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LONDON, ENGLAND

**Overseas Development Institute**

# **The Future of Food Aid: A Policy Review**

**Edward Clay  
Nita Pillai  
Charlotte Benson**



**June 1998**





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The Department for International Development (DFID) is the British Government Department that supports programmes and projects to promote overseas development. It provides funding for economic and social research to inform development policy and practice. DFID funds supported this study and the preparation of this report. DFID distributes the report to bring research to the attention of policy-makers and practitioners. However, the views and opinions expressed in the document do not reflect DFID's official policies or practices, but are those of the authors alone.



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## Acronyms

|            |   |
|------------|---|
| <i>cif</i> | Carriage, Insurance and Freight                           |
| CILSS      | Comité Inter-États de Lutte contre la Sécheresse au Sahel |
| CPF        | Counterpart Fund  |
| DAC        | (OECD) Development Assistance Committee                   |
| DFID       | Department for International Development                  |
| EC         | European Commission                                       |
| ECHO       | European Community Humanitarian Office                    |
| EGS        | Employment Generation Schemes                             |
| EU         | European Union  |
| FAC        | Food Aid Convention                                       |
| FAO        | Food and Agriculture Organisation                         |
| FFW        | Food For Work   |
| <i>fob</i> | Free on board   |
| FY         | Financial Year  |
| GATT       | General Agreement on Trade and Tariffs                    |
| GIEWS      | Global Information and Early Warning System               |
| IDA        | International Development Association (World Bank)        |
| IEFR       | International Emergency Food Reserve                      |
| IMF        | International Monetary Fund                               |
| INTERFAIS  | (WFP) International Food Aid Information System           |
| ITSH       | Internal Transport, Storage and Handling                  |
| LDC        | Least Developed Country                                   |
| LIFDC      | Low-Income Food-Deficit Country                           |
| LIPW       | Labour-Intensive Public Works                             |
| MCH        | Mother and Child Health                                   |
| NFIDC      | Net Food-Importing Developing Country                     |
| NGO        | Non-Governmental Organisation                             |
| OCHA       | Office of the Coordinator for Humanitarian Affairs        |
| ODA        | Official Development Assistance                           |
| OECD       | Organisation for Economic Co-operation and Development    |
| PFA        | Programme Food Aid  |
| PRO        | Protracted Relief Operation                               |
| PVO        | Private Voluntary Organisation                            |
| RMP        | Rural Maintenance Programme                               |
| SADC       | Southern African Development Community                    |
| SCF        | Save the Children Fund                                    |
| SFP        | School Feeding Programme                                  |
| TFP        | Therapeutic Feeding Programme                             |
| UNHCR      | United Nations High Commission for Refugees               |
| UNICEF     | United Nations Children's Fund                            |
| USAID      | United States Agency for International Development        |
| USDA       | United States Department of Agriculture                   |
| VGF        | Vulnerable Group Feeding                                  |
| WFP        | World Food Programme                                      |
| WTO        | World Trade Organisation                                  |

## **Acknowledgements**

The authors appreciate the co-operation and assistance they received from many individuals and organisations in both the public and private voluntary sectors and in international organisations during the course of this study. Thanks are due in particular to John Borton, Jane Donecker, Roland Fox and Simon Maxwell who commented in detail on the draft report, Margaret Cornell in editing the draft and Belinda Low and Kate Fraser for secretarial support.



## Executive Summary

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 the Department for International Development (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.

### *The Changing Policy Context*

**Re-focusing on poverty** The wide-ranging review of international development policy being undertaken by the British Government to re-focus efforts on the elimination of poverty and the encouragement of growth in favour of the poor would justify a re-examination of the role of food aid and UK food aid policy (DFID, 1997: 32). UK policy involves giving priority in bilateral food aid to emergency relief channelled through the World Food Programme (WFP) and, as appropriate, through international non-governmental organizations (NGOs). This is 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 being re-negotiated during the period of the British presidency of the EU in the first half of 1998.

### *Issues of Uncertainty, Effectiveness and Inefficiency*

**Resource uncertainty** 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 (Chapters 1 & 2)

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. Robust evidence for both NGO activities and WFP on impacts of humanitarian and project food aid is surprisingly lacking, in particular on the effectiveness of targeting and impacts on human resource development, because of inadequate performance monitoring (Chapters 3 & 4).

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 (Chapter 5).

**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 (Chapter 6). 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 (Chapter 7).

WFP, in responding to larger but variable relief responsibility and cuts in development resources, is attempting reorientation (Chapter 8). Its emergency operations performance has been impressive. However, aspects of the reorientation 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.

The EU's 1996 Regulation 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:

- The Food Aid Convention renegotiation in 1998 and concurrent discussions on EU and international Codes of Conduct offer the opportunity of moving away from quantitative commitments related to cereal surpluses towards focusing more effectively on humanitarian problems and critical food security situations.
- 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 progressively merge food aid with the main stream of its development co-operation programme through its focus on food security.
- 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.

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.

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 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.
- 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 export interests, should be abolished or transferred to 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 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.

The challenge with such a strategy lies in mobilizing and sustaining a coalition for change within the EU and more widely. Individually most donors and agencies would agree in principle with such a transformation. 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.



# 1. Introduction: What Role for Food Aid?

This study of food aid has three aspects. First, it reviews the humanitarian and developmental case for food aid generally and UK food aid 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, nutritional and health status (Chapter 5). Second, it surveys donor policy developments within the context of global trade liberalization (Chapters 6 & 7). It comes to the conclusion that food aid has a continuing role in emergency relief and post-crisis rehabilitation, though with considerable scope for better practice and improved performance, but that it is not an effective or efficient instrument for supporting poverty reduction strategies more generally. Third, it considers the implications of these conclusions in terms of future international arrangements concerning food aid as well as the UK's own bilateral programme (Chapter 8).

**The evidence** The study is based on a review of the considerable evidence brought together in evaluations provided by the European Union (EU) and its Member States including the UK, other major donors and international institutions (see Box 1), complemented by detailed statistical analysis of recent trends in food aid and selective interviews with aid officials and NGO staff. Where the evidence does not allow any firm conclusions, this is clearly indicated, pointing to the need for further performance monitoring on specific issues. It is important to make clear the extent to which the authors have been impressed by the sheer rapidity of changes in food aid and the wider economic environment in which it is provided. In presenting findings on food aid performance and impacts in this report for a wider policy audience, much of the detailed analysis, statistical investigations and documentation have been omitted. However, the interested reader will find a fuller version of the assessment (Chapters 2-5) in a background Working Paper (Clay, Pillai and Benson, forthcoming).

**Re-focusing on poverty** The wide-ranging review of international development policy being undertaken by the British Government to re-focus efforts on the elimination of poverty and the encouragement of growth in favour of the poor would alone justify a re-examination of UK food aid policy (DFID, 1997: 32). This gives priority in bilateral food aid to emergency relief channelled through the World Food Programme (WFP) and, as appropriate, through international non-governmental organizations. This is combined with limited support for WFP's Regular Programme of developmental use of food aid. More broadly, the UK has been sceptical about the value of greater commitment of aid resources tied specifically to providing food as commodity aid. It has supported measures to strengthen the effectiveness and efficiency of EU and multilateral food aid through the UN. Most of this aid is based on the treaty obligations of the EU and other donors under the Food Aid Convention and commitments to support the operations of WFP. This policy has remained broadly unchanged since it was re-examined in the light of experience during the African food crisis of 1984/85 (House of Commons, 1985).

