

# Overseas Development Institute

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## The Future of Food Aid: Summary of Findings and Recommendations<sup>1</sup>

### **Re-focusing on poverty**

The British Government's new international development policy of giving priority to the elimination of poverty and the encouragement of growth in favour of the poor justifies the re-examination of the role of food aid and UK food aid policy.<sup>2</sup> UK policy has involved according priority to bilateral food aid for emergency relief channelled through the World Food Programme (WFP) and, as appropriate, through international non-governmental organizations (NGOs). This has been combined with limited support for WFP's Regular Programme of developmental use of food aid. More broadly, the UK has been sceptical of the value of greater commitment of aid resources tied specifically to providing food as commodity aid. It has supported measures for strengthening the effectiveness and efficiency of EU food aid and multilateral food aid through the UN. Most of this aid is based on treaty obligations of the EU and other donors under the Food Aid Convention (FAC) to provide minimum amounts of food aid, currently 5.3 million tons globally.

**Recent international commitments** also justify a re-examination of both UK policy and the wider role of food aid. First, a commitment was made at the World Food Summit in November 1996, to halve the number of *under-nourished people* by 2015. Second, as part of the Uruguay Round of the General Agreement on Tariffs and Trade, the so-called Marrakesh Decision identified a role for food aid in supporting low-income countries that may be adversely affected by the liberalization of agricultural trade. This was linked to the future of the FAC by a decision of the World Trade Organization (WTO) at its first meeting in Singapore in November 1996. Third, the FAC is being re-negotiated during 1998. In this changing context, the Department for International Development (DFID) decided to commission this independent policy study.

### ***Objectives and Evidence***

This study of food aid has three aspects. The first is a review of the humanitarian and developmental case for food aid generally and by DFID in particular. This involves a re-assessment of the evidence on the effectiveness and efficiency of food aid as an aid instrument in providing support to countries affected by food insecurity and in protecting and improving the well-being of poor and vulnerable people in developing countries in terms of livelihoods and nutritional and health status. Second, it surveys donor policy developments within the context of global trade liberalization. The third part of the study considers the implications of recent developments and this reassessment for future international arrangements concerning food aid as well as DFID's own bilateral programme.

The study is based on a review of the considerable amount of evidence on the effectiveness and efficiency of food aid and performance of individual donors that has been brought together in evaluations of food aid and humanitarian assistance provided by the European Union (EU) and bilaterally by its Member States including the UK, other major food aid donors and international institutions. This review has been complemented by detailed statistical analysis of recent trends in food aid, the scrutiny of policy documents and selective interviews with aid officials and NGO staff.

### ***Main Findings***

Food aid has very quickly become a marginal and uncertain component of aid globally, making it difficult for food aid to have significant food security impacts at an international level. The scale of food aid as a resource transfer is increasingly marginal in relation to official development assistance (ODA) -currently only 3-4%, compared with 22% in 1965 and 11% in 1985. The FAC seems to have been largely ineffective in assuring stability in food aid levels. Total cereal shipments in 1996/97 (1 July to 30 June) fell for the fourth consecutive year to 4.9 million tons, less than one third of the 1992/93 level of 15.1 million tons. Links to agricultural surpluses are major sources of uncertainty. The relationship between international price variability, levels of stocks and donor commitments overall has made food aid the most unstable element in ODA.

**Developmental food aid** in the 1990s has proved relatively ineffective as an instrument for combating poverty and improving the food consumption and nutritional and health status of very poor and vulnerable people. *Programme food aid*, which is provided to governments for sale, is a particularly ineffective and blunt instrument for these purposes. Robust evidence for both NGO activities and WFP on impacts of *project food aid* that provide food directly is surprisingly lacking, in particular on the effectiveness of targeting and impacts on human resource development, because of inadequate performance monitoring.

**Relief food aid** plays a clear and crucial role in saving lives and limiting nutritional stress in situations of acute crisis caused by conflict and natural disaster. However, frequently there is a lack of robust evidence on the positive impacts on human resources, much evidence of ineffectiveness and some of late arriving, inflexible relief hampering the recovery of natural disaster-affected local economies.

**Financial aid** is more efficient in most circumstances than food aid, as an instrument for funding food assistance activities such as school meals or food-for-work, or in providing balance-of-payments or budgetary support for general development or food security.

**Role of food aid** Success in mitigating the effects of major natural disasters and conflicts indicates that food aid has a continuing role in emergency relief and post-crisis rehabilitation, although there is considerable scope for better practice and improved performance. Food aid can be useful too in a very limited way as targeted assistance to poor, highly food-insecure people in situations of poorly-functioning fragile markets and serious institutional weakness. However, food aid is not an effective or efficient instrument for supporting poverty reduction strategies more generally.

