actions, unlike food aid provided in emergency situations. Case-study evidence suggests that the predictability and assuredness of delivery date tend to be more important to the recipient than speed of delivery and the time-lag from commitment to arrival.

Untimely and unpredictable deliveries are more a problem in food-aid-dependent countries with a low capacity for replacing expected food aid deliveries with commercial imports, especially at

short notice. Also, the impact is likely to be worse where the types of commodities provided as food aid are not normally imported in large quantities commercially and the storage capacity is small or inadequate, as in the case of small island economies such as Cape Verde and São Tome. In emergency situations the effects of long delays and unpredictability would be expected to be more dramatic. In these cases, co-ordination between donors is required to ensure that their deliveries do not coincide with each other or with commercial imports.

One measure of the timeliness of delivery is the rate of disbursement of food aid relative to the programme year in which it was approved. As noted above, there are some difficulties in analysing programme food aid on this basis. Seven of the case studies noted that either none or very few shipments arrived in the year in which the action had been approved, although in some cases because the actions were approved at the end of the programme year they could not be mobilised within that year. It is therefore more relevant to consider the lapse of time between approval and delivery of a food aid action. This varies considerably between donors and recipients. Whilst most actions are approved and delivered within 6-8 months, for Community Actions a time lag of over 12 months was not uncommon and in several cases it was more than 2 years. The fastest programme food aid action reported during the study period was the UK-funded white maize from South Africa to Kenya, handled by the private sector, which took less than two months from approval to the first delivery, with a second delivery a month later.

For some actions, delivery may be delayed because of disagreements about the price at which the commodities should be valued for sale. Since 1989 deliberate postponement was reported involving other EU donors in Bangladesh, Kenya and Mali as well as Cape Verde.

The often unpredictable time-lag between commitment and arrival was found to be problematic for several case-study recipient governments, particularly if during a period of acute grain shortage the government is forced to initiate commercial imports in the interim period to maintain food availability.

Among case-study countries, the timing of deliveries was considered most important in Cape Verde, given the size of the market in which the commodities are to be sold, the relative scale of the aid, the port, storage and handling capacity available and the level of reliance on food imports. The lack of a reliable supply of food aid means that security stocks need to be maintained at a higher level, relatively expensive *ad hoc* commercial imports need to be made if scheduled food aid deliveries do not arrive on time and, if large shipments arrive at the same time from different donors, this puts a strain on port and storage facilities. The flexibility of the Dutch food aid facility, which involved financial support for the untied import of basic food commodities, enabled the Cape Verdean authorities to mitigate some of the problems caused by the unpredictable deliveries of other donors.

The arrival of large consignments of cereals food aid around the time of the main harvest can depress local prices, with a potential negative impact on domestic production. The coincidence of food aid deliveries with substantial arrivals (relative to port handling capacity) of other imports can create bottlenecks, sometimes resulting in costly delays in off-loading and problems in providing secure and weather-proof storage. The potential scale of such problems depends on the type of commodity and the size of the shipment in relation to the recipient market. In terms of the impact on local markets, it is the timing of the distribution that is critical, and not the arrival in port. In Nicaragua, delays of up to two years in the delivery of

Community Action and French wheat and vegetable oil caused no major problems for local markets, as both commodities are commercially imported in large quantities and storage capacity is adequate. In Bangladesh, Egypt and Peru also, the potential disruptive effects of the arrival of the food aid were found to be marginal.

Across the 12 case studies, EU programme food aid, in general, appeared to respect the agricultural calendar of the recipient country and, in most cases, did not cause logistical problems for the local authorities by coinciding with deliveries of non-EU food aid or commercial imports. The exception was in Mauritania, where insufficient donor co-ordination led to frequent problems of food aid shipments arriving at the same time and also coinciding with commercial imports. This led to delays at the ports and ultimately to the deterioration of some of the commodities.

The Zambian study provides an example of the use of programme food aid in an emergency situation, with timeliness evidently a major concern. Most of the EU programme food aid arrived after commercial imports which had also been arranged as a response to the drought, and at least six months after the declaration of the emergency. In the event, this did not cause major problems, given the scale of the overall response. In fact, the delays in some shipments helped to avert logistical problems for South African ports and overland transport structures already under pressure due to the unprecedented scale of imports. However, two Community Action shipments arrived a year later and after the end of the emergency had been declared.

6.2.7 Internal transport, storage and handling

The country studies attempted to examine the ITSH costs incurred in the recipient country, as well as the related administrative costs of EU food aid actions, in order to ascertain the actual cost of each action delivered to the point of sale. In many cases no information was available.

Where it was made available, it was apparent that there are no set donor guidelines for dealing with internal costs reflecting the specific conditions, such as the size of the country and the modes of transport available. In most cases ITSH costs are not paid directly by the donor agency but are sometimes deducted from the amount to be paid into the CPFs either on a declared cost basis or as an agreed proportion of the funds generated (see section 6.3).

ITSH costs can represent a significant proportion of the total delivered cost of a food aid action.

In Bangladesh it was found that, taking into account all programme wheat and vegetable oil shipments between 1989 and 1993, internal costs represented 19% and 8% respectively of the total delivered cost. In Egypt the amount accounted for by internal costs is fixed annually for each commodity by the donor agency and the Egyptian Government. Some donors, however, allow costs to be deducted as declared by the Egyptian authorities. There was evidence to suggest that these tended to exceed the actual costs incurred, with claimed internal freight costs for food aid typically exceeding commercial costs by some 30%. Frequent discussions take place between donors and the Egyptian Government about international transport and ITSH costs, with different rates reflecting bilateral agreements with different donors. In Ethiopia there is no consistent donor policy on responsibility for internal costs, or at what level they should be set, although they tend to be relatively high, reflecting poor infrastructure and the lack of a competitive internal transport market.

In China ITSH costs are the responsibility of the port authorities and the handling agencies; they are borne by the municipalities receiving the commodities and are not deductible from the CPFs generated. In Mali where the internal handling of programme food aid deliveries to

the national warehouses is the responsibility of the WFP, internal charges represented a reasonable 6.3% of the total cost of the food aid action, whereas in Mauritania a third of the total CPFs generated was deducted by the recipient government to cover the ITSH costs of EU and German programme food aid. In Peru food aid is delivered cif and includes unloading costs. Other related entry costs such as customs are the responsibility of the company which has purchased the commodities prior to the ship's arrival at the port of landing.

6.2.8 Triangular transactions and local purchases

As noted in Chapter 2, there has been a substantial increase in the use of triangular transactions and local purchases, in some cases to help encourage the restructuring and liberalisation of internal markets. Half of the case-study countries were recipients of triangular transactions and/or local purchases during the period 1989-94. Developing country purchases tended to be more cost-efficient than direct transfers of Europe-sourced food aid (Chapter 7). A second advantage is the provision of commodities that are more appropriate for local tastes. Triangular transactions can also be more rapid and timely than direct transfers (Kenya) and can lead to a decrease in the amount of commodities spoiled or lost during transport (China).

In some cases, however, these purchases can involve difficult implementation problems in procurement, transport, quality and monitoring. For example, the French action involving the transfer of 4,000 tonnes of sorghum from Mali to Mauritania took 18 months to set up before it was discovered that the first delivery did not correspond to agreed specifications.

This and other cases, in, for example, Cape Verde, illustrate how managerial and operational weaknesses either in the recipient or the supplier country can lead to lengthy delays, poor quality or deterioration of commodities, and large unforeseen associated management costs. There may also be problems with the interpretations of donor specifications governing the type, quality and packaging of the commodities, which can result in further confusion and delays. An improvement of both operational and management aspects of tendering procedures for such actions is required (Walker, 1996). In particular, donor agencies need some knowledge of the local market before inviting tenders. The WFP has found that a closed tender under which it approaches certain producers/exporters known to have the capacity to respond enables it to build up a knowledge of the market-place.

6.3 CPF arrangements

6.3.1 Valuation of food aid commodities

The choice of prices at which programme food aid is valued and sold for the purpose of constituting CPFs can have important implications for the level of funds generated, the financial position of the institution handling the monetisation, the implicit level of support which donors provide to domestic government pricing policies and domestic food markets. With the notable exception of the Commission, EU donors have no broad policies with respect to the valuation of programme food aid. Instead, decisions are taken on a country-by-country basis (see Chapter 4). Monetisation is typically handled by a government institution or cereals parastatal.

However, there are a few exceptions where food aid is sold through commercial tender (such as a 1994 UK action in Kenya) or via another channel because government monetisation has proved highly ineffective. Most notably, in Peru several NGOs have developed roles as

monetisation agents and WFP is the only body currently using the services of a government agency.^{xlvi}

Price options The appropriate valuation price depends partly on the objectives of the food aid action. If the main aim is to provide balance-of-payments support, then the level of CPFs generated is of less concern than if the objective is specifically to generate local currency funds.^{xlvii} The recipient government has a similar incentive to ensure that CPFs are not undervalued to the extent that it supports the way they are used and they are not fungible. The choice of price can also have a distortionary impact on domestic prices and markets, with possible implications for food security and import dependence (see Chapter 4).

Recognising the economic efficiency argument for relating all prices to import parity price, practically four basic accounting prices can be used: the international price fob - i.e. the competitive international price at the point of export; the international price cif or import parity price - i.e. the international fob price plus shipping and handling charges and, in the case of landlocked countries, overland travel costs to the point of entry into the recipient country; the official domestic wholesale price; or the open market domestic wholesale price.^{xlviii} Food aid can also be valued on the basis of its cost to the donor which may differ from the import parity value. Ideally, the basis of the valuation should be specified in the agreement between the donor and the recipient government and should be adhered to, thus avoiding disputes and delays in the constitution of CPFs (see below). In the case of multi-annual agreements more flexibility may be required, with the valuation basis adapted over time to reflect changing circumstances.

Ex ante, donors typically appear to prefer, and EU Regulations stipulate, the valuation of food aid at the world market price at the date of delivery on a cif basis.^{xlix} However, in practice, a variety of prices have been used, in some cases reflecting donor attempts to help instigate cif pricing policies domestically, while recognising that it may not be possible to achieve this immediately, and in others reflecting donors' non-interventionist policies. Furthermore, even definitions of cif prices are not necessarily straightforward, as illustrated by the examples of Cape Verde, Egypt and Peru. All programme food aid to Cape Verde is priced at 'cif' values determined by the government; unlike real international prices, these have remained constant over time for most commodities. The internal cif values of top-grade maize, rice and vegetable oil have exceeded the cif values of commercial imports, whilst those of second-grade maize, skimmed milk powder, wheat and rice have been lower. Donors have generally accepted these internal cif prices as an explicit way of supporting the government's policy of low, stable food prices.¹ The one notable exception has been the Netherlands whose food aid, purchased under a financial aid instrument rather than provided as programme food aid, has been valued on the basis of actual import costs.

Definitions of 'world market' prices have also been discussed at length in Egypt and, although some food aid is supposedly valued on a world market basis, the actual prices used do not necessarily correspond to internationally quoted or traded prices. In Peru, cif prices are defined in terms of the price which could be obtained through a commercial transaction with major suppliers on the world market. Given the scale and frequency of cereal imports, this often implies using the actual cost of a recent import. In the case of commodities for which there is no exact equivalent on the world market (for example, soft wheat), the price of the most similar product is taken (hard wheat) and a calculated coefficient applied.

There is a strong case for valuing the aid on a domestic price basis in instances where monetised food aid is acquired through purchases within the recipient country. In cases where domestic prices have exceeded the cif price there have been relatively few problems. Donors have been happy to accept the domestic price as, for example, in Bangladesh, or cif prices have been used and the institution handling the monetisation has stood to make a profit, as, for example, in Kenya and Ethiopia in the past. In Bangladesh, Community Action programme food aid is valued on the basis of the ration price for the commodity in the Public Food Distribution System prevailing at the time of delivery; if this is lower than the cif price then the cif price is applied. However, in practice, the ration price of wheat, the main form of programme food aid, has recently been on a par with, or higher than, the open market price which presumably has reflected the cif price.

In Kenya, however, the high domestic price, together with the new liberalisation of the foreign-exchange regime, resulted in a flood of commercial imports which made it extremely difficult to sell the food aid at the domestic price, in turn delaying the constitution of CPFs.^{li} This underlines the importance of adapting foreign aid instruments and associated procedural arrangements in keeping with changes in prevailing circumstances. In Ethiopia, the devaluation of the Birr also narrowed the margin between cif and domestic prices, with the former sometimes exceeding the latter. The Ministry of Finance had been expected to compensate the cereals parastatal handling the monetisation out of the CPF account, the idea being that any subsidies to a public enterprise should be transparent.^{lii} In practice, six months after paying the money into the account, the parastatal was still awaiting reimbursement.

In other case-study countries domestic food subsidy programmes have complicated monetisation arrangements. In Egypt, food aid in the past has been valued at the subsidised price, implying that any beneficiaries of the subsidy programme are ultimately beneficiaries of the food aid itself. In contrast, in Mozambique EU Member State programme food aid has been sold at subsidised prices but valued on the basis of the gross official price, implying that the marketing institution would sustain a loss on the operations. Similarly in Egypt, Community Action and French wheat programme aid has recently been valued at the world market price, effectively implying some element of transfer of resources between the ministries handling the monetisation and benefitting from the CPFs generated.

In Zambia, maize provided under a Community Action in response to the 1991/2 drought was valued at the government's target price under its deregulation programme, although the Commission had originally tried to negotiate valuation on the basis of the cif price. This target price assumed the phasing out of maize subsidies. In the event, however, the government abandoned its efforts to eliminate subsidies because of the increased economic hardships resulting from the drought. As a result, only 50% of the amount required to be deposited as CPFs was actually generated. The shortfall appears to have been made up initially from a general donor CPF account, to which all funds were ultimately re-transferred for use in support of the government's Drought Relief Fund.

More generally, economic reforms appear to have helped to reduce problems. In Mozambique official prices are gradually being moved in line with import parity prices. Liberalisation may also increase the scope for conducting monetisations through a more transparent auctioning or tendering process, as is already done by certain donors in some countries, notably Nicaragua and latterly with the 1994 action in Kenya. This requires a large number of buyers to ensure a truly competitive process. Attempts to introduce a public auction process have been less

successful in other countries. For instance, in Mauritania it was opposed by the Commissariat à Sécurité Alimentaire (Food Security Commission) on the grounds that it could destabilise prices. Instead, food aid has typically been valued on the basis of wholesale prices in accordance with the Food Aid Charter for the Countries of the Sahel (CILSS/Club du Sahel, 1989) which states that donors and recipients should undertake to value food aid at domestic free market prices.

The pricing of dairy aid is complicated by the lack of an internationally recognised price for dairy products. In the case of China, Community dairy aid, like WFP dairy aid, has been valued on the basis of an FAO formula.^{liii}

Different donors may also employ different valuation methods in the same country, creating confusion as well as placing extra demands on government manpower. Community Action programme aid in Mozambique is valued on a cif pricing basis (unless the local price exceeds the cif price by more than 10%), whilst Member States' food aid is valued on the basis of the official price. Such variations can also reflect differing donor objectives in providing the aid and varying attitudes to domestic pricing policies. As already noted above, wheat programme food aid from the Commission and France is valued in Egypt on the basis of world market prices. In contrast, Italian wheat aid is valued at lower local retail prices, implying support for the government's wheat policy.

In most countries grant aid is exempt from **import duties**. However, the way this exemption is taken into account in the subsequent resale of the food and the valuation of CPFs is important. In the case of a 1994 UK action to Kenya, the maize import duty, introduced to protect local producers against cheap commercial imports, was waived, yet the subsequent sale of the maize by tender with a reserve price based on actual donor costs effectively distorted the market. In Mauritania customs duties have also been waived but the food aid was valued at the market price, which effectively included an element for customs duties, implying that additional funds were transferred to the CPF account to the detriment of government finances as the CPFs were then used off-budget.

Where food aid is valued at international levels, agreement also has to be reached on the **exchange rate** at which international prices are converted into local currency values.^{liv} The Commission permits an *ad hoc* rate of exchange to be used in cases where the actual rate is unrealistic. Similarly, Maxwell and Owens (1991) suggest the use of shadow rates. However, in practice, official exchange rates are more commonly used, in part no doubt because they are far simpler to ascertain. If, as is often the case, these are overvalued, then the aid is effectively undervalued in local currency terms.

Deduction of expenses Some deduction of expenses by the organisation responsible for implementing the monetisation is rational. Otherwise, an agency in the recipient country would have to bear the ITSH costs up to the point of sale, possibly involving some implicit transfer of resources between organisations bearing these costs and those benefitting from the CPFs. The allowance of deductibles is particularly important where the CPFs are used off-budget. In the case of Community Action, the ministry or parastatal taking receipt of the food aid is permitted to deduct administrative expenses but not marketing or transport costs or duties. EU Member States have no official policy but generally permit some level of deductibles.

In practice, donors seem to have had little control over the level of expenses deducted, and sometimes substantial amounts, considerably in excess of the true costs incurred, have been deducted. In Mauritania deductions were originally charged at 33.3% of the revenue from sales until certain donors managed to negotiate a lower rate.^{lv} Even so, deductions averaged 27% for EU donors over the period 1989-94, because of high claims for ITSH costs. A similar problem arose in Kenya where actual ITSH costs were significantly higher than commercial ITSH costs during the same period, calling into question the efficiency of the handling agency. Deductions have also posed problems in Egypt, on several occasions resulting in disputes which have delayed the constitution of CPFs, with associated problems.

Further difficulties occur where recipient governments base payments into the CPF account on net tonnages, taking account of losses in marketing and transport incurred *after* the food aid has been handed over to the recipient. The European Court of Auditors estimated some time ago that, in the case of Community Action food aid, such losses might be in excess of 5% of the initial consignments (European Court of Auditors, 1987).

6.3.2 Donor requirements

As noted in section 4.3, the Commission and most Member States require the constitution of CPFs following monetisation. But this has been delayed in most of the case-study countries, although sometimes by only a few months.^{lvi} Such delays are important because they can erode the real value of CPFs if the food aid is valued at prices prevailing at the time of delivery. In theory, at least, they can disrupt CPF-funded activities, and may also result in the suspension of further food aid actions until the situation has been resolved (see section 4.4.8).

Rates of constitution have been particularly low in Mozambique, in part because the prices at which the food was sold were lower than the valuation prices. For example, less than 50% of the CPFs generated from the Commission's programme food aid in each of the years 1991-3 has been constituted to date, with an even lower figure of 17% for the period 1986-90. In Egypt, the agreed deadline for the constitution of CPFs generated from the provision of Community Action programme food aid in the period 1989-94 was met in only 7 out of 36 cases analysed.

Lengthy delays may reflect a number of factors, including:-

- Institutional weaknesses, or bureaucratic complexity arising from the involvement of a number of parties in the monetisation.
- Financial difficulties of the institution handling the monetisation (Kenya, Bangladesh). Delays in constitution may, in turn, reflect delayed payments to the institution handling the monetisation, particularly if it sells the food for resale by wholesalers or millers who are unable to make the necessary payments until they themselves have sold the food (Ethiopia, Mauritania, Mozambique).^{lvii}
- Delays in the sale of the food aid. This may be due to market saturation as, for example, on occasion in both Mauritania and Kenya, and to the provision of inappropriate types or quality of food.^{lviii} In addition, sales can be delayed by the selection of 'inappropriate' (high) prices or exchange rates in the calculation of CPFs, encouraging merchants to obtain supplies through cheaper commercial imports instead, as occurred with a Community Action in 1989 in Egypt^{lix}. Similarly, in Peru import taxes have

been imposed on programme food aid at the point of sale, in some cases, particularly wheat, increasing the price above domestically produced equivalents and so delaying the sale of the aid. In the case of Mozambique, the higher the reference price at which the food aid was valued, the lower the level of funds actually constituted. Delays in the sale of food aid may be partly deliberate, as in the case of Mauritania where the Commissariat à Sécurité Alimentaire retained part of the aid specifically to provide a rolling stock for use in its market stabilisation operations. Such delays can also imply some food losses through deterioration and hence a reduction in the levels of CPFs constituted, as, again, was the experience in Mauritania.

- Reluctance by the parties concerned to meet payment deadlines by using commercial credit facilities where available, sometimes even when they are using such facilities for normal commercial trade.^{lx}
- Disputes over the sale price of food aid or deductible expenses (e.g. Egypt).
- Institutional reorganisations as a result of market reforms or financial restructuring. For example, the Kenyan study raises the important issue of the way monetisations are handled in a post-liberalisation context. Market reforms have turned the government cereals parastatal into a marginal supplier, thus delaying the sale and subsequent generation of CPFs from any programme food aid actions which have continued to be channelled through this organisation. However, market deregulation can ultimately lead to an improvement in the rate of constitution of CPFs, as, for example, in Mozambique where only the marketing of wheat remains in the hands of a parastatal.
- Economic and institutional instability. For example, these factors have in the past delayed the sale of food aid in Peru.

The above examples suggest that compliance with CPF agreements is not necessarily a high priority for recipients. Rather, agreements are kept only where it is known that there will be repercussions if payment is delayed. In the case of Mozambique the Commission has recently gone so far as to introduce a system not dissimilar to that followed under the General Import Support Programme, whereby the consignee (merchant) price is agreed by importers and the Commission and a bank guarantee covering 100% of the value of the aid is then provided before its arrival. Half the CPFs must be paid immediately on delivery, before the consignee is allowed to collect the goods from the port, and the bank guarantee is then reduced to the balance outstanding, which must be paid within a further 60 days. However, although this system should improve the rates of CPFs constituted, it is not without disadvantages. In particular, given the size of individual shipments, it could considerably increase the risk exposure of commercial banks.

Delayed constitution also raises the thorny issue of valuing outstanding CPFs. In countries which have experienced rapid inflation or dramatic exchange-rate movements, which are relevant if food aid is valued on the basis of international prices, the agreement reached can make a substantial difference to the real value of the CPFs finally constituted. For example, the Commission and the Mozambique Government are currently considering how to value considerable outstanding CPFs in a country which has undergone both rapid inflation and sharp exchange-rate swings.

CPF accounts The type of account in which CPFs are placed plays some part in determining their macroeconomic effects, as already discussed. Interest-bearing accounts are also important in countries with high rates of inflation, whilst separate accounts improve the transparency of the rates of constitution and disbursement of the funds.

CPFs were placed in interest-bearing accounts in over half the case-study countries.^{lxi} In some instances, interest-bearing accounts have even been negotiated where they are not normally permitted as, for example, in Egypt where in 1990 the Commission negotiated an interest-bearing account at the Central Bank in exchange for the promise of continuous banking of funds there.^{lxii} In others, the creation of such a fund would have been in contravention of normal practices. According to Cape Verdean law, for example, public funds cannot generate interest and, to the extent that CPFs are on-budget, this regulation also applies to them. However, rates of inflation are relatively low and funds are disbursed relatively quickly, implying that the lack of interest-bearing accounts in Cape Verde, at least, is not highly significant. More unusually, in Nicaragua, the value of CPFs has been held constant in real US dollar terms since 1990/1, rather than placing them in an interest-bearing account.

Although CPFs are typically placed in separate accounts for each donor, recipient governments may not do this automatically. In Bangladesh all donor CPFs were placed in the same account until the United States, the Commission and Japan asked for separate ones. The CPFs of all other donors (including Belgium, France and Germany) are still placed in a single account.

In some countries, donors opt for common CPFs (Box 6.1). These are not always entirely successful, however, mainly because of transparency problems where donors are not able to establish the use or even the constitution of their funds, although this is not always regarded as a major issue so long as their overall use complies with donor-recipient agreements. However, the Commission suspended its aid to Mozambique in 1991 because of problems of transparency and negotiated a separate CPF account at the Central Bank, with monthly financial reporting. In some cases, given the inability of donors to provide regular, predictable deliveries of programme food aid, a common fund would afford flexibility between the CPFs of different donors and thus avoid CPF-funded projects being threatened by liquidity problems. This is especially important in highly aid-dependent countries, such as Cape Verde.

Some problems entailed in the existence of multiple CPFs run by a number of different donors can be overcome by the establishment of a single common fund. ~~Synthesis Report~~ Common funds can ease the

administrative burdens on recipient governments and donors, assuming that all donors agree to a particular reporting procedure, which increases the transparency of the funds as well as facilitating their inclusion in the recipient government's overall planning and policy-making process.

In **Mali** the proceeds of sales of programme food aid from a number of donors together with funds generated from financial assistance and food aid substitution actions, all of which have been provided in support of the government's cereal market reform programme which was begun in the early 1980s, are placed in a common fund. The accounting of the fund is undertaken by WFP which performs the role of Secretariat to the fund.

A common fund has also been established in **Cape Verde** although separate account details are provided for each donor at the end of the year. These funds are used to finance land improvement, road construction and maintenance projects, often in multi-donor projects. However, the Commission has withdrawn from the arrangement because of problems about transparency and now insists on a separate fund. France is also due to follow suit. However, the government prefers the joint fund arrangement, arguing that it provides greater flexibility in the funding of projects, by effectively allowing temporary loans from one project to another. The necessary steady flow of funds would be difficult to ensure from separate funds which rely on infrequent and often delayed programme food aid shipments.

The multi-donor Memorandum of Understanding on CPFs which exists in **Ethiopia** also involves the operation of a joint fund. In **Zambia**, a pooled account was effectively constituted following the sale of maize provided under a multi-donor Trust Fund arrangement. A joint donor CPF fund was also established in Mauritania during the 1980s but donors were unable to define common objectives on use and it was finally dissolved. A common account for all CPFs apart from those generated from World Bank and US instruments was opened in Mozambique in 1990.

However, common funds have been established in relatively few countries and some donors have refused to join in existing common fund arrangements as, for example, in Ethiopia. Recipient governments could also be opposed to the establishment of common funds, on the grounds that they give donors too much collective power and thus threaten their sovereignty. One

6.3.3Disbursement

Programme food aid may be specifically provided to generate local currency for use for a particular purpose at a particular point in time. Delayed disbursement can therefore reduce the benefits of the CPFs. Accumulation of considerable unspent CPFs also results in the erosion of their real value if the real interest rate is negative. It can also pose a potentially adverse economic impact when the funds are finally disbursed (see section 4.2). In such instances, the consensus in the literature is that the funds should be written off against government debt to the central bank to avoid major inflationary effects. CPFs are also sometimes frozen as an interim solution.^{lxiii}

CPF's have been accumulated in a number of countries including several of the case-study countries. For example, only 59% of the EU funds constituted in Nicaragua between 1990 and 1994 had been disbursed by the end of 1994, resulting in severe erosion of their value prior to the switch to the system whereby they maintain their real value in US dollar terms. In Egypt, since the mid-1980s CPFs to the value of ECU73.5m. at 1994 prices, including interest, have been generated from Community Action programme food aid, of which only 64% had been disbursed by the end of 1994. One-third of the total deposited from the sale of French food aid was also awaiting transfer or approval for use by the Ministry of Finance and only around 20% of the total generated from the sale of Italian programme food aid had been transferred to projects, apparently because of difficulties between the two governments in the interpretation of the food aid agreement as to whether or not the use of the CPFs was the sole responsibility of the Egyptian Government. This dispute has now been resolved with the signing of a new agreement. Fortunately, in both Egypt and Nicaragua CPFs have constituted a relatively small part of the money supply and government expenditure, so that their build-up has not had major economic ramifications. In Bangladesh, the rate of disbursement of CPFs has probably appeared worse than it actually was because CPF accounts have not always been debited when drawn upon owing to institutional constraints on the part of the Ministry of Finance.

The common fund created by a number of donors in support of Mali's Cereals Market Reform Programme has also had consistently high liquid assets since 1988, averaging CFAF 4,560m. (ECU6.8m. at 1994 prices) at

the year end for the years 1991-4. In justification, it is argued that these could be used to purchase cereal imports on a large scale in the event of a serious agricultural crisis and to meet some of the costs of distributing emergency aid.

More generally, a number of factors appear to delay disbursement, including:

- lack of prior agreement on the precise use of CPFs (a problem not usually observed with the management of a joint fund);
- conversely, excessively limiting restrictions on their use^{lxiv} or changing requirements over time;
- complicated and lengthy procedures for the approval of the use of CPFs;^{lxv}
- disputes between donor and recipient governments, for example, over the amounts to be deposited, reflecting weaknesses in the drafting of agreements and resulting in the blocking of the use of CPFs;
- poor monitoring procedures, again reflecting weaknesses in the drafting of agreements and resulting in lack of awareness, particularly on the part of the donor, that unspent funds are accumulating; and
- absorptive capacity constraints on the part of recipient governments as, apparently, in the case of Egypt.

6.3.4 Reporting and monitoring procedures

The constitution, management and utilisation of CPFs can involve considerable physical and financial monitoring and reporting to ensure that the process is being implemented correctly. In practice, however, monitoring and reporting procedures have often been ignored. In Bangladesh, reports on commodity valuation and submission of claims were often late, information on the use of CPFs was particularly deficient and, whilst the EU Delegation in Dhaka received monthly statements on the CPF account, the situation as regards disbursement was far from transparent.

Procedures vary considerably between donors and recipient countries, both in terms of frequency of reporting and the information required. In Kenya, for example, the UK required fortnightly reports whilst, according to the official agreement, France required none. Most EU donors have failed to draw up universally applicable regulations; instead, the procedures have been *ad hoc*, sometimes resulting in considerable confusion. Even the Commission has only relatively recently developed precise regulations on the financial control of CPFs, and then mainly because of the impetus provided by the increased use of CPF instruments under Lomé IV. In terms of differing practices of the same donor in different recipient countries, Healey (1996) reports that checks on the use of CPFs generated from all EU aid instruments range from 'hard' checks, involving the National Audit Office and the Delegation, to 'soft' checks, entailing only examination of the budget line, to virtually no checks at all. Donors also differ in the extent to which they enforce reporting requirements.

Different donor practices can place considerable administrative strain on inadequately staffed recipient government institutions, in turn resulting in poor reporting and, thus, potential disputes. Reporting is further complicated by the fact that CPFs may be utilised by more than one government department. Some donors also require information on actual additional requirements.

Donors are placing increasing emphasis on adequate reporting and monitoring procedures as part of more general efforts to improve the transparency and therefore the effectiveness of aid

instruments. At the same time, there is an emphasis on simplification and standardisation. For example, the Commission is striving, along with other donors such as the World Bank, to harmonise procedures. A number of EU donors are also urging governments to undertake measures to improve accounting methods as well as taking steps to improve their own internal systems.

As already noted, a Special Task Force on CPFs was set up by the Commission in 1989 within the Finance Unit of DGVIII, to coincide with the increased generation of CPFs from various Commission instruments. The unit covers all CPFs in Lomé countries, from sectoral and general programmes and STABEX and SYSMIN as well as from monetised food aid, and its activities have increased as the use of such instruments has expanded. It largely undertakes an auditing role, collating information on CPFs every six months, and has also introduced independent country audits and is imposing new systems of standardisation with the support of external auditors.^{lxvi}

The Italian Government is also making efforts to improve transparency by standardising the terms of agreements on commodity aid arrangements under which capital and essential goods are provided and sold locally in recipient countries, either to the public or private sector. In Senegal and Nicaragua, these agreements are to be extended to cover food aid as well.^{lxvii}

Some donors have opted to undertake part of the monitoring of the constitution and disbursement of CPFs in certain recipient countries in order to improve the quality of reporting.

In Ethiopia procedures have been improved, with the support of the Commission, by the establishment, in 1992, of a CPF Administration Unit within the Ministry of Finance. This unit collects data on CPFs from grants and loans and produces bi-annual reports; it also produces monthly statements for the pooled account at the National Bank. A reasonably reliable system of reporting has developed.

Other efforts to improve recipients' reporting are illustrated by Cape Verde and Mali. In Cape Verde, a computer-based accounting system is currently being set up to improve transparency. Up to now (1996), donors have been provided with information on an annual basis and difficulties have been encountered in obtaining information on individual shipments of food aid or particular CPF-funded projects. In Mali, the government has set up a Joint Committee for Financial Tracking to establish instruments to ensure the efficient and transparent management of CPFs; to develop a Code of Management; and to establish multi-annual financial planning for the activities of the CMRP under which all the CPFs are used.

However, there is still considerable progress to be made; none of the EU donor headquarters, including the Commission, were able to provide complete information on CPFs specifically generated from programme food aid shipments, even on an annual basis, for the purposes of this evaluation.

There are, of course, certain trade-offs between adequate monitoring and reporting procedures and acceptable costs in terms of the demands made on individuals in implementing such procedures and the rates of disbursement of CPFs.^{lxviii} The European Court of Auditors has suggested that there is a danger that efforts to achieve the quick disbursement of funds may have been to the detriment of sound financial management, although the Commission's response is that it has made a major effort to rationalise monitoring and decision-making procedures and to reconcile fast disbursement and accountability (European Court of Auditors,

1994). Bruton and Hill (1991) conclude from their survey of the literature that there is no evidence that more stringent accounting *per se* will enhance the effectiveness of CPFs. Excessive demands on government resources can also strain relations between the donor and the recipient government.^{lxix}

However, there are a number of ways in which reporting requirements can be improved without increasing the burden of transparency:-

- CPF accounting and reporting procedures could be made an integral part of the government's own budgeting, expenditure and accounting procedures (Maxwell and Owens, 1991). The frequency and timing of these reports could also be tied to government planning and accounting cycles rather than to the fiscal calendars of individual donors.
- Common multi-donor CPFs could be established, relieving pressure on both the recipient government and donors. Such funds have been established in a number of countries (see Box 6.1). Riley and McClelland (1990) recommend a similar fund for Mozambique where severe problems have been experienced with CPF management. In such cases, donors requiring different accounting and reporting formats could take on this responsibility themselves.
- Donors could agree to standardise their reporting procedures within particular recipient countries while still maintaining separate funds. A few such agreements have been negotiated.
- All instruments generating CPFs from a particular donor to a particular recipient could be jointly identified, prepared and appraised, particularly given the increasing importance of other fund-generating instruments.
- Reporting could be facilitated by the use of a consultant to manage monitoring operations. This could improve frequency and quality of routine reporting.

The use of CPFs as general budgetary support also reduces the donor's administrative burden of allocation and monitoring, but not all donors are willing to issue such a free hand in the use of resources.

6.4 Conclusions

Substantial improvements in the efficiency of donor and recipient procedures appear to have taken place since the early 1980s, particularly with regard to Community Actions. A multitude of factors need to be taken into account in programming, including timeliness of delivery, appropriateness of commodities and packaging, and internal handling procedures. Restrictiveness of tendering procedures for both procurement and transport of food aid commodities is identified as a cause of inefficiency (see Chapter 7). More flexibility is likely to increase competitiveness among tenderers and lead to more efficient food aid actions.

The country studies highlight the complexity of arrangements for CPF management, in particular on valuation and reporting requirements. CPF arrangements are agreed on a country-by-country basis. Different donors also often employ different methods in the same country. This lack of a common procedure places an extra administrative burden on the

recipient government. Delays in the constitution of CPFs occurred in most of the case-study countries, although in some cases of only a few months. These delays reflect a number of factors including: institutional weaknesses, financial difficulties of the monetising agency, delays in the sale of food aid, disputes over the sale price of commodities, and sometimes economic or political instability in the recipient country. Delays in the disbursement of CPFs are not uncommon, typically reflecting insufficiently defined agreements and over-restrictive or inefficient procedures for the uses and monitoring of CPFs.

Endnotes

xl.ii. In the case of cereals, levels of refunds are fixed on a monthly basis. There are no export refunds for vegetable oil; this cost is entirely borne by DGVIII.

xl.iii. Section B1, FEOGA, provides export refunds to the value of the difference between the internal EU and international world market price, as attracted by exports of most Union-sourced foodstuffs; and section B7 ('Co-operation with developing and third countries') provides the equivalent of the world market price, plus reimbursement of additional expenditure associated with the provision of foodstuffs.

xl.iv. The moisture content of skimmed milk powder, as defined in C114, must not exceed 3.5%, compared with maximum levels of 4% as specified by the International Dairy Federation and commercial traders and 5% as specified by the Danish Ministry of Agriculture and the FAO. In the case of whole milk powder, C114 specifies a minimum fat content of 2.5% compared with 3% by the IDF, 3.5% by commercial traders and 5% by the FAO and the Danish Ministry of Agriculture (letter from the Danish Dairy Board to the Commission of 5 February 1993).

xl.v. In Mauritania the bags supplied with the Community Action bulk wheat shipments were polypropylene sacks which, whilst significantly cheaper and lighter than the alternative jute sacks, are only half as resistant to direct sunlight. Depending on delays at the port of landing and storage capacity, this can lead to a significant proportion of the commodities deteriorating.

xl.vi. Experience in Cape Verde illustrates the complex, context-specific nature of the packaging issue. The Commission provided vegetable oil in 5-litre tins in accordance with its regulations. The case study found that it would be more appropriate to use plastic cans, which would reduce losses incurred during transport and handling and could also be re-used by the local population for a variety of purposes, especially as water containers. Dry whole milk has also been supplied by the Commission in containers different from those used for commercial imports, with associated handling and repackaging problems for the importing agencies.

xl.vii. A US NGO, CARE, is handling the monetisation of Community and French programme food aid, whilst another NGO is handling sales of Spanish aid. However, in all cases the tenders themselves are handled by a national industry association on behalf of the NGOs.

xl.viii. WFP usually ascertains the value of CPFs required first and then calculates how much food aid should therefore be provided for monetisation (WFP, 1987).

xl.ix. In certain cases some of these prices may, of course, be interchangeable. For example, the domestic price may be equivalent to the import parity price if there are no constraints to free trade; or the official price could be based on it. Alternatively, the domestic official price may include some element of subsidy to consumers and thus be below the import parity price.

xl.x. The Commission stipulates that, 'generally speaking', food aid products should be valued at the world market price at the date of delivery, either cif or fob depending on the point of takeover of the commodities by the recipient government or parastatal (EC, 1989). However, in cases where domestic prices are subsidised or exchange rates overvalued, lower valuation prices may be agreed, whilst higher ones may be negotiated if there are high rates of taxation. The Lomé Convention warns that food aid should not be sold at prices which disrupt the local market. This warning is reiterated in the Council Regulation of 1986 on Food Aid Policy and Management. The Commission also specifies that the institution receiving the aid should, in turn, sell it on at 'prices normally charged on the market for products of comparable quality'. The basis on which the commodities are valued should be established in the official letter in respect of the aid.

The WFP's policy specifies valuation at a price as close as possible to that of identical or similar commodities domestically available. In the case of open market sales this normally implies the international price cif port, border or extended delivery point. This practice is intended to 'guard against the possibility of artificially low or subsidised prices, which may foster price and policy disincentives in the recipient country. However, care must be exercised to introduce flexible responses to particular situations where, for example, the international

prices may prove prohibitively high (or unreasonably low) in the domestic economy vis-à-vis prices of comparable commodities'. (WFP, 1987)

li.A more transparent way of valuing commodities would be to use international cif prices and include divergences from these as budgeted subsidies (and taxes).

lii.It also undermined the achievement of some of the aid's objectives particularly in providing balance-of-payments support and meeting the expected wheat deficit, and contributed to certain marketing difficulties for some commercial importers.

lii.This practice is supported by a number of commentators who argue that if the subsidised price is well below the cif price yet is accepted as the price at which food aid should be valued, then the food should be valued at its full cif value with any subsidy explicitly shown as a charge against it (eg, Maxwell and Owens, 1991).

liii.In contrast, in, for example, India, milk powder and butter oil provided by the Commission for re-constitution under Operation Flood were valued at the internal market price, with the international price acting as a floor.

liv.The point in time at which an exchange rate is taken also has to be negotiated. Evidence suggests that donors adopt a variety of procedures in this regard. For example, in the case of Egypt, exchange rates used with respect to Community Actions are specified in the annual programme document and in some years have been above and in others below the market rates. Italy also fixes the exchange rate annually, whilst France applies the market exchange rate on the date of arrival of the food aid.

lv.By March 1995 the rate of 33.3% applied only to Italy and Spain (amongst EU donors) and the latter was shortly due to align itself with the scale of charges paid by other donors.

lvi.In a wider survey of countries, Maxwell and Owens (1991) found that only 19% of countries with a food aid programme met the Commission's deposit deadline. The WFP also reports frequent delays in the constitution of CPFs associated with its own projects (WFP, 1994).

lvii.Similar problems were reported in Ghana with the resale of milk powder and butter oil to producers (Dairy Consulting Holland, 1990). In Kenya, delays were also reported in the deposit of CPFs from the sale of wheat food aid under the 1988 and 1989 allocations of an EU multi-annual programme, because of delays in sales by the cereals parastatal which was also holding large stocks of commercially imported wheat and did not follow strict 'first in, first out' stock management procedures (Dangroup International, 1992a).

lviii.WFP (1994) also cited this as a common factor behind the delayed constitution of CPFs.

lix.The wheat provided under a Community Action in 1989 was valued on the basis of world market prices using an exchange rate of £E 1.5 to the US\$ compared with a prevailing market exchange rate of £E 1.1 to the dollar, implying that it was cheaper for the government institution with responsibility for food supplies to purchase wheat on the world market rather than 'pay' for programme food aid by constituting CPFs. In later years, although there were no longer exchange-rate advantages, the 'world market price' used to calculate the level of CPFs due exceeded the cost of the cheapest alternative commercial price, again encouraging commercial imports instead.

lx.For example, in Mozambique, Riley and McClelland (1990) report that importers, wholesalers and retailers were not using the banking system to finance intermediate credit requirements.

lxi.In a survey of Community Action food aid, Knop (1990) found that only 10 of 29 countries surveyed held CPFs in interest-bearing accounts. Five of the remaining 19 were Islamic and did not permit such accounts for religious reasons. This suggests that the Commission's regulations were probably being flouted in 14 countries. Maxwell and Owens (1991) reported that the 'majority' of countries have interest-bearing accounts, apart from cases where such accounts are not permitted for religious reasons and where funds are deposited in central banks which do not permit interest-bearing accounts. Similarly, WFP (1994) in a survey of 30 of its projects involving monetisation found that funds were deposited in interest-bearing accounts in about three-quarters of the projects.

lxii.More recently, France and Italy have switched from non-interest-bearing accounts with the Central Bank to interest-bearing commercial bank accounts in Egypt. However, this change was prompted more by difficulties encountered in withdrawing money from their Central Bank accounts.

lxiii. Substantial CPFs were accumulated in India in the 1960s under the US PL480 monetisation programme but were subsequently successfully written off in this way.

lxiv. In Mozambique, newer German import support loans have been utilised before older ones because conditions attached to their release have become less restrictive over time.

lxv. For example, Knop (1990) reports that, in the case of Mauritania, approval was required from *all* donors before any drawings could be made from the common funds.

lxvi. DGI does not have a similar unit covering non-Lomé developing countries, although the Special Task Force in DGVIII offers its services to DGI on a case-by-case basis.

lxvii. The agreements concern the constitution, management, allocation and utilisation of CPFs. They state that the commodities supplied should be valued at their import parity price, converted at specified exchange rates, and that the re-sale price should be calculated to avoid distortions on the local market. CPFs should be constituted within 90 days of delivery of the commodities and used largely on-budget within two years of constitution. The beneficiary government must make a bi-annual report concerning their use. Any existing CPFs generated prior to the signing of the new agreement must be placed into a separate account together with any new CPFs.

lxviii. Efforts to improve monitoring and reporting of CPFs in ACP countries under a Framework of Mutual Obligations, together with increased sector specificity of beneficiaries and procedural requirements, are reported to have slowed disbursements of STABEX in Ethiopia (IDS/IDR, 1996).

lxix. Dangroup (1992b) reported that in Kenya, the EU Delegation, the National Cereals Produce Board and the Ministry of Finance all contributed considerable time and resources to the calculation and monitoring of CPFs, despite the fact that they represented a relatively small proportion of the total EU support to the Cereals Sector Reform Programme. This administrative load created certain tensions between the parties concerned and the report recommended that in future all EU support to the programme should be in the form of direct finance.

7

Resource Transfer Efficiency

7.1 Method of analysis

Programme food aid has been primarily used as a resource transfer instrument rather than to target benefits on a particular group or achieve specific investment objectives. The resource transfer is employed to permit balance-of-payments support or to generate budgetary support from counterpart funds. As food aid has become increasingly regarded as a fully-costed resource competing budgetarily with other instruments, it has become more important to examine the value for money or cost-effectiveness of programme food aid.

The term *cost-effectiveness* describes the relationship between the financial costs of an action and the achievement of a particular set of objectives or outcomes. This can be measured either by identifying the least-cost alternative of achieving specific fixed objectives or by quantifying what could be achieved, given a fixed cost of intervention. In the present evaluation the first method is used, with the fixed objective narrowly defined as the provision of a certain amount of a particular food commodity to a particular recipient country. The second method is employed to examine the financial efficiency of programme food aid as a means of generating local currency resources, that is, CPFs. For clarity, the relationship between the costs of providing programme food aid and the least-cost alternative of supply is referred to as the **cost-effectiveness of supply** and the relationship between the donor costs of providing programme food aid and the CPFs generated is referred to as the **efficiency of CPF generation**.

This chapter presents the findings of statistical analyses of both these relationships. First, the cost-effectiveness of the supply of EU programme food aid for each commodity to each recipient and from each donor is explored (section 7.2), followed by a brief review of evidence on the efficiency of alternative ways of financing food imports (section 7.3). Secondly, the efficiency of EU programme food aid as a means of generating local currency, i.e. CPFs, is examined (section 7.4).

The analysis of resource transfer efficiency includes programme food aid actions to the 12 case-study countries whose combined receipts represent nearly three-quarters of total EU programme food aid to all developing countries during the study period, 1989-94. In both stages of the evaluation, the collection and collation of data on donor costs for both procurement and transport of commodities has proved to be a difficult and lengthy task. Nevertheless, by means of an extensive review of the documentation and interviews at both the donor headquarters and the recipient country level, around 90% of the total quantity of programme food aid shipped to the 12 case-study countries was included in the analysis (see section 7.2).

Data on CPFs have historically been very limited, especially at the level of development co-operation agency head offices. Within the Commission, information on CPFs is held only on an *ad hoc* basis in Brussels, despite the fact that recipient governments are supposed to provide detailed information on CPFs when making formal requests for further food aid. Instead, information is largely held by the Delegations and, even then, its detail and quality vary between countries, in part reflecting the way in which the government organisation handling the sales or managing the CPF records organises the data.^{lxx} Most Member States were also unable to respond at the headquarters level to the evaluators' request for data, but the study teams were able to locate the greater part of the required data in the case-study countries either from the relevant diplomatic missions or the recipient government (see section 7.4).

The availability of data is improving, however, and reporting procedures are slowly being refined. During the early 1990s, the Commission has implemented substantial reforms. Delegations in Lomé countries are now required to make standard six-monthly summary reports to the Special Task Force on CPFs within the Finance Unit of DGVIII. Information is requested on the prices at which the food aid is valued, delivery dates, funds deposited in the accounts, funds committed, funds disbursed and their utilisation. However, the quality of the responses varies between countries and some recipient governments fail to provide any information at all. The Food Security and Food Aid Service's new database, introduced in 1992, allows for entering information on CPFs, including information on the tonnage sold, its value, interest accrued and use. However, such data have not yet been entered.

7.2 Cost-effectiveness of supply: a comparative statistical analysis

The Commission and the Member States do not mobilise programme food aid on a uniform basis; some organise procurement and shipping separately, whilst others tender on a whole-cost basis for delivery to final destination or port of shipment. It was therefore decided to focus on the value-for-money aspect of overall costs of supply and compare these for individual actions with alternative commercial supply from either the EU or third countries on a least-cost basis.

In the statistical analysis undertaken in Stage One of the evaluation, actual aid costs were compared with a least-cost alternative of providing four commodities, wheat, rice, vegetable oil and skimmed milk powder (SMP) to the same recipient country, over the period 1991-2. In Stage Two the exercise was repeated for the 12 country studies and was extended to include maize, vegetable oil, enriched whole milk, sugar, butter oil and beans provided as Community and Member State actions and shipped during 1989-94. The analysis involved comparing actual costs of delivering EU food aid to the point of entry of the recipient country with the estimated reference cost for a hypothetical commercial transaction for the same commodity undertaken at the same time. The measure of cost-effectiveness (or, more precisely, ineffectiveness) used is the scale of deviation from the calculated reference cost.

The reported actual aid cost included only those costs attributable to the aid budget of the donor country and excluded costs refundable from the EU's agriculture budget. The reference cost was computed after consultation with the International Grain Council (IGC) and the Resources and Transport division of the WFP, in order to identify the likely least-cost alternative source of supply and taking into account whether commodities would be shipped on (lower-cost) charter or (higher-cost) liner terms. Reference costs were then derived by using 'quoted' commercial market prices for the same three-monthly period as the food aid action and WFP average transport costs, plus a fixed mark-up to allow for packaging.

Box 7.1 Cost-effectiveness of supply ratio: a worked example

Shipment of 37,500 tonnes of wheat to Bangladesh as a Community Action in 1991

100		Joint Evaluation of European Union Programme Food Aid	
		Act	Original currency
		Reported donor costs were converted into a common currency (\$US) for comparative purposes, using exchange rates as reported by the IMF for the period of the actual aid shipment.	
Commodity cost per tonne ^a	ECU 66.0	As an overall measure of cost-effectiveness of supply, the ratio of actual aid cost to alternative commercial costs per tonne was computed on an action-by-action basis. As already noted, most EU programme food aid is provided on a cif basis to the point of entry to the recipient country. The relevant reference cost is therefore the hypothetical commercial procurement cost of the same commodity plus the international transport cost to the same destination, including, in the case of landlocked countries, overland transport costs to the point of entry. Dividing the actual aid cost by the reference cost enables a cost-efficiency of supply ratio to be derived (see Box 7.1). This <i>supply ratio</i> is a broad measure of the comparative efficiency of individual actions which can in principle be used to compare the relative efficiency of different donors' actions to individual recipient countries and also for different commodities. ^{lxxi}	
International transport cost per tonne	ECU 20.0		
Total cif cost per tonne	ECU 86.0		
Cost-effectiveness of supply ratio = $\frac{\text{Actual cif cost}}{\text{Alternative cif cost}} \times 100 = \frac{117.6}{120.6} \times 100 = 97.51 \text{ or } 98\%$			
Notes:			
a	Excluding restitution payments.		
b	Converted using average exchange rate in relevant annual quarter of shipment.		
c	'Traded' cost = export price quotation for Soft Red Winter (SRW) wheat, FOB Gulf, minus half the average export bonus under the USDA EEP in the relevant three -month period ie: Price of SRW - (0.5 x average EEP bonus).		
d	On charter or liner terms as appropriate, in this case charter.		
Source: European Commission, (DGVIII); IMF; IGC; WFP.			

the donor could have used untied foreign exchange, for example under an import support programme, to buy commodities for the same delivery period on least-cost terms by international tender. Such an assumption is increasingly appropriate as a growing proportion of food imports is organised on a commercial basis by developing country governments and, with the liberalisation of food markets, handled by the private sector. This trend was confirmed by the 12 case studies. It was noted, however, that for some donors the second assumption is problematic, as food aid continues to be considered as separate from and additional to other forms of aid and is not necessarily interchangeable with other instruments. Whilst the calculated supply ratio is an imprecise measure, it provides an indication of the level of efficiency of individual programme food aid shipments and so enables comparisons between commodities, modes of acquisition, recipient countries and donors.

In practice, because there is considerable scope for bilateral trade involving credit and discount arrangements rather than open market prices, the alternative 'reference' prices used in this analysis approximate the cost of a relatively small shipment organised on an *early delivery* basis. In effect, therefore, the prices used as reference costs are close to the *maximum* price that would have been paid for commercial imports. This is demonstrated by several of the case studies where government agencies were found to be importing commodities at

substantially below the reference cost levels assumed in the supply-efficiency analysis. For example, in Cape Verde actual commercial imports of the same commodities were found to be on average 25% cheaper than the computed reference costs.

Based on these reference prices, the analysis therefore represents a conservative estimate of supply cost-effectiveness and should more accurately be regarded as a measure for isolating those programme food aid actions that were clearly cost-ineffective. By the same token, actions that were found to have costs close to the reference price used in the analysis can *not necessarily* be regarded as cost-effective.

In the case of wheat shipments, a more realistic 'traded' export price series was based on actual commercial export contracts reported to the IGC at the time of the aid shipment. These actual prices were adjusted to allow only 50% of the subsidy available under the US Export Enhancement Program (EEP) (see Box 7.1). Subsidisation of exports was widespread during the study period. The EEP provided the only widely reported overt subsidy for which most of the case-study countries were eligible. Supply-efficiency ratios were then derived using this second reference price series, which is a closer reflection of the international market prices.

In general it was decided to focus on the average costs of groups of actions rather than tonnes supplied, as the latter could be heavily influenced by a small number of large shipments. The results therefore indicate a measure of the average efficiency of a food aid action, rather than the average efficiency per tonne supplied of a certain food aid commodity. The validity of focusing on actions rather than weighting the actions by volume was confirmed by a formal statistical investigation of economies of scale which suggested that the effects of the size of shipment on the results of the efficiency analysis were insignificant.^{lxxii}

Data. A total of 505 EU programme food aid actions to the 12 countries were identified as having taken place during 1989-94. The ODI core group and the country study teams were jointly able to collect complete donor costs for 408 of these actions. The total quantity of food aid accounted for in the analysis was 2,736,429 tonnes, approximately 90% of total EU programme food aid delivered to the 12 recipients. It included 284 of the 320 Community Actions, and 94% of the total quantity provided by the Commission, and 124 of 185 national actions of the Member States, 82% of the total quantity delivered.

As the 12 countries have received more than 70% of total EU programme aid to developing countries, and given the relatively large proportion of actions and the physical quantity delivered, the results of the analysis can be considered broadly representative of EU programme food aid during the study period. There is also sufficient coverage to allow comparison of the cost-effectiveness of the provision of individual commodities by different donors and to different recipients. On the basis of these findings and the detailed descriptions of the procedures for individual actions in the country study reports, conclusions can then be drawn about the conditions necessary for providing programme food aid in a cost-effective way.

Commodities Overall, there appear to be substantial differences in the relative cost-effectiveness of providing the commodities included in the analysis (Table 7.1).

Wheat The most important commodity was wheat, accounting for around 70% of EU cereals programme aid. 134 wheat actions were analysed, accounting for approximately 93% of the total volume shipped. The mean supply ratio of actions was 1.26 or 126%; i.e., actual costs

Table 7.1 Cost-effectiveness of supply of EU programme countries by commodity, 1989-94

Cost-effectiveness		Joint Evaluation of European Union Programme Food Aid
Commodity	Ratio ^a %	
Cereals		<p>¹ were on average some 26% higher than the alternative costs of hypothetical commercial imports.</p> <p>Wheatflour Complete data were available for 23 actions representing 93% of the quantity supplied. These were found to be on average substantially less cost-effective than wheat actions, 77% higher than the 'traded' reference cost.</p> <p>Rice The average cost of the 28 actions considered, covering 71% of the quantity supplied, was 50% higher than the reference cost. The supply of rice could therefore be generally regarded as highly cost-ineffective. However, where a triangular transaction (Mozambique) was used, the costs were similar to the reference cost. Part of the difference is explained by the different grades of rice supplied in direct and triangular operations (see section 6.2.5). However, even if a widely traded high grade such as Thai 5% broken had been used in estimating the reference costs, there would still have been a substantial cost difference between the actual aid shipments and alternative commercial actions. Any timing considerations that may have influenced the choice of direct transaction also need to be taken into account.</p> <p>Maize The 28 programme food aid actions considered, including 89% of the quantity supplied, were on average 27% higher than the reference costs. It was not possible to compare direct and triangular operations systematically, as the latter are largely used only in relief operations.</p> <p>Vegetable oil Cost data were available for 67 out of a total of 70 programme food aid actions during the study period, representing 94% of the total quantity provided. On average vegetable oil appears to have been provided at costs similar to the reference cost.</p>
Wheat	126	
Wheatflour	177	
Maize	127	
Rice	150	
Non-cereals		
SMP	97	
Vegetable Oil	102	
Butter Oil	100	
Dry Whole Milk	114	
Enriched SMP	161	
Dry milk plain	108	
Sugar	260	
Beans	85	

Note: ^aMean of ratio of donor cost to 'reference' cost of alternative commercial imports (see Box 7.1).

Source: European Commission and Member States for actual costs; IGW and WFP for costs of alternative commercial imports.

Dairy products SMP and butter oil actions also proved to be relatively cost-effective, on average close to the reference cost used. The costs of supplying dry and whole milk were also found to be similar to reference costs, both in terms of actions and quantity provided. Enriched skimmed milk, however, was inefficient, although this is more a result of the reference cost used for plain SMP shipments.^{lxxiii} The dairy product results are heavily weighted by actions to one country, China. Of the 71 actions considered, 65 were shipments in support of China's Dairy Development Programme. These were found to be relatively cost-effective. But the other actions to Egypt and one to Cape Verde were, on average, 24% above the reference cost. The relative cost-efficiency of dairy products is probably explained by there being very limited commercial alternatives in terms of suppliers or sources to those in Europe from which the food aid was supplied.

Data were available for only 2 programme food aid actions for both sugar and beans, and only 12% and 11% respectively of the total tonnage of each supplied during the study period. The sugar actions appeared to be very cost-ineffective, while the 2 beans actions were below the reference cost.

There is great variability in the supply ratios of different actions which is not reflected in the summary results presented as average values for commodity groups. For example, whilst on average wheat actions were only 26% higher than the transfer reference cost, 9 actions were at least twice as costly, including one to Nicaragua which was nearly four times as costly. The ratios for rice actions ranged from 12% below the reference cost for one action to Cape Verde, to nearly four times higher, for one action to Mozambique. Vegetable oil actions were found to be more clustered around the mean, although two actions were more than twice the reference cost. For maize, four actions were at least twice the reference cost. This variability suggests that some actions were, for whatever reason, spectacularly cost-ineffective, especially in view of the conservative nature of the computed reference costs. Since these were 'normal' food aid rather than relief actions, it is unlikely that special problems of timeliness could explain these extreme values.

Donors As Member State actions were largely confined to cereals, and for reasons of comparability, the analysis also had to be restricted to cereals. Complete data were collated for 113 out of 129 Community Actions and 94 out of 133 Member State actions, representing 92% and 82% of the total quantities delivered respectively (Table 7.2). Community Actions overall generated low (cost-effective) ratios, on average only 10% higher than the 'traded' reference cost. Member States' cereals actions as a whole, however, were on average 71% higher than the 'traded' reference cost for wheat actions. This finding implies a very high level of transaction costs, especially for some Member States. Significant savings could have been made if alternative arrangements had been used to mobilise the same commodities on international commercial markets.

The number of actions involving most Member States was small, precluding clear statistical comparisons of individual donors. In its one action to Kenya, the UK was the most cost-effective donor, providing white maize to Kenya at 14% less than the reference cost. Italian actions appear to have been particularly cost-ineffective, whilst in the cases of France, Germany, Spain and Belgium the implication is that alternative methods of providing the same food commodities could have resulted in at least 50% savings.

Again, there is great variability in the supply-efficiency ratios of actions by the same donor. For example, ratios for Community Actions range from half the reference cost for a wheat action to Egypt (60% traded) to over twice the cost for a vegetable oil action to Nicaragua. Community Actions, in fact, were less variable than those of the Member States. Of the 113 Community Actions included in the comparative analysis, 92 have supply ratios between 70% and 110%. Of the 94 Member State actions, more than half (53) are found to be above 130%, with 15 over 200%. A preliminary examination of the data suggests that the variability appears to be explained more by the size and destination of the action than by the type of commodity. In particular, smaller shipments of food aid commodities to certain destinations tend to be systematically less cost-efficient.

Recipients A third of the 12 recipients - China, Bangladesh, Mali and Kenya - have mean supply ratios of less than 1.10 (110%) using the 'traded' price series, indicating actual costs

1989 study (percentiesthis donor, 1989-94

Donor	Recipient country^a	Cost-effectiveness EU actions	Community Action
	<i>104</i>	Cereals and non-cereals	<i>As for EU actions</i>
		of Supply ratio (%)^a	<i>tonnes per person</i>
	China	97	
Member States^b	Bangladesh	110	
	Mali	103	
	Kenya	106	
	Egypt	112	
	Zambia	113	
	Ethiopia	116	
	Belgium	180	
	Mozambique	120	
	Cape Verde	138	
	Mauritania	146	
	Germany	201	
	Nicaragua	151	
	Pennsylvania	178	
	Greece	-	
	Ireland	-	
	--	Data not available	
	Italy	265	
Notes:	Luxembourg	125	The ratios are not entirely consistent with results in country study reports because of fuller coverage of actions in this analysis.
	Netherlands	98	Countries are ranked by supply ratios for EU actions
	Spain	200	
Source:	UK	86	As for Table 7.1.

within 10% of the costs of hypothetical alternative commercial shipments (Table 7.3), and implying that programme food aid was, on average, for that group, *not substantially cost-ineffective*. The programme food aid actions provided to Zambia as part of the response to the 1992 drought proved to be on average 13% higher than reference costs. For Cape Verde, Mauritania, Nicaragua and Peru donor costs exceeded reference costs by between 38% and 78%, implying potential savings of over a third by using alternative commercial sourcing on international markets. In reality, the potential savings were probably greater. The Cape Verde study provided a separate analysis, showing that *actual* commercial import costs were approximately 25% less than the reference cost employed in this analysis.

The two recipients where EU programme food aid appears to have been least cost-effective were Peru and Nicaragua, particularly for Member State actions. Using the costs of actual commercial imports from developing country sources in Latin America rather than those adopted for consistency in all the country studies would have yielded even higher (less cost-effective) ratios.

A comparison of the supply-efficiency ratios for Community Actions with Member States' actions in cereals also indicates that the relative differences are systematic and not attributable to one or two countries. In all but one case (Kenya), Community Actions were more cost-effective than those of Member States. In several cases the differences are substantial. In Mozambique, for example, whilst Community Actions were provided at only just above the reference cost, Member States' actions cost on average nearly 90% more.

In Cape Verde, Mauritania, Nicaragua and Peru the differences between the two are also large. Once again between recipients. Peru, Nicaragua, Cape Verde and, to a relatively wide range of supply ratios.

Triangular transactions and local purchases In several of the country studies it was noted that the supply of programme food aid through triangular operations or local purchases was potentially more cost-efficient than direct transfers of European-sourced commodities. However, complete data were available for only 9 such actions. Of these, 5 were found to have supply-efficiency ratios below 100; for 3 others actual costs were within 14% of the reference cost and one was apparently extremely cost-inefficient.

Cape Verde received white maize from Zimbabwe and South Africa, provided by Germany. In addition, the Netherlands provided financial support tied to the import of basic food commodities but not to source. These actions were estimated to be among the most

cost-effective, with imports of whole milk, maize and beans at less than the reference cost. The UK provided white maize to Kenya from South Africa, using the Crown Agents to manage the tendering procedure at costs 15% below the reference cost. In Mozambique, 27,000 tonnes of white maize from the southern African region and 30,500 tonnes of Thai rice were provided as Community Actions, each of which was found to be relatively cost-effective. Although data are still incomplete for 6 German rice actions in favour of China, these also appear to have proved far more efficient than the direct transfers of wheat which they have replaced since 1992. The most costly triangular or local operations appear to have taken place in West Africa. One French action involving white maize procured in West Africa for Cape Verde was over twice the reference cost, and there is evidence that severe problems were also encountered with 5 similar actions in that region.

7.3 Efficiency of alternative modes of financing food imports

Several country studies compared the cost-effectiveness of supplying programme food aid with alternative arrangements for achieving the same objectives. In particular, a range of existing measures was examined involving the provision of financial assistance to fund the commercial import of basic food commodities either through public or private sector agencies. In these cases, financing commercial imports was more cost-effective than direct programme aid actions, and also performed better in terms of other efficiency criteria such as timeliness and commodity appropriateness.

In the case of **Cape Verde**, the most cost-effective actions examined involved the Netherlands and Switzerland providing direct financial aid earmarked for the commercial import of basic food commodities by state importing agencies. Had this type of arrangement been used for all EU programme food aid actions during the study period, then around 66% more cereals imports could have been aid-financed. There is a similar arrangement in **Nicaragua** where Norway provided import support not tied either by commodity or country of origin.

In **Kenya**, a triangular transaction involving the sale of southern African maize to the private sector was found to be extremely cost-effective, demonstrating that donor flexibility in the choice of transfer modalities can allow substantial efficiency gains in the context of a more liberalised cereals market.^{lxxiv}

In several case-study countries programme food aid in kind is gradually being replaced by various forms of financial support. For example, in **Mali** the decision by several EU donors including France, Germany, Netherlands and the Commission to provide financial aid to the Cereals Market Reform Programme (CMRP) in place of food partly reflects declining import requirements and also the greater flexibility provided.

In **Mozambique** with foreign-exchange liberalisation, a gradual improvement in the functioning of financial institutions and the familiarisation of domestic companies with international markets, interest has grown in the possible use of some form of financial assistance as an alternative to food aid in kind. Whilst substantial improvements have been made in the efficiency of food aid operations by both donors and the recipient agencies, the administrative costs remain high, particularly for donor agencies. Replacing programme food aid with financial assistance would, potentially, avoid problems of commodity appropriateness encountered by importers, improve the timeliness of deliveries and make the process more

transparent, especially in the contested areas of valuation of commodities and generation of CPFs.

In **China**, the Commission has replaced support for the Dairy Development Programme in the form of skimmed milk powder and butter oil with financial assistance. Germany has also replaced direct wheat shipments with financial aid tied to the import of rice from Thailand as support for the Integrated Rural Development Project in Shandong Province.

In case-study countries where such arrangements were not present or not investigated, there was still evidence that they would have proved more efficient. In **Zambia** a critical issue was speed of response to the drought emergency declared in January 1992. Commercial imports organised by the government proved to be more cost-effective, as well as being more timely than programme food aid.

The **Peru** study also identified the need to consider alternative modalities, including financial support for food security projects, import facilities for different kinds of European commodities and the increased use of triangular transactions.

Donors appear increasingly willing to consider such alternative ways of providing financial support in place of programme food aid. The 1995 EU draft Regulation recognised that where the food import trade is partly or wholly liberalised in a recipient country, it may be more appropriate, as part of a sectoral policy, and less likely to distort the local market, to provide foreign exchange to private-sector operators.

However, in the case of several donors food aid is budgeted and managed separately from other forms of aid and is not considered directly interchangeable with financial aid. Moreover, whilst the case studies indicate that financial aid may be considerably more efficient than programme food aid in kind, any potential substitution would need to be looked at carefully in terms of the implications for recipient country agencies.^{lxxv} There is a need too for flexibility over the level of financial assistance required to maintain adequate levels of food imports to achieve food security objectives. This is particularly important in a period of considerable international cereals price variability such as occurred in 1995-6.

7.4 Efficiency in the generation of CPFs

Each of the country studies included a quantitative analysis of the efficiency of programme food aid *as a means of generating local currency revenues*. This involved the collation of data on the value of CPFs generated^{lxxvi} for each food shipment and their comparison with donor costs converted into a common currency at the official monthly exchange rate prevailing at the time the funds were deposited. The ratio derived from dividing CPFs generated by donor costs provides a basic measure of the efficiency of CPF generation, which will depend on the cost of programme food aid deliveries, the valuation of the monetised commodities and the exchange rates at the time of delivery (see Box 7.2). For clarity and to distinguish this analysis from that of the cost-effectiveness of supply, the term *CPF-efficiency ratio* (or CPF ratio) is used. If the funds generated are less than the donor costs, then it can be concluded that financial assistance converted at the official exchange rate might have been a more efficient way of providing local currency support.^{lxxvii}

Table 7.4 EU programme food aid: distribution of CPF ratios, by recipient country, 1989-94

worked example				
Recipient country Shipment of 20,000 tonnes of wheat to Egypt by Belgium in November 1990				
	% of actions with CPF ratio:			
	Under 50	50-79	80-100	Over 100
<i>Synthesis Report</i>				
Bangladesh	-	25	50	25
Cape Verde	28	33	21	18
China	10	40	-	50
Egypt	32	36	18	14
Ethiopia	33	-	35	33
Kenya	BEF 3,360	-	67	33
Mali	BEF 1,881	33	50	17
Mozambique	BEF 5,241	-	43	57
Nicaragua	27	45	27	-
Peru	29	50	21	-
Zambia	40	40	-	20
CPF efficiency ratio Total 30 = $\frac{\text{CPFs generated}}{\text{Actual cif cost}} \times 100$ = 15				
Notes: - Data not available/no reported actions a Net of restitution payments. b Source: European Commission and Member States, recipient countries and donors, according to constitution agreement. c Sales proceeds net of ITSH costs and any government contribution to CPF, converted from Egyptian pounds at official monthly exchange rate, 6 months after delivery. Source: Belgian government; Egyptian government; IMF, <i>International Financial Statistics</i>				

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The importance of such an analysis depends in part on the objectives involved in providing the aid. Where CPFs are intended for specific projects and where the basic objective is to generate as much local currency support as possible (such as Community Action dairy aid to China and most EU programme food aid to Mali in support of the programme for marketing reform), then efficiency in CPF generation is particularly important. In contrast, the cost-effectiveness of CPF generation is less important in cases where programme food aid has been provided primarily as a form of balance-of-payments support or to increase domestic food availability.

In Stage One of the evaluation the lack of data available at donor headquarters precluded such an analysis. In Stage Two data have been gathered on CPFs for approximately two-thirds of total EU programme food aid actions to the 12 case-study countries and cover some 85% of the total quantity provided during 1989-94 by each donor. That complete data were still not available reflects the lack of consistency in recipient practices and reporting and limitations in donor monitoring procedures. In practice, the appropriate CPF ratio is not unity or 100%, because the CPFs reported are usually net of any deductible internal distribution costs incurred by the recipient. A figure of 20% is widely

suggested as a rule of thumb in estimating internal costs (section 6.3.1). Thus, CPF ratios of around 80% could be judged as relatively efficient for programme food aid actions. However, they would be less cost-effective, from the perspective of CPF generation, than an alternative financial action which did not involve transaction costs in the form of marketing and distribution expenses. Whilst a financial action would involve some administrative costs, these would be likely to be small compared with a food aid action.

As with the analysis of cost-effectiveness of supply, the CPF ratios represent a conservative estimate of inefficiency. Where no detailed information was available for particular actions, these were excluded from the analysis. However, in many cases, particularly for earlier actions from which no CPFs had been constituted at all and these are likely to be written off or forgotten, it would have been reasonable to calculate the efficiency ratio as zero (see also section 6.3.2). Given the number of actions for which this was the case, especially in Mozambique, a major recipient, the average figures would then have been substantially lower. The findings presented are, therefore, an upper-limit estimate of levels of efficiency.

The wide range of CPF efficiency ratios found for different recipient countries and for donors is represented in Figures 7.1 and 7.2 respectively. Of those actions for which data are available some 85% generated CPFs less than the costs incurred by the donor. Only just over a third of the actions analysed were found to achieve the 80% cost-efficiency level and almost a third had ratios of less than 50% (Table 7.4). If the additional administrative burden for donors and

recipient governments in the management of the programme food aid is also taken into account, these results suggest that, compared to a financial transaction, programme food aid is not an efficient way of providing local currency support.

Recipients The results for the 12 case studies also indicate marked differences in performance amongst recipient countries and between individual actions within each country (Table 7.5). The lowest CPF ratios were obtained in Mauritania, where none of the surveyed actions generated CPFs equivalent to even half the donor cost and the average ratio was less than 20%. These low ratios partly reflected operational difficulties with the delivery and handling of the food aid. Very low ratios were also achieved in Mali. The average level was as high as 57% only because of a single French action which apparently generated CPFs 77% higher than costs.

The valuation practices adopted also have a direct impact on the CPF ratios. For example, the ratios for Peru were relatively low, averaging only 45% of donor costs, but this represents a considerable improvement from the late 1980s, when a ratio of under 10% was typical, and reflects the way programme food aid has been, and is, currently valued. Prior to 1993, valuation was based on commercial cif prices, in practice using those of previous tenders, and thus did not adequately allow for hyper-inflation and depreciating exchange rates. Relatively low ratios were also found for maize shipments to Zambia, which were valued at wholesale rather than import prices and were, at the time of delivery, below donor costs. The CPF ratios were highest for Bangladesh and Kenya. In Bangladesh CPFs are reported only for Community Actions on an annual basis, and are roughly equivalent to the costs of providing the aid because prices used in the valuation of cereals were typically above international prices. A breakdown of CPF ratios by commodities shows that wheat actions are far more cost-efficient than those of vegetable oil. The CPFs were also used with minimal conditionality as general on-budget support. For Kenya the analysis includes only two Community Actions and one by the UK, with delayed constitution of funds for the food aid already shipped but not sold.

A wide range of CPF ratios were found for Cape Verde, China and Egypt. For Cape Verde, they ranged from only 16% for a Community Action of enriched SMP to 148% for a Community Action of vegetable oil. For China the range is linked to differences between commodities; butter oil actions generated an average ratio of 128% but SMP only 54%.^{lxxviii} However, in the case of Egypt the variability in ratios appears to be associated more with the different donor government agreements on the valuation of commodities as well as operational difficulties in the management of the transfer.^{lxxix} The actual performance for Mozambique is difficult to estimate because of the low level of CPF constitution, especially in earlier years.^{lxxx}

Donors For Community Actions, an average CPF-efficiency ratio of 78% was attained, excluding poorly performing Mozambique. For the Member States collectively, the average ratio was 75% (Table 7.6). Whilst the mean ratios were not substantially different, the distribution of individual actions was different. Whereas 50% of Community Actions

Table 7.5 Efficiency of CPF generation: EU programme 1989-94

Recipient country ^a	CPF-efficiency ratio ^b	
<i>Synthesis Report</i>		109
Bangladesh	99	<p>exceeded 80%, the ratios of over three-quarters of Member State actions were below 80%, with 41% under 50% (Figure 7.2). The average collective CPF ratio of 75% for the Member States reflects a small number of large relatively cost-efficient actions and a greater number of small, less efficient ones. Care must be taken in drawing conclusions from the small number of actions analysed for some individual recipient countries. There is a high degree of variability both between Member States and for actions from the same Member State in different recipient countries.</p> <p>There is large variability in efficiency in generating CPFs between recipient countries, and for individual countries between different commodities and sometimes among donors. Overall, the CPFs generated for all EU programme food aid, in the 11 countries for which detailed data were available (excluding Mozambique), were substantially less than the donor costs. Even if a ratio of 80% CPFs to donor costs is taken as a satisfactory level of performance for food aid, in only 3 of the 11 recipient countries did EU programme food aid achieve this level. The limited data available on CPFs are a cause for concern, reflecting inconsistent and incomplete reporting and monitoring procedures. The low average ratios estimated are especially striking when, as noted above, they represent conservative estimates of inefficiency. A recalculation of the CPF-ratio including all actions for which CPFs had not yet been constituted would have presented an even bleaker picture of the efficiency of programme food aid as a means of</p>
Kenya	95	
Ethiopia	92	
Egypt	78	
Cape Verde	72	
Mozambique ^c	64	
Nicaragua	61	
China	59	
Mali	57	
Zambia	55	
Peru	45	
Mauritania	19	
Total 11 recipient countries ^d	77^d	

-- Data not available

- Notes:** a Ranked by CPF-efficiency ratio
bMean CPF ratio is US dollar equivalent of CPFs generated divided by donor costs of providing food aid expressed as a percentage (see Box 7.2).
cEstimated mean based on available data where CPFs had been constituted (less than 50% of cases).
dExcluding Mozambique for which data on a consistent basis was not available.

Source: As for Table 7.4.

generating local currency support.

7.5 Conclusions

Aid-tying inevitably involves inefficiencies. It has been calculated that tying reduces the real value of aid in relation to its nominal value, by anywhere between 10 and 15% (Jepma, 1991). Food aid is often doubly tied, first by geographical source and secondly by the type of commodity that is available for shipment. It seems reasonable therefore to assume that direct programme food aid, for which the use of CPFs may also be stipulated, is likely to be even less cost-effective than most other forms of aid.

The findings of the cost-effectiveness of supply suggest that Community Actions were relatively more efficient than the national actions of the Member States, with the differences, even in the same recipient country, frequently being substantial. The small number of actions in some cases makes it statistically less meaningful to compare the performances of individual Member States, except to underline the wide range of results. In the case of France, Germany, Spain and Belgium, even using a fairly conservative measure of cost-effectiveness of supply, average programme food aid costs were at least a third more than those of commercial imports.

Table 7.6 Efficiency of CPF generation: EU Community Actions in 11 case-study countries, 1989-94

Donor	Mean CPF-efficiency ratio ^a	Quantity of aid
110		<i>Joint Evaluation of European Union Programme Food Aid</i>
	(%)	
Community Action	78	
Member States	75	
EU Total	77	

Note: ^aFor explanation of efficiency ratios see Box 7.2; excluding Mozambique (see Table 7.5).

Source: As for Table 7.4.

There is great variability in the cost-effectiveness of shipments to different recipients and between commodities, and even between different consignments of the same commodities to the same countries. Nevertheless, an overall view emerges of the cost-ineffectiveness of programme food aid as an aid instrument. It also points to conditions in which a programme food aid action might be expected to be a cost-effective method of supporting food imports.

Donors with greater flexibility in terms of instruments and modalities in the provision of programme food aid appear better placed to be more cost-effective. There is substantial evidence that permitting procurement by the recipient country through public or private agencies and third-country sourcing is often more cost-effective than providing direct aid in kind. Where financial assistance was provided as a form of import support tied to the import of basic food commodities and not necessarily tied by source, the resource transfer was invariably more cost-effective than the provision of programme food aid in kind. These arrangements also avoided problems over the appropriateness and the valuation of commodities and the timing of deliveries, and may have led to greater transparency. The savings in terms of administrative costs for both the donor and the recipient could also be substantial. However, for some donors, food aid is considered as separate from and additional to other forms of aid, and is not interchangeable with other instruments.

EU programme food aid as a means of generating local currency resources involved high transaction costs. On average for actions where CPFs were constituted, the value of CPFs generated was 23% lower than the cost to EU donors. Having excluded actions for which CPFs have not been deposited, the CPF-efficiency ratio can be considered an upper limit estimate of efficiency. In most cases EU programme food aid has not been an efficient way of providing local currency support.

Endnotes

lxx.Knop (1990) also reported that annual or bi-annual statements of CPF accounts made to the Commission largely omitted information on the programme from which the fund was derived, the quantity of food aid involved and the valuation price or use, despite the 1987 revision in regulations.

lxxi.Both the actual and the alternative costs per tonne represent purchasing and transport costs in full to the point of delivery, final destination or port of unloading in the recipient country. An exception is programme food aid to Egypt, where the Commission and France during the study period provided food aid commodities on a fob at port of loading basis, with the Egyptian authorities responsible for international transport. The

reference costs for Egyptian actions therefore include only procurement of the same commodities. Actual costs are as reported by the Commission and the Member States. Where appropriate, restitution payments were deducted, so that the aid cost actually incurred by the donor is reported.

lxxii. A formal statistical investigation of economies of scale was carried out using regression techniques. The relationship between the size of shipment and the efficiency ratios generated was examined for individual recipients, commodities and donors and as a whole. The investigation yielded insignificant results for each of the regressions carried out, indicating that shipment size did not significantly influence efficiency. Of the country studies, only the Bangladesh and China studies again confirmed lack of clear evidence of economies of scale (see Background Papers BP-02 and BP-04).

lxxiii. Enriched SMP should not normally be provided for monetised actions.

Table 7.1 Cost-effectiveness of supply of EU programme food aid actions to 12 case-study countries by commodity, 1989-94

Commodity	Cost-effectiveness	Actions included in analysis	
	of Supply Ratio ^a %	As % of total tonnage delivered	Number of actions
Cereals			
Wheat	126	93	134
Wheatflour	177	91	23
Maize	127	89	28
Rice	150	71	26
Non-cereals			
SMP	97	100	71
Vegetable Oil	102	94	67
Butter Oil	100	96	46
Dry Whole Milk	114	56	4
Enriched SMP	161	15	3
Dry milk plain	108	45	2
Sugar	260	12	2
Beans	85	1	2

^aMean of ratio of donor cost to 'reference' cost of native commercial imports (see Box 7.1).

the Commission and Member States for actual costs; IGW and WFP for costs of alternative commercial imports.

lxxiv. However, there are potential situations in which direct programme food aid rather than import support could fulfil a strategic purpose: for example, where lack of competition in the local market was contributing to unnecessarily high prices for commodities.

lxxv. For example, an examination of the implications of such a change in Mozambique found that the switch would increase the workload of the government agency with responsibility for procuring food and, depending on the actual regulations imposed, could create difficulties for commercial banks if earlier payments of CPFs are required. From the traders' perspective, a switch to import support could also have a number of implications including increased financing costs, higher liquidity pressures and increased workload in carrying out procurement. However, on the positive side, it would reduce the administrative workload for the Ministry of Finance and imply faster payment of CPFs (under the systems of payment currently used for import support and programme food aid programmes). It could also improve the predictability of food aid in terms of quality and timing of arrival.

lxxvi. Net of any recipient government contribution.

lxxvii. Schultz (1960) provided an early example of the use of this measure, estimating that the value of CPFs generated from US food aid in the 1950s was only about a third of the cost to the United States. Ideally, in making such comparisons, the actual costs of a food aid action should also include the net administrative costs incurred by the donor and the recipient government (other than expenses reclaimed before the deposit of the CPFs) in arranging and implementing the tendering procedure, mobilisation, transport and sale of the food aid and the constitution, management and utilisation of the CPF, over and above those incurred in an equivalent financial grant. Further factors such as the timing of delivery of food aid commodities should also be taken into account. However, in reality, this is not possible because such costs are not easily quantifiable.

An alternative way of measuring the resource-transfer effectiveness of CPFs would be to assess their contribution to the development process as compared with financial assistance. In practice, this measure would be difficult to quantify and is, in any case, partly subjective, depending on the definition of development. Fungibility would further complicate the interpretation of such analysis. The benefits derived from the use of CPFs could also be compared with those from the use of non-monetised food aid in cases where food aid is monetised within projects. Both entail additional administrative costs, the latter concerned with the design and implementation of projects with a specific food aid component (e.g. food for work). Different country circumstances determine which approach is more appropriate, and the factors to be taken into account in deciding on the most appropriate form of assistance can only be identified through individual case studies.

lxxviii. The FAO formula used values SMP at 5.45 times the producer price of raw liquid milk delivered to a collection centre or processing plant. Butter oil is then priced at 2.5 times the price of SMP, a ratio based on the long-term average of the two prices. However, butter oil prices were, in fact, only 6% higher over the period of study, thus explaining the cost-efficiency results found in the analysis. This raises questions about the continued validity of the FAO formula and whether it is in need of revision.

lxxix. For example, Italian programme food aid was valued at the internal retail price, which was lower than the higher world market price as stipulated by the Commission and France. There were also substantial delays in the constitution of the CPFs, effectively resulting in the erosion of their foreign currency equivalent value with the depreciation of the Egyptian currency.

lxxx. The problem of whether these actions where CPFs were not deposited should be *de facto* written off as zero or regarded as still potentially to be constituted was unresolved at the time of evaluation in 1996.

8

Co-ordination

8.1 Issues and evidence

Chapters 3 to 7 of this report have provided examples of the benefits to be achieved from co-operation among donors and aid agencies and between donors and recipient governments. There is widespread recognition of the particular sensitivity of food aid in terms of its effects on how different parties act. It is therefore not surprising that there is broad agreement within the European Union and the wider development community that co-ordination at the international and recipient country levels is a necessary, and not simply a desirable, aspect of the provision of aid in general, and food aid in particular, because perishable commodities are being provided for the consumption needs of often food-insecure people.

Programme food aid is usually provided in relation to what are conceptually two different food-deficit situations: first, in relation to a short-term deficit that may have national food security implications and where crisis management measures are required, and secondly, to cover part of a structural deficit, but where, as many of the case studies illustrate, the food situation is dynamic and levels of required imports may fluctuate substantially. However, programme food aid is typically part of an overall assistance that may include emergency aid and, in an increasing number of cases, relief over an indefinite period for displaced people and refugees. Food aid is also being provided in projectised form directly targeted on vulnerable groups or to support livelihoods through labour-intensive employment activities. The aggregate of all these food aid actions needs to be considered in relation to national food balance sheets and the consequences for specific food-insecure and vulnerable groups.

Programme food aid always provides some combination of balance-of-payments and budgetary support. Therefore, unless provided on an unconditional basis, it requires a policy and public expenditure framework consistent with that agreed not only with other food aid donors but also with providers of financial support. The co-ordination requirements for food aid, and programme aid in particular, are therefore considerable. Even if an individual donor regards its own assistance as marginal, the aggregate effects of food aid are, as the case studies illustrate, still substantial. The only important exception is the case of very large economies such as China or India where food aid flows are genuinely marginal.

In reviewing issues of co-ordination, a certain scepticism emerges from the food aid literature about what can be achieved in the light of the different priorities of individual donors and the different practices determined by budgetary and legislative considerations. If there were universal agreement in principle in favour of greater co-ordination - and one could point to the same small number of exemplary cases, the response to the southern African drought, or, at a national level, Mali - there still remains a widespread sense of the many restraints. This evaluation focuses on three broad areas of co-operation or interaction between agencies which

could be organised in an explicit, deliberate way. First, there are actions which are likely to facilitate more effective and efficient actions; these include organised information-sharing to enable agencies to be more consistent in their actions. Second, there is co-ordination in terms of adopting common procedures so that there is more scope for efficient action. Third, there is active co-ordination involving consultations to ensure more consistent or complementary actions and to avoid duplication.

Co-ordination is considered at three levels in this report - at the level of the European Union, the recipient country and internationally. The examination is based on consultation with agencies of the Member States and the Commission at headquarters level and through the case studies in recipient countries. This view of co-ordination concerns not just programme food aid, but the totality of normal food aid, because in practice these are not easily separable at a policy and management level. However, emergency actions, which raise even more serious and complex problems of co-ordination because of the severe time constraints within which they are commonly organised and the involvement of many more parties through NGOs and international relief agencies, are not considered here. Previous evaluations contributed little direct information, because co-ordination issues were dealt with only superficially, if at all. Most evaluations are typically focused on the actions of the sponsoring agency and are less concerned with the overall effectiveness of food aid. There has been no recent study of international co-ordination of food aid, apart from evaluations of specific emergency operations such as the southern African drought (SADC, 1993) and Rwanda (Eriksson et al., 1996).

The importance of co-ordination has been repeatedly recognised in principle at EU and international levels. Furthermore, donors have broadly similar objectives, political and strategic motives aside, which should enhance co-ordination efforts, particularly as they have increasingly come to view food aid less as a means of surplus disposal and more as a developmental and humanitarian resource. However, in practice evidence drawn from the desk review of Stage One of this evaluation, further interviews and the 12 country studies demonstrates that co-ordination is still relatively weak, except in crisis situations.

8.2 Co-ordination within the EU

Some degree of co-ordination is inevitable for the European Union which has joint obligations under the Food Aid Convention. As there is parallel competence, decisions are necessary on the division of responsibilities between Community Actions and those of Member States, and among the Member States. Commission and Member State institutions are similarly required to act in ways which are collectively consistent with, for example, the Rules on Surplus Disposal intended to prevent food aid from adversely affecting commercial and agricultural trade, and also with the regulations of international organisations to which the Member States are parties.

Taking a longer-term perspective, the EU has made substantial progress towards better co-ordination since Community Action food aid began in 1968.^{lxxxii} However, the process has been made more difficult by the very origins of EU food aid. Cereals food aid, the major component of the Community Action and Member States' food aid programmes, is organised around the FAC commitments which were initially ratified as part of agricultural trade negotiations in 1967. As a consequence, Agriculture Ministries played, and continue to play, important roles in the organisation of food aid programmes. This interest of agricultural policy and trade has contributed to difficulties in the co-ordination of food aid at an international level,

involving as it does a number of parties with no involvement in other parts of aid programmes, and thus, to some extent, isolating food aid from other aid co-ordination mechanisms. Indeed, totally separate co-ordination mechanisms as well as procedures and legislation have had to be established for food aid, effectively weakening its co-ordination with other aid resources. Furthermore, as a number of different departments within a donor country are often involved in the food aid programme, meetings of international bodies may be attended by representatives from a number of different donor ministries and departments, each with somewhat different agendas, thus weakening cohesion. Indeed, representatives from Agriculture Ministries may not even be committed to enhancing donor co-ordination where there are potentially conflicting market management and trade promotion interests. The involvement in some Member States of several ministries and agencies in the financing and organisation of food aid is also a factor which complicates the collation and sharing of information about food aid within the EU.