**Recent international commitments** A number of other recent developments would also justify a re-examination of both UK policy and the wider role of food aid. Firstly, the commitment made at the World Food Summit in November 1996, of halving the number of *under-nourished people* by 2015, represents a more specific target broadly consistent with the overall poverty reduction targets agreed by the international community, which are a priority for UK policy. Secondly, as part of the Uruguay Round 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 in turn has been linked to the future of the Food Aid Convention by a decision of the newly established World Trade Organization (WTO) at its first meeting in Singapore in November 1996. Thirdly, the Food Aid Convention is being re-negotiated during the period of the British presidency of the EU in the first half of 1998.

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### Box 1: Food Aid Re-assessed

Growing international concern about the role and effectiveness of food aid as an aid instrument is reflected in the substantial body of recent evaluations, audits and special studies undertaken by EU institutions, and by donors jointly and separately for their own programmes. First, the apparently growing role of international emergency and humanitarian assistance has generated many studies. The international response to the southern African drought in 1992 resulted in more than twenty individual donor and multilateral evaluations (Benson and Clay, 1998). Drawing on that lesson, and at the instigation of the DAC, a number of donors jointly assessed the international response to the humanitarian crisis in Rwanda, which had a significant food aid component (Eriksson, 1996). Three major funders, Canada, the Netherlands and Norway, also part of the so-called like-minded group of donors, evaluated the UN World Food Programme, considering its growing role in emergency aid and the effectiveness of its shrinking developmental programme (Chr. Michelsen Institute, 1993a). The European Union Working Group of Heads of Evaluation Services commissioned, in 1992, an in-depth study of programme food aid including both Community Actions organized by the European Commission and Member States aid between 1989 and 1994 (Clay et al., 1996). The European Commission also evaluated the contribution of Community Action food aid to food security (ADE, 1994). The European Court of Auditors examined the efficiency of Community Action food aid (EU Court of Auditors, 1993) and the European Community Humanitarian Office (ECHO) whose activities have a large food aid component (EU Court of Auditors, 1997).

In addition, a number of other major donors, Australia, Canada and the US, have engaged in systematic reassessment of their own programmes (Australian Development Assistance Bureau, 1997; Vandenburg, 1997; McClelland, 1997). DFID has not undertaken an evaluation of UK food aid, but has contributed to the joint EU and Rwanda evaluations. It has also assessed the effectiveness and efficiency of its response to some other major disasters and commissioned a review of emergency evaluation experience (Borton and Macrae, 1997).

This considerable body of recent evaluations covering every major aspect of food aid provides a unique opportunity for an overall re-assessment of the role, effectiveness and efficiency of food aid as an aid instrument.

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**Resource uncertainty** Whatever the guiding principles that should underpin food aid policy, the recent reality is one of resource uncertainty. Total cereal shipments in 1996/97 (1 July to 30 June) fell for the fourth consecutive year to 4.9 million tons,<sup>1</sup> less than one-third of the 1992/93 level (Figure 1.1). Some decline had been expected because of a number of factors considered in detail below - reduced budgetary commitments on the part of some donors, higher cereal prices in 1995/96, some decline in emergency requirements and greater flexibility in the use of food aid budget lines. Nevertheless, the availability of food aid in physical terms - the most meaningful measure for commodity aid - is much reduced and within a relatively wide band of possibilities remains uncertain. Commitments to WFP's Regular Programme are also apparently in 'free fall'. With the increased risk of a regional food crisis in southern Africa and possibly more widely as a result of a major climatic anomaly in 1997/98, the El Nino event, these developments have raised questions about the capacity of the international community to respond sufficiently and in

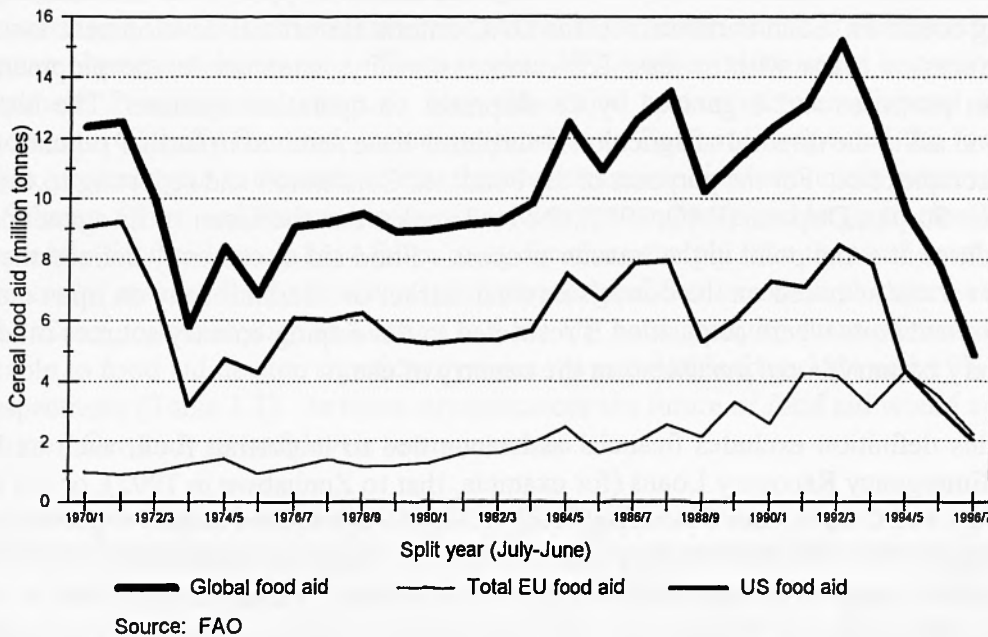


a timely way. The apparent lack of coherence in donor actions also suggests the need for a re-examination of international institutional arrangements and modalities. These questions raise issues for UK aid policy at a bilateral level, as well as in the formulation and funding of EU multilateral action.

### *Concepts and Definitions*

The way food aid is defined has important policy implications, reflected, for example, in negotiations over which actions are recognized as fulfilling donor obligations under international agreements, in particular the Food Aid Convention (FAC) and the FAO Rules on Surplus Disposal, as well as the development co-operation objectives and responsibilities accepted by members of the DAC. Currently there are difficulties in the consistent and complete reporting of food aid either as commodity aid in physical terms or as expenditure. Put in the starkest terms, definitions may determine the quantities and types of food that are available in a crisis threatening the lives and livelihoods of affected people.<sup>2</sup>

Figure 1.1: Trends in EU, US and global cereals food aid, 1970/1 - 96/7



**Food security** The promotion of food security is now widely accepted as the explicit primary goal of food aid. Given the different and changing usages of this concept, a clear definition of the meaning of food security is also required in moving from broad expressions of good intentions to implementing policy in logically consistent ways. The currently most widely accepted definition is that set out in the Rome Declaration and Plan of Action of the World Food Summit: 'Food security at individual, household, national, regional and global levels [is achieved] when all people, at all times, have physical and economic *access* to sufficient safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life'. It is recognized that poverty is 'a major cause of food insecurity and [that] sustainable progress in poverty eradication is critical to improving access to food', but it is also noted that 'conflict, terrorism, corruption and environmental degradation also contribute significantly to food insecurity' (FAO 1996a).