**Policies and Institutions** There is relatively little coherence in donor policies and co-ordination is weak, apart from major emergencies such as the 1991/92 southern African drought and the Rwanda crisis in 1994. The present international institutional arrangements are manifestly defective, resulting in considerable uncertainty. These need to be re-examined in the light of the liberalization of world agricultural trade and the relatively and absolutely smaller levels of aid resources being committed as food aid.

WFP, in responding to larger but variable relief responsibility and cuts in development resources, is attempting reorientation. Its emergency operations performance has been impressive. But the effectiveness and efficiency of developmental activity has not been demonstrated. Aspects of the reorientation also represent a defensive strategy - reassertion of the value of quite traditional human development activities, mother and child health and school meals programmes, which had shown previously unimpressive performance in combating poverty or improving nutritional status.

The EU's 1996 Regulation<sup>3</sup> is allowing the Commission and its partners to move progressively away from the traditional focus on using food aid to supporting food security. But it is too early to assess its success. Systematic and balanced assessment of experience in the first three years 1996-98 by the EU Court of Auditors and an independent evaluation are appropriate.

The performance of NGOs, especially as a channel for EU development and emergency aid, is more difficult to assess on the basis of available evidence. More systematic assessment is needed on the effectiveness and efficiency of ways in which food aid is channelled through NGOs.

### *Elements of a New Humanitarian Assistance - Food Security Framework*

Because of the disquiet caused by the resource uncertainty and wider questioning of the role of food aid apart from in humanitarian emergencies, a new consensus on the future of food aid is within grasp, but not yet fully established. There is a gradual recognition that food aid is no longer a major development resource. But considerable readjustment is required on the part of all those institutions which are heavily involved with food aid, particularly WFP, some bilateral agencies and those international NGOs which rely heavily on food aid resources.

Some broad features of the international system for food aid as it might be in five years time, and the roles within it for the UK and Europe, include the following:

- Moving away from quantitative commitments related to cereal surpluses towards focusing more effectively on humanitarian problems and critical food security situations. The Food Aid Convention renegotiation in 1998 and concurrent discussions on EU and international Codes of Conduct offer the opportunity of doing this.
- A constructive and realistic response is required to the balance-of-payments problems of some low-income food-deficit countries during the liberalization process under the Uruguay Round Agricultural Agreement.
- International institutional arrangements for food aid should be streamlined.

- The WFP should have a redefined role, with appropriate resources and professional capacity, to become the UN's humanitarian and rehabilitation logistics and food support agency.
- The EU will, through its focus on food security, progressively merge food aid with the main stream of its development co-operation programme.
- The UK and other Member States might be released from the obligation to provide food as commodity aid on a bilateral basis as part of the EU's contribution under the FAC. Instead, they would accept responsibilities under a Code of Good Conduct for participating in responses to humanitarian crises and supporting WFP in its role.
- NGOs should have a supportive policy framework and incentives to make EU humanitarian assistance and food aid-food security instruments work effectively. This possibility implies looking closely at existing EU procedures to see how these can be made to function more quickly, smoothly and cost-effectively (Box 1).

### **Box 1. Improving the effectiveness and efficiency of EU Food Aid**

The standardisation of EU and Member State regulations and procedures on the basis of best practice would facilitate better crisis management, cost minimisation and acceptable levels of accountability also reducing the burden of aid management on beneficiary countries. This study has provides examples:

- All should seek to follow the 1991 Council Resolution on management of counterpart funds;
- EU and national procedures should be amended to allow and encourage tendering for single contracts involving mobilisation, shipping and insurance in bilateral, WFP and NGO actions;
- Member States should avoid *de facto* discrimination, for example by specifying a national port of loading;
- The Commission in consultation with member governments, NGOs and WFP should establish common arrangements for triangular transactions and local purchases to avoid wasteful duplication and potential damage to local markets;
- Guidelines should be developed for financing commercial imports by beneficiary countries through Community and National Actions covering both normal and emergency situations.

In practice, two not entirely distinct strategies for establishing a new framework are identifiable for the EU and the wider international community, i.e. adaptation and far-reaching reconstruction.

*Adaptation* of existing arrangements and institutions implies more flexibility in the use of food aid and more integration with other aid instruments. For example:

- The FAC would be more flexible over allowable commodities; and a closer relationship would be established between fulfilling obligations and actual levels of expenditure.

- DFID and other donors would work with WFP to improve the performance of its development programme, but on a more modest basis.
- More coherence in internal agency management is achievable by the integration of what were functions of separate food aid units into humanitarian, international and regional departments.