The other important starting point for EU food aid was the voluntary commitments of food and financial resources to the World Food Programme initially by the Member States in 1963, and subsequently also as Community Action. Donors which channel the bulk of their food aid programmes multilaterally can make only limited contri-beased co-ordination. Emergency aid aside, they effectively relinquish much of their control over the destination and uses of their aid and may only be informed retrospectively about its use. However, they could improve the degree of co-ordination which multilateral agencies, in turn, are able to achieve by making multi-annual commitments to them (EC, 1989b). It could also be argued that donors implicitly improve co-ordination by the mere act of channelling food aid multilaterally, provided that enough of them choose this option. Nevertheless, they may have other reasons for preferring to channel food aid bilaterally.

Member States have always played an active role in the determination of Community Action food aid through the Development Council. However, little effort has been made specifically to co-ordinate Community and Member States' actions. For donors with small bilateral programmes, such co-ordination is not a high priority. But others have relatively large food aid programmes which justify greater co-ordination, the need for which was recognised in, for example, the European Council's Food Aid Guidelines of 1989, which stated that:

The Council emphasises the need for the Community and its Member States to co-ordinate their action more closely, in the framework of the existing bodies and in the field.

It calls upon the Commission to take every step, in the appropriate bodies, to strengthen co-ordination between donors and recipients with a view to the concerted programming of food-aid consignments. (European Council, 1989)

Significantly Council Regulations place emphasis on regular information-sharing with regard to national actions, as in both the 1986 Council Regulation on Food Aid Policy and Management and in the 1995 draft Regulation (European Council, 1995, Art. 28).

The Member States currently help to determine the Community Action programme through their involvement in the Food Aid Committee and the Council Working Group on Food Aid.^{lxxxii} There is, however, no consistent pattern of Member State representation. Representatives are drawn from a number of government departments including Member States' food aid units (where their food aid programmes are sufficiently large to justify such a

group), sections of development co-operation divisions with EU and multilateral responsibility, Agriculture Ministries and Member State permanent delegations to the Commission. Some Member States are represented by the same official(s) at most of the monthly meetings, which provides some continuity of participation, but others send a variety of representatives. These differences reflect, *inter alia*, the number of government departments involved in the programming and implementation of a particular donor's food aid programme and the pressure of work on officials with a range of responsibilities. Even some Member States with relatively large programmes do not always send representatives from their respective capitals but instead rely on attendance by an official from their permanent delegation in Brussels.

The primary purpose of the Food Aid Committee is to consider (formally, give an opinion on) the Community Action annual recipient country food aid programme and the annual allocations to international organisations (WFP, ICRC, UNHCR, etc.), as proposed by the Commission following formal requests from recipient countries and internal review by the Commission.^{lxxxiii} These proposals are made throughout the year, with some recipient programmes not considered until near the year end, after their main crop has been harvested and their import requirements have been assessed. Prior to each meeting, Member States are sent papers outlining each proposal to be considered, including information on the commodity to be supplied; tonnage; use of the food aid and any CPFs generated; transport arrangements; and the estimated cost of the action to the Commission and the Member States. In addition, information is provided on the objectives of the food aid; the justification for it, both broadly, in terms of the overall situation in the country and, more specifically, in terms of why food aid is a particularly appropriate form of assistance; the food policy in the recipient country; other food aid scheduled for delivery in the same year; and recent Community Action food aid to that country. Nevertheless, complaints are sometimes made about the inadequacy of the information provided.

The Commission adopts measures approved by the Committee with immediate effect. Measures not approved by a majority of the Committee or on which it fails to give an opinion are referred to the Council of Ministers. This means deferring action for two months pending a decision by the Council, which may overturn the decision of the Committee. However, in practice, the Committee approves actions at the first opportunity, except in a few cases held back for one or two months. Actions are never rejected. Over time, Committee meetings have become less formal and increasingly discussion-based. This partly reflects the influence of the Chair in seeking to involve Member States more closely. In addition, the agenda has gradually broadened from almost exclusively approving Community Action allocations to considering wider EU emergency responses.

As a result of involvement in the Food Aid Committee, each Member State has some knowledge about the Community Action food aid programme for each recipient country. Furthermore, Member States can, and occasionally do, take the opportunity to enquire about the provisional allocation for a particular recipient prior to its formal consideration by the Committee. However, the Committee is used only occasionally as a forum for sharing information about the bilateral food aid of the Member States, when they choose to provide such information in discussions about a particular recipient. The Commission presents proposed Community Action programmes in isolation or with reference to the general situation, but it does not enquire about the programmes of the individual Member States during meetings.

The Council Working Group on Food Aid has three functions, which do not directly enhance the co-ordination of food aid. First, it provides a technical forum within the Council mechanism to consider legislative proposals concerned with food aid. Second, it prepares food aid questions for the Council of Development Ministers. Third, it is the co-ordinating body with regard to the EU's relations with the WFP, in particular the Executive Board and the Sub-Committee on Projects; for example, prior to the Executive Board meeting, the Working Group will meet to discuss the agenda and the statements the Commission will make. It also reviews the annual reports of the Community Action food aid programme and is involved in preparations for meetings of the other Food Aid Committees at the International Grains Council, which review donor performance under the FAC.

The only mechanism by which Member States formally communicate about their own food aid programmes is through the submission of written information on their bilateral programmes to the Commission. However, this information is seldom forthcoming on a regular and systematic basis and so cannot always be taken into account in allocating Community Action aid. Member States, especially those with relatively larger programmes, have frequent informal contact with the Commission. For example, the UK Overseas Development Administration indicated that it is in frequent telephone contact with the Commission, partly reflecting the high proportion of UK bilateral aid channelled through NGOs as emergency assistance, which requires such contact in order to avoid duplication. Nevertheless, from the Commission's perspective, it seems as if there is effectively only a one-way flow of information, with little feedback on national actions, particularly from those Member States with smaller programmes.

The lack of consistent and regular information on Member State food aid was underlined by the difficulties experienced during this evaluation. Some Member States have detailed and readily accessible information on financial and administrative aspects of their bilateral food aid, in part because this appears to be a normal part of reporting to national parliaments and for audit requirements. In other cases Evaluation Units and those responsible for food aid management had difficulties in assembling information, partly because food aid actions are not just a matter of development co-operation but also involve public agencies concerned with the agricultural sector and transport and logistics. Several of the country studies remained incomplete because of difficulties in obtaining information on some Member State actions.

The EU has made only limited progress in establishing *common procedures* for the provision of programme food aid. Over time standard procedures for Community Action aid have been agreed as set out in Regulations (e.g., EC, 1986, 1987a, 1987b) and Council Resolutions on food aid (European Council, 1983, 1989, 1990, 1995), as well as resolutions on food security and on the uses of CPFs (European Council, 1988, 1991). Where cereals food aid involves expenditure of EU agricultural funds on restitution payments, Member State agencies are bound by EU procedures. The implementation of the single market is also resulting in Member State agencies moving to Community-wide open tendering procedures. But in terms of details of implementation there are still different practices, as indicated in Chapters 2 and 6.

Operationally, the case studies have shown the extent to which programme food aid, and indeed food aid more generally, and the precise terms and conditions on which the aid is provided, are still determined by the differing legislative and regulatory frameworks of individual Member States as well as those for Community Action. At a country level, as indicated below, the Commission has had some influence in establishing standard principles for the use, constitution and financial monitoring of CPFs, with the Council Resolution and the

Commission's Principles of 1991. Nevertheless, there continue to be wide variations in procedure which in turn reflect different policies within the EU on this and other aspects of food aid.

The EU has actively sought to co-ordinate responses more closely in exceptional circumstances, such as a national or regional crisis. The first such occasion was the African food emergency of 1984/5; more recent events have included 1990/1 and the drought in southern Africa in 1992. In these cases, the Council of Ministers, acting on the proposal of the Commission, is obliged to make a decision on whether additional extraordinary measures should be undertaken and on the extent to which they should be undertaken as Community Action responses. These events also offer an opportunity for the Council to agree a co-ordinated bilateral response by the Member States to complement Community Action. In responding to the southern African drought in 1992, the EU decided to act jointly largely through the provision of additional food aid organised as Community Action and supplied through a combination of programme food aid and other emergency aid for relief purposes. However, the Mozambique and Zambia case studies offer evidence, confirmed by other evaluations, that the EU responded more slowly than some other major bilateral donors in providing food aid or financing commercial imports (SADC, 1993; Callihan et al., 1994). The EU appears to be more effective in co-ordinating joint action to ensure additional resources than in ensuring timely and sufficiently flexible response to rapidly changing circumstances. So far it has not attempted actively to co-ordinate Community and Member State programme food aid actions on a sustained basis.

At a bilateral level, the Commission also arranges occasional *ad hoc* meetings with individual Member States to discuss co-operation on programmes for a particular country. These meetings, which are attended by the Commission's Country Desk Officer, provide an additional opportunity to share information about food aid actions. Sometimes, the Commission and individual Member States collaborate in assessing recipient country needs and appropriate responses.^{lxxxiv}

Evaluations are another potential area of co-operation. Since the 1986 Regulation, the Commission is expected to 'undertake regular evaluations of significant' Community Action food aid operations (EC, 1986). These evaluations are discussed by the Food Aid Committee, although evaluations not exclusively concerned with food aid may be considered elsewhere, as, for example, in the case of a study on CPFs generated from various Community Action aid instruments (Maxwell and Owens, 1991). However, prior to the present evaluation, the Commission, the Court of Auditors, and the institutions of the Member States had not undertaken either joint monitoring or evaluations of food aid actions. Since there are no formal requirements or agreements for the regular and parallel review of Community Action and the national actions of Member States, a potential obstacle to organising joint reviews is the length of time it may take to gain the agreement of all the Member States and the Commission on the terms of reference for the review. Several Member States have also considered holding bilateral food aid meetings, but no such meetings have yet occurred; however, the Member States with larger food aid programmes do maintain some informal contact by telephone and at meetings organised for other purposes, such as the WFP governing body (see below).

8.3 Co-ordination at recipient country level

Close liaison between donors and the recipient government and amongst donors on the logistical aspects of food aid is generally accepted as a practical necessity. Where food imports, including total food aid, represent a substantial part of the food supply, there are not merely efficiency gains in terms of avoiding excessive fluctuations in stocks, wastage, demurrage, and so forth, but food security risks to be avoided through the overall efficient scheduling of imports. These practical issues of co-ordinating programming and logistical arrangements are most pressing in an emergency situation. As noted in Chapter 3, programme food aid is frequently a major part of the international response to a crisis in addition to relief aid for free distribution. During the study period, programme food aid was received in an emergency context by no less than six of the case-study countries: Bangladesh (cyclone), Kenya and Zambia (drought), Ethiopia and Mozambique (drought and conflict) and Nicaragua (conflict). National disasters pose threats to food security and economic stability amongst many low-income and food-deficit countries, including three of the other case-study countries - Cape Verde, Mali and Mauritania. Co-ordination arrangements at the country level should be considered therefore in terms of their effectiveness in coping with environmental variability and highly abnormal conditions. The question to pose is: what are the necessary arrangements for data flows and, as appropriate, active co-ordination to handle crises as these arise?

Co-ordination between donors and recipient governments over matters relating to food aid and CPFs also facilitates better fiscal and monetary management. The need for such co-ordination on the macro and sectoral framework of programme food aid has grown as many recipient countries have embarked on structural adjustment and sectoral reform programmes, entailing careful planning of all government and external resources. Inappropriate programming and unexpected deliveries of food aid along with unanticipated constitution and disbursement of CPFs can undermine a government's efforts to achieve set objectives. Co-ordination is also important in procedural arrangements; on the part of donors it can ease the administrative burden on recipient governments, and also increase the transparency of the whole food aid programme.

There is broad agreement within the EU and the wider donor community on the need for and the benefits of co-ordinating food aid activities at the country level. Food aid ought to be considered in the context of overall aid programmes and government policies and plans, including any structural adjustment agreement. It should be considered within the framework of domestic food policy and the food requirements of potential recipient countries. This principle is recognised by the EU, for example, in the Council Resolution on Food Security Policy in sub-Saharan Africa, which states that:

food aid must be consistent with the objectives of food security policy. In order to avoid the deterrent effects which sometimes result from food aid, the Community [Union] should take an active part in drawing up a code of conduct for donors and recipients of food aid. (European Council, 1988)

In the case of programme food aid, co-ordination and co-operation are also required over the monetisation of the aid, the establishment and management of CPFs and the use of these funds (European Council, 1991). Joint evaluation is also a potential aspect of co-ordination: for example, the OECD DAC Principles (1992) envisage joint evaluations as offering a way of enhancing donor understanding of other donor practices and reducing the administrative burden on recipient governments.

In practice, it is difficult for recipient countries to have coherence in their food policy and the management of their food system without co-ordination in the programming and shipment of food aid. Both the planning of commercial imports and bilateral negotiations are made more difficult by uncertainties regarding the possible actions of other parties, in terms of both quantities committed and the timing of delivery. Constructively, multi-annual programmes have been seen as a possible vehicle for improving the planning and co-ordination of food aid with government policy and objectives.

If there is broad agreement on the benefits of co-ordination, there are a number of persistent criticisms of food aid in practice that are attributed to poor liaison between donors and recipient governments and problems of non-co-ordination within the donor community. A frequent criticism in earlier evaluations of EU programme food aid was that the uncertainties over the likely date of arrival of food aid programmed by the Commission created difficulties for recipient countries in import planning (Court of Auditors, 1980). In particular, problems of non-co-ordination are potentially especially serious in the smaller economies where food aid constitutes a large proportion of annual imports and single shipments are likely to represent a non-marginal share of the import programme. Lack of 'horizontal co-ordination' amongst donors leads to cost inefficiencies (Chapter 6 and 7) and logistical problems (Tecnecon, 1992) that could be overcome by combining shipments or financing commercial imports organised by the recipient government.

Single-donor evaluations rarely devote much attention to co-ordination issues, except in crisis situations. The case studies in this evaluation therefore offered an opportunity for comparing a cross-section of experience on EU and donor behaviour in terms of information exchange, procedural arrangements, and active co-ordination of policy programming and the actual supply of food aid.

Information exchange Information flows typically involve the wider group of food aid donors rather than the EU as a distinct grouping. In most cases (8 out of the 12 case studies) the WFP has provided the secretariat or taken on the organising role in sustaining information exchanges and meetings of donors at the local level. Information exchange is most highly organised in countries where there is or has been a major emergency in which food aid is an important resource: Ethiopia, Kenya, Mozambique, Nicaragua, Zambia, Bangladesh, Mali. Detail and frequency of information circulated not only on food aid programmed but also on technical logistical matters are more comprehensive where the government co-operates actively (e.g. Bangladesh, Zambia). However, where the government itself is seen as part of the problem (Ethiopia under the Derg), this may also act as a driving force to donor co-ordination. Where programme food aid is being provided primarily as a developmental resource, a constructive relationship between government and donor institutions appears to be critical, and the recent experiences of Cape Verde and Mali (positive) as compared with Mauritania (negative) are instructive in this regard.

Although the WFP organises donor meetings in many countries, other institutional arrangements such as the UNDP Round Table (Cape Verde) or a subcommittee of the local donor group, as previously in Egypt, may provide a convenient framework for consultation. There is also considerable informal consultation and information exchange. This may be important where only a few EU agencies are developmentally active (Peru) or where the Delegation and Member States do meet formally but food aid is not a priority issue for EU co-operation (Bangladesh). Finally, all such arrangements are dynamic, and when an

immediate crisis has passed (Kenya, Zambia) or where food aid is declining in importance (Egypt), information exchanges may lapse or be formally terminated. In some countries there are so few donors that nothing more than informal consultation is either likely or justified (China, Peru). Overall, the institutionalised involvement of both WFP and a government agency does appear to have been important in sustaining effective information exchanges through food policy cycles of crisis and complacency, as in Bangladesh and Mali.

Procedural co-ordination The country studies show that there has been little progress within either the EU or the wider donor community in achieving standardised procedures that could reduce the administrative burden on recipient governments and contribute to general overall transparency. The Member States and the Commission provide programme food aid, and indeed food aid overall, on a variety of terms and conditions for delivery (see Chapter 6).

The established practices of the management and use of CPFs also reflect the different requirements of individual EU and other donors (see Chapters 4 and 6). Even where there are common funds, some agencies are still obliged by their own legal and regulatory frameworks to have separate accounts and projects linked to their funds. However, where there is a well-defined multi-year programme framework, it is possible for donors with such procedural restrictions to integrate their assistance to the fullest possible extent with that of other donors, whilst remaining outside the common fund (for example, German action in Mali). The EC Delegation was noted in some cases (Ethiopia) to be trying to obtain agreement on standard procedures for establishing and managing CPFs.

There appear to be a number of obstacles to progress. Each of the major donors has a distinct set of policy objectives and procedures that reflect, for example, financial reporting requirements to national parliaments. For example, the United States, the largest single donor globally and in most countries, has different policy objectives and procedures for each of a number of parallel programme food aid instruments.^{lxxxv} In addition, the attempt by a donor to standardise its procedures in all countries, for example CPF arrangements for Community Action food aid, may in some cases be inconsistent with previously established joint arrangements, as in Cape Verde. A number of donors including several EU Member States provide programme food aid in only a few countries, on a basis of annual commitments and with a changing list of priority recipients. The frequency of decisions, involving annual allocations and a changing recipient list, makes it more difficult for country-level missions to work together to achieve consistent solutions on an individual country basis.

Active co-ordination Joint action, co-operation and consultation to ensure consistent decisions could cover any of the following aspects of food aid at the country level: the overall policy framework, programming of aid (food aid and financial assistance, quantities, commodities), logistics and technical aspects of the timing and handling of aid; the establishment, management and use of CPFs; and joint monitoring and evaluation. The initial review of evaluations in Stage One and the country case studies confirm that some active co-ordination is common in an emergency. In contrast, there are few examples of sustained, active co-ordination of food aid in a developmental context involving EU donors or the donor community more widely. There is evidence of attempts in 8 out of the 12 case studies, and these examples are informative on both the conditions for successful and sustained co-ordination and the obstacles that contribute to failure.

First, a number of examples illustrate the typical chronology of crisis-linked co-ordination. Bangladesh, Cape Verde, Ethiopia, Kenya, Mali, Mauritania, Mozambique and Zambia are all countries where arrangements for information-sharing and active logistical co-ordination were initially attempted in an emergency context where there was an urgent need to prevent bottlenecks and ensure an adequate flow of food. The response to the drought crisis in Zambia in 1992/3 is a recent and in many ways model case of highly effective co-ordination at the country level within the framework of an internationally co-ordinated response to a wider regional crisis. But such co-ordination is typically not sustained beyond the crisis, as the government and many donors accord lower priority to food aid and food security more generally (Kenya, Mauritania, Nicaragua being examples). Continuing acute food insecurity as in Ethiopia and Mozambique may sustain active co-ordination, especially in the programming of food aid levels and logistics.

There are a few well-known examples of successfully sustained food aid co-ordination including Bangladesh, Cape Verde and Mali among the case studies, as well as other conspicuous examples of failure to co-ordinate effectively (Egypt, Mauritania). A comparison of these experiences indicates the preconditions for successful sustained co-ordination.

First, common objectives are of critical importance. These may include wider goals of sustaining food security and economic stability in an economy where food aid is a relatively important resource, e.g. Cape Verde and Bangladesh. Mali appears to be unique in its sustained 'collective adventure' involving a commitment to support sectoral reform for more than a decade. In these three cases agreement over wider goals has also been translated into quite specific programmatic forms - anti-poverty programmes or sectoral policies involving institutional and marketing arrangements.

Second, it is essential that there is genuine interest on the part of the government in working to co-ordinate with and accept co-ordination among donors. The cases of Egypt, Kenya and Mauritania indicate that little is likely to be achieved in the absence of such a commitment. Continued donor involvement in a number of cases is explained by other non-developmental policy considerations of strategic and trade interests.

Third, food aid has to be a sufficiently important resource, at least initially, to justify donor interest and commitment at both country and headquarters level.

Fourth, donor representation in-country is important. Otherwise there are potentially problems of internal communication within donor agencies and of finding a framework for continuing consultation. Problems of ineffective co-ordination over programming in Cape Verde, Nicaragua and Mauritania all appeared to be exacerbated by some of the EU and other donor agencies not being represented in-country.

Fifth, establishing appropriate institutional arrangements obviously facilitates co-ordination. But no particular arrangement appeared to be uniquely successful and, in that sense, exemplary.

The sustained process of co-ordination in Mali has worked well, involving a government agency with responsibility for managing food aid, formal institutional arrangements with donor government consultation and consultation within the donor grouping supported by a secretariat provided by the WFP and other donor technical co-operation inputs. There is also a common counterpart fund with most donors participating and others providing parallel separate projectised assistance on a consistent basis. However, the relatively unsuccessful attempts to

replicate the Mali model in Mauritania as well as Madagascar and Senegal indicate the importance of the other preconditions for success already listed.

Sixth, a policy framework which permits complementary provision of financial as well as food aid may be a necessary condition for sustained and co-ordinated support, where year-on-year food import requirements are variable. In the Mali case, the way in which support has been sustained in a flexible way by some donors is particularly impressive. The Commission and the Netherlands have provided financial assistance as programme food aid import requirements declined, and Germany has funded local purchases of cereals.

Finally, the number of donors involved on a continuing basis may be a critical factor in successful co-ordination. A large number of donors in an emergency situation makes temporary co-ordination arrangements necessary, as in Ethiopia (35 donors) and Mozambique (more than 20 donors). But successful cases of sustained co-ordination including support for food-for-work and vulnerable group feeding programmes in Bangladesh, rural employment creation in Cape Verde and sectoral reform in Mali, have all involved a more limited, stable group of donors, in effect making multi-year commitments.

The obstacles to effective co-ordination are, in most cases, the obverse of these factors. The absence of a shared set of clearly formulated food security objectives and agreed wider developmental goals in providing aid, as well as a lack of commitment on the part of the government, are critical negative factors. Sustained co-ordination is particularly difficult where import requirements fluctuate considerably, as in much of sub-Saharan Africa. Where food aid is only a marginal resource, as in China and many other minor recipients of programme food aid, there is little need for co-ordination. It is notable, however, that the declining use of programme food aid as an instrument is frequently linked with an inability to achieve effective co-ordination amongst donors and with government, as in Egypt, Kenya, and Nicaragua.

Institutional arrangements *per se* are not the critical factor. In some cases, World Bank-chaired donor consultative groups or subcommittees within such groups, as in Mozambique, and elsewhere UNDP Round Tables have offered mechanisms through which food aid flows may be co-ordinated with other assistance. Some recipient governments are also seeking to improve co-ordination with donors either individually (Bangladesh, Cape Verde) or through regional organisations. For example, the Sahelian countries, in conjunction with the Club du Sahel, have taken a major initiative with the institution of the Food Aid Charter for Countries of the Sahel. However, the very different country experiences in Cape Verde, Mali and Mauritania indicate the extent to which individual country circumstances still dominate. That is also true in the SADC region, including Mozambique and Zambia.

Since the early 1980s, structural adjustment and more narrowly sectoral adjustment programmes have provided a wider policy framework for many developing countries, including almost all the case-study countries, to shape their food aid policy. There are some examples, such as Jamaica, of major stabilisation or structural adjustment providing a focus for the co-ordination of food aid at recipient country level. Again, however, the initiative has come from the international financial institutions, with individual bilateral donors providing food aid as part of the overall co-ordinated support for stabilisation and policy reform. Mali is the most striking example of sectoral reform as a framework for the successful co-ordination of support with food aid and other complementary financial assistance. Foreign-exchange liberalisation

and sectoral reform are radically changing the context within which food aid is being provided for most major recipients, including all the case-study countries. The growing role of commercial imports and private activity in grain markets reported in many of the case-study countries illustrates these rapidly changing conditions. The new context necessitates rethinking the precise role of programme food aid and the ways in which donors can most effectively co-ordinate their assistance with the recipient governments.

8.4 International co-ordination

International co-ordination is important to ensure an adequate and appropriate, not necessarily steady, flow of food aid to recipient countries in response to changing needs, and thus to ensure that food aid promotes, rather than undermines, food security as well as providing a reliable source of balance-of-payments support. Several international organisations are involved in providing and monitoring food aid. There are also some international institutional arrangements which are intended to provide a forum for donors and also recipients to discuss matters relating to food aid and, at least potentially, to improve co-ordination of their respective programmes, as detailed below. Some of these organisations require donors to submit data on their food aid actions. However, they request such data in varying forms, often resulting in donors supplying data in inconsistent formats, which makes analysis difficult. Furthermore, there are few points of contact between the various organisations.

From an EU viewpoint, it is important to note that Member States typically participate in and contribute to international organisations on an individual basis. For instance, three of the four members of the Nordic Group, Denmark, Finland, and Sweden which are now members of the EU, also consult with Norway over food aid issues. This group operates with a rotating representation at meetings of the WFP Executive Board and the FAO Committee on Food Security. The Netherlands and Sweden have also co-operated with other members of the so-called 'like-minded donor group'. For example, Canada, the Netherlands and Sweden undertook the joint evaluation of WFP (Christian Michelsen Institute, 1993). Informal food aid meetings are also held between the Commission, USAID and other major donor agencies, although it is not clear whether they make much contribution to co-ordination, beyond selective informal exchange of information.^{lxxxvi} The Commission, however, often participates in the organisations listed below only in an observer capacity, because the basic organising unit of international institutions established in the 1940s is the individual nation state.

Development Assistance Committee (DAC) of the OECD The DAC collates data on aid flows, including food aid flows, as reported by donors *ex-post*, on an annual basis, as part of its role of encouraging donor co-operation. However, reporting is sometimes incomplete, as noted in Chapter 2. The OECD ceased to publish separate data on food aid in the main tables of *Development Co-operation* after 1989. The disaggregated aid data submitted to the DAC by donor countries are regarded as confidential and are only published in highly aggregated form.

The DAC has also developed a series of principles in the key areas of aid management through a prolonged series of consultations with member aid agencies, the World Bank, the IMF and the UNDP (OECD, 1992). DAC meetings have from time to time provided a context for donor co-ordination. For example, in December 1984 food aid donors agreed at a DAC meeting to support the establishment of an information network on food aid shipments to Africa in response to the regional food crisis.

FAO Committee on Food Security This annual gathering provides a framework for discussing broadly defined food security-related problems.^{lxxxvii}

FAO Committee on Surplus Disposal (CSD) monitors food aid flows so as to ensure that free trade principles are not violated (FAO, 1980).^{lxxxviii} The Committee establishes Usual Marketing Requirements (UMRs), through joint negotiations between a donor and a recipient government, as part of its review of specified aid transactions. The European Commission has regularly participated in the CSD, particularly through DGVI involvement in mobilisation for food aid actions and as one of the Committee members which proposes a Usual Marketing Requirement (see FAO, 1992: Table 3).

FAO Global Information and Early Warning System The GIEWS provides regular and special reports to all donors on the food situation and food aid requirements in developing countries. As these reports are a basic source of information used by most donors (Buchanan-Smith and Davies, 1996), the GIEWS is an important aspect of the co-ordination of food aid programming on both a normal and an emergency basis.

Food Aid Committee This Committee, with the International Grains Council acting as the Secretariat, monitors signatories' compliance with the Food Aid Convention. Donors are asked to provide information twice a year. The main activities of the committee which meets every six months are: to exchange regularly information on the functioning of the food aid arrangements under the Convention, i.e. to review and not just to monitor; to exchange information on food aid policy developments in member countries, and discuss these; to discuss, and ultimately negotiate, the elements to be included in the next Food Aid Convention.

The European Union makes a single joint minimum contribution and is formally represented by the Commission, with DGVI providing the head of delegation, reflecting the fact that the Convention was originally negotiated as an agricultural trade arrangement. Member States also participate in their own right, depositing their own instruments for ratification or accession, but have individual minimum contributions only under an European Council decision. The Commission also reports on EU contributions collectively. The Food Aid Committee provides an opportunity for information-sharing among donors, and recently there appear to have been useful practical discussions, for example on the reporting of triangular transactions and also on the earliest food aid shipments to Eastern Europe in 1989-90.

As most programme food aid provided as Community Action and by the Member States is part of the EU's FAC minimum contribution, the Convention is an important structural element in the framework of EU food aid. Changes in minimum contribution levels and the negotiated equivalents, particularly between rice and wheat, have been important influences on the total size and, possibly, to some extent the commodity composition of overall EU food aid, and programme food aid in particular.

World Food Council (WFC) Between 1977 and 1993 the WFC provided an annual global forum. In the late 1970s and early 1980s it was responsible for promoting two policy initiatives, namely food strategies and multi-annual food aid programmes. However, as a gathering of ministers of agriculture it did not directly involve other national institutions that had direct involvement in food aid and food policy, such as ministers of food and development

co-operation. A frequent assumption that has inhibited international co-ordination is that food aid and food security are solely agricultural sector issues.

World Food Programme (WFP) This is the only multilateral organisation concerned exclusively with food aid. Donor governments make cash and in-kind contributions to the WFP Regular Programme, a subset of the Regular Programme used to meet Protracted Relief Requirements of Refugees and Displaced Persons, and the International Emergency Food Reserve. Donors also play an active role in the policies and programmes of WFP through its governing body, from January 1996 the WFP Executive Board and formerly the Committee on Food Aid Policies and Programmes (CFA), which holds week-long meetings every six months.

They find these meetings a useful opportunity to discuss their bilateral programmes informally as well as to consider WFP's programme. The CFA has also attempted to develop certain guiding principles to govern the actions of donors and recipients.

Following the DAC donors' decision in December 1984 to support an information centre, the WFP established a logistics database to assist shipments during the African food crisis. In 1987 it widened this database to cover global food aid flows, as the International Food Aid Information System (INTERFAIS). This is the most comprehensive source of information worldwide, relying primarily on donors to report shipments or deliveries published quarterly in a summary form in *The Food Aid Monitor*. INTERFAIS has been an invaluable source of data for the present study in its attempt to quantify, on a comparable basis, total and programme food aid flows of the European Union and Member States globally and for individual case-study countries.^{lxxxix} It has had a role in enhancing the informational aspect of co-ordinating food aid by relating deliveries to requirements at a country level (FAO/GIEWS) and various emergency requirements.

At the recipient country level the growing role of the WFP, especially in the co-ordination of logistics and information in major emergencies, has been noted in most case-study countries. In countries such as Ethiopia, Mozambique and Sudan, affected by continuing complex emergencies, these functions have been a strategic aspect of overall food aid co-ordination. In 1992/3, the WFP played a central role in the regional logistical co-ordination during the southern African drought, which involved large additional flows of both commercial imports and programme and relief aid to affected countries (SADC, 1993).

8.5 Conclusions

There have been gradual but considerable improvements in donor co-ordination on food aid matters. This is most apparent from a comparison of the international, and more narrowly EU, responses to the food crises of 1974, 1984 and the southern African drought of 1991/92. Within the EU, both the review of agency policy and practices (summarised in Chapter 2) and the case studies have shown many examples of effective information exchange, consultation and even some co-ordinated actions. Nevertheless, the level and quality of co-ordination can still not be regarded as satisfactory.

At an EU level food aid is an example of the adoption of the principle of subsidiarity that is only partially satisfactory. The partition of the EU's obligations under the Food Aid Convention has resulted, in effect, in fifteen food aid programmes providing cereals aid (*de facto* Portugal appears not to be providing cereals aid). Some Member States would have preferred to provide financial support to food security or humanitarian relief rather than be

obliged to make minimum contributions of commodity aid. The asymmetry in the positions of the Commission and the Member States leads to some co-ordination problems for the EU and the wider food aid community. This is most obvious over information sharing. The Commission provides regular information on its activities, including individual country actions, whereas some Member States provide no regular details to the Commission or other partners. The DAC receives incomplete information on some Member States' food aid, and the partial information provided for the purposes of the present joint evaluation further underlined the incomplete character of information sharing.

At a country level, the EU does not effectively co-ordinate its food aid. This is again partly because choices in allocating bilateral aid imply that there are few countries to which most Member States are regularly providing food aid. These are usually those where there are high-profile relief operations, such as Ethiopia and Mozambique in the early 1990s. Typically, only the Commission and a handful of Member States are providing food aid. There are two further related obstacles to country-level co-ordination. There is limited EU Delegation and Member State development staff with relevant expertise, especially in some smaller countries (e.g. Cape Verde and Nicaragua). For historical reasons food aid allocation is still more likely to be an annual headquarters responsibility, with less involvement at the country level in design and implementation than is the case with either Lomé or Member State bilateral project finance or technical co-operation. The countries identified for strengthening EU co-operation, including several of those included in this evaluation (Bangladesh, Ethiopia, Mozambique, Peru), offer an opportunity to develop more effective co-ordination.

At an international level, the improved performance of the donor community in responding to major crises owes much to the strengthened information systems provided by the FAO and WFP. Nevertheless, the comparatively slow response of the EU to the southern African drought in 1992 indicates that it still had problems co-ordinating with the wider donor community. There are, perhaps, too many international institutions and committees with overlapping responsibilities involving some aspect of food aid. Co-ordination might well be facilitated by further rationalisation of their mandates, whilst also ensuring that useful activities are not lost in the process. For example, now that the WFC is defunct, which body will be responsible for promoting innovative ideas such as food strategies and multi-annual programmes in the area of food security?

Endnotes

lxxxix.EC, 1986; European Council, 1988, Para 10; EC, 1989a, Para 11; European Council, 1989. Paras 7 and 10; European Council, 1995.

lxxxii.The Food Aid Committee was established in 1982, replacing the Ad Hoc Group for Food Aid.

lxxxiii.Under the 1995 draft Regulation, the Committee will also examine Commission proposals for financial operations in support of food security which are an alternative to food aid.

lxxxiv.An example is the joint EU-Netherlands food aid assessment mission for Zambia in the wake of the 1994/95 drought (Dumas and Wood, 1995).

lxxxv.During the study period these instruments included PL 480 Title 1, Section 416 and the Food for Progress provision under the Agricultural Trade Act of 1949 managed by USDA, as well as PL480 Title III and Section 206 of PL 480 Title II administered by USAID (Hanrahan, 1994).

lxxxvi.The meeting in Brussels on 25 January 1992 appears to have been decisive in determining the initial response of the donor community to

the rapidly worsening southern African drought (Clay et al., 1995).

lxxxvii. Agenda items sometimes focus on food aid-related matters but in some cases (e.g. FAO, 1991) documentation has then been referred for consideration to the Committee on Food Aid Policies and Programmes (CFA), the governing body of the WFP.

lxxxviii. It continues to collate data on food aid flows but, as food aid has become less of a mechanism by which donors dispose of surplus commodities, its importance has lessened. The CSD meets monthly in Washington. In principle, it reviews all direct non-emergency food aid transactions prior to their approval but, in practice, it accepts most actions and seeks informal solutions for others or refers them on to another forum (Hopkins, 1984).

lxxxix. At this level there are problems of reconciling actual shipments reported by INTERFAIS with some donors' own reporting and accounting on the basis of the financial year in which aid is committed.

9

Conclusions and Recommendations

9.1 Main findings and conclusions

The studies undertaken as part of this evaluation, as well as the extended body of studies reviewed in parallel, indicates a highly variable record in terms of the *effectiveness* and *operational efficiency* of EU programme food aid both between recipient countries and among EU donors. Before considering policy implications in more detail, it is useful to reflect on the overall nature of the main empirical findings on these twin themes as well as on issues of co-ordination, and consider the conclusions derived from these findings.

9.1.1 Effectiveness

Impact on food security The uncertain impact of EU programme food aid on food security and on development more broadly is underlined by the case studies. This is partly a consequence of the relatively modest scale of resources, but also because neither national nor household food security has been (at least until recently) the primary focus of assistance. A multiplicity of objectives has implied trade-offs. Providing food commodities as import support is a more obvious instrument for enhancing *national* food security, assuring overall supply. In the period under review, such assistance has been part of complementary actions to support food security, also involving relief and project food aid as well as financial aid. Programme food aid is most likely to have been effective in combating food insecurity in the context of two sometimes overlapping problems which cause *acute food insecurity*: first, as part of a response to a short-term crisis caused, for example, by a drought shock; second, in a continuing situation of severe food insecurity often associated with conflict. There is a third, perhaps now less common, situation of *chronic food insecurity* associated with severe structural balance-of-payments problems in which it has also played a critical role.

The evidence concerning the impact on *household* food security is mostly non-negative. There are some positive instances among the case studies, such as Cape Verde, Mali and Peru, and by inference, Ethiopia and Mozambique, in a period of turbulent transition. However, there is little evidence of any strongly positive impacts of food aid generally or programme food aid more specifically on nutritional status.

Policy context Although most of the case-study recipients are involved in structural adjustment and liberalisation of food sector markets and trade, programme food aid agreements rarely contain any explicit linkage with public expenditure or sectoral reform, including social policy. The important long-standing exception is Mali (see BP-08). Instead, a changing balance of objectives reflects the evolving policy environment, with a decline in the provision of programme aid for balance-of-payments support and the termination or reduction of some previously large country programmes, for example to Tunisia and Sri Lanka. Some EU donor agencies are providing finance for local food purchases and to fund non-food or complementary food security investments. Some agencies, in particular the Commission, are

giving increased attention to the use of counterpart funds (CPFs) as a resource for food security and anti-poverty programmes and agricultural development more generally.

Direct agricultural impacts Minor, short-term negative or non-positive interactions were common between food imports including programme food aid and local agricultural production. These negative impacts were more likely in a crisis situation. This was because of what were in retrospect excessive commitments. However, delays in commitment and delivery, though operationally avoidable, increased the likelihood of late arrivals of aid augmenting already improving supply. In most cases individual commodities were affected rather than overall agricultural performance, which is explicable more in terms of a mix of exogenous factors such as weather and major policy changes.

Economic reform The now widespread process of economic liberalisation and agricultural sector reform is providing the context to which food aid is adapting, rather than vice versa. Programme food aid is still typically being sold on local markets under price regimes that involve consumer subsidies, though these are frequently being reduced under adjustment programmes. Programme food aid is also still supporting interventions that favour selected groups of consumers to the disadvantage of producers. With the important exceptions of highly import-dependent economies, such as Ethiopia and Cape Verde, and conflict-related acute food insecurity, as in Mozambique in the early 1990s, the modest share of food aid in the overall food sector market nevertheless makes this a less significant factor now in overall policy.

Impacts of CPFs The continuing poor informational base and the real methodological difficulties inherent in determining actual uses make it difficult to draw robust conclusions. Assessment of CPF performance was severely limited by the donor agencies' lack of data both at headquarters and recipient country level, although the availability of data is improving, reflecting a refinement of reporting procedures.

The continuing lack of transparency on the macroeconomic and sectoral effects of CPFs reflects the limited success of bilateral donors in genuinely engaging with public expenditure decisions in recipient countries. The monetary impact of CPFs is typically small, given their relative insignificance within the overall money supply, and so there was little evidence of substantive inflationary or exchange-rate effects.

The use of food aid, and in particular CPFs, in support of agricultural development or food strategies had limited impact for the following reasons:

- most recipient governments lack coherent food security policies within which such resources could be effectively utilised;
- CPF arrangements rarely allow the individual donor to determine whether there is any additionality in agricultural sector investment and recurrent expenditure;
- these issues are highly commodity-specific, especially for dairy commodities and vegetable oil;
- EU donors currently favour a range of uses, reflecting their wider individual donor priorities. (There has been a shift of emphasis towards more social concerns, in particular, alleviation of the negative social dimensions of adjustment. Longer-term household food security is also being emphasised.);

- the actual effects on recipient government expenditure are mostly unclear. Typically there has been little attempt to monitor and evaluate activities to which CPFs have been assigned.

9.1.2 Efficiency

Donor procedures for supply Restrictions in tendering procedures for both procurement and transport of food aid commodities reduces the cost-effectiveness of food aid actions. There has been a shift away from restrictive tendering within the EU and from the tying of food aid commodities to EU sources, although the bulk of programme food aid is still sourced within the EU.

Appropriateness of commodities and of their packaging was important to both effectiveness and efficiency. In most cases appropriate commodities were provided. Problems were encountered, however, with specific commodities, especially rice, where the specifications in EU and Member State regulations were inappropriate for some recipient countries. The provision of yellow rather than white maize to sub-Saharan African recipients also sometimes resulted in marketing difficulties.

Much programme food aid is late and its delivery date unpredictable. In most recipient countries this caused no major problems because of the marginal scale of EU programme food aid relative to total cereals supply, consumption and imports. However, untimely and unpredictable deliveries are a problem in food aid-dependent countries with a low capacity for replacing expected food aid deliveries with commercial imports: the time-lag of sometimes up to two years between commitment and delivery led to problems in the scheduling of commercial imports for some recipients, most notably Cape Verde.

Cost-effectiveness of supply It has been very expensive for the EU, and especially for Member States, to make resource transfers in the form of programme food aid. Direct food aid actions involving commodities acquired on European markets are likely to be less cost-effective than commercial imports arranged by recipients or commodities acquired in developing countries. There is also considerable variation between commodities: wheat flour, rice and sugar actions were particularly cost-ineffective, as were programme food aid actions on average to some destinations, in particular, Latin America. These high transaction costs suggest that substantial savings could be made, or more food aid could be transferred for a similar level of expenditure, if there were more flexibility in sourcing and choice of commodity or if some form of import support were provided instead of food aid.

CPF management Within the EU only the Commission has clearly defined policies governing the valuation of commodities. Member States negotiate terms on a country-by-country basis, typically preferring valuation at the world market price at the date of delivery on a cif basis (i.e., import parity price). In practice a range of prices are used, also reflecting donor and recipient objectives, complicated in some cases by subsidies to both consumers and marketing organisations. Economic reform and liberalisation of food markets in recipient countries are reducing these problems, however, as domestic prices move more in line with import parity prices.

The constitution of CPFs was frequently delayed and failed to accord with donor requirements, reflecting a number of factors including: institutional weaknesses, delayed sales of the commodities, reluctance to use credit facilities, ongoing market reforms or financial

restructuring, and economic or institutional instability. In addition, compliance with a CPF agreement is not always necessarily a high priority for the recipient government. CPF accounts are typically separate and interest-bearing, in accordance with donor requirements. Common CPFs have been established in several countries but these have not been entirely successful due to a lack of transparency over the use of the fund and inconsistencies in donor priorities.

Rates of disbursement are influenced by such factors as the lack of prior agreement on use, over-restrictive limits on uses, complicated and lengthy approval procedures and constraints in recipient absorptive capacity. There is considerable scope for improvement in the preparation of agreements.

Donor requirements on monitoring and reporting are seldom met by recipient agencies. Procedures vary considerably among donors in terms of both frequency of reporting and the information required and this lack of coherence is placing considerable administrative strain on recipient government institutions. Some donors, the Commission in particular, are placing increased emphasis on adequate reporting and monitoring procedures, with at the same time an emphasis on simplification and standardisation to improve transparency. The institutional weaknesses of host governments as well as the limited capacity of donor missions need to be taken into account in the requirements that donors make about CPF management.

Inefficiencies in CPF generation The use of food aid to provide local currency support, whether for the general development budget or more narrowly in support of food security, has involved high transaction costs. The value of CPFs generated was on average 23% lower than the financial cost to EU donors in the 86% of actions where funds were deposited. The likely writing-off of some of the remainder implies an even lower level of efficiency. Member States' actions in particular involved a relatively large proportion of smaller, less efficient actions with a few larger, more efficient operations. High transaction costs typically resulted from a combination of factors including:

- inefficiencies in the supply of commodities;
- undervaluation compared with import parity prices when commodities were sold;
- delays in the sale of commodities; and
- high internal distribution costs.

9.1.3 Co-ordination

Taking a longer-term perspective, the EU has made substantial progress towards better co-ordination. However, the differences in attitude of individual Member States to their own bilateral aid and the interest of all in Community Action leads to an imbalance in information flows. In some Member States the involvement of several ministries and agencies, including those responsible for agriculture, in the financing and organisation of food aid complicates both the sharing of information and the agreement of common procedures and co-ordination of actions within the EU. The implementation of the single market is resulting in Member State agencies moving to Community-wide open tendering procedures but different donors are still using widely different practices.

The Commission has exercised some influence in establishing standard principles for the use, constitution and financial monitoring of CPFs, with the Council Resolution and Principles of 1991. Nevertheless, there continue to be wide variations in procedures, which in turn reflect

different policies within the EU on this and other aspects of food aid. The EU has actively sought to co-ordinate responses more closely in exceptional circumstances, such as national or regional crises, but not on a sustained basis.

At the recipient country level, information flows typically involve the wider community of food aid donors rather than the EU as a distinct grouping. Information exchange is most highly organised in countries where there is, or has been, a major emergency in which food aid has been an important resource. Overall, the involvement of both WFP and a government agency has sustained effective information exchanges through food policy cycles of crisis and complacency.

There has been little progress within either the EU or the wider donor community in achieving standardised procedures that might reduce the administrative burden on recipient governments and contribute to general overall transparency. An important obstacle is the fact that each major donor has a distinct set of policy objectives and financial reporting requirements.

There are a few well-known examples of successful food aid co-ordination, including Bangladesh, Cape Verde and Mali, as well as other conspicuous examples of failure (Egypt, Mauritania). A comparison of these and other experiences indicates the following factors contributing to successful co-ordination:

- common objectives;
- genuine interest on the part of the government in working to co-ordinate with and accept co-ordination among donors;
- food aid as a sufficiently important resource, at least initially, to justify donor interest and commitment at both local and headquarters level;
- donor representation in-country;
- appropriate institutional arrangements;
- a policy framework which permits complementary provision of financial as well as food aid where annual food import requirements are variable; and
- a more limited, stable group of donors making multi-year commitments.

9.1.4 Robustness of findings

There are a number of well-recognised criteria for examining robustness: in particular, the representativeness of the evidence and the appropriateness of the methods of analysis.

Representativeness The case studies covered approximately two-thirds of the total volume of programme food aid provided by the EU to developing countries between 1989 and 1994. The remainder included cases, such as middle-income Tunisia and Sri Lanka, where the Commission and the Member States had terminated or reduced programme aid as it was no longer considered appropriate. The other major omission is the EITs which, when the study was designed in 1992, were considered to be outside the scope of an evaluation concerning developing countries. These are clearly cases which deserve separate and careful consideration; however, there is evidence, for example in annual reports of the European Court of Auditors, of problems not dissimilar to those reported in this study.

Impact effectiveness The case studies draw upon an eclectic range of techniques. They also take into account a considerable body of research including a number of in-depth econometric studies as well as earlier evaluations. There will, nevertheless, be scope for more in-depth

country analysis of impacts of food imports including food aid on local agriculture markets and on consumption. This will be particularly so where future food security strategies are being developed in the dynamic, rapidly changing policy situations revealed in most case-study countries. The findings on the relationship between CPFs and public expenditure reflect the general lack of transparency in this area and the relatively modest scale of programme food aid in relation to the budget suggesting that no dramatic change in findings is likely to follow from further in-depth investigation into the use of CPFs in support of agricultural strategies and household food security. The disproportionate share of CPFs accountable by a few countries suggests that detailed investigations are unlikely to change overall findings dramatically; the largest case, Egypt, revealed lack of monitoring, while in the case of Bangladesh, Mozambique and Ethiopia, the actual uses were unclear because of the way CPFs were managed. Meanwhile, the Cape Verde study indicated that there was considerable scope for increasing effectiveness.

Efficiency and transaction costs The method of investigation adopted for cost-effectiveness involved a comparative analysis on the basis of costs of alternative commercial transactions. The case studies revealed that a number of government agencies and private traders achieved substantially lower costs in their commercial operations. Similarly, the assessment of efficiency of CPF generation, by excluding cases where these had not already been deposited even 4 or 5 years after the arrival of food, implies that the evaluation findings provide a lower bound estimate of actual transaction costs in providing local currency support. The findings on operational efficiencies are broadly consistent with those of many other studies and evaluations of not only programme food aid but also project and emergency operations.

Overall, findings are likely to be robust for two reasons: unambiguous cases of the effective use of food aid as a development resource are uncommon and estimates of inefficiencies focus on a lower limit of minimum value of transaction costs.

9.2 Policy implications

In making recommendations that would increase the effectiveness and improve the efficiency of the provision of European programme food aid, three specific considerations are paramount. First, it is essential to locate such suggestions in the wider international and the specific developing country context of the late 1990s. Second, recommendations should be clearly based on the findings of the study including the twelve country cases, whilst taking into account the findings of previous evaluations. Finally, the focus should be on identifying opportunities for the effective and efficient use of programme food aid as well as other aid instruments available to the European Union and its Member States.

9.2.1 *Appropriateness of programme food aid as an EU aid instrument*

The combination of a modest performance in terms of effectiveness together with operational difficulties and high transaction costs raises serious questions about the overall usefulness of programme food aid as an aid instrument. The first and foremost policy implication of the study is that the EU and Member States should either stop providing assistance in the form of programme food aid or should make radical changes to the procedures used in order to increase effectiveness and reduce transaction costs to an acceptable level. It is noted that the Commission has already embarked on a major restructuring of its food aid to make this a more effective instrument for supporting food security. A number of EU Member States, as well as

other major food aid donors, have responded to the changing circumstances and mixed record of programme food aid by according relatively higher priority to emergency assistance and targeted project aid.

The second major policy implication is that in most circumstances financial aid is preferable to food as commodity aid whether in providing balance-of-payments or general or sectorally-targeted budgetary support for food security.

The study has focused on the relative efficiency of programme food aid compared with financial support rather than the relative advantages of different forms of food aid, which have been the focus of other recent evaluations. The evidence of the present evaluation, particularly on efficiency, suggests that Member States with relatively small minimum food aid commitments should consider carefully whether there is still scope for the effective employment of food aid as an aid instrument.

9.2.2 Allocating programme food aid

For those donors continuing to provide programme food aid, the priority is to target limited resources on the small number of low-income seriously food-deficit countries with either severe temporary acute or longer-term chronic problems of food insecurity and poverty. Small, one-off allocations are unlikely to be particularly effective in impact or an efficient resource transfer. The only possible exception is where individual donor actions are part of a well co-ordinated collective response to a specific crisis.

A more radical alternative for discussion would be to consider the advantages of leaving programme food aid in support of food security largely to Community Action. Meanwhile Member States might provide complementary financial support to food security and limit their food aid involvement to emergencies and supporting UN and NGO projects targeted on highly food-insecure groups. In the case of countries needing import support and which are major food aid recipients, it would also be useful to explore systematically the feasibility of gradually replacing programme food aid with financial assistance, especially in the context of programmes for economic liberalisation.

The role of programme food aid should be considered within the context of experiences with other forms of assistance, particularly import support. The mixed experience of Community Action and Member State projects and programmes in supporting food security should also be taken into account.

There is a continuing opportunity for the use of programme food aid as part of a response to sustain food availability in relation to effective demand and to address a temporary foreign-exchange gap. In the organisation of assessment and response, the need for co-ordination and the opportunities for co-operation are considerable. Country circumstances should determine the relative amounts of financial assistance for import support, programme food aid and relief. Programme food aid is only likely to be effective if both commitments and deliveries can be made speedily. The degree of flexibility between instruments should also be taken into account, particularly the need for reassessment and, if necessary, modification of arrangements in the rapidly changing situation of a food crisis situation. Confronted with a crisis, contingency planning to avoid the worst possible outcome of famine or social disorder is unavoidable. However, if the situation rapidly improves or is found to be less severe than originally thought, then it is important to have built-in opportunities for reassessment and

rapidly changing or suspending commitments. Because of the uncertainties of a crisis response, it will usually be inappropriate to be too specific about the uses of CPFs. Directing local currency to a programme of crisis management or replenishing an empty emergency reserve fund is more likely to be successful than tying CPFs to specific projects.

Programme food aid provided by the European Commission and Member States should be an integral part of overall development assistance. It should support the efforts of the recipient countries to achieve household as well as national food security objectives, improving the nutritional status of the population. Unless there are straightforward food security objectives the rationale for providing programme food aid rather than a more general form of import support in the context of economic liberalisation is unclear.

From the perspective of a recipient country, programme food aid typically appears as an additional resource. This is partly because of the lack of integration of food aid programming with other development assistance. Also the case of some donors implies that there has been some genuine element of additionality. As already noted, priority in the provision of programme food aid should be to countries with clear needs in terms of food security problems, where there is a structural food deficit and where per capita income or other measures of development indicate a high priority. The FAO (1995) list of 31 low-income and severe food-deficit countries might be a useful starting point for establishing a priority list of countries.

That 79 countries were in receipt of EU programme food aid, 64 as Community Action and 66 from EU Member States, between 1989 and 1994 suggests a current failure to target resources in an effective way.

9.2.3 *Effectiveness: recipient country context*

The relatively more successful case studies had the following in common:

- a clear need for import support;
- a suitable food marketing system;
- an effective information system;
- relatively adequate planning, both on the recipient and the donor side;
- sustained support with aid and technical co-operation; and
- donor co-ordination at both recipient country and donor headquarters level.

Integration of programme food aid with other development assistance within a project is an alternative way of combining import support and local currency funds with complementary project assistance. But the action must still be efficient as a mechanism for providing balance-of-payments or budgetary support by generating counterpart value.

A clear appraisal of the recipient country situation is of critical importance in order to provide an appropriate response to problems of transitory food insecurity. In a crisis the choice of aid instrument, (financial import support, programme food aid, emergency relief), and channel (either directly through the government or indirectly through the UN and NGOs), should be based on a rapid but systematic assessment of capacities within the affected country or region.

A coherent national food strategy is identified as a necessary condition for the effectiveness of programme aid provided in the context of chronic food insecurity. The absence of such a strategy was in turn identified as a reason for both unsatisfactory impacts and associated operational inefficiencies in a number of countries. Clearly, a strategy is needed which reflects

realistically the extent and speed of the transition to a more liberal foreign-exchange and sectoral marketing regime.

Overall, the case studies underline the highly country-specific nature of impacts on both national and household food security and the need to avoid simplified assumptions about an appropriate strategy and appropriate commodities. It should also be recognised that recipient governments and agencies may have become accustomed to making the best use of what happens to be available. The onus is therefore on the aid provider to assess carefully the consumption and implied income-distributional implications of the commodities provided.

9.2.4 Effectiveness: CPF management

The focus of aid is shifting from the balance of payments to the budget and appropriate procedures are therefore required for the valuation, constitution and disbursement of local currencies. The country studies point to the need for realism about recipient country capacities as well as donor administrative constraints in terms of establishing practicable and transparent procedures. CPF management is not, however, solely an EU matter or an issue concerning just food aid but involves the wider donor community at a recipient country level. There is clearly scope, in many cases, for common donor action to achieve either consistent procedures or common counterpart funds. In the area of food aid, the Commission has attempted initiatives in a number of countries where it has capacity. Where programmes have become relatively more effective, the need for these to be institutionalised and put under local control - to be owned by the recipient country - is highlighted. The balance of the evidence is that CPFs should be used on-budget as part of the recipient government's macroeconomic planning and within a framework of structural and sectoral policy agreements.

The case studies indicate the need for adequate capacity and procedures on the part of both donors and the recipient government for selection, planning, appraisal, implementation, monitoring and evaluation. Sufficient institutional capacities have to be ensured for co-ordinating, guiding and monitoring this process. Often it will be necessary and justifiable to strengthen such institutional capacities specifically through technical assistance measures.

A high priority should be accorded to strengthening the food security information system including marketing and stock intelligence, crop production and vulnerability early warning, as well as CPF monitoring.

Clear criteria are required for the inclusion of particular activities in terms of poverty targeting as well as the sectoral, spatial and functional composition of activities to be supported. A potentially wide variety of agricultural and rural-based activities could be included in a programme oriented to supporting food security or poverty alleviation. Consequently, explicit criteria for discriminating between activities such as regional or socio-economic targeting are essential.

The harmonisation of reporting procedures with the recipient government's own budgeting procedures would also help relieve the administrative burden, as would multi-donor CPFs and closer co-operation between donor and recipient in the design phase of the programme food aid action.

9.2.5 Increasing efficiency

The highly variable performance demonstrated by the evaluation indicates that donors should examine closely the efficiency of their procurement and delivery practices. Donors should consider whether an analysis of cost-effectiveness ought to be part of an initial assessment for every programme aid action. This would involve comparing anticipated costs of alternative modalities of resource transfer. The potential options include food as commodity aid, finance for commercial food imports, or more general import support. Where budgetary support is envisaged, the efficiency of the arrangements for generating local currencies through monetisation should be part of the initial assessment.

The rationalisation of assistance involving fewer, larger food aid donors or jointly funded actions should be considered carefully. A useful starting point could be joint assessment in cases of acute food security, as attempted, for example, by the Commission and the Netherlands in 1995 for Zambia.

Triangular transactions and financial support for commercial imports of food organised by the private sector should automatically be considered as options in every programme food aid action as well as direct aid. Some recipient government agencies also appear to be better able to make cost-effective import arrangements for their own specific local requirements than most of the donor agencies.

The management of procurement, delivery and monitoring of all programme food aid, not just individual actions, should be assigned to bodies without responsibilities for internal EU market management. Many of the more cost-effective actions appear to have involved such bodies, for example, GTZ, WFP bilateral services and UK Crown Agents.

The evaluation findings point to the need to build operational efficiency into aid agreements by ensuring that they are carefully and comprehensively designed and concluded *before* the arrival of commodities, in order to minimise potential administrative difficulties. Agreements should cover all aspects relating to the successful procurement, delivery (including responsibilities for demurrage, unloading costs, etc.) and monetisation of the intended action, as well as the constitution, management and uses of CPFs.

9.2.6 *Improving co-ordination*

Agencies working in isolation are unlikely to make a significant contribution to food security in most countries. There is therefore need for closer co-operation and co-ordination among donors at both headquarters and country level. In practice, the delegation of more responsibilities in programme design and implementation to the country level is an important precondition for improving the effectiveness of donor co-ordination. The benefits of co-operation and the consequences of ineffective co-ordination are both well documented in the case-study countries. The countries where there was relatively more effective action involving food aid (not just programme food aid) are those where there is co-operation among donors and relatively better integration of food aid and other forms of assistance. In seeking to improve EU co-operation and co-ordination on food aid the following steps would be constructive:

- strengthening information exchange;
- agreeing on common procedures;
- linking programmes to structural adjustment agreements; and
- joint country-specific strategies.

Whilst all donors make formal commitments to co-operation, the findings of this evaluation, and in particular of the case studies, underlined this as an area of weakness. The exchange of information by the Commission and the Member States on a regular and comprehensive basis is required, through the Food Aid Committee and the Working Group on Food Aid as well as wider fora involving non-EU donors.

There is considerable scope for working out common procedures, particularly at the recipient country level. The EU has taken steps towards agreeing procedures, for example in the case of CPFs. The case studies indicate the importance of donors also agreeing with the recipient government and its relevant agencies on details of common procedures at a country level, taking local circumstances into account.

Structural and sectoral adjustment programmes commonly provide the context within which programme food aid is committed. However, in all but a few cases the conditionalities associated with this type of assistance are not clearly integrated with those attached to support for national economic reform. In view of the importance of sectoral goals, in particular support for food security, it would be desirable to explore on a country-by-country basis the scope for more effectively tying food aid into wider support for reform and structural adjustment, including mitigating the short-term social costs of adjustment. This should be a high priority in all major recipient countries.

The Mali experience has been frequently cited since its launch in 1981 as an example of successful food aid co-ordination in support of food security. The replication of aspects of this 'model' has been attempted with limited success elsewhere, especially in West Africa. However, the fundamental characteristic of this joint experiment is that its basic elements were put together in-country in relation to local circumstances, and involved the international financial institutions and food aid donors working together and with the Malian Government.

Agreements on common procedures and a policy framework for the integration of food aid into a wider national programme for economic adjustment, reform or reconstruction will require a greater degree of in-country responsibility for programming and management than has been typical of the food aid organised by either the Commission or the Member States. Apart from short-term humanitarian crises, EU programme food aid, and indeed food aid overall, now has a *major* food security or wider developmental role in only a small number, at most 15, lower-income, food-deficit countries. This fact makes it more realistic than in the past to envisage that donors will work together with the recipient government to produce country-specific strategies with co-ordinated arrangements for the provision, monetisation and distribution of food aid that are appropriate to local circumstances and integrated within a national economic strategy.

9.2.7 The role of evaluation

This first joint evaluation of an aspect of EU food aid has highlighted ways in which the role and process of evaluation could be reinforced.

Evaluation provides a useful vehicle for mutual exploration of issues but also underlines the need for a better basis of shared information. Both the Stage One Report of this evaluation and this Synthesis Report contain incomplete information on the food aid expenditure and activities of several Member States.

The concept of joint evaluation is not yet readily understood either by recipient governments or Member State Missions and EC Delegations at the country level. It is therefore important to invest time in information collection and in visiting the EC Delegations, and representatives of the EU Presidency and Member States, focusing on issues of common concern. For reasons of continuity, contacts at the recipient country level should be organised through the Delegation. Co-operation is facilitated at this level where the Member States agencies and the Commission advise their representatives about forthcoming activities and encourage their active co-operation.

In the design and management of joint evaluations, areas for special attention include:

- preparatory work on methodology including definition of terms;
- use of a common data set, for example on expenditure and prices, to permit inter-country and inter-agency comparisons;
- preparation of a common methodology for country studies to ensure consistent review of issues and evidence;
- realistic timetables of activities. For example, the review of reports where this involves several agencies at both headquarters and country level is likely to require up to twice the time needed for review on behalf of a single agency;
- budgeting human resources to allow for costs of liaison with a large number of donor agencies at headquarters and country level higher than is necessary in evaluations on behalf of only one agency.

Annex A

Terms of Reference for the Study

Overall Terms of Reference

Scope of the study For analytical purposes food aid is usually grouped into three categories - programme aid, project aid, project food aid and emergency food aid.

The focal point of this study will be programme food aid. The emphasis will be put on the supply of programme food aid over the period 1989-94 (1989-1992 in the Stage One Report).

Objectives The study will examine four main areas:

1. The effects of programme food aid on food security in terms of the availability of food (including local agricultural production) as well as the accessibility of food (including food consumption level).
2. The effectiveness and efficiency of programme food aid as a resource transfer to developing countries.
3. The effects and efficiency of counterpart funds.
4. Co-ordination with respect to programme food aid.

Lessons will be drawn for the policies and procedures of food aid used by donors and recipients.

Issues

1. Effects on food security

- (a) To explain the rationale, justification and effect of EC and Member States programmes, food aid on structural adjustment and national policies. Background analysis will be provided on the proportions of programme food aid with respect to total food aid of the Community and the Member States, to overall food commercial exports and imports and to overall food consumption of recipient countries.
- (b) Additionality of food aid to local production and commercial imports, effects and long-term implications for agricultural production and farmers and household incomes (Analysis of a.o. CSD rules in this context).
- (c) Effects on local market prices in relation to the effects of government policies.
- (d) Availabilities of food commodities at household level for different income groups, as a result of programme food aid.

2. Effectiveness and efficiency of programme food aid as a resource transfer

- (a) The allocation of programme food aid (countries and volumes) in comparison to donor criteria.
- (b) The costs and efficiency of procurement, administration and shipping.
- (c) The costs and efficiency of marketing in the recipient country (from port to point of consumption).

- (d)The alternative costs of supply of equivalent food from third countries either in the region or elsewhere, or from local sources.
- (e)The overall costs and efficiency taking account of the above issues.

3. The effects and efficiency of counterpart funds

- (a)The creation and management of counterpart funds in terms of the criteria and the decision making process.
- (b)The actual uses of counterpart funds; the relations to overall budget and economic policy.
- (c)The development effects of use.
- (d)The overall costs and efficiency taking account of the above issues.

4. Co-ordination with respect to programme food aid

- (a)Mechanisms in the Community at head quarters and field levels.
- (b)Mechanisms at international levels.

Method The evaluation will be carried out in two stages:

- 1.A desk study to review documents made available by Member States and the Commission.
- 2.Several country studies to examine recent programme food aid operations in depth and draw conclusions of general relevance.

Stage 1 will produce a comprehensive review of the current state of knowledge on programme food aid, based on published sources and internal planning documents, evaluations, reviews and reports of food aid donors. The report on Stage 1 will draw conclusions on the need for further examination of these issues. Stage 1 will also produce a detailed proposal for Stage 2.

This proposal will cover specification of the data required, country choice, the method of data collection and analysis. A decision on the scope of content of Stage 2 will be decided by the Steering Committee according to the conclusions of the report on Stage 1.

Annex B

Supporting Documentation on Evaluation Issues

B1 EU Donor Policies and Procedures

The description of Member State programmes and policies is based on information provided by the government agencies with responsibility for development co-operation in general and food aid programmes in particular. The information was collected through questionnaires sent to all Member States during both Stage One (desk-based review, BP-01) and Stage Two country studies and through a series of follow-up interviews with officials responsible for food aid programmes.

Belgium Whilst there are no explicit policy statements exclusively on national food aid, Belgium's input into the drafting of the 1995 European Council Resolution notes that there is no explicit link between food aid and food security and that other forms of assistance should be considered as potentially more effective in ensuring food security. Food security support should be targeted on the most vulnerable groups in developing countries and NGOs may be best placed to identify and assist such groups. Furthermore there needs to be more coherence between the domains of agriculture, trade and development co-operation in order to tackle food insecurity.

'Regular' food aid, the fulfilment of the obligation to the Food Aid Convention, involving an annual total of 41,500 tonnes of cereals in wheat equivalence, is managed separately from 'humanitarian' aid. It is annually programmed on a volume basis following an assessment of perceived needs by in-country representation staff and requests received. The concentration continues to be on sub-Saharan Africa and the regular programme is made up mostly of wheat, wheatflour and rice from Europe and some local purchases.

Food aid accounted for 2.5% of total development assistance in 1993. Food aid expenditure is included in the budget for humanitarian assistance which totalled BEF843 m., of which BEF503 m. was spent on the 'regular' food aid programme. Some food aid was also purchased out of the BEF325 m. for emergency aid. The annual commitment remained unchanged at BEF55 m.

A breakdown by channel, for which confirmed data are available for 1993, shows that nearly 90% of the BEF251m. of actual expenditure on food aid was channelled directly to the recipient government, and the remainder through UN organisations, plus a contribution of US\$616,000 to WFP.

Denmark The national food aid programme is perceived as too small to justify a bilateral programme; Denmark therefore does not provide any programme food aid. Over the next 3-4 years the level of expenditure on food aid is expected to maintain its share in the total aid programme, which in total constitutes 1% of GNP.

Despite WFP's recent shift of emphasis towards providing emergency assistance, the major objective remains to support WFP activities in food-insecure countries, with a clear preference for project-oriented support, such as food-for-work initiatives. Responsibility for geographical allocations lies with WFP. Two-thirds of the allocation to WFP is in the form of commodities

and a third in cash in accordance with WFP's target, and this ratio is expected to be maintained in future programming.

The types and quantities of commodities are agreed upon by WFP and the Danish Government once a year. In terms of expenditure the commodity composition has traditionally been dominated by processed foods, mainly meat, cheese and peas, although in recent programmes there has been a tendency to provide a larger proportion in the form of basic foods in response to policy recommendations in a report to DANIDA in 1991 (Pinstrup-Andersen, 1991). Triangular transactions and local purchases are seen as desirable where possible, although, given the Danish preference for targeting countries that are food-insecure on a national level, local purchases are often not possible.

France Policy is characterised by the attempt to provide food security support and development-orientated aid, whilst, where appropriate, taking into account diplomatic and commercial concerns. Following a series of reforms in 1984 priority has been assigned to balance-of-payments (not budgetary) support for structurally food-deficit countries, the overall objective being to help recipients move towards self-sufficiency, whilst not allowing food aid to disrupt the normal workings of local agricultural markets. Where possible, government-to-government programme aid is provided for sale on local markets (at, or close to, the world price), in order to generate counterpart funds mainly for the support of food security projects, especially in the context of wider rural development programmes and food security stocks. In exceptional circumstances the funds can be used for broader development projects not necessarily in the agricultural sector. There has been an attempt to make the programme more cost-effective and more suited to local tastes, by experimenting with the use of triangular transactions and, exceptionally, local purchases within the recipient country, with variable success.

Normally, of the 200,000 tonnes of cereals programmed each year, between 75% and 85% is provided bilaterally, the rest through multilateral organisations (WFP and UNHCR). Support for emergency and refugee relief operations has been rising, and in 1993 the total allocation to WFP and UNHCR reached 36,000 tonnes for distribution in Afghanistan, Cambodia and 7 African countries. Distribution through NGOs occurs only in exceptional circumstances, when co-operation with the recipient government is impossible for political reasons, e.g. Angola, Haiti, Zaire since 1989. There is a non-assigned reserve of, since 1993, 40,000 tonnes of cereals, allowing for an unforeseen increase in needs during the year.

Commitments are made in both value and volume terms. Cereals are governed by the minimum commitment to the FAC, 200,000 tonnes of cereals in wheat equivalence, about a quarter of which (43,000 tonnes in the 1993 programme) has gone to the Egyptian programme and about a tenth to Bangladesh. Until 1991 Tunisia was the second most important beneficiary, receiving between 20,000 and 30,000 tonnes a year. However, with declining aid requirements, no food aid has been given to Tunisia since then. Non-cereals are declining and in 1995 accounted for FF12m.

Germany During the 1980s and into the 1990s three important changes of emphasis are observable. First, the provision of food security for poor people and through developmental activity has become the highest priority. Second, there has been an emphasis on purchases in developing countries; between 1992 and 1994 78% of total volume was acquired in this way. Third, a growing proportion of bilateral aid is being provided as emergency disaster relief and as long-term relief to refugees and displaced persons, but in response to external events, given the high priority attached to humanitarian aid, rather than in a deliberate attempt to change priorities. This policy evolution is described in a BMZ (1989) paper, and is related to the EC

Regulation on Policy and Management of 1986 suggesting the need to separate food aid from EU agricultural policy. Food aid is seen as a 'fully-costed resource' competing budgetarily with other forms of development assistance in general. It is not therefore considered appropriate to provide finance for the acquisition of commodities within Europe or the developing countries, where the primary purpose is to provide some form of budgetary support through the sale of commodities.

Food aid is provided under three separate budget lines of the BMZ. The line for cereals covers obligations under the Food Aid Convention (currently 193,500 tonnes in wheat equivalent) and contributions to food security programmes, and in 1991 201,200 tonnes of commodities (234,634 tonnes in wheat equivalent) were acquired. That for 'non-cereals' covers products such as vegetable oil, milk powder, pulses, fish and sugar and also non-food technical co-operation under bilateral food security projects; in 1991 expenditure of almost DM56 m., including DM26 m. of commodity international and ITSH costs, was made under this title. Third, the contribution to the WFP's regular programme, two-thirds in commodities and one-third in cash, amounted to DM45 m. in 1991. Exceptionally, there are additional provisions which require parliamentary approval, as in 1992 with the special provision of DM50 m. for the African drought. Since the beginning of 1996, these budget lines have been consolidated by adding non-cereal food aid to the FAC objectives, reserving the 'non-cereal' budget line for food security projects while the budget lines for WFP's regular programme remain, in principle, unchanged.

Following an evaluation in 1980, the government decided to phase out programme food aid from broad budgetary support and instead concentrate assistance on food security projects. These have taken two forms: those intended to assist the establishment and management of security reserve stocks of cereals as part of a strengthening of the recipient government's management of the food system, and integrated projects involving a variety of rural development activities, including food for work and possibly vulnerable group support, and entailing the direct provision of food aid or the use of counterpart funds, for example to China.

Greece The annual minimum contribution to FAC is 10,000 tonnes. Disaggregated expenditure data on the national food aid programme do not appear to be readily available and information received from the relevant authorities refers to expenditure on food and humanitarian aid in total. The pattern of allocations and shipments indicates that allocations to emergencies and to multilateral agencies have the highest priority. Recently a large share has been allocated to Eastern Europe and the former Soviet republics.

According to INTERFAIS, in 1990 1,595 tonnes of wheat was channelled through WFP for an agricultural and rural development project in Afghanistan, and in 1992 a total of 215 tonnes of food aid to Cape Verde and 150 tonnes to Mauritius. There were no shipments in 1991. A further 2,500 tonnes of wheat was provided as emergency food aid to Ethiopia and 25,000 tonnes went directly to the Albanian Government for sale on local markets.

Ireland Food aid is considered to have two basic objectives: to meet Food Aid Convention obligations and to provide humanitarian relief. However, food aid is a low priority in the overall Irish aid programme which has a strong poverty focus.

The FAC obligati through unconditional cash contributions to the Regular Programme of WFP under the Department of Agriculture's multilateral budget. Ireland does not have a bilateral food aid programme and there has been only one government-to-government food aid action in recent years, entailing the provision of 3,000 tonnes of enriched milk powder to Egypt in the 1990 programme year in support of an EC-initiated programme to assist countries adversely

affected by the Gulf War. Some humanitarian aid channelled through NGOs is used to purchase food aid but this is relatively rare and reflects the decision of the relevant NGO, rather than the Irish government, to provide this type of aid. Such actions are financed out of the Disaster Relief Budget of the Department of Foreign Affairs. Emergency relief in cash is also sometimes channelled through WFP, financed under a budget line in the Ministry of Agriculture. In 1995 an additional £1 m. was provided to WFP by the Ministry of Agriculture.

Italy Prior to mid-1995 there had been no recent attempt to formulate a food aid policy. Food aid was included in triennial and annual programming exercises but the general guidelines for development co-operation, the most important being Public Law No. 49 of 1987, indicated only broad priorities, with a focus on food self-sufficiency, basic needs and human rights more generally. In terms of patterns of allocation, there was, however, a strong emphasis on the importance of extraordinary measures in response to emergency situations as well as a substantial level of direct government-to-government programme food aid and a relatively constant level of support to multilateral channels. These emphases have been recognised more formally in a draft new development policy which was due to be introduced in mid-1995. This identified eleven sectoral priorities in development co-operation including the provision of food aid, particularly to emergency situations and food-deficit countries; humanitarian aid in response to natural disaster and civil strife; and balance-of-payments support through the provision of sectoral and commodity aid. The new policy also aims to improve the transparency and efficiency of Italian development co-operation which, in terms of geographical focus, will continue to concentrate on the Eastern Mediterranean, the Horn of Africa and Southern Africa.

In the past, food aid was budgeted on a triennial basis, distinguishing between ordinary food aid, emergency food aid and multilateral contributions to the Regular Programme of WFP. However, since 1994 it has been budgeted on an annual basis because of increased financial constraints and greater uncertainty about future funding. In 1995, Lira 100 bn were allocated to the emergency budget, L60bn to the ordinary food aid budget, L3bn to WFP and L70bn to Eastern Europe (by the General Directive for Economic Affairs). The aid is programmed on an annual basis and actual expenditure may vary quite sharply from year to year depending on the scale of needs identified, including emergencies, and the pace of implementation. It has not been uncommon for programme food aid budgeted in one year to be implemented in the following year.

Guidelines on the commodity composition of ordinary food aid are set on a triennial basis. For the period 1994-96 these were fixed at 50% cereals, 40% processed products and 10% expensive lyophilised freeze-dried products - a reduction from 20% to accord more with the requests of beneficiary countries. In 1992, for the first time, in response to emergency requirements in sub-Saharan Africa, a substantial part (33%) of bilateral assistance was procured through triangular transactions. However, more recently triangular transactions and local purchases have only occurred on a relatively small scale again.

Luxembourg Whilst there are no explicit policy statements governing the food aid programme, there is an implicit strategy to target small countries with structural food deficits and to concentrate on supporting activities in social sectors consistent with overall development co-operation priorities. Recent target countries have been Burundi, Cape Verde, Mauritius, Namibia, Niger, Senegal and Tunisia in Africa, Ecuador, Nicaragua, and El Salvador in Latin America and Vietnam in Asia. There is also an implicit policy to work with NGOs to use their experience in the field.

Food aid is allocated first to the regular provision of 1,400 tonnes of cereals a year to Cape Verde under, since 1994, a multi-annual agreement, satisfying Luxembourg's minimum annual contribution to the FAC and emergency allocations to disaster-affected countries. The Humanitarian Aid and Food Aid budget is divided into two categories. Within the contributions to humanitarian assistance food aid is often part of an emergency response but this is managed by the International Committee of the Red Cross, the executing NGO. Since 1989, monetised food aid actions have been undertaken in favour of Cape Verde, subcontracted to a private agency, Luxdevelopment, and Guinea Conakry, managed by another private agency, subcontracted by the Government of Luxembourg. During the course of the country studies, two actions in favour of Egypt during the study period were also identified as programme food aid.

The only food aid action in which the commodities are sourced in Luxembourg comprises wheat in favour of Cape Verde. The rest is sourced either on the EU market or increasingly in developing countries.

Netherlands In the 1980s, besides humanitarian considerations, other goals such as balance-of-payment and budgetary support were given attention. During this period programme aid was given high priority. Policy was increasingly geared toward multilateral and international organisations, with the original primarily bilateral character of food aid giving way to multilateral aid on the one hand and aid channelled through NGOs on the other.

Different interpretations have been given to the integrated approach to food aid as a development instrument. In the early 1980s, food aid was integrated into food strategies, aiming to increase self-sufficiency levels. In the latter part of the decade the strategy concept was replaced by a broader view, stressing self-reliance and recognising undernourishment as not just a problem of supply, but also of purchasing power. The introduction of structural adjustment programmes further boosted interest in demand-side issues; austerity measures implemented within this framework hit more vulnerable groups particularly hard.

In *A World of Difference*, an official document on aid policy for the 1990s (Netherlands, 1990), it was envisaged that this policy would continue. There would also be pressure for greater flexibility in (multilateral) food aid to ensure that (a) the supply is always based on the food situations in developing countries and (b) a larger proportion of the aid is made available in the form of money for local and regional purchases or for the financing of 'cash-for-work' projects and programmes. This latter objective in particular must be able to count on continuing support, which should take the form of imported food only in the event of critical regional shortages.

Portugal According to INTERFAIS and information received from Lisbon, there were no monetised or programme food aid shipments during the study period 1989-94.

Spain Until 1977, Spain was itself a recipient of food aid and only became a donor in 1983/4. In 1988 the International Co-operation Agency was established and Spain became a member of the Development Assistance Committee in 1991. Under the present Food Aid Convention, Spain has an obligation to provide at least 20,000 tonnes of cereals a year. In a normal year this is exceeded. In addition 10,000 tonnes are provided to the WFP.

Whilst there is no fixed stated policy governing the food aid programme, the food aid is managed in conjunction with humanitarian aid. The emphasis is firstly on recipient countries with food security problems and secondly on countries within which there are ongoing co-operation activities. The list of recipients is revised annually. As the food aid programme

only began in the mid-1980s, the policy orientation broadly followed that of other more established donors as they reformulated their own policies. There has been an increasing focus on food security within the Spanish food aid programme.

Spanish food aid should not disrupt the normal workings of recipient agricultural markets or change consumer tastes. Free distribution of food is therefore not considered the best way of providing food aid except in an emergency or other special circumstances. Food aid commodities are therefore normally provided for sale in the recipient country.

Programming is undertaken on an annual basis and is based on information from both international sources and from Spanish Co-operation Offices in potential recipient countries. Non-emergency food aid is budgeted separately and does not compete with other aid instruments. Emergency food aid is budgeted within the humanitarian aid budget line. Since 1992 financial contributions to the WFP have replaced contributions in kind.

Triangular transactions and local purchases are rarely used and to date only in Latin America. However, this is more a question of the problems in respecting Spanish public law and logistical constraints rather than any preference for providing food aid sourced in the European Union.

Commodity selection depends primarily on the request of the recipient government and from assessments made in the food aid service and on information from other donors. The types and specifications of the commodities follow closely the European Commission guidelines and only commodities included on the EC list can be provided.

United Kingdom The food aid programme is considered an integral part of the UK's overall humanitarian operations. Priority is given to emergency aid and over the past twelve to fifteen years there has been a gradual shift towards concentration on this type of aid and the integration of food with other emergency assistance. This aid is allocated case by case on the basis of an assessment of the relief needs in recipient countries, and in response to requests for emergency assistance. The most appropriate channel - NGOs, the International Emergency Food Reserve of WFP or the International Committee of the Red Cross - is then identified according to experience in the relevant recipient country. Only a relatively small proportion of the food aid channelled through NGOs is monetised, reflecting NGOs' preferences.

In a normal year, the only non-emergency food aid provided is the UK contribution to the WFP Regular Programme, currently about 25,000 tonnes. The UK favours the deployment of this aid in poor countries, normally where there is a significant emergency need. Since the early 1980s, the UK has also informally expressed a preference for its regular contributions to the WFP to be directed to Africa and in recent years a substantial part has been used to undertake local purchases in Africa which the WFP has found it difficult to fund.

Food aid is viewed as a less efficient form of programme assistance than financial grant aid. Since food aid is financed directly from the overall aid budget rather than as a separate, additional budget item and thus competes with the provision of other types of assistance, no direct project or programme food aid has been provided since the late 1980s, when some programme aid was supplied to Mozambique. Nor is it envisaged that further government-to-government bilateral food aid will be provided in the foreseeable future. However, rules governing UK financial programme assistance have recently been changed to permit their use in the purchase of food. NGOs managing such purchases report directly to the department handling food aid which in turn reports to the FAO Committee on Surplus Disposal or WFP INTERFAIS. It is not always clear exactly how many such purchases have occurred,

although there has been at least one, involving the purchase of 40,000 tonnes of white maize in South Africa for use in Kenya in 1994.

Although in practice a large part of the FAC commitment is supplied as wheat, the UK seeks to acquire as many commodities as possible through purchases within developing countries. For example, in 1992 yellow maize was purchased in Argentina for use in Mozambique and Southern Africa. Some NGOs, as well as the WFP, look increasingly to the UK as a potential source of funding for such purchases because other donors are often more reluctant to provide funds for this purpose.

B2 Member States' and Community Action Tendering Procedures

The descriptions of tendering procedures are based on information provided by the development co-operation and other government agencies of the European Commission and EU Member States.

Community Action The procedures for mobilisation of food aid by the Commission are laid down in Regulation No. 2200/87 of 8 July 1987. DGVI is responsible for the mobilisation of most Community Action food aid, following requests from the Food Aid Service of DGVIII or ECHO, apart from triangular transactions and local purchases in developing countries which are dealt with separately by DGVIII.^{xc} In the case of purchases in developing countries, tenders are also sent out to a list of suppliers. ECHO is responsible for the mobilisation of emergency food aid allocated under Article 6 of Framework Regulation No. 3972 of 1986, although it is obliged to follow the same procedures as DGVI.

There are two alternative procedures. Under the open tender procedure any citizen of an EU Member State or any company established under EU legislation is eligible to participate, following notice published in the *Official Journal* C Series at least fifteen days before the expiry of the period for submission. Under the direct award procedure, used in situations of greater urgency, notices of tender must be sent to at least 3 companies (in practice, at least 30 companies for cereals and 55 for vegetable oil). These lists of suppliers are based on companies which have previously bid for open tenders. In practice, the latter procedure often results in more bids, possibly because smaller companies are less aware of the open tenders published in the *Official Journal*. Some suppliers have also failed to submit tenders based on the green rate of exchange, and have therefore been unable to execute procurement at the prices initially quoted. Tenders must then be reissued.

For direct food aid actions, commodities must be purchased on the internal market or from an intervention agency designated in the notice of invitation to tender. Purchases from intervention stocks must be made on the basis of fixed-price sale and using the ECU rate of exchange. If delivery is free-at-port-of-shipment, the tender must cover all costs of packaging, insurance to the delivery stage and payment of the supplier three months after delivery. If delivery is free-at-port-of-landing, three tenders are requested, corresponding to supply free-at-port-of-landing or free-at-port-of-shipment and for transport costs, and if free-at-destination, a fourth tender must be submitted covering sea and overland transport costs.

In practice, direct food aid procured within the EU by DGVI is always contracted to the port of landing, except in the cases of Tunisia and Egypt where it is contracted to the port of shipment, with the recipient governments themselves meeting their respective transport costs.^{xc} The Commission may accept no tender if all those submitted entail prices exceeding normal market rates or if the prevailing market price is expected to fall.

The Court of Auditors (1993) examined these issues and concluded that the Commission needed to strengthen its information systems and logistics expertise to enable it to make a more systematic evaluation of tenders. An analysis of a restricted number of comparable liner shipments between 1987 and 1992 indicated that indirectly paid shipments through WFP and EuronAid tended to be more costly than food aid mobilised on a direct basis. DGVI now calculates a reference fob price based on world commodity prices to act as a disincentive to suppliers quoting high fob prices in order to avoid fob delivery. Most commodities are still procured on a cif basis. Giving responsibility to one supplier for both supply and transport has

been found more efficient. The Commission is currently establishing a database on international transport costs.

Overall, the open tender system seems relatively costly in terms of administration - for example, the tenders have to be translated into nine different languages - and also in procuring small lots.

TecnEcon (1992) therefore recommended switching to a system of awarding annual contracts on a country-by-country basis for shipments of a particular size but by an open tender bidding system. This procedure would reduce the lead time between the request for aid and delivery, which is, according to TecnEcon, considerably longer than the six weeks usually allowed by WFP. Larger contracts could be negotiated separately or put out to open tender. Commission practices are currently under review with the 1995 draft Regulation,^{xiii} although this does not envisage revisions of current tendering procedures. However, it does envisage (Art. 11) a continuing expansion of local purchases or triangular transactions.

Belgium If the commodities (both cereals and non-cereals) are to be procured in Europe, this is the responsibility of the government procurement agency, the Bureau d'Intervention et de Restitution (BIRB). All tenders are on a cif basis. In theory an open tender is used. However, in practice about 30 companies known to have the capacity to respond satisfactorily are contacted directly. In practically all cases the cheapest bid is chosen. Four or five Belgian and French companies win nearly all the tenders. Dutch, French and occasionally Spanish suppliers have successfully bid for these contracts. There is currently discussion over the complications caused by the difference between Belgian commercial law and that of the European Union which makes it more difficult for a non-Belgian company to bid successfully.

Local purchases are handled directly by the Belgian representation in the recipient country. However, tender procedure still has to follow Belgian law which may be inappropriate. The regulations are currently under review. WFP bilateral services have been harnessed for triangular transactions, which have been used in supplying Thai rice to Cambodia and Laos and South African maize to Tanzania and Rwanda, and also for the delivery of food aid to Ethiopia, Malawi, Djibouti, Mozambique and Bangladesh.

Denmark Commodities are procured through an EU-wide tendering procedure, applying EU specifications on quality. Prior to 1993, a restricted system was operated for non-cereals, with invitations to tender sent only to selected Danish suppliers.

France Procurement of commodities sourced in France is the responsibility of the interprofessional offices for different commodity groups as specified in the individual agreements, and tenders are issued based on the protocols agreed between the DREE/Treasury and the recipient governments. In principle, this is an open tender system, with all EU suppliers able to bid, and tenders are announced on the Minitel system. In practice, a set of around 30 suppliers, known to possess the capacity to respond, are directly notified. The specified port of loading is always in France, and commodities are supplied on a fob basis, with transport arranged separately. Tenders for maritime transport are restricted to French shipping companies, with priority given to ships under the French flag, provided that their costs do not exceed those of other companies by more than 20%. The list of about 15 operators is compiled by a three-year tender procedure. In the case of overland transport to landlocked countries, tenders are invited from a list of five companies (TecnEcon, 1992). The bids procedure is currently under internal review

Germany The Federal Office for Agricultural Market Regulation (BALM), recently amalgamated with the Federal Office for Agriculture and Nutrition (BLE), is responsible for the procurement of cereals in the EU market, under open, Union-wide competitive tender

announced in the *Bundesanzeiger (Federal Government Gazette)*. Parallel agencies and other Member States are also informed.^{xciii} In the case of non-cereals, and the small quantities of project or emergency aid, the implementing agency is GTZ (the Agency for Technical Co-operation) and tenders are open or restricted according to German tender rules. In certain cases only products of German origin may be supplied.