From the policy viewpoint, it is helpful to distinguish household food security as being concerned with assuring or enhancing *access to food* for the poorest, most *food-insecure households* and groups, while national food security is concerned with ensuring *availability*, that is, the *adequacy* and *stability* of supplies of food at the global and national level. Severe short-term threats to availability, usually a crisis at national level, or to vulnerable groups' access, such as famine, destruction of livelihoods and displacement, are problems of *acute food insecurity*, which may be *transitory*, i.e. associated with an environmental or economic shock, or may persist as a so-called 'continuing' emergency, especially in a conflict situation. *Chronic food insecurity* is a longer-term problem of the lack of access of vulnerable households to adequate levels of food for normal human development - a problem which is fundamentally intertwined with problems of poverty and inadequate livelihoods.

**Food assistance** has historically provided, and continues to provide, a way of addressing both these types of food insecurity. Its role in an emergency, and in the rehabilitation of affected peoples and regions, is generally accepted; its role in combating chronic food insecurity, and thereby contributing to poverty reduction, is more controversial.

**Food aid** as conventionally defined and reported as part of the activities of bilateral and multilateral aid institutions and NGOs, is an instrument used to support food assistance actions in developing countries. Such transfers meet the DAC criteria for official development assistance (ODA) - grants or loans with at least 25% concessionality, intended for developmental or humanitarian purposes and organized by development co-operation agencies. The historical origins of food aid in the disposal of agricultural surpluses have resulted in further regulatory and definitional complexities. For the purposes of the Food Aid Convention and reporting to the FAO Committee on Surplus Disposal (FAO, 1980), food aid implies that the donor or its agent acquires the commodities at some point in the transfer process. Food aid as currently defined therefore includes: *direct aid* acquired on the donor's internal market or internationally on open markets; *triangular transactions* where acquisition is restricted to developing country sources other than the beneficiary country; *local purchases* in the country of use.

Currently this definition excludes financial assistance tied to importing food, such as World Bank/IDA Emergency Recovery Loans (for example, that to Zimbabwe in 1992), or the IMF's Compensatory and Contingency Financing Facility. Food imports financed by exporter credits, such as the US Export Enhancement Programme or EU export restitutions, are also normally excluded. With some exporters providing both food aid and export credits with a mix of humanitarian, developmental, foreign policy and trade motives, this is undoubtedly a considerable grey area (see example, Shaw and Singer, 1996). This is important in considering the wider developmental implications of food aid and its food security implications (see Chapter 2).

Recognizing the different transactions constituting food aid, these can be grouped practically into three broad categories:

- *Relief food aid*, which is targeted and freely distributed to victims of natural and man-made disasters.
- *Programme food aid (PFA)*, which involves commodities provided directly to a recipient government or its agent for sales on local markets to generate local-currency counterpart funds, usually under the control of the recipient government but with some form of agreement with the donor about their management and use.

- *Project food aid*, which is provided on a grant basis to targeted groups to support specific developmental activities.

### ***Recent Trends: Food Aid in Decline***

Food aid's high profile is accounted for by the media interest in humanitarian relief, but also by the historical importance of the US as the major donor. From the Marshall Plan era until the early 1970s food aid accounted for around 25% of US development assistance. Since the establishment of the DAC in the early 1970s, food aid from all sources has declined from around 16% of ODA to about 4% by the mid-1990s (Table 1.1). UK food aid, including contributions to EU Community Action and international institutions, has fluctuated in recent years at between 2% and 6% of the aid budget. The EU Community Action contribution, as a proportion of its total aid, declined from 26% to 11% between 1986 and 1995. However, when food aid and humanitarian aid, which includes much of what was previously reported as food aid, are combined, their share has fallen only from 29% to 26% (Cox and Koning, 1997).

Leaving out of account the pre-1972 era when US food aid programmes were generally also major instruments for agricultural market management and surplus disposal, food aid to developing countries was relatively stable during the 1980s. Fluctuations reflected a combination of price effects on the US and Canadian programmes in particular, which are budgeted in financial rather than physical commitments. From the late 1970s other instruments, in particular Export Enhancement Programmes, came to play the major role in surplus disposal and market management. Globally food aid, including transfers to Eastern Europe and the former Soviet Republics, peaked again in the early 1990s, these actions coinciding with crisis measures in favour of sub-Saharan Africa, and the prevalence of easy market conditions and large stocks (Figure 1.1). Subsequently food aid levels have fallen away far more sharply than those of development aid more generally, making food aid now a relatively marginal feature of development co-operation overall. Even countries such as Canada and the US have seen the share of their aid budgets attributable to food aid decline significantly since the mid-1980s from 18% and 19% to 9% and 12% respectively (Table 1.1). In these circumstances the future of food aid would appear to be in question. Certainly overall levels seem uncertain.

**Table 1.1. Flows of ODA and food aid to developing countries**

| Country       | 1985         |                 |           | 1992         |                 |          | 1995         |                 |          |
|---------------|--------------|-----------------|-----------|--------------|-----------------|----------|--------------|-----------------|----------|
|               | ODA<br>\$m   | Food Aid<br>\$m | % of ODA  | ODA<br>\$m   | Food Aid<br>\$m | % of ODA | ODA<br>\$m   | Food Aid<br>\$m | % of ODA |
| Canada        | 1628         | 287             | 18        | 2515         | 342             | 14       | 2067         | 194             | 9        |
| UK            | 1480         | 139             | 9         | 3243         | 213             | 7        | 3157         | 55(a)           | 2(a)     |
| USA           | 9057         | 1700            | 19        | 11709        | 1380            | 12       | 7367         | 880             | 12       |
| <b>Global</b> | <b>28443</b> | <b>3075</b>     | <b>11</b> | <b>60850</b> | <b>4438</b>     | <b>7</b> | <b>58894</b> | <b>2261</b>     | <b>4</b> |

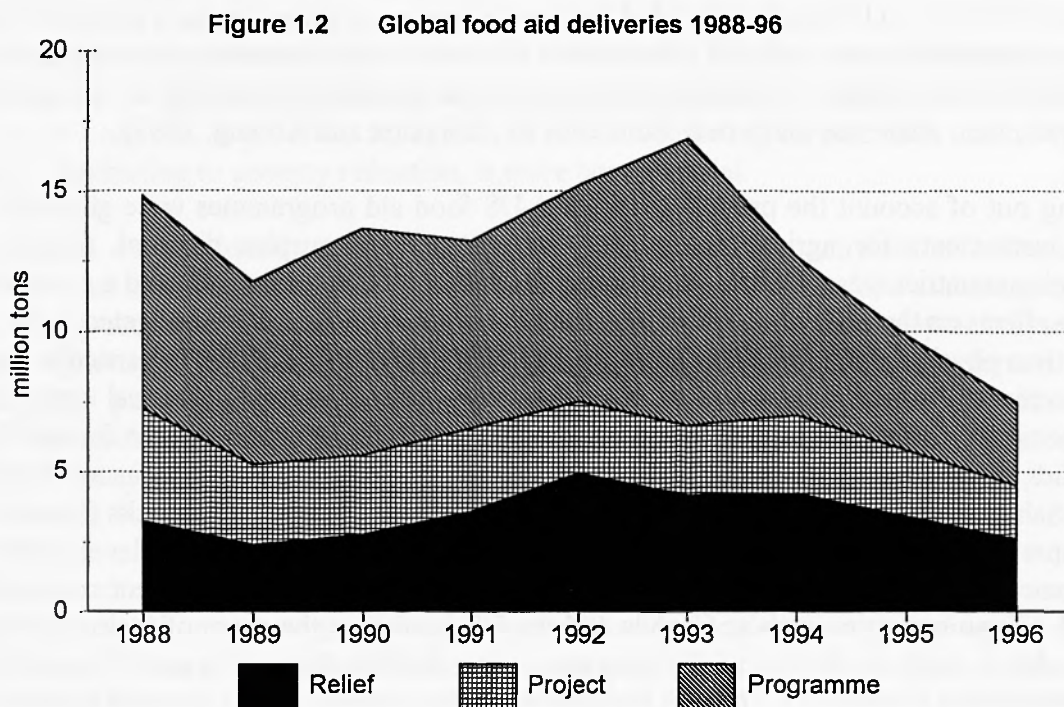
**Note:** (a) Including only bilateral expenditure and not contributions to EU Community Action