The UK has probably proceeded as far as it can bilaterally in these directions and can only facilitate such changes more widely. This could involve actively supporting the standardisation of EU practices.

There are two problems with this strategy. Firstly, the re-emergence of surpluses could lead again to WFP and NGOs being expected to handle more food aid on behalf of some donors, but with considerable uncertainty about medium-term resourcing prospects and lack of complementary financial resources. Second, the current mismatch of too many institutions and arrangements concerned with food surplus disposal, the more modest scale of resources and a greater focus on relief than previously might not be satisfactorily resolved.

*Reconstruction* of food aid in terms of addressing wider problems of human security (especially relief in humanitarian crises, rehabilitation and food security for the most vulnerable in very poor countries) is a more ambitious strategy. Major components of this strategy might be:

- Qualitative commitments to provide humanitarian relief and recovery assistance would ensure that resources for WFP replace FAC quantitative commitments in cereals. Such commitments would be linked to a reconstruction of WFP to equip it for this role (Box 2).
- An international Code of Conduct would link regional networks in Africa (CILSS/Club du Sahel and SADC) to wider donor discussion at FAC or another forum on a regular basis.
- In streamlining institutional arrangements, the FAO Committee on Surplus Disposal, which protects exporter interests, should be abolished or transferred to the WTO.
- People-centred assessments of humanitarian and crisis needs that involve food aid would be made on a regular basis in both quantitative and financial cost terms and reviewed 6 or 12 monthly at an existing forum such as the FAC or WFP Executive Board. These assessments would be clearly separated from balance-of-payments food balance sheet exercises for low-income countries.
- The WTO Marrakesh Decision food import issues would be merged progressively with more general balance-of-payments problems of low-income countries adapting to liberalization. Food security would be treated as part of the wider social dimension of liberalization; it should not be addressed separately as a food import problem. International compensatory financing arrangements for low-income countries affected by liberalization might be strengthened and made more accessible.

### **Box 2. WFP: policy & institutional reconstruction**

Elements of a strategy for the reconstruction of WFP as part of a wider reorganisation of the responsibilities of UN agencies are set out below. The UK government, directly and through

agencies which it supports, should encourage such strategies and provide complementary financial and technical support.

### ***Emergency food aid and humanitarian relief***

- WFP would continue to be the primary channel for international emergency food aid including protracted relief for refugees and displaced people.
- WFP should have the key role in co-ordination of international relief food operations including bilateral and NGO actions, except in circumstances which preclude its involvement.
- The UK government should channel contributions to food relief through WFP and work to avoid parallel food supply operations by other agencies except where circumstances preclude or severely circumscribe WFP involvement.
- The UK should continue to fund emergency relief, including WFP's Immediate Response Account annual replenishment target of US\$ 45mn in cash. It should also work to achieve agreement for ending tied international emergency food aid in kind.

### ***Supporting post-crisis rehabilitation and reconstruction***

- International assistance should facilitate a rapid and sustainable transition of affected countries and groups from dependence on relief food aid to food security based on domestic food production and, where appropriate, commercial imports channelled through normal markets.
- WFP, working with other international agencies, should support strategies for post-crisis transition, typically replacing international commodity aid with financial aid within 3 years.

### ***Poverty alleviation and crisis preparedness for highly food insecure groups and areas***

- WFP should work closely with other international agencies and civil society institutions to enable governments of least developed countries to develop and implement programmes for poverty reduction and reducing vulnerability of highly food insecure groups and areas. This initiative should be linked to the current FAO and WFP development of Vulnerability Mapping. It would support projects distributing food only in least developed countries, especially sub-Saharan Africa.
- Excepting these circumstances, WFP and other international agencies should seek to phase out food aid to support food assistance activities in low- and middle-income countries within 3-5 years.

The challenge with a strategy for reconstruction lies in mobilizing and sustaining a coalition for change within the EU and more widely. Individually most donors and agencies would agree in principle on the need for a transformation. Resistance arises where change implies a narrower mandate, even though previously responsibilities are not being carried out effectively. Similarly, if assured that they would not be disadvantaged, most developing

countries would welcome a more modest role for food aid except in extraordinary crisis situations.

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1. Clay E., Pillai, N. and Benson C. 1998. *The Future of Food Aid: A Policy Review*. London, Overseas Development Institute, June.

2. Department for International Development. 1997. *Eliminating poverty: a challenge for the 21<sup>st</sup> Century*. Cmd 32. London, November.

3. European Council. 1996. 'Council Regulation (EC) No 1292/96 of 27 June 1996 on food aid policy and food aid management and special operations in support of food security.' OJ/L, 166, Brussels, 5 July.