The basis of delivery varies according to channel. Regarding the regular pledge to WFP's development project and programmes, WFP is provided through GTZ with commodities on a fob basis, taking responsibility for transport thereafter. Bilateral programmes deliver on a cif basis, and food security projects to final destinations. Transport is contracted on an unrestricted tender basis. The recipient government, WFP or NGOs are responsible for organising ITSH.

Since 1989 the proportion of food aid cereals procured in the EU market has declined from 72% of all cereals aid to 24% in 1993, with the rest being supplied through triangular transactions or local purchases. Roughly 66,000 tonnes of cereals (in wheat equivalence) have been procured in Europe under the 1995 programme, representing 25.9% of total cereal food aid. The role of BALM/BLE has correspondingly declined. In some cases WFP has been used for the procurement of food aid commodities. Up to 1992, wheat was procured by BALM/BLE in Europe for transport to China in support of the Integrated Rural Development Project in Shandong Province. Significant savings in terms of cost and losses have been made since this was replaced by rice procured in Thailand. White maize for Cape Verde has also been procured in Southern Africa and in one case in Argentina. Local purchases of coarse grains have been financed under food security projects in the Sahelian countries including Mali.

Greece Detailed information on tendering procedures was not readily available.

Ireland The government is not normally involved in the procurement of food aid. All contributions to WFP are made in cash, and NGOs make their own arrangements. A one-off bilateral shipment of dairy aid to Egypt under the 1990 programme was procured and administered by the Department of Agriculture.

Italy The Market Agricultural Intervention Agency (AIMA) is responsible for the mobilisation of ordinary food aid procured on EU internal markets. The normal procedure is for the Directorate General for Development Co-operation (DGCS) and the Ministry of Foreign Affairs (MAE) to allocate a budgetary head in financial terms. AIMA then organises a tender for purchase and shipment of commodities within this budget item. Under a new law of July 1995, AIMA is required to provide more detailed information on the costs of food aid actions.

Up to the beginning of 1993 tendering was normally undertaken within the Italian market. Following the introduction of the EU single market regulation, AIMA has widened its procedure, but the extent to which foreign suppliers can become involved is limited by the fact that only 10-15 days are normally allowed for the submission of offers of tender.

In the case of extraordinary or urgent humanitarian assistance, Ufficio XIV within the DGCS is responsible for programming and overseeing mobilisation, including that of food aid.

Luxembourg Detailed information on tendering procedures was not readily available.

Netherlands In the rare cases where food aid is provided in kind, the intervention agency, Division VIB of the Ministry of Agriculture, Nature Management and Fisheries, is responsible for the procurement of Dutch food aid commodities on behalf of the Ministry of Foreign Affairs.

It operates an open tender system. Tenderers submit separate commodity and transport bids, and the VIB may accept a fob bid from one supplier and a transport bid from another or, alternatively, arrange a separate transport bid. VIB officials maintain regular contact with the commercial international transport sector to enable them to assess transport bids properly. Monitoring services are contracted separately for each shipment from a limited number of companies.

Portugal Portugal did not provide any programme food aid during the study period. Contributions to the EU food aid programme are normally on a financial basis.

Spain Until 1992 arranging tenders was the responsibility of a special technical department in the Ministry of Agriculture. Since then this responsibility has been taken over by the Food Aid Service in the Ministry of Foreign Affairs. All tenders must follow Spanish public law on public tendering. Tenders are for both supply of commodities and transport to the port of landing (cif). The tenders are published in an official government bulletin and in line with EU regulations any tenders of over ECU200,000 are advertised throughout the EU in official EU documents. All tenders are open and there are no restrictions on the shipping of the commodities. Until 1992 shipment had to be from a Spanish port for financial control purposes, but since then this restriction has been relaxed.

A committee comprising a public administrator, a lawyer from the Ministry, an administrator and the representative of the Food Aid Service, examine all the responses to tender on the basis of cost, shipping requirements, quality and timing.

Food aid is always delivered on a cif basis, although 3 years ago WFP was asked to ship Spanish contributions in kind. Since then all contributions to WFP, including to the IEF, have been in cash.

A monitoring agency is selected via tender each year and is responsible for supervision and quality and quantity control of food aid commodities at the port of loading, landing and final destination and for providing audits.

There have not been many actions that have involved procurement of commodities in developing countries, only rare cases from Argentina to elsewhere in Latin America. This is partly because of legal problems concerning Spanish legislation and partly because the staff of the co-operation offices in the recipient country do not have the specialised knowledge required to prepare and carry out such operations. There is, however, no policy to use or not use triangular transactions and local purchases, and if the Food Aid Service receives a request from an international company suggesting developing country procurement, the offer will be examined on an efficiency basis along with all other offers. If it is the most efficient form of transfer then it will be selected.

Whilst developing country purchases of bilateral food aid still take place only in individual cases, the proportion of total food aid sourced in developing countries is increasing due to WFP procuring more food aid in this way.

In one special case, financial assistance from the food aid budget line provided to the Philippines Government was tied to the import of basic food commodities with no restriction on the source of the commodities.

WFP Bilateral Services have been used only in special circumstances. For example, WFP was asked to carry out the internal transport of food aid for Malian refugees in Mauritania. In 1995

an agreement was signed with WFP to increase the use of WFP bilateral services. This was mainly to carry out evaluations on food aid programmes.

United Kingdom Commodities (largely wheat) provided to the WFP Regular Programme are procured through an open tendering procedure, managed by the Crown Agents except for local purchases, with tenders published in the monthly journal of the Grain Trading Association. There is generally a good response. Commodities are delivered fob, with transport arranged directly by WFP. For commodities channelled through NGOs and the International Committee of the Red Cross, the organisation concerned is normally responsible for procurement and shipment. However, the Overseas Development Administration is always involved in reviewing the tenders in the case of British NGOs.

The UK was involved in only one monetised food aid action during the sale of white maize to Kenya. The action was undertaken using financial programme assistance outside the food aid budget and was therefore not subject to normal food aid procedures. The Crown Agents were given responsibility for managing a tender for a triangular transaction. The successful tender involved a subsidiary of a Swiss company purchasing white maize in South Africa and transporting it to Mombasa. Delivery was on cost and freight-free-out-of-Mombasa terms.

Endnotes

xc. Prior to the revised Framework Regulation No. 3972 of 22 December 1986, requests for mobilisation were forwarded by the Food Aid Service of DG VIII to the mobilisation service of DG VI which in turn forwarded them to an intervention agency in one of the Member States. This intervention agency launched either a tender or a direct award and received offers, and it was also responsible for implementation of the mobilisation.

xc. Community Action food aid to Egypt to be provided on a cif basis from 1995.

xcii. 'Draft Common Position (EC) by the Council on Food Aid Policy and Food Aid Management and Special Operations in Support of Food Security'. European Union Council, Brussels, 30 November 1995 (15.12), 1276/95.

xciii. An example of genuinely open tendering was a contract for 27,500 tons of yellow maize procured by a French company for the southern African drought under the DM50 m. supplementary programme in 1992. Historically, Netherlands companies have apparently been more successful in tendering for BALM contracts.

B3 Profile of 12 Case-study Countries

Table B1 outlines some of the basic indicators for the country studies. All of them, apart from Peru, have an annual per capita GNP of less than US\$1000, ranging from US\$70 in Mozambique to US\$1,350 in Peru. Per capita GNP expressed in purchasing power parity is also very low in many of them and lowest in Ethiopia at only US\$330 in 1992. However, when data on GDP are compared with indicators of human well-being and human resource development, it is clear that the former do not provide a useful single proxy variable or indicator of human development. Life expectancy at birth is less than 50 years in 4 countries and is over 65 in only China and Nicaragua, which are classified as low-income according to official GDP statistics, as well as Peru. Daily per capita calorie supply is less than the standard minimum requirement in 6 countries. Seven countries are classified under 'low human development' according to the 1995 Human Development Index (HDI), including all the sub-Saharan African countries apart from Cape Verde, plus Bangladesh. Mali, Ethiopia and Mozambique were the 3rd, 4th and 8th most underdeveloped countries in the index respectively in 1995. Cape Verde and the remaining 4 non-sub-Saharan African countries were categorised as medium human development the most developed was Peru. It was concluded therefore that, for a study of an instrument used in support of food security and wider, social development goals, the HDI was a better proxy of the level of development than per capita GDP; and so the HDI indicator is used in ranking the case-study countries analysing food security impacts.

The case studies in total received nearly three-quarters of total EU programme food aid shipped in the study period, 1989-94 (Table B2). The 7 case-study countries in sub-Saharan Africa received 64% of the total to that region, whilst the two Asian case-study countries and the two in Latin America received 86% and 51% of the regional totals respectively. Egypt received nearly 90% of the total to North Africa and the Middle East.

Table B3 presents summary information on annual growth rates of agricultural and cereals production since 1980 and for the study period 1988/94 and demonstrates the variety of case-study experience during the 1980s and the first half of the 1990s.

Of the 12 case-study countries the most cereals aid-dependent countries are Cape Verde, Mozambique and Ethiopia. Cereals aid represents a particularly high proportion of total cereals imports in Ethiopia, Mozambique and Nicaragua (Table B4) and 76% and 45% of total domestic cereals supply in Cape Verde and Mozambique respectively (Table B5). In China and Egypt levels of cereals aid are very small both compared with cereals imports and with total domestic cereals supply. Per capita food aid receipts are by far the highest in the small island economy of Cape Verde, followed by Nicaragua and the sparsely populated (apart from the capital Nouakchott) Mauritania.

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Annex Table B.1 Case study countries: Basic human indicators for 1992

Case study country	Population (millions)	Human Development Index	HDI rank ^a	GNP per capita (US\$)		Life expectancy at birth (years)	Daily calorie supply	
				Current	Purchase-power parity		Kcl per capita	% of requirement
Medium human development:								
Peru	23.1	0.709	93	1,350	3,300	66.0	1,883	89
Egypt	57.0	0.613	107	650	3,540	63.6	3,336	133
Nicaragua	4.3	0.611	109	350	2,790	66.7	2,296	100
China	1,200.0	0.594	111	480	1,950	68.5	2,729	112
Cape Verde	0.4	0.536	123	840	1,750	64.7	2,780	125
Low human development:								
Kenya	24.5	0.481	130	330	1,400	55.7	2,075	86
Zambia	8.0	0.425	136	370	1,230	48.9	1,931	87
Bangladesh	119.0	0.364	146	220	1,160	55.6	2,019	94
Mauritania	2.1	0.359	150	540	1,650	51.5	2,685	109
Mozambique	18.0	0.246	167	70	380	46.4	1,680	77
Ethiopia	55.0	0.227	171	110	330	47.5	1,610	71
Mali	9.0	0.222	172	310	550	46.0	2,279	107

Note:aAll countries in descending order for human development indicators

Source: UNDP, *Human Development Report*, 1994 and 1995; country case studies

Annex Table B.2 EU programme food aid to case-study countries and by region, annual average, 1989-94

Case-Study Country	Case Study Countries (000 t)	Regional total (000 t)	Case-study countries as % of total
Bangladesh	570		
China	35		
South and SE Asia	605	702	86
Nicaragua	91		
Peru	112		
Central + S. America	203	396	51
Egypt	1164		
N. Africa & M. East	1164	1326	88
Cape Verde	157		
Ethiopia	179		
Kenya	89		
Mali	41		
Mauritania	106		
Mozambique	564		
Zambia	102		
sub-Saharan Africa	1238	1932	64
All developing countries	3210	4,460	72

Source: Adapted from WFP INTERFAIS and case-study reports

Annex Table B.3 Case-study countries: growth rates of agricultural and cereals production (%)^a

Case study country ^b	Cereals Production		Agricultural Production
	1980-94	1988-94	1988-94
Mali	5.9	2.3	2.0
Ethiopia ^c	2.2	2.0	2.3
Mozambique	-1.3	1.7	-2.1
Mauritania	9.3	1.8	0.5
Bangladesh	2.1	0.8	1.4
Zambia	2.2	-9.3	0.2
Kenya	1.4	-2.5	-1.4
Cape Verde	9.2	-5.9	-8.2
China	2.4	1.9	--
Nicaragua	1.8	3.4	3.7
Egypt ^d	5.2	7.3	3.7
Peru	2.2	-1.9	-0.3

-- Data not available

Notes: a Growth rates are annual equivalent of exponential rates estimated by ordinary least squares regressions.

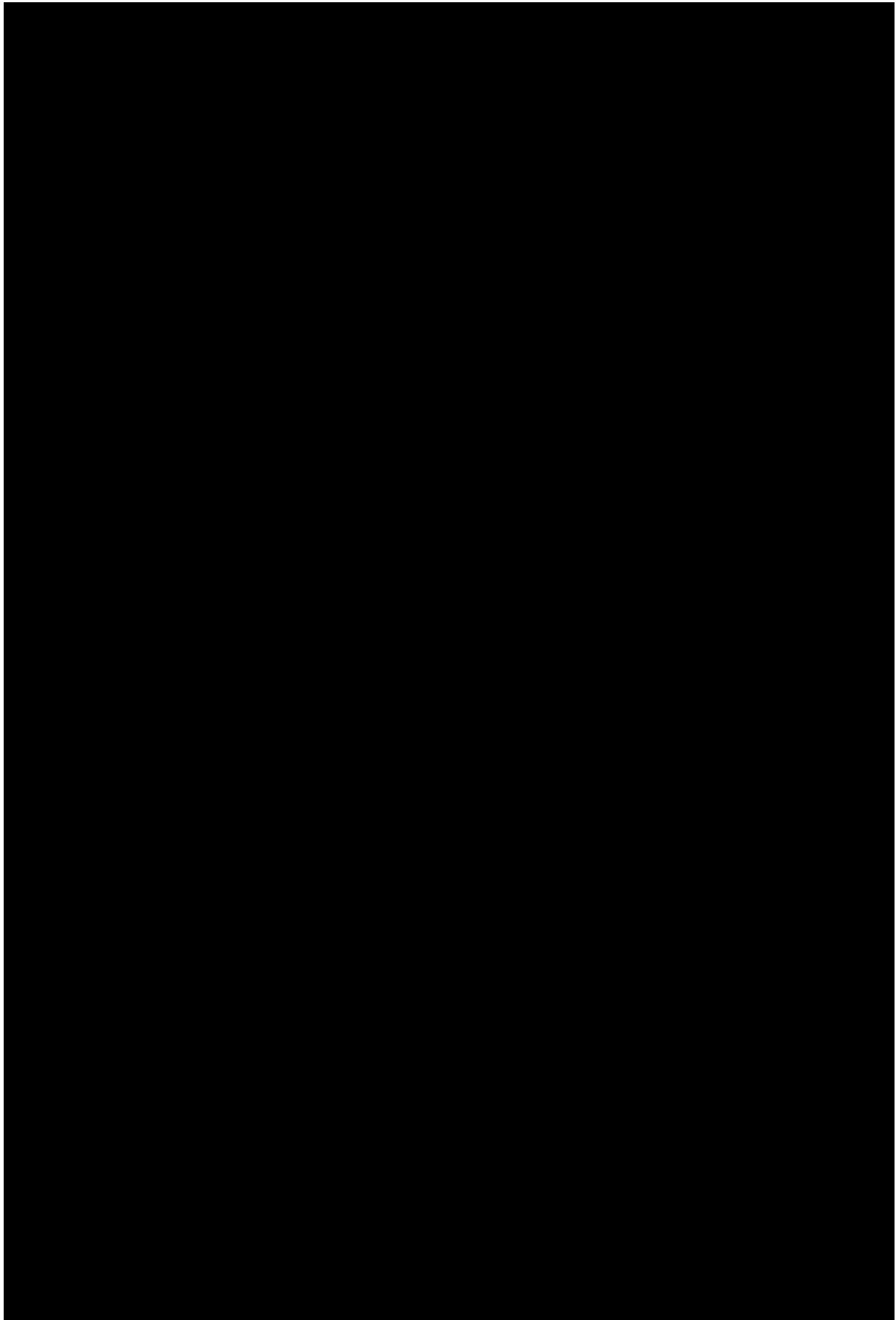
bRanked by Human Development Index, (See Table B.1).

c Up to 1992 (including Eritrea)

d up to 1993

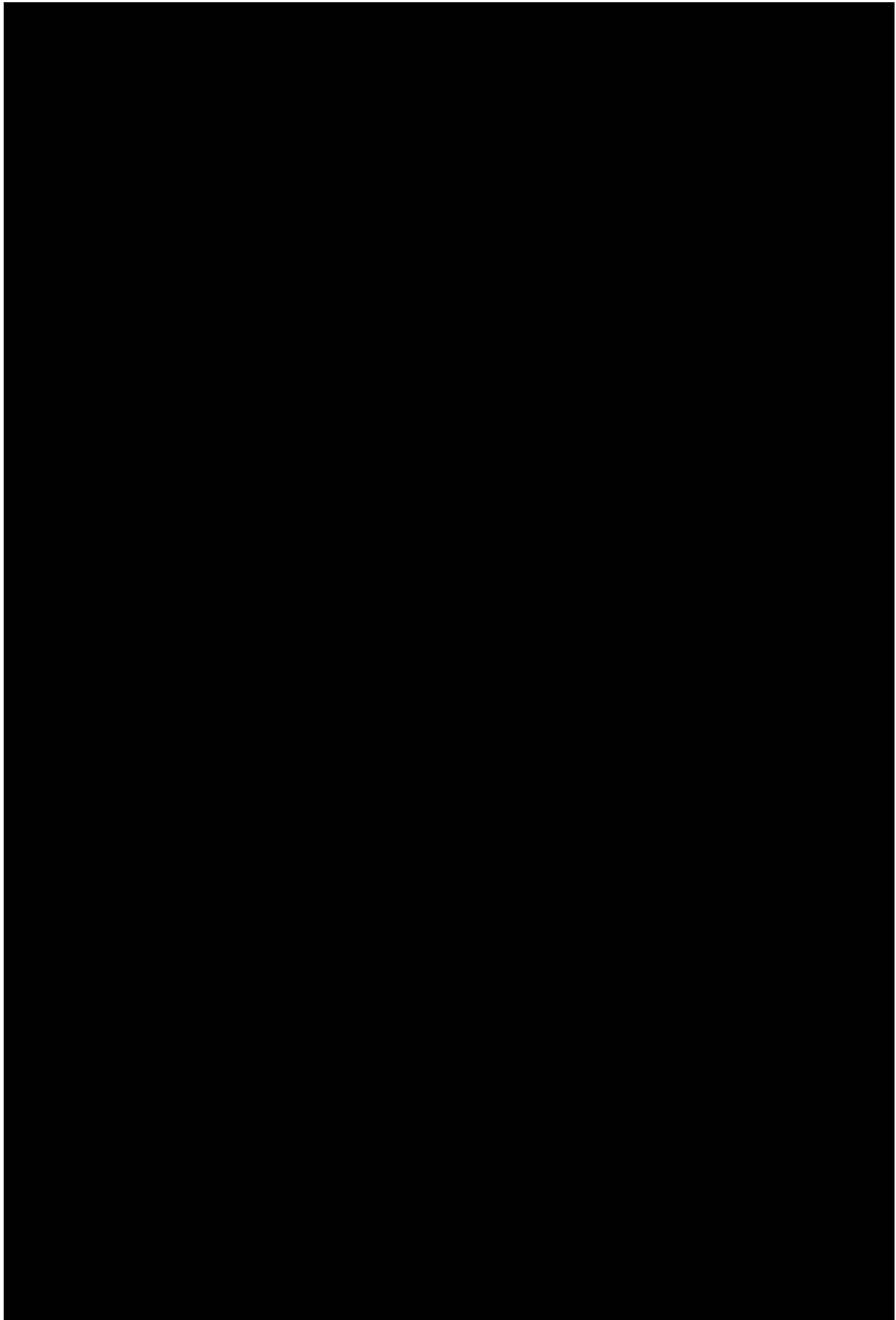
Source: FAO, 1995; Country study reports.

Annex Table B.4 Case study countries: cereal imports and food aid flows, 1989-91 (three-year average)



Case study Countries ^a	Cereals imports as % of total cereals supply ^b	Cereals food aid as % of cereals imports ^c
Burkina Faso	70	68
Dominican Republic	10	9
Egypt	10	10
Ghana	10	10
Honduras	10	10
Kenya	10	10
Mali	10	10
Niger	10	10
Rwanda	10	10
Tanzania	10	10
Togo	10	10
Zambia	10	10

	<i>All food aid</i>	<i>EU food aid</i>	<i>EU PFA</i>
1990	100	100	100
1991	100	100	100
1992	100	100	100
1993	100	100	100
1994	100	100	100
1995	100	100	100
1996	100	100	100
1997	100	100	100
1998	100	100	100
1999	100	100	100
2000	100	100	100
2001	100	100	100
2002	100	100	100
2003	100	100	100
2004	100	100	100
2005	100	100	100
2006	100	100	100
2007	100	100	100
2008	100	100	100
2009	100	100	100
2010	100	100	100
2011	100	100	100
2012	100	100	100
2013	100	100	100
2014	100	100	100
2015	100	100	100
2016	100	100	100
2017	100	100	100
2018	100	100	100
2019	100	100	100
2020	100	100	100
2021	100	100	100
2022	100	100	100
2023	100	100	100
2024	100	100	100
2025	100	100	100
2026	100	100	100
2027	100	100	100
2028	100	100	100
2029	100	100	100
2030	100	100	100



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Ethiopia	9.2	119.6	62.2	0.0
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Mozambique	42.9	104.8	35.6	17.3
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Nicaragua	26.4	97.6	18.6	9.4
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Cape Verde	89.5	85.4	35.4	18.1
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Bangladesh	5.9	70.3	16.6	7.8
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Zambia	6.4	36.1	4.4	0.3
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Mali	6.4	31.3	10.0	3.6
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Mauritania	65.3	27.8	14.5	11.1
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Kenya	8.6	26.8	10.8	3.4
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Peru	41.2	25.0	3.3	1.2
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Egypt	39.4	19.8	2.6	2.0
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China	5.1	0.6	0.3	0.1
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Notes: aRanked by all food aid as percent of cereal imports.

bGross cereal imports. Total cereals supply is defined as total cereals production plus gross cereal imports, including cereals used for non-food purposes.

cFood aid and commercial cereals imports are obtained from different sources and so there are potentially large inconsistencies. Examination of data for a few countries suggest under-recording of imports by recipients.

Sources:WFP INTERFAIS; FAO.

Annex Table B.5 Case-study countries: total cereal supply and food aid flows, 1989-91 (three-year averages)

Case-study country ^a	Total cereals supply (kg/pc)	Cereals imports as % of total cereals supply ^b	Cereals food aid as % of total cereals supply		
			<i>All food aid</i>	<i>EU food aid</i>	<i>EU PFA</i>
Cape Verde	208.1	89.5	76.4	31.7	16.2
Mozambique	70.1	42.9	45.0	15.3	7.4
Nicaragua	157.4	26.4	25.8	4.9	2.5
Mauritania	193.4	65.3	18.1	9.5	7.3
Ethiopia	135.8	9.2	11.0	5.7	...
Peru	157.6	41.2	10.3	1.4	0.5
Egypt	390.4	39.4	7.8	1.0	0.8
Bangladesh	270.1	5.9	4.2	1.0	0.5
Kenya	135.2	8.6	2.3	0.9	0.3
Zambia	208.1	6.4	2.3	0.3	...
Mali	250.6	6.4	2.0	0.6	0.2
China	361.6	5.1

... less than 0.05%

Notes: a Ranked by total food aid as % of cereals supply.

b Gross cereal imports. Total cereals supply is defined as total cereals production plus gross cereal imports, including cereals used for non-food purposes.

Source: FAO; World Bank; WFP INTERFAIS

Annex C

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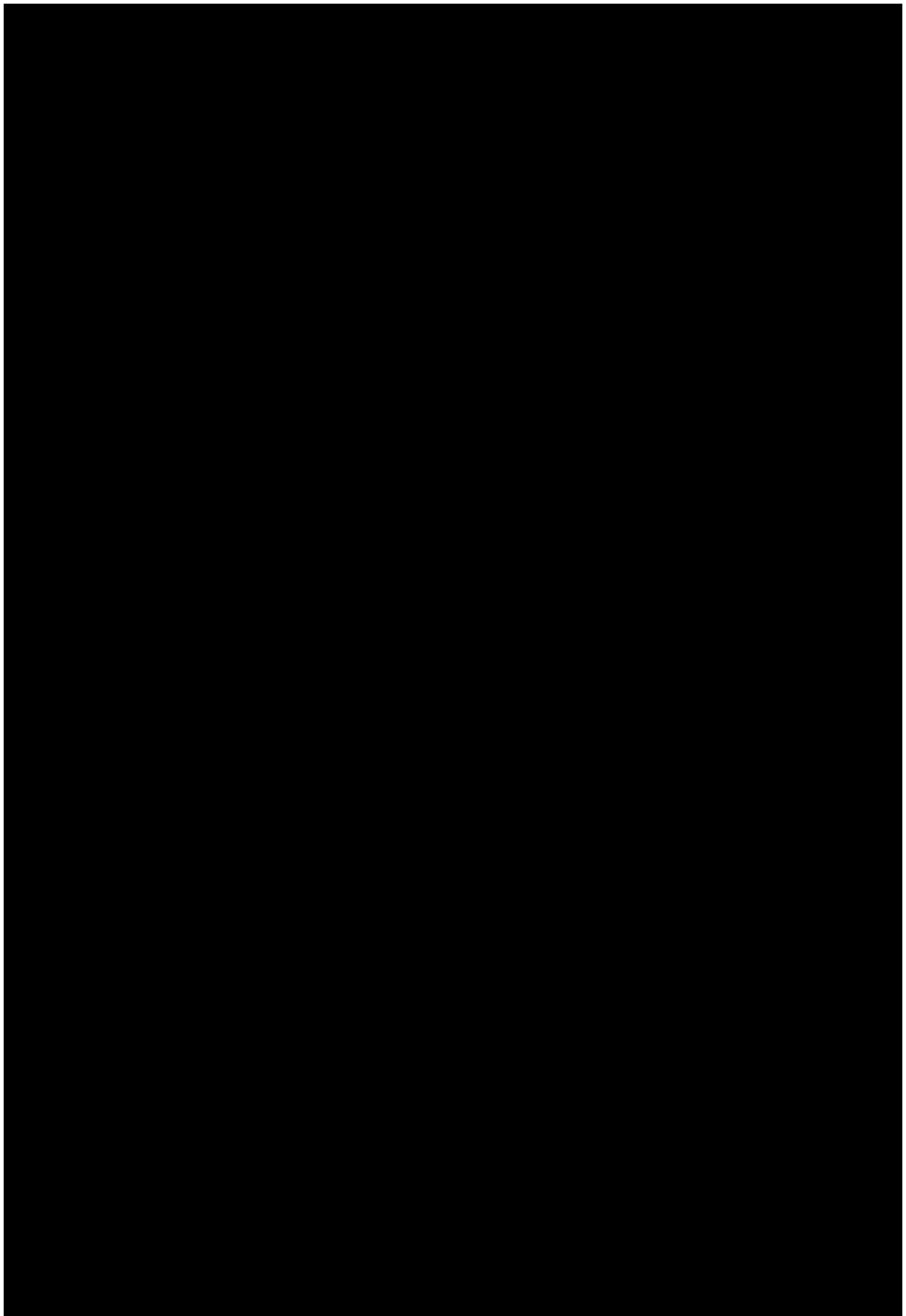
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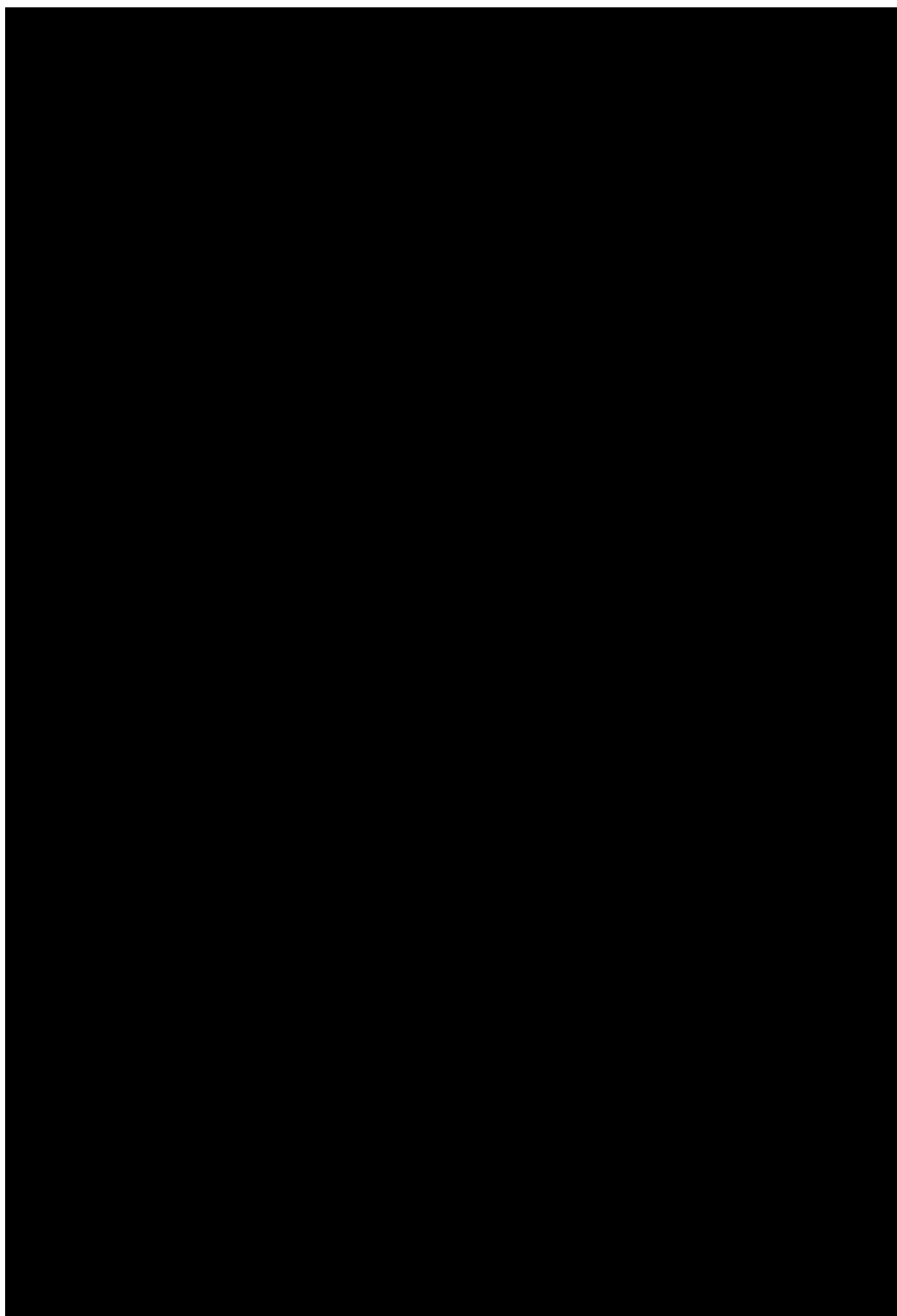
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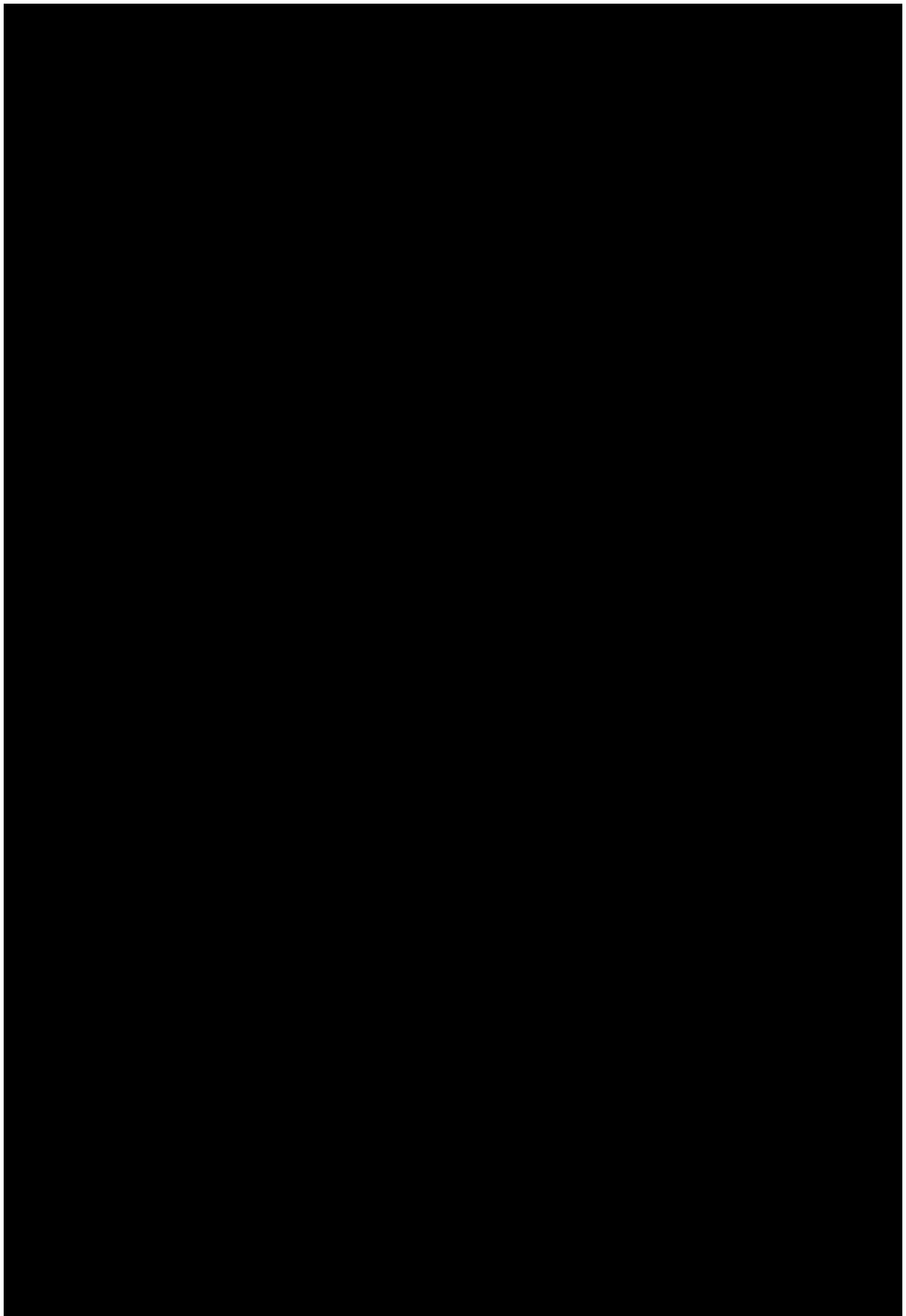
Statistical Tables

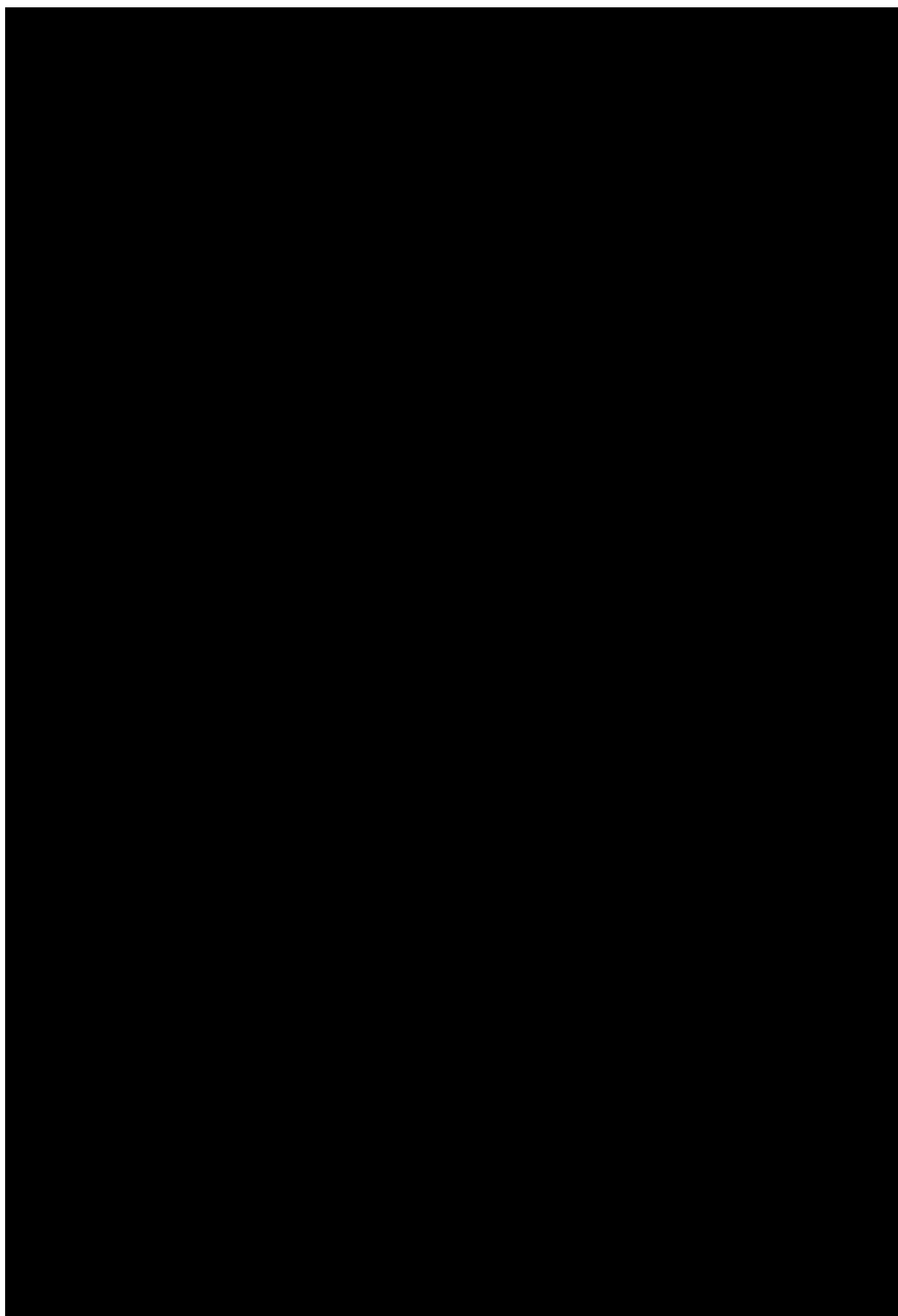
Table D.1	Cereals food aid shipments by donor, 1980/89 - 1994/5
Table D.2	EU food aid
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Table D.4	EU food aid expenditure, 1989-94
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Annex Table D.1 Cereals food aid shipments by donor, 1980/89-1994/5 (thousand tonnes) ^a