**Source:** OECD *Development Cooperation Review*, Various

Historically, programme aid has been dominant, accounting for around three-quarters of all food aid in the 1960s and close to 60% in terms of cereal commodities until the mid-1990s (Figure 1.2). Project aid represented around 20%, largely provided by the WFP and the US or



internationally based NGOs. Relief aid has fluctuated with specific major crises but has increased progressively in absolute and relative terms over the last decade. Since the mid-1980s, the UK has largely provided emergency food aid for relief purposes through the WFP and NGOs, with some support for WFP's Regular Programme of developmental project food aid. It has also contributed to supporting the EU's programme of Community Action, approximately 20% in the early-1990s declining to around 15% in 1995/96 following the accession of the latest group of Member States (Austria, Finland and Sweden). The WFP, the major distributor of multilateral food aid, has mirrored this general trend of becoming increasingly involved in emergency operations. In contrast, its Regular Programme of development activities has declined steadily since the late 1980s (see Chapter 8).



The focus of food aid shipments has shifted from Asia to sub-Saharan Africa in line with the increasing domestic cereal production of the larger Asian economies. However, Eastern Europe and the former Soviet states were temporarily the main recipients in the early 1990s. But all regions have been affected by the general downward trend. Sub-Saharan Africa, for example, has seen a drop in total food aid deliveries for the fourth consecutive year (Table 1.2). In fact a focus on individual countries within the report provides a more meaningful picture. The major part of global food aid has focused on a relatively small number of recipients, with over 60% going to just 10 countries and a large number receiving small quantities (see Chapter 2). This situation had remained relatively unchanged until the sharp decline in total food aid since 1994. Most recent allocations reflect more clearly current emergencies.

Changes in the sources of food aid have also occurred. The trend of increased procurement in developing countries, which began in the 1980s, continued, rising from 11% of all deliveries in 1990, to 17% in 1996. Major cereal exporters, Australia, Canada, France and the US, have continued to source food aid on domestic markets. North European donors, including the UK,

are the major funders of developing country purchases. The European Commission has also almost doubled its developing country purchases from 11% to 20% between 1994 and 1996 (see Chapter 6).

**Table 1.2. Regional distribution of total food aid (percent of total)**

| Year | SSA  | NA/ME | S/E Asia | LA/Carib | NIS/EUR |
|------|------|-------|----------|----------|---------|
| 1989 | 25.5 | 24.4  | 28.9     | 18.0     | 3.2     |
| 1993 | 21.8 | 7.0   | 11.5     | 11.7     | 48.0    |
| 1996 | 33.8 | 9.7   | 27.1     | 10.1     | 19.2    |

**Notes:** SSA - Sub-Saharan Africa      NA/ME - North Africa and Middle East  
 S/E Asia - South and East Asia      LA/Carib - Latin America and The Caribbean  
 NIS/Eur - Newly Independent States and Europe

**Source:** WFP Interfais

The Food Aid Convention (FAC), which sets minimum obligations for major exporters and other DAC donors, provided a floor well below actual food aid shipment levels between the mid 1970s and the early 1990s. After commitments had been reduced unilaterally by some signatories, notably the US and Canada in 1995, overall levels fell to, if not below, that floor in 1996/97 (Table 1.3).<sup>3</sup> That year saw probably the lowest levels of food aid in the 50-year period since the Marshall Plan was launched in 1947.

**Table 1.3 Cereals food aid shipments and FAC minimum contributions**

|                  | <u>FAC Annual Min Contrib ('000t)</u> |             | <u>Cereals Food Aid as % of Min Contrib</u> |             |            |           |
|------------------|---------------------------------------|-------------|---|-------------|------------|-----------|
|                  | 1986-95                               | since 1995  | 1986/7-88/9                                 | 1988/9-93/4 | 1995/96    | 1996/97   |
| EU (of which):-  | 1670                                  | 1755        | 205   | 232         | 156        | 91        |
| Community Action | 920                                   | 920         | 240   | 301         | 195        | 96        |
| National Actions | 750                                   | 835         | 161   | 149         | 113        | 86        |
| Canada           | 600                                   | 400         | 193   | 158         | 116        | 87        |
| USA              | 4470                                  | 2500        | 157   | 156         | 124        | 81        |
| <b>Global</b>    | <b>7517</b>                           | <b>5350</b> | <b>181</b>                                  | <b>175</b>  | <b>145</b> | <b>91</b> |

**Source:** WFP Interfais and IGC

These developments are indicative of a crisis situation in which many of the humanitarian and development activities supported historically can no longer be resourced with global food aid. Issues of international commitments and priorities will have to be resolved either constructively by co-operation or by default. The appropriate basis for such decisions would appear to be a careful consideration of the large cumulative body of evidence on where food aid has or has not been effective. Is food aid a comparatively efficient way of addressing specific needs for international assistance? What are the nature and likely scale of the problems that it could efficiently and effectively address? These issues are considered sequentially in Chapters 2 and 3,

from the perspective of the UK as a relatively modest bilateral provider of food aid, and in terms of the wider international community.

### Endnotes

1. Unless indicated all quantities are in metric tons (tonnes).
2. For example, the commodities fulfilling FAC obligations are limited to cereals, with pulses allowed only since 1995 for relief for 10% of obligations. Other foods often have to be funded from non-food aid budget lines - a factor limiting the basket of commodities in many relief situations (Clay et al., 1995; Shoham, and O'Reilly, 1998).
3. The 'grain equivalent' formula used by FAO, WFP and USDA for aggregating a variety of grains and processed cereal products is based wholly on weight. The 'wheat equivalence' formula used for calculation of food aid which contributes to fulfilment of FAC obligations includes a higher value placed on rice based on the ratio of international prices of rice and wheat. Legumes can count for up to 10% of contributions. This formula ensured that most donors made the minimum contributions in wheat equivalent terms, 5.3 million tons, whilst shipping under five million tonnes of cereals in grain equivalence (IGC, 1997).