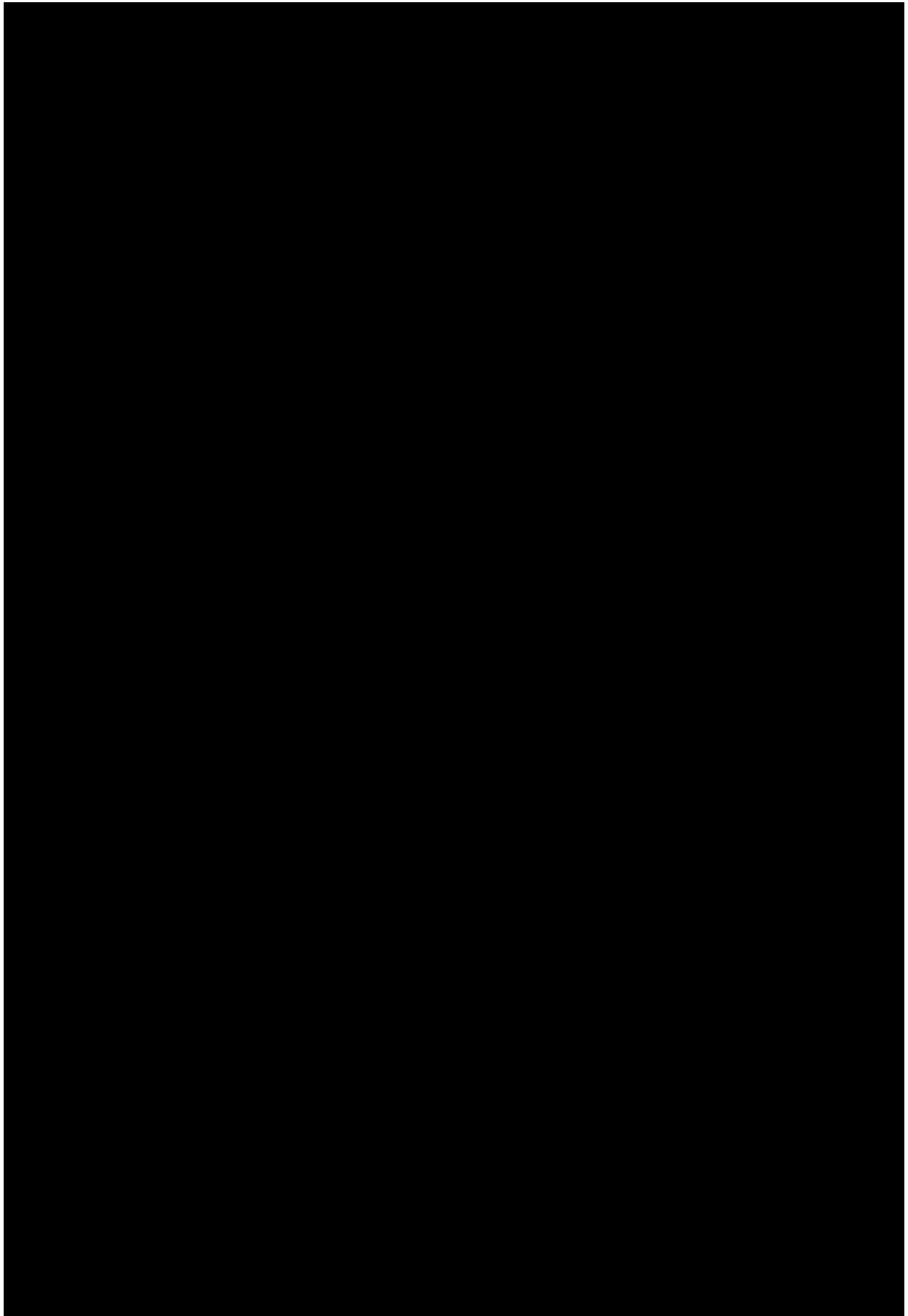


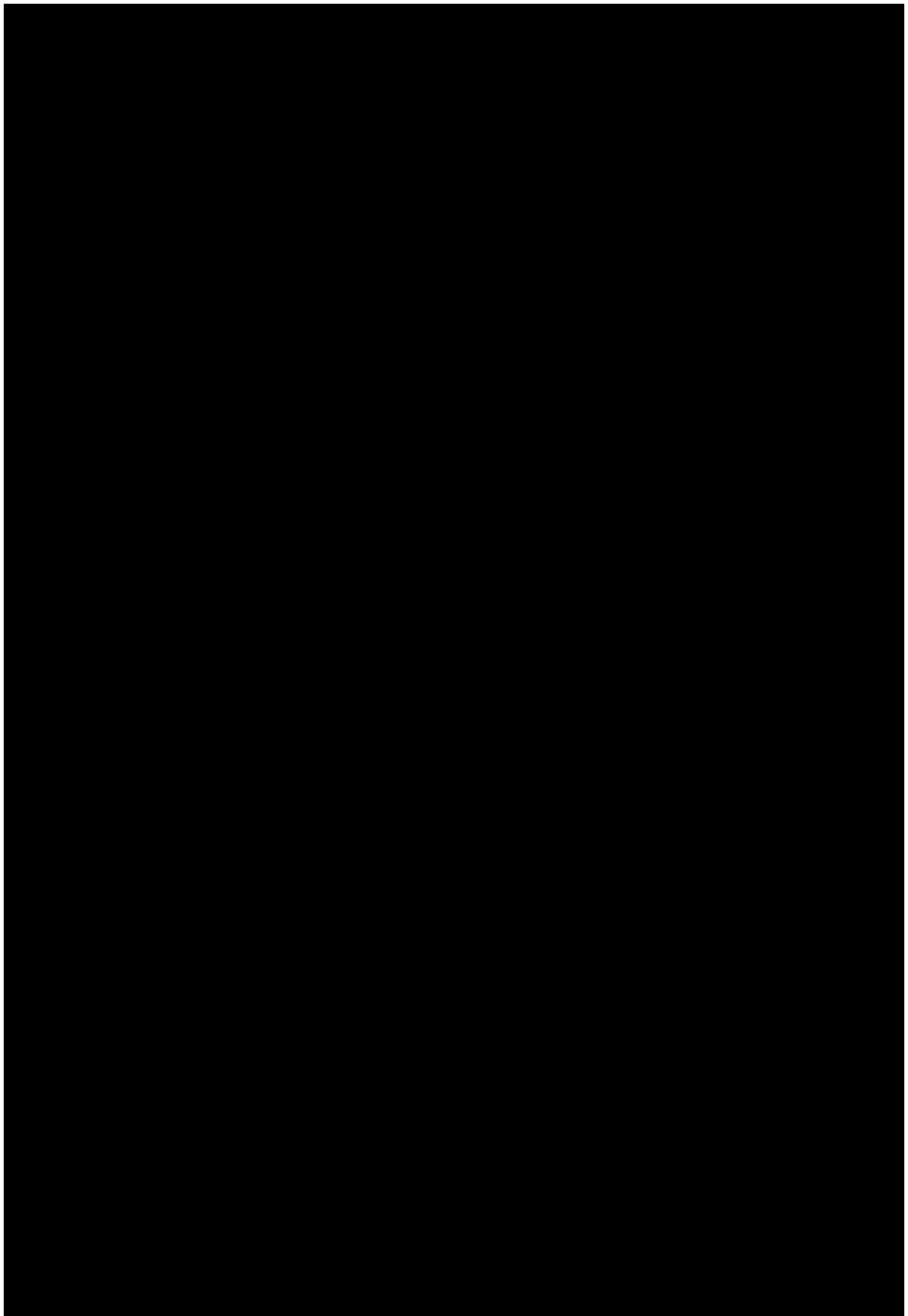


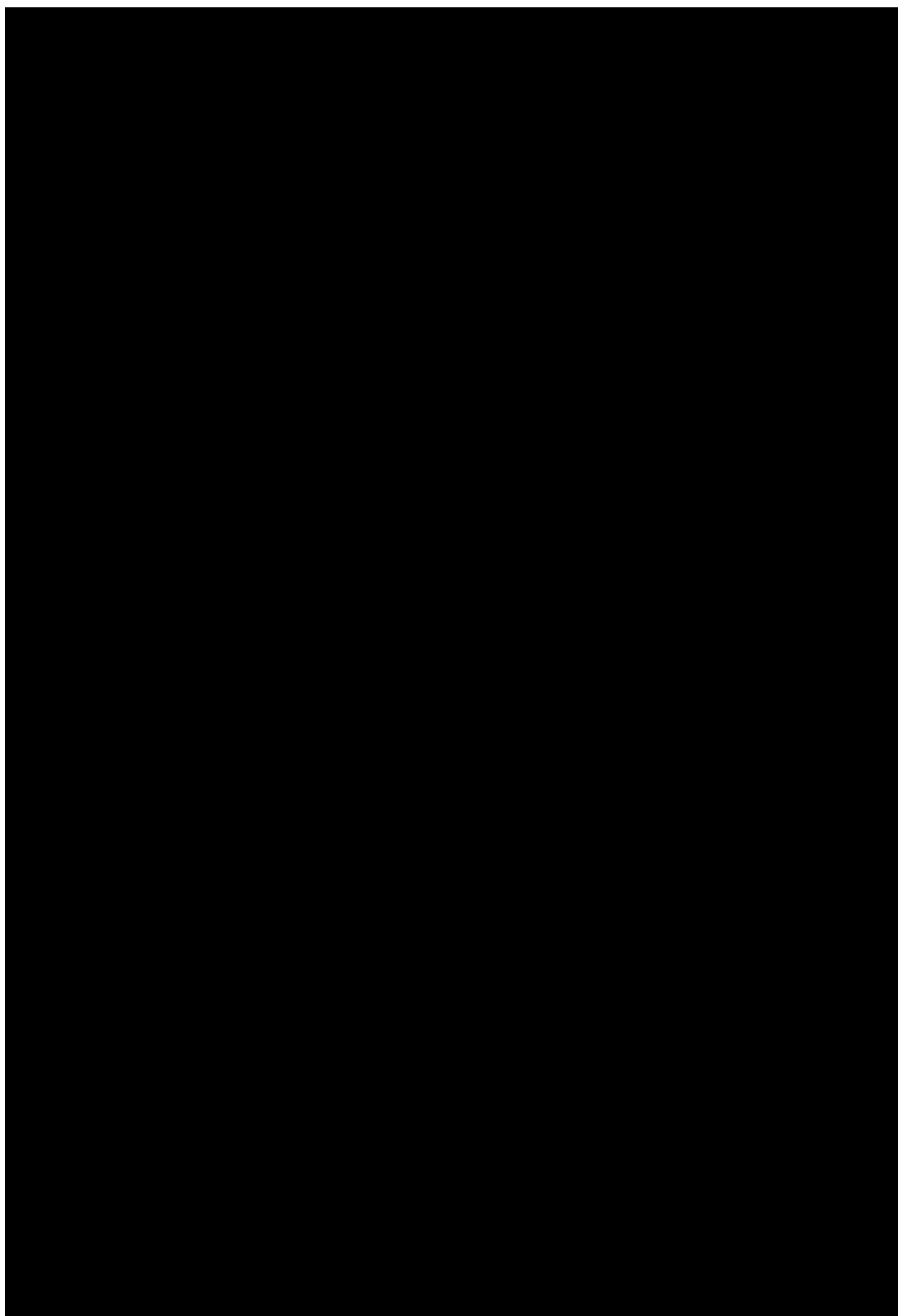


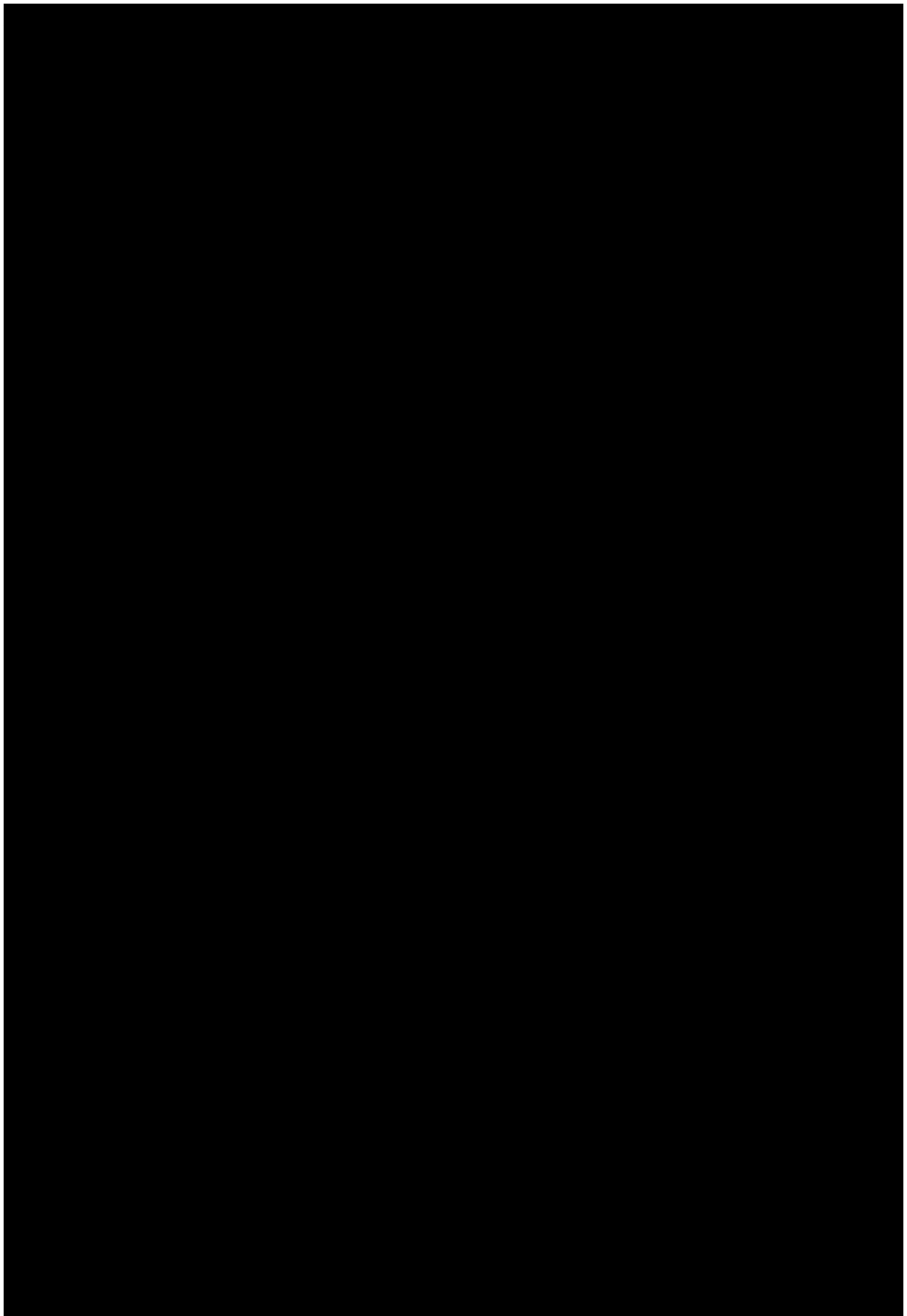


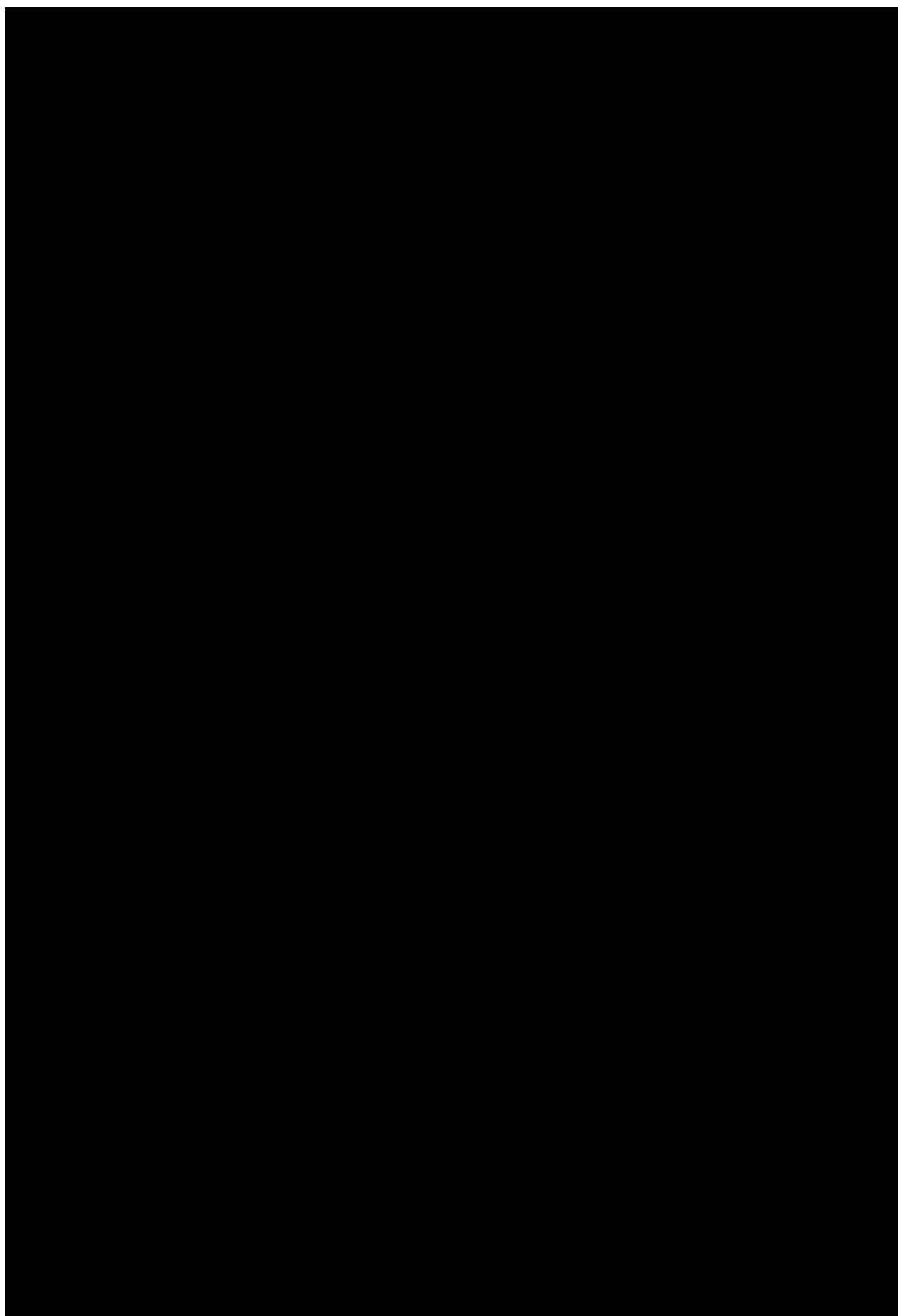


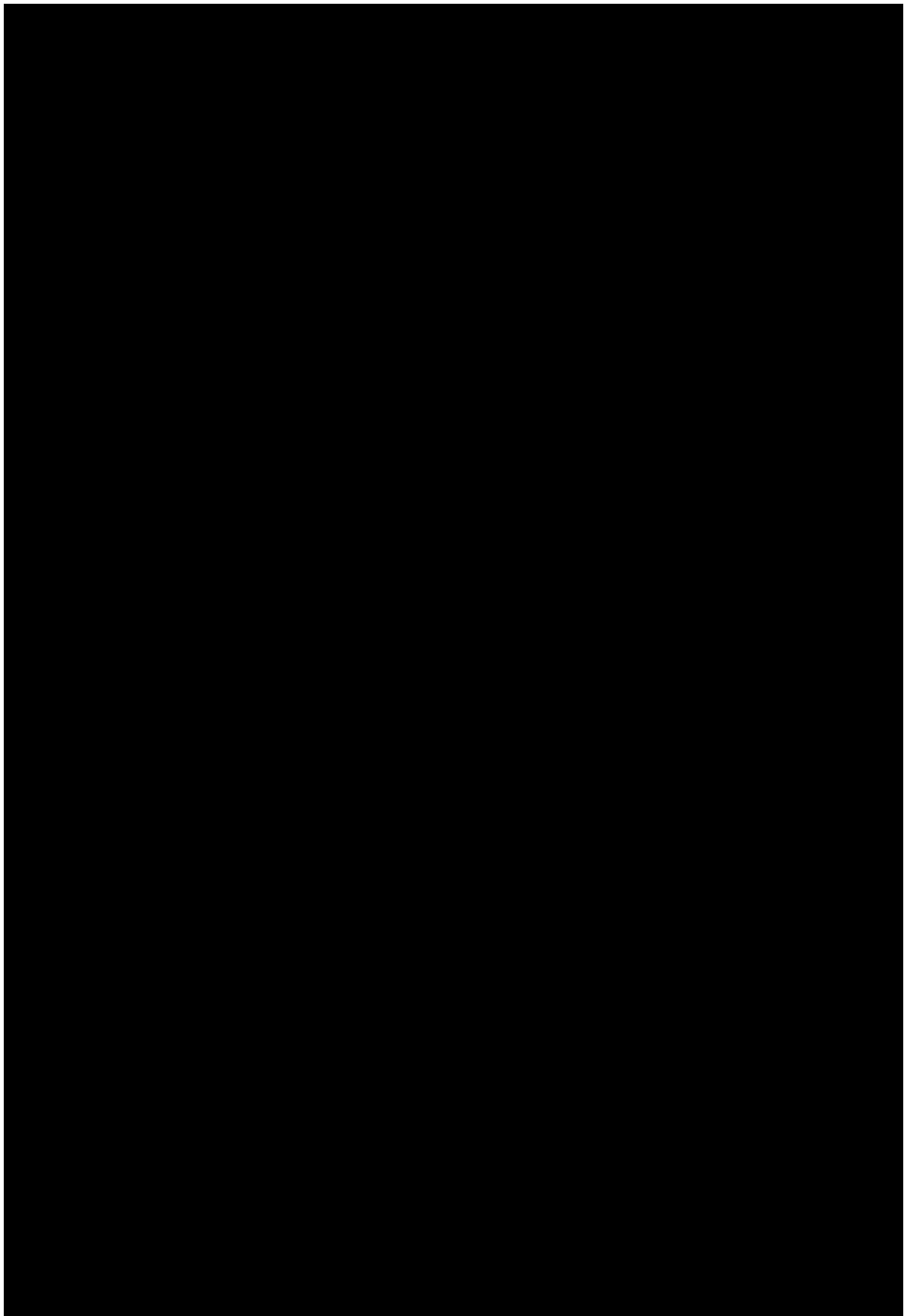


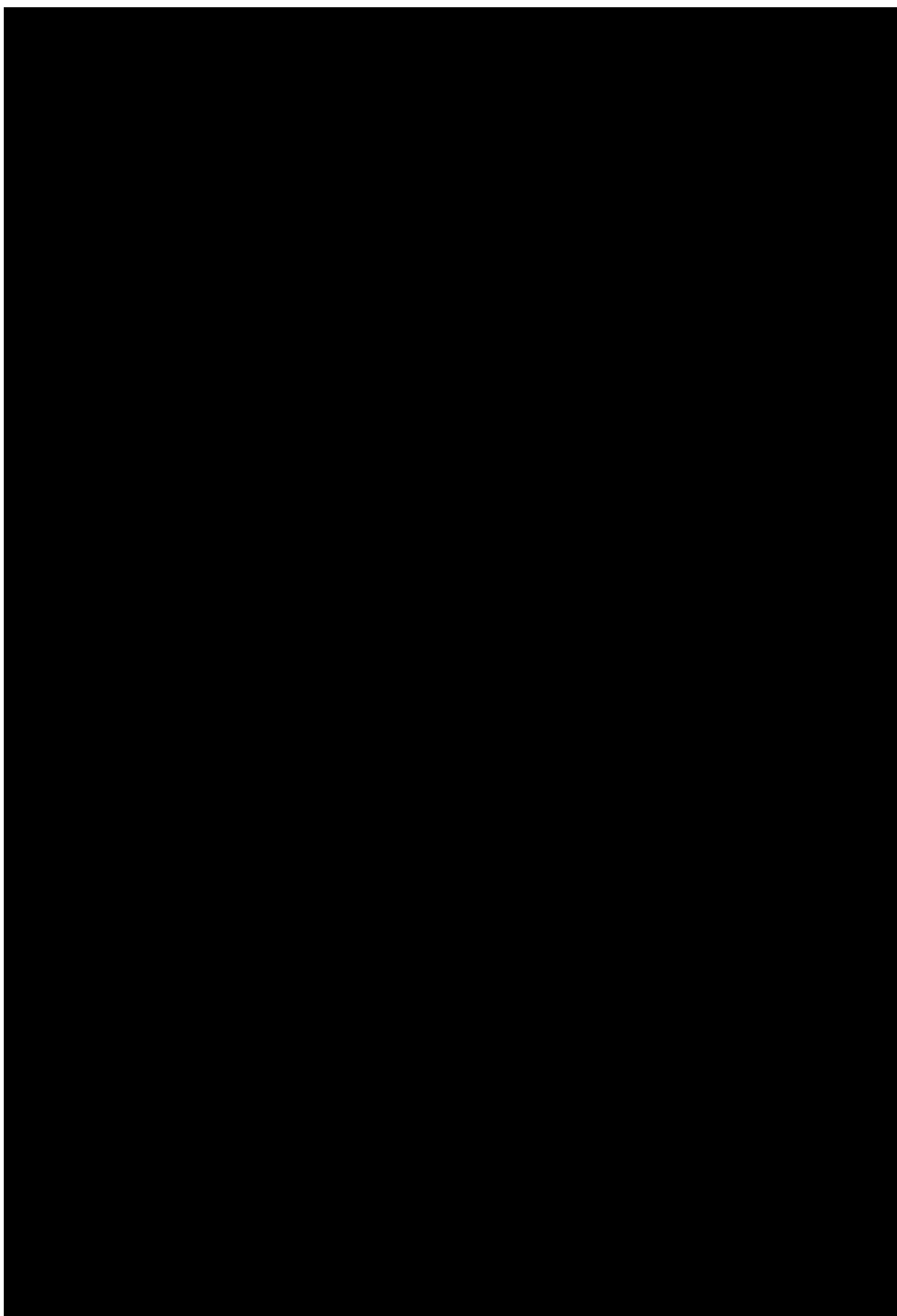


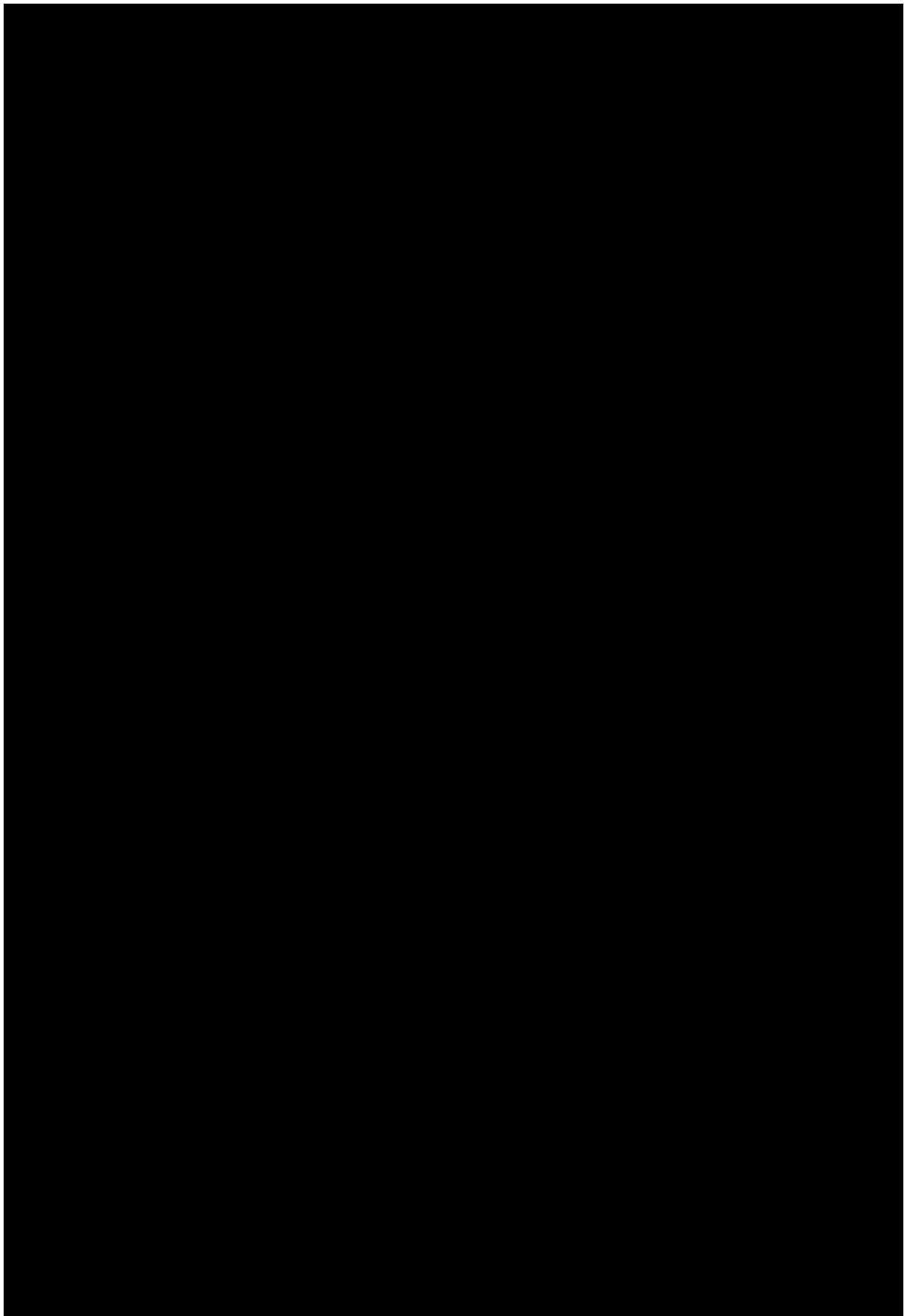


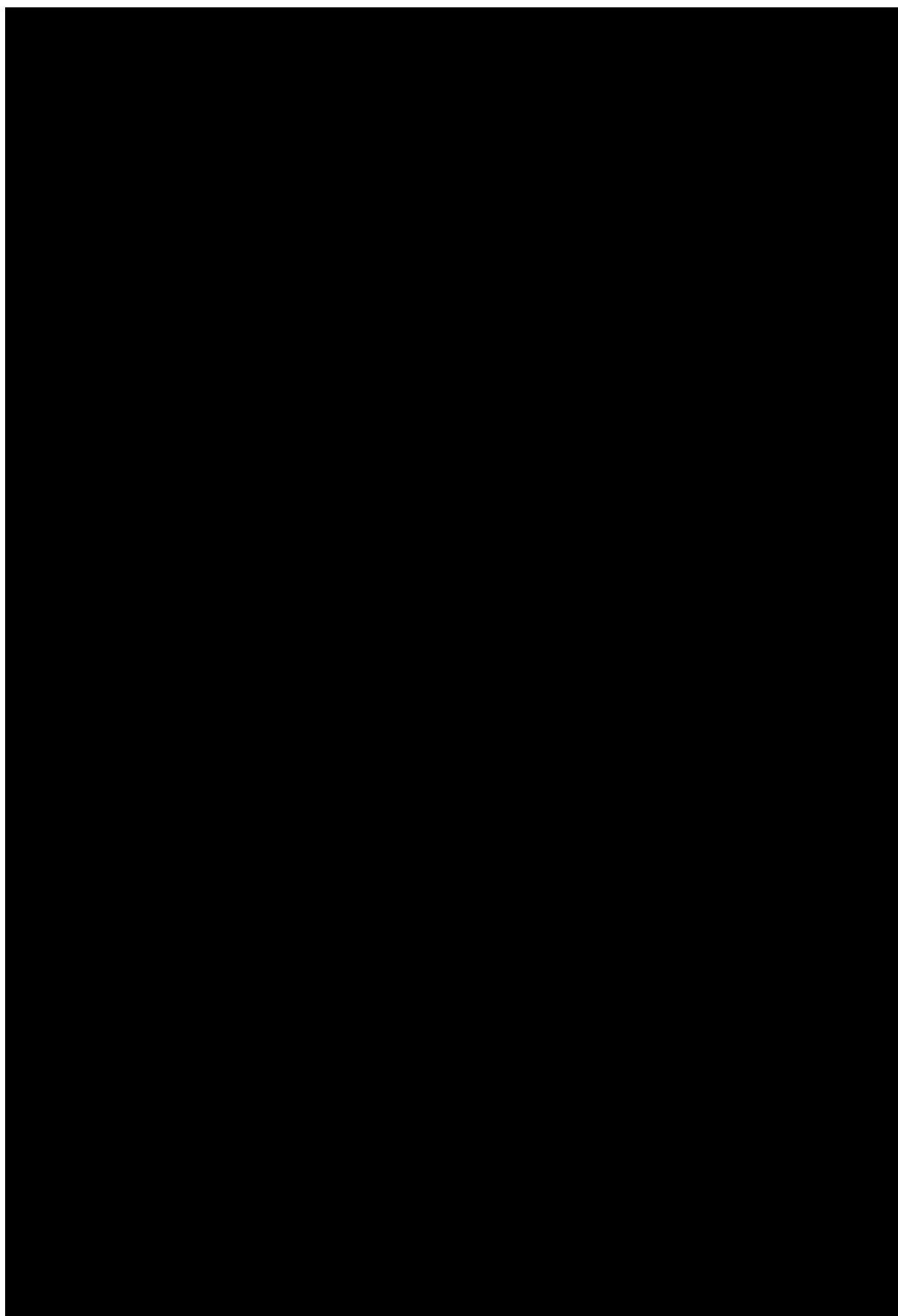


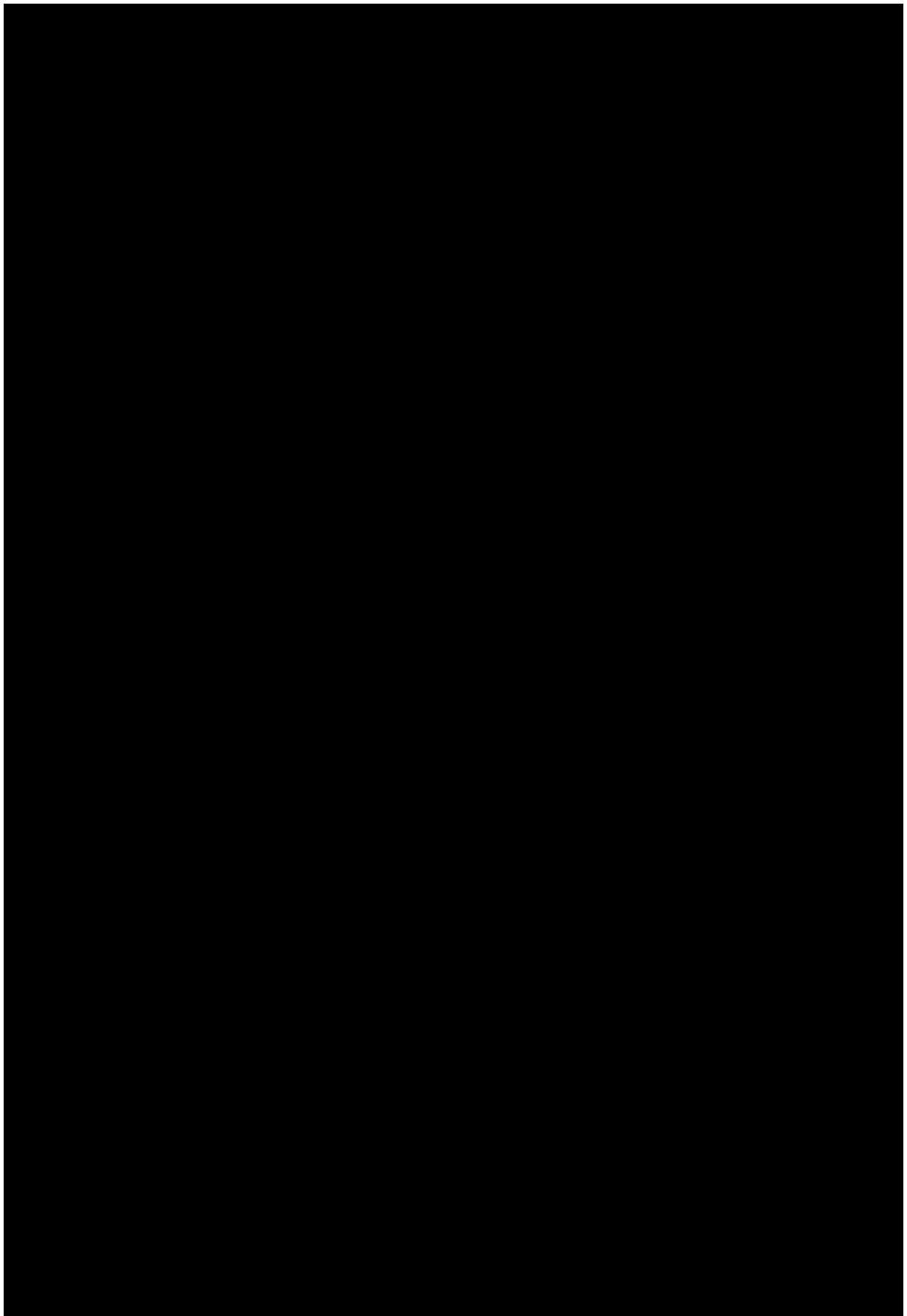


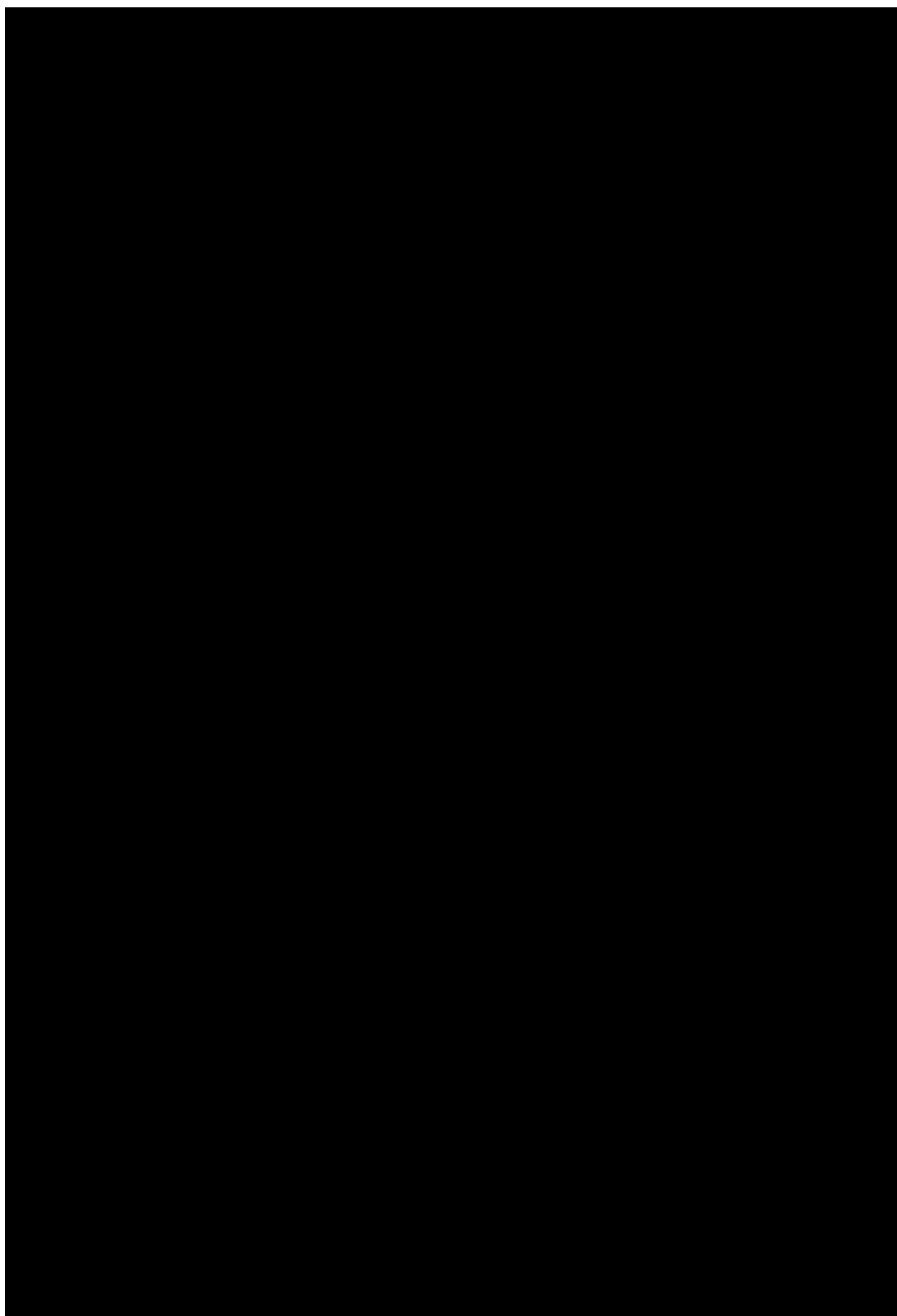


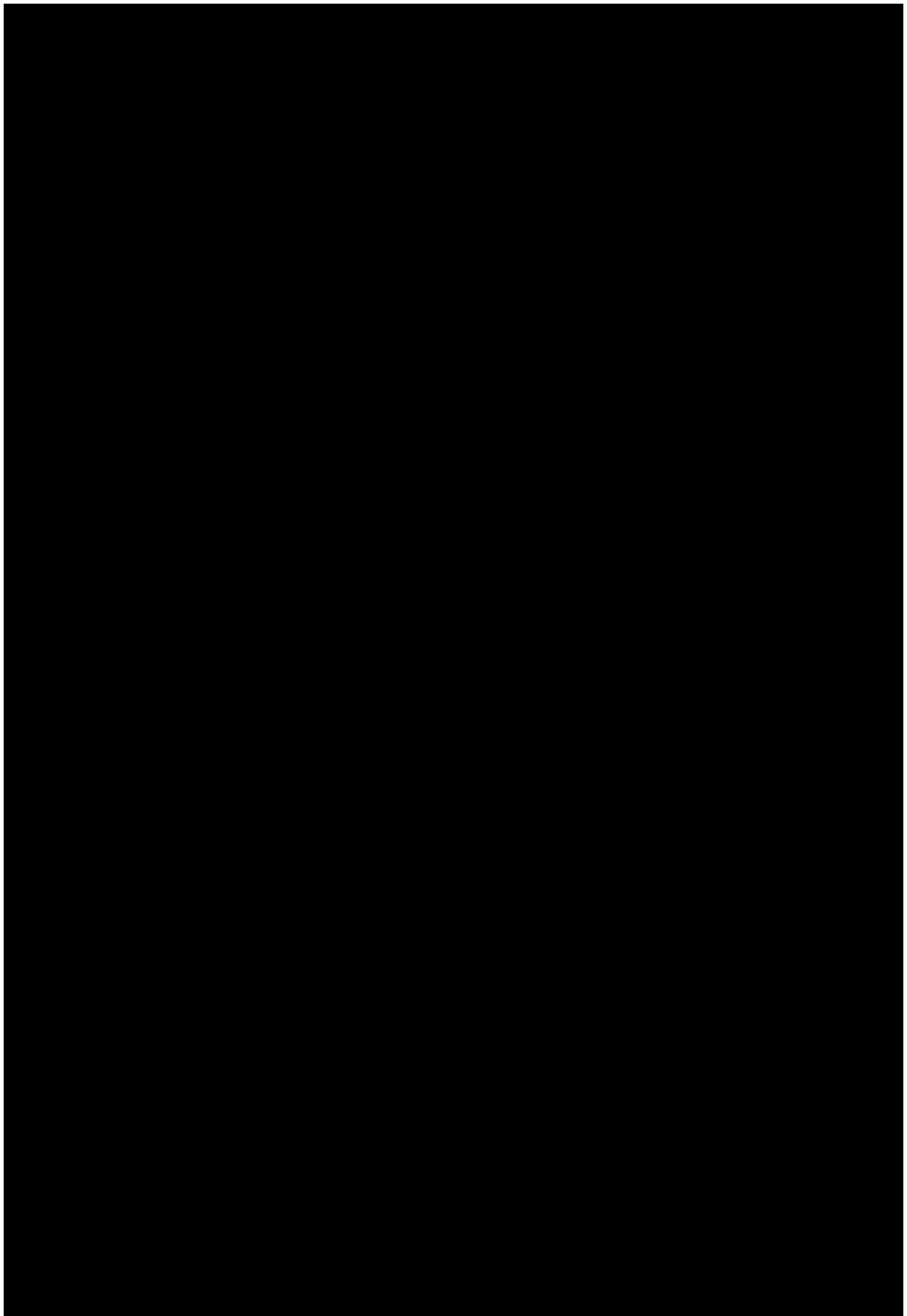


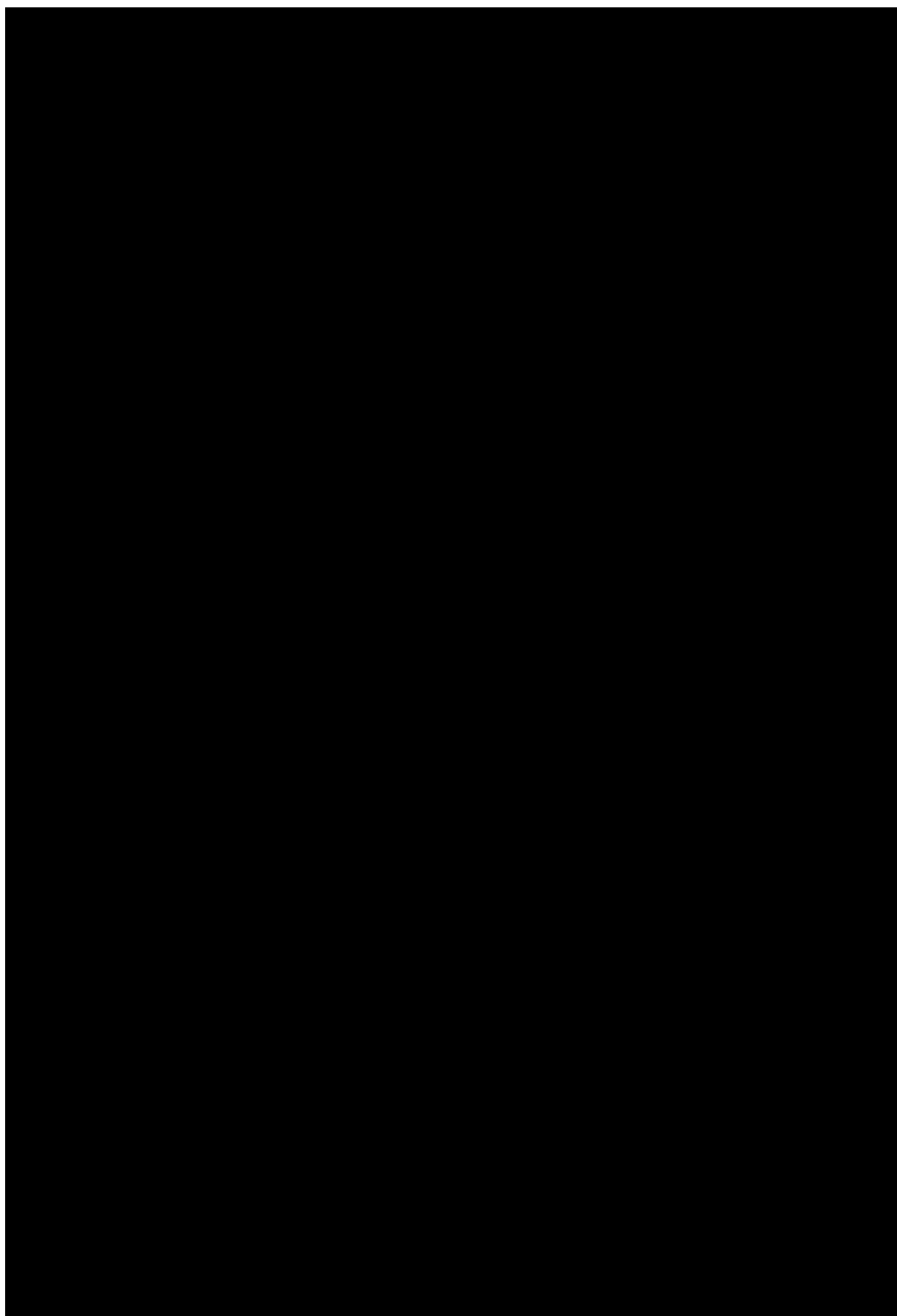






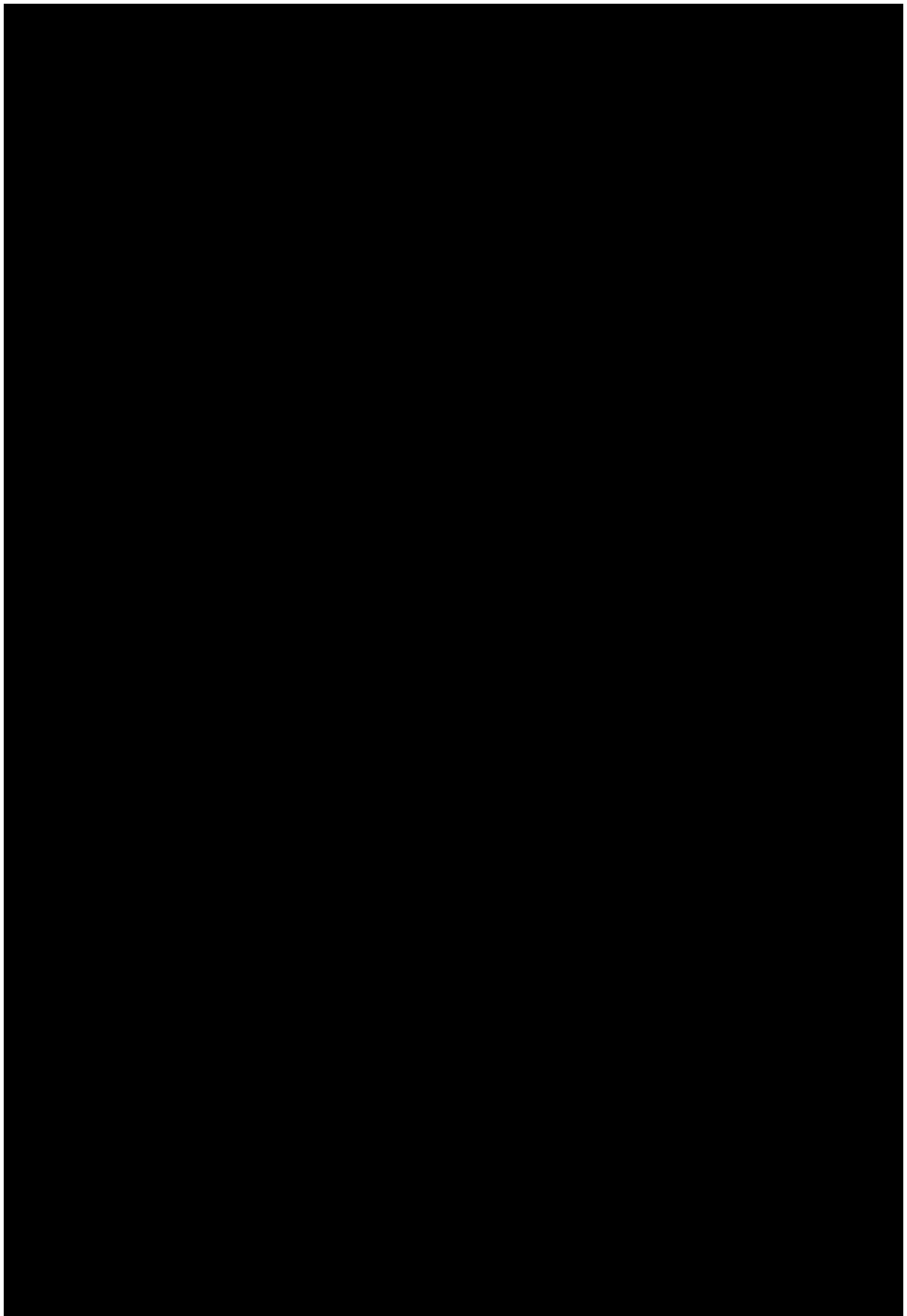


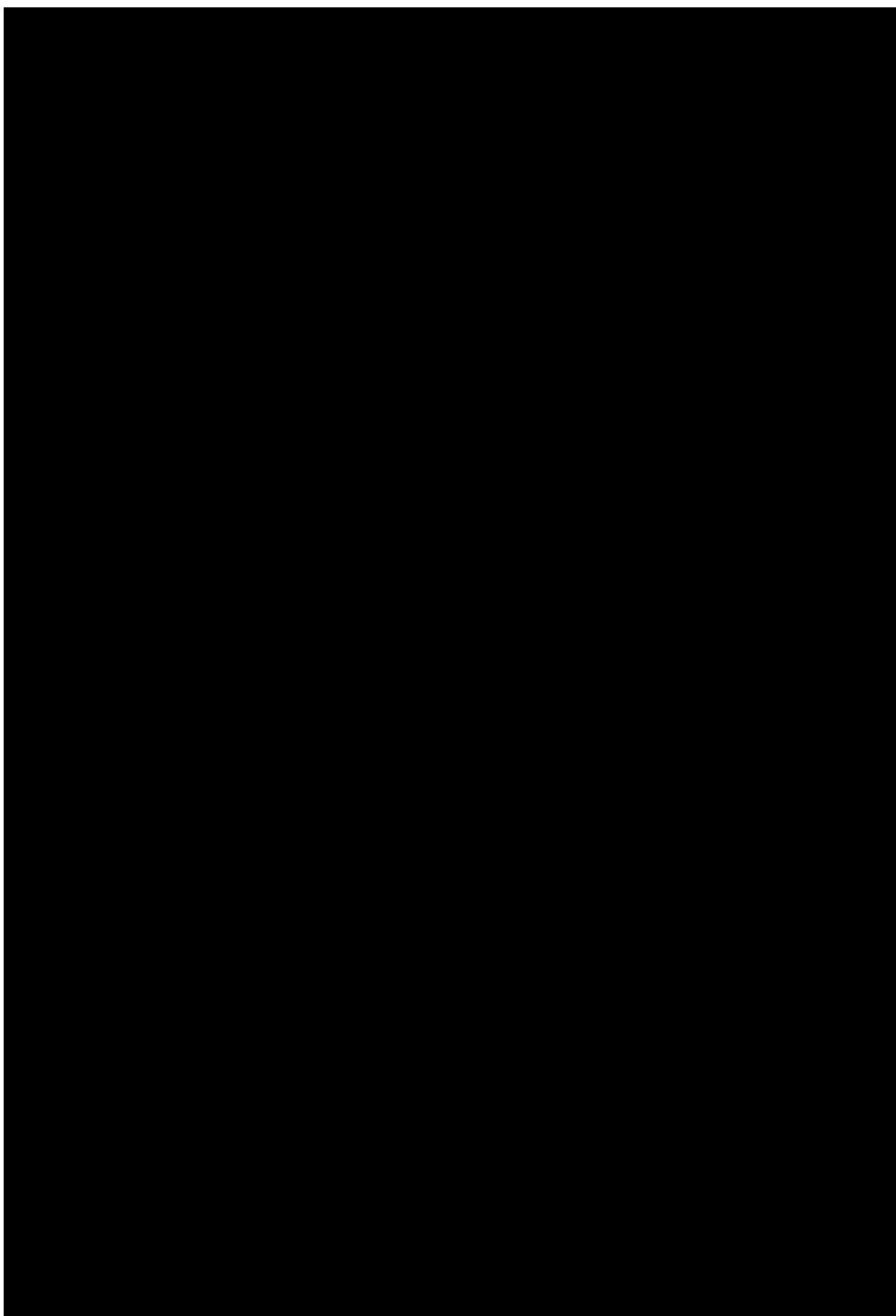


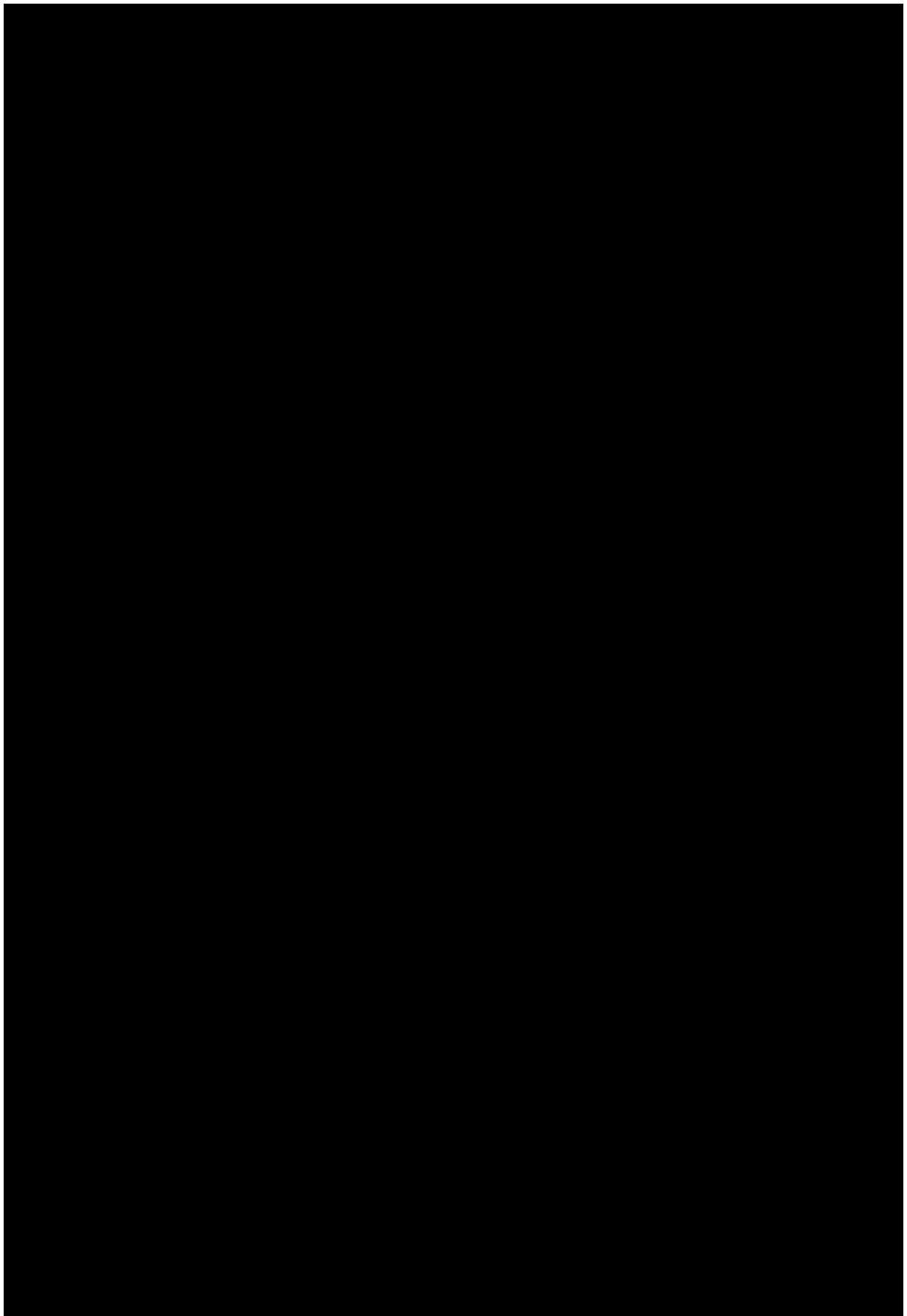




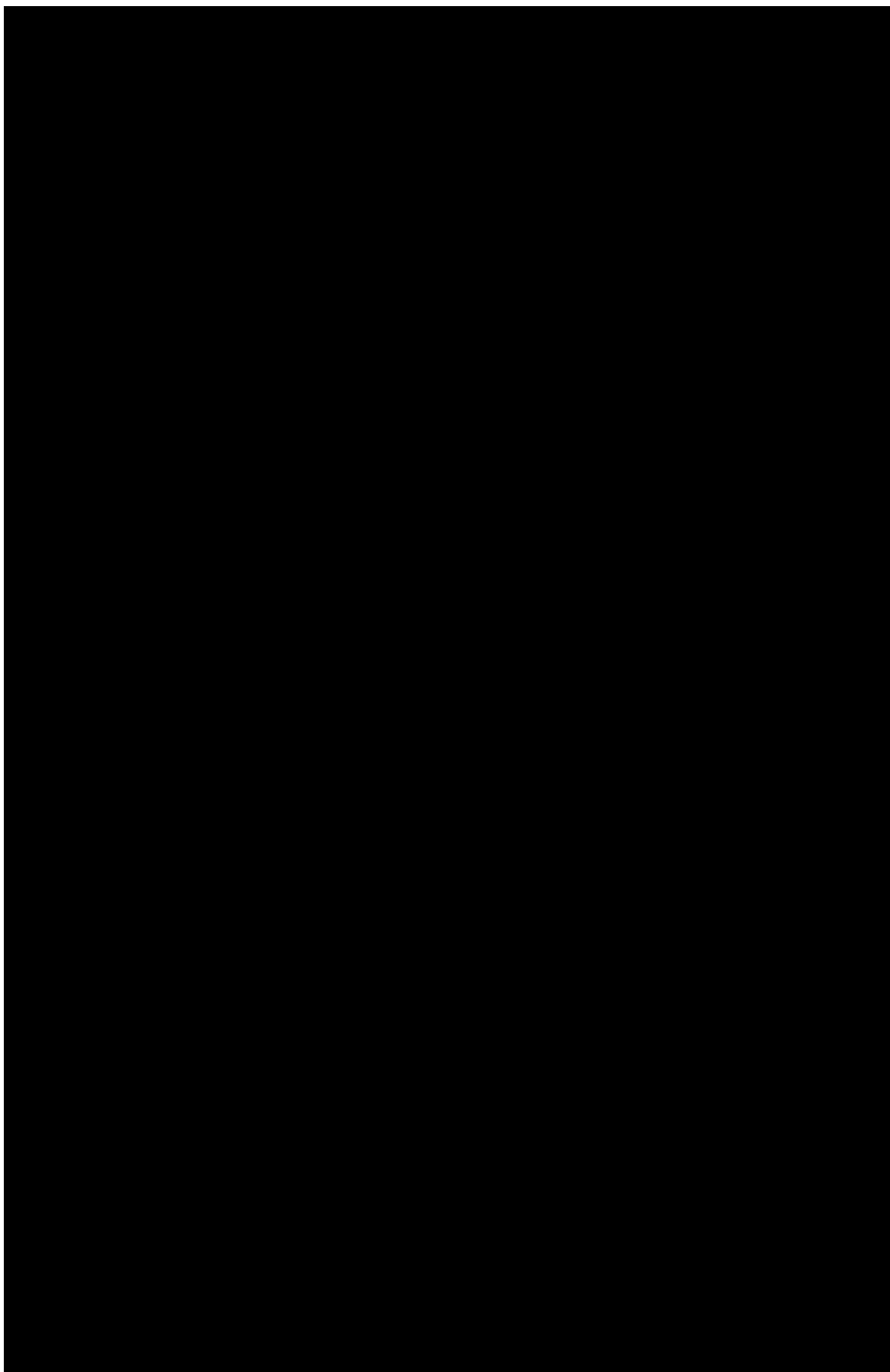


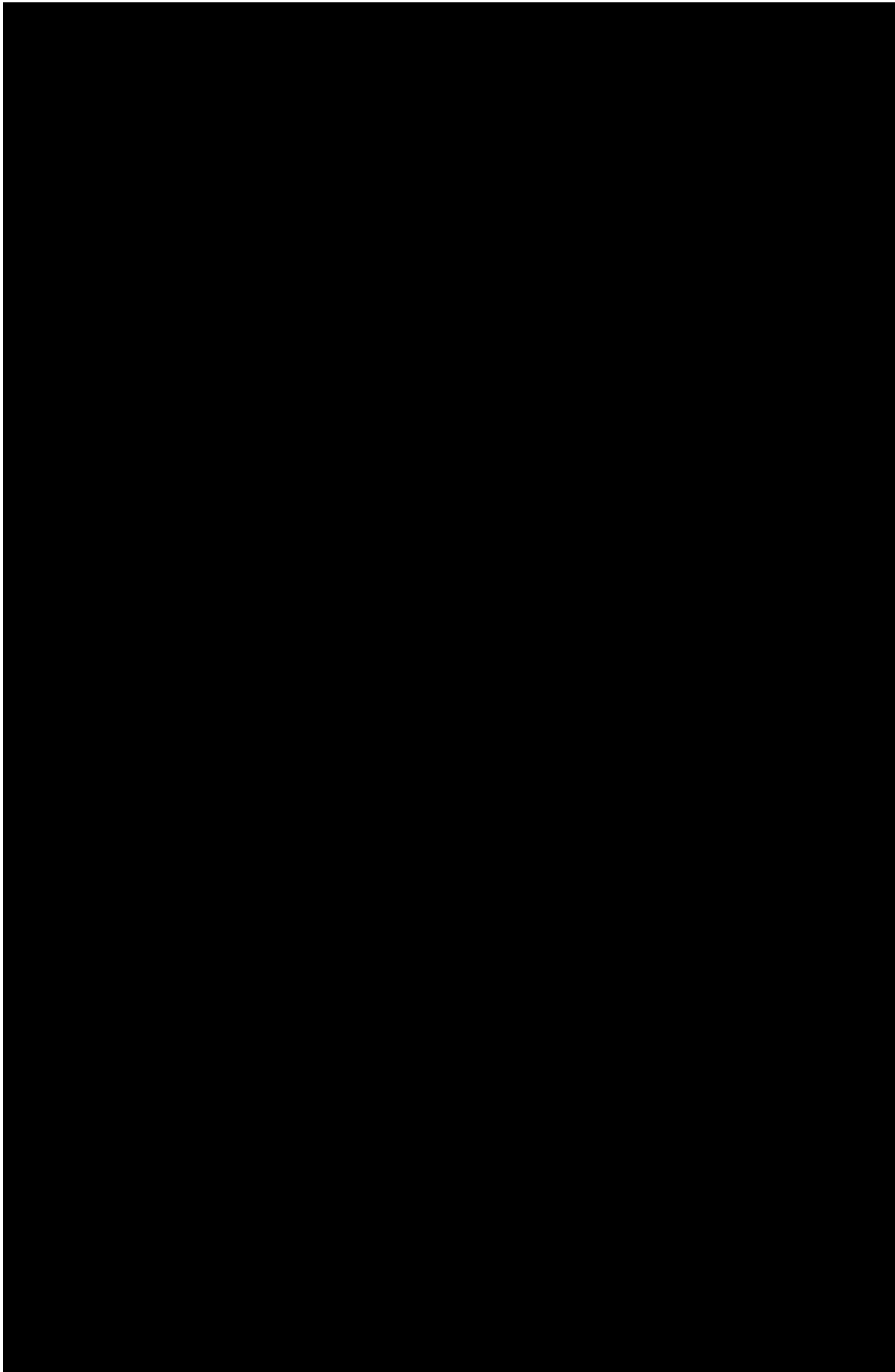


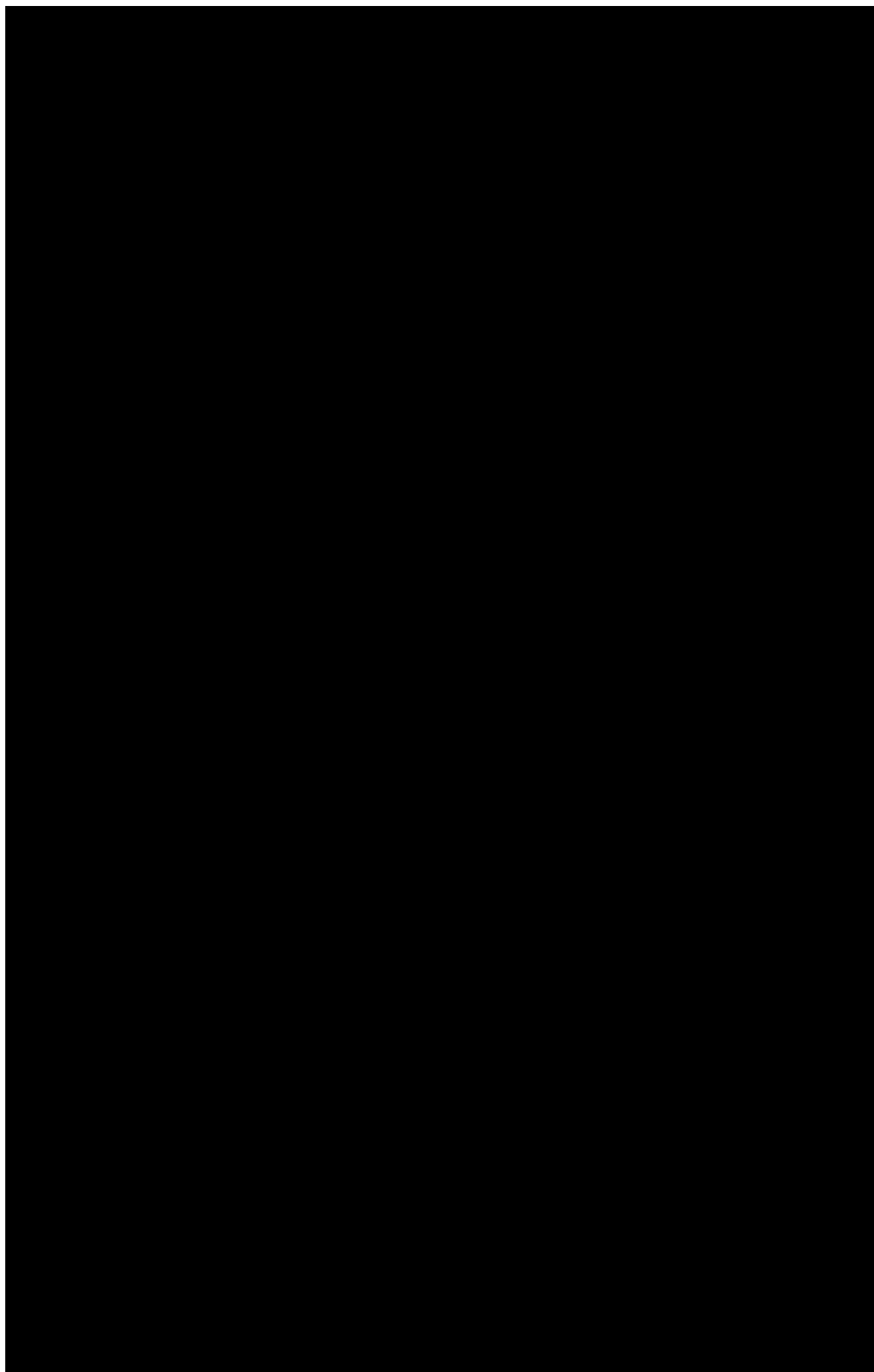


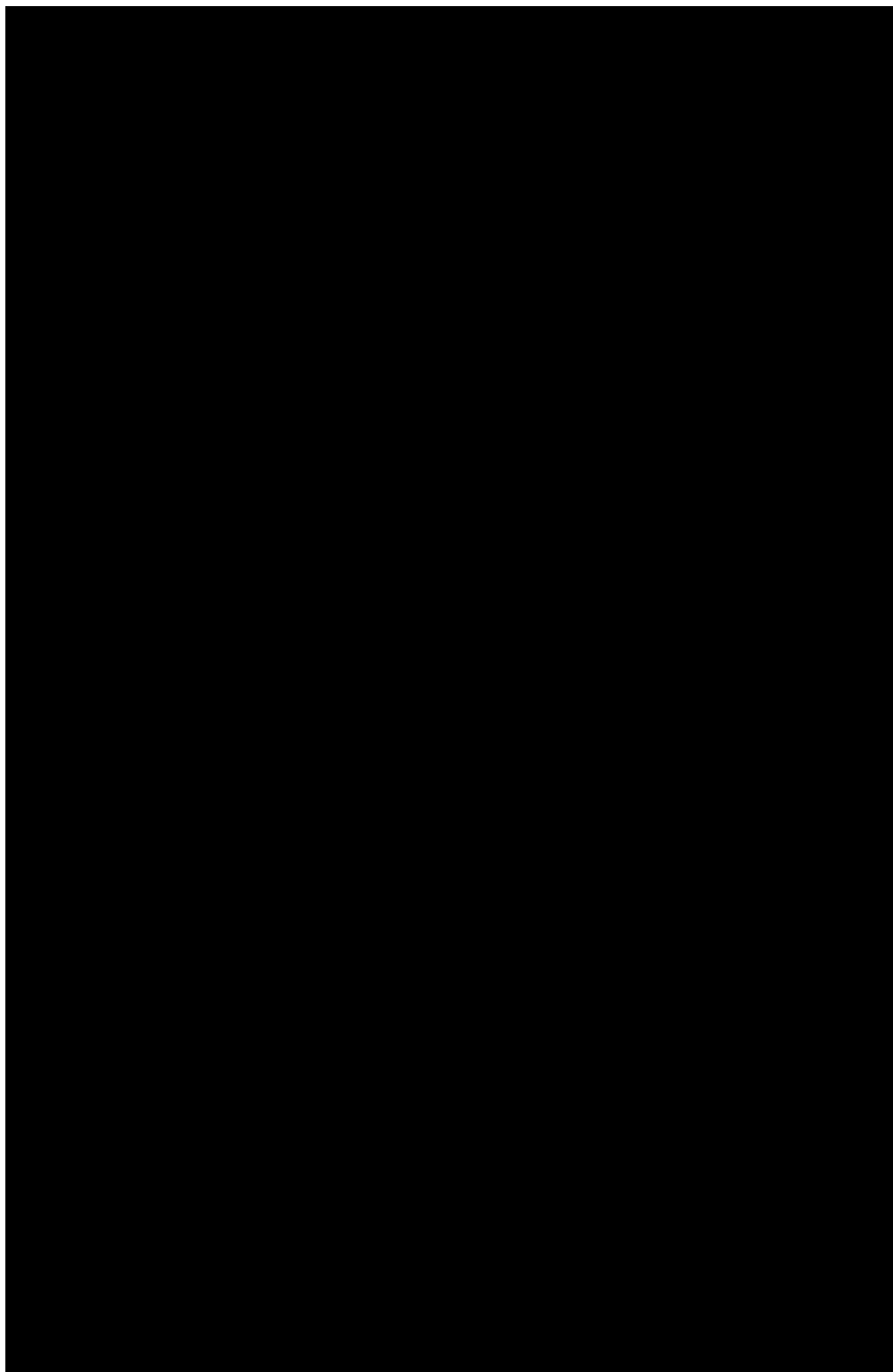


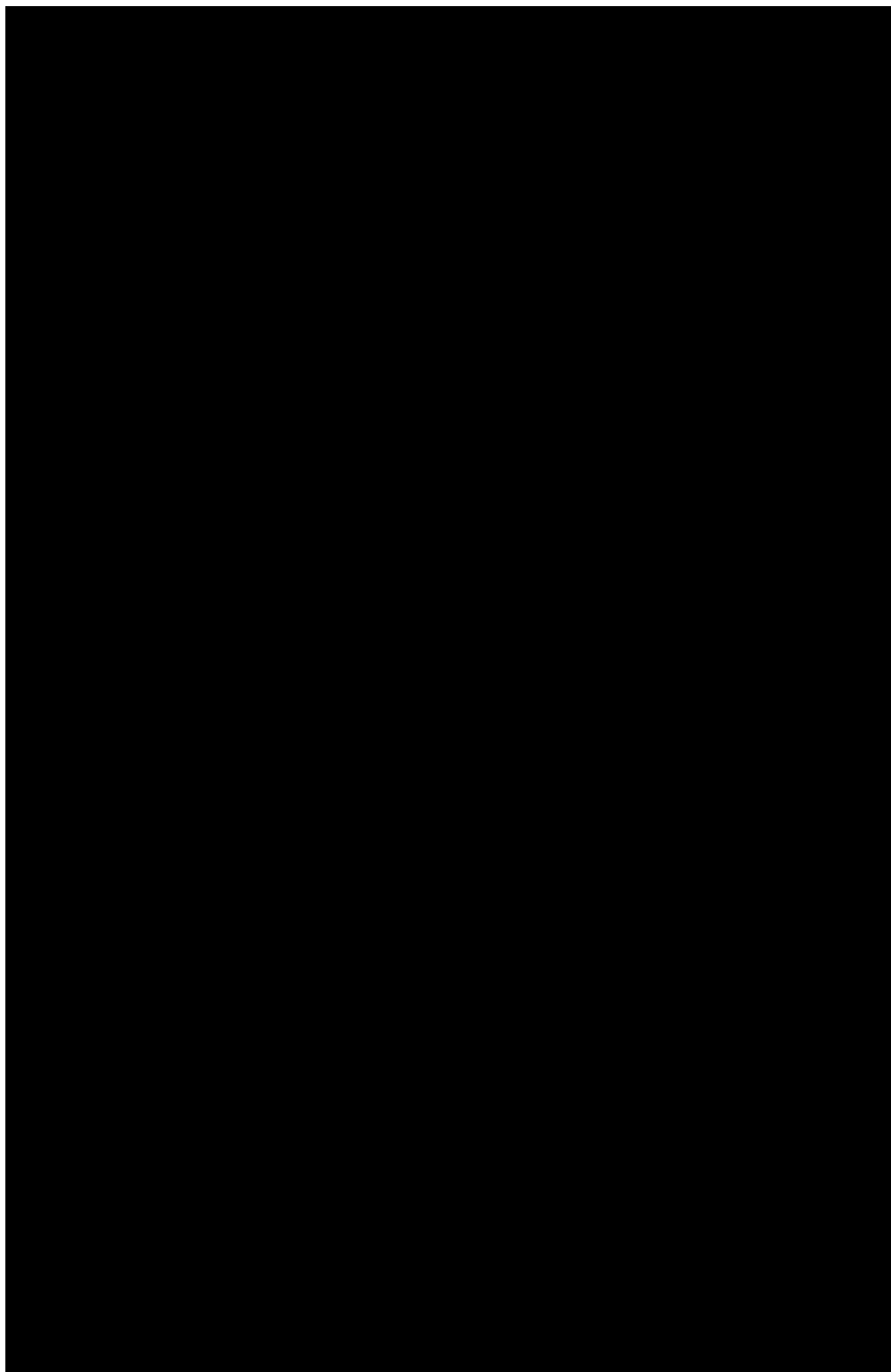
Source: FAO Agrostat.