## 2. Effectiveness: As a Resource Transfer

The examination of effectiveness in the sense of linking resources to stated goals and objectives will focus on food security. The potential impacts of food aid on food security have a number of dimensions, international as these affect developing countries, particularly low-income food-deficit countries, as a whole, and at a national and household level. First, the contribution to international food security of global food aid and, more specifically, EU food aid is examined. At this level only the implications of aggregate food aid flows are considered.

An assessment of the effectiveness of food aid in relation to national food security should take into account its role as commodity assistance, both directly as balance-of-payments support and indirectly through the provision of local currency support to the budget if the commodities are sold. Even in the case of directly distributed aid there may be balance-of-payments and budgetary impacts because this can free beneficiary government funds for other purposes (fungibility). That is the subject of this chapter. The implications for food insecurity at a household level are considered in Chapter 3.

### *International Food Security*

**Cereals food aid and the FAC** The UK's food aid programme is informed by its share of the EU'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 the developmental activities it supports. The first FAC in 1967 originated as a form of international burden-sharing in support of food aid as part of the Kennedy Round GATT negotiations (Wallerstein, 1980). The EU divides its responsibility between Community Action managed by the Commission and national actions of the individual Member States.

International commitments to minimum food aid levels of 10 million tons a year were made at the World Food Conference in 1974, and in 1980 FAC minimum obligations were raised to 7.6 million tons in response. The EU, and within it, the UK, made a considerable contribution between 1981 and 1995 to ensuring that the donor community collectively exceeded this target, implying a high floor level of availability as a basis for planning food aid actions at an international level. Nevertheless there continued to be inter-year variability in global levels of up to 20-25%. Whether these arrangements enhanced or detracted from global food security in meeting the essential import requirements of both crisis-affected and chronic food-deficit countries remains an unresolved issue.

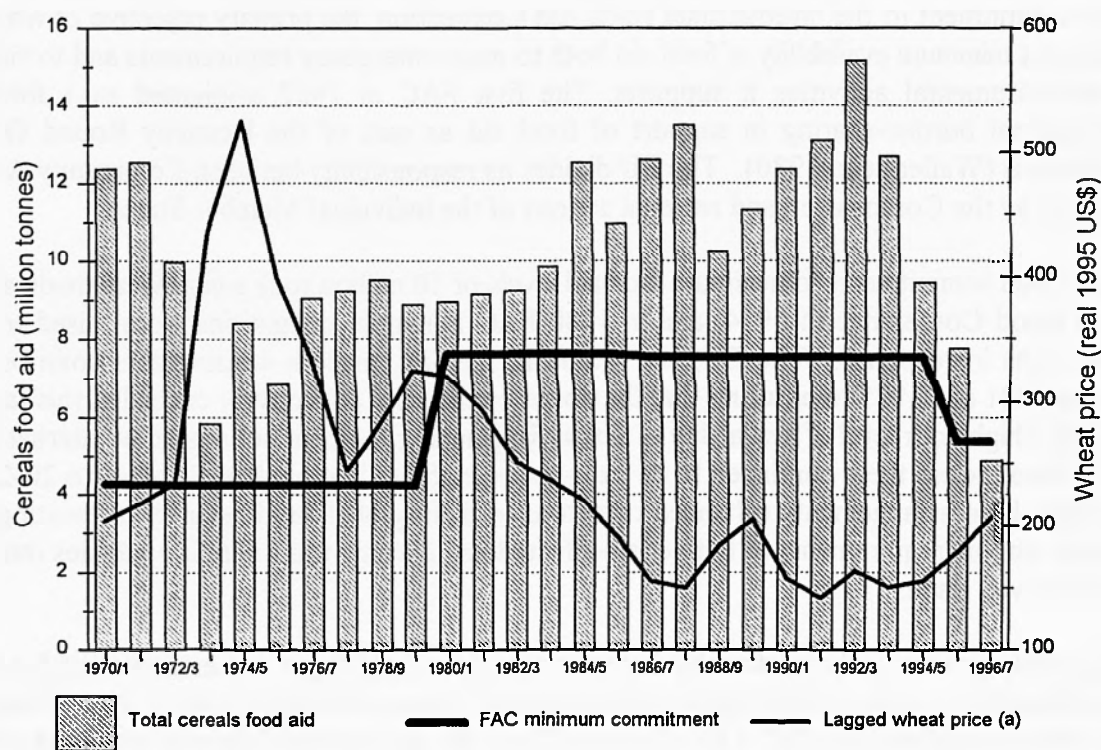
One possible measure is the relationship between actual food aid flows and estimates of food aid requirements to sustain cereal imports and aggregate basic consumption levels in low-income food-deficit countries (LIFDCs). Up to the mid-1990s, the gap between the two remained within a 25-30% range, underlining the relatively stable contribution of food aid (Missiaen et al., 1995). Perhaps with this experience in mind, the GATT Uruguay Round agreement in 1994 identified food aid provided as FAC commitments as one of the instruments that could offset some of the adjustment costs of agricultural trade liberalization (see Chapter 7). However, a number of developments in the mid-1990s appear to mask an abrupt discontinuity.

**Cereals food aid and international price variability** A widely accepted test of the effect of food aid on global food security is its correlation with international prices. A positive relationship, i.e. an increase in food aid with higher prices, implies that food aid dampens the impact of prices on the balance of payments. However, a negative relationship indicates 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 provide a floor or safety net preventing large inter-year fluctuations in food aid. However, between 1981 and 1995 with all donors collectively exceeding this minimum by a substantial margin, a negative relationship between variable international prices and the availability of food aid was not precluded. Then the reduction in minimum contributions from 7.6 to 5.3 million tons in 1995 allowed further substantial cuts in shipments in the face of sharply rising cereal prices. Globally, there is a clear negative relationship with international wheat prices (see Figure 2.1).

Broadly, the overall negative relationship with international prices appears to result from the allocation decisions of the main cereal-exporting donors. In the case of the US and Canada, budgets are set in monetary terms, and so prices determine the volumes of food allocated. The quantity provided by other donors, including EU Community Action and the national actions of some Member States, also seems to have been influenced, with a time lag, by market conditions, possibly the effect of current prices in determining budgetary calculations for the next financial year (Clay, Pillai and Benson, forthcoming).

Figure 2.1 Trends in global cereals food aid and wheat prices, 1970/1-96/7



(a) US No. 2 hard winter ordinary wheat in real 1995 prices, lagged 6 months

Source: FAO and IGC

The sharp decline in global cereals food aid, especially to LIFDCs during 1994/5-96/7, and the reduction in FAC commitments have highlighted the continuing sensitivity of food aid availability to market conditions. At a global level this indicates a potential constraint on the effective provision of food aid as a developmental resource by the EU and Member States bilaterally. It is also a problem for multilateral food aid largely through the WFP and for NGO-supported development activities. Put simply, it assumes that 'emergencies' and the most severe chronic

cases will have priority. Any attempt to counteract another donor's reduced aid to some high priority recipient may require cutting allocations to others 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 country, there must be an important element of uncertainty about the overall availability of food aid provided largely on an annual basis, which reduces its support for national food security and complicates its effective utilization as a development resource.

**An uncertain prospect** Since 1995 all donors appear to have begun to relate total cereals food aid more closely to their minimum obligations under the Convention, perhaps heralding a new, more predictable but much reduced level of food aid (see Table 1.3). At a global level the relatively close relationship between food aid shipments and projected LIFDC requirements for the near term and beyond appears to have been severed (see Chapter 7). Any substantial role for food aid in meeting the projected increase in import requirements of low-income countries appears to be in question.

Immediately, there is considerable uncertainty about food aid's role in international food security. Four coincident factors - cuts in aid budgets, reduced FAC commitments on the part of some major donors, greater flexibility in the use of food aid budget lines (by the European Commission in particular) and a major price hike - have made even short-term projections of food aid availability very difficult.<sup>1</sup> Do developments since 1995 involve a major discontinuity in food aid? Are additional or alternative arrangements required, in particular to assure adequate levels of international support for emergency and relief requirements and assistance to the most food-insecure countries?

### *National Food Security and Economic Development*

**Donor objectives and allocations** Major national food security concerns are widely understood to be those of assuring the availability of food in the short term, by combating problems of production variability and financing constraints on supply, and in the longer term, by some combination of increasing production and financial capacity to import. In practice, assessment of food aid's performance in contributing to national food security needs to take into account the fact that historically food security has not been the sole objective (in particular, bilateral assistance has been influenced by foreign policy and agricultural trade goals - see Chapter 6), and to differentiate as far as possible the effectiveness of programme, project and relief food aid. A number of recent studies show that the relationship between the formal criteria and indicators which donors have cited as influences, such as per capita GDP, balance-of-payments problems and food availability in recipient countries, only partially explain food aid allocations (for example, Clay et al., 1994; Herrman et al., 1990; Shapouri and Missiaen, 1990).

There is an observable but relatively weak targeting on LIFDCs. For example, the FAO in 1995 identified 31 excessively food-import-dependent 'poor' countries, and these accounted for 39% of global and 43% of EU food aid (FAO, 1995). Countries directly affected by humanitarian crises and those with substantial neighbouring refugee populations feature increasingly in allocations (Table 2.1).

A number of more particular regional and country-specific factors also influence allocations, notably the political and commercial considerations that made Egypt the largest single recipient of food aid from the late 1970s to the early 1990s (Table 2.1). Similarly, Nicaragua was a major



recipient of EU support, and the US provided substantial food aid to conflict-affected El Salvador until the decline in violence in the early 1990s. There are also a large number of small, often one-off allocations which reflect the specifics of individual donor-recipient relations and the wide spread of WFP and many NGO activities. The major recipients in the mid-1990s include countries affected by humanitarian crises and those with relatively large WFP and NGO aided projects, e.g. Bangladesh, China, Ethiopia and India (Table 2.1).

Table 2.1. Top ten recipients of global cereal food aid

| <u>1985/86</u>                  |       | <u>1990/91</u> |       | <u>1996 (a)</u> |       |
|---------------------------------|-------|----------------|-------|-----------------|-------|
| Country                         | '000t | Country        | '000t | Country         | '000t |
| Egypt                           | 1799  | Egypt          | 1864  | Bangladesh      | 678   |
| Bangladesh                      | 1287  | Bangladesh     | 1356  | Ethiopia        | 477   |
| Sudan                           | 904   | Ethiopia       | 894   | Korea, DPR      | 476   |
| Ethiopia                        | 793   | Poland         | 742   | Rwanda          | 339   |
| Pakistan                        | 384   | Jordan         | 481   | India           | 296   |
| Sri Lanka                       | 366   | Romania        | 480   | Georgia         | 283   |
| China                           | 290   | Mozambique     | 454   | Fr. Yugo.(b)    | 227   |
| El Salvador                     | 278   | Sudan          | 453   | Armenia         | 215   |
| India                           | 257   | Peru           | 371   | Angola          | 207   |
| Mozambique                      | 252   | Tunisia        | 348   | China           | 170   |
| Top 10 as a % of global volume: | 61    |                | 60    |                 | 51    |
| Total number of recipients:     | 96    |                | 97    |                 | 111   |

Notes: (a) Recipient country split-year figures for 1996/97 not yet available

(b) Former Yugoslavia

Source: FAO; WFP Interfais

**Transitory food insecurity** Humanitarian crises often involve *programme food aid*, the primary objective being to finance additional food imports in critical situations where there are judged to be risks of intensified problems of undernutrition among vulnerable groups and associated problems of social deterioration and even famine. Recent evaluations find that such aid has frequently made a positive contribution to combating short-term food insecurity. However, this positive impact is often vitiated by inefficiencies in programming and implementation. Already established *food assistance projects*, such as food-for-work and supplementary feeding programmes for pre-school and school-aged children, can provide additional flexibility, and they have been expanded in crisis situations, for instance in Bangladesh and Ethiopia. However, there can be conflicts of objectives between short-term food security considerations and the viability of projects in contributing to longer-term human development and the creation of assets. In countries where food assistance already involves a substantial proportion of the population, for example when Ethiopia and Mozambique were conflict-affected, *relief aid* is an effective way of addressing intensified food insecurity.

Since the mid-1980s, the UK has given priority to *relief assistance* and countries affected by current emergencies. Thus, in determining responses to the southern African drought of 1992/93, food aid was targeted on Malawi because of institutional weaknesses, and in Mozambique, where markets were barely functioning, direct import support was considered appropriate. In contrast,

financial support was given to Zambia and Zimbabwe as a contribution to covering the widening balance-of-payments gap resulting from the drought, including additional food imports.

The challenge for donors is to ensure that food aid instruments are used in combination with other possible forms of support to provide the most effective response. The strong preference of countries in southern Africa for finance-based responses to a possible major drought in 1997/98 indicates a recognition of the inflexibilities and inefficiencies associated in practice with food aid (Buckland et al., 1998). Where institutional capacity and the marketing system permit, financial assistance for additional food imports is likely to be more appropriate than food aid. Where food assistance programmes are appropriate, these should be resourced from local markets if supplies are available so that excessive price spikes can be avoided.

**Economic development and sectoral impacts** If a crisis has often been the initial rationale for food aid, its continued provision has typically been based on a combination of objectives, including promoting food security and providing balance-of-payments support for wider economic development. In addition, the provision of budgetary support from counterpart funds has been linked to both general economic and sectoral goals. Supporting food security has in practice encompassed a wide range of more specific objectives, including general agricultural development or, more narrowly, increased food production, as well as poverty reduction objectives. The support in turn has two aspects. First, food aid is committed within the framework of wider macroeconomic and sectoral policies and is expected to contribute to 'policy reforms', as has most obviously been the case for the US, the major provider of food aid, from the Marshall Plan up to and including its programmes for major recipients such as Bangladesh, Egypt and Peru during the past decade (McClelland, 1997).

In contrast, the EU and the Member States have rarely been involved in policy conditionalities, despite statements in favour of using food aid to assist signatories to the Lomé Convention in counteracting the social consequences of structural adjustment. The food security policy adopted in 1996 as part of a continuing change in the balance of policy objectives, implies that commodity aid and finance from the food aid budget lines will be used to support national food strategies (European Council, 1996). First, there is a decline in the use of programme food aid for balance-of-payments support (e.g. to Bangladesh, Egypt, Nicaragua, Kenya and Mauritania), as increased liberalization and improved foreign-exchange positions make this 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 supply levels (eg. Ethiopia, Mali, Mozambique) and in other cases to fund complementary food security or non-food investments. Thirdly, liberalization of marketing is changing the institutional framework within which food provided for sale can be introduced into domestic markets.