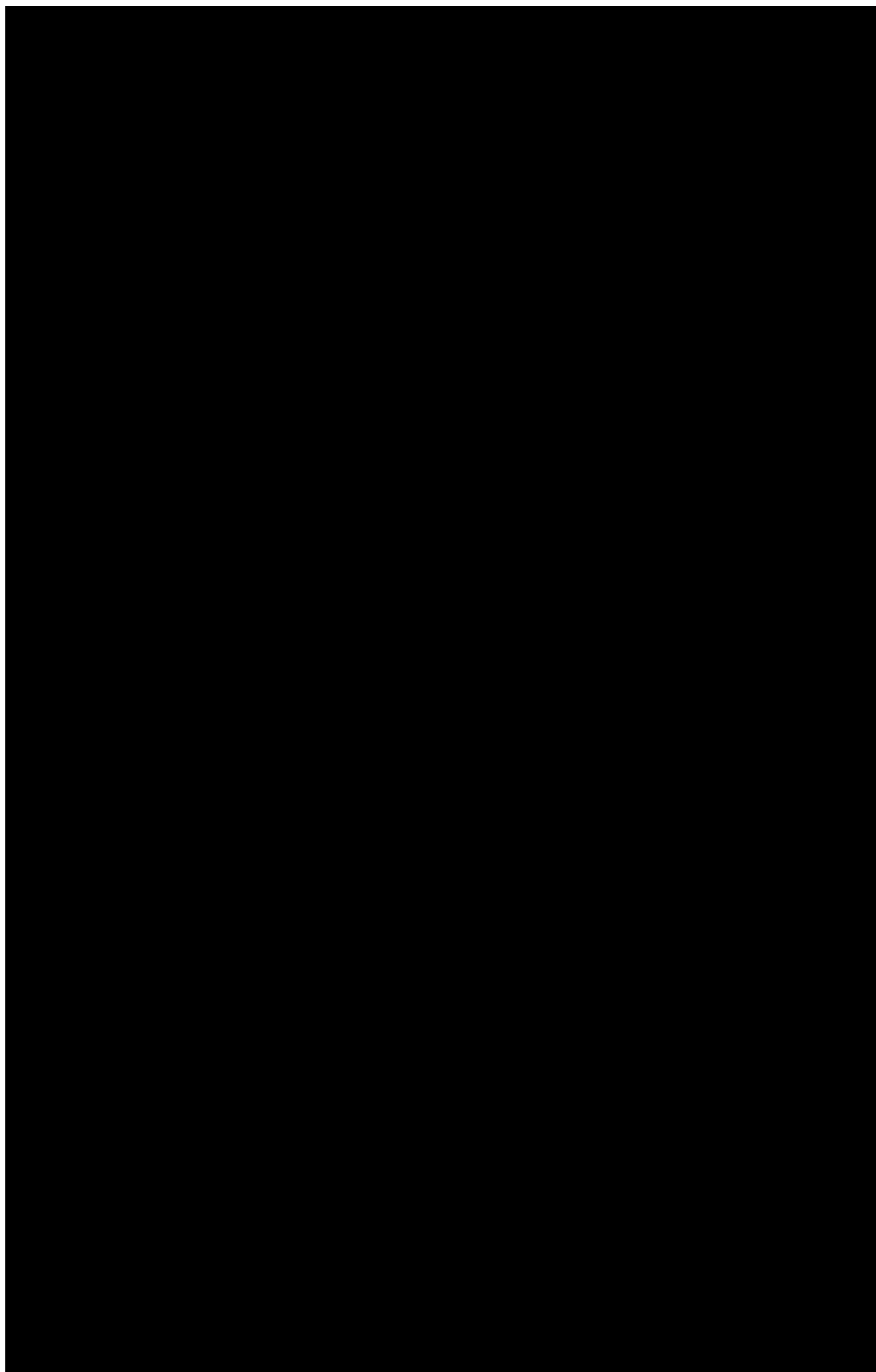


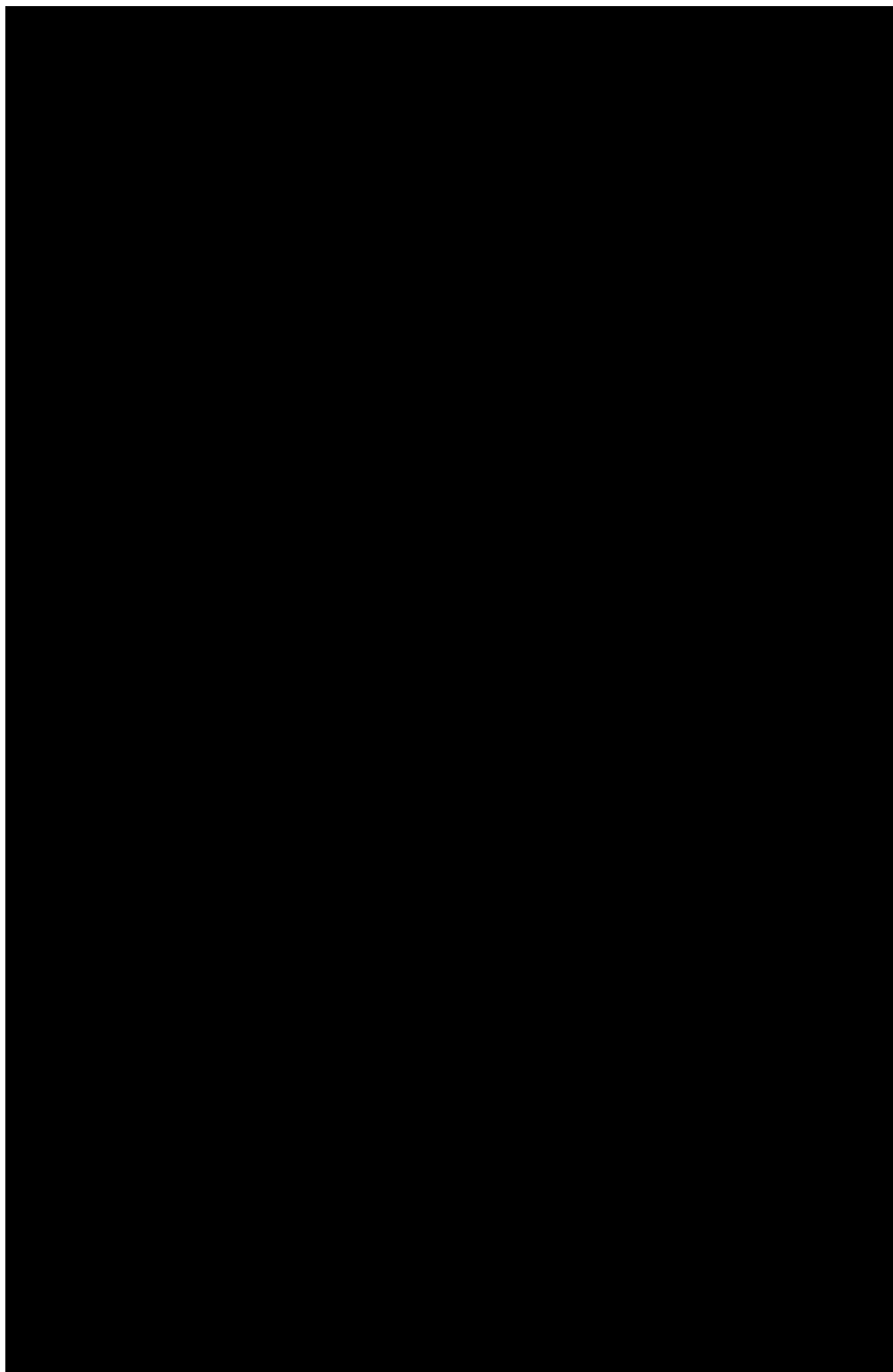


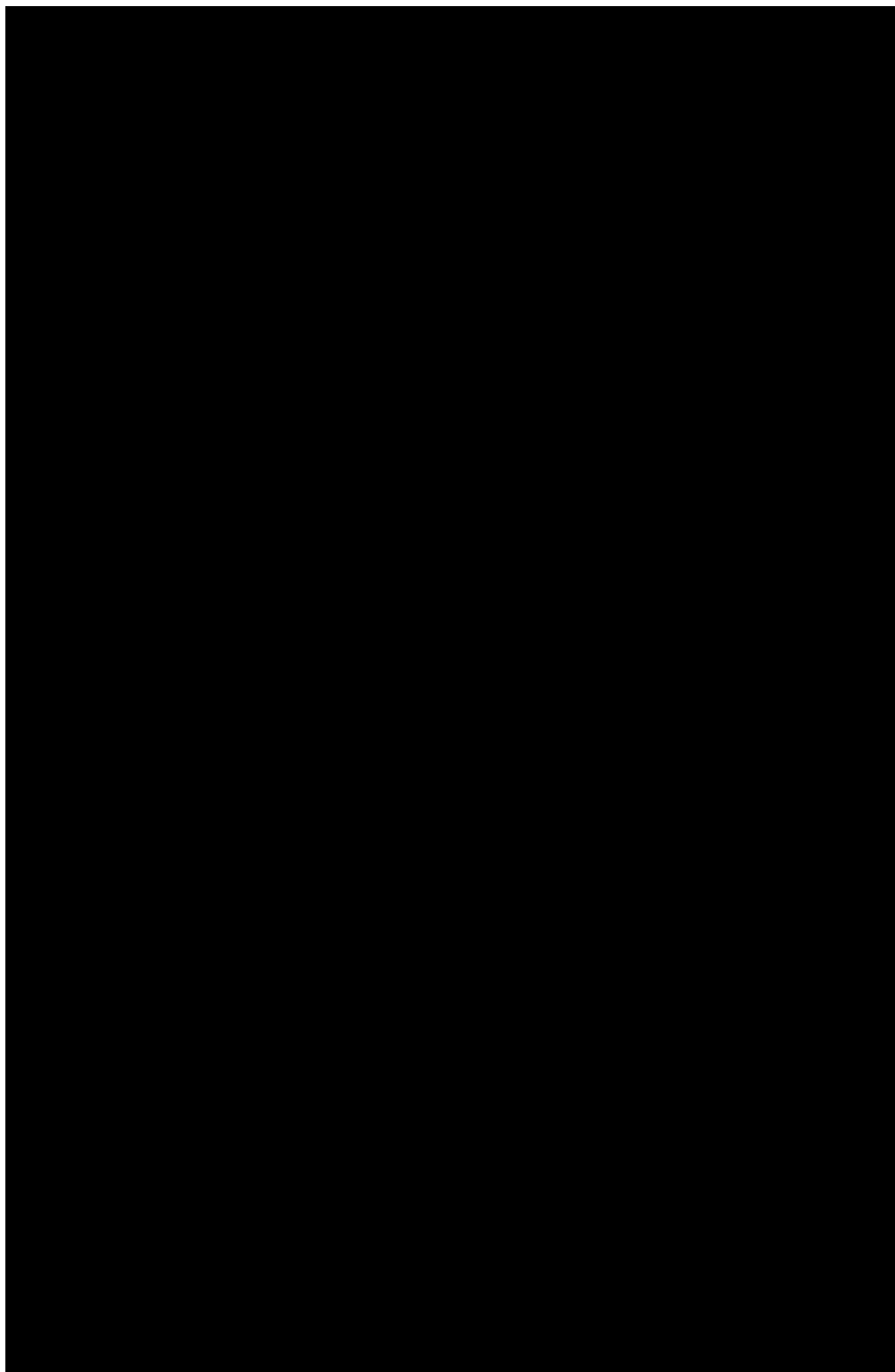


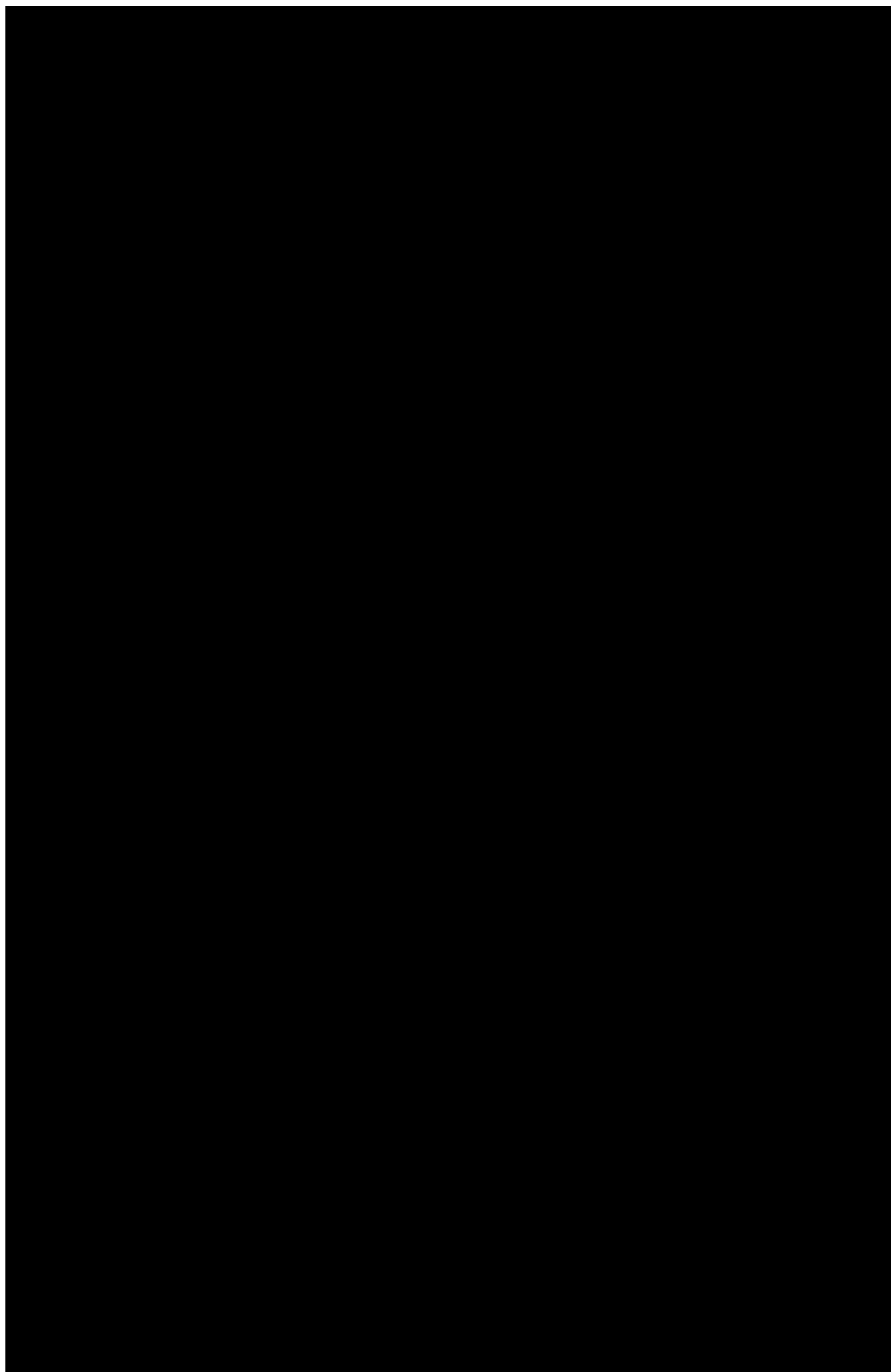


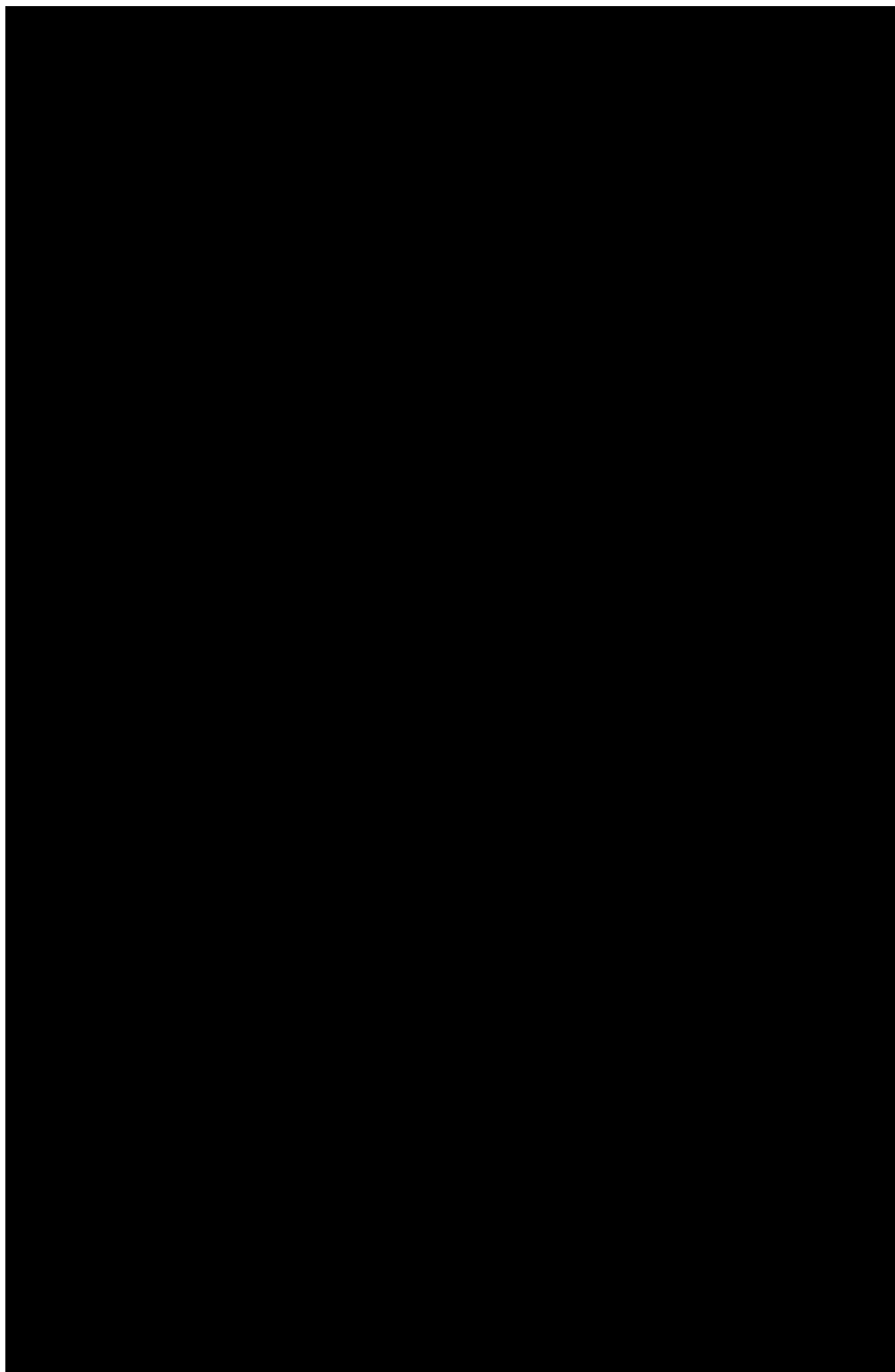


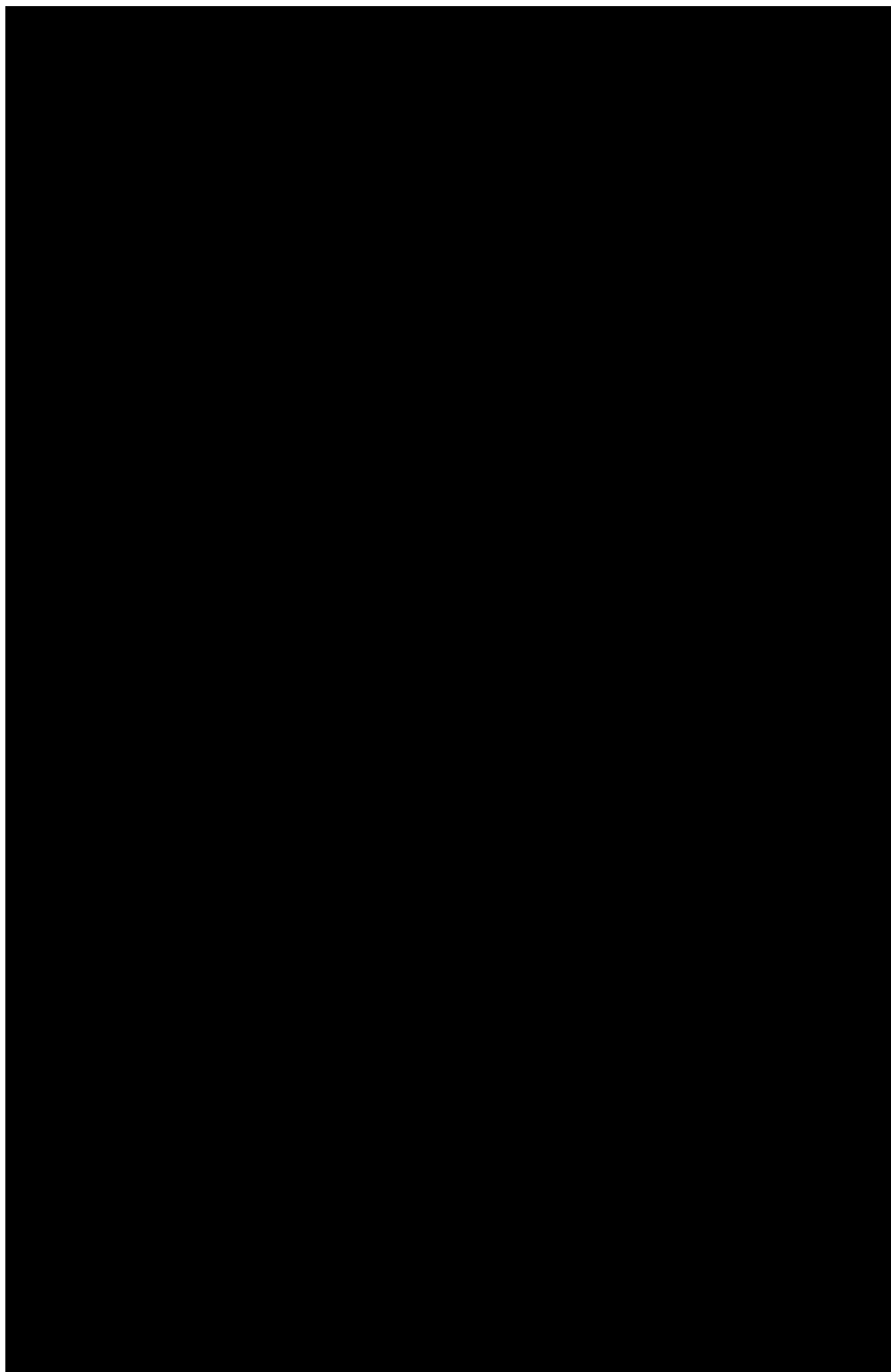


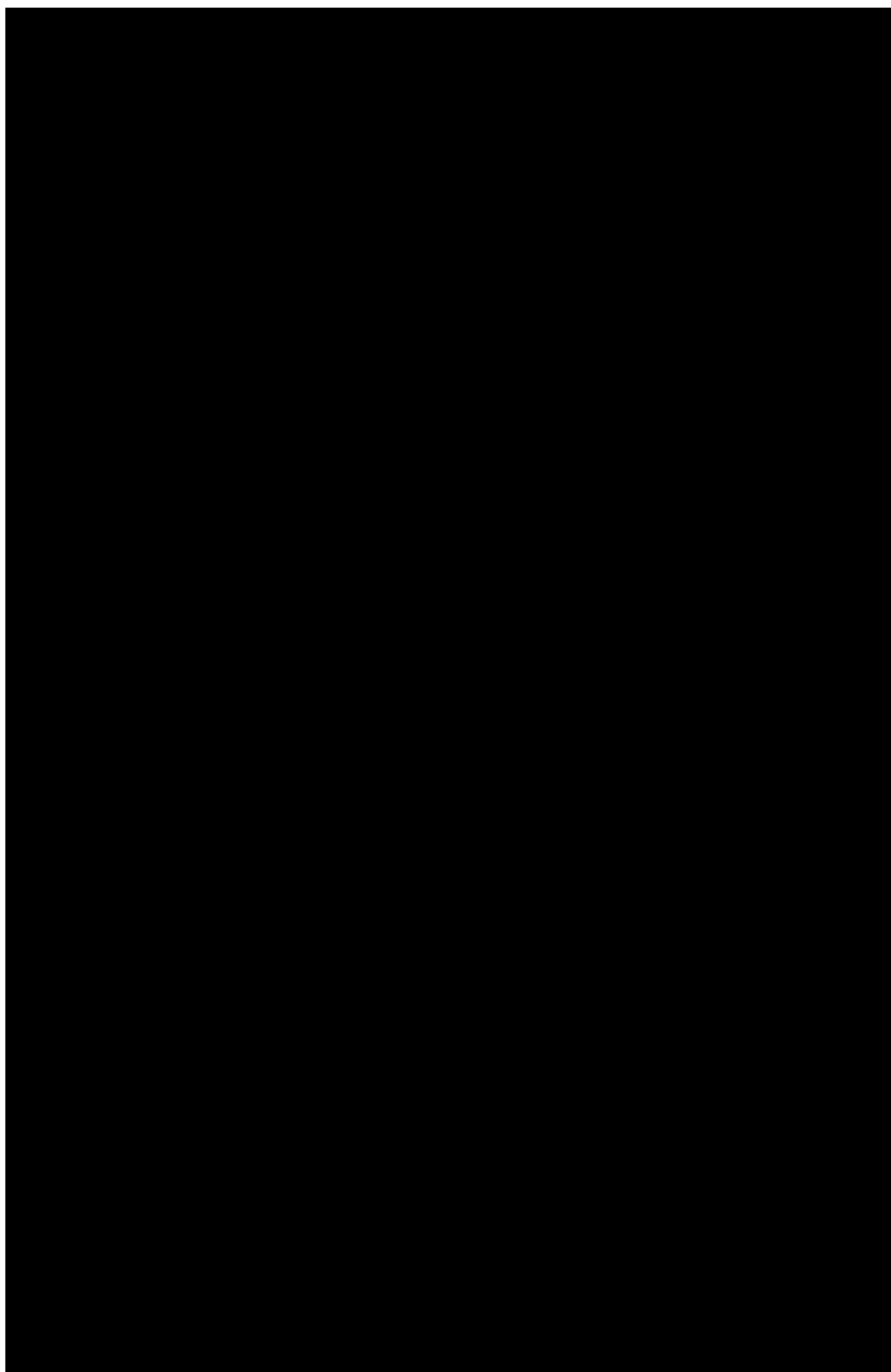


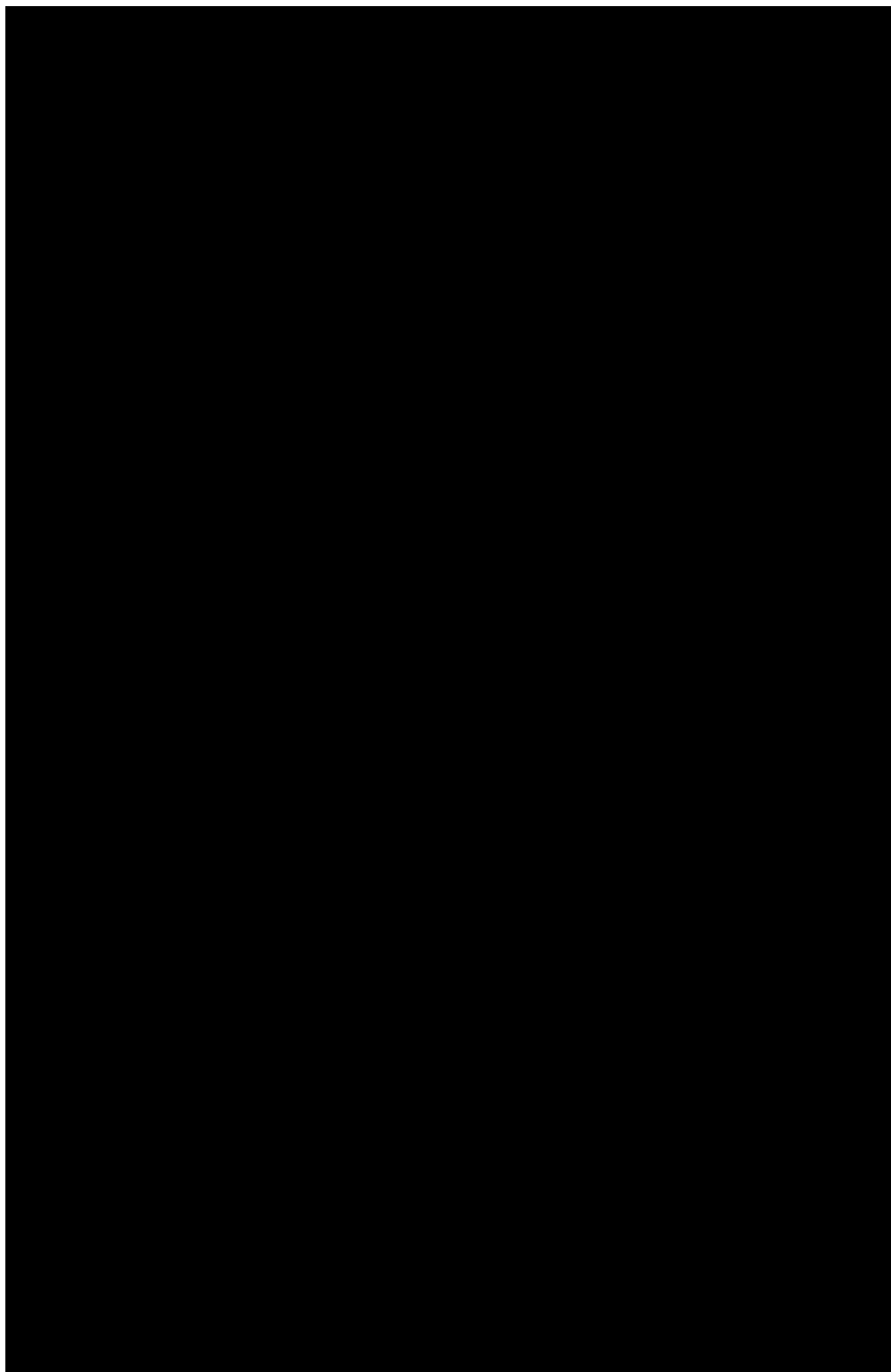


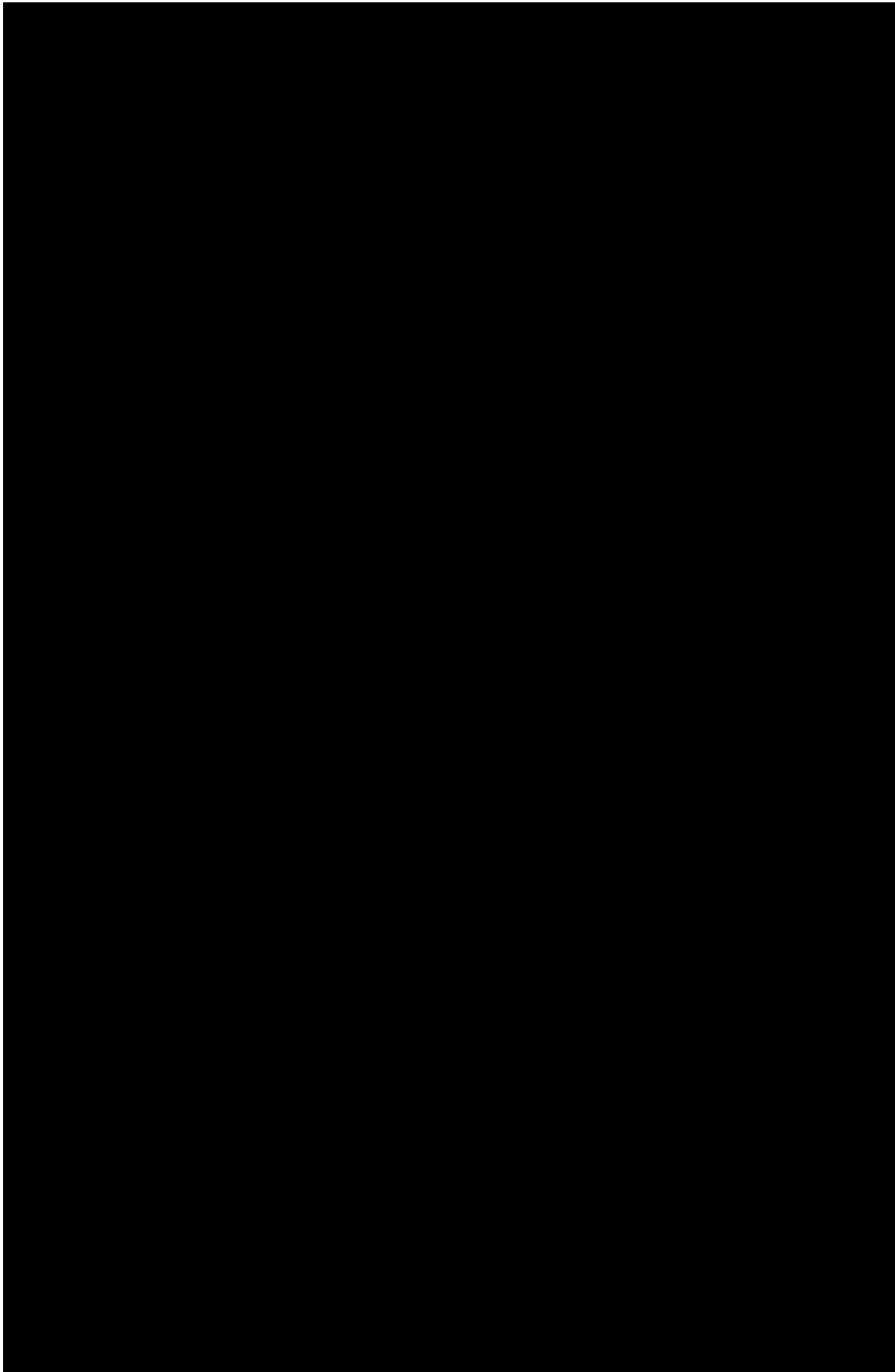


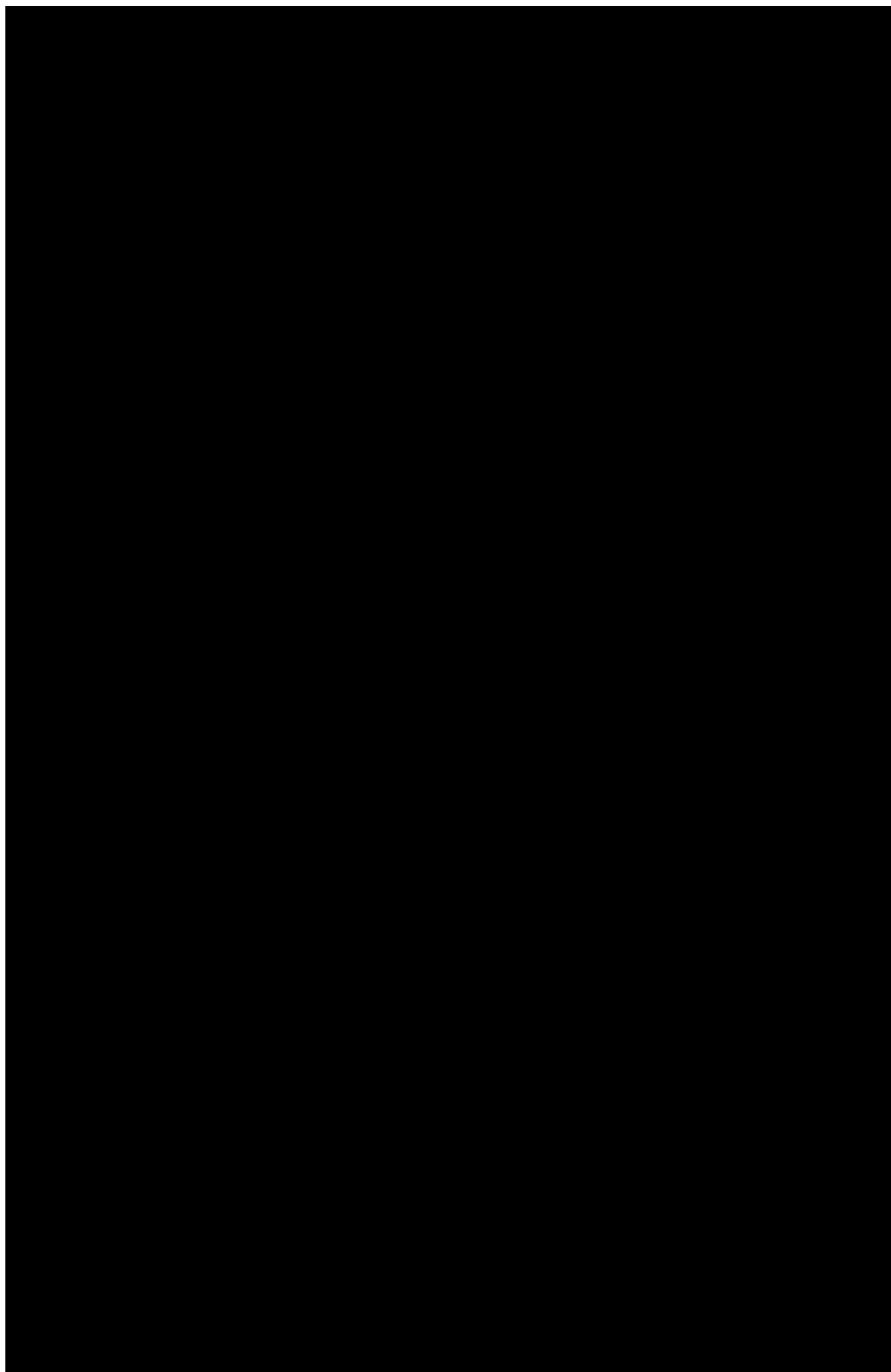


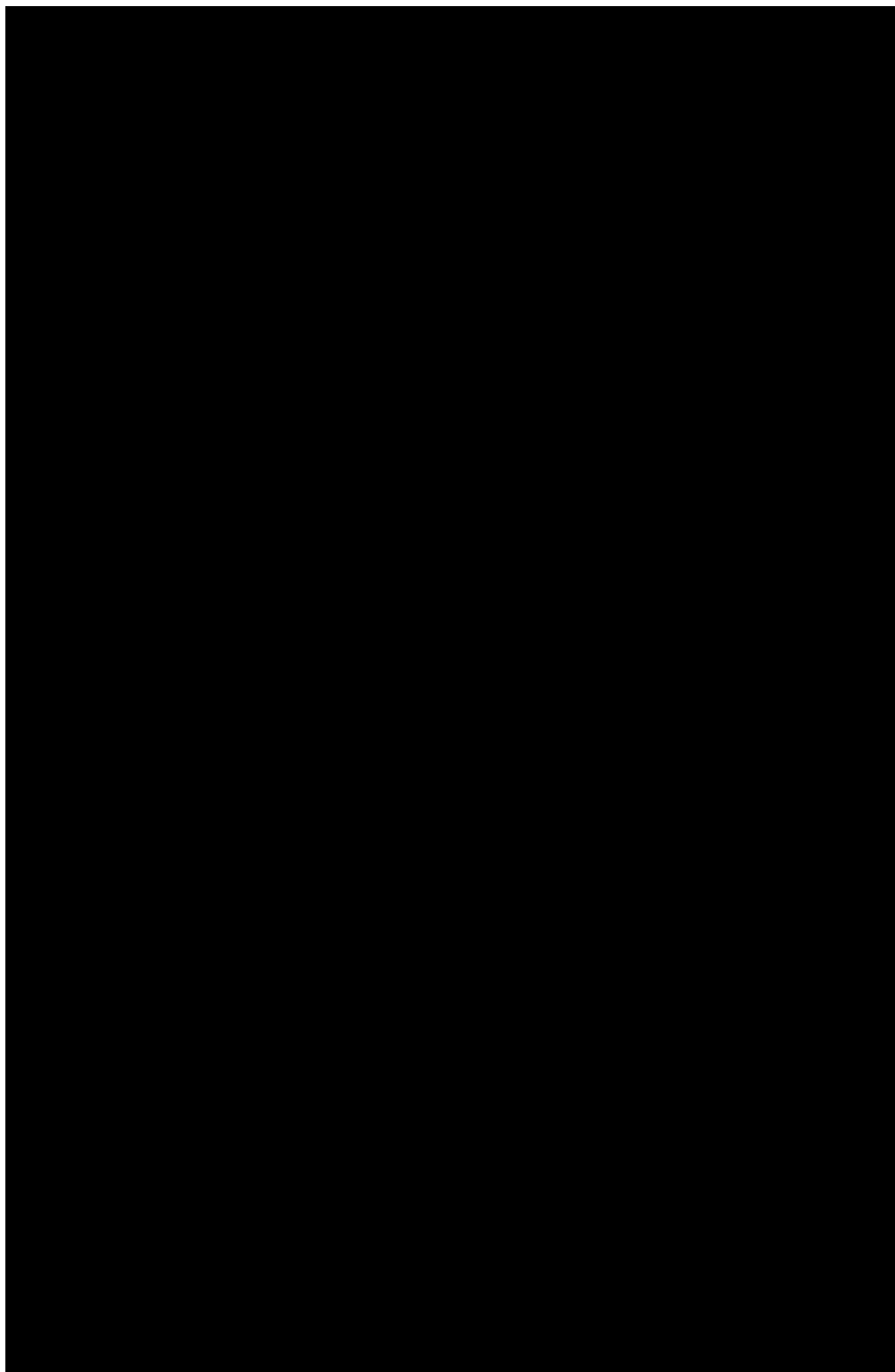


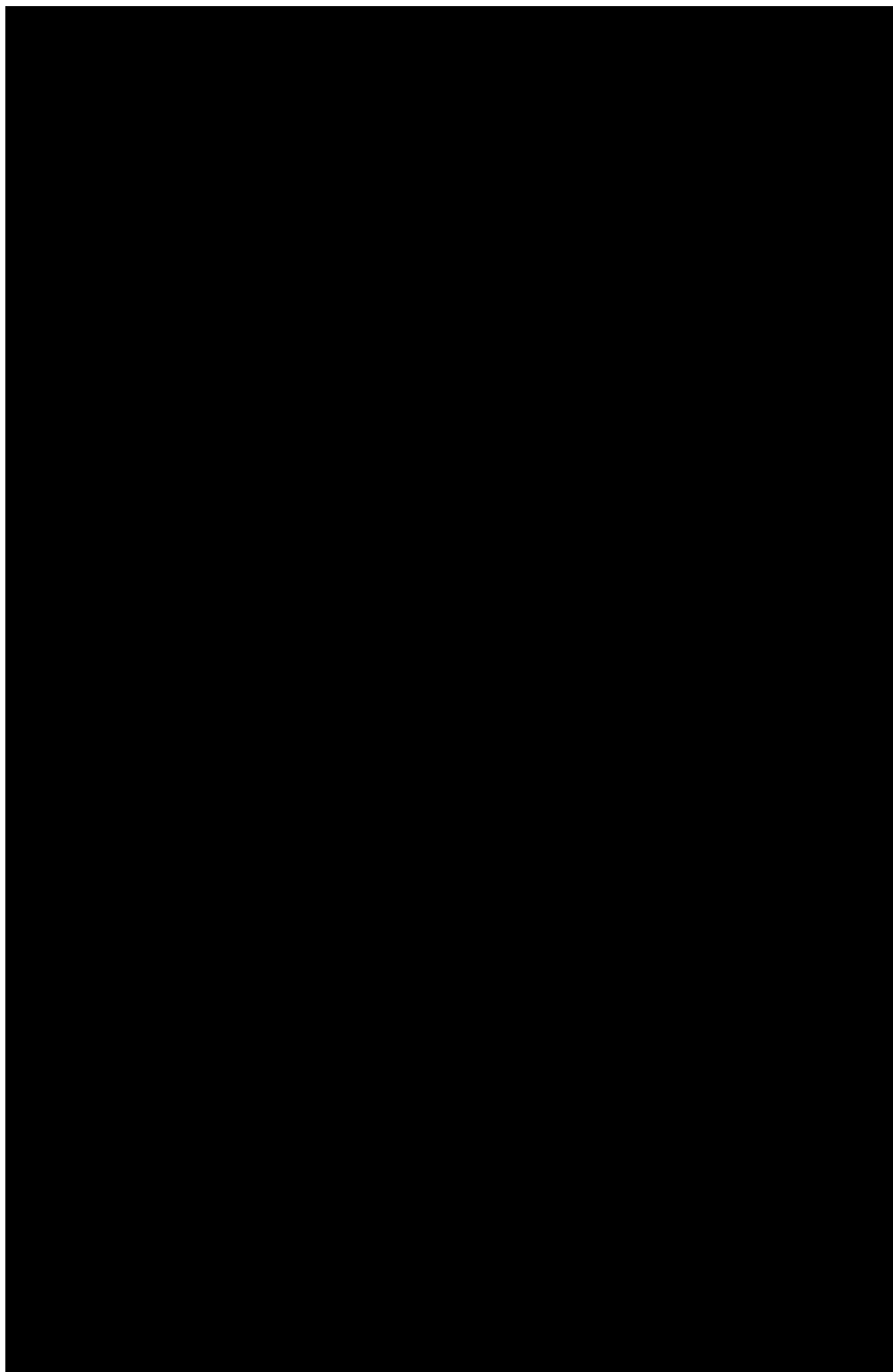


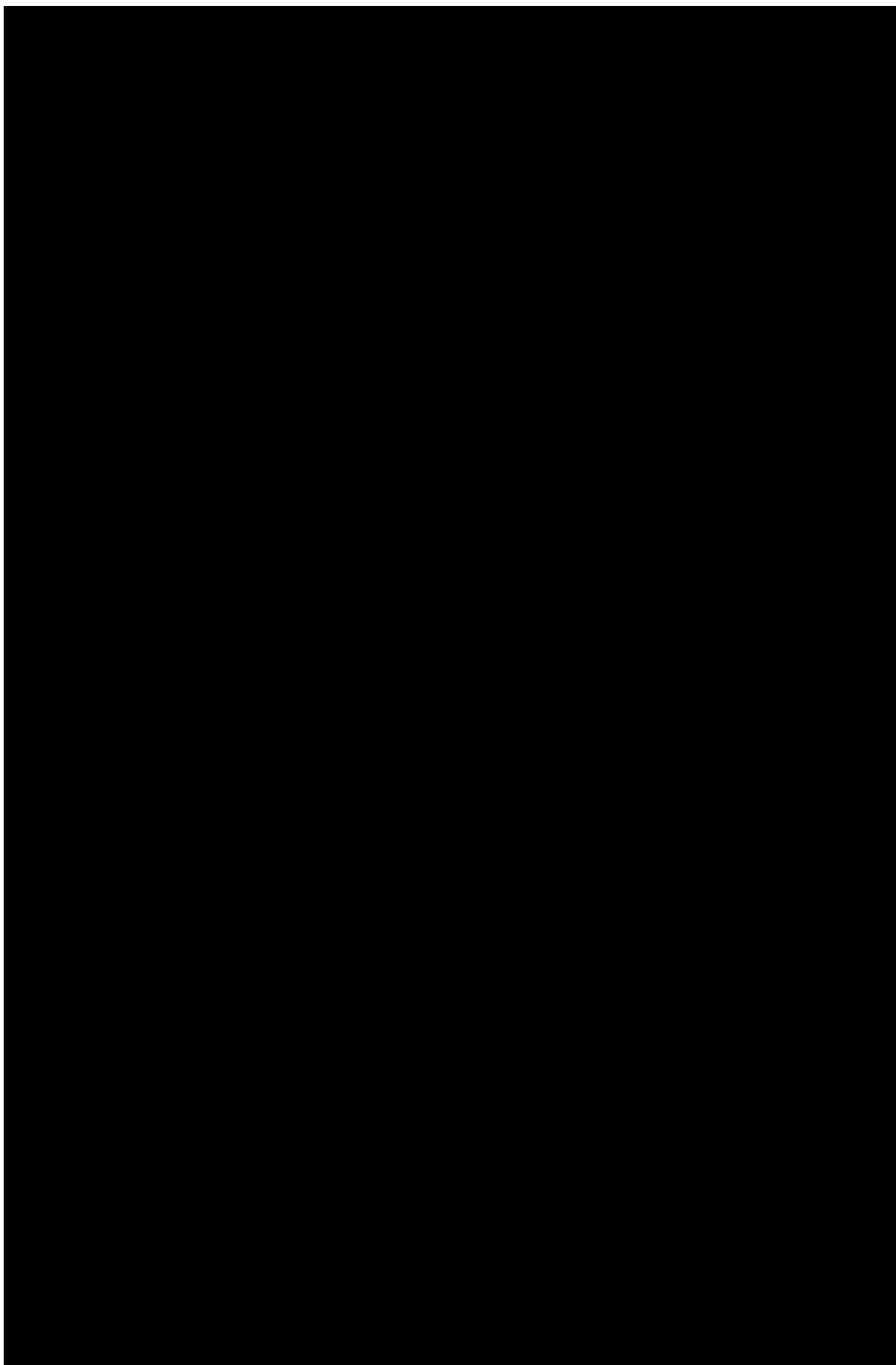




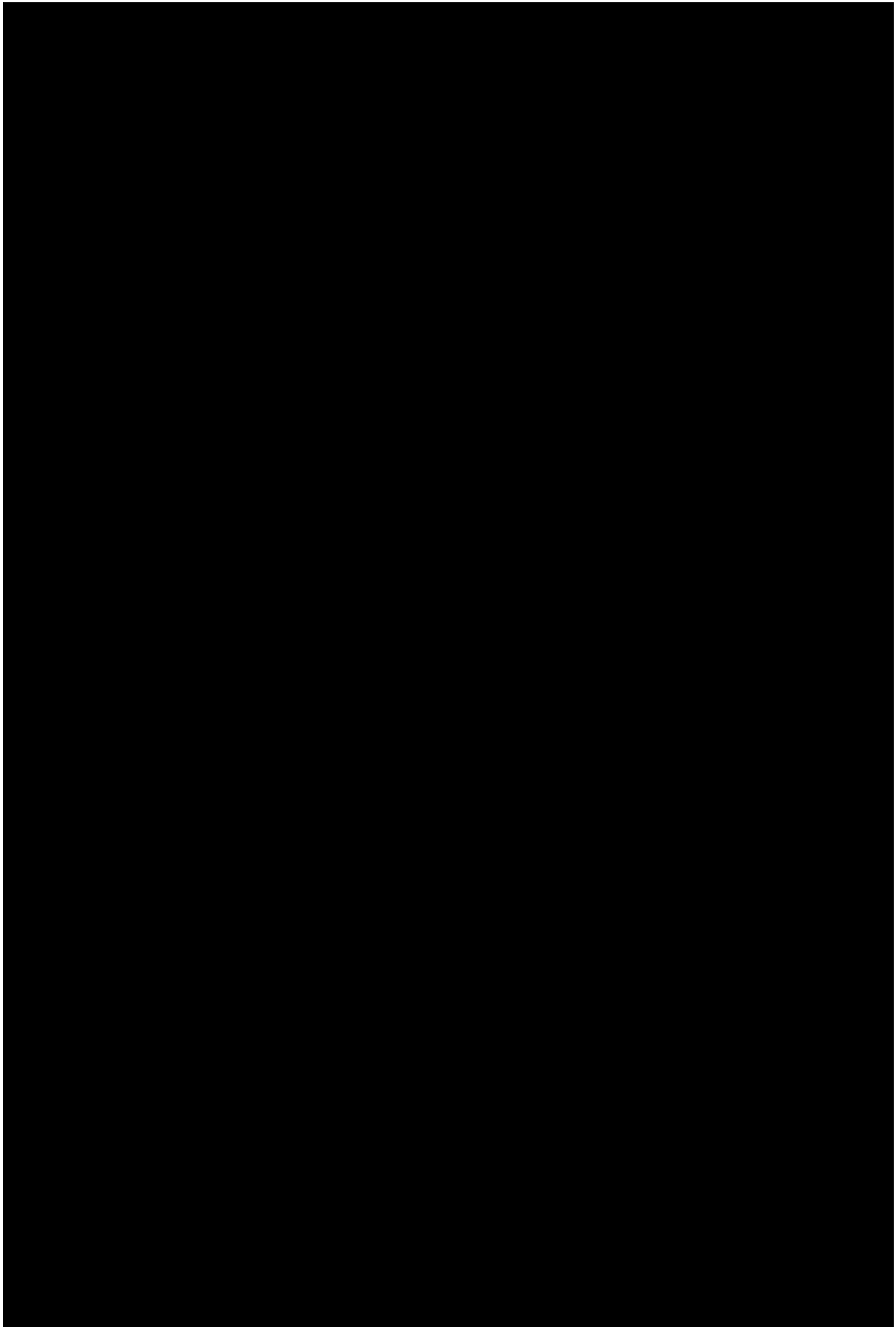


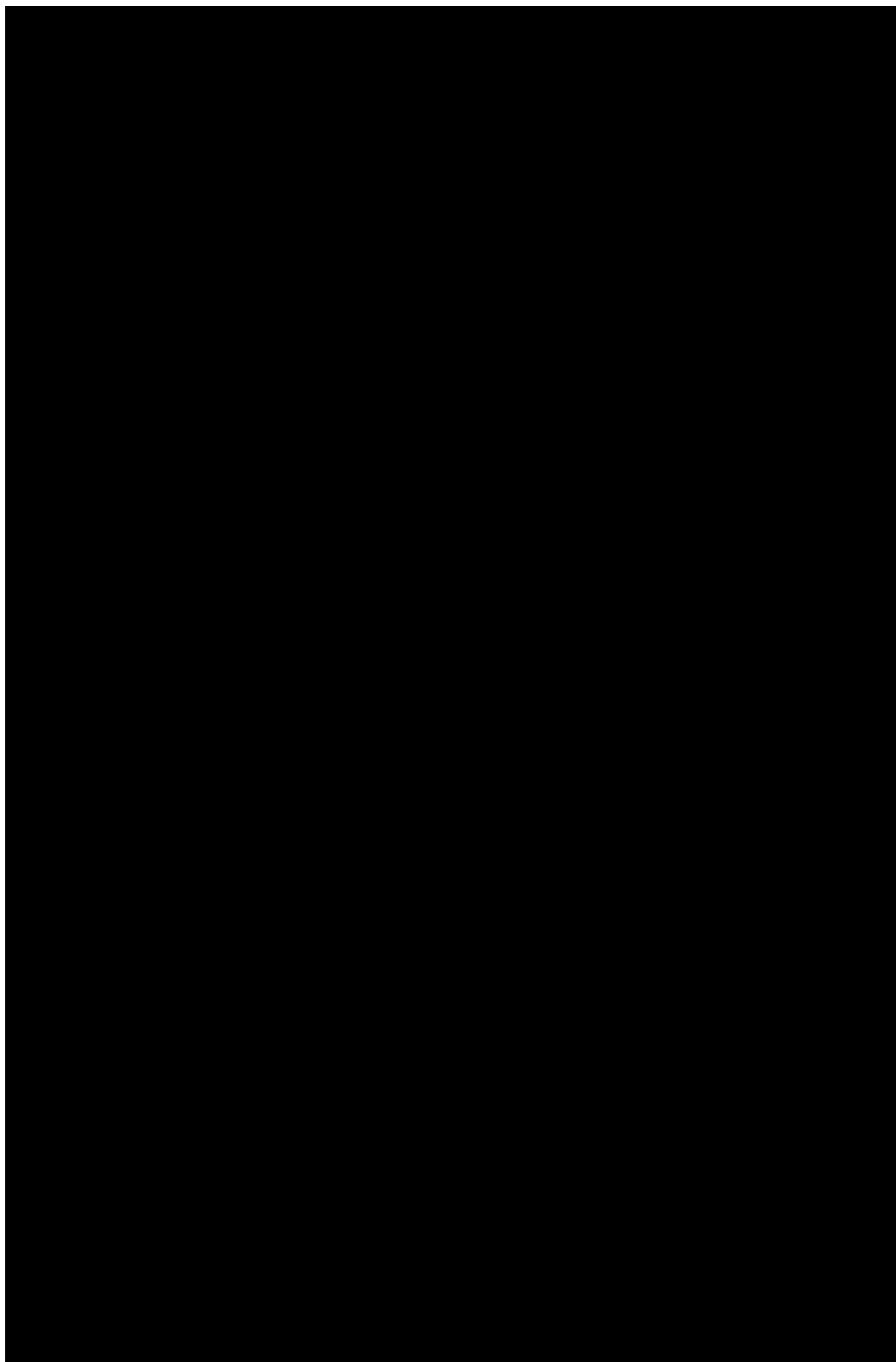


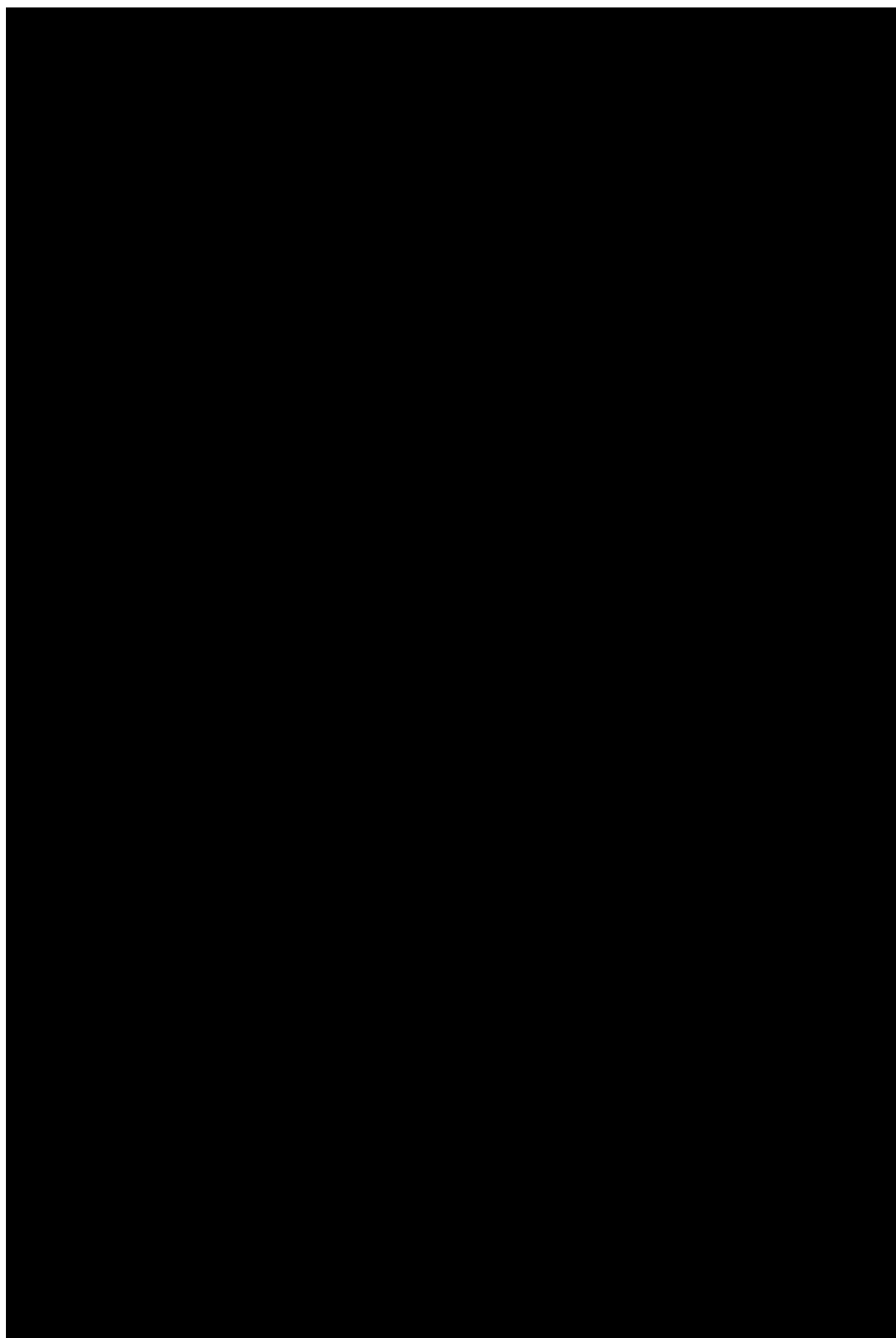


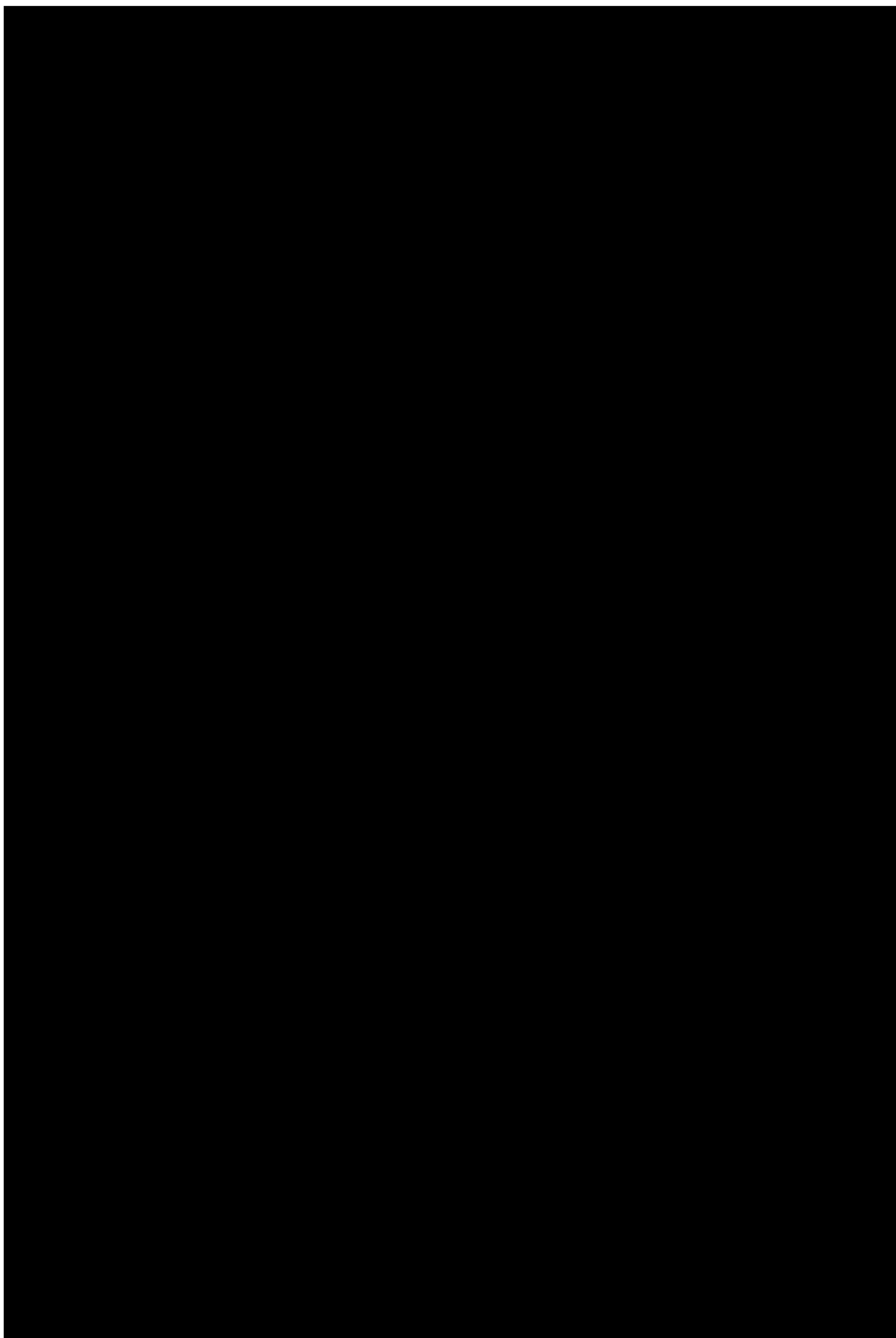


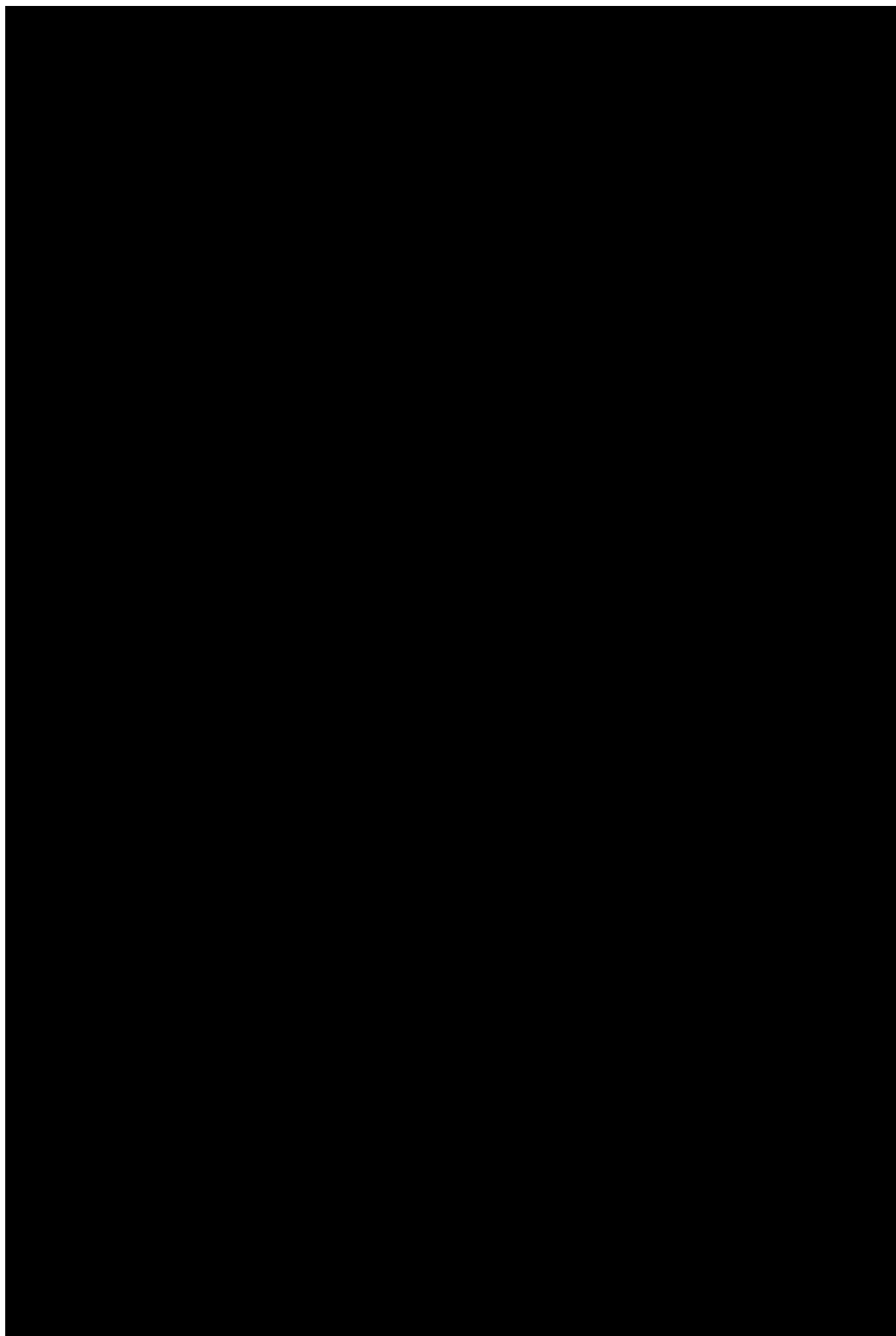


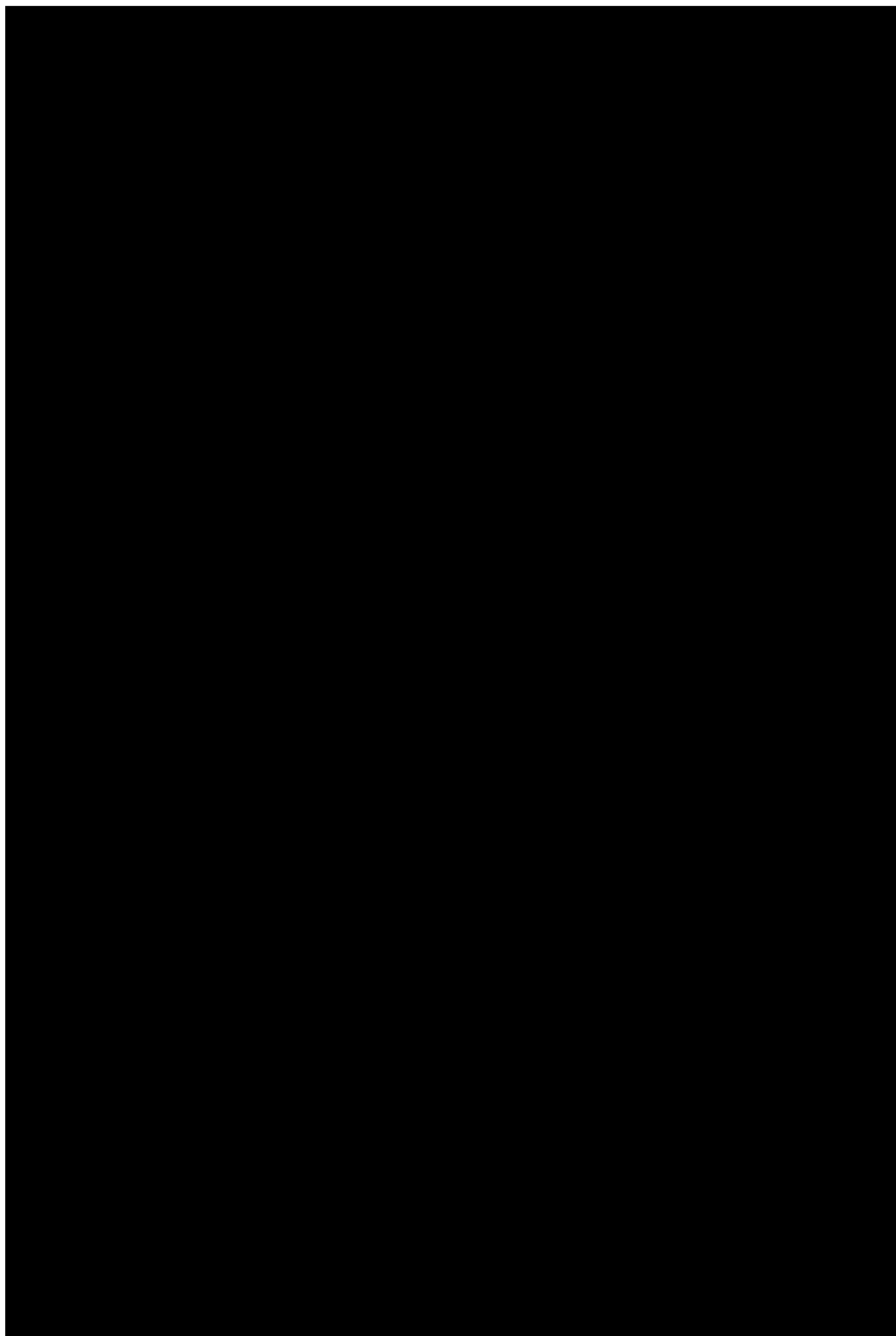


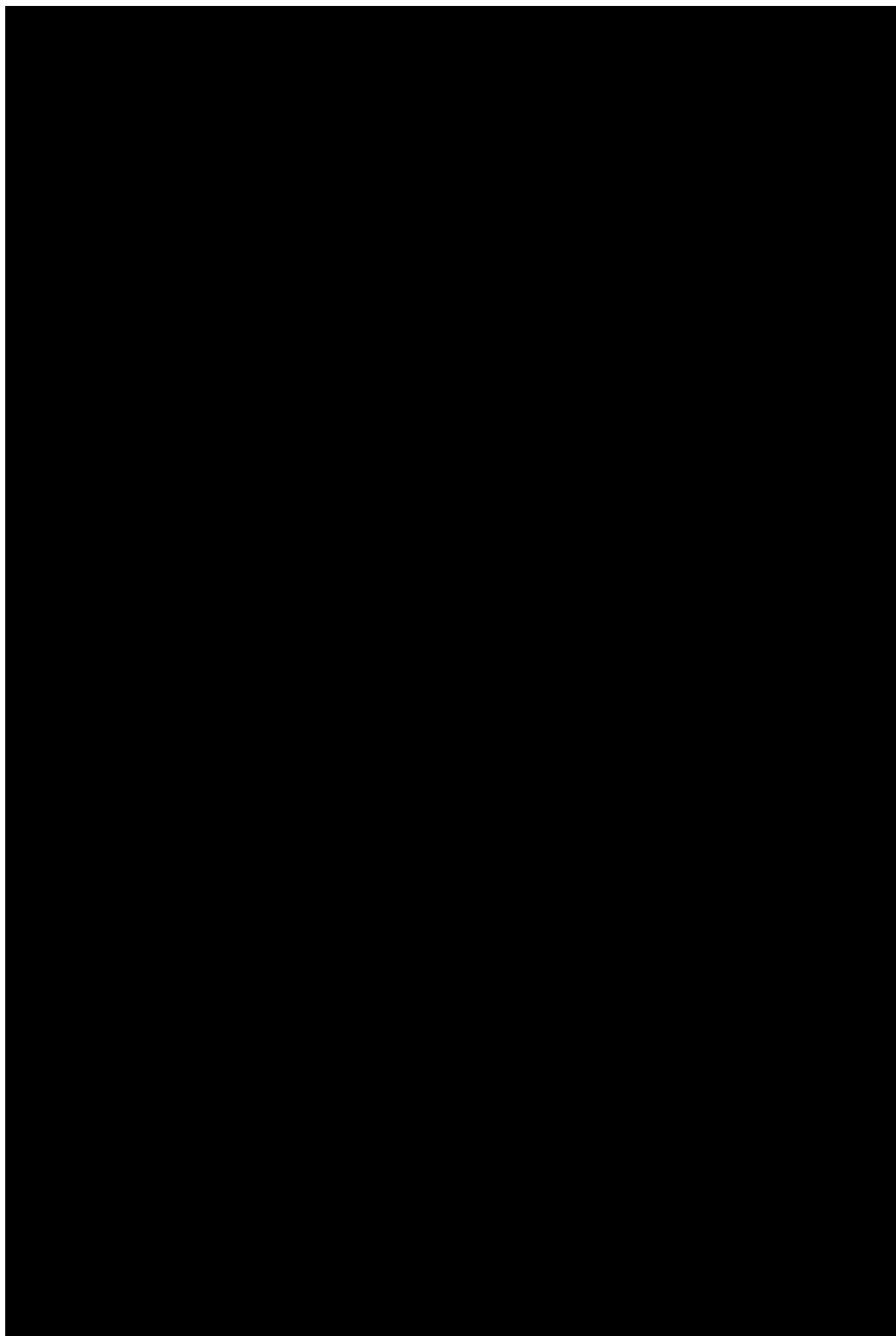


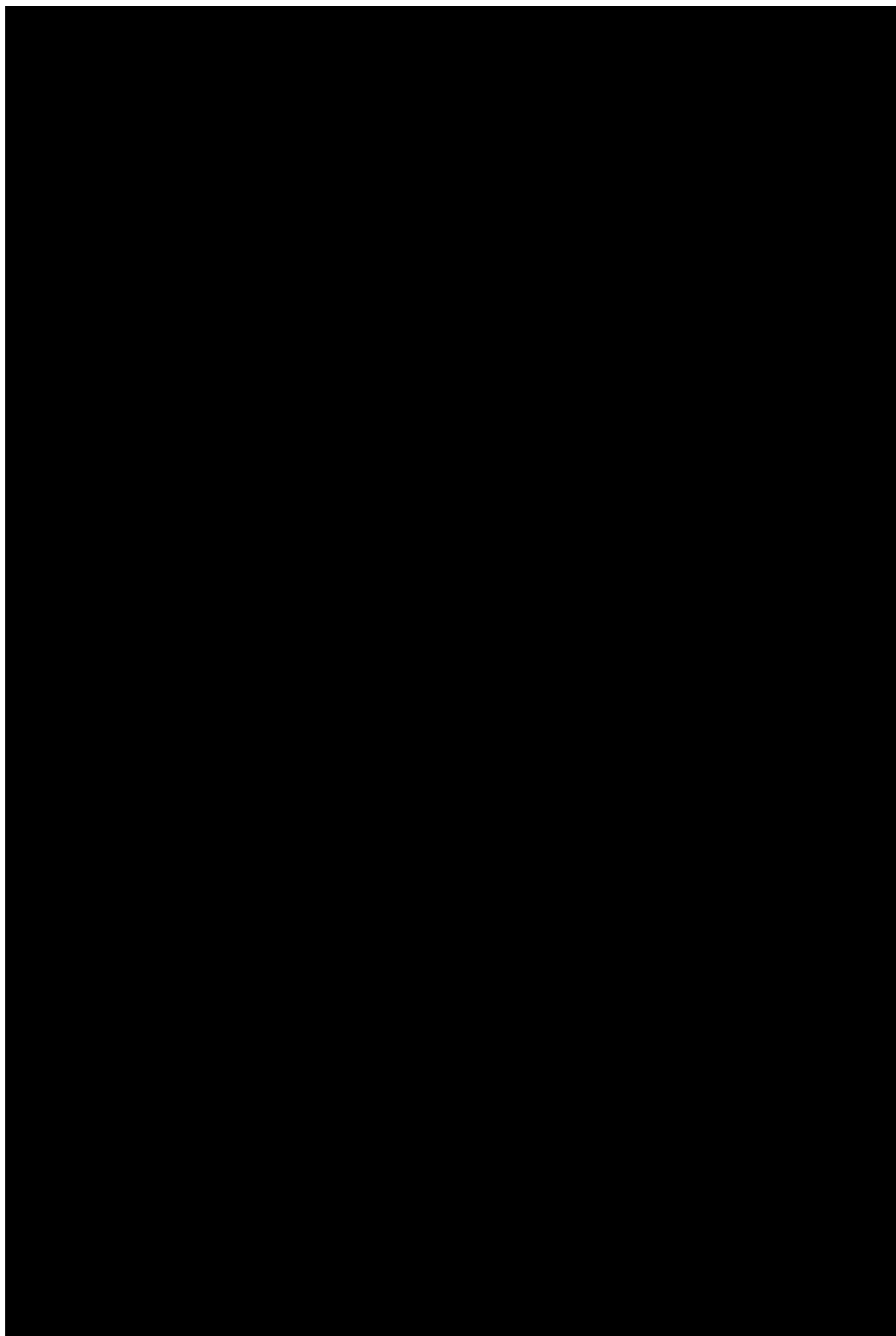


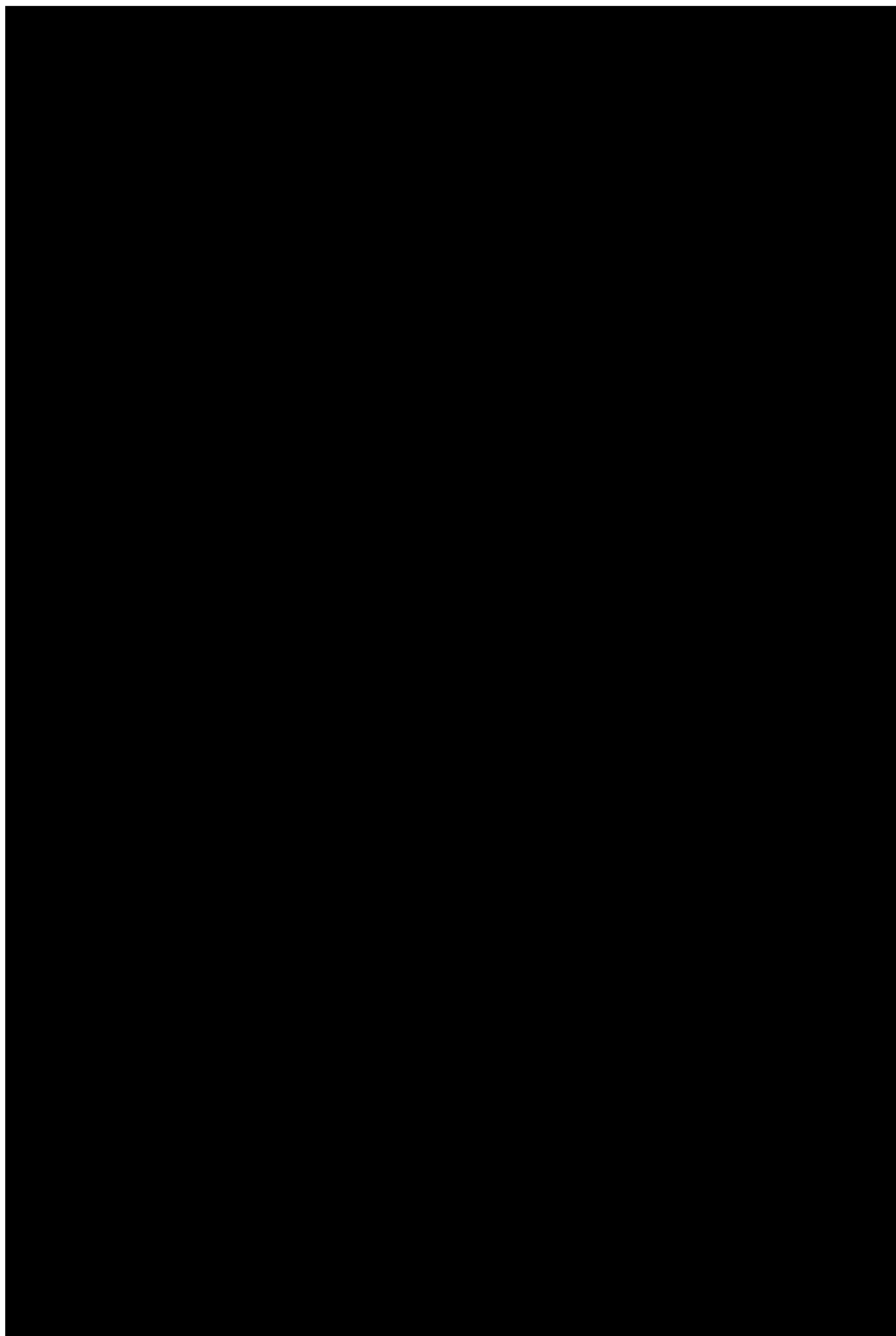


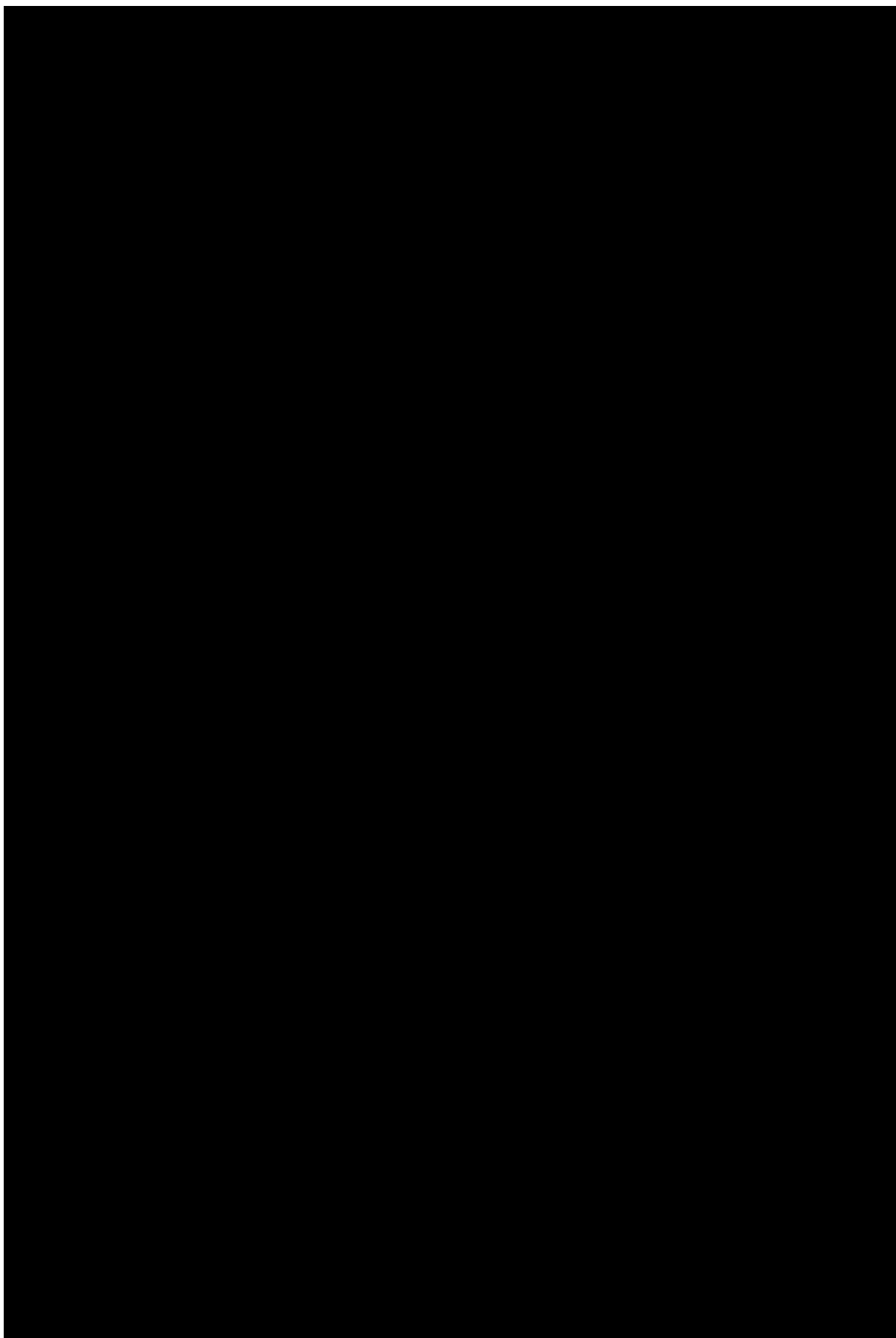


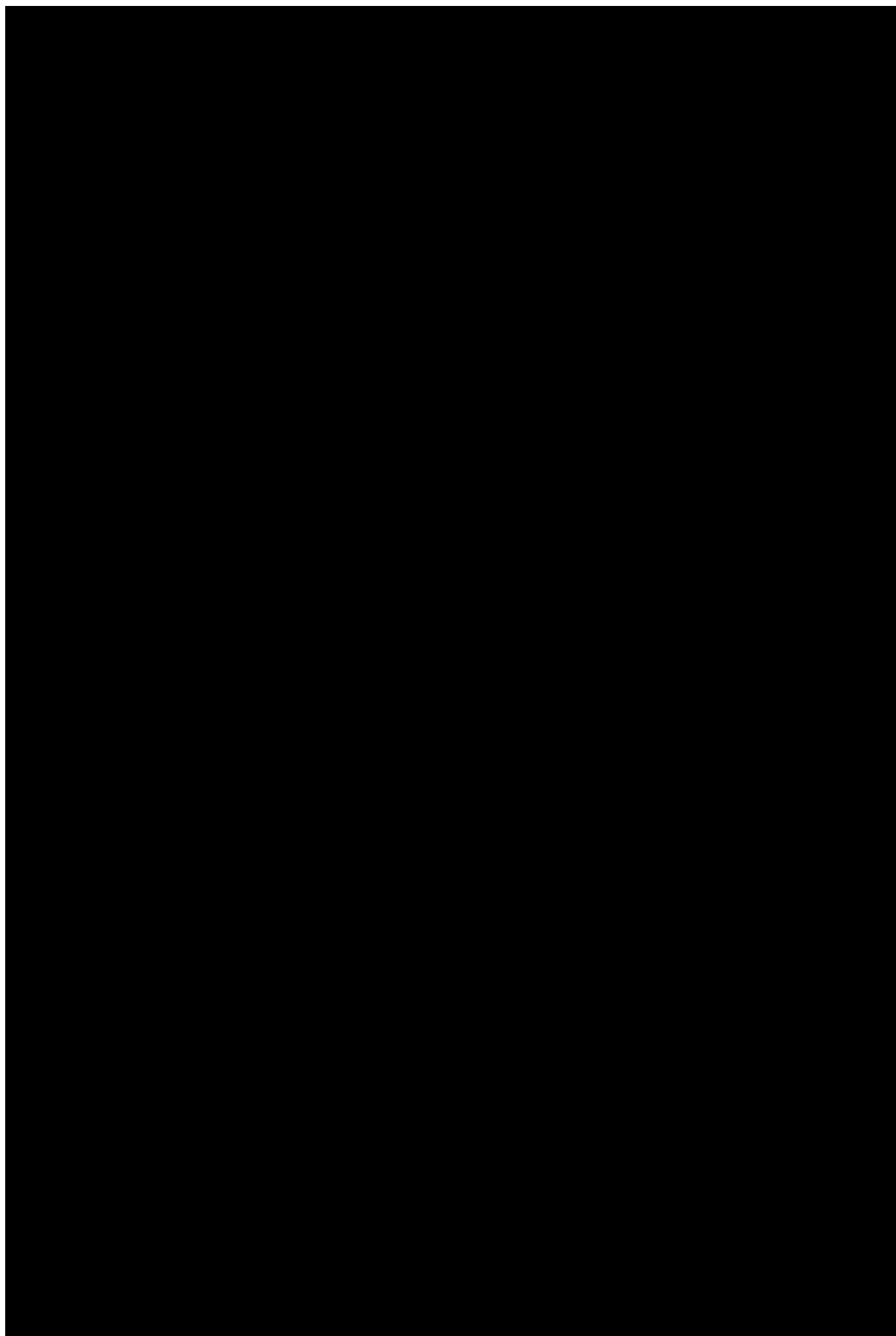


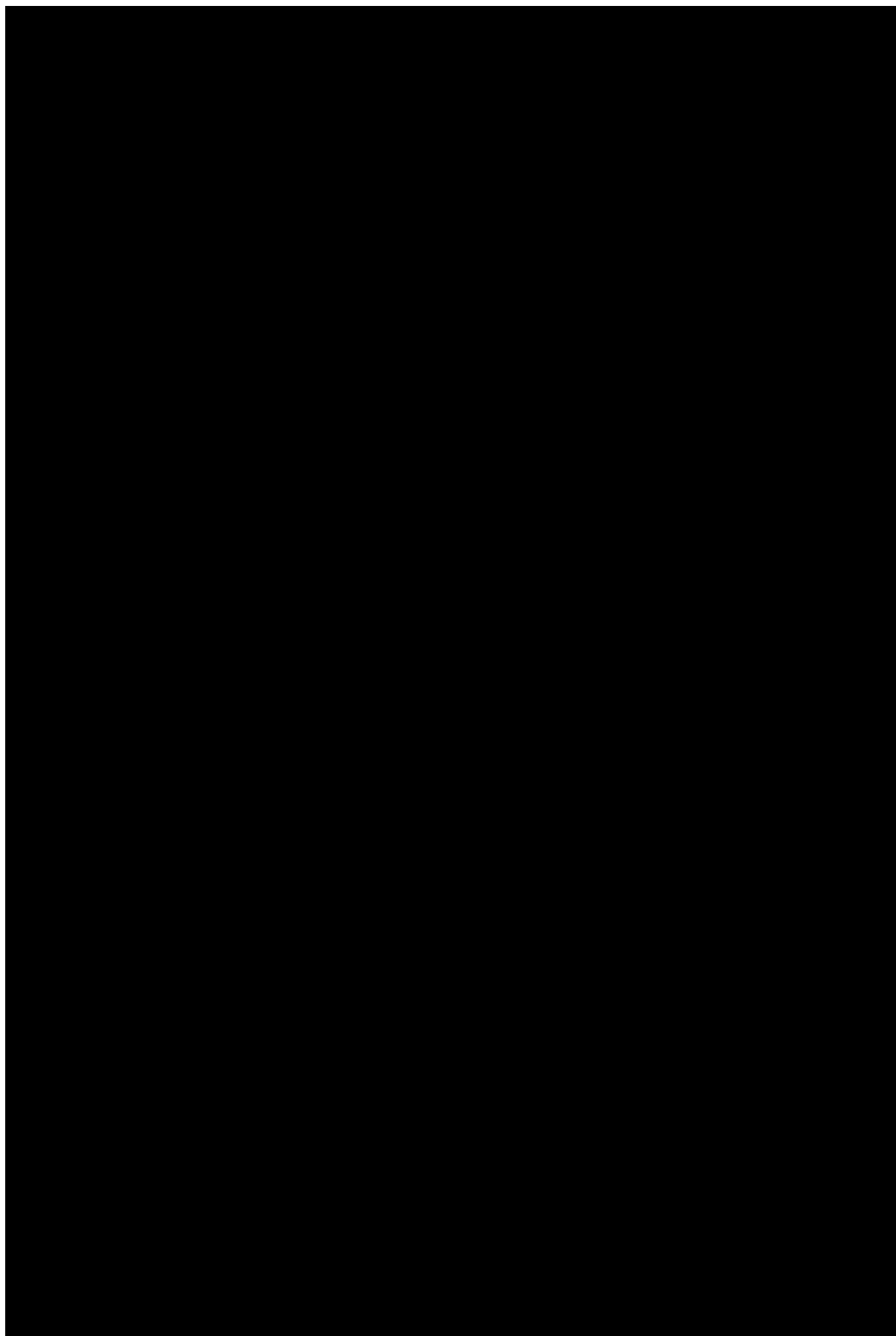


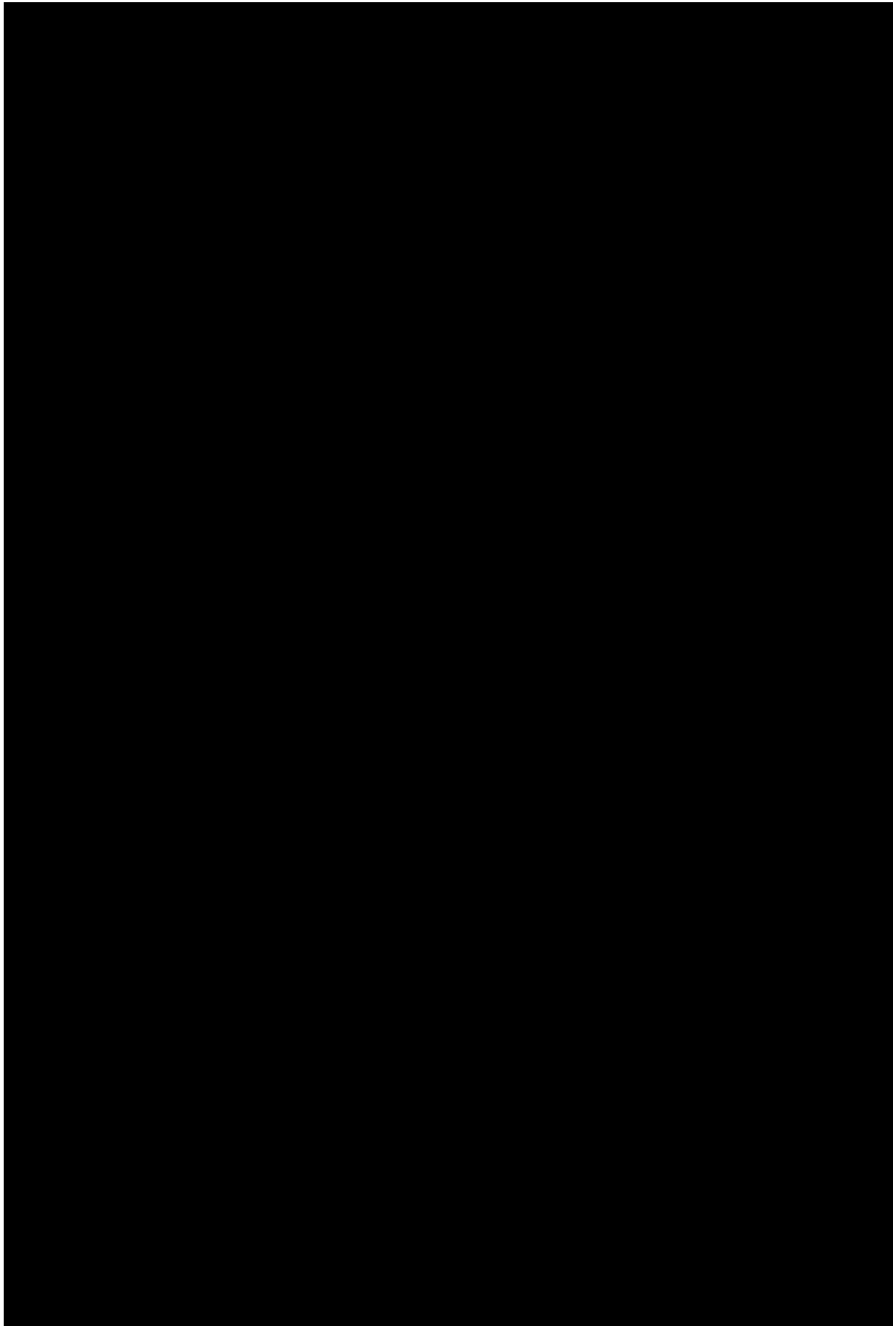


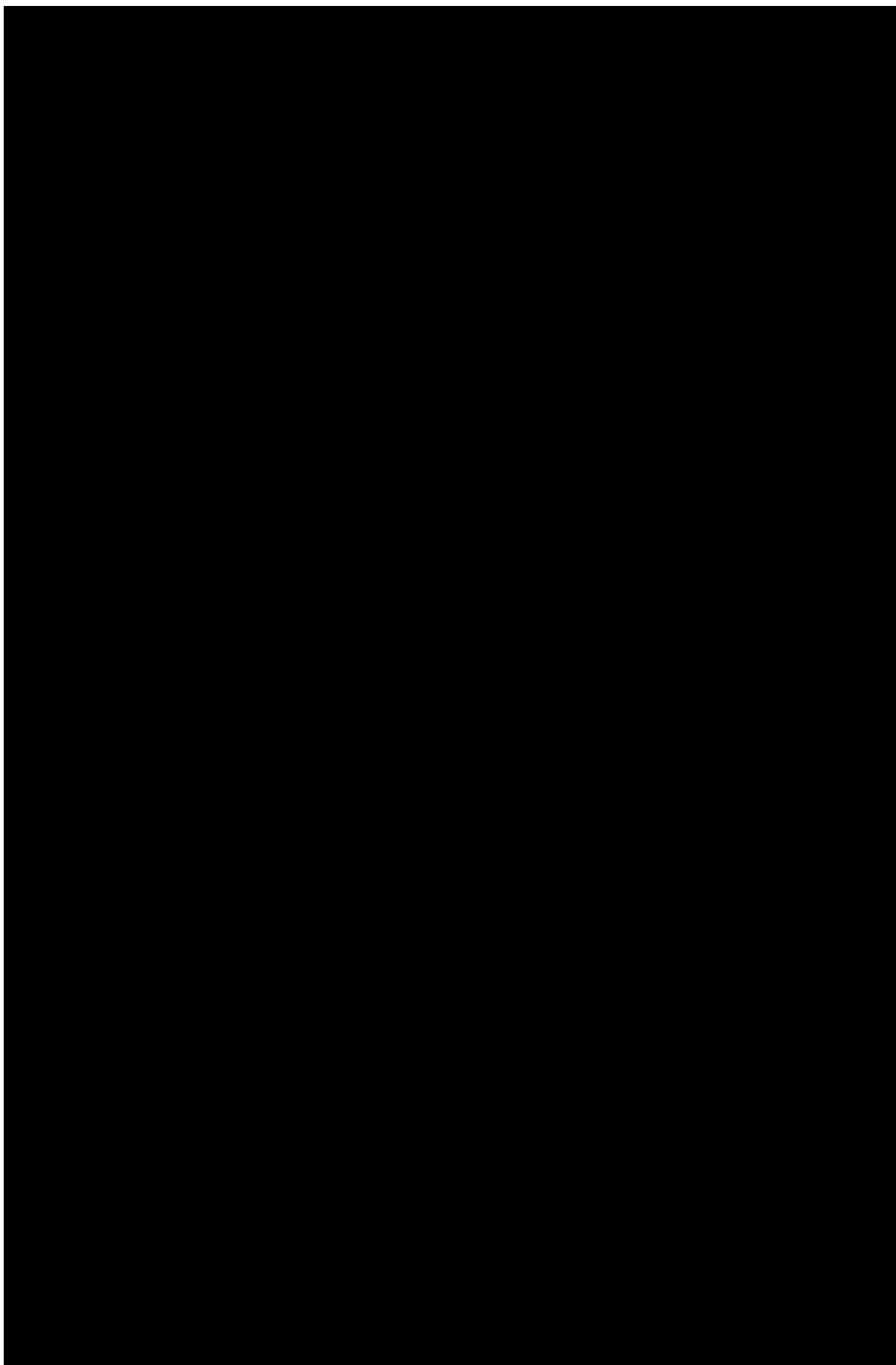


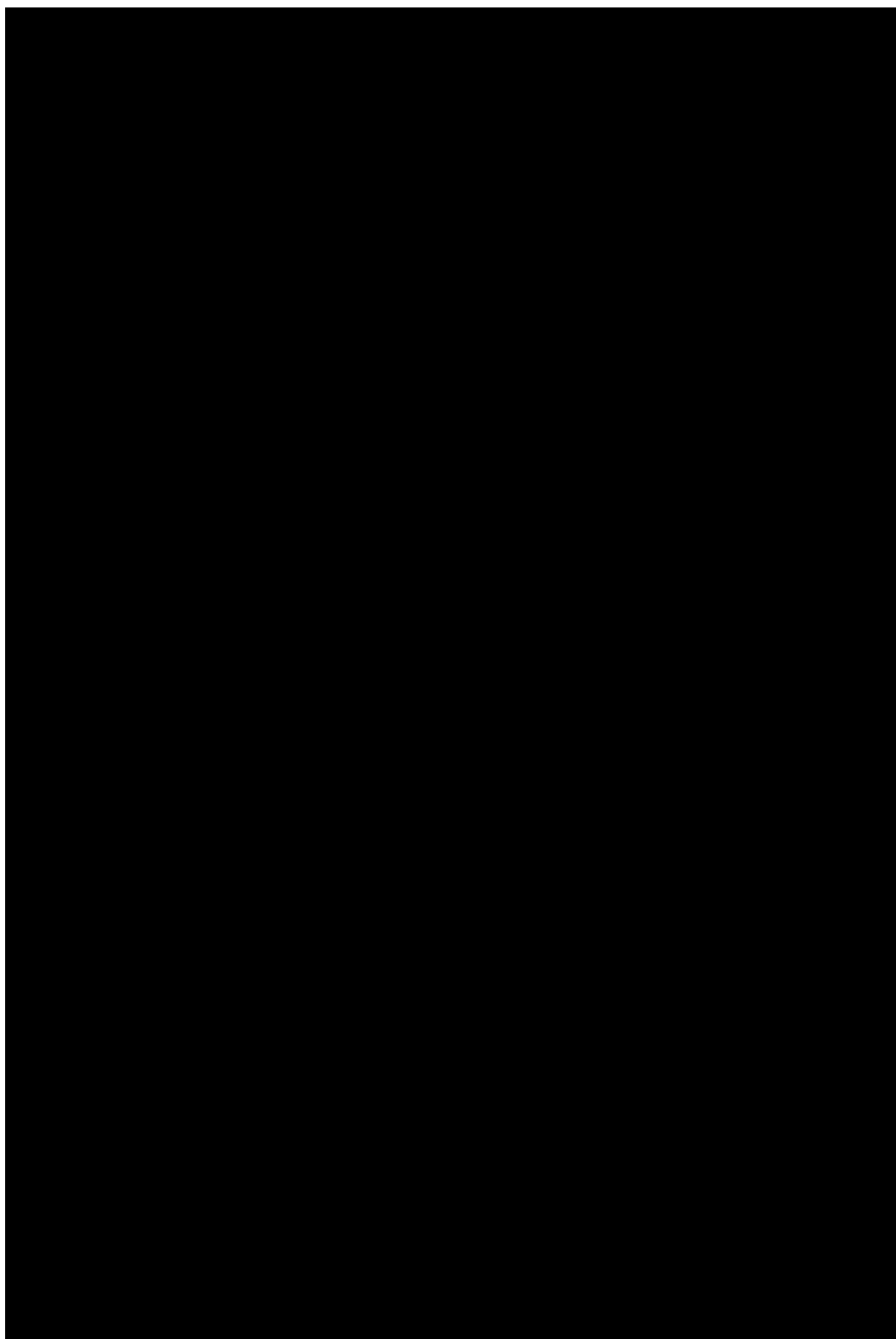


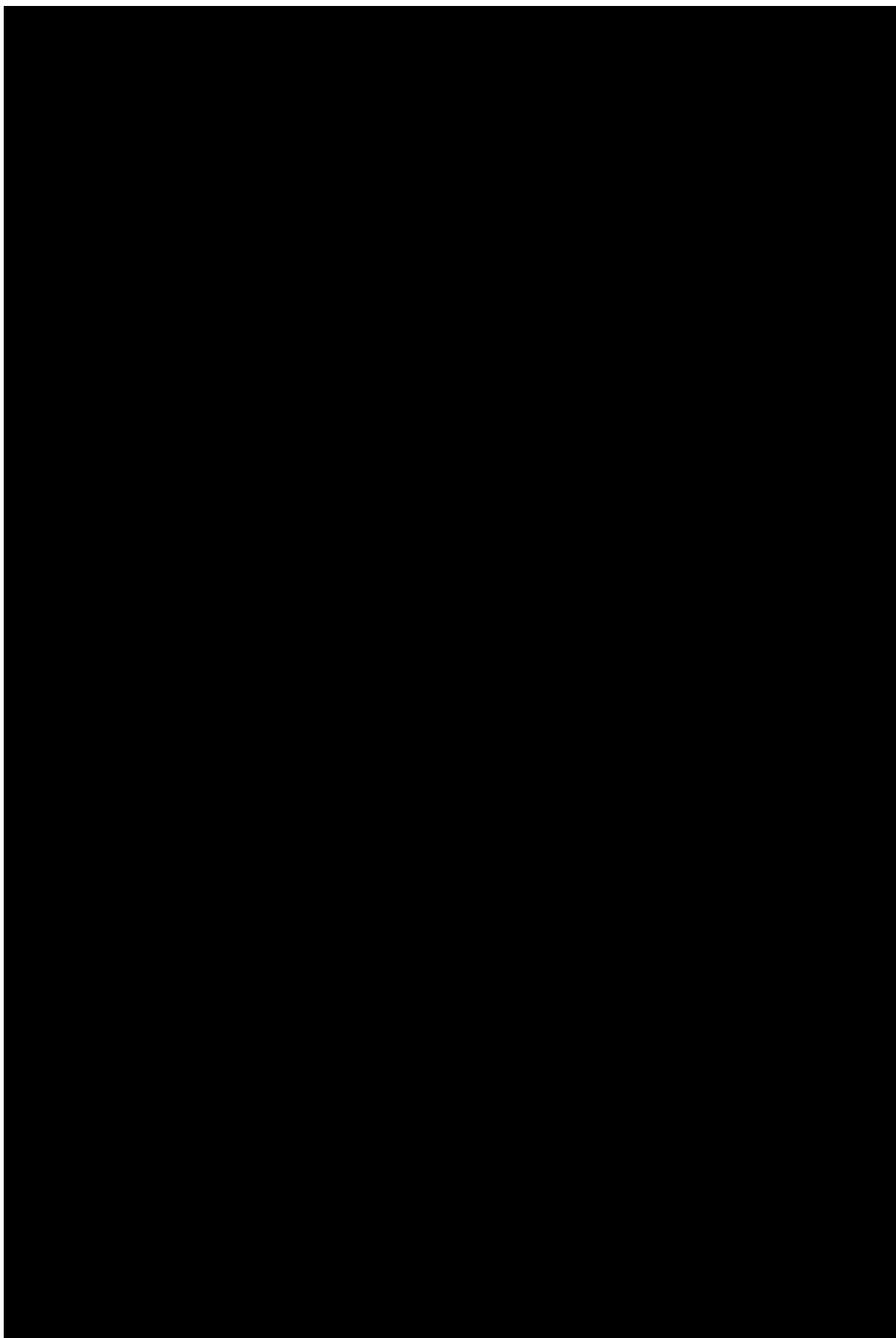


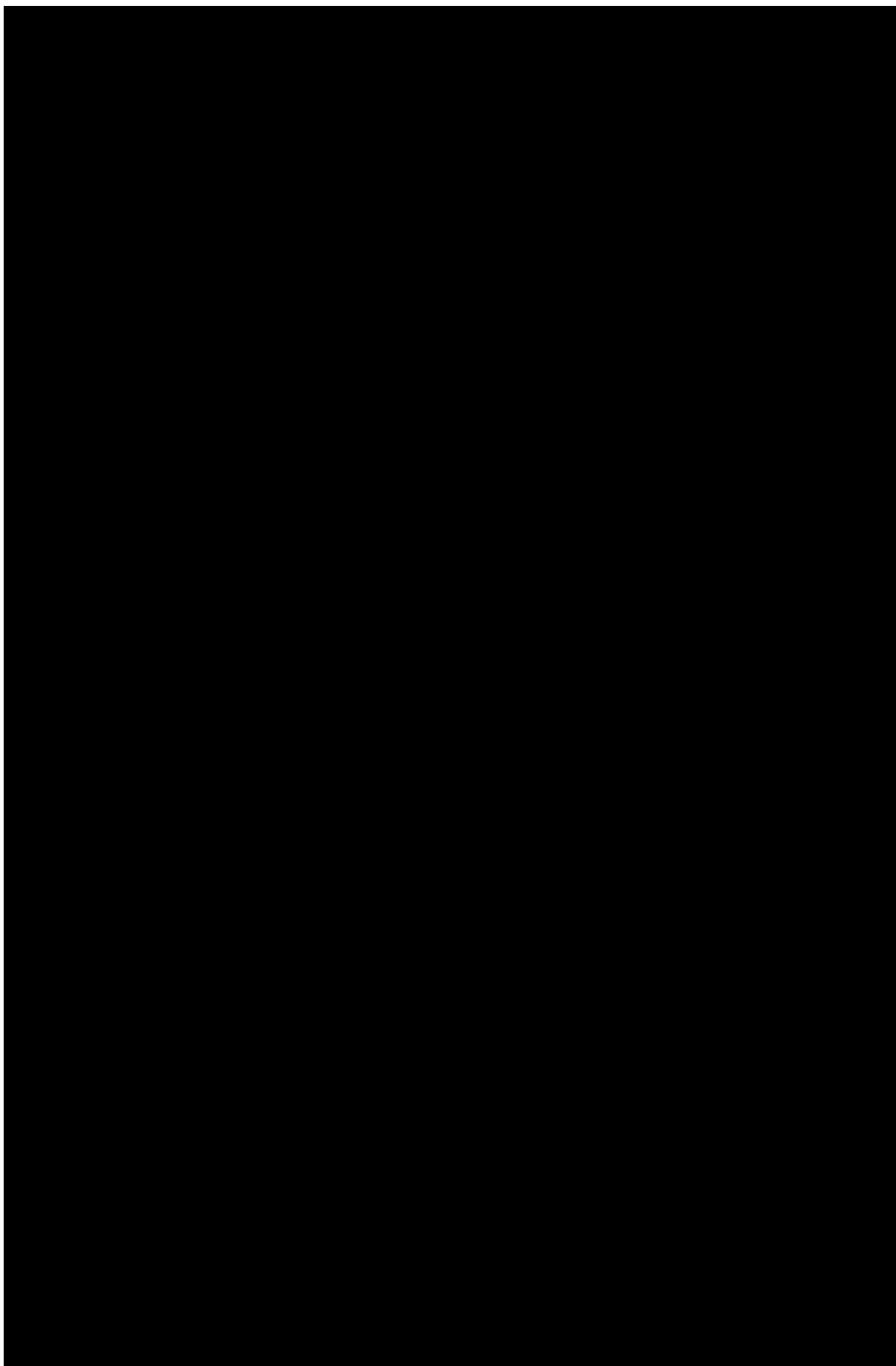


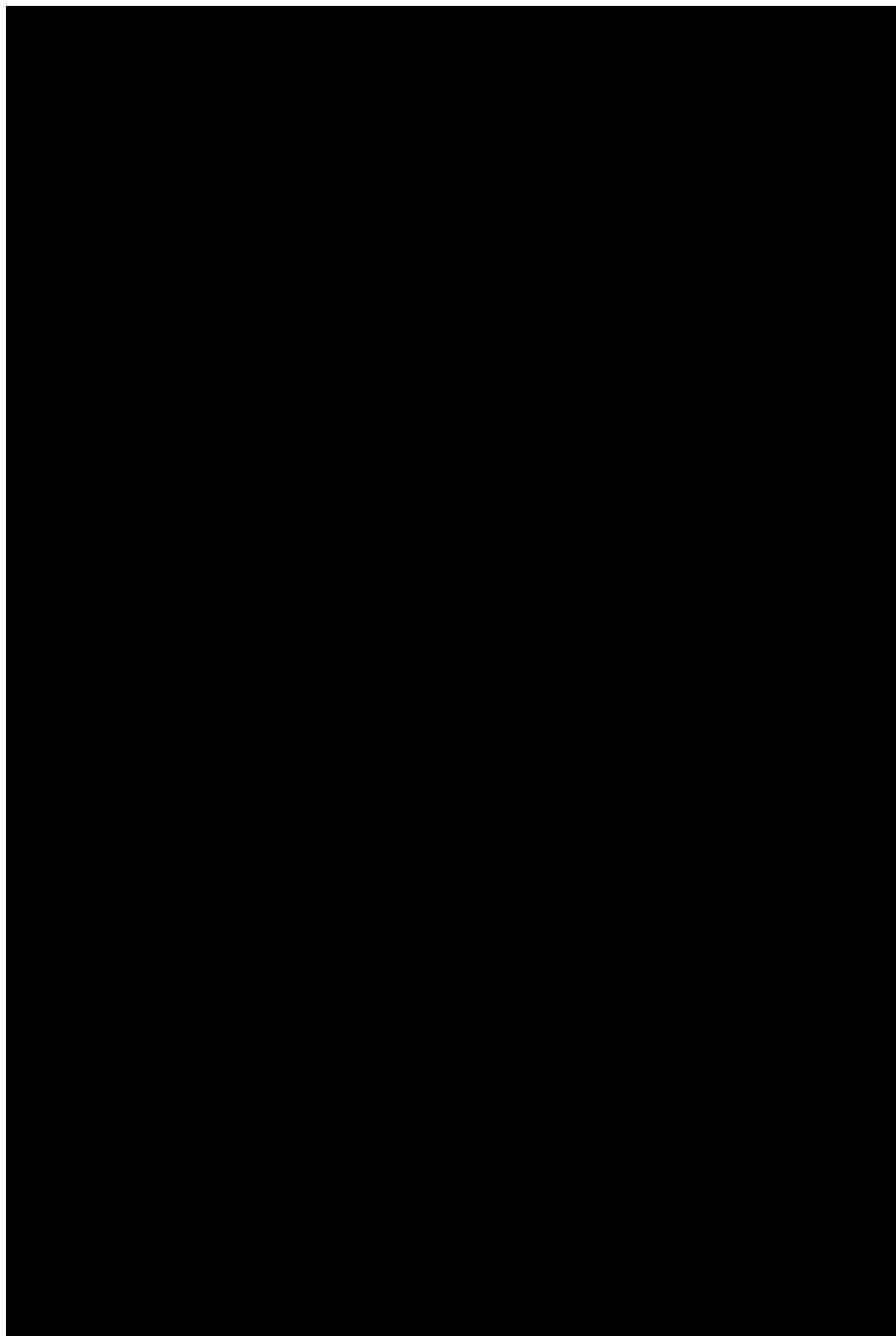


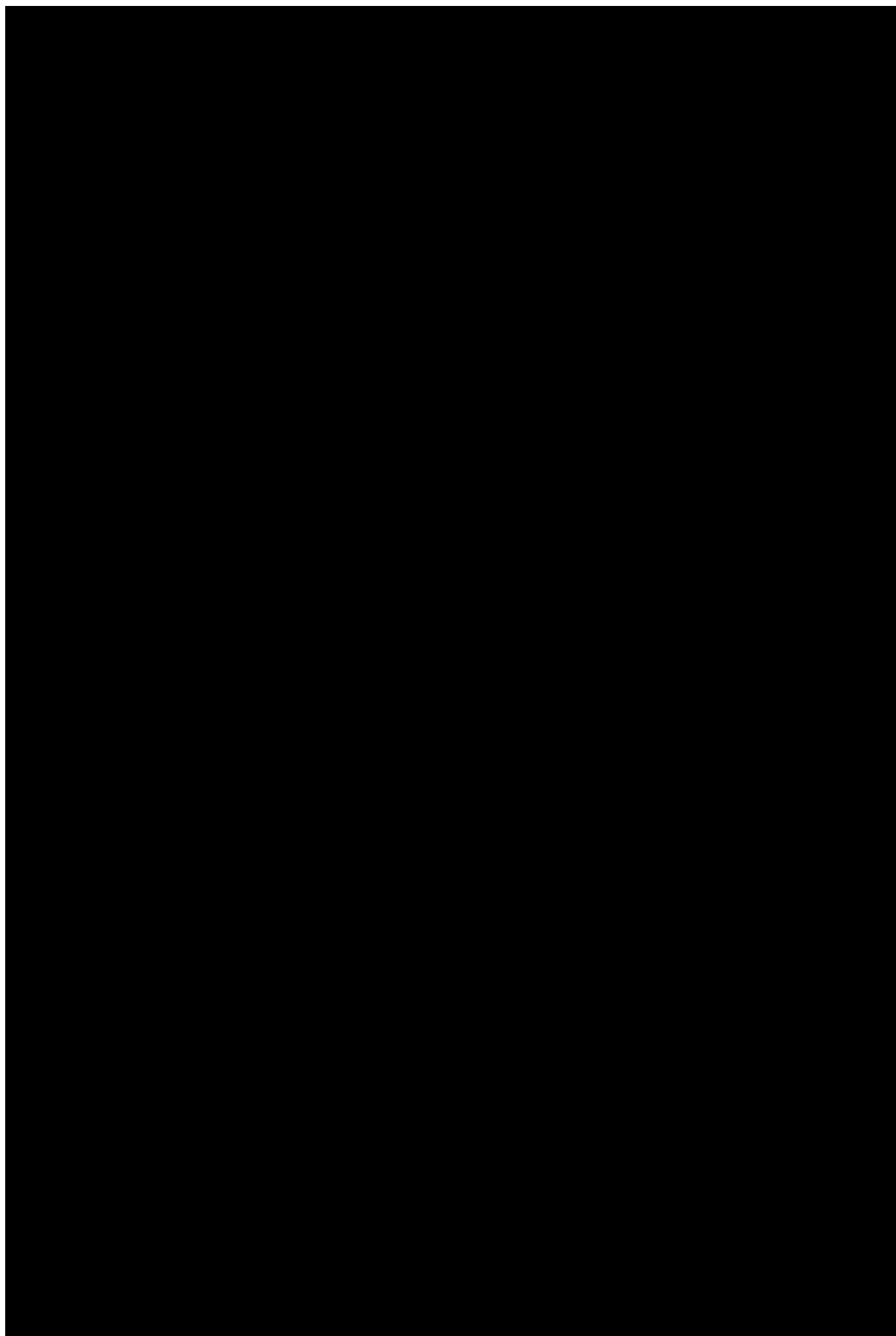


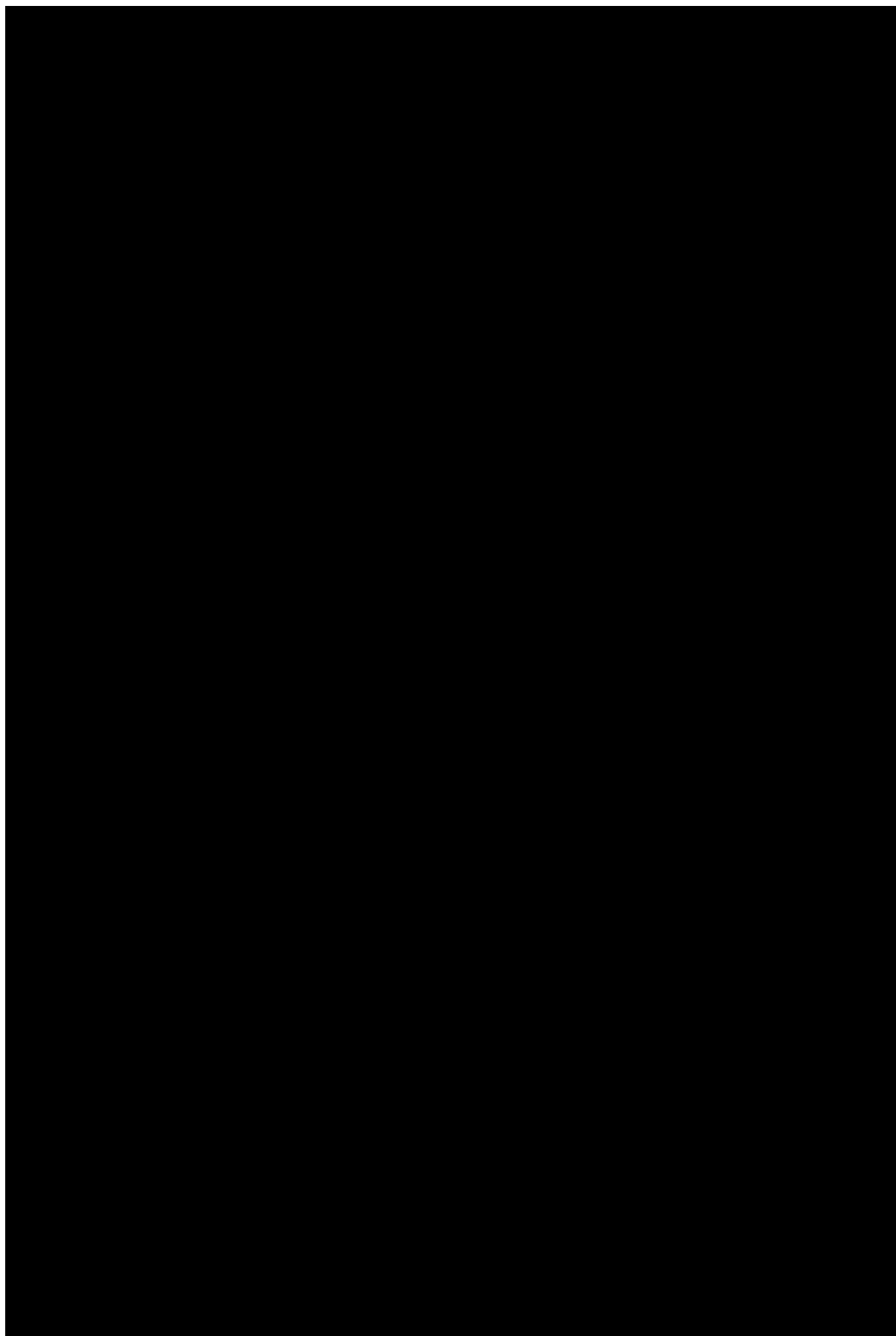


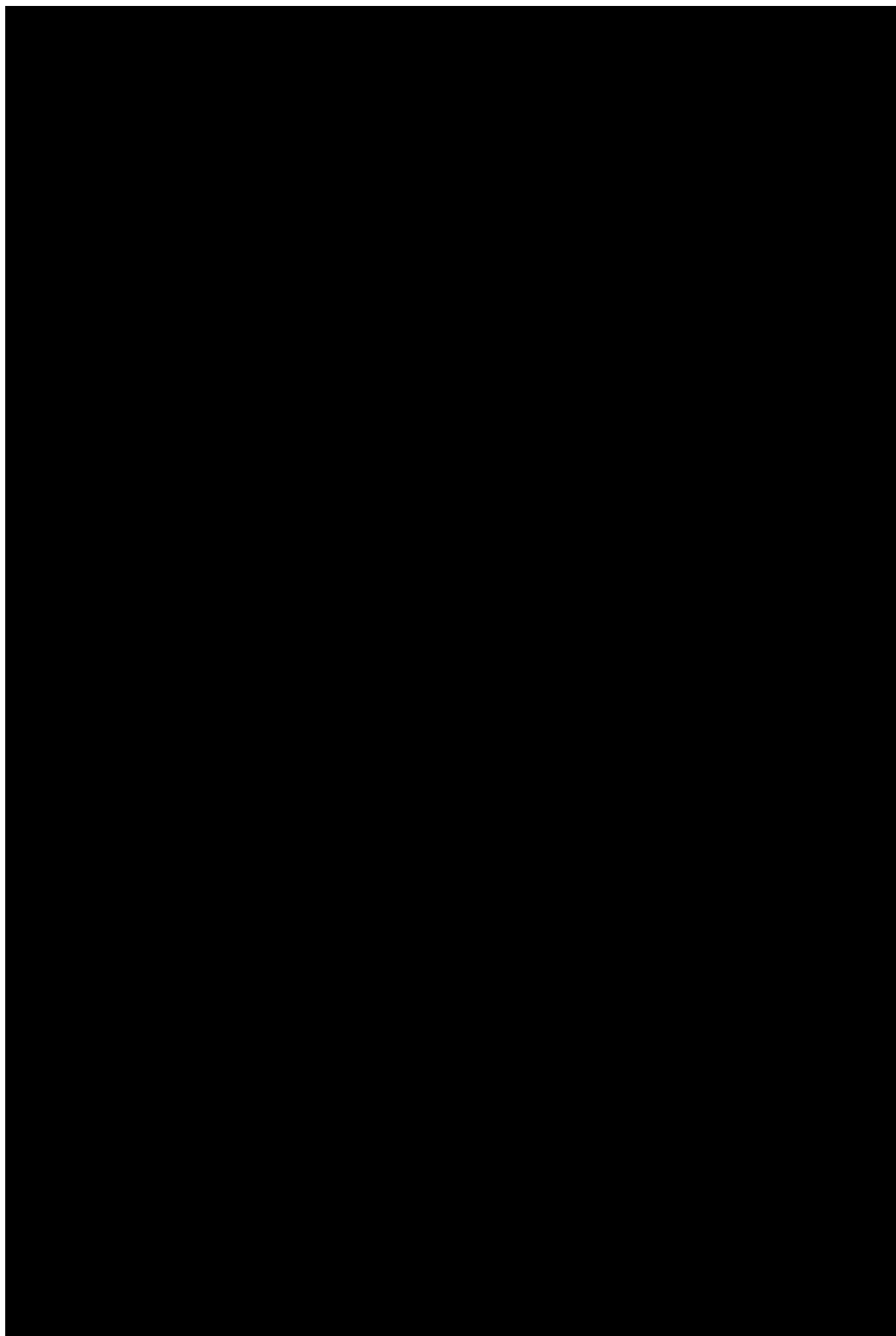


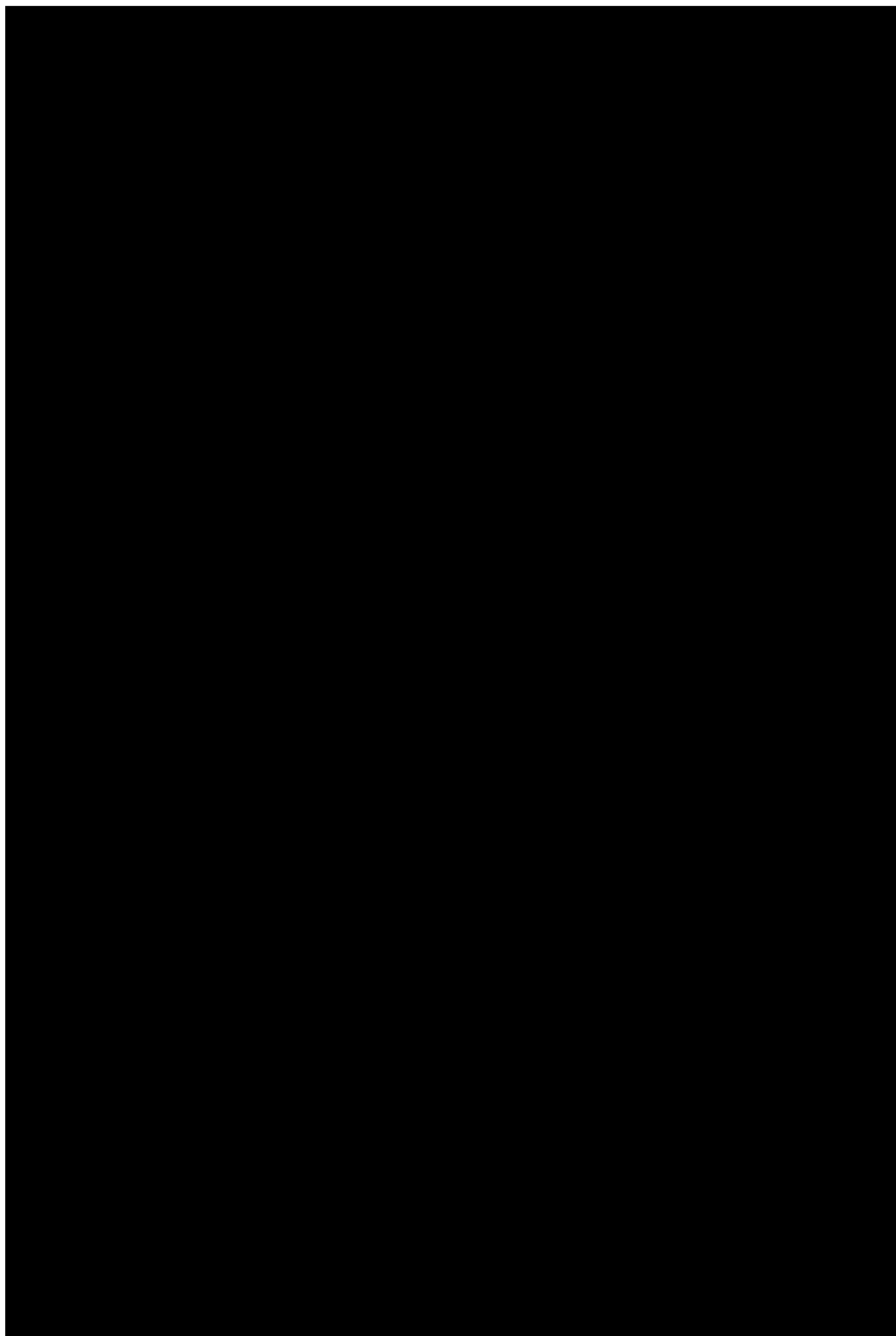


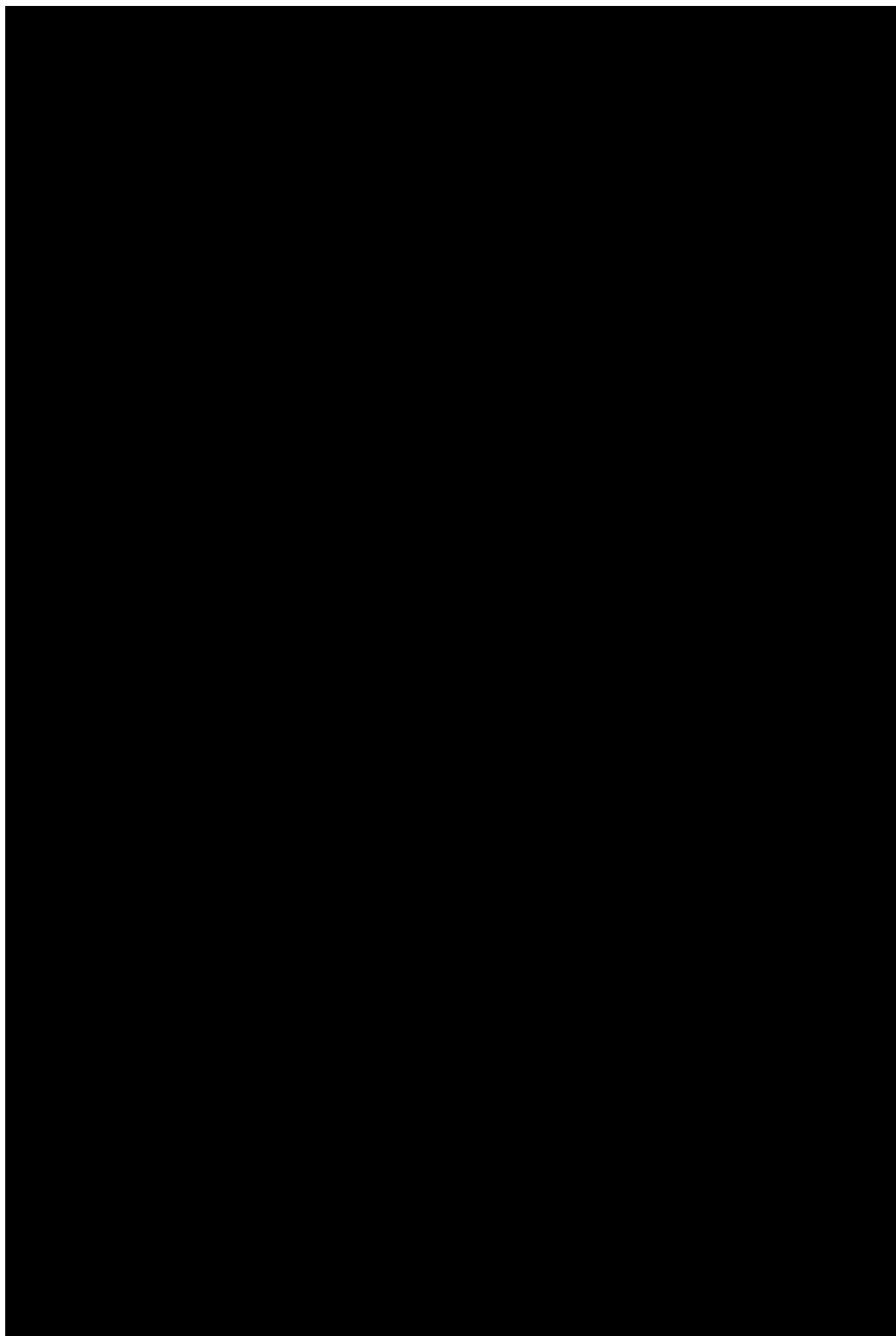


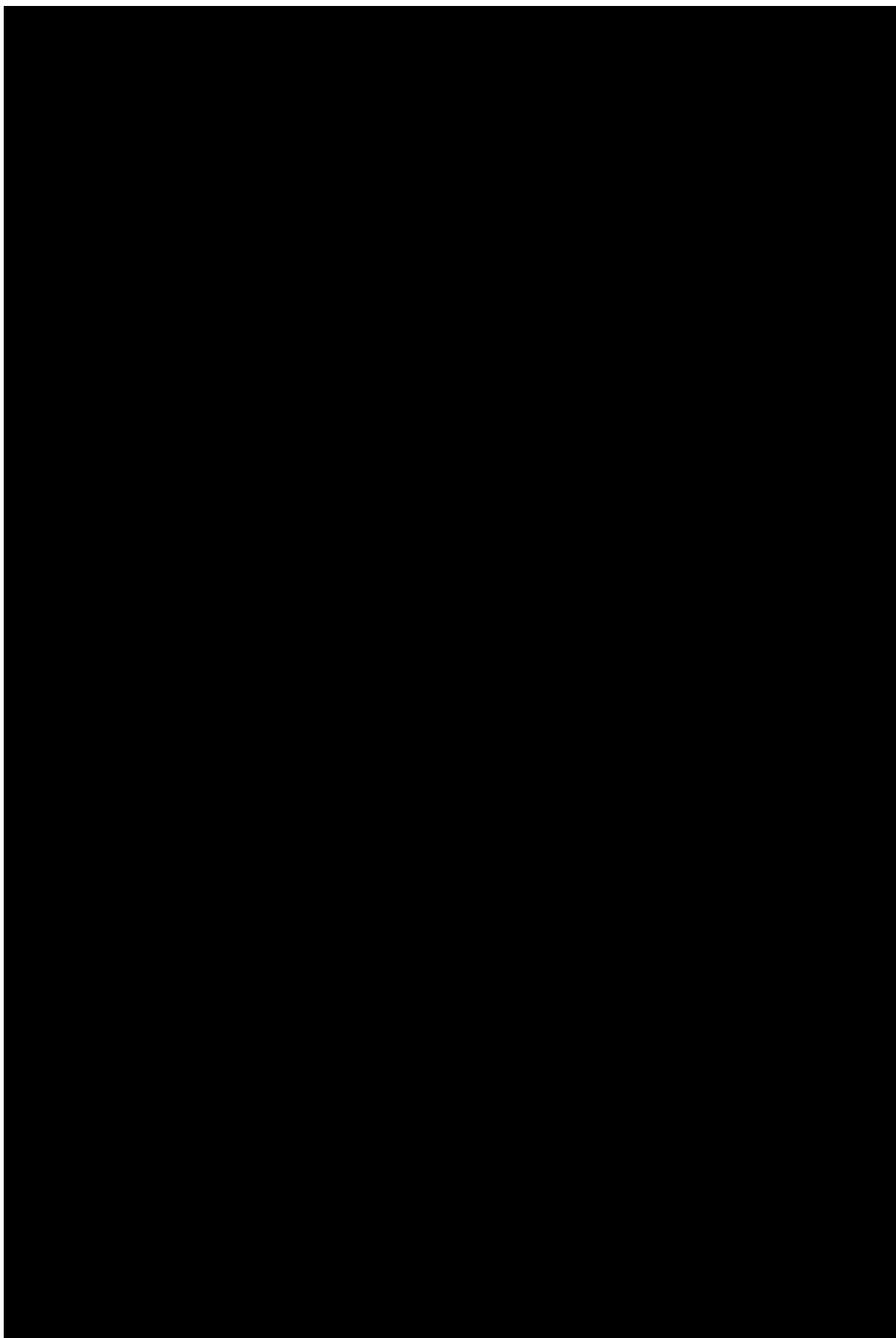


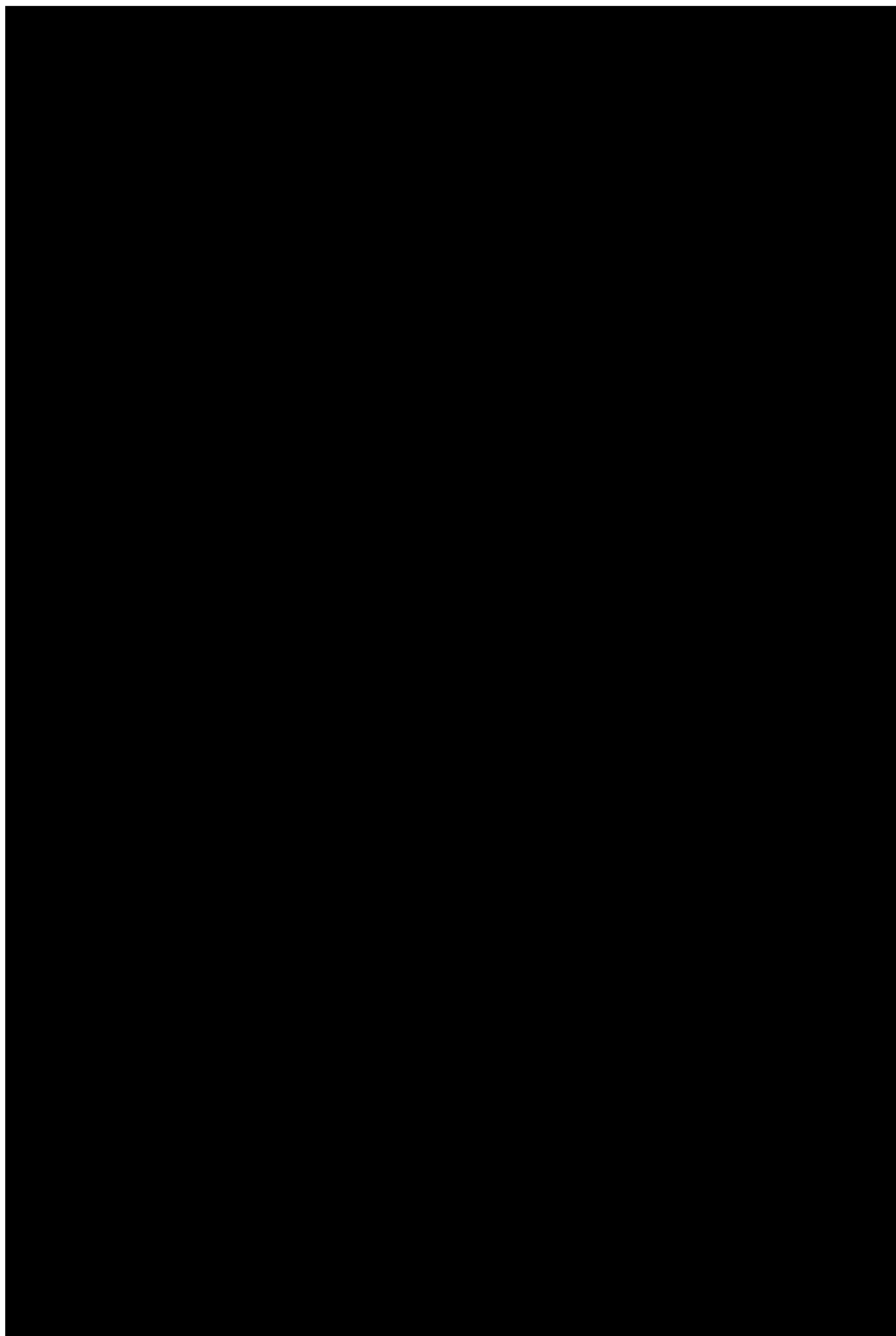




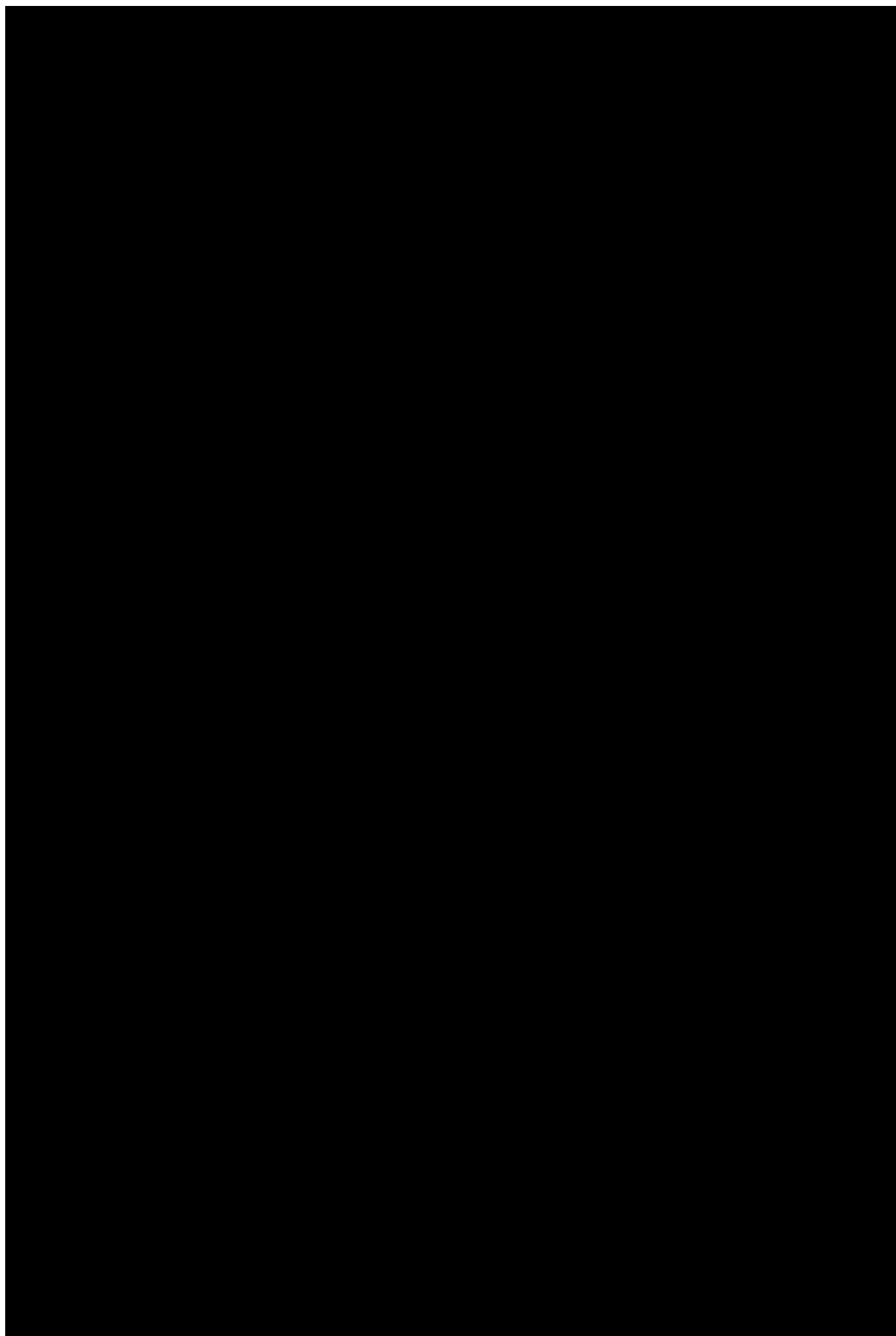




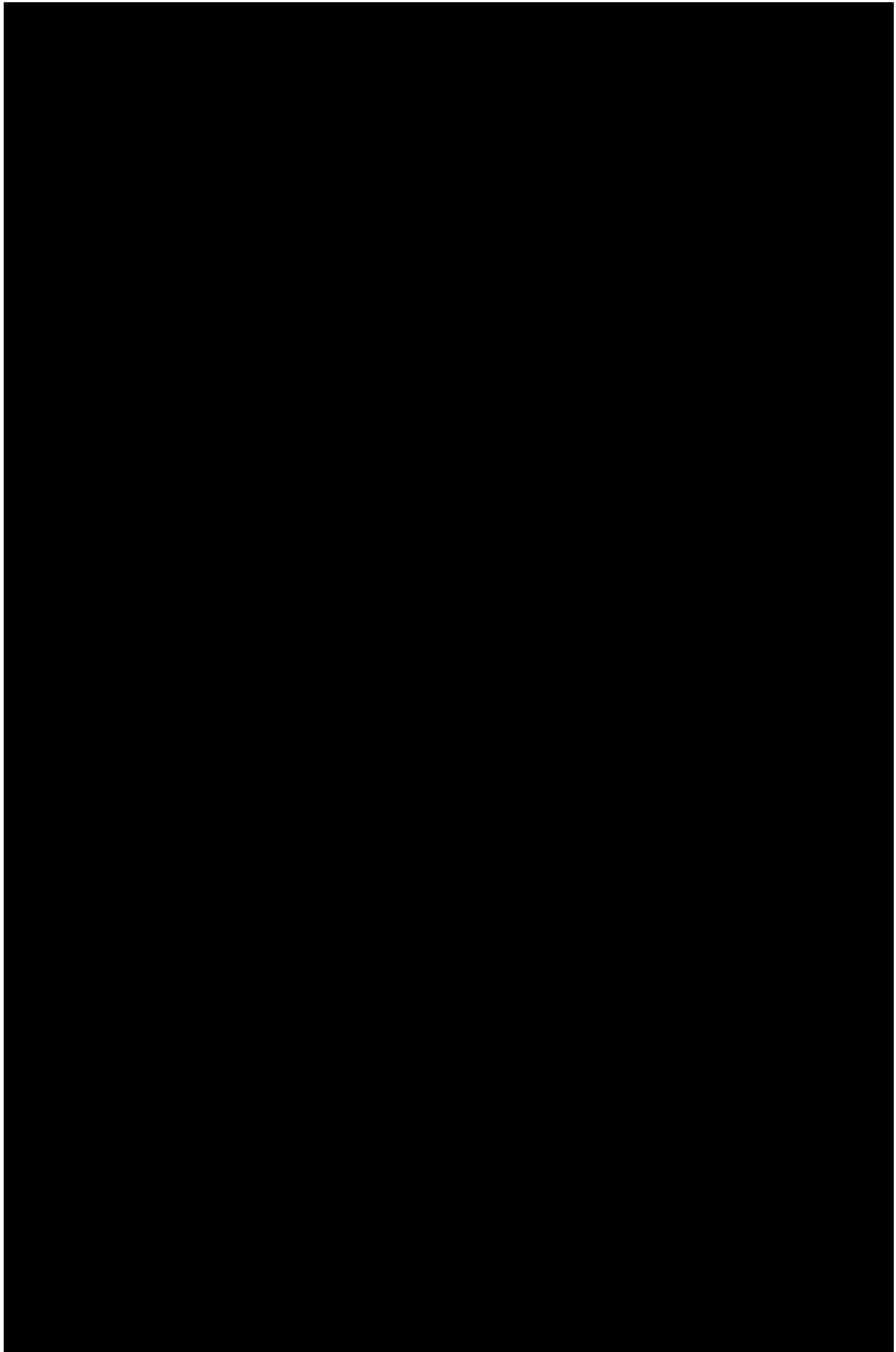


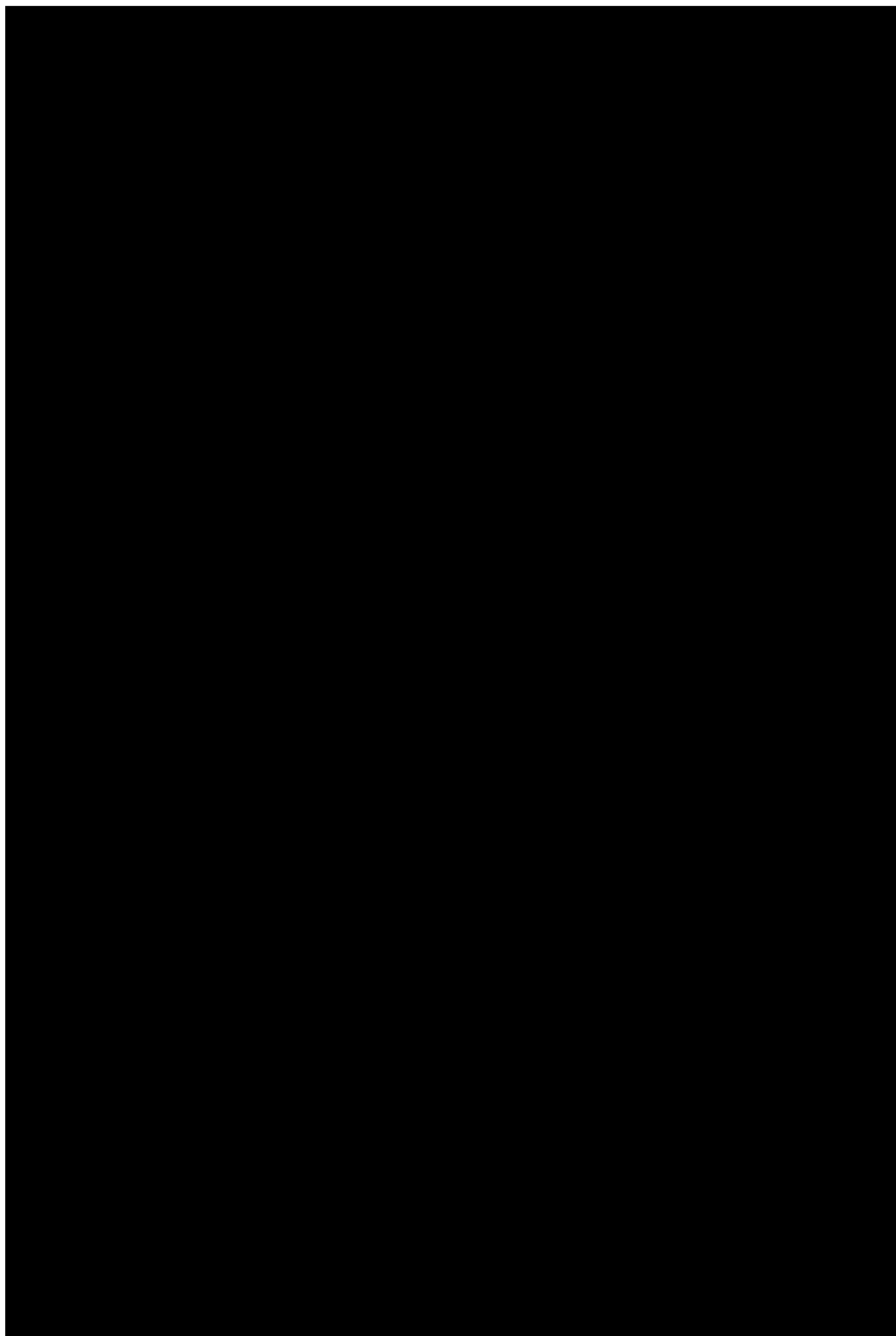


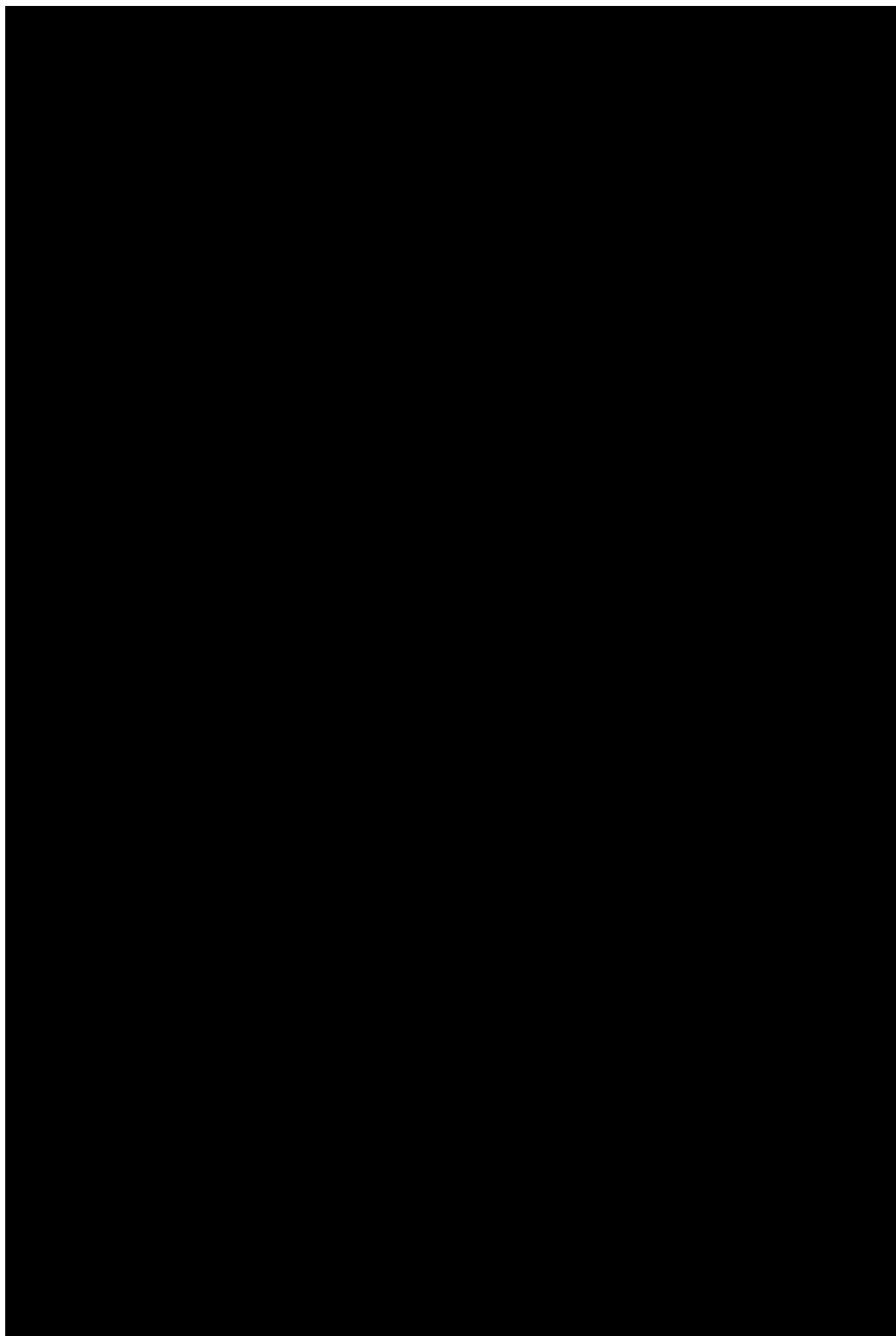


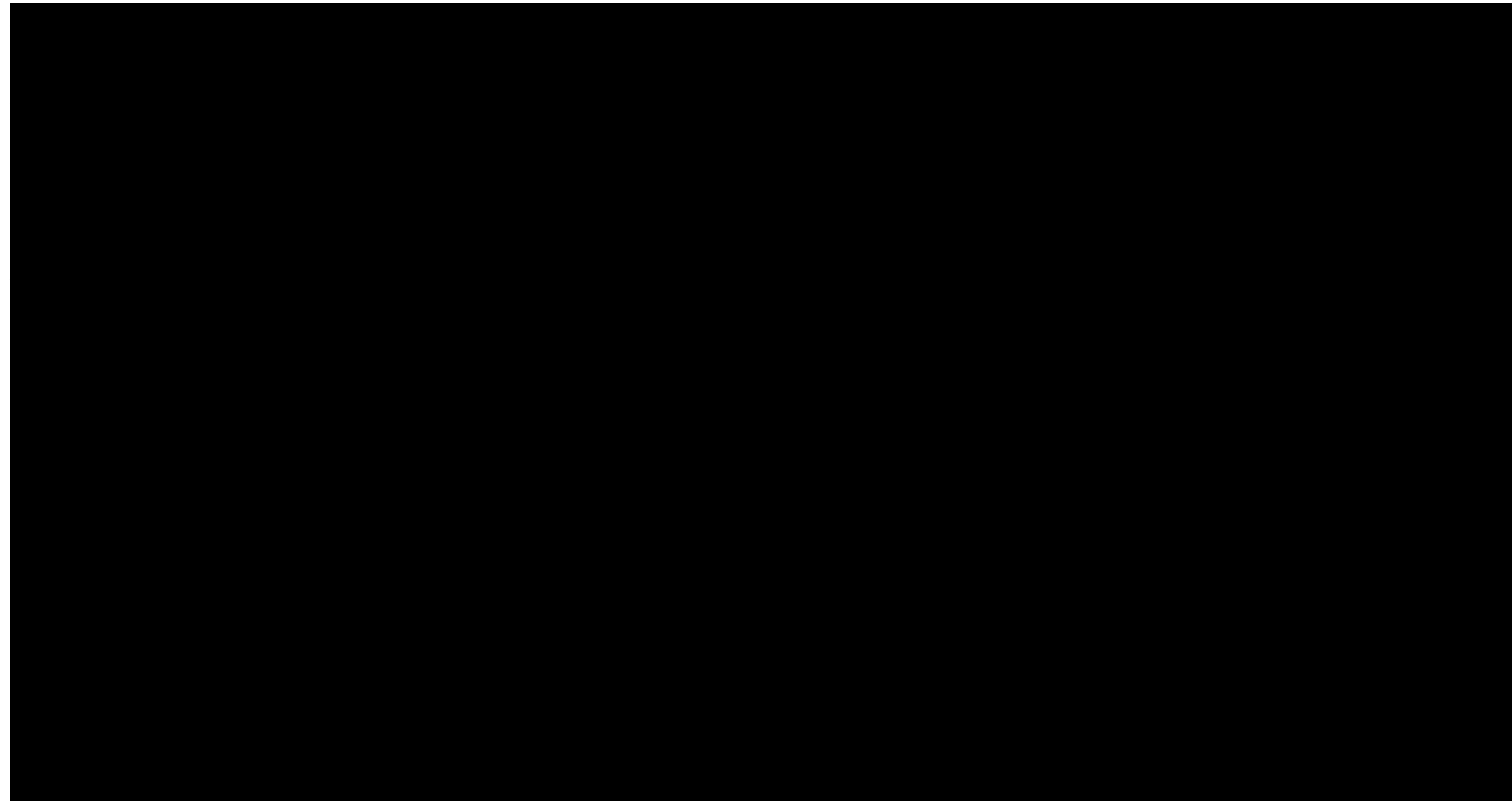






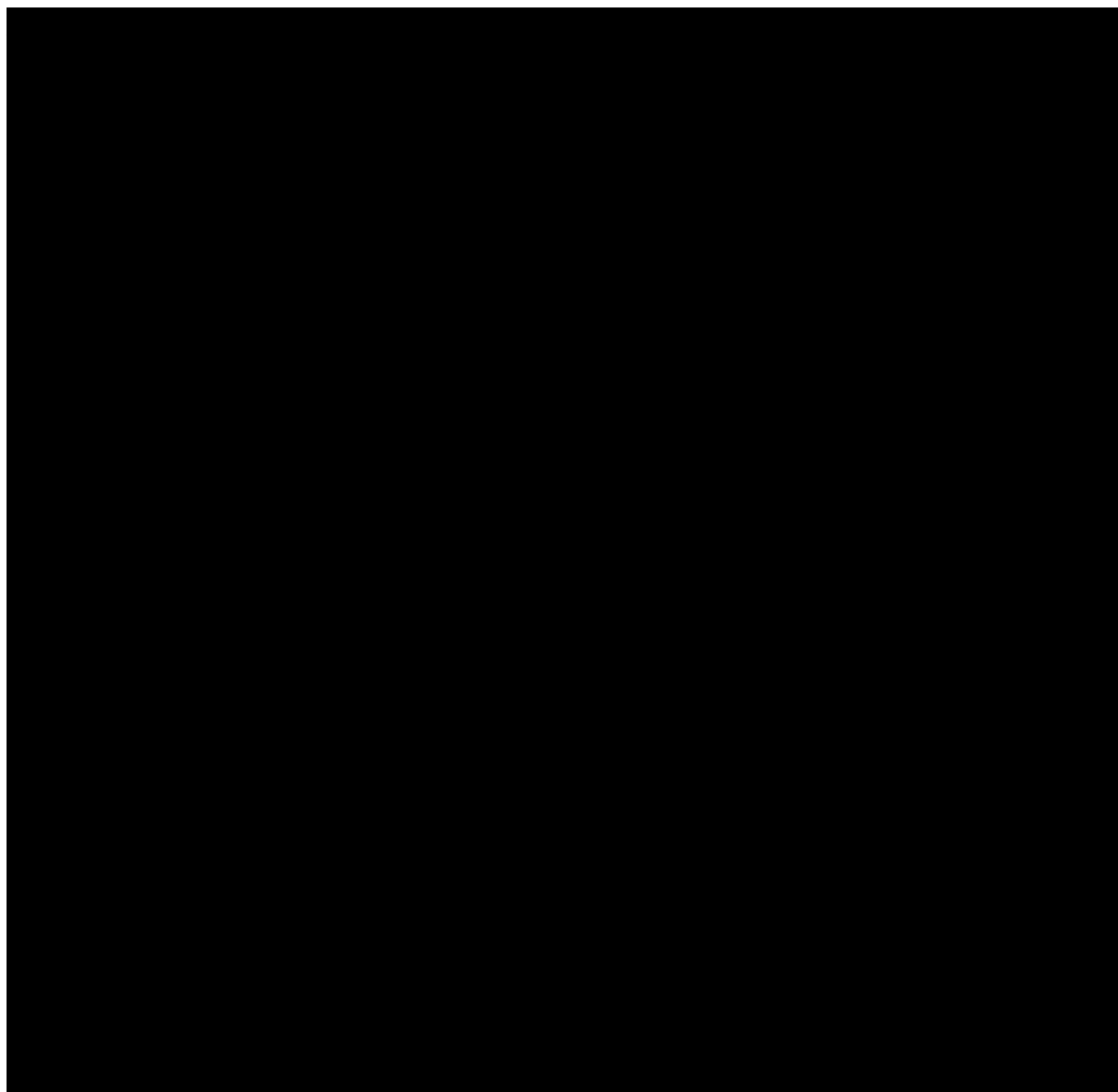






Notes: a Apparently incomplete reporting for several Member States of contributions to the Community Action programme
b Excluding contributions from the Commission to multilateral organisations.