**A marginal and additional resource?** An assessment of the direct impacts of food aid needs to recognize the scale of the resource transfer involved. Food aid is now concentrated on a relatively limited number of recipient countries (see Table 2.1) and is a major resource transfer in only a few when affected by crisis, e.g. Ethiopia, or small import-dependent economies, e.g. Cape Verde and Mauritania. The marginal role of programme food aid in relation to public expenditure explains why donors have come to focus on 'priority' sectors where counterpart funds may be more significant. The implication is that direct impacts will be marginal, whether positive or negative.

There is also a broad consensus among analysts that approximately 60% of total food aid, other than relief, substitutes for commercial imports (Saran and Konandreas, 1991; ABC/IDS, 1982; USAID, 1989). And even in the case of much emergency assistance, the intention is to avoid additional crisis-related imports that would otherwise present a severe funding problem. However, a counterbalancing factor, highlighted by the Joint Evaluation of EU programme food aid, is the effect of delays, uncertainty about aid negotiations, timing of deliveries, poor selection of commodities and general rigidities. Most donors have difficulty in postponing or cancelling a shipment or substituting financial assistance for food aid already committed, frequently resulting in higher levels of imports than the recipient government intended or the private sector organized. Such a significant discrepancy between intended and actual outcomes has implications both for local production and, because of problems in disposing of commodities, for the generation of local currencies earmarked for development purposes.

**Agriculture and food sector impacts** Long-standing concern has been expressed about the potential direct impacts of food aid on agricultural prices and on both the short- and long-term agricultural development of a recipient economy. There is broad agreement that direct impacts on agriculture, particularly of cereals as programme aid, are severely curtailed because providing foreign-exchange savings effectively precludes direct price effects on domestic markets. Except in a situation of severe short-term food insecurity, additionality is more an inadvertent consequence of operational mismanagement by donor or importer. Secondly, the scale of the resource transfer is, except in a few cases, relatively small. Consequently and thirdly, the focus of the debate has shifted away from generalized disincentive effects *per se* to the relationship between domestic and international import and export parity prices for individual commodities. For example, 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 much of sub-Saharan Africa.

The selection of commodity type can have considerable implications in the short term. The structural features of recipient economy determine to a considerable degree the impacts of food aid on agriculture. Small island and micro economies often have high import dependence. Nevertheless, there is a need for sensitivity to the micro commodity-specific elements of food balances. Cereal imports may affect local production of roots, tubers and other vegetables and the overlap through cross price effects in the markets for basic foodstuffs and animal feeds (Ferreira Duarte and Metz, 1996). In the case of war- and disaster-affected economies, the short-term interaction of food aid in relatively thin, poorly integrated markets may be potentially highly negative, but is also likely to be more localized than in larger, less segmented systems. Significantly, many of the cases of disincentives reported over the last decade concern such economies, including Ethiopia, Mozambique and Nicaragua (GTZ, 1993; Tschirley et al., 1996; Weersma-Haworth and Hopkins, 1996). In drought-prone countries, particularly in sub-Saharan Africa, the provision of food aid involves the risk of negative impacts on local markets. Such concerns have been behind the promotion of codes of conduct for food aid for the Sahel and the Horn of Africa (see Chapter 8).

Urbanization and economic development also affect the technology of food consumption, resulting in the growing demand for processed foods and those involving relatively simple preparation - wheat/bread, rice, pasta. The growth in demand for animal protein also changes the structure of demand for cereals. These changes, which have often been attributed to food aid, are occurring more generally across the developing world. Finally, in those lower- and middle-income



economies with continuing large-scale structural import deficits, a combination of factors, including political instability and the way liberalization of input and output markets is managed, also affects outcomes. Experiences in, for example, countries as different as Bangladesh, Egypt and Peru, all relatively major food aid recipients over the last decade, point to the importance of agricultural and wider economic policy, particularly on market liberalization and investment incentives for agriculture and structural adjustment in the recipient economy, as the major factor determining impacts.

**Non-cereals food aid** Historically, the availability of commodities has been sensitive to internal donor market management and the search for opportunities for surplus disposal. The now well documented experiences of EU dairy food aid in countries as varied as China, India and a number of African economies, highlights the risks of disincentives at a sub-sectoral level (Ahmed and Huang, 1996; EU Court of Auditors, 1987; Dangroup, 1992). Such aid was invariably intended to provide imports to the local processing industry, which were to be sold to finance the development of dairy farming, especially by small-scale producers. Operation Flood in India apart, there has been little or no such development especially in small-scale production, thus justifying the progressive cutback in dairy aid over the past decade. However, the growth in EU vegetable oil aid potentially raises the same issues in terms of tensions between consumer and processing/producer interests for the local economy.

**Budgetary support and agricultural development** Food aid policy debates highlight the contrast between possibilities for constructive use and the less impressive empirical evidence. A number of policy documents have stressed the potential of linking food aid to supporting policy reform affecting agriculture and the food sector more generally. A few rare cases such as Mali apart, the balance of the empirical evidence is to the contrary (Coelo, 1994). There is little evidence that donors, individually or in co-ordination, have been successful in organizing food aid in support of agricultural development policy. Rather, economic liberalization and sectoral agricultural reform have been occurring within a wider context of international support for, and commitment of many governments to, structural adjustment forces.

Two distinct but not unrelated debates concern the provision of commodity aid for budgetary support. First, import support is provided on a programme basis. Many donors see this aid as also providing budgetary support from the local currency counterpart funds (CPFs) generated by the sale of the commodities. There is, however, an important dissenting view on the part of some donors. In the case of aid provided as balance-of-payments support, the budgetary effects concern the whole of public expenditure and it is therefore not appropriate to engage in attempts to hypothecate specific sources of revenue to specific donor-approved development activities. In practice, such tying is also unlikely to be successful because of fungibility. Nevertheless, use of commodity aid for budgetary support has been a continuing aspect of EU Community Action aid, and is part of the financial accountability monitored by the European Court of Auditors. The Commission and some Member States have also focused on CPF management and use as a way of promoting food security through the provision of food aid.

Regarding the use of CPFs for budgetary support, the Joint Evaluation of EU programme food aid reconfirmed the methodological problems inherent in determining actual CPF uses and establishing their developmental effectiveness. Performance in relation to donor objectives in 12 countries, accounting for over two-thirds of EU programme food aid, was patchy. In most cases information available on the use of CPFs, whether on- or off-budget, failed to establish the

genuine limit of additionality, whether or not there were bilateral agreements specifically hypothecating CPFs for use in a particular sector. Evidence on the quality of activities associated with CPF use also suggested that performance is often less than satisfactory. There is a general lack of evidence on the functional uses, i.e. on recurrent costs, maintenance, official office and housing, construction etc., as distinct from the sectoral allocations, that would contribute to a better understanding of real impacts on, for example, poverty. Initiatives to improve effectiveness and efficiency have been attempted, but so far with limited evidence of success. A final, and perhaps most critical, issue concerns the cost-effectiveness of using food aid as an instrument for providing budgetary support (see Chapter 5).