c EU data amended using information from European Commission, EU Court of Auditors and Member States applying annual exchange rates from IMF.

Sources: DAC (OECD); European Commission; European Court of Auditors and EU Member States; IMF, *International Financial Statistics*.



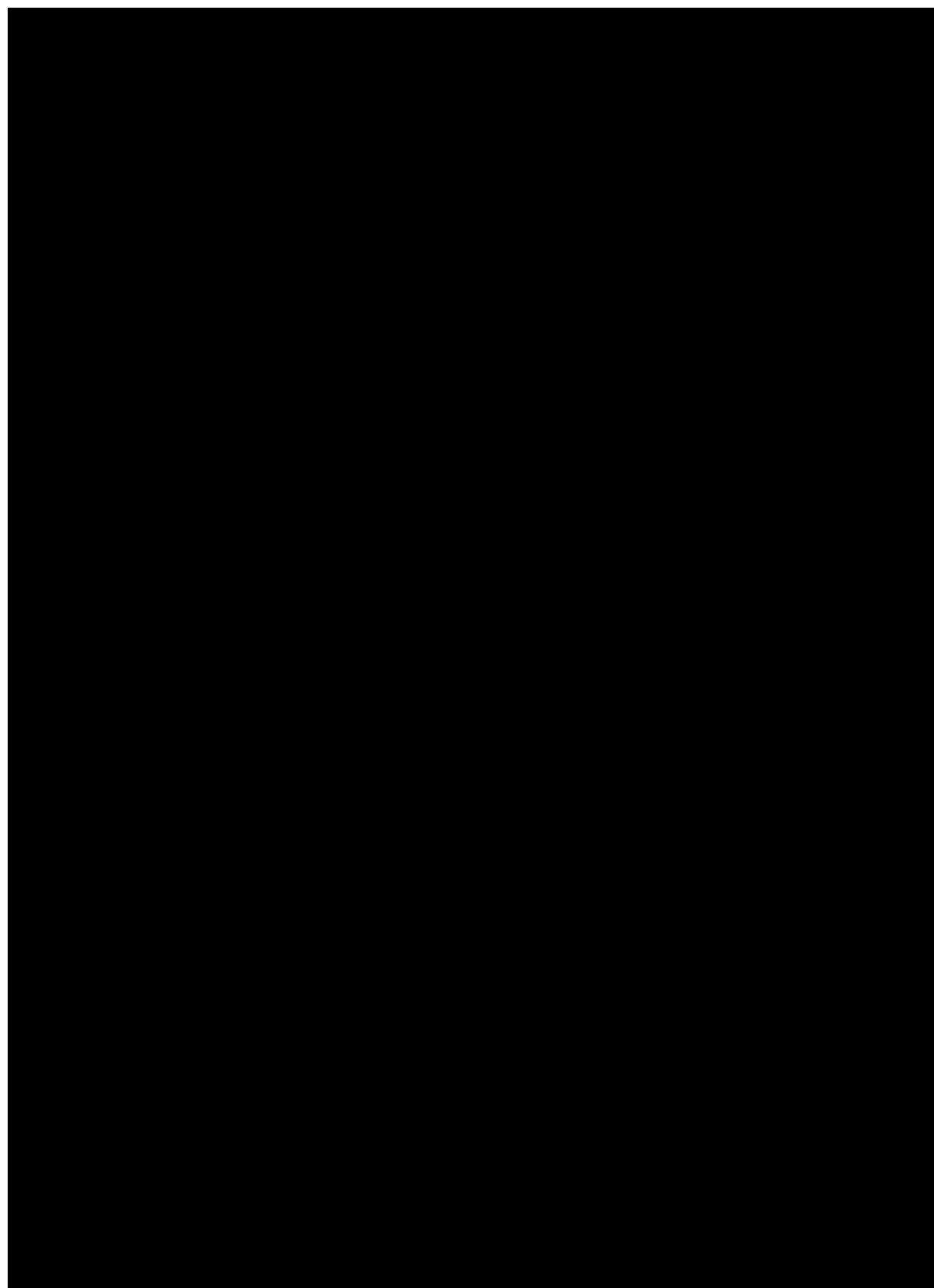
- - Data not available

Notes: aAs reported by donor agencies according to own financial year. Not always consistent with data reported to DAC (See also Tables 2.3 and D.3).

b Commitments except for 1993 and 1994 which are actual payments during the financial year (budget line B7-2, from Court of Auditors Annual Report, Nov. 1995)

cPlus \$US contributions to multilateral agencies: 1990 (+\$1.187m); 1991 (+\$0.571m); 1992 (+\$1.266m); 1993 (+\$0.109 m); 1994 provisional.

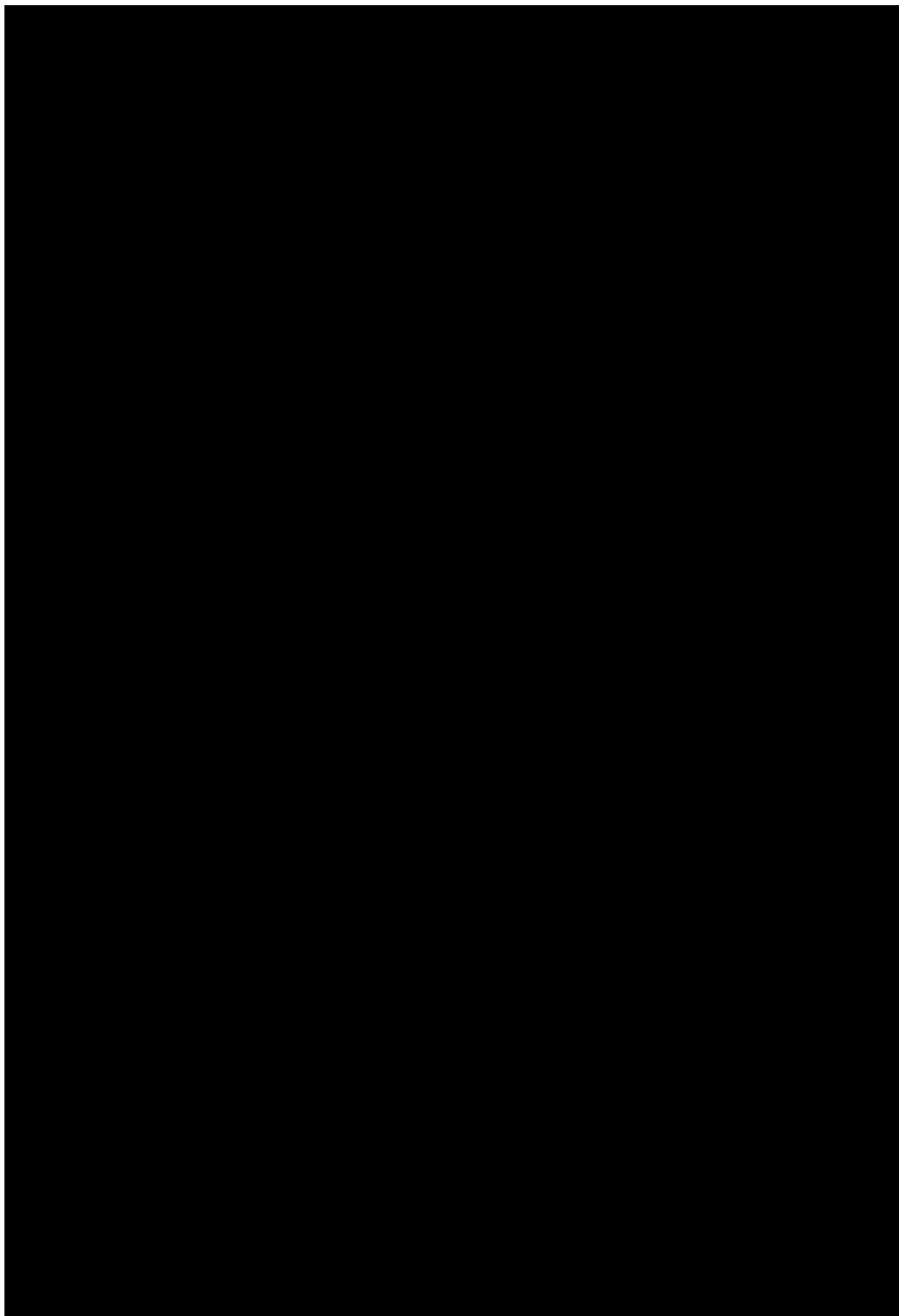
Source: EU Member States and European Commission

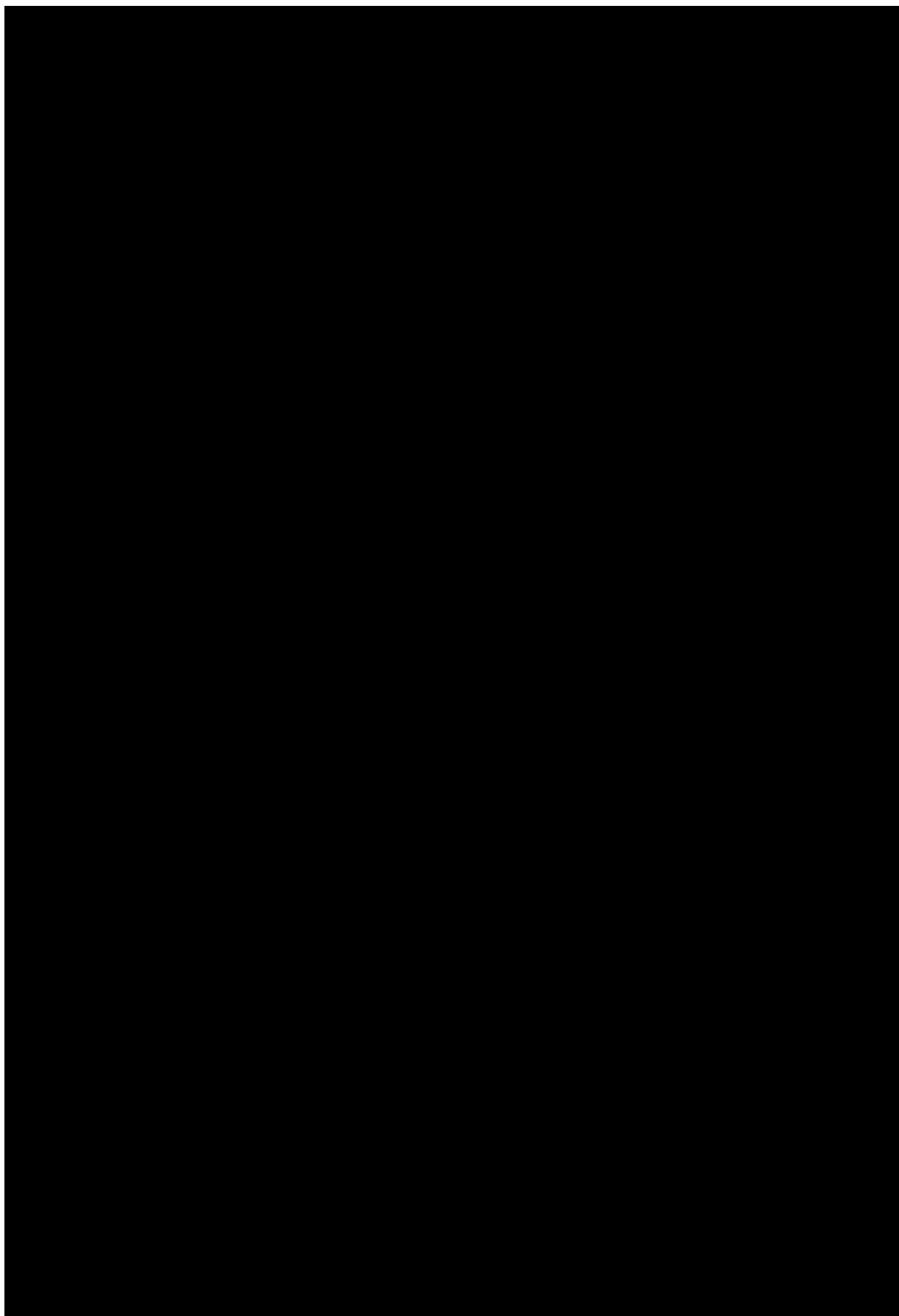


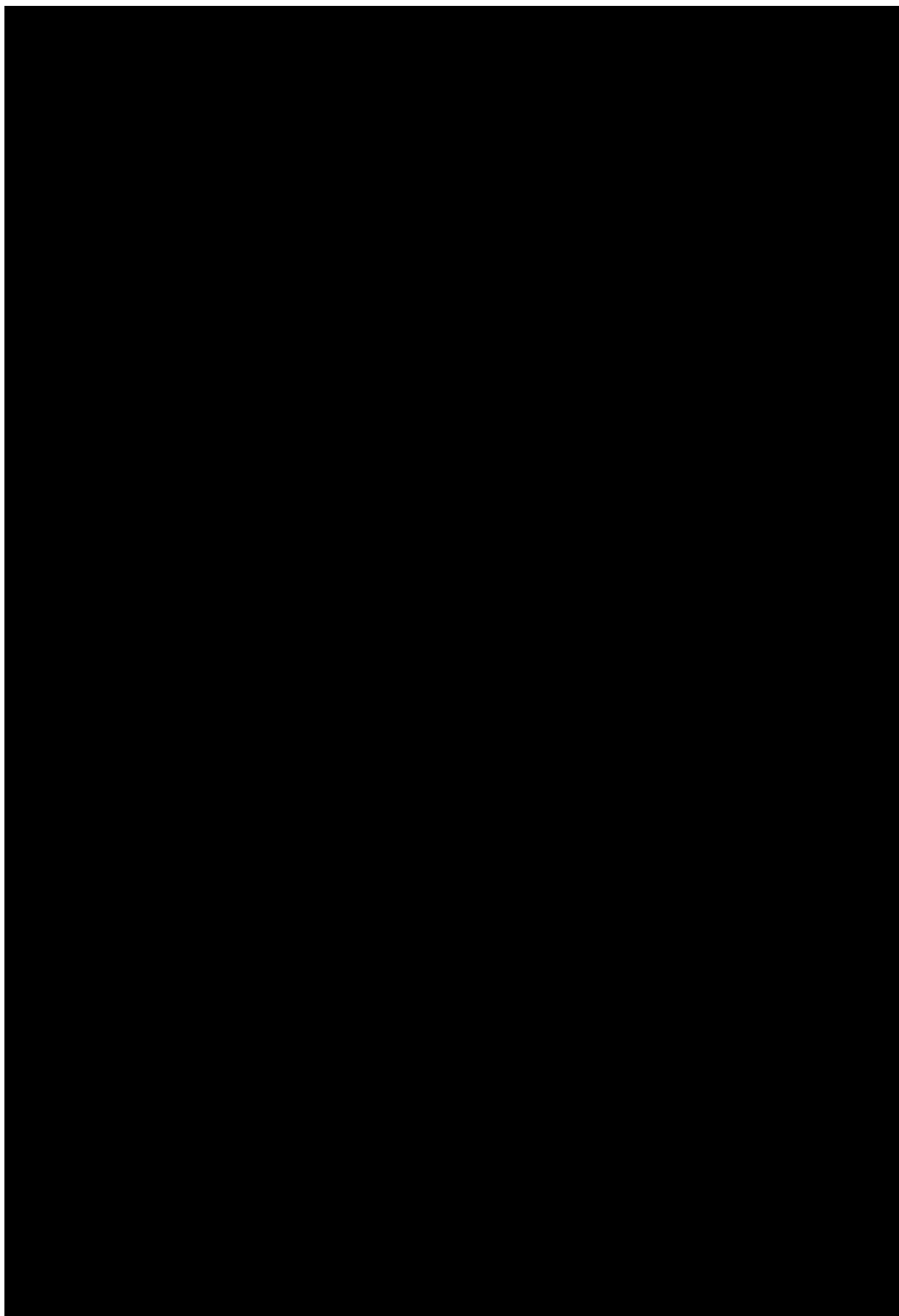
Note: ^aWheat flour, blended and fortified foods and rice in grain equivalence. Contributions to WFP reported separately as WFP assistance.

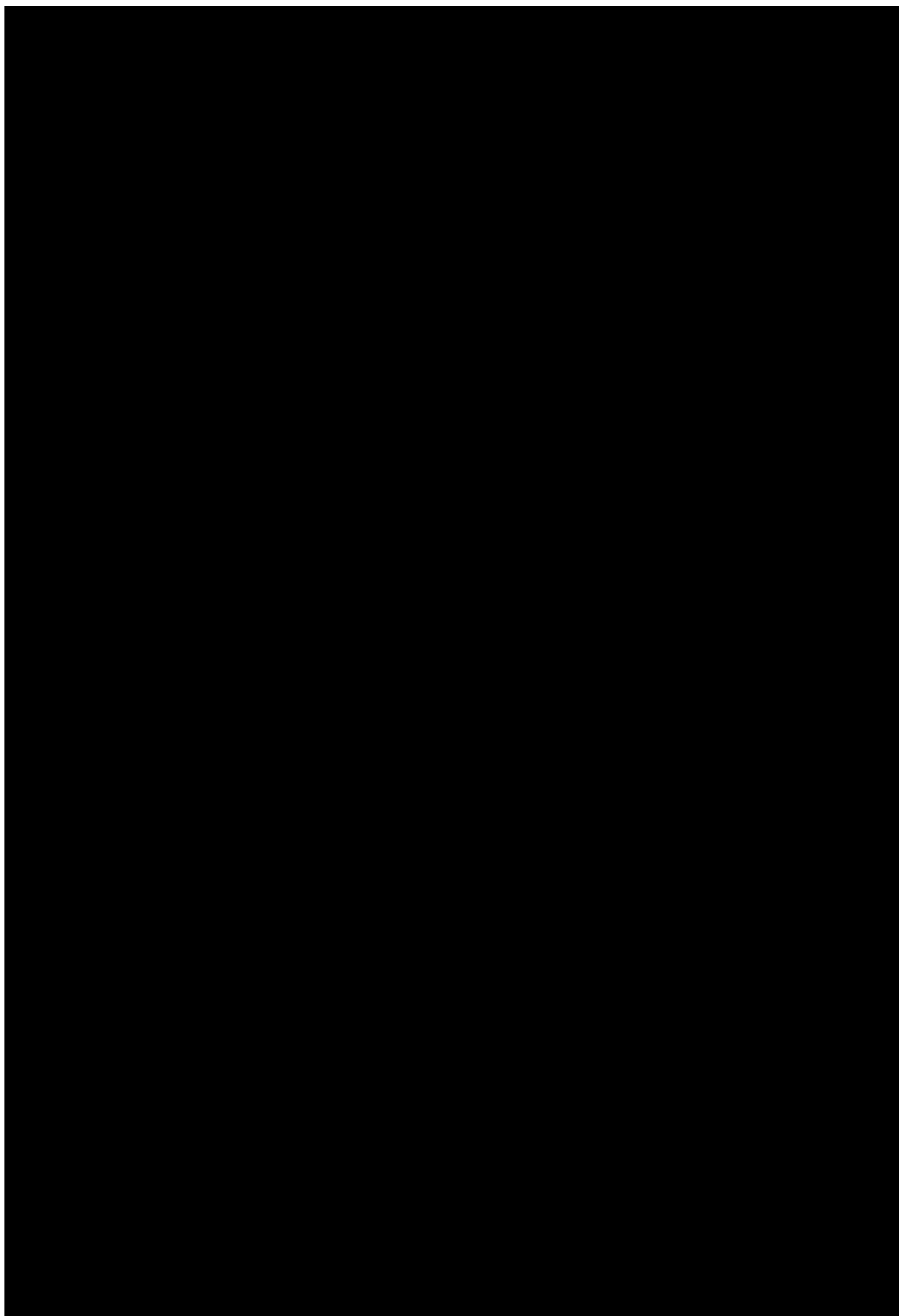
Source: Adapted from WFP, INTERFAIS.

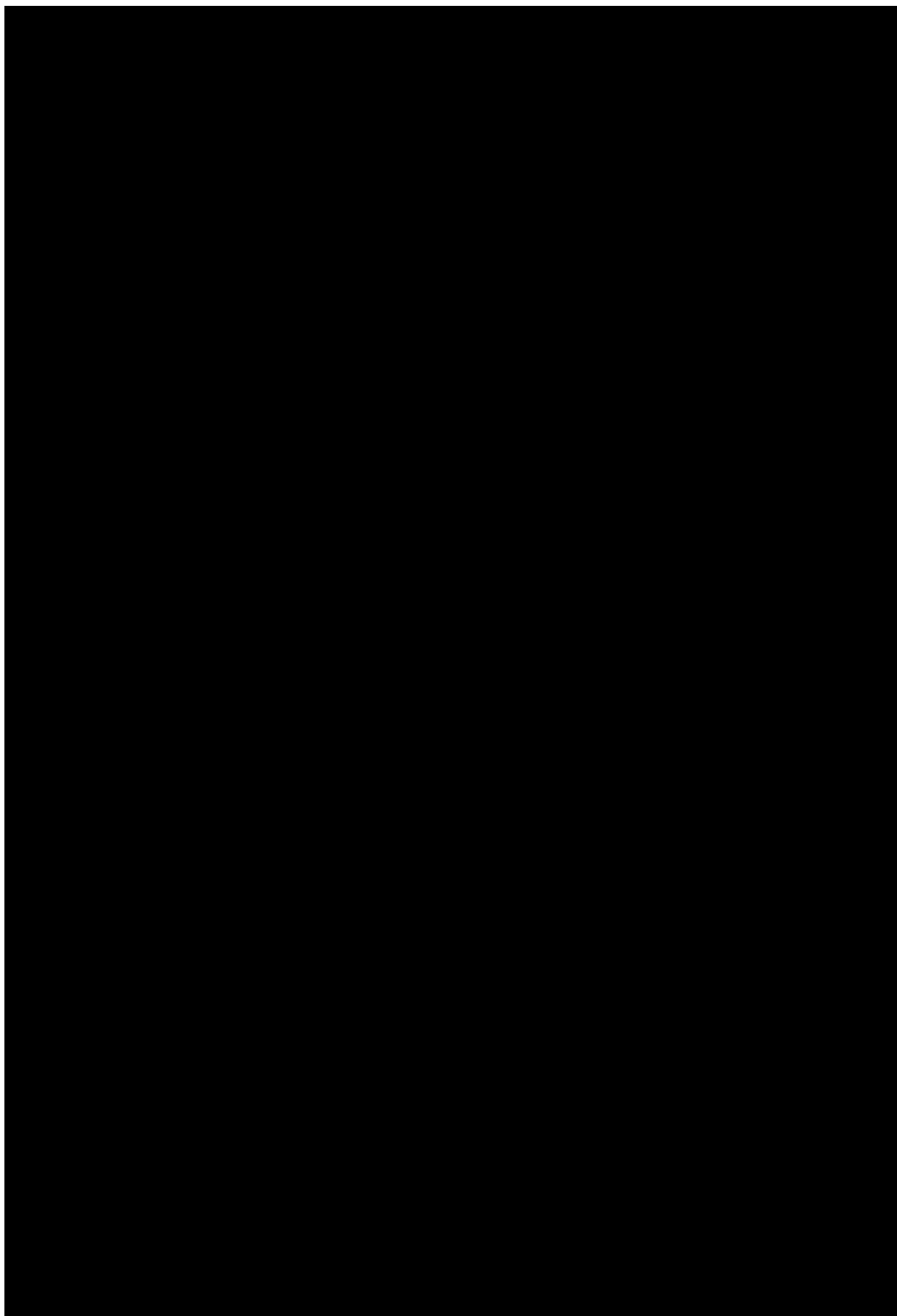


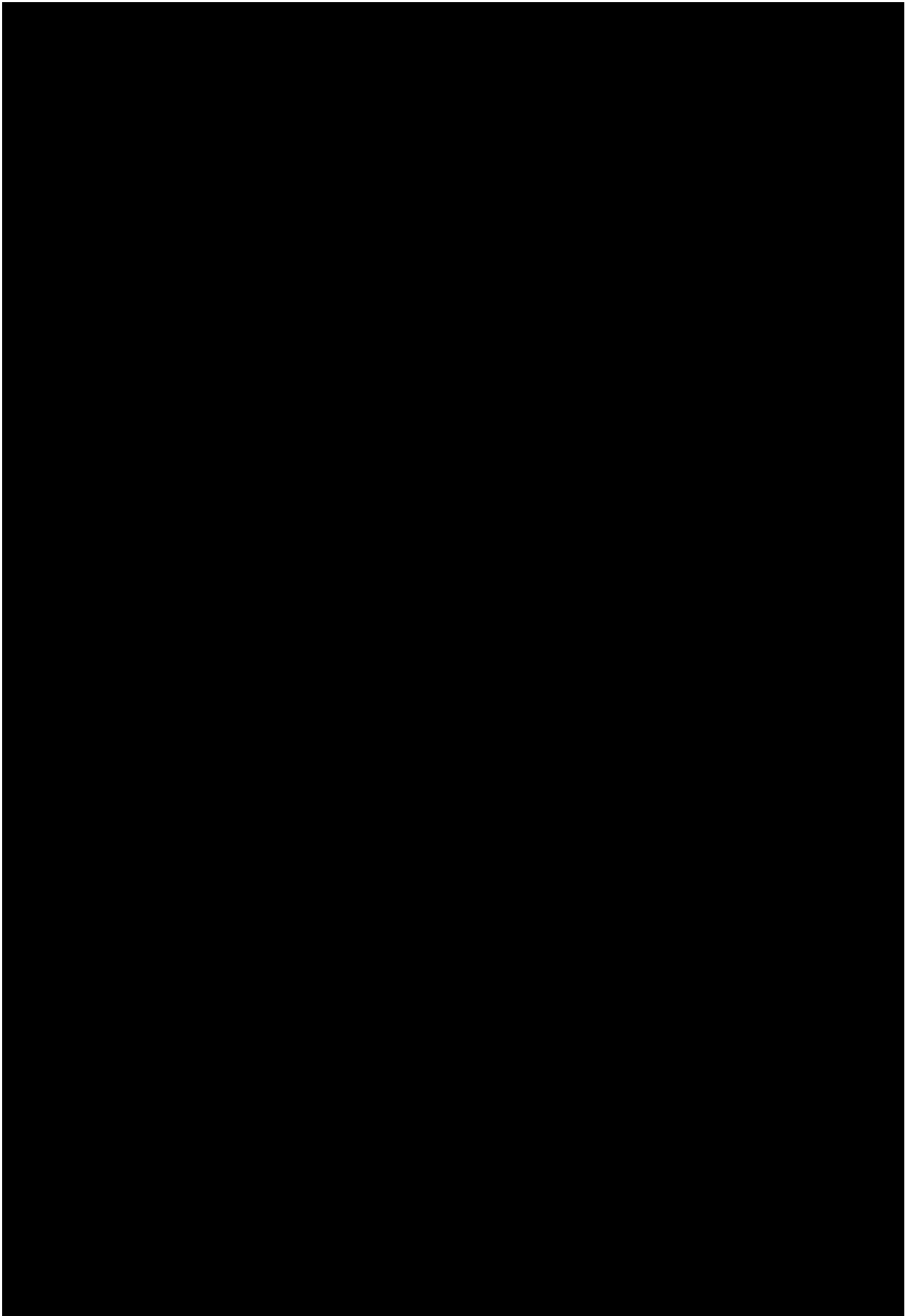
Annex Table D.7 EU Community Actions food aid by region (thousand tonnes)^a

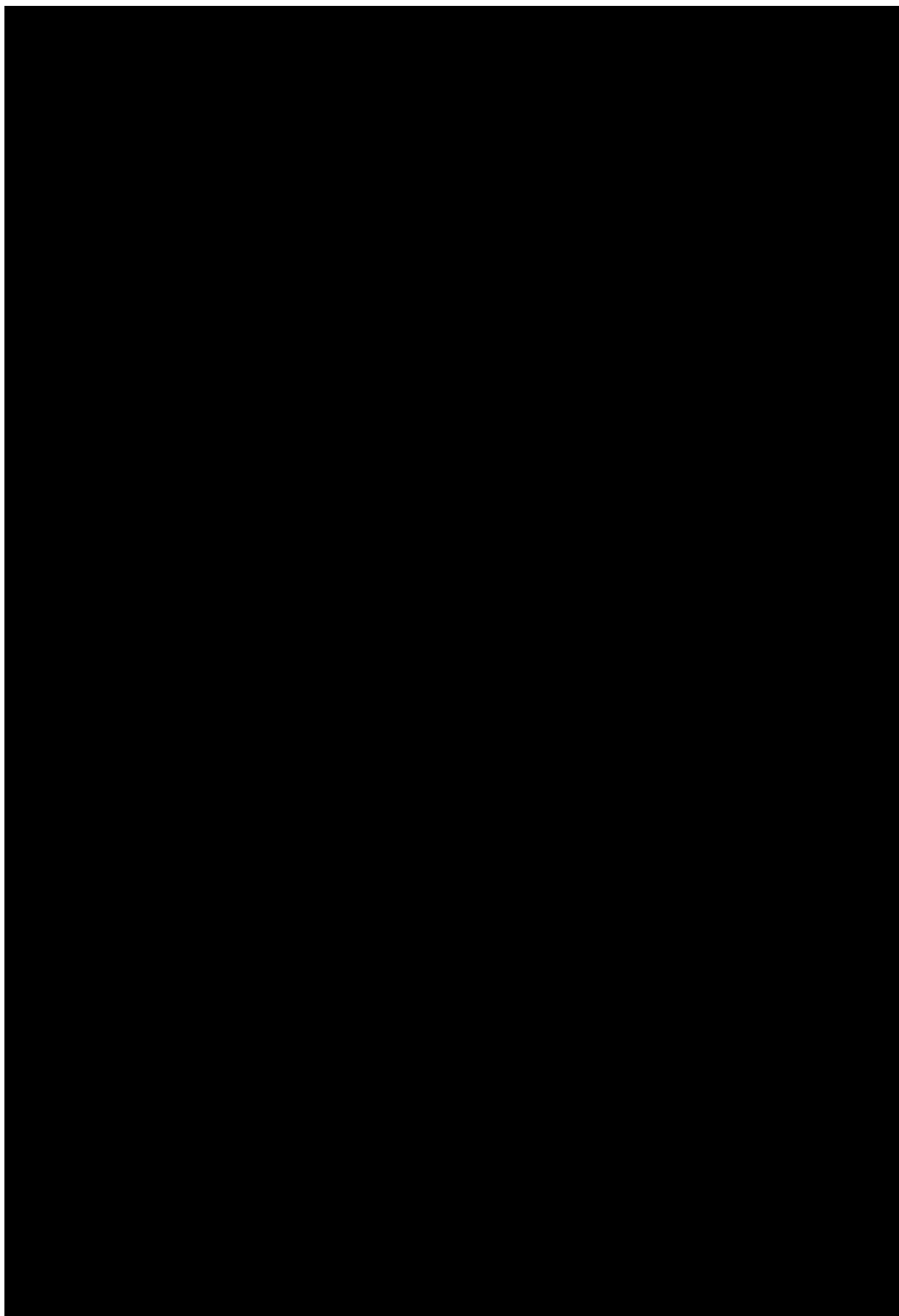


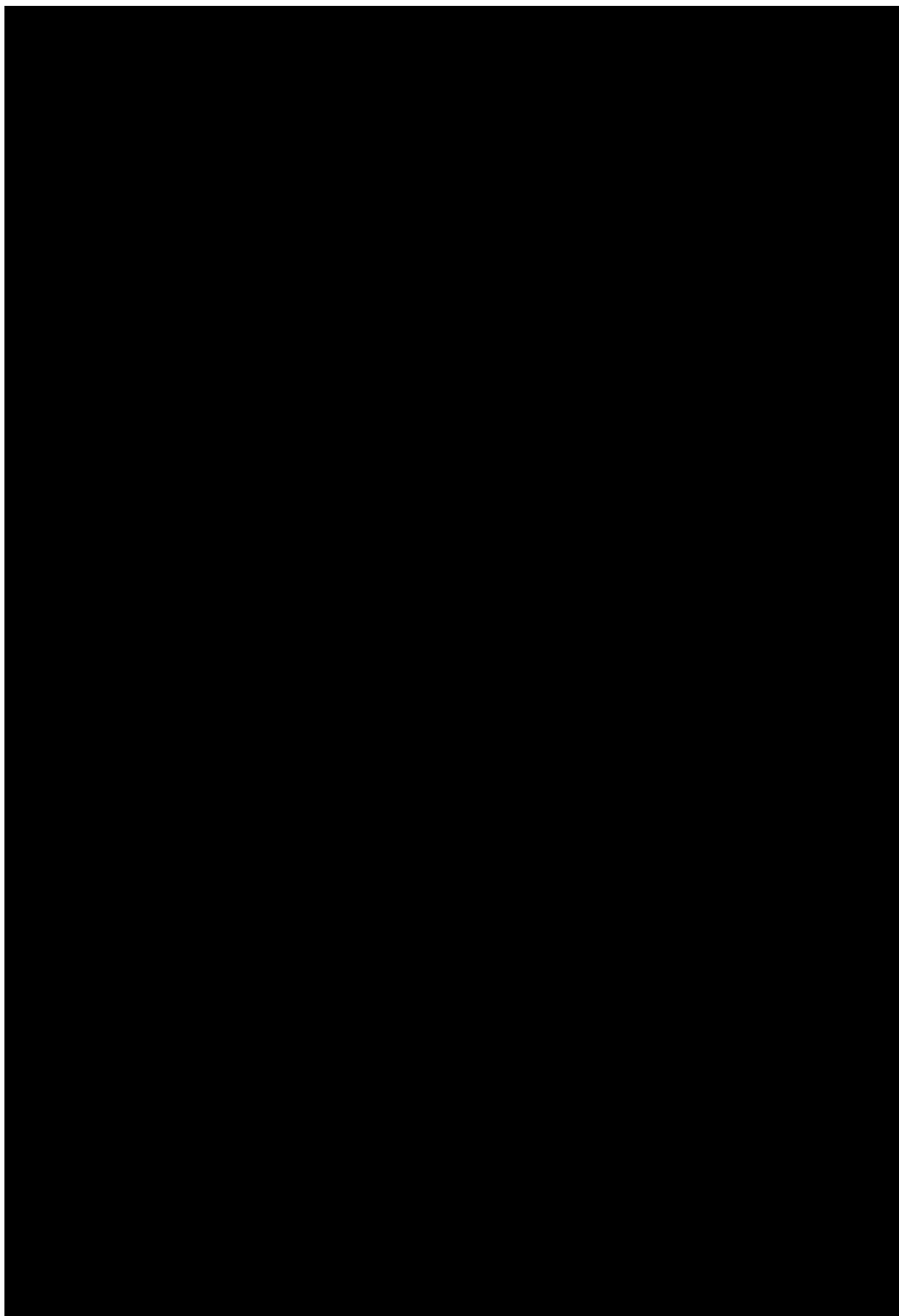


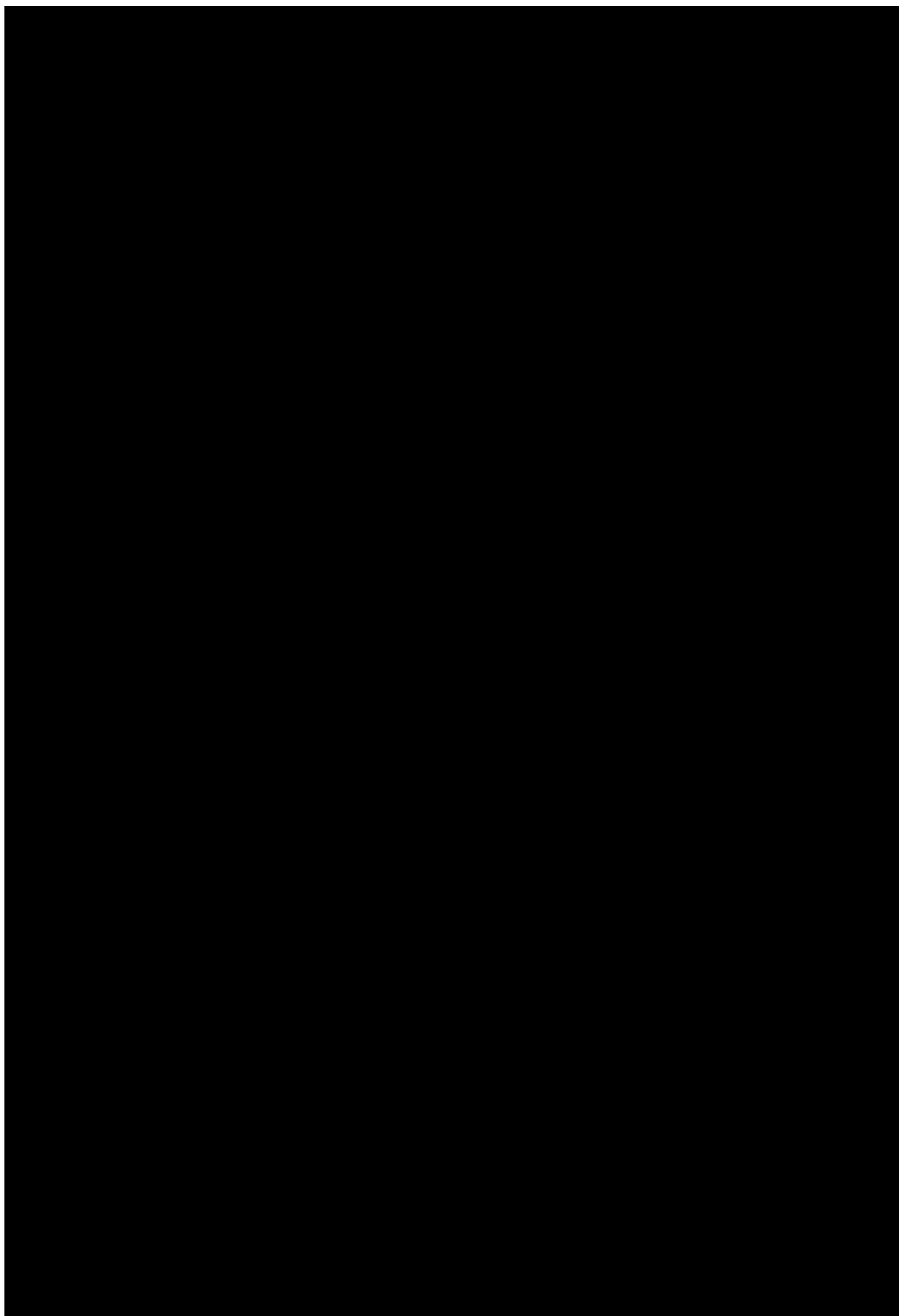


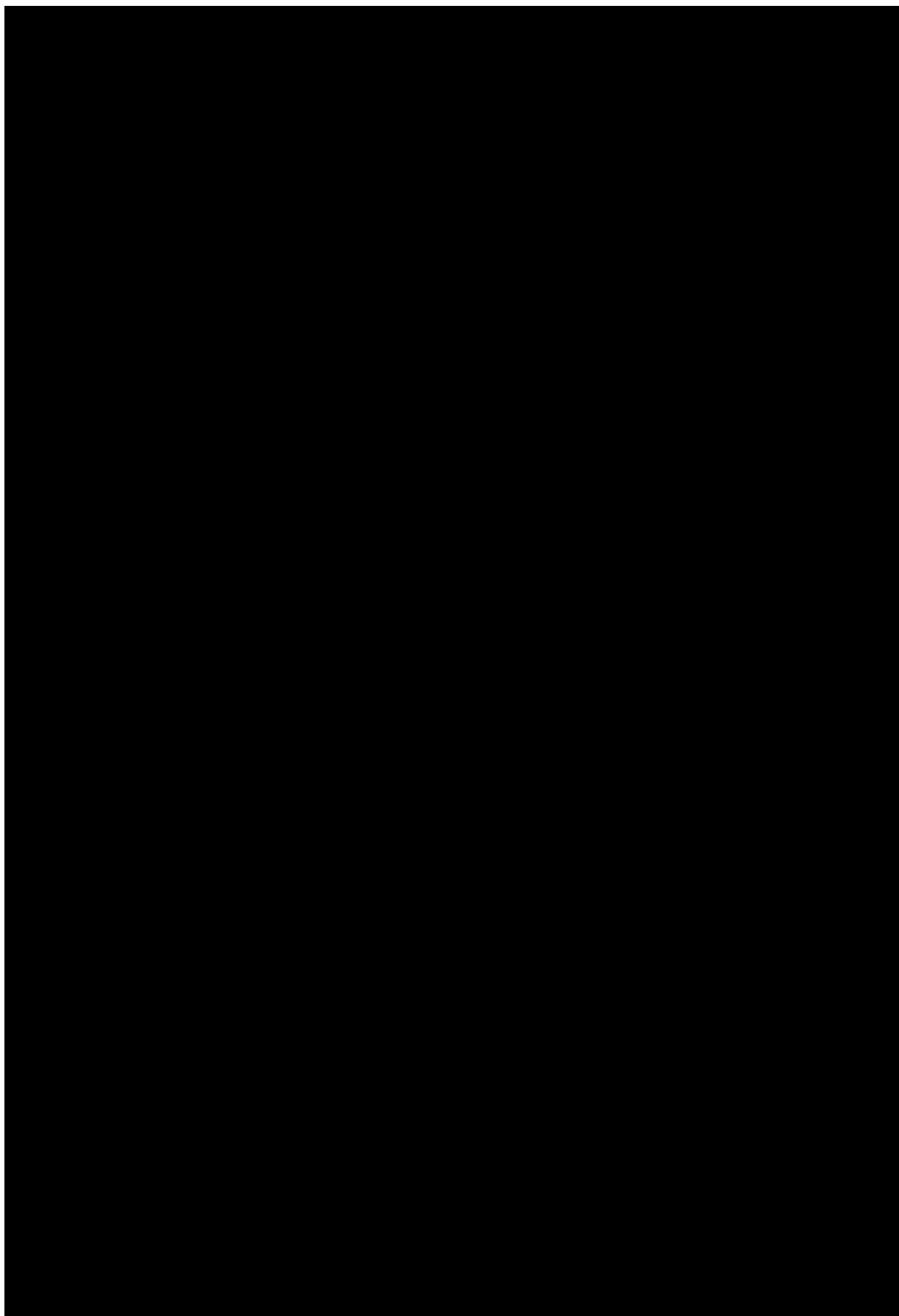


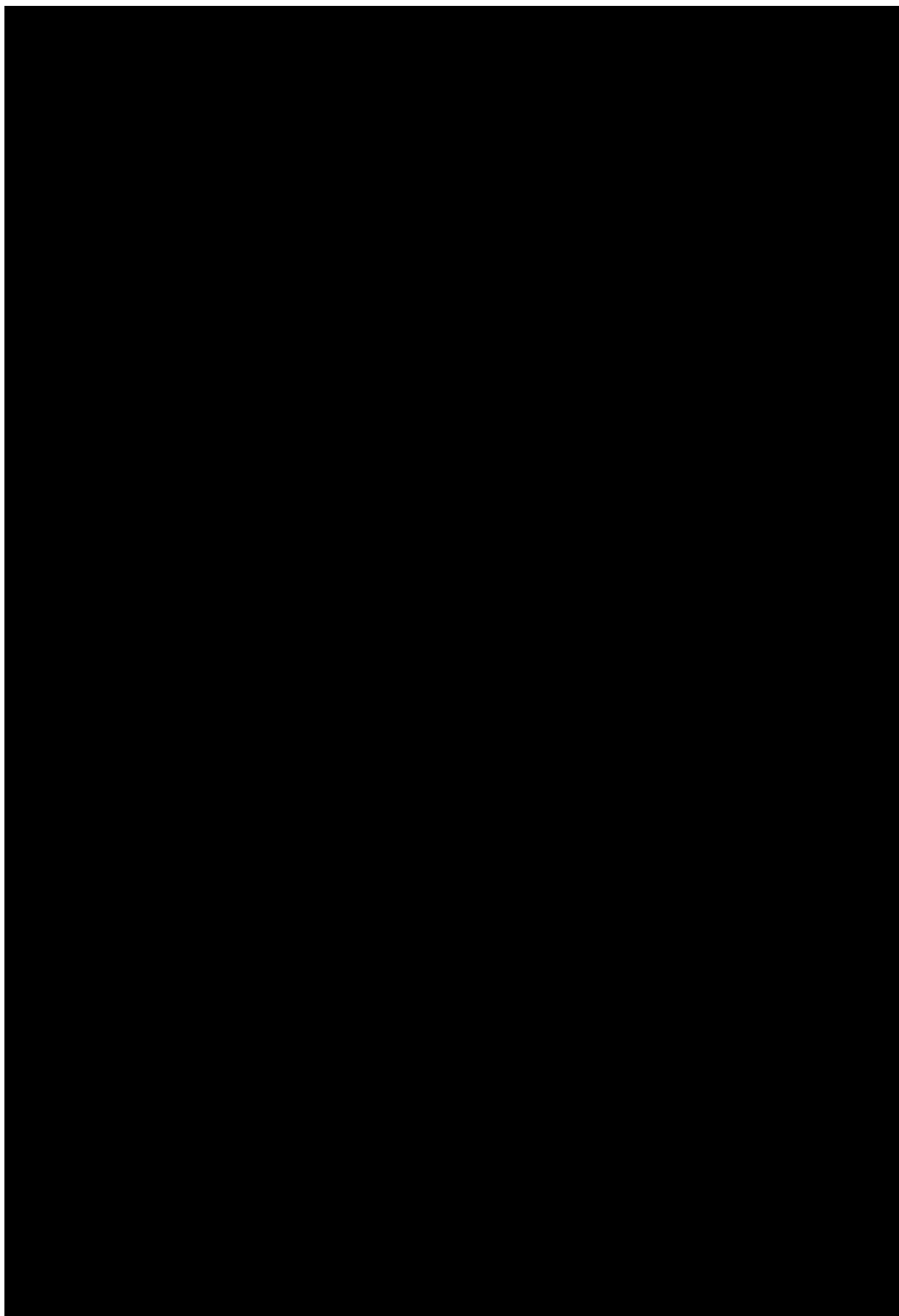


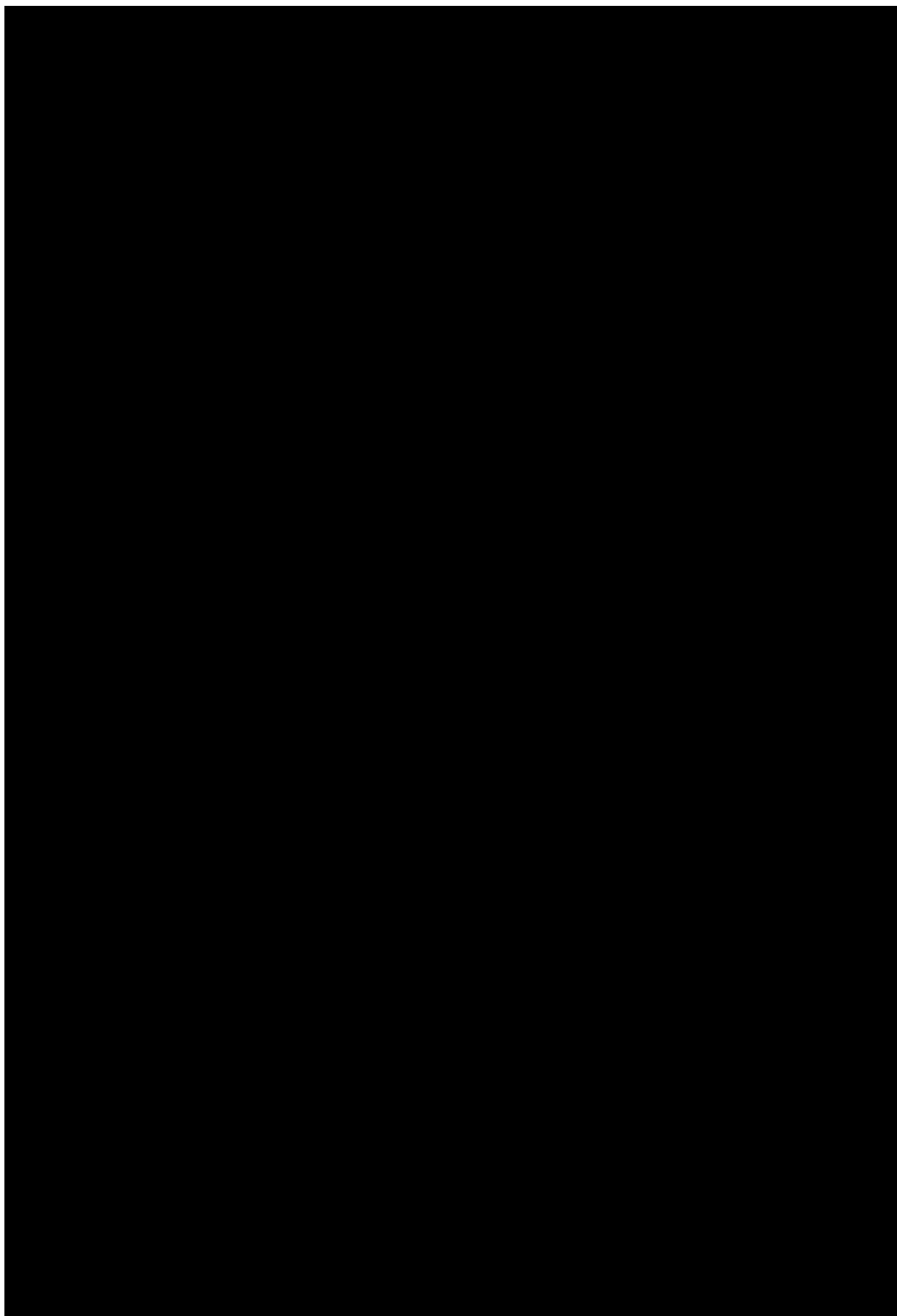


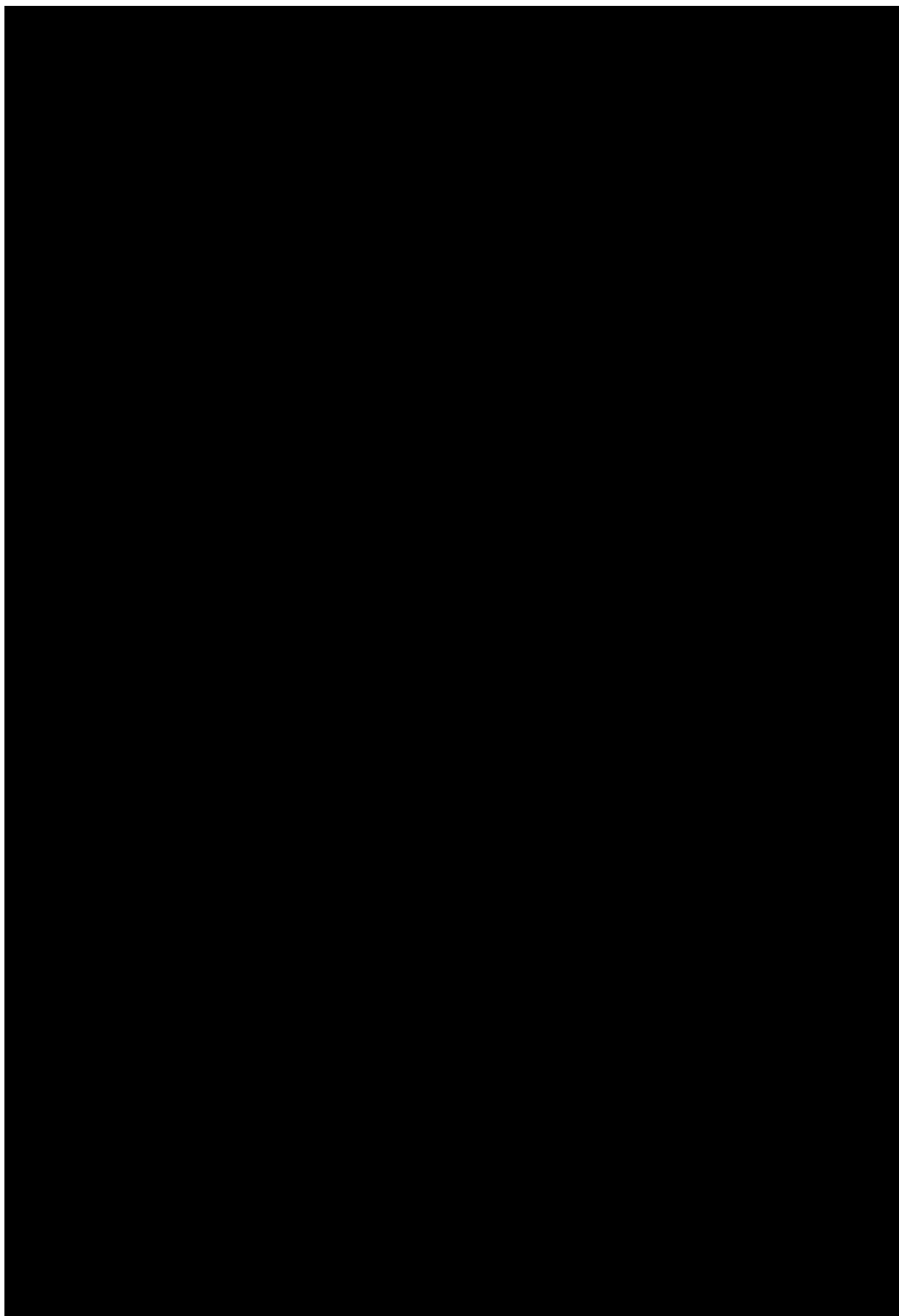


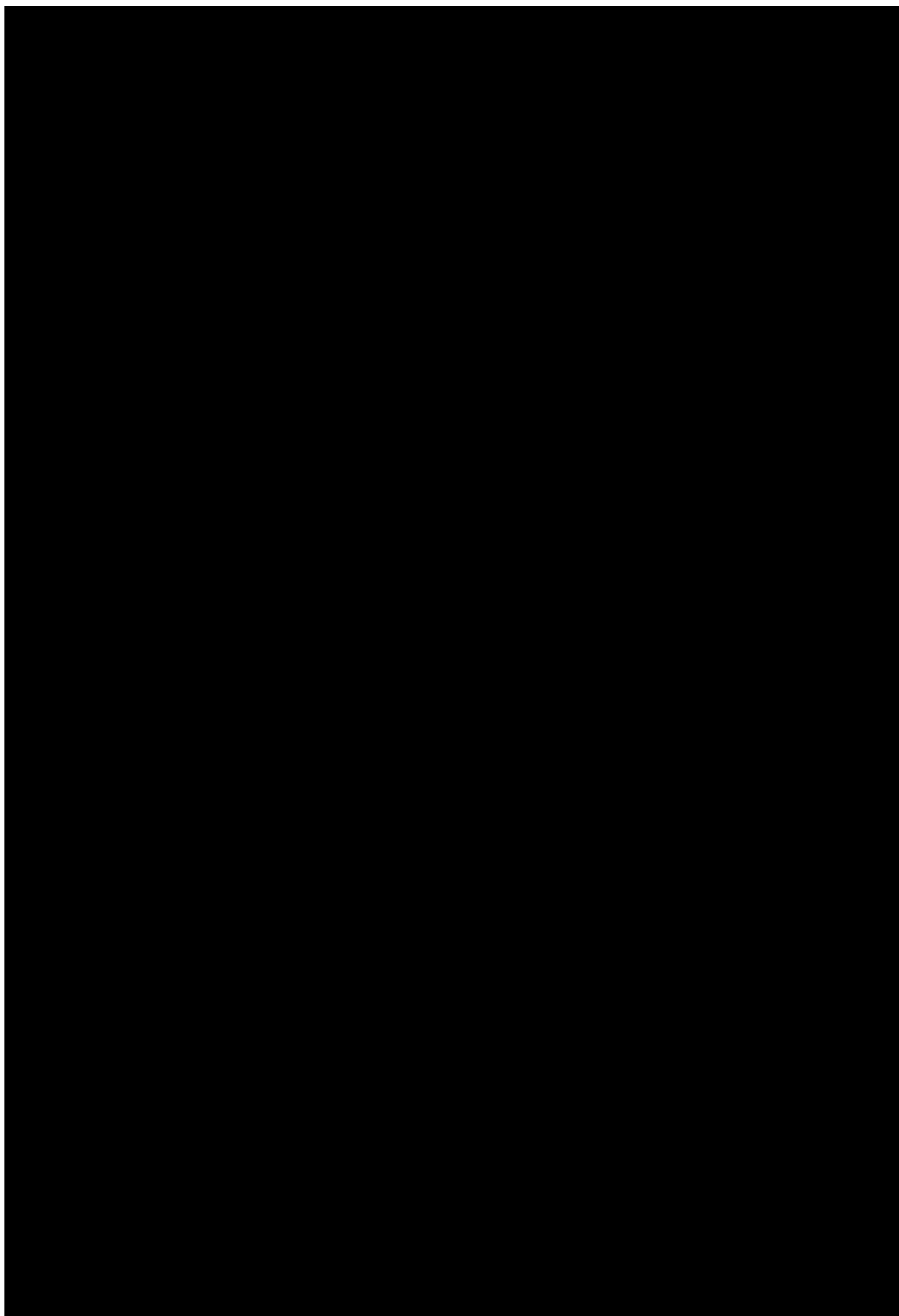


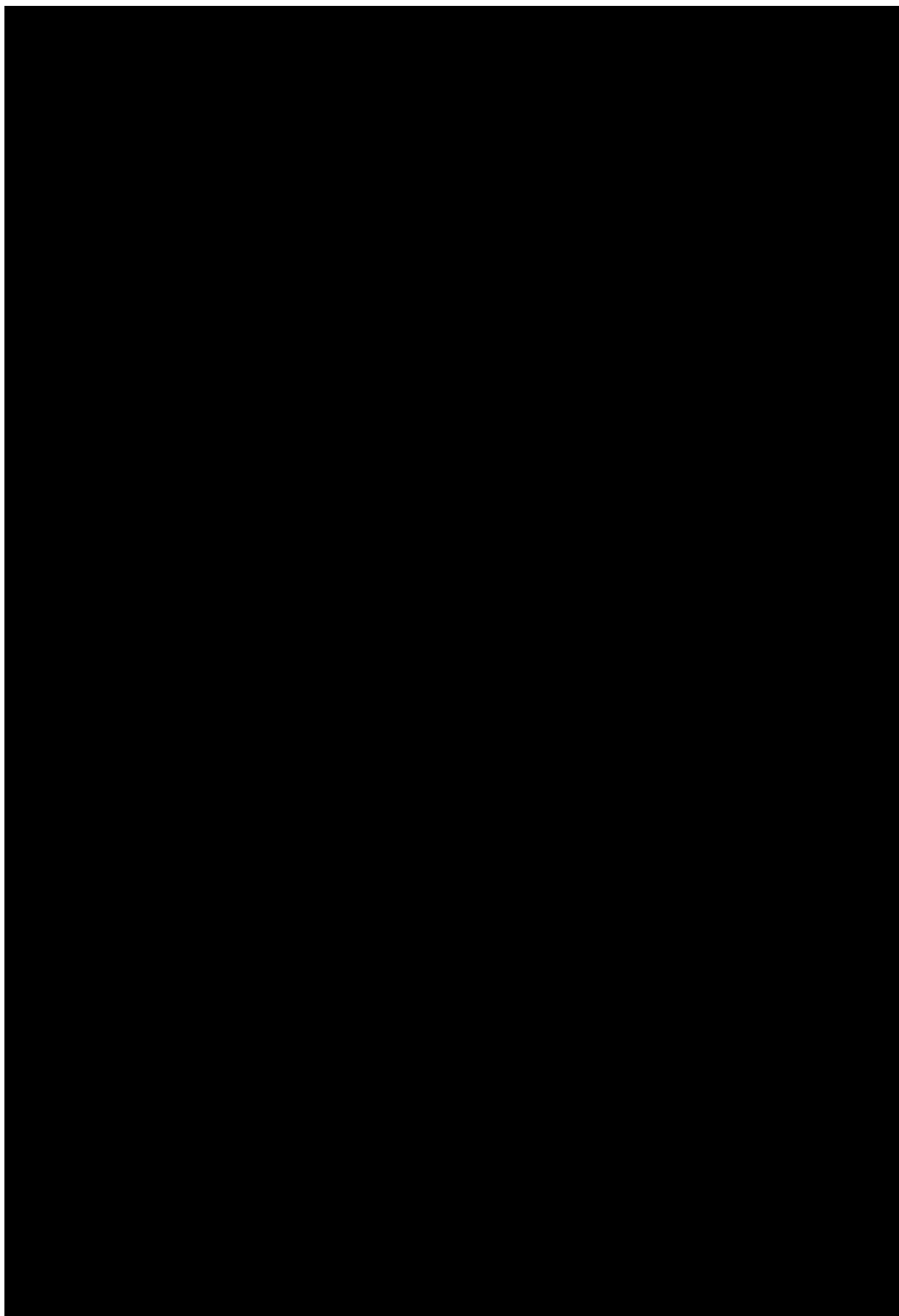


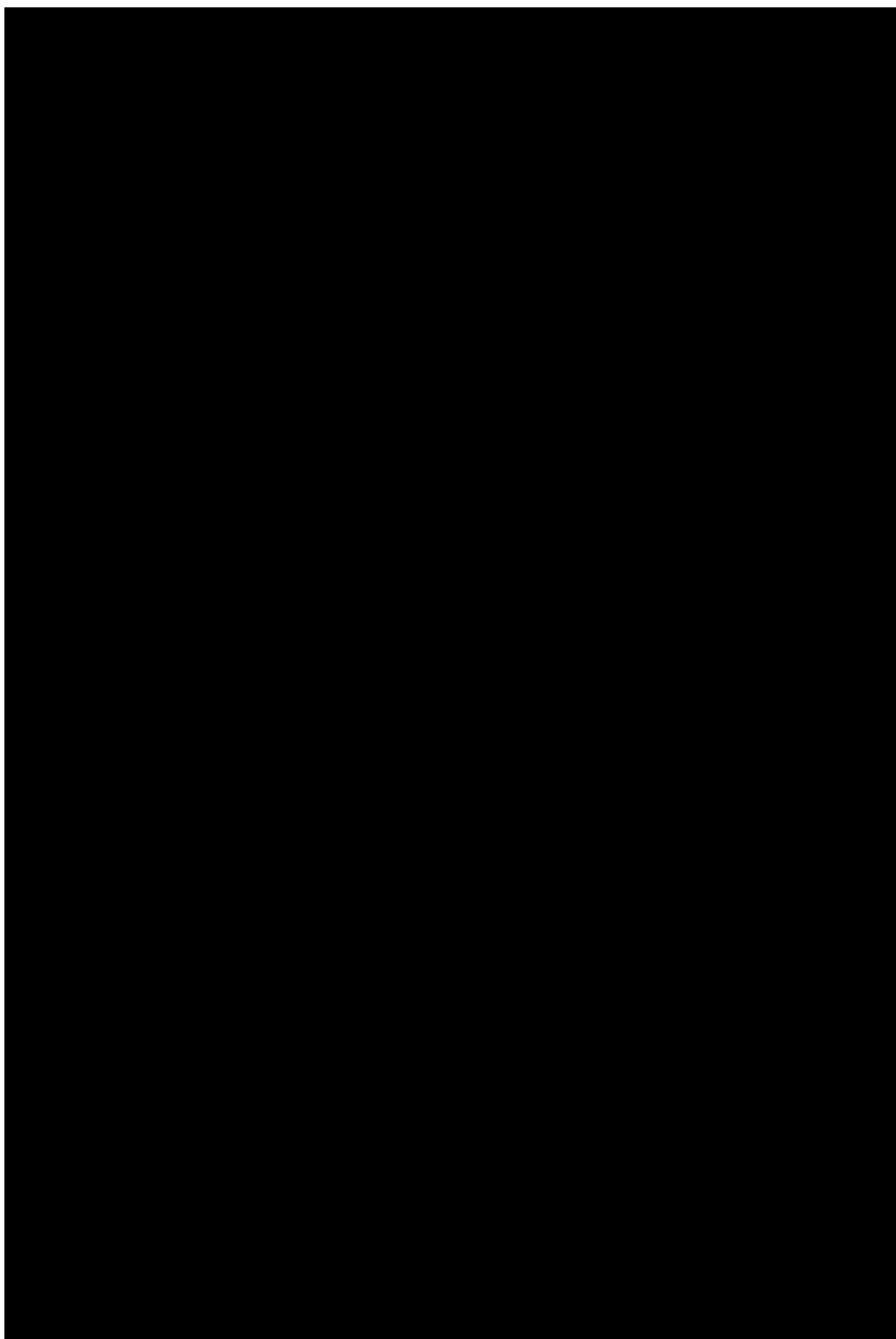






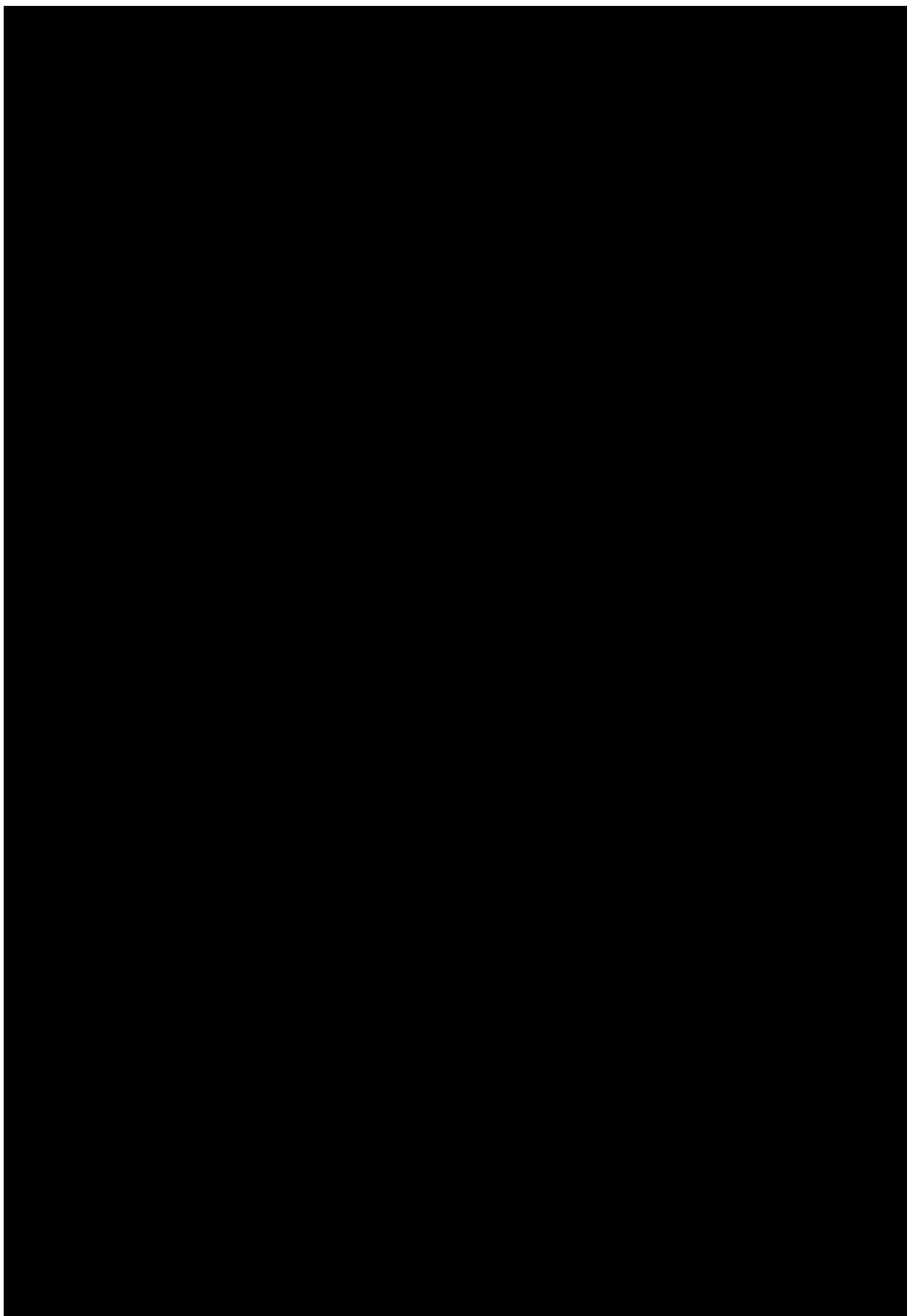


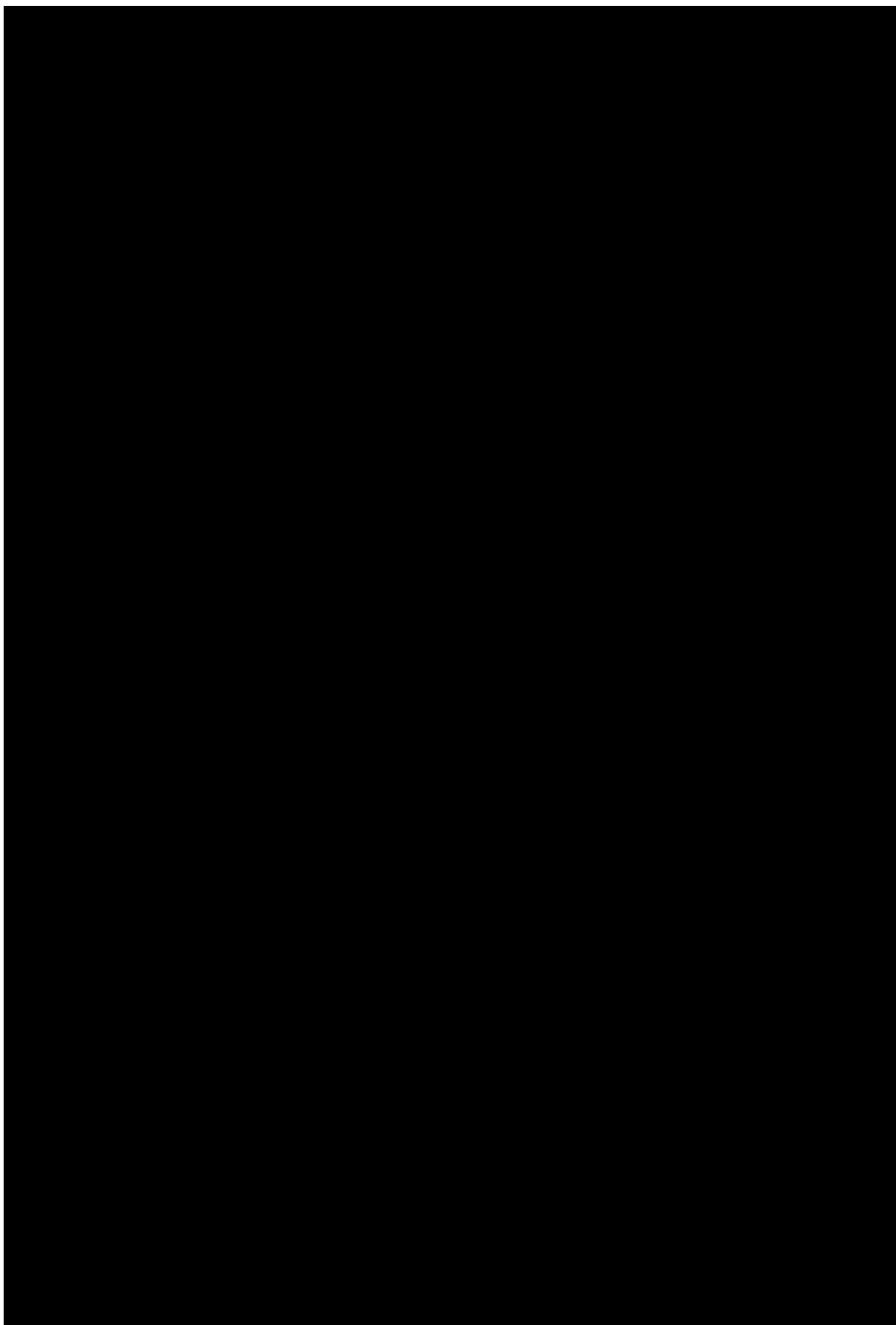


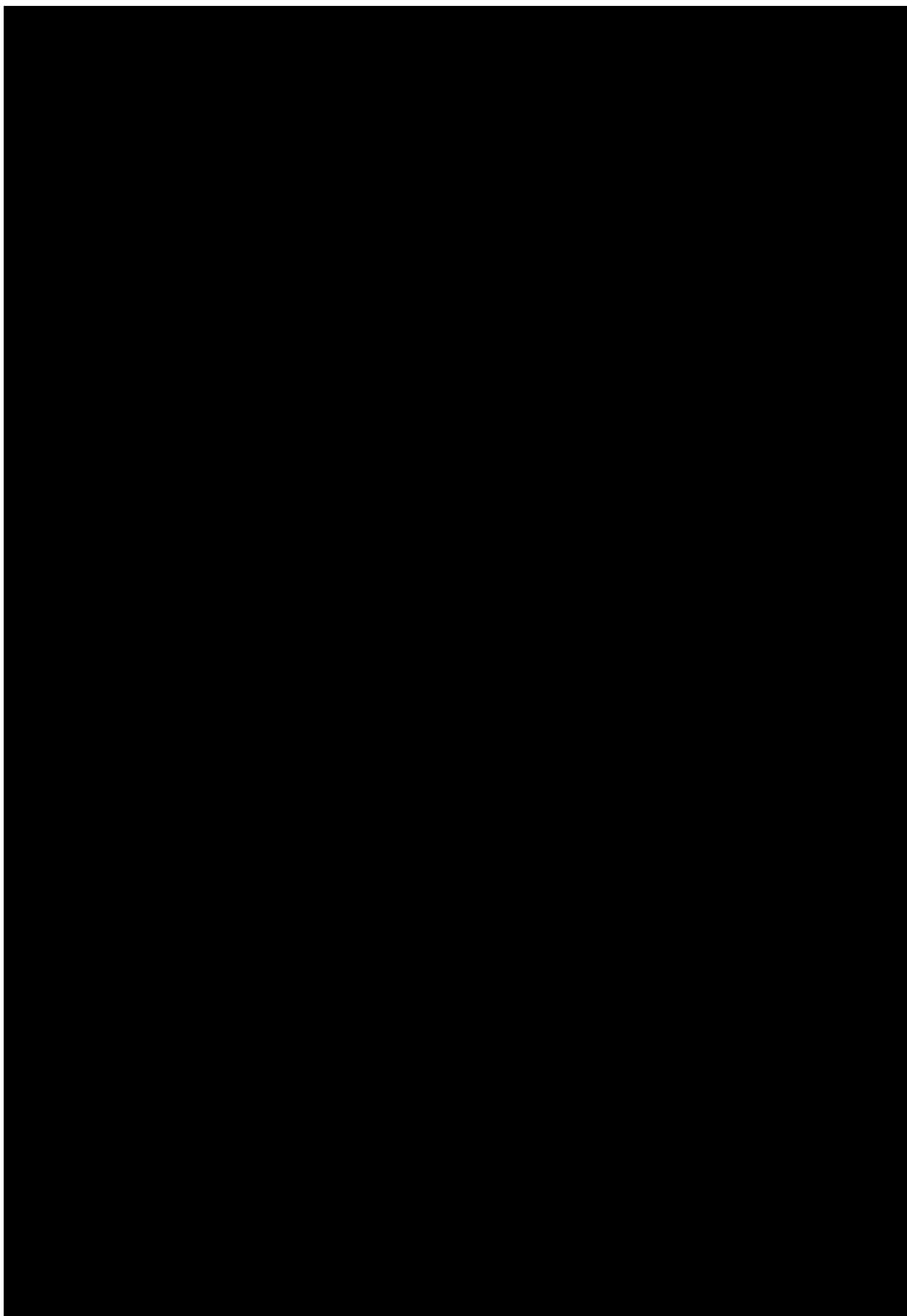


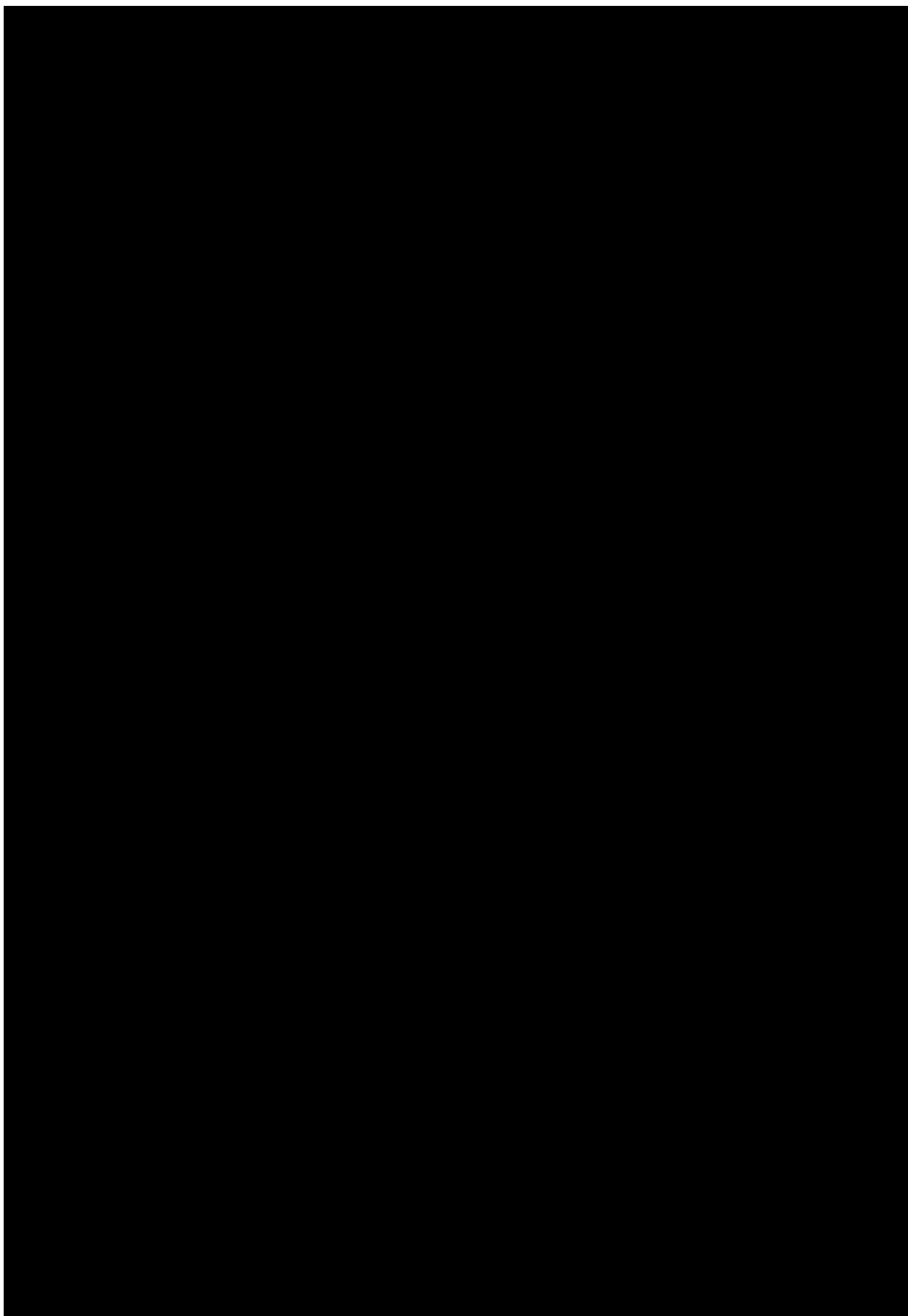
Notes: a Cereals and non-cereals in grain equivalence. Including contributions to WFP.
b 1992-4 figures include uncategorised shipments to Latvia, Lithuania and Tajikistan.

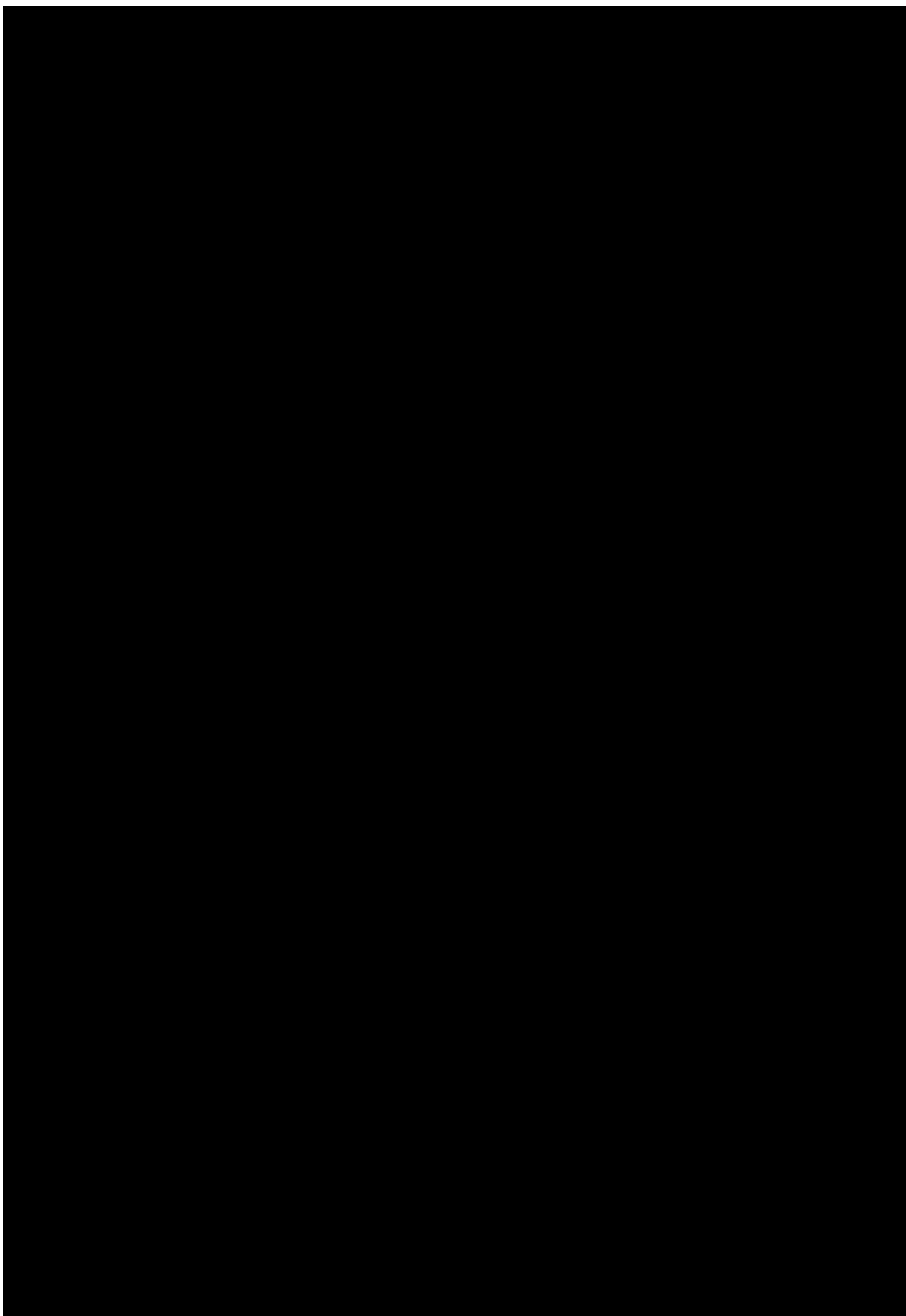
Source: WFP, INTERFAIS

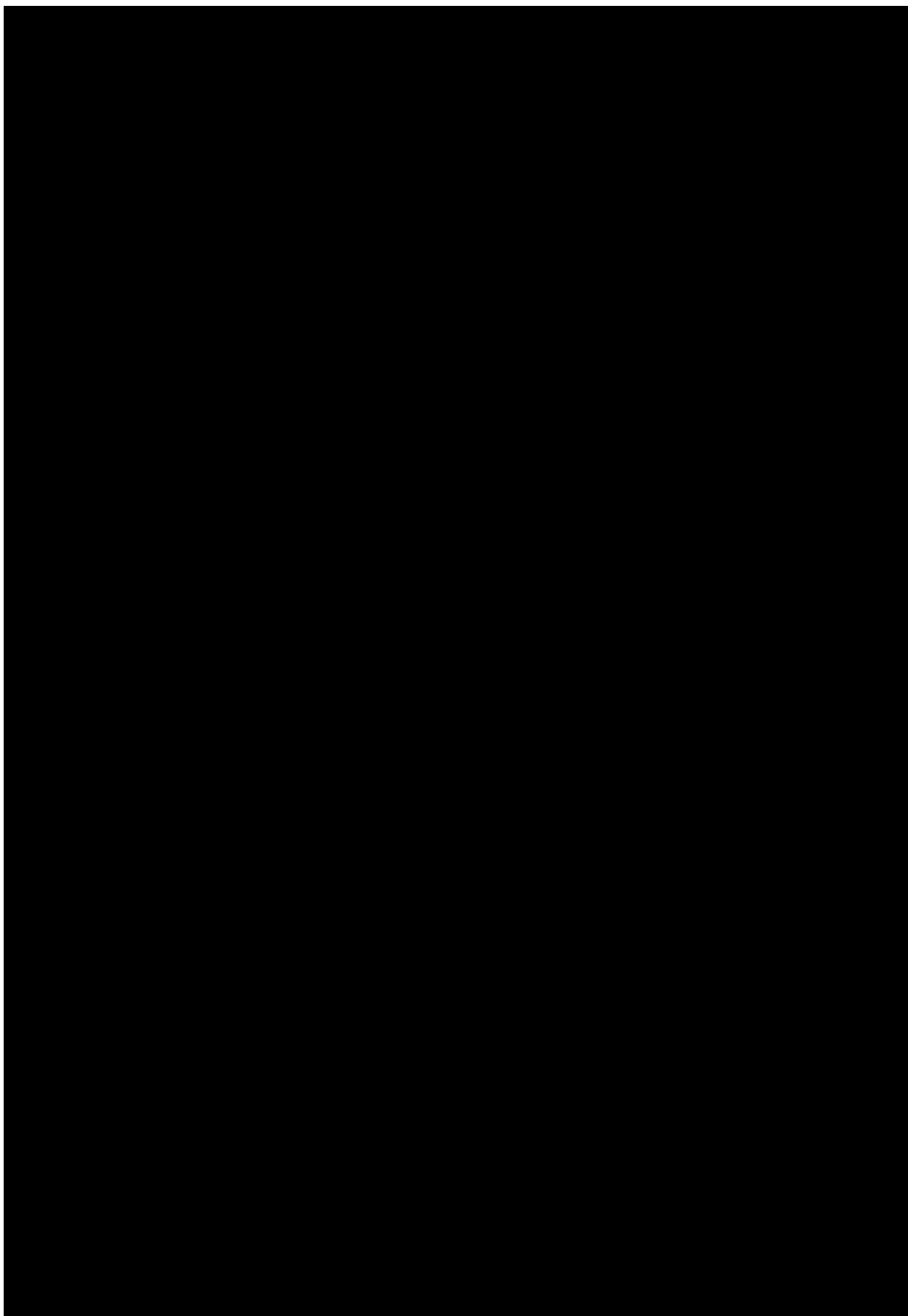
Annex Table D.8 EU Member States' food aid by region, 1992-94 (thousand tonnes) ^a

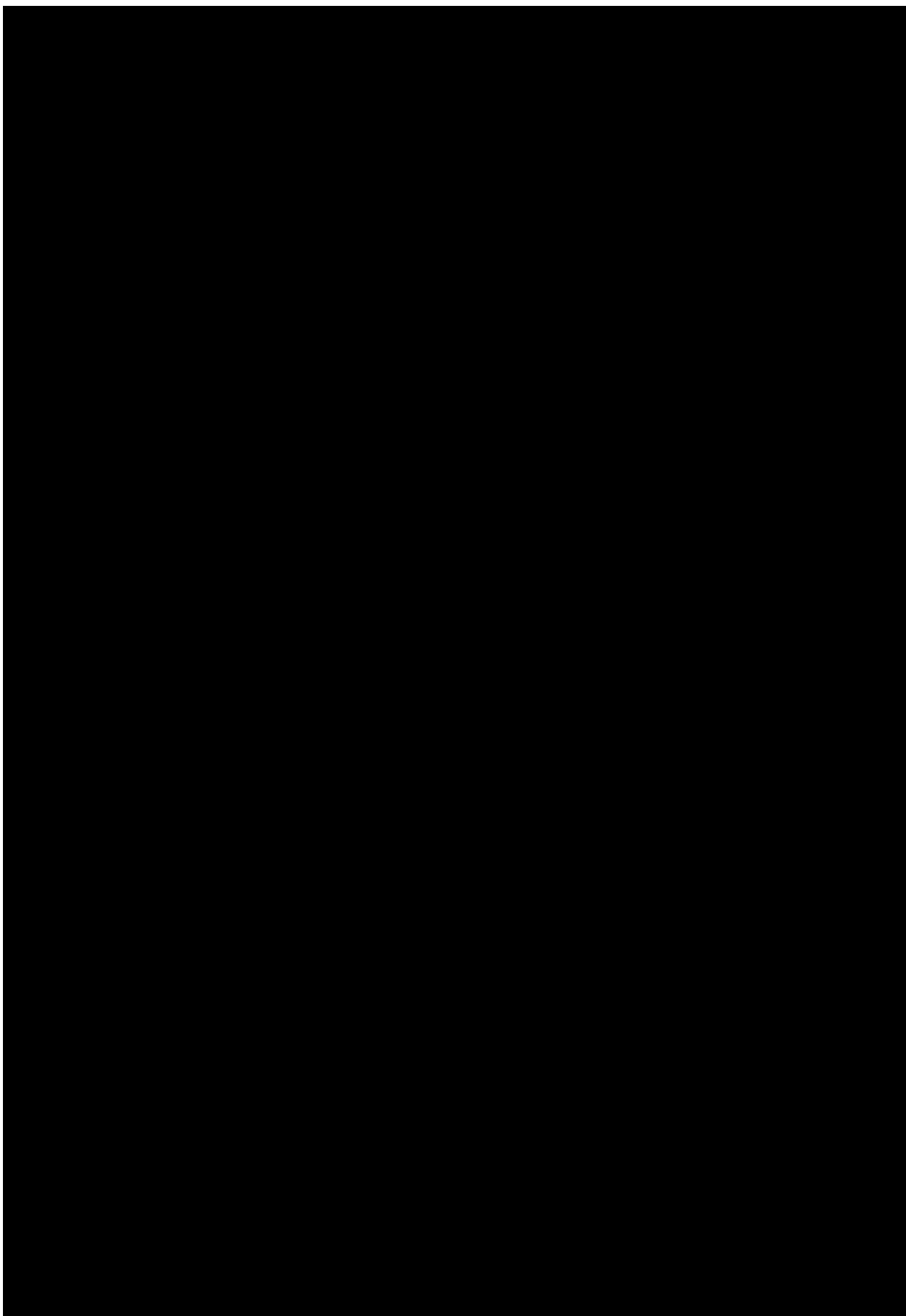


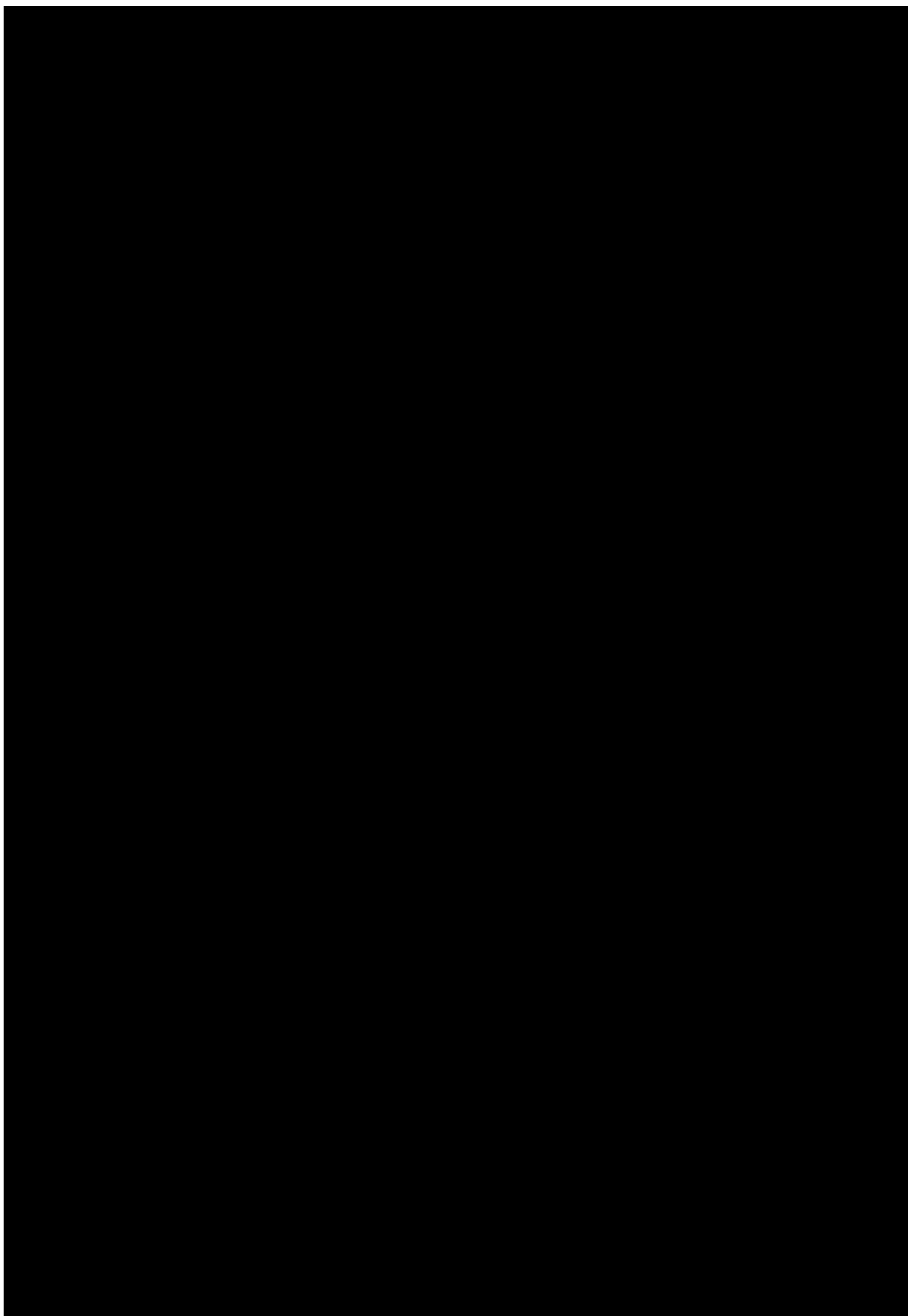


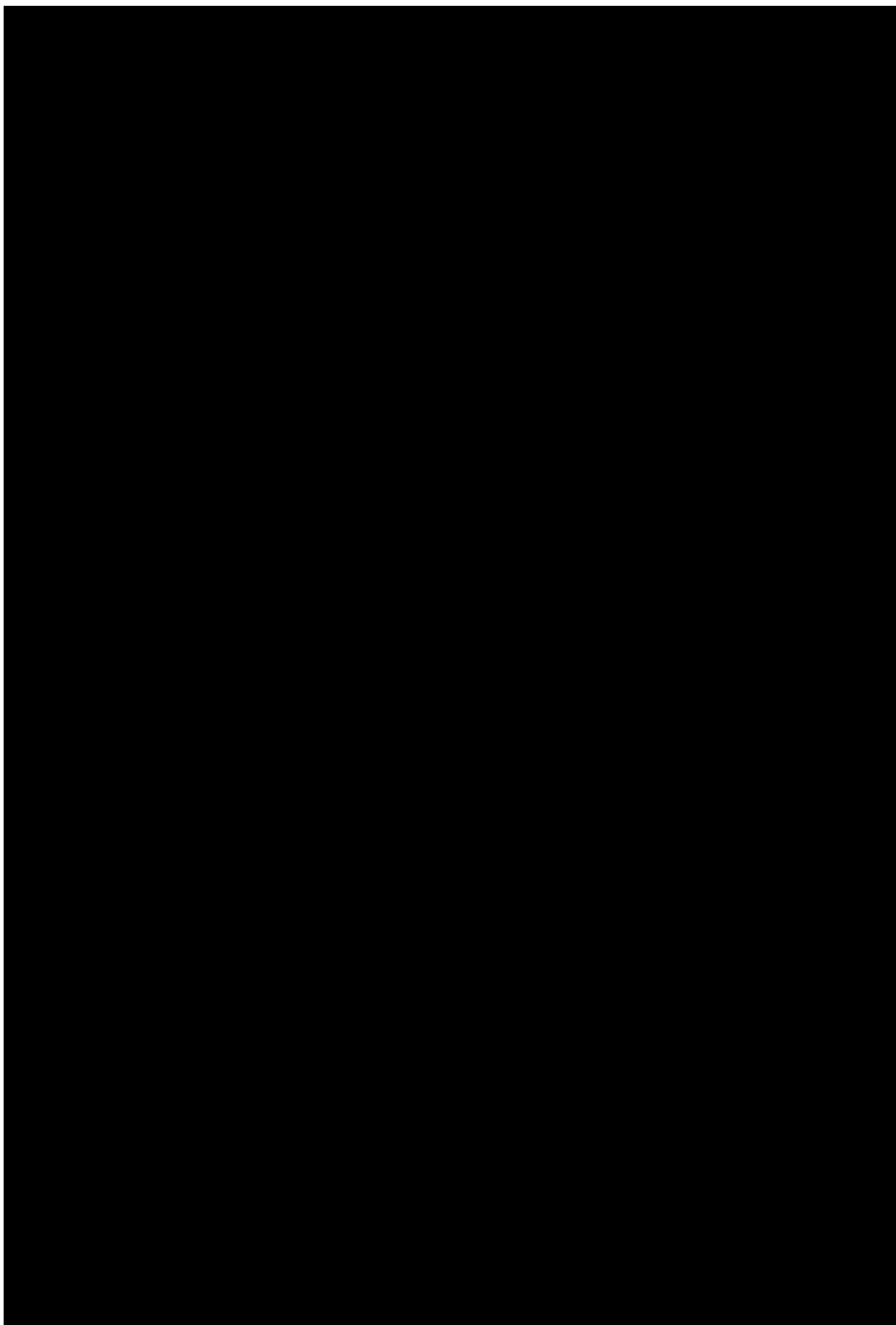






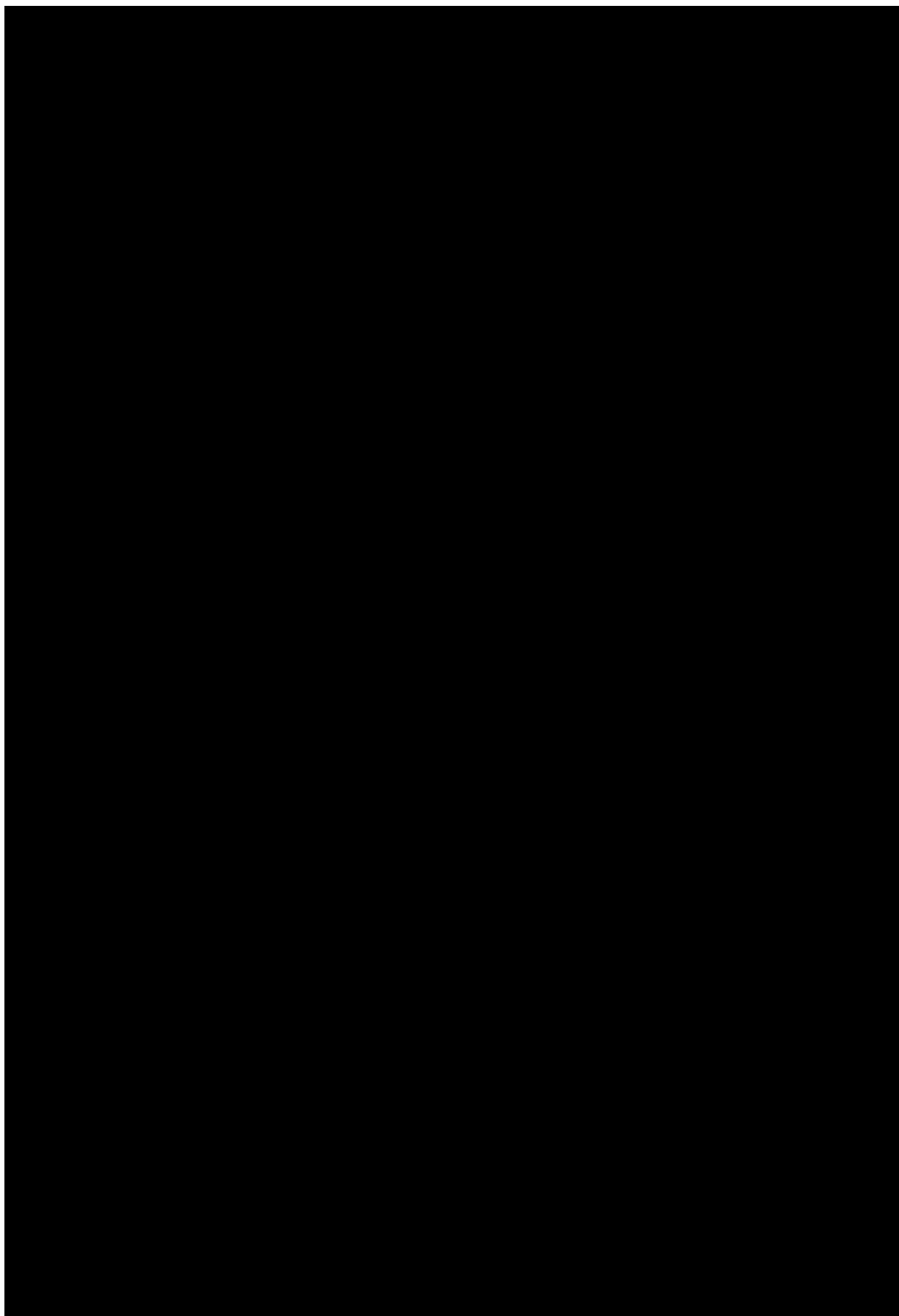


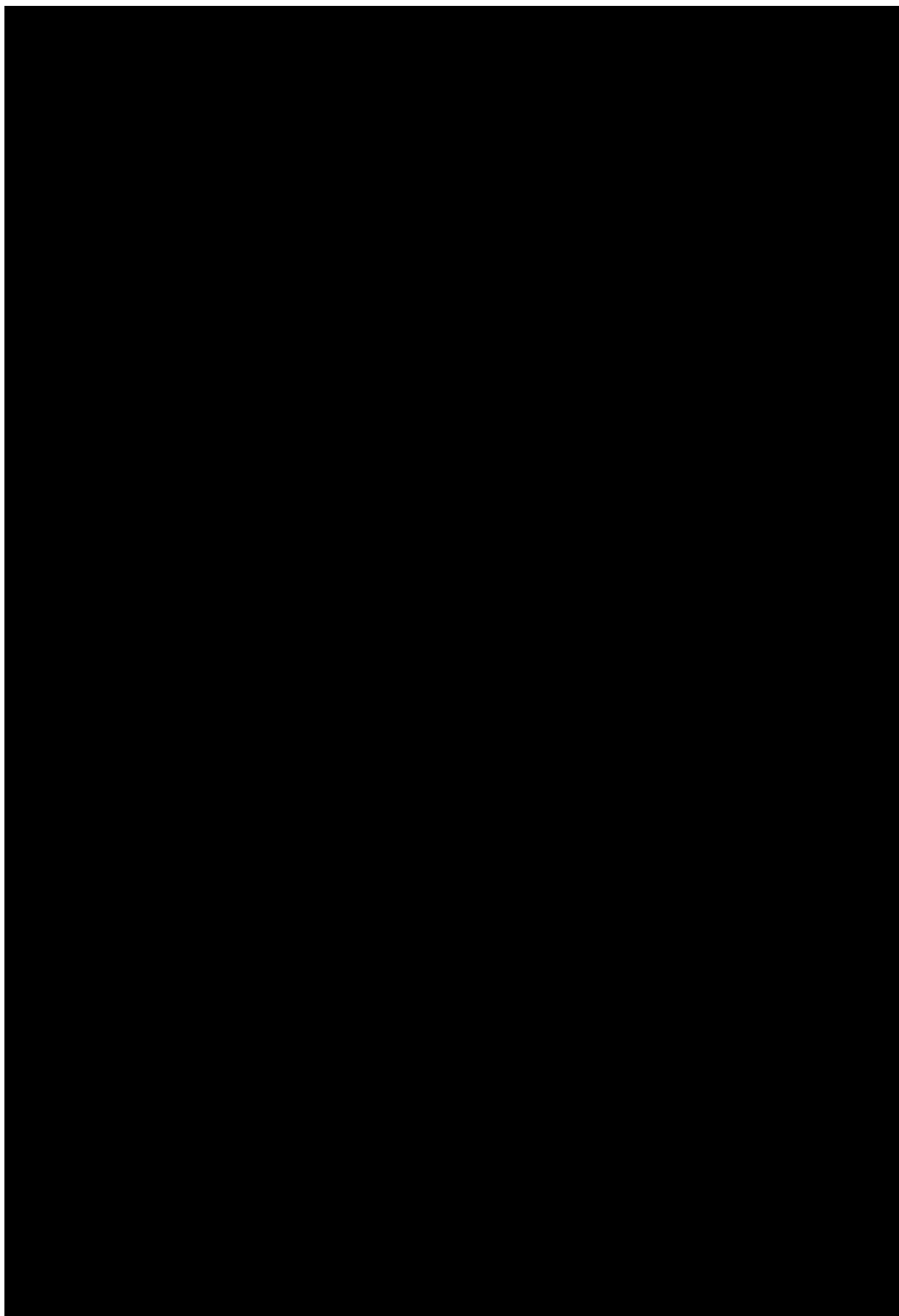


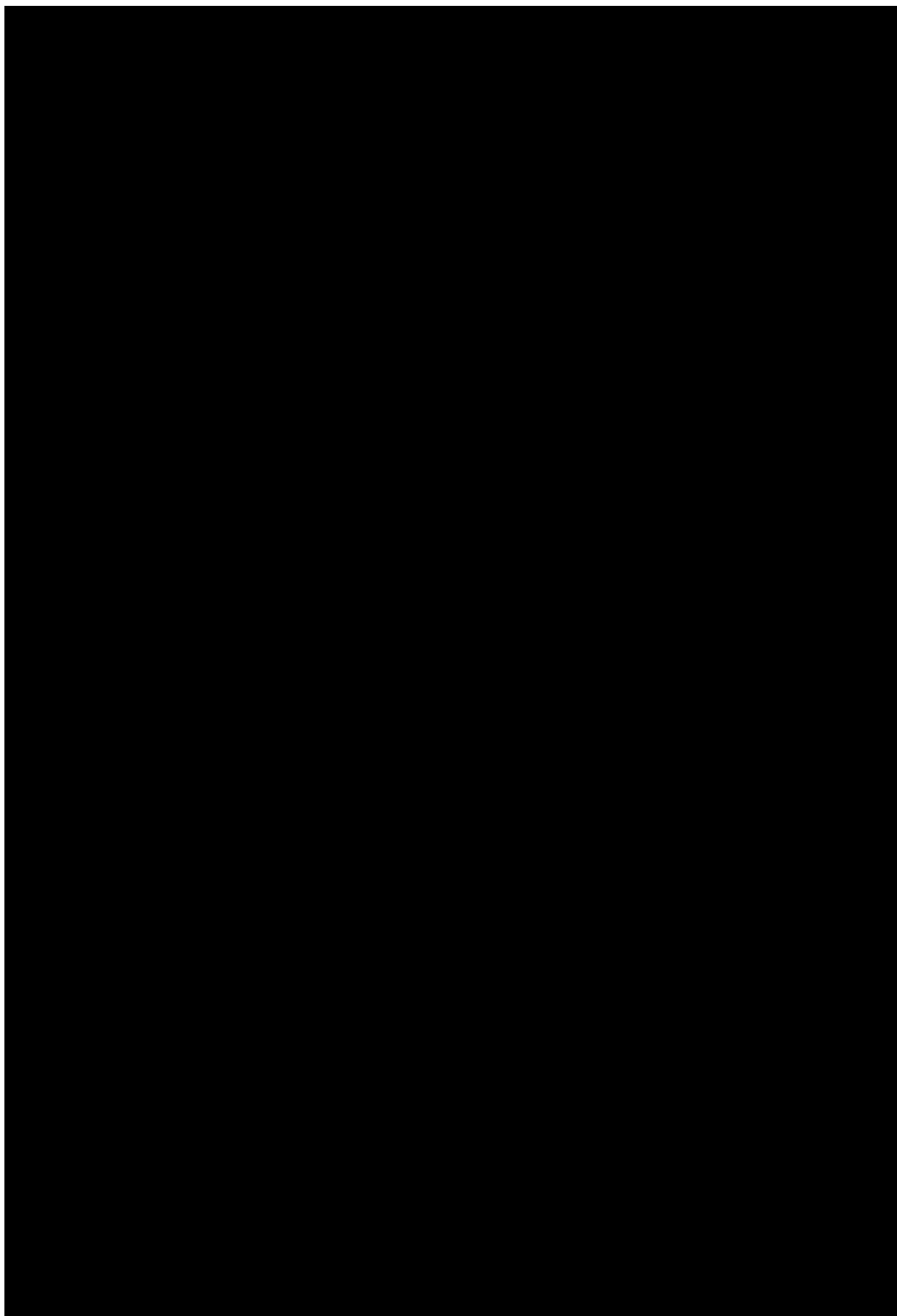


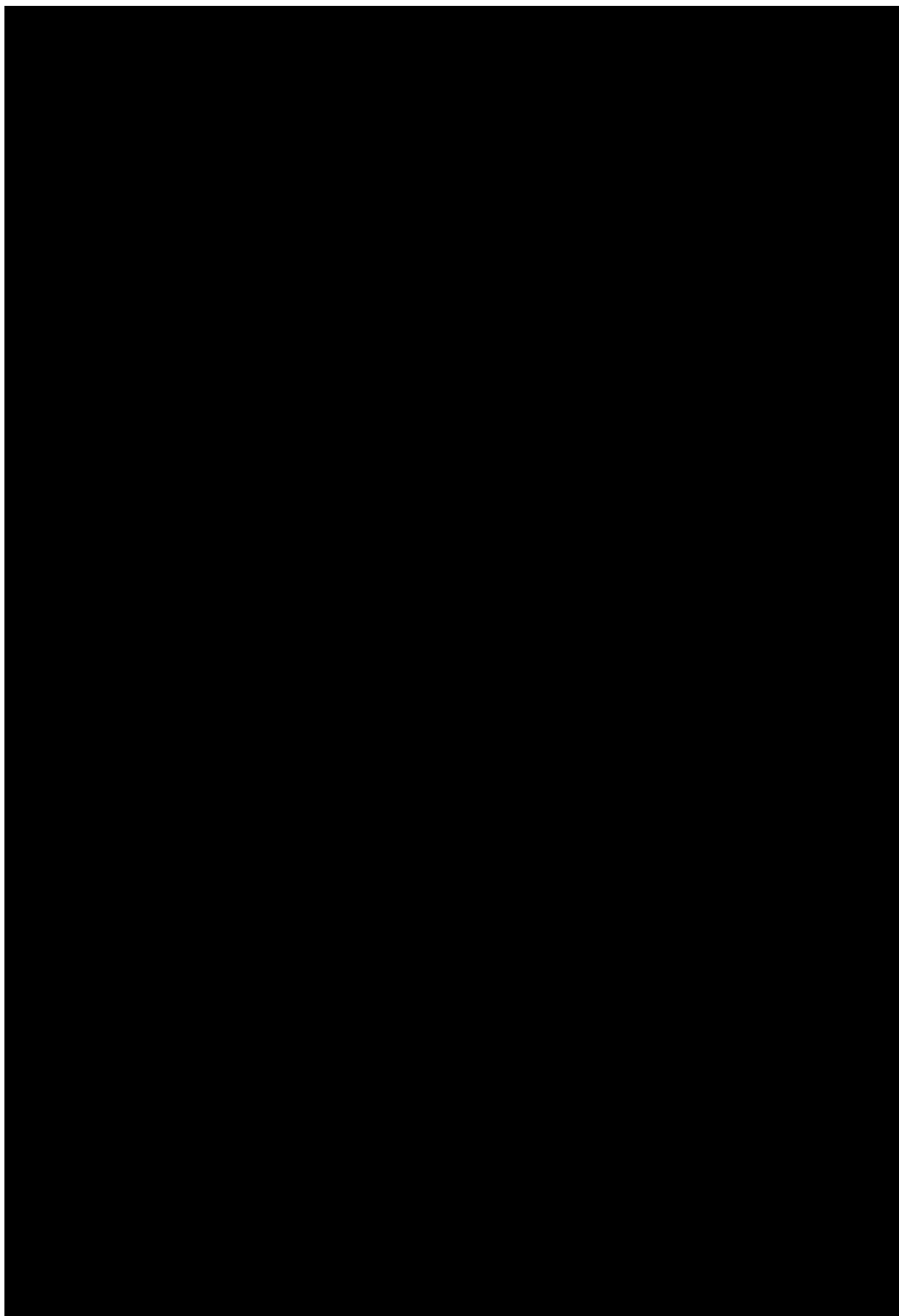
Notes: a Cereals and non-cereals in grain equivalence. Including contributions to WFP.
b 1992-4 figures include uncategorised shipments to Latvia, Lithuania and Tajikistan.

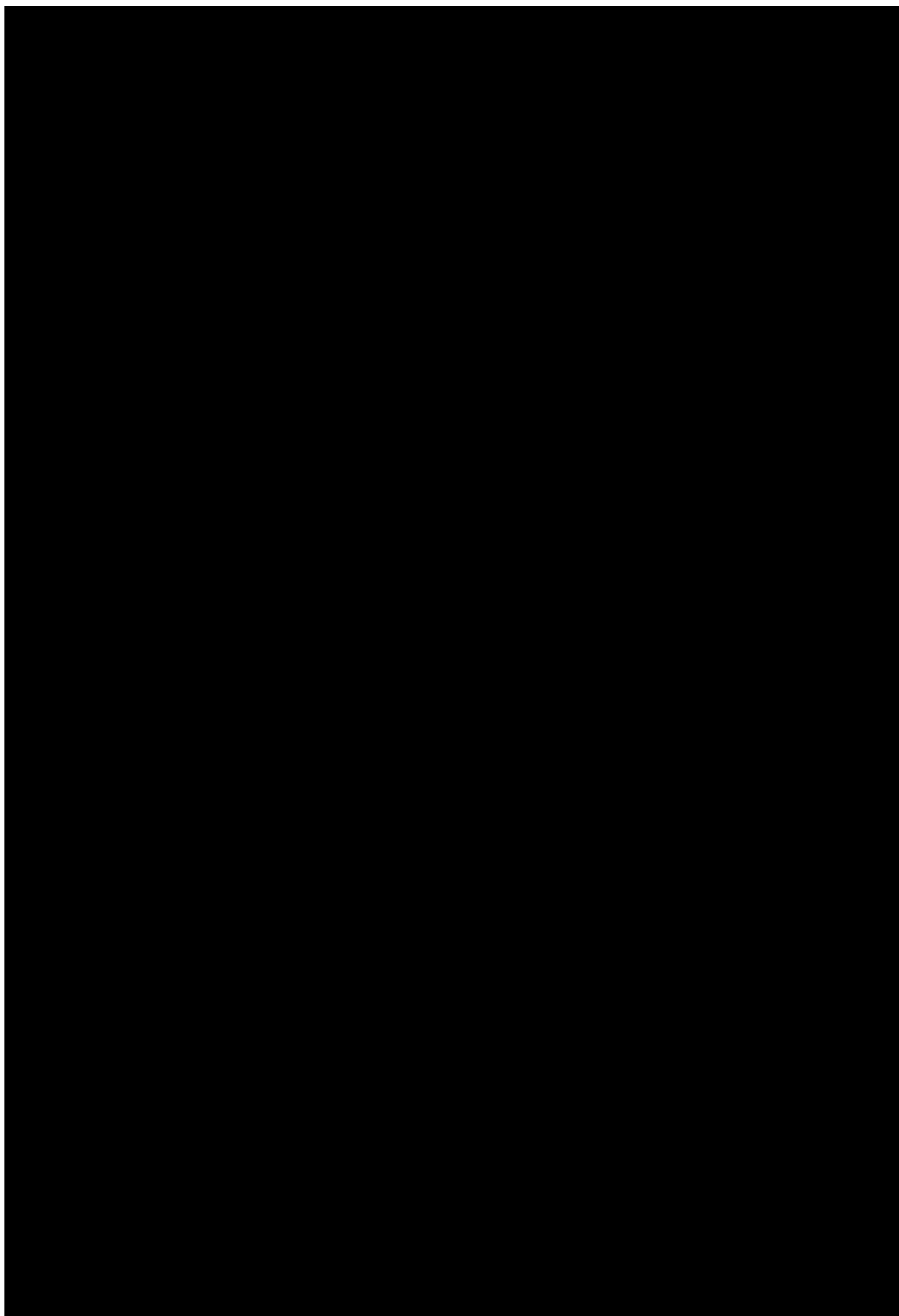
Source: WFP, INTERFAIS

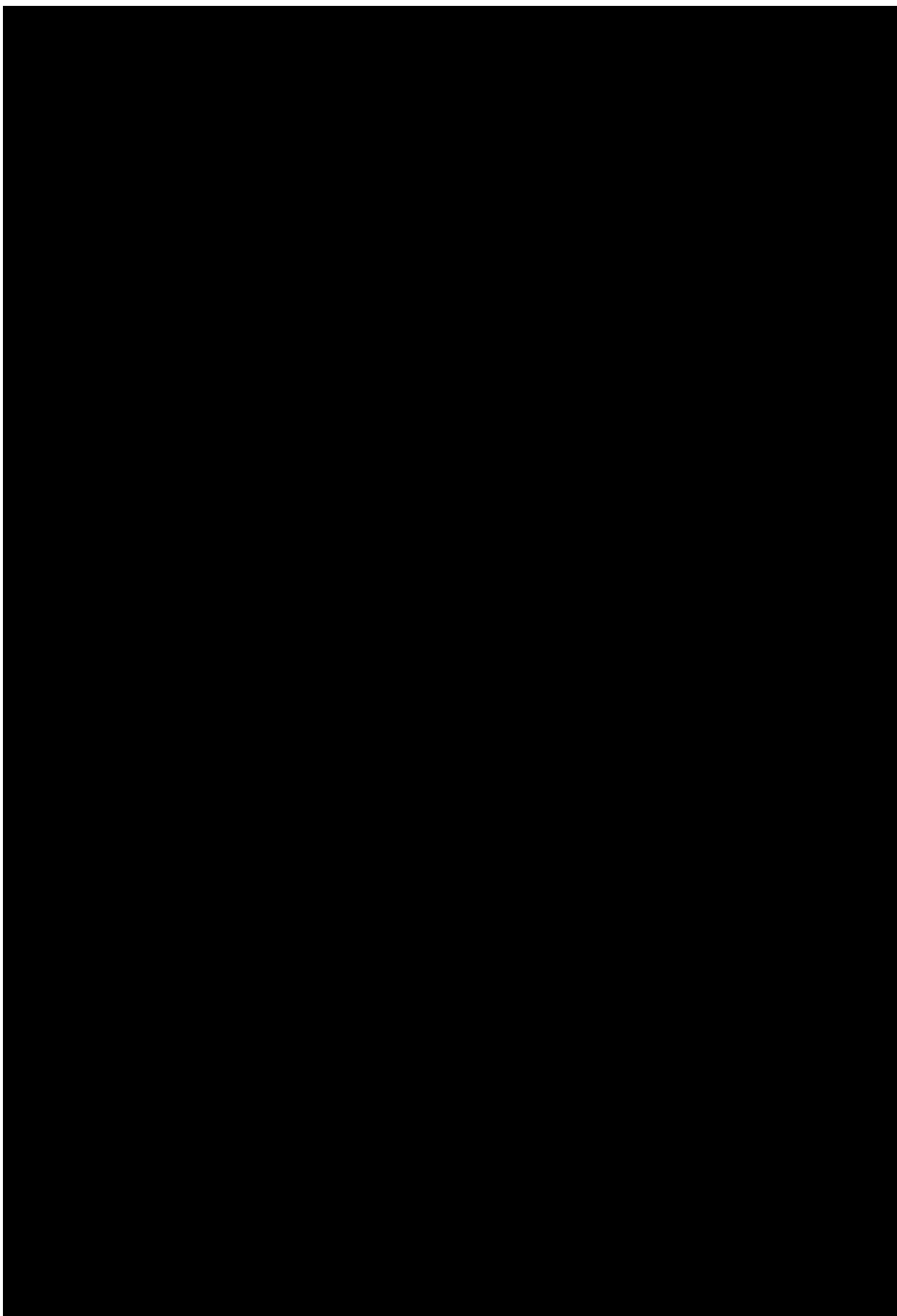
Annex Table D.9 Global food aid by region, 1992-94 (thousand tonnes) ^a

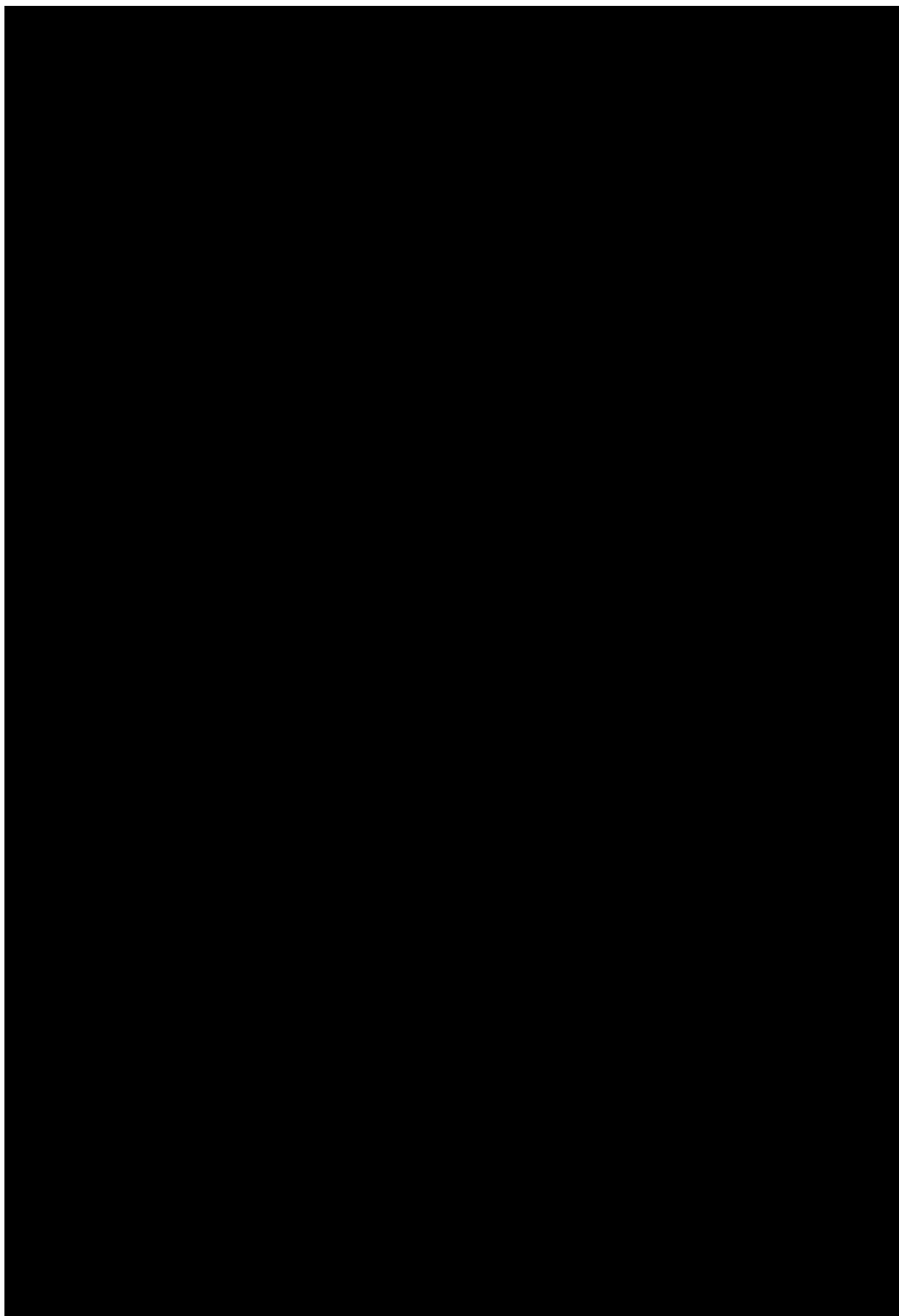


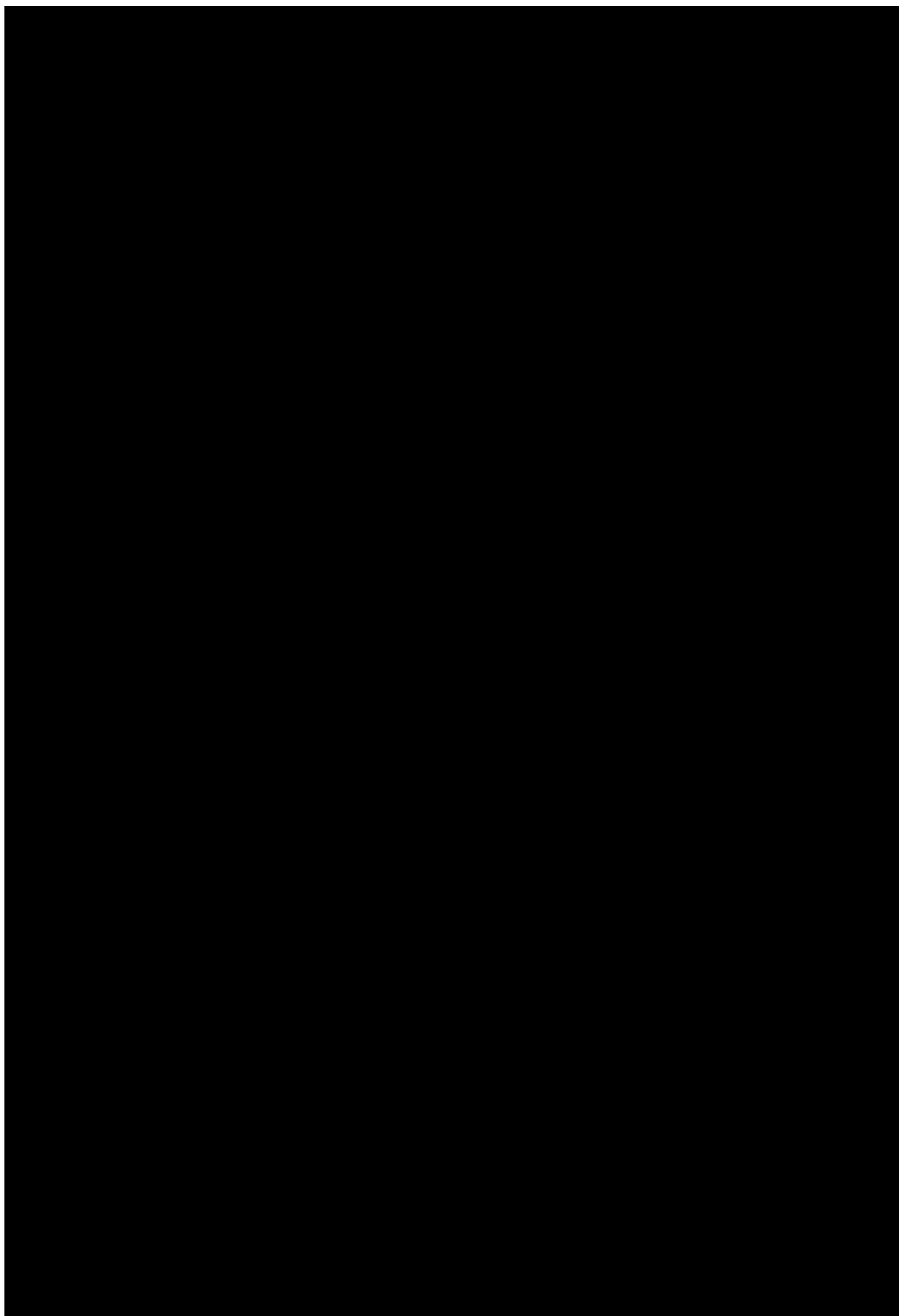


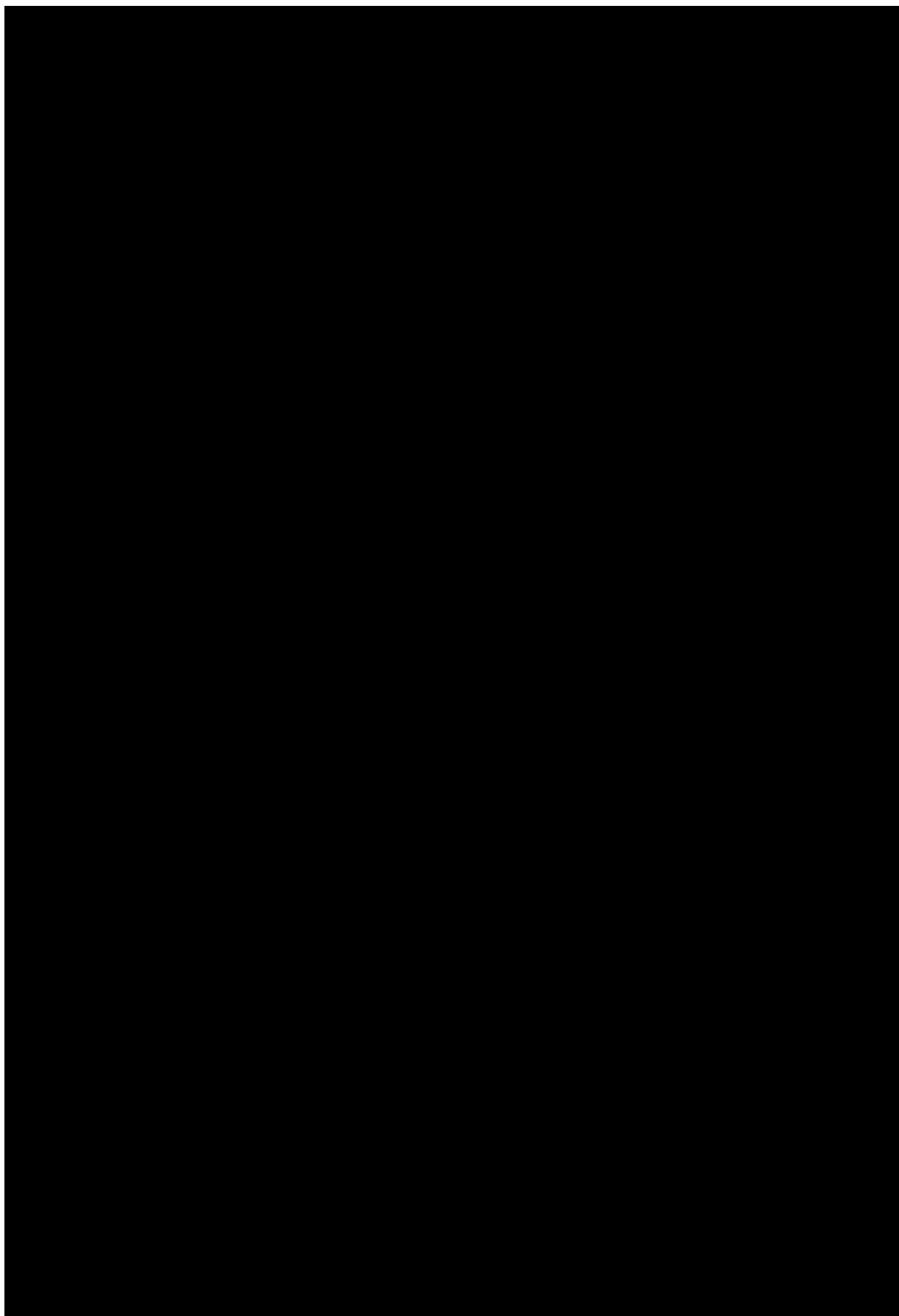


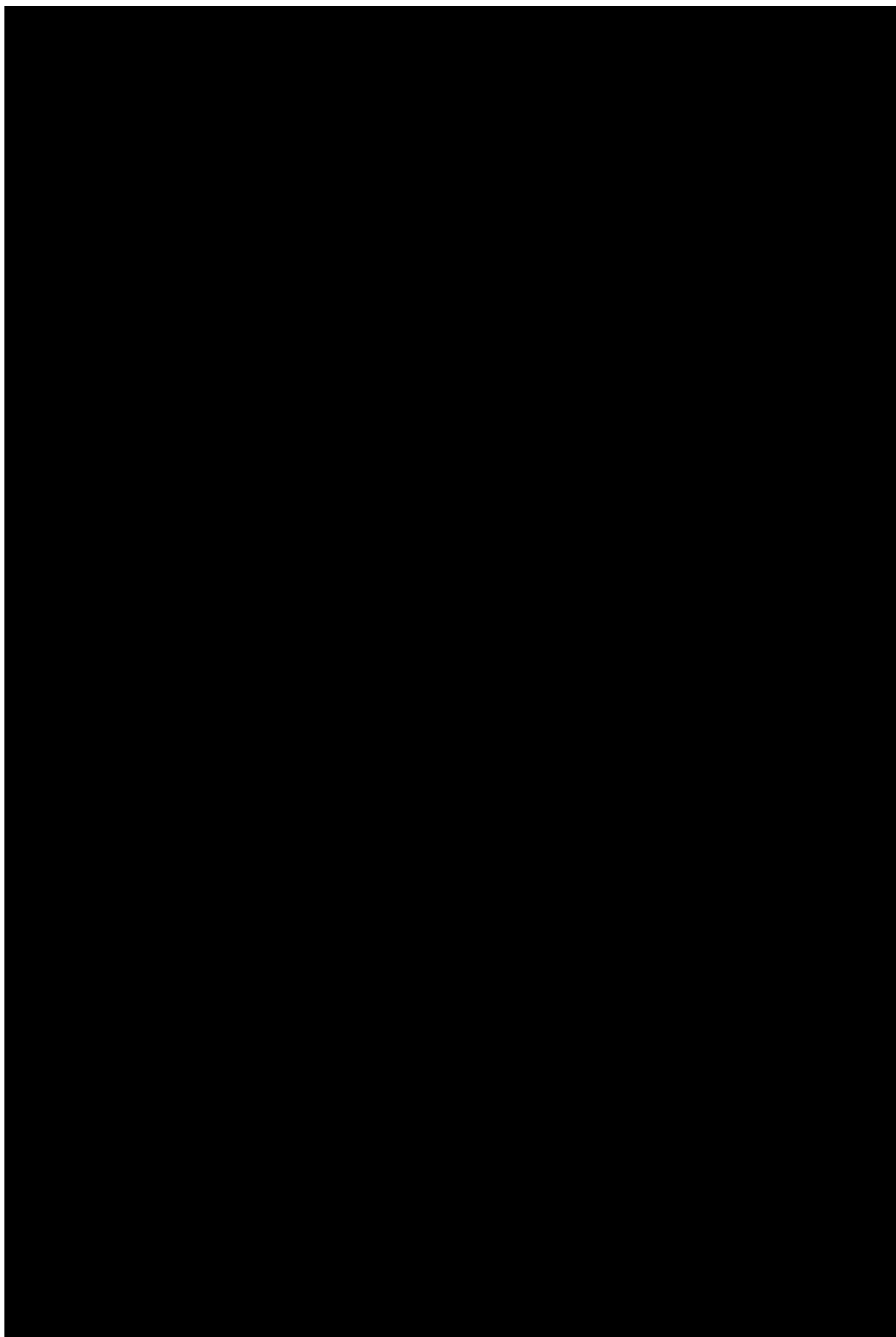








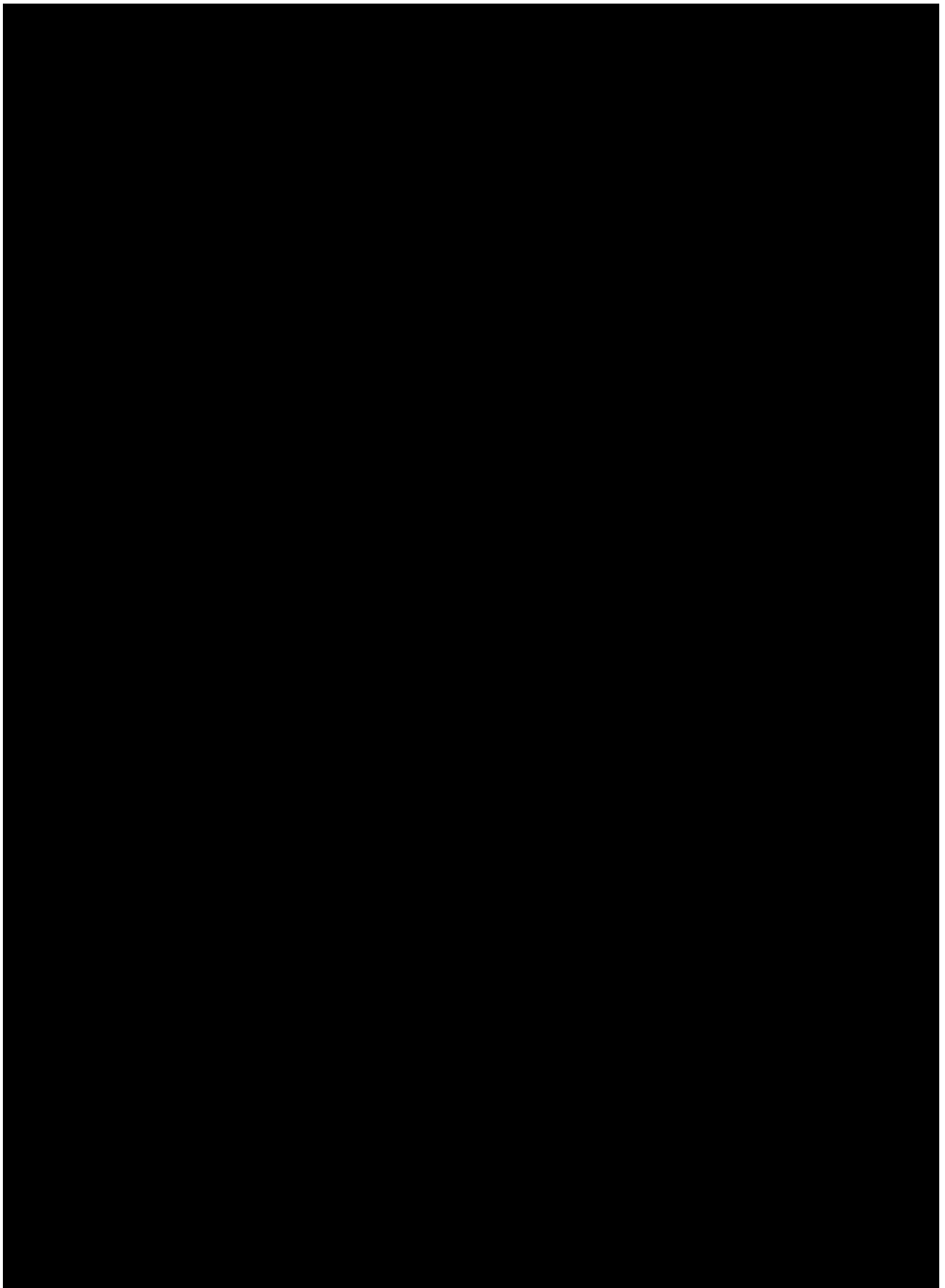




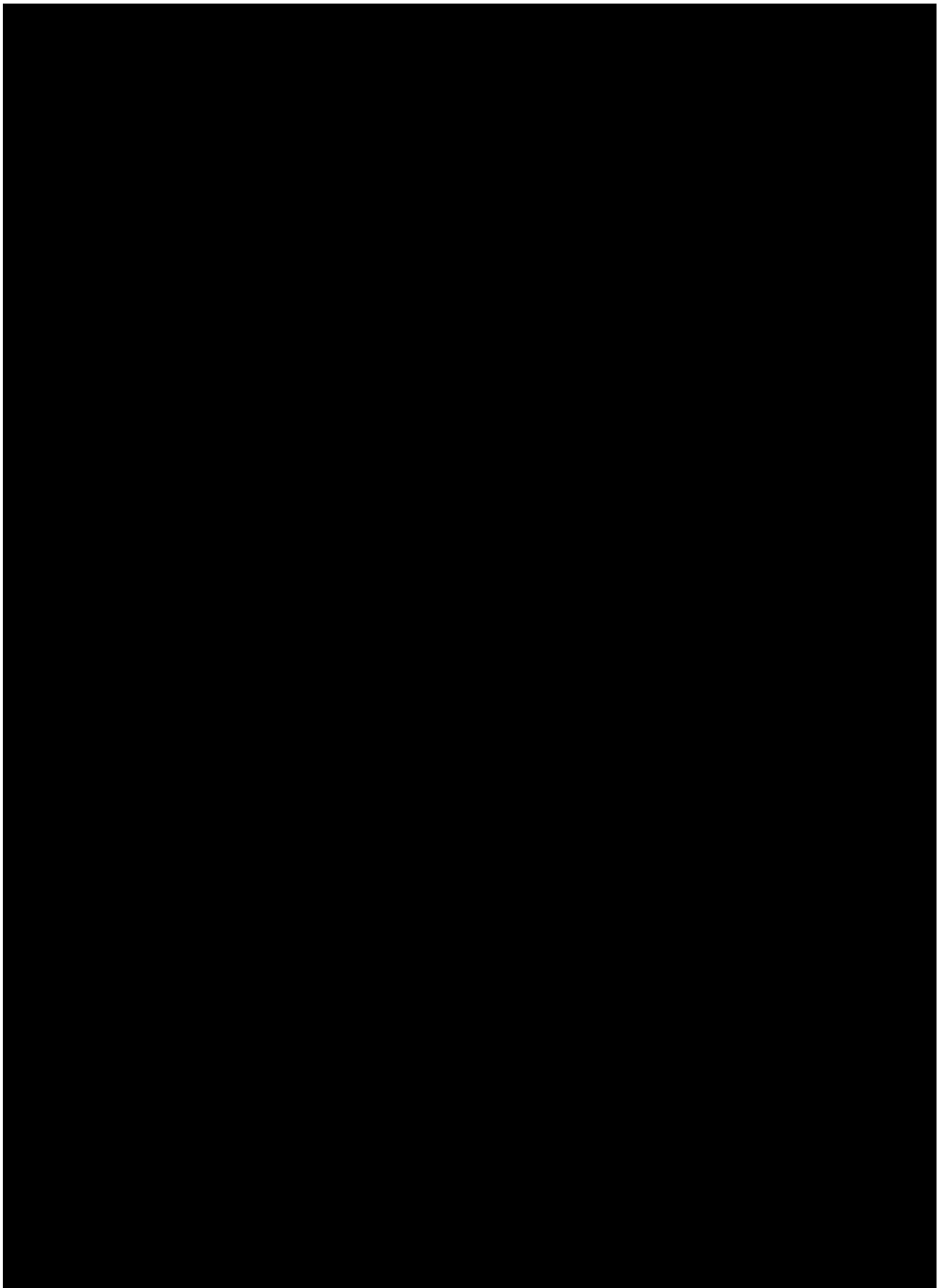
Notes: a Cereals and non-cereals in grain equivalence. Including contributions to WFP.
b 1992-4 figures include uncategorised shipments to Latvia, Lithuania and Tajikistan.

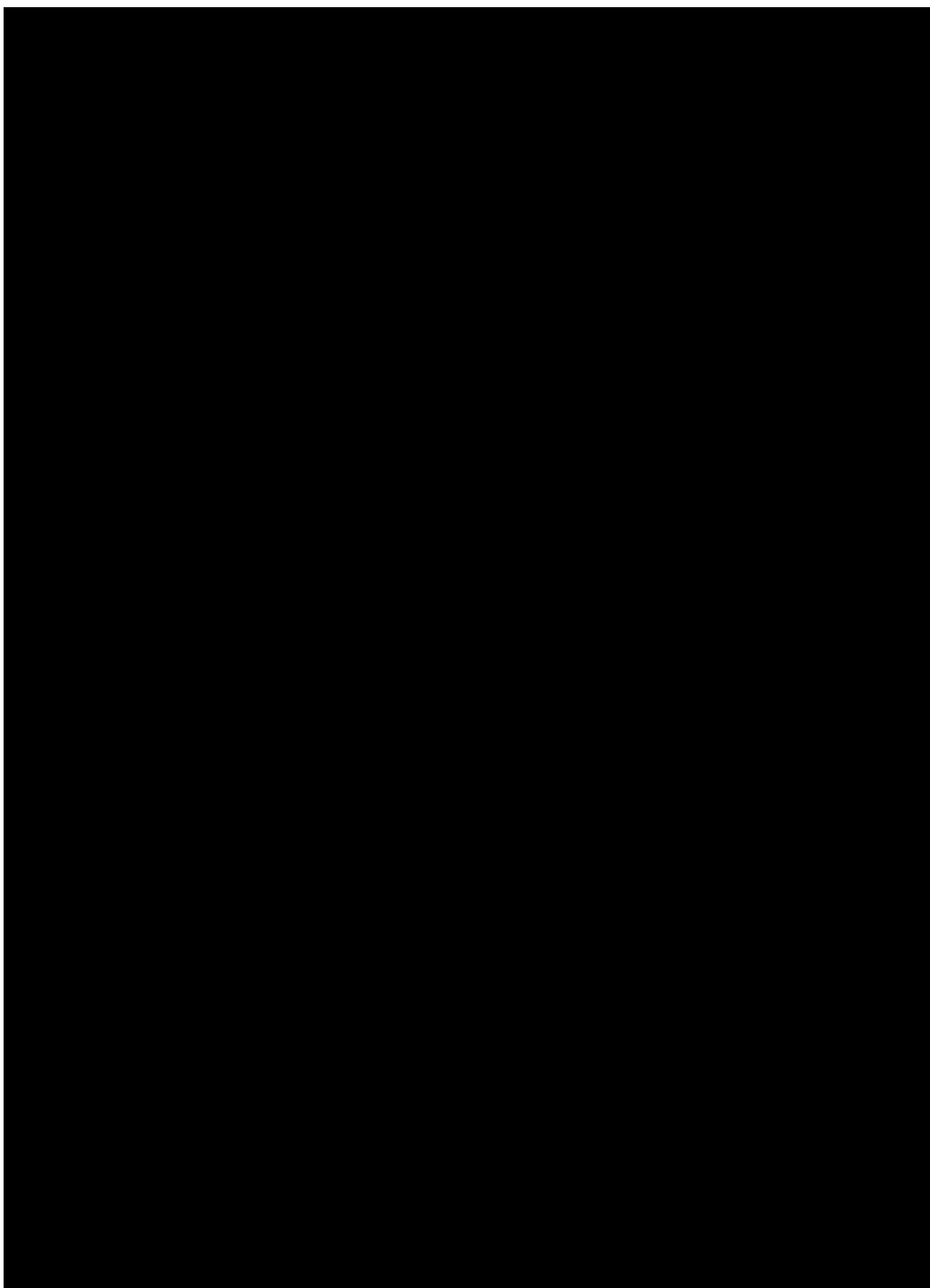
Source: WFP, INTERFAIS

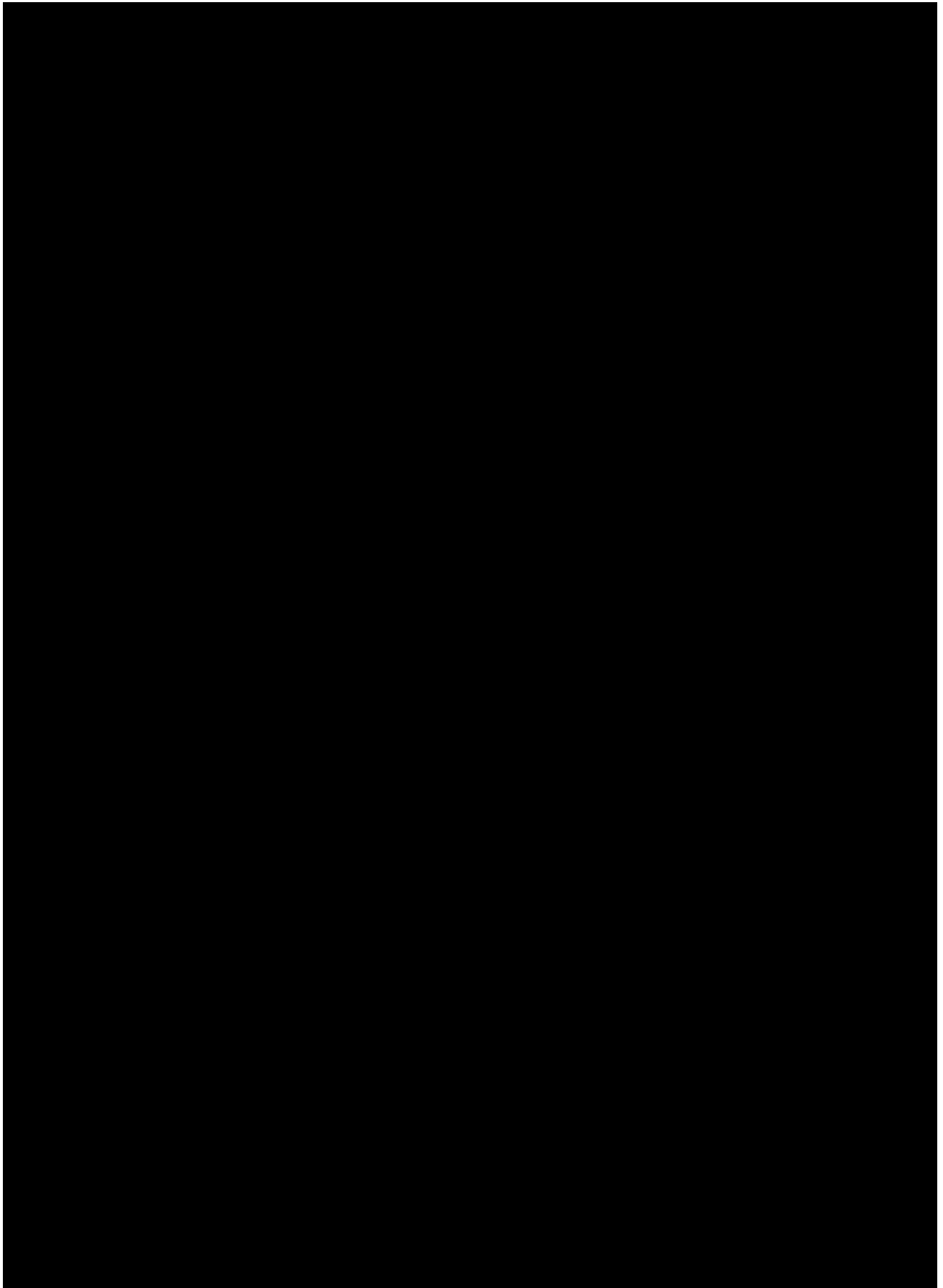


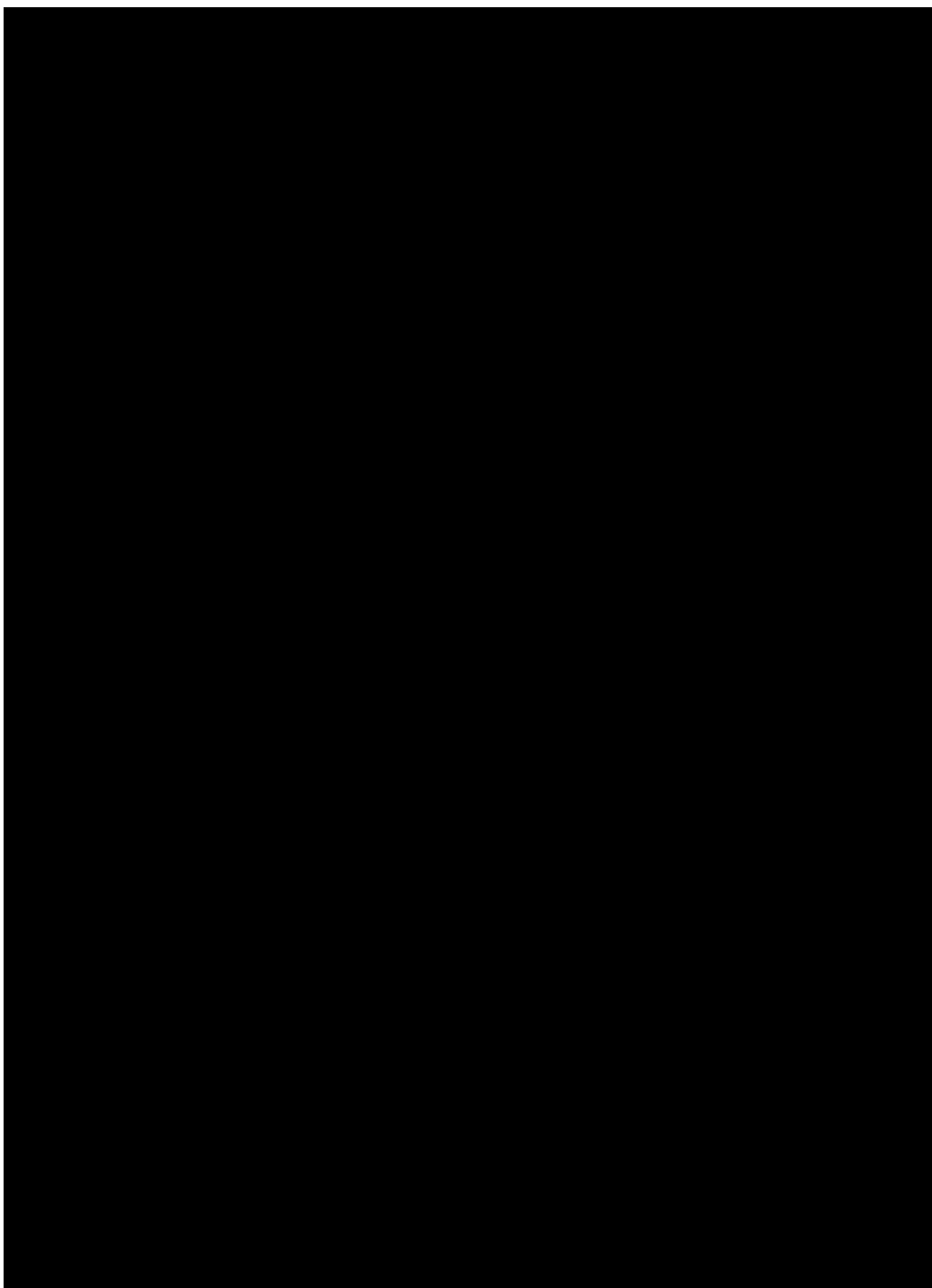


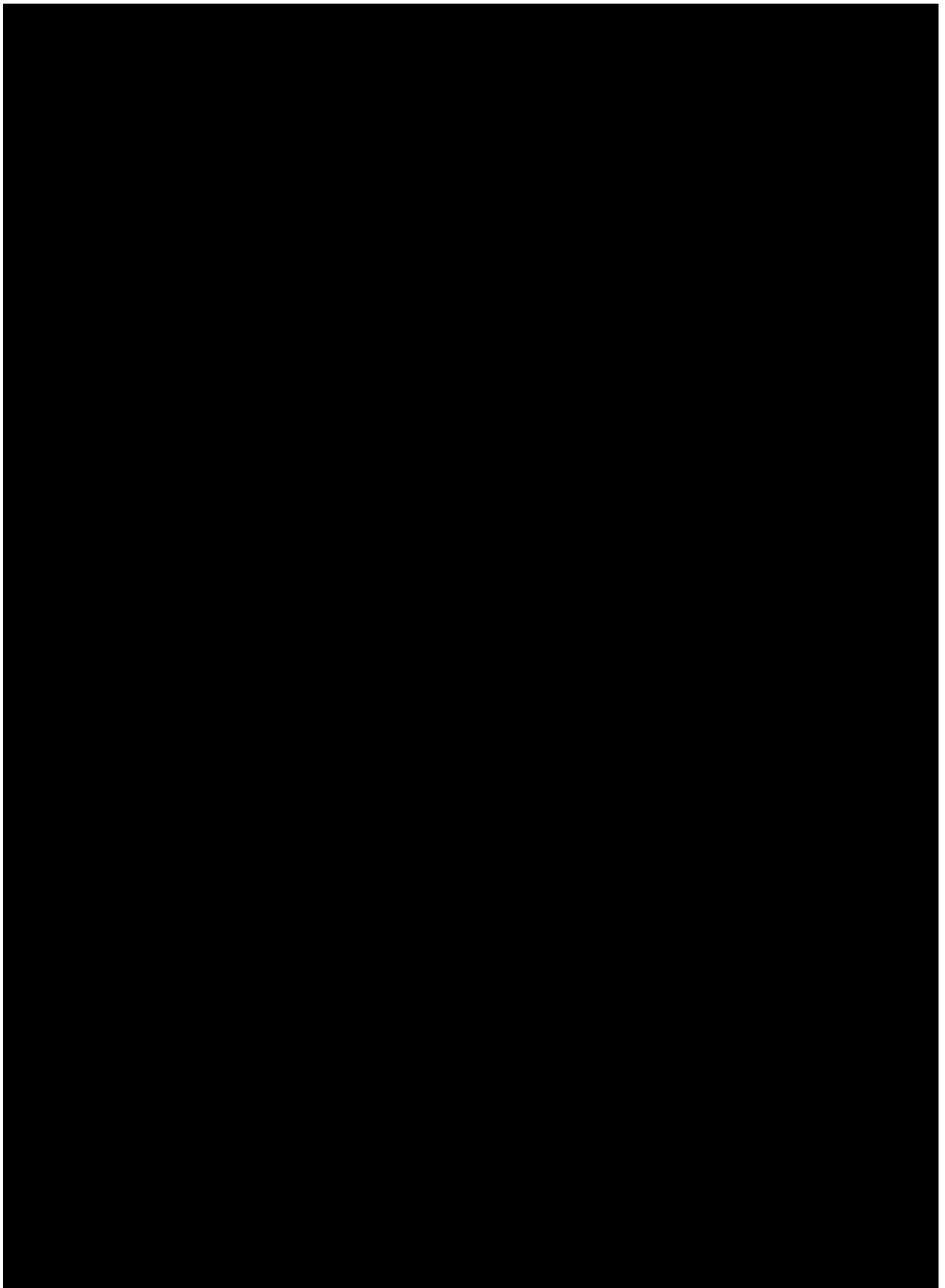


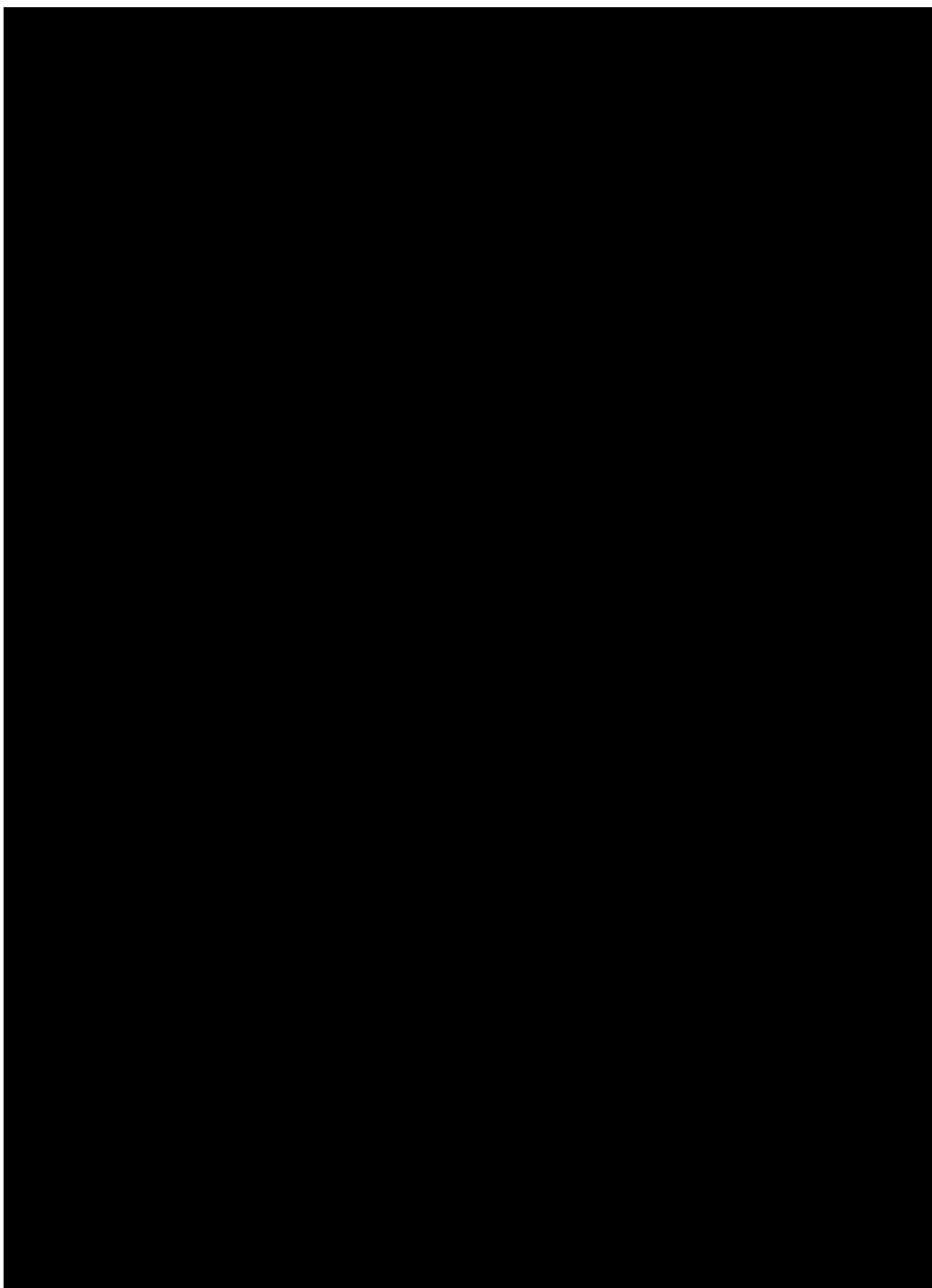


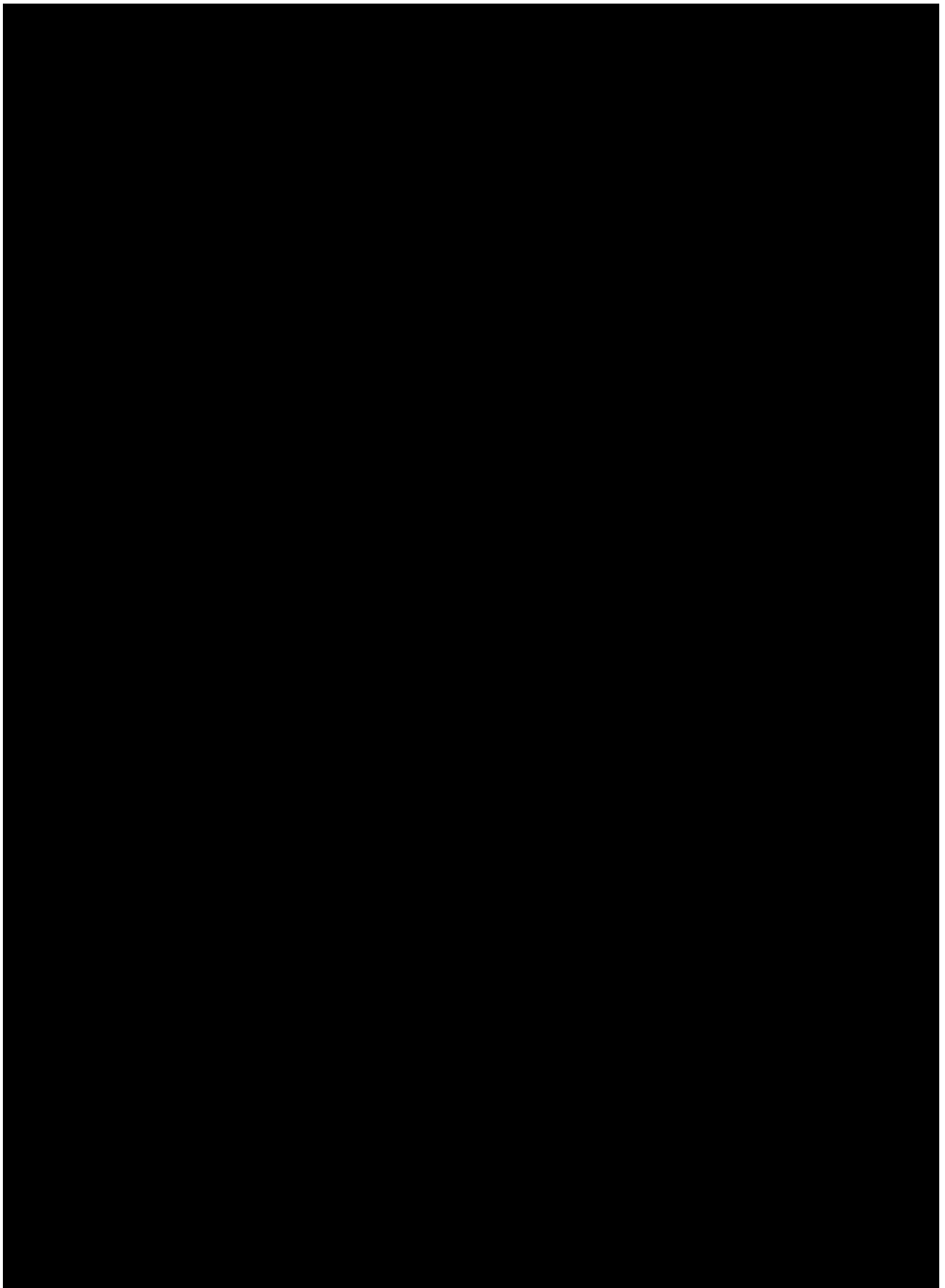


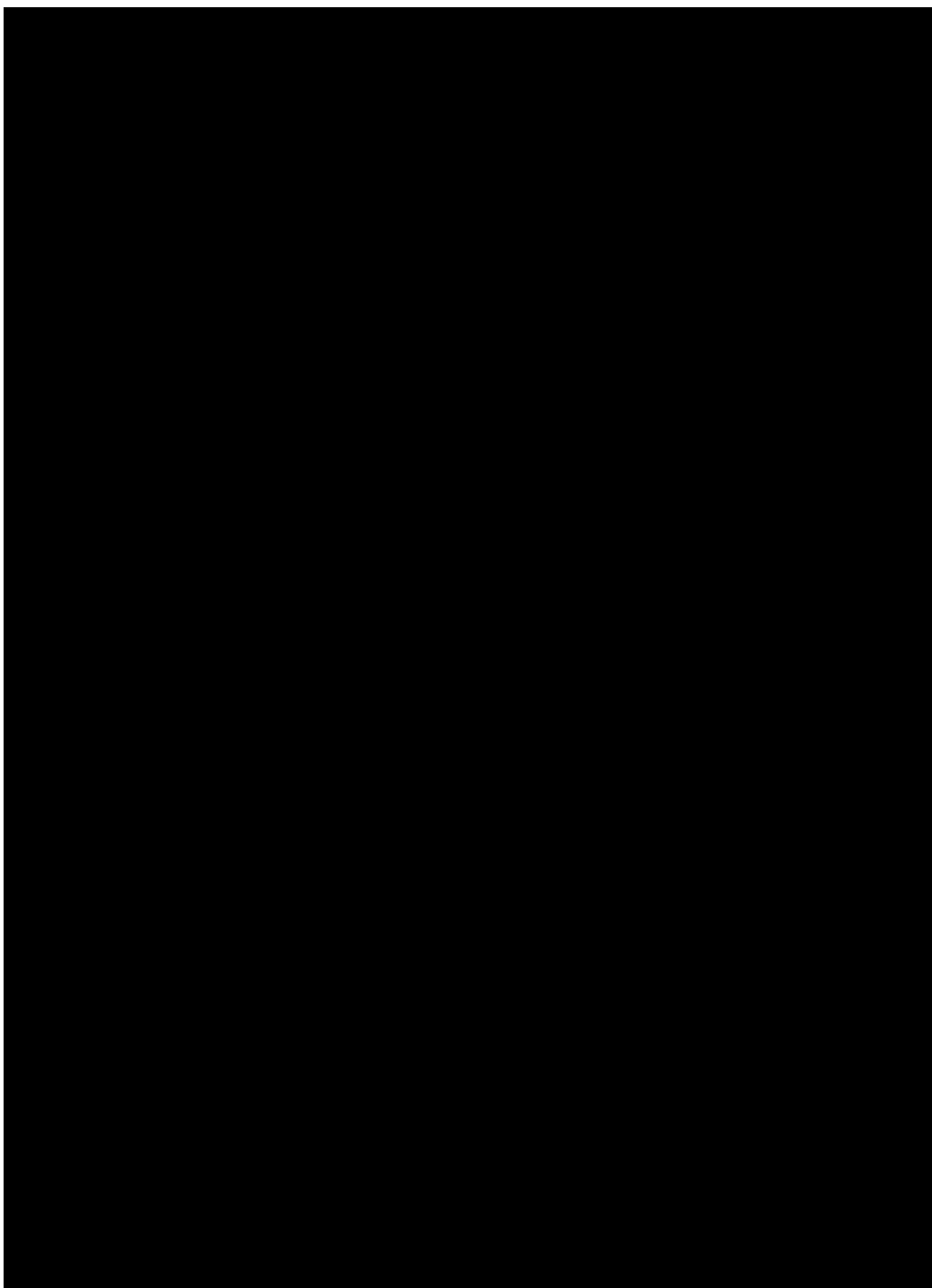


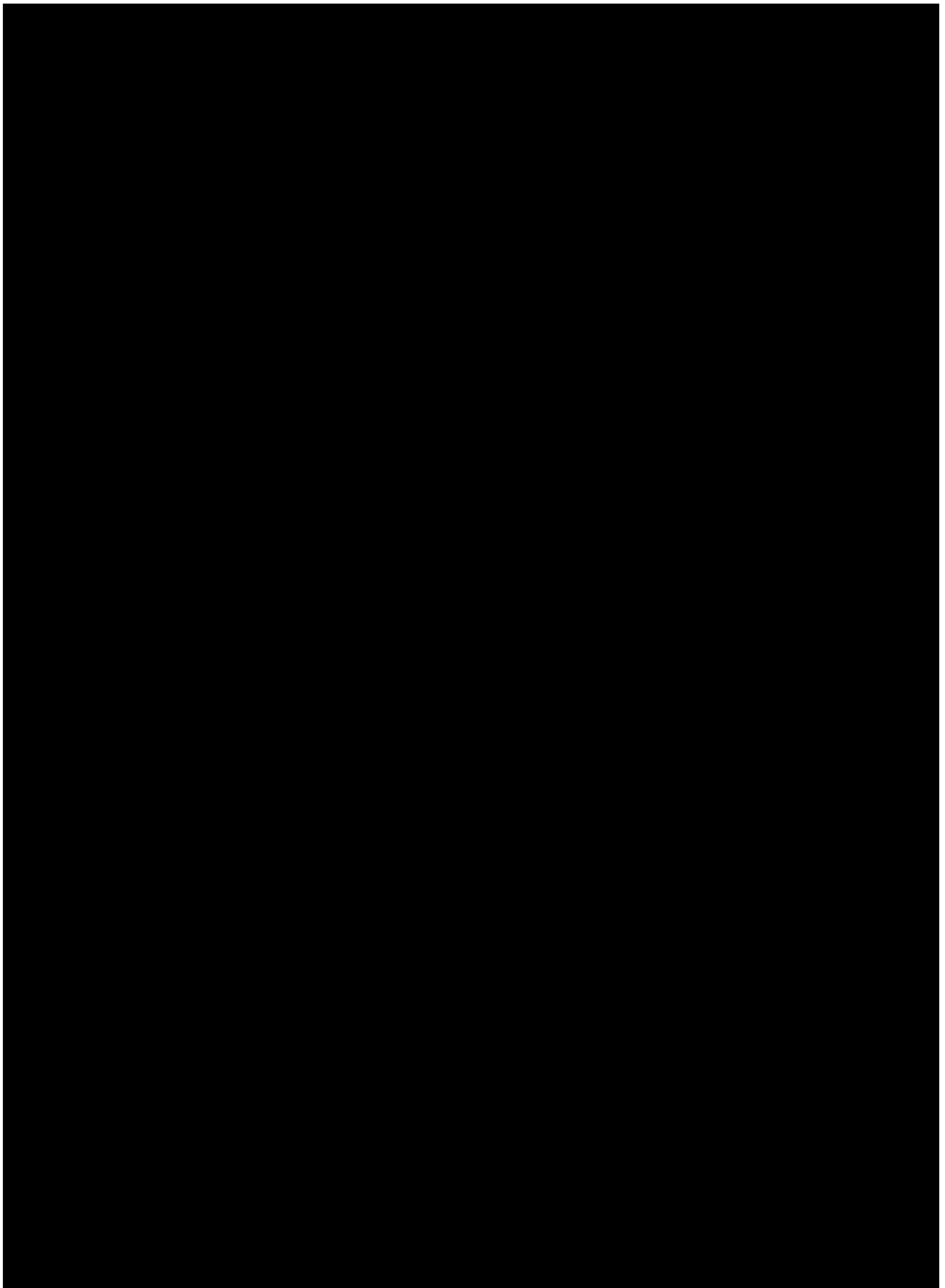


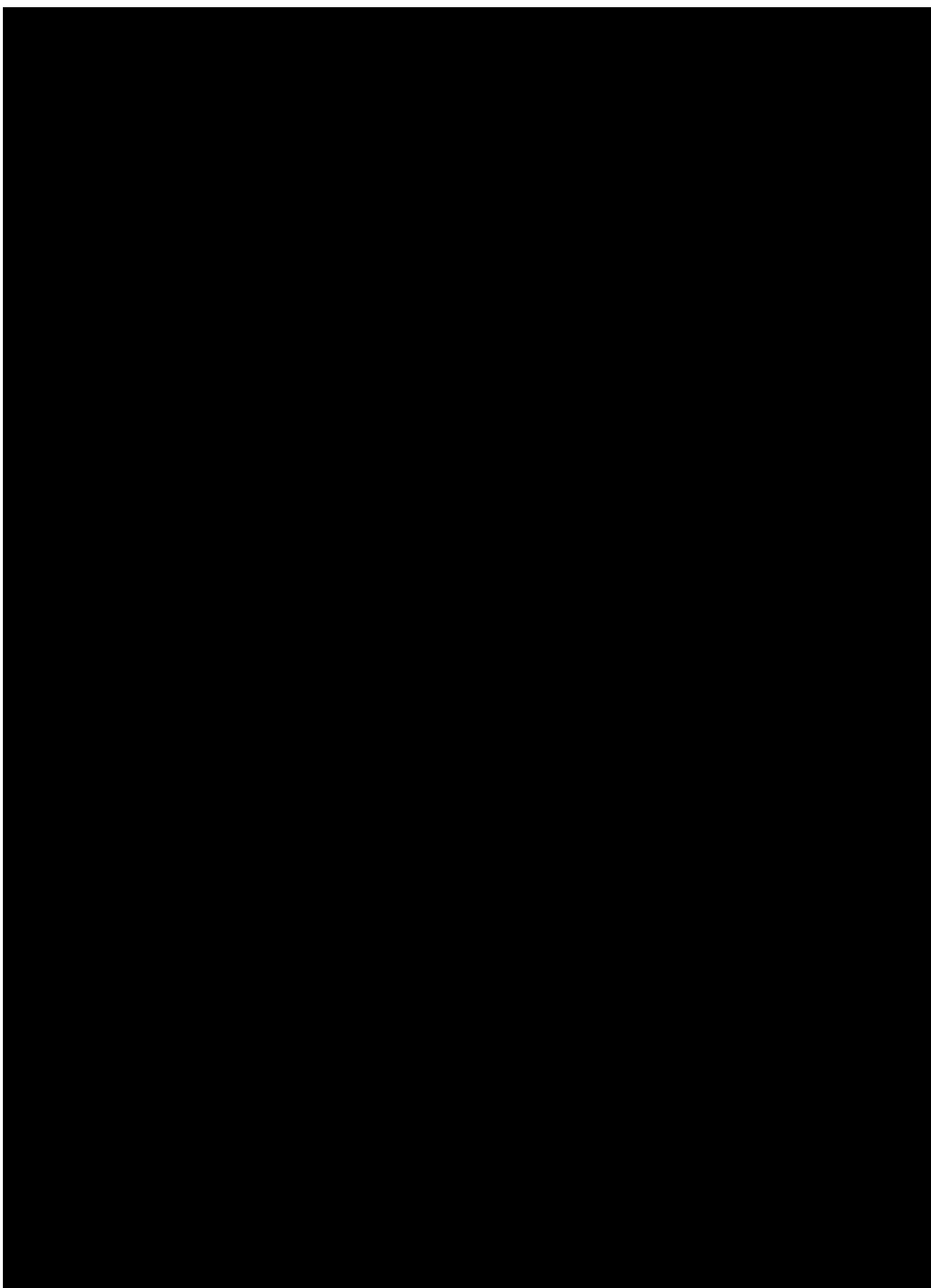


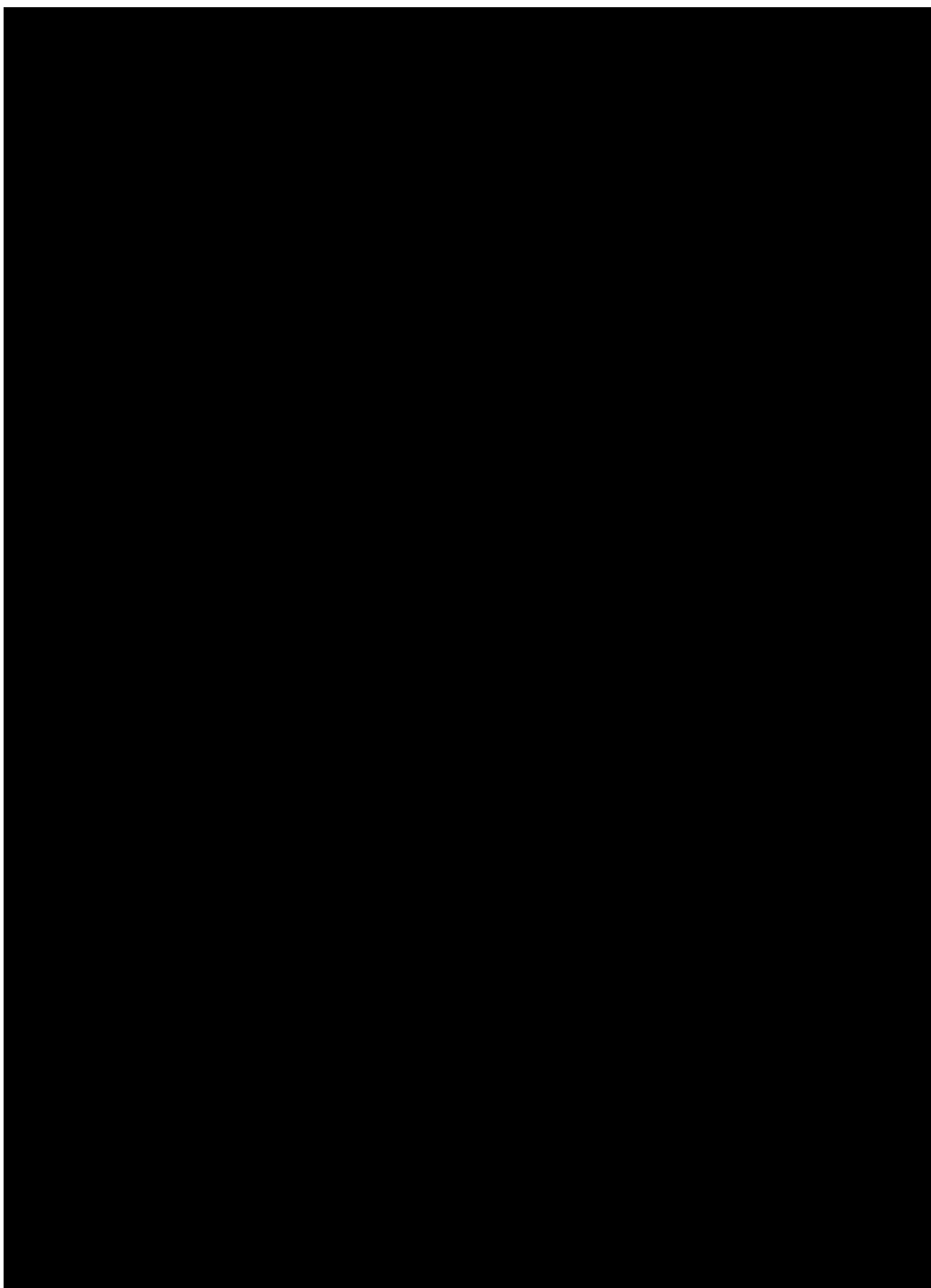


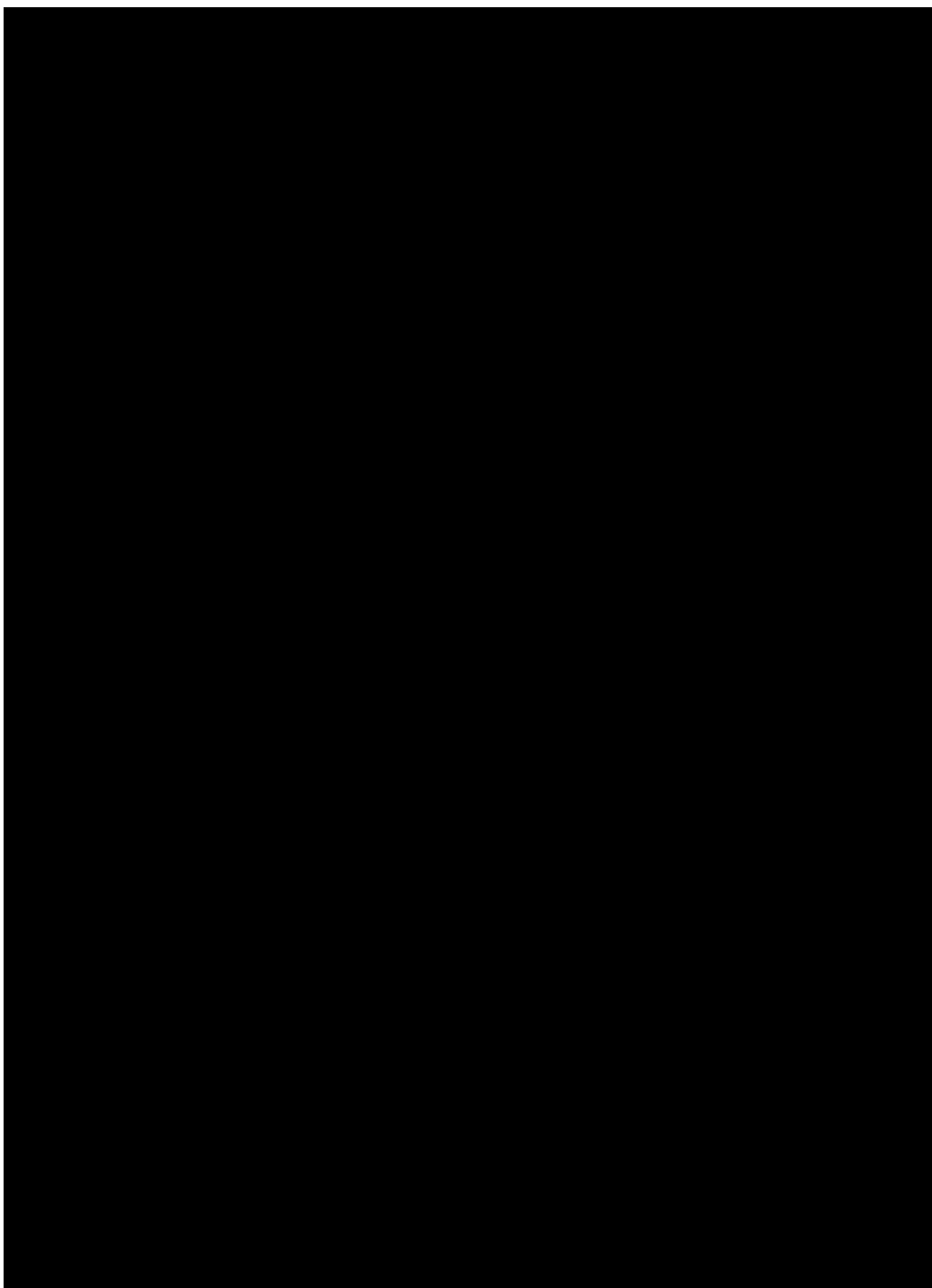


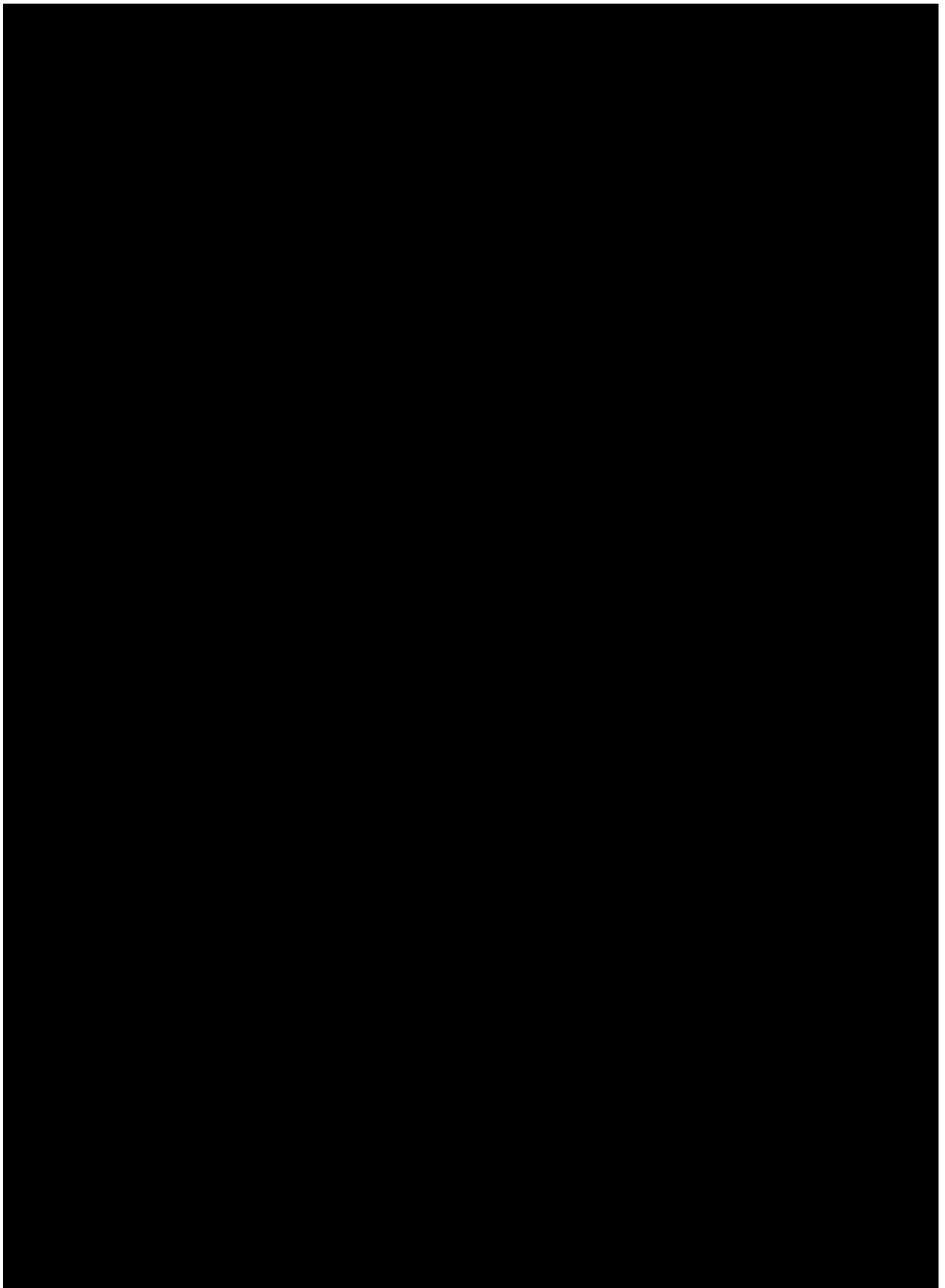


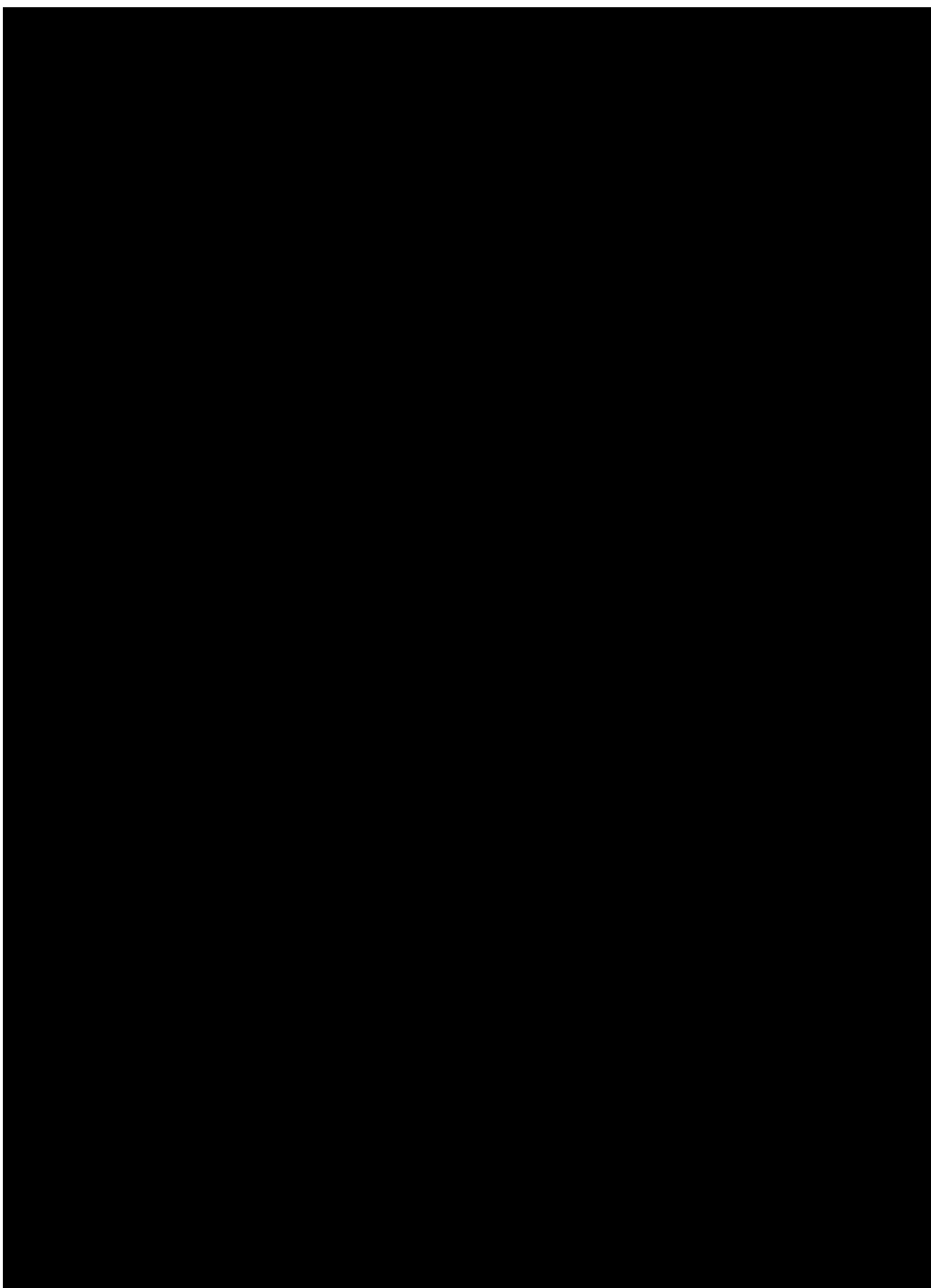


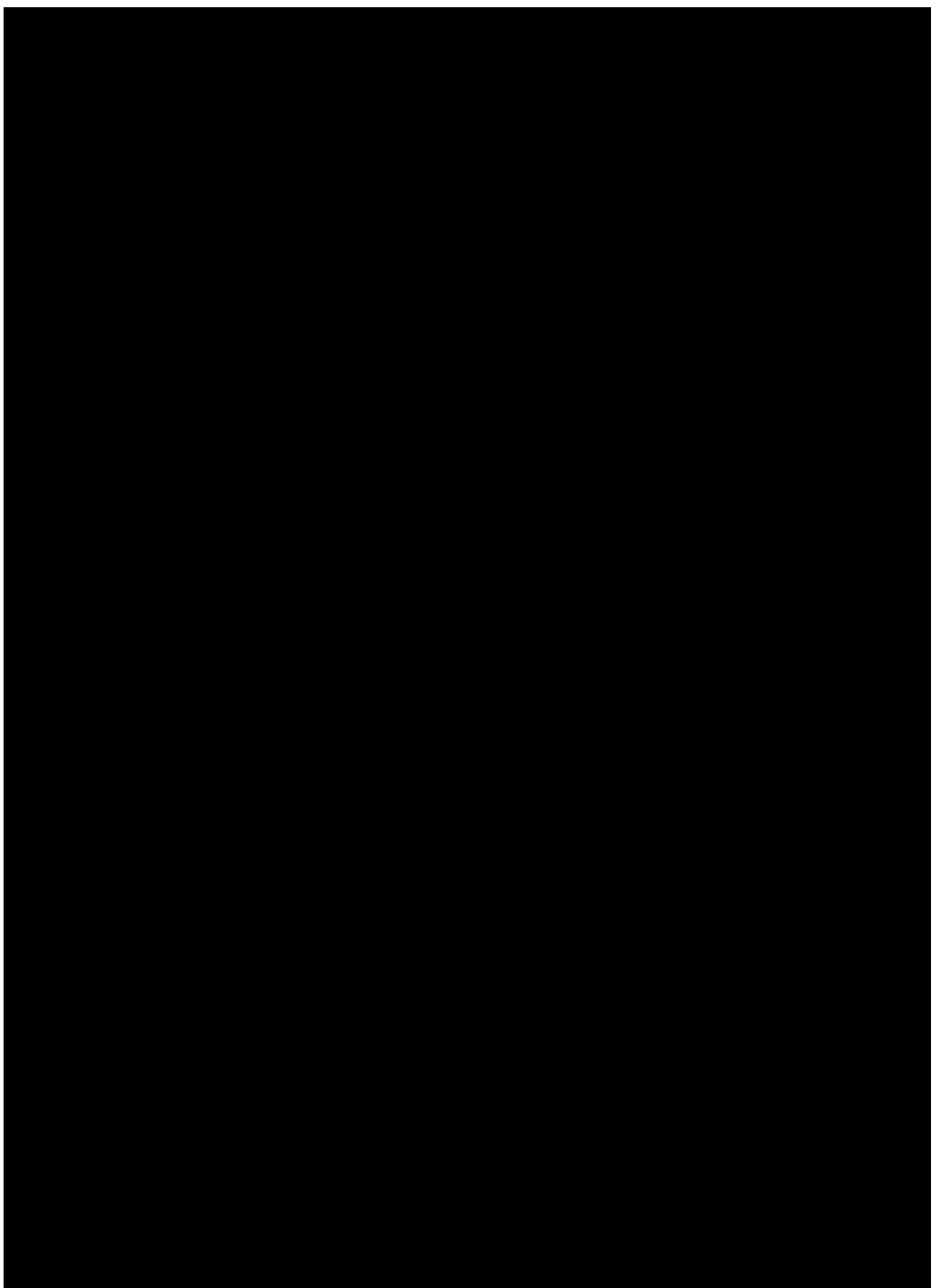


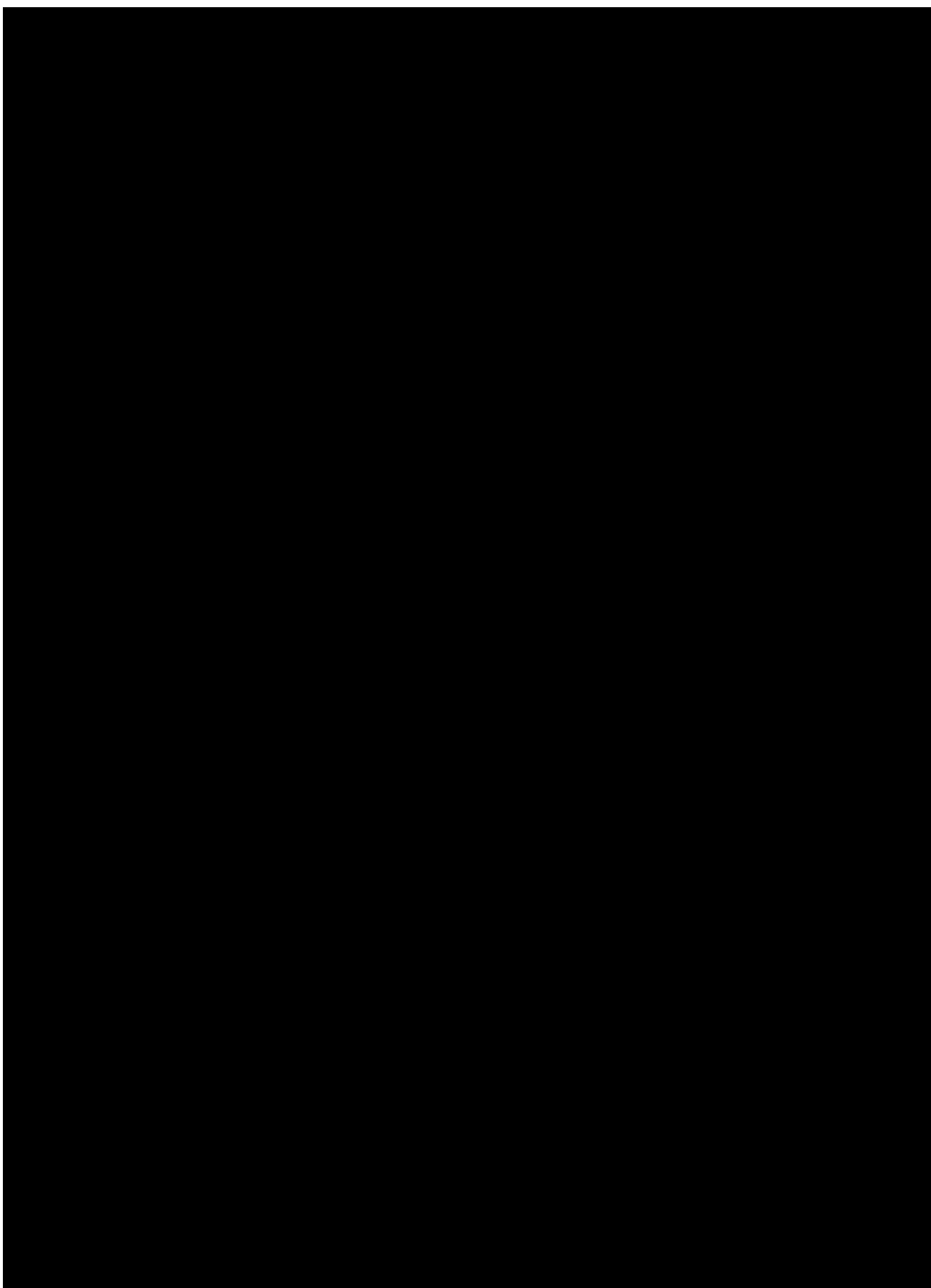


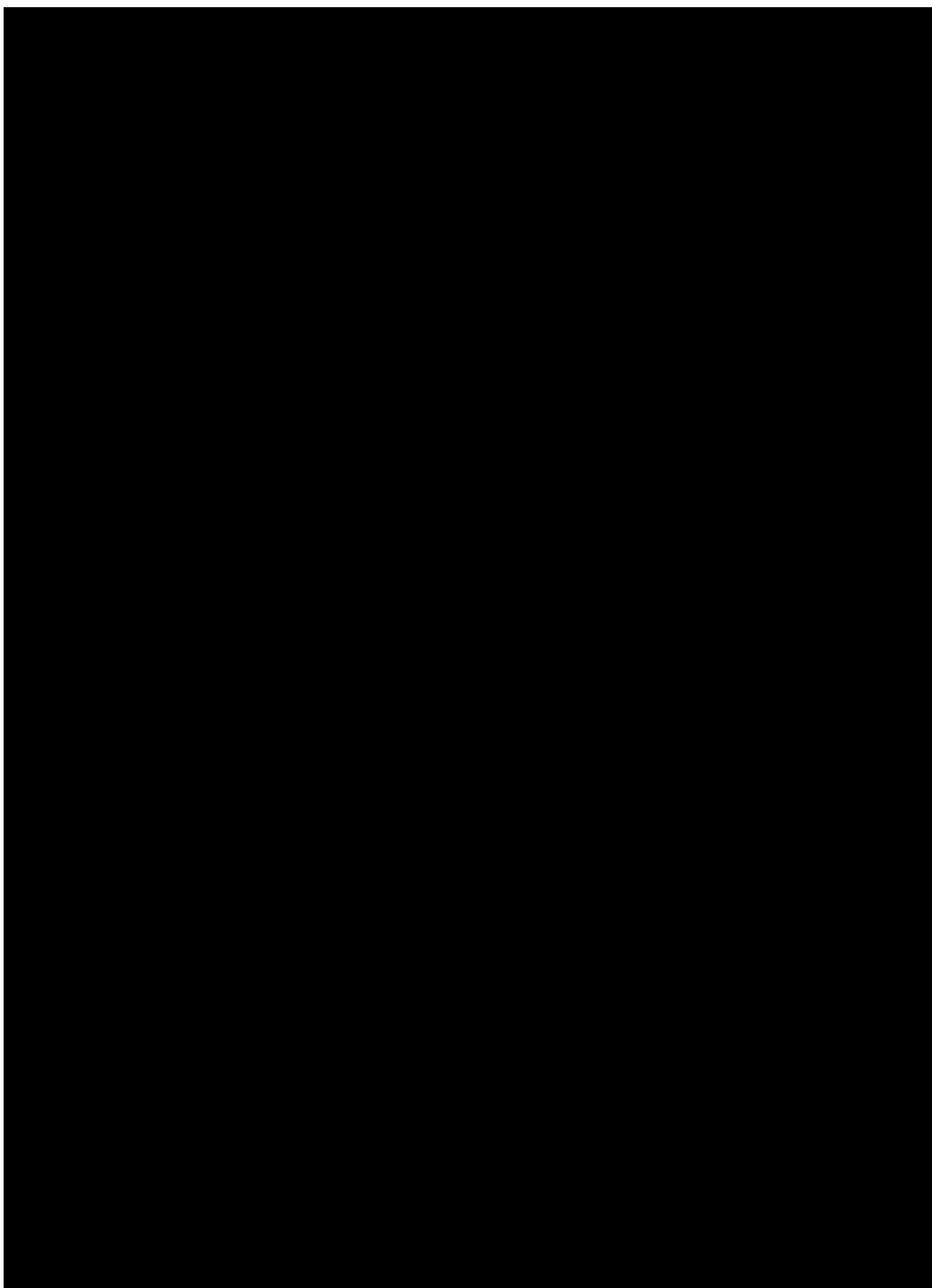


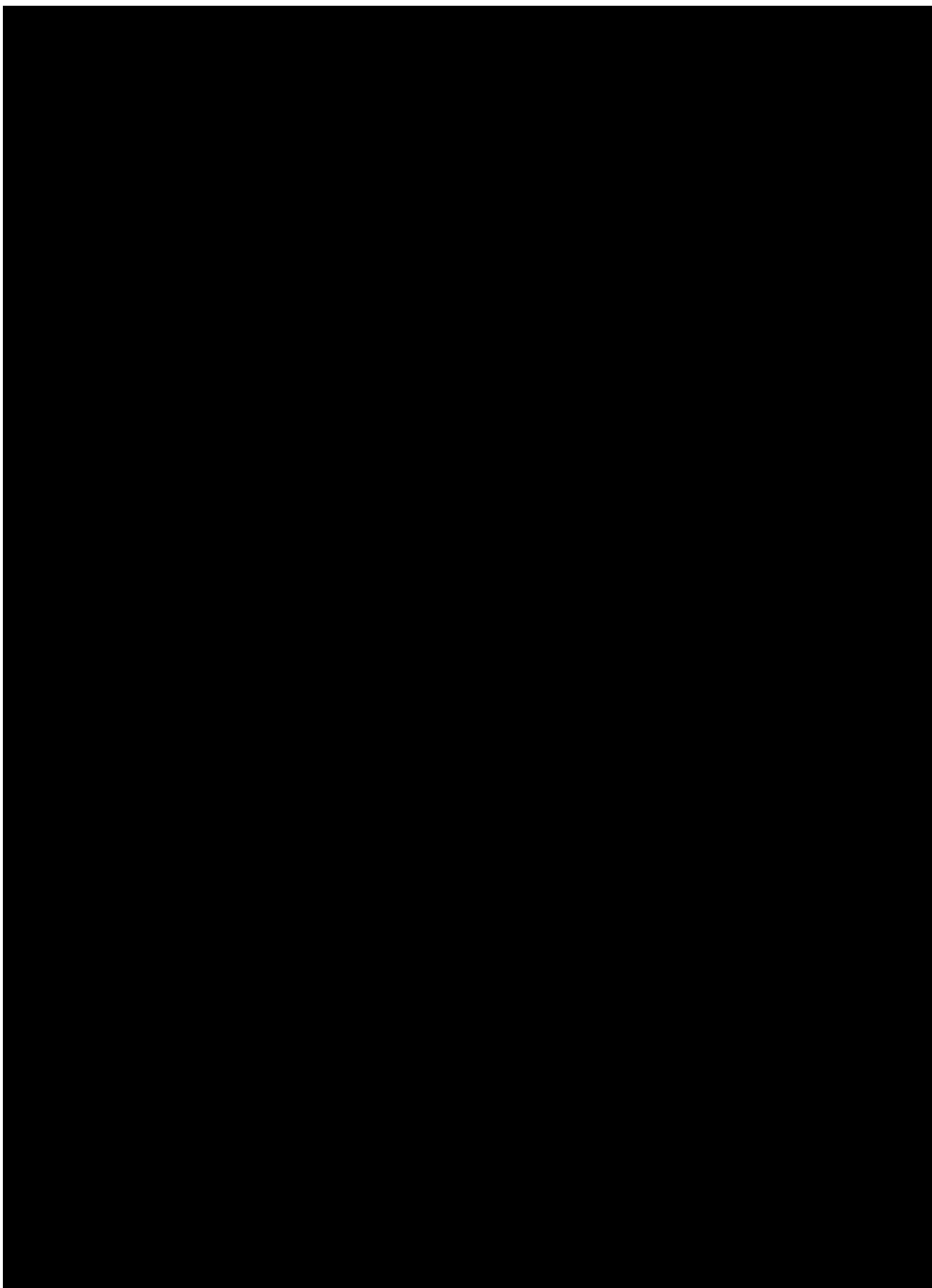


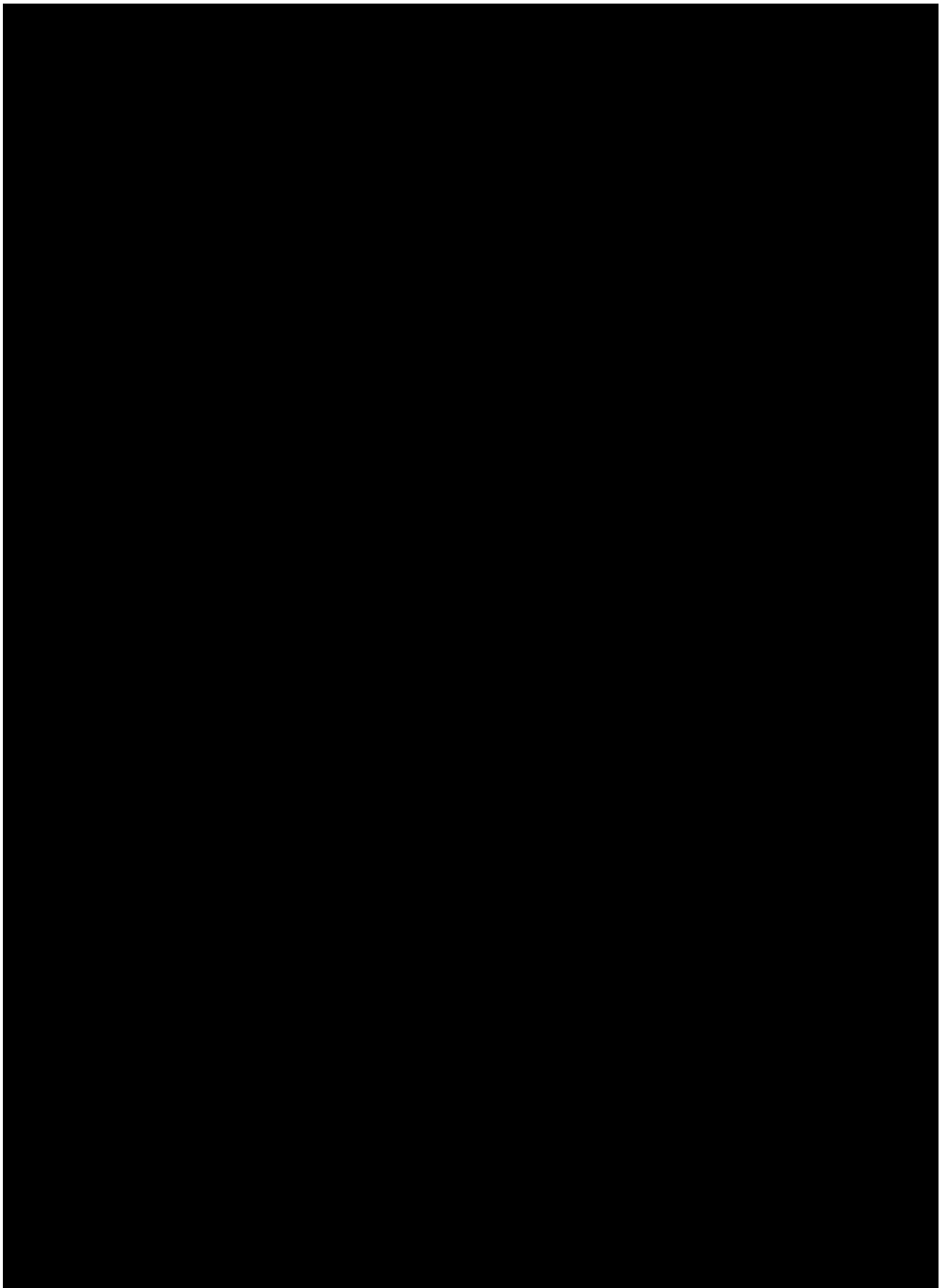


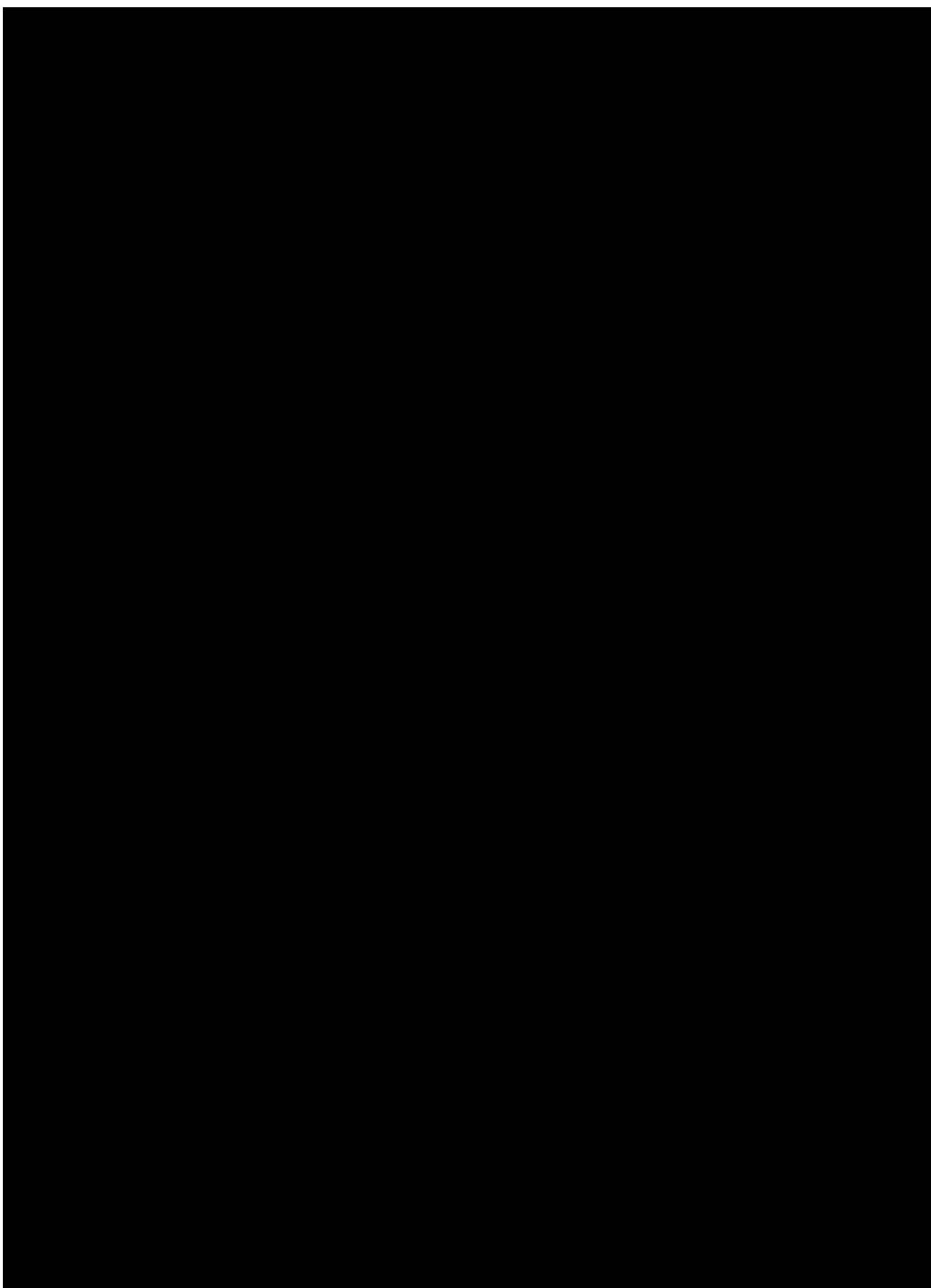


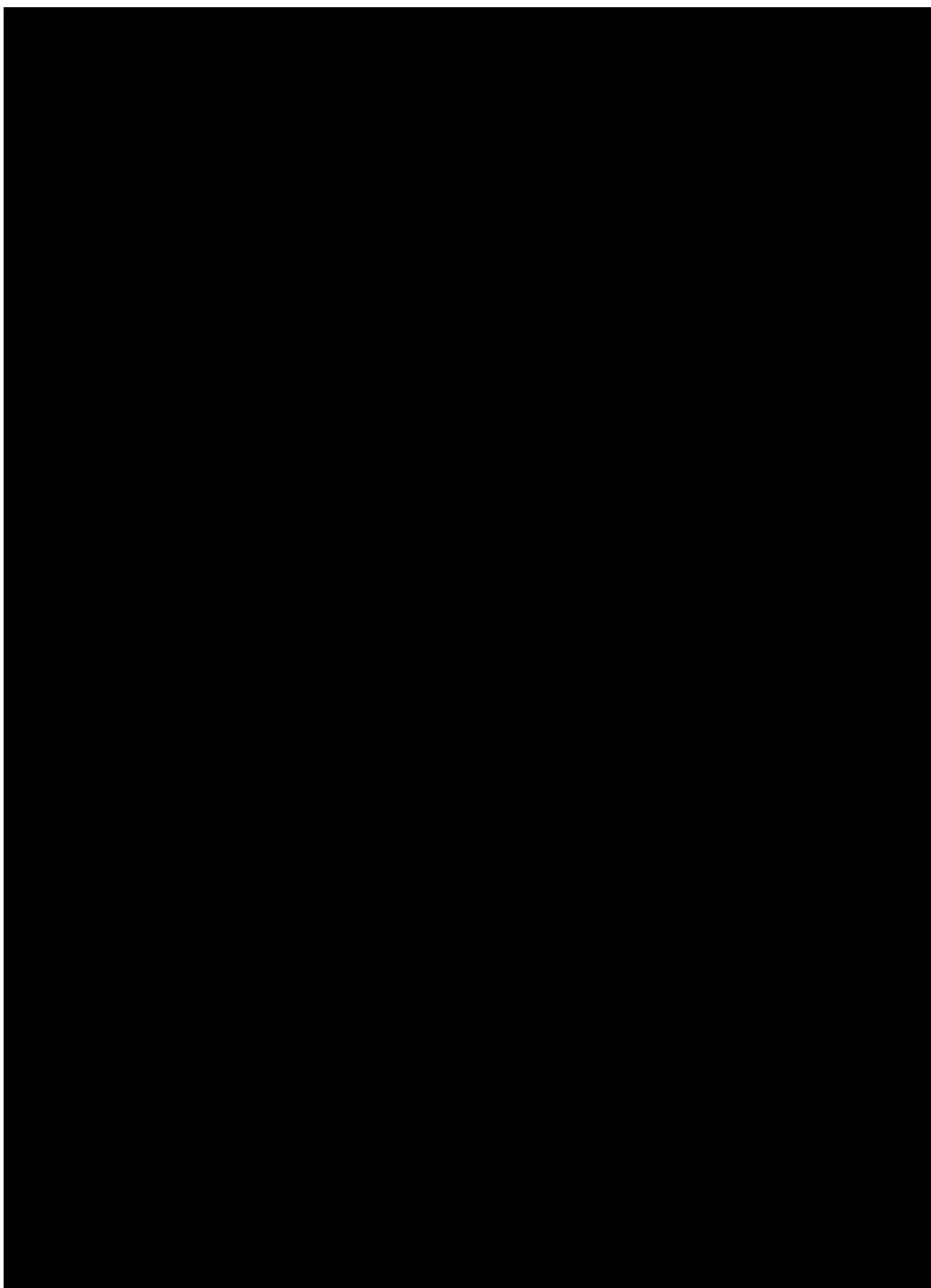


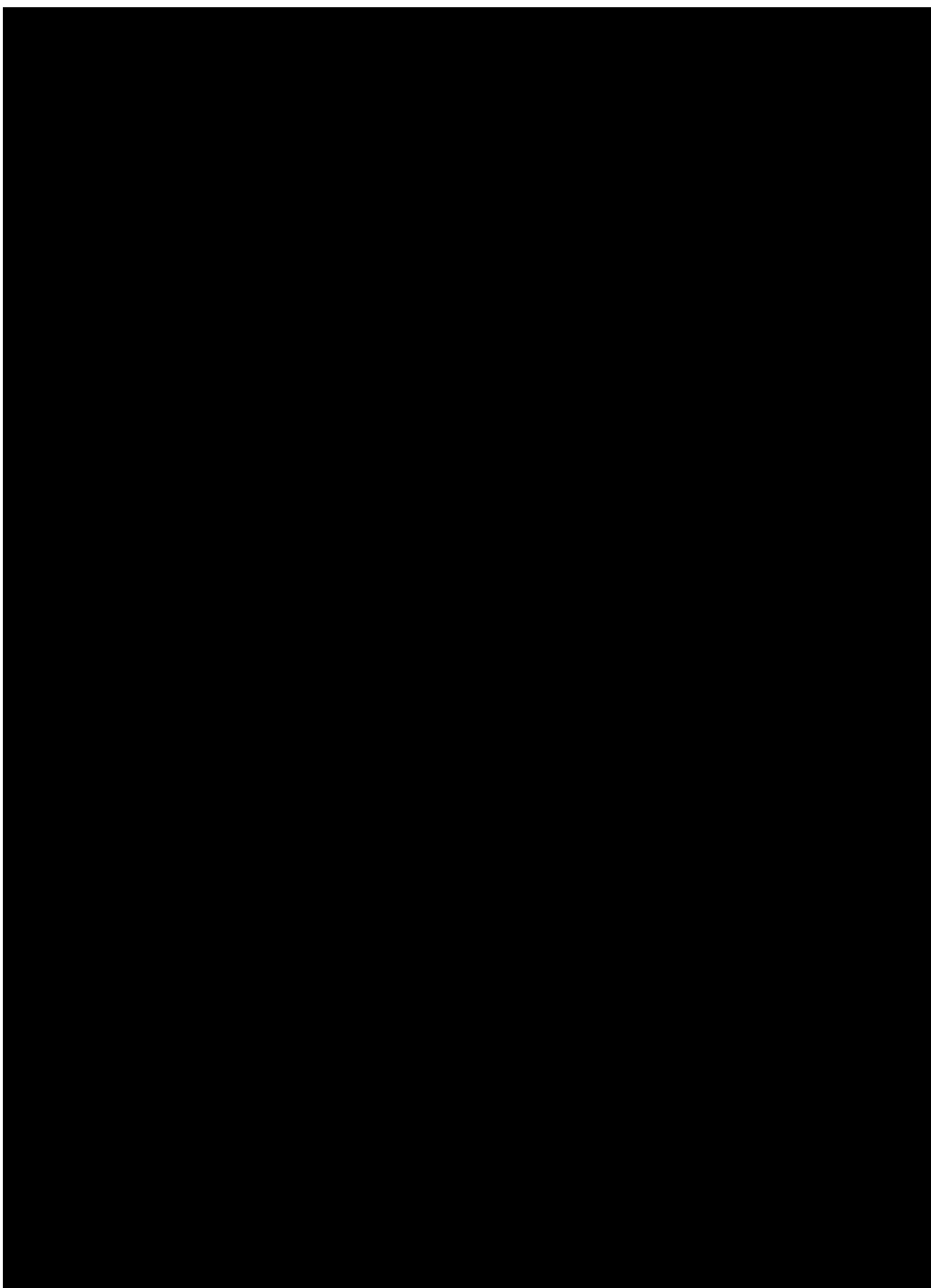


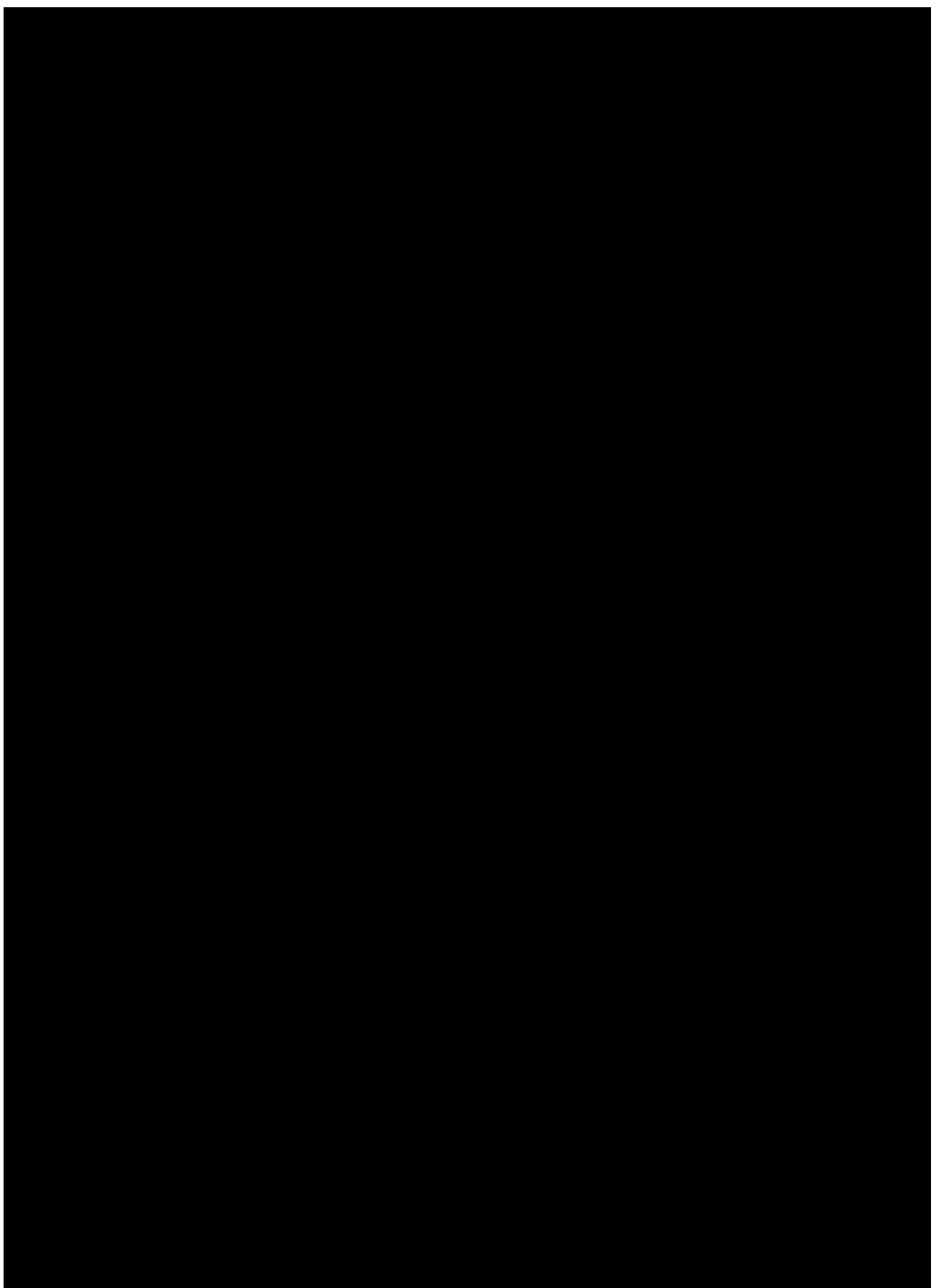


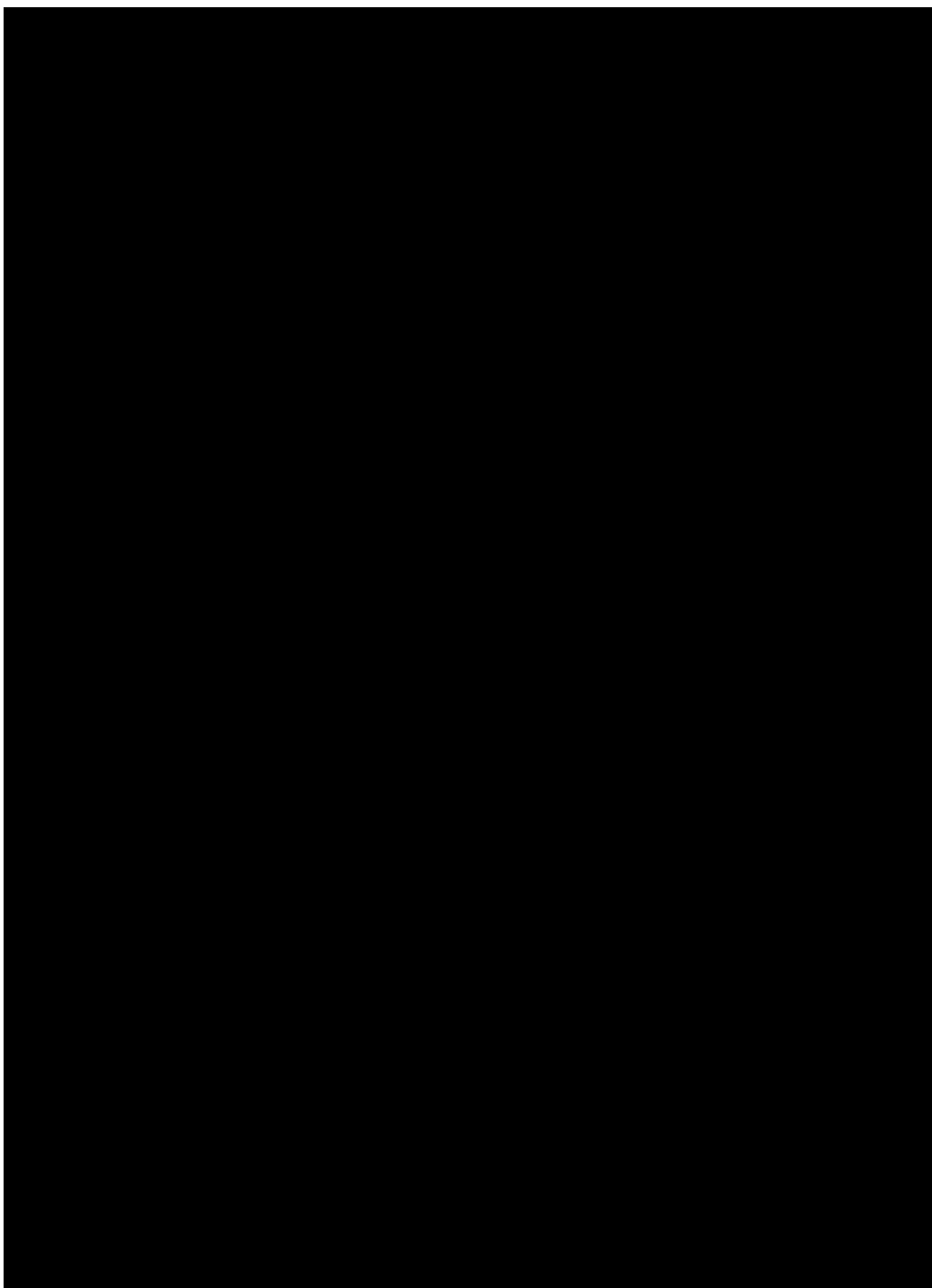


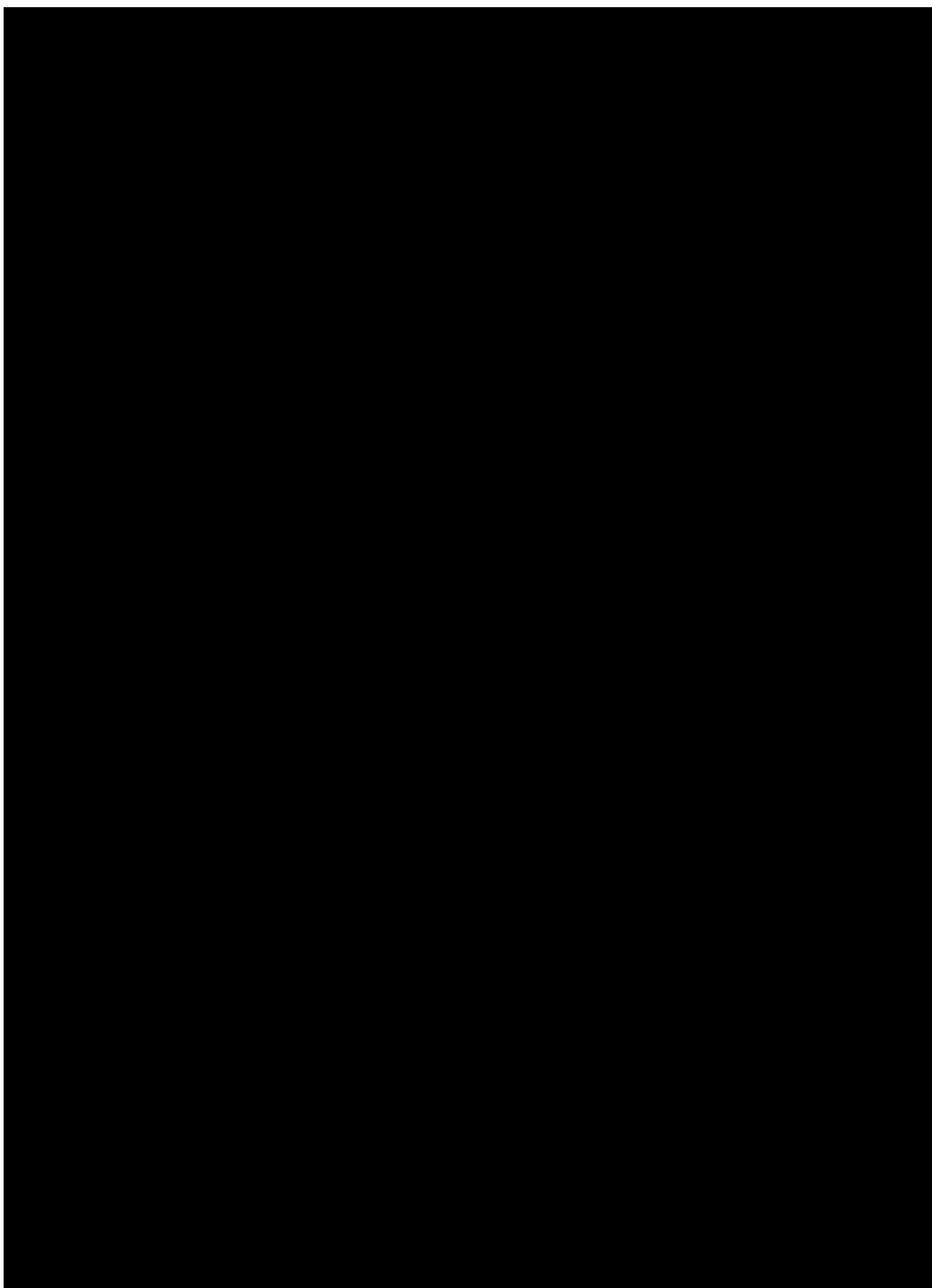


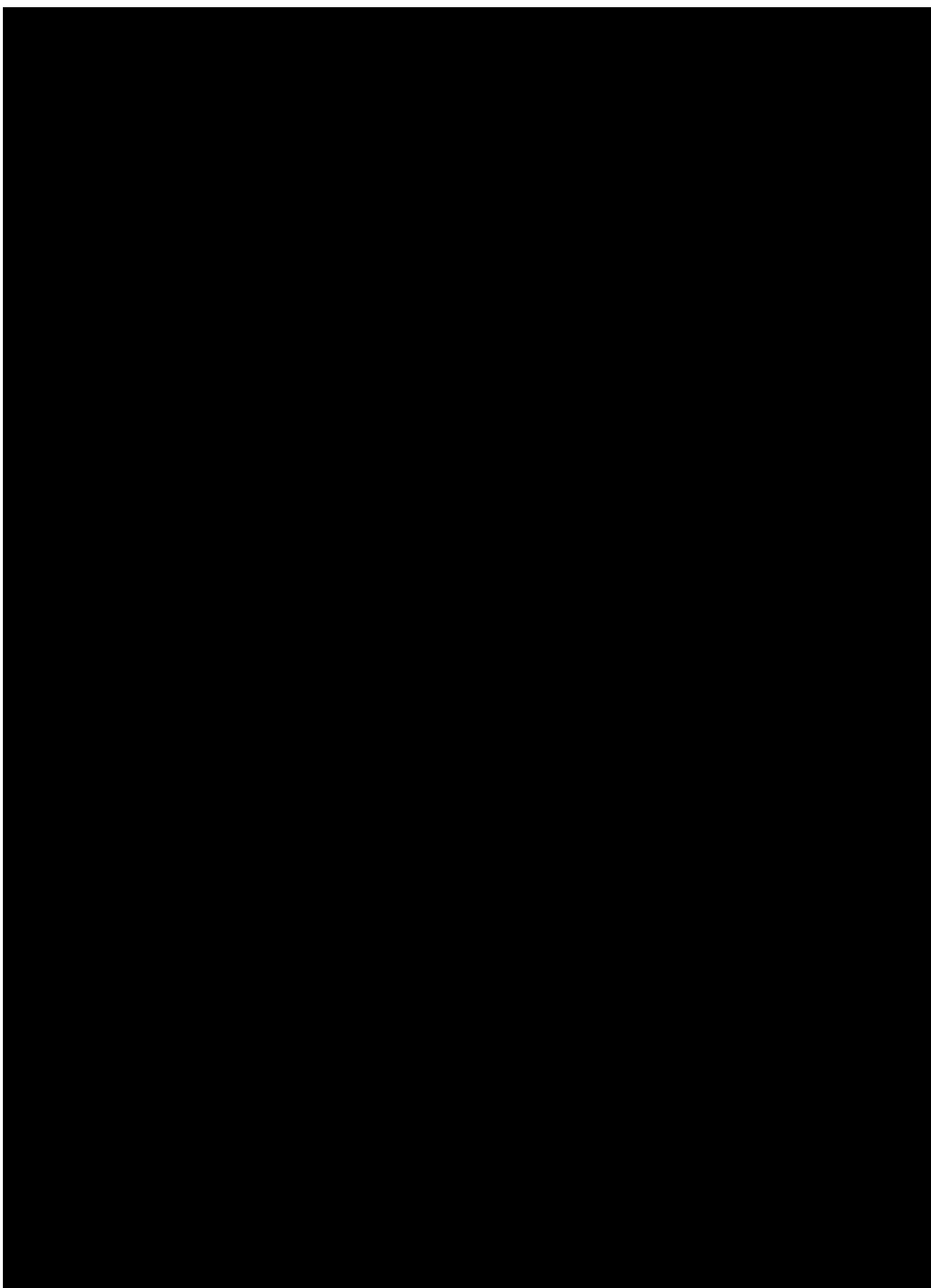


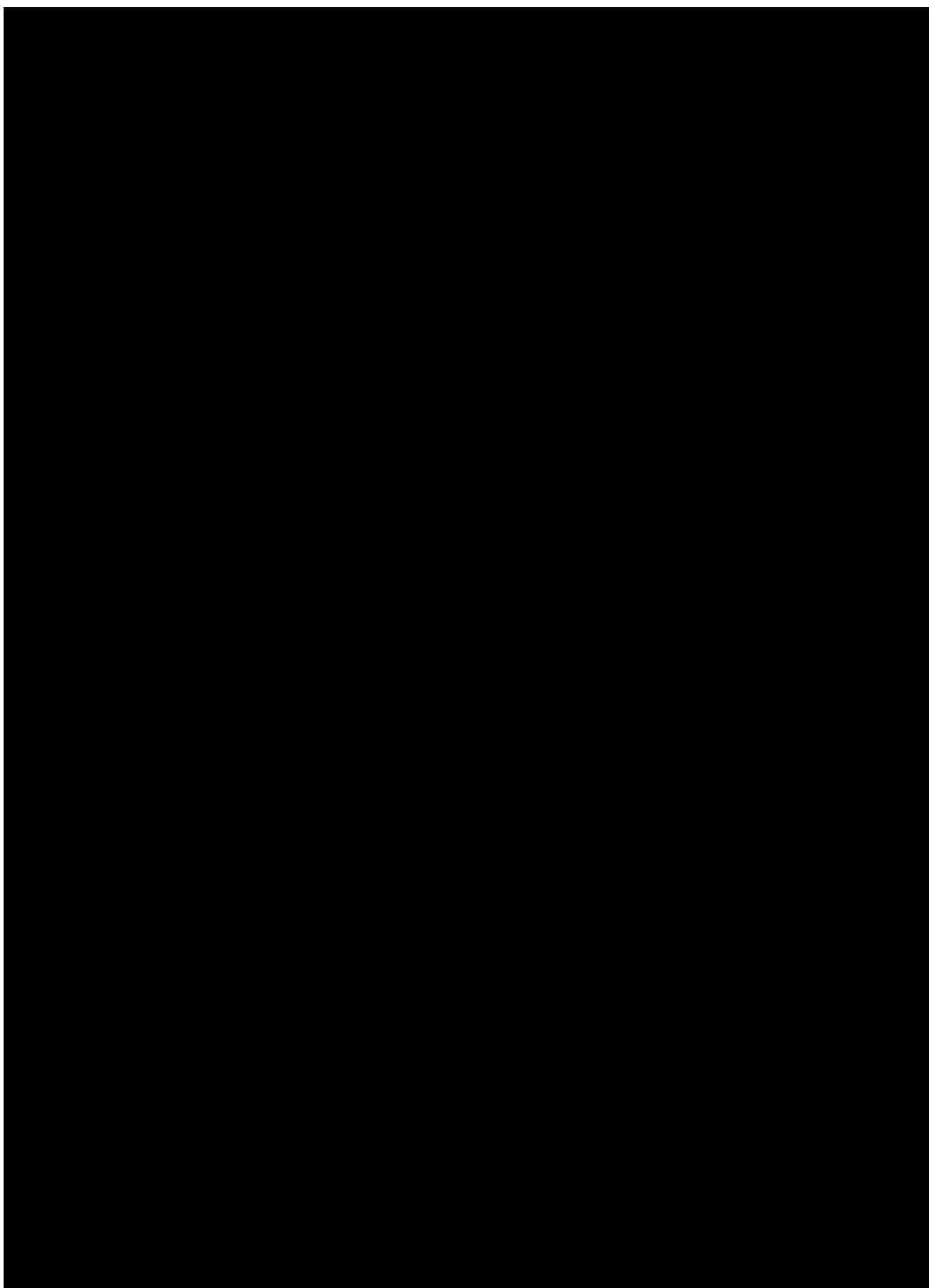












Note: a Ranked by EU total food aid shipments

Source: Adapted from WFP INTERFAIS

Annex Table D.11 Excessively food import-dependent ‘poor’ countries: annual average food aid shipments, 1989-94 (thousand tonnes)



... Negligible

Note:^a Excessively food import-dependent ‘poor’ countries as defined and ranked in FAO (1995).

Source: Adapted from WFP INTERFAIS

(tonnes) ^a						
Donor	Asia and Pacific	EITs	Latin America	North Africa and Middle East	Sub-Saharan Africa	Total
Community Action	96,486	762,835	52,186	133,680	191,770	1,236,957
Member States	25,535	51,137	27,409	87,296	108,302	299,679
<i>of which:</i>						
Belgium	667	0	0	3,333	7,246	11,246
Denmark	0	0	0	0	32	32
France	16,769	177	11,650	70,573	35,973	135,322
Germany	5,894	699	2,333	226	14,925	24,077
Greece	0	4,264	414	0	833	5,511
Ireland	0	0	0	0	0	0
Italy	556	43,402	4,338	12,923	25,007	86,226
Luxembourg	0	0	0	0	696	696
Netherlands	1,649	1,581	0	0	7,756	10,986
Portugal	0	0	0	0	0	0
Spain	0	1,014	8,674	241	8,359	18,288
UK	0	0	0	0	7,475	7,475
Total (12) EU	122,021	813,972	79,595	220,976	300,072	1,536,636
New Member States						
Austria	0	443	0	0	1,180	1,623
Finland	3,549	2,429	1,781	0	0	7,759
Sweden	0	0	0	0	0	0

Note: ^aAnnual average shipments in tonnes of cereals in grain equivalence. Including contributions to WFP.

Source: Adapted from WFP, INTERFAIS

Annex Table D.13		EU programme food aid shipments, 1989-94 (thousand tonnes)					
Top twenty recipients ^a	1989	1990	1991	1992	1993	1994	Total
1Poland	610	841	10	-	-	-	1,461
2Albania	-	-	196	612	530	-	1,338
3Egypt	279	72	236	171	147	154	1,059
4Bangladesh	219	135	58	48	10	75	545
5Romania	-	155	101	118	150	-	524
6Lithuania	-	-	-	235	274	-	509
7Mozambique	94	121	25	109	52	72	473
8Latvia	-	-	-	260	207	-	467
9Ethiopia	-	-	-	55	...	150	205
10Estonia	-	-	1	193	-	-	194
11Tunisia	95	15	37	11	5	22	185
12Peru	28	2	35	23	32	44	164
13Cape Verde	20	23	28	24	10	34	139
14Angola	14	30	28	26	19	8	125
15Nicaragua	20	17	16	48	18	4	123
16Mauritius	28	4	53	12	7	5	109
17Mauritania	25	19	39	17	5	4	109
18Zambia	-	-	...	89	13	-	102
19Russian Federation	-	-	-	82	15	-	97
20China	45	25	11	8	2	-	91
Total shipments							
EU PFA: Top 20 recipients only	1,478	1,458	872	2,141	1,495	572	8,016
EU PFA total	1,627	1,614	1,079	2,385	1,687	961	9,341
EU total food aid	3,268	3,361	3,358	5,487	4,165	3,592	23,193
EU PFA as % of EU total food aid	50%	48%	32%	43%	41%	27%	40%

... Negligible (less than 500 tonnes)

- None reported

Notes: ^a Total EU programme food aid in cereals and non-cereals, cereals in grain equivalent, including food aid from Austria, Finland and Sweden. Recipients are ranked by total shipments, 1989-94 and including economies in transition (EITs).

Source: Adapted from WFP INTERFAIS

Annex Table D.14 Efficiency of counterpart funds generated from EU programme food aid in 11 case-study countries, 1989-94 ^a

Country	CPFs	Quantity of food aid surveyed	Actions surveyed as a % of total tonnage delivered
Burkina Faso	1.2	10,000	100
Burundi	1.5	15,000	150
Cameroon	1.8	18,000	180
Chad	2.1	21,000	210
Cote d'Ivoire	2.4	24,000	240
DRC	2.7	27,000	270
Ethiopia	3.0	30,000	300
Ghana	3.3	33,000	330
Guinea	3.6	36,000	360
Kenya	3.9	39,000	390
Senegal	4.2	42,000	420

Note: aExcluding Mozambique for which data were not available; Denmark and Portugal not reported as providing programme food aid.
bMean CPF ratio is US dollar equivalent of CPFs generated divided by donor costs of providing food aid (See Box 7.2).

Source: European Commission and EU Member States; recipient country governments.