**Monetizing project aid** The use of food aid in development projects typically involves the direct distribution of food to targeted beneficiaries, the impact of which, in terms of poverty eradication, combating food insecurity and malnutrition, is considered in the following chapter. However, a widespread feature of project support is also monetization, or the sale of commodities, usually on the open market, to meet local project costs. This most commonly involves *partial monetization* to meet the specified costs of logistics, organization and complementary inputs such as tools or construction materials associated with a direct distribution project. There is also *full* or 100% monetization where food is provided to generate budgetary support tied to a specific project, as in the case of dairy development, food security reserves or price stabilization schemes. Some WFP projects involve the sale of subsidized rations to *closed groups* of beneficiaries outside of normal markets, and use of the sales proceeds for project costs. The WFP estimates that 13% of the commodities it provided for development projects have been monetized in recent years, and of this approximately 5% was for partial, 3% for closed loop and 5% for full monetization (WFP, 1997a). In contrast, US Title II development project food aid rose from 7% in FY 1989 to 21% in FY 1995 (Cekan et al., 1996). As the 1996 EU Regulation on food aid and food security allows financial aid instead of commodity aid, there has been reduced interest amongst European NGOs in monetization.

Partial monetization is a pragmatic response to a practical reality. Financing local costs is a common problem of much project aid, and in providing only food aid the WFP has had to find complementary financial support through co-financing. Similarly, in receiving only food aid from some donors, NGOs face the same difficulty. Monetization is therefore sometimes seen as the easiest and quickest way of ensuring availability of cash for particular projects. Nevertheless, the fundamental efficiency problems of using commodity aid as a mechanism for providing local currency support, considered below, suggest that better project planning to include both cash and food resources can make monetization under normal circumstances unnecessary. The marginal scale of most food-aided projects also precludes significant effects of such monetization on agricultural markets and production in recipient countries. Closed-loop arrangements may be appropriate where markets are incomplete, as a context-specific arrangement, but careful assessment of potential leakages are required.

Full monetization would appear to present problems. The implication is that food assistance is not considered an appropriate form of intervention; the food is being used as a mechanism for generating local currency support. The issues raised are similar to those of programme aid. Direct impacts from the sale of food, typically on urban markets, are unlikely to have significant positive impacts on food security. In-country co-ordination with other food aid imports can be problematic where there is also substantial programme aid. The additional managerial tasks that monetization imposes on the implementing agency and the likelihood of very high transaction

costs make this an unattractive way of providing aid in the case of a donor such as DFID that has alternative financial instruments at its disposal.

Are there circumstances in which full monetization is pragmatically justifiable as a second-best option? From the viewpoint of an operational NGO, monetizing food aid may offer an additional resource, but from a wider perspective it may be a misuse of aid resources. The large NGO social and nutritional programme in Peru has been sustained by local currency support from several food aid donors (Hopkins et al., 1995). Its continuation appears to be sensitive to that support continuing, as a reduction in Canadian aid has shown. In a similar way several US-based NGOs report how they have successfully used local currency support from monetized food aid to support innovative initiatives in a number of least developed countries. This can now even involve 'third-country monetization' whereby food aid is sold in one country and the proceeds used in another country (Cekan et al., 1996). But is food aid in fact an appropriate way of providing local currency when there are other instruments that can be used to support anti-poverty programmes? Are difficult issues of sustainability being evaded? Such a use of food aid needs to be demonstrated as efficient and not justified as an opportunistic use of additional resources.

## Endnotes

1. For example, FAO, taking into account the recognized negative relationship between prices and shipments, initially overestimated food aid for 1996/97 by 40%. Initial FAO projections for 1997/98 were close to current FAC minimum contribution floor levels. With continuing uncertainty about declining aid budgets, it is no longer clear whether food aid levels would recover somewhat as the effects of lower cereal prices feed through to allocations in 1997/98 and beyond.



### 3. Effectiveness: Alleviating Poverty and Securing Livelihoods

In the light of the increasing importance of poverty reduction at the heart of international development efforts, epitomized by the UK Government's new approach to sustainable growth in favour of the poor, a review of food aid's contribution to this objective is timely. This chapter will examine the impact of food aid, in its three forms, as a resource for poverty alleviation and livelihood security.

Programme food aid, as general support to economic development and growth can have an impact on poverty. In theory, it also has the potential to make an impact on poverty, either through the direct provision of food assistance or via the generation of counterpart funds (CPFs), channelled to specific developmental purposes, on- or off-budget. The justification for project food aid as a development tool is based on the assumption that it can be effectively targeted at the neediest with sustainable results. Emergency food aid can have a positive short-term impact upon recipients. But its longer-term effects are less clear, particularly its effectiveness in linking with development and rehabilitation efforts to eradicate poverty and secure livelihoods.

#### *Programme Food Aid (PFA)*

Evidence accumulated during the Joint Evaluation of EU PFA (Clay et al., 1996) has indicated that this form of intervention as a support of direct food distribution programmes is ineffective in enhancing the household food security of the poorest. Indeed, the evaluation found that many public ration and subsidy systems discriminate against the poor, with the majority of benefits accessible mainly to urban, public and formal sector employees, the military, the civil service and similar groups. USAID PFA distributions were concluded to have reached only those consumers with purchasing power and so not the poorest (McClelland, 1997). The use of so-called self-targeting commodities - those disproportionately consumed by the poor, eg, soft wheat in Bangladesh and wholemeal bread in Egypt - has on occasion had progressive effects as an income transfer to poorer consumers. But their heavily subsidized distribution can be nullified by their use as animal feed. In general PFA is a blunt and inefficient tool for achieving an income transfer to the food-insecure (see Chapter 5).

The directed use of CPFs has also been seen as a way of targeting PFA to projects concerned with increasing the food security of vulnerable households, and over the years donors have become increasingly specific about this. It is difficult, however, to ascertain the developmental impact of on-budget CPFs because of food aid's fungibility. Where resources are provided off-budget, it is again not always possible to conclude that there has been additional activity, and in many instances agreements governing disbursement have been too nebulous to ensure that donor conditionalities are met.

Policy reform initiatives leveraged by PFA can, in theory, benefit the poor if they effect change on issues critical to food security and poverty. But only the US has seen itself as having sufficient weight, in terms of food aid shipments, to engage in bilateral policy dialogue on recipient country sectoral and macroeconomic policy. Donors working in tandem have had only limited success on policy issues with recipient governments. Historically, PFA has sometimes acted as a disincentive to sustainable development by allowing governments to postpone implementation of suitable policies.

In summary, there is no convincing evidence that PFA is more pro-poor in its impacts than other forms of programme aid. Such findings have led most donors increasingly to shift their food aid

allocations to alternative methods of distribution which, in theory, focus more sharply upon specific groups.

### ***Project Aid: Labour-Intensive Works***

The single greatest resource that most poor people have is their own labour and it has long been argued that this resource can be effectively utilized through labour-intensive public works to address the problems of poverty and hunger. Three questions must be asked with regard to this hypothesis. First, what has been the impact upon poverty and food insecurity objectives? Second, how effective is food as a wage? And third, if food-for-work (FFW) is an appropriate and effective developmental intervention, what role does food aid have in supporting it?

**Livelihood security** The impacts of works programmes upon livelihood security are highly dependent upon the circumstances in which they are implemented. The State-run Employment Generation Schemes (EGS) in India in which unskilled labourers are guaranteed a cash wage in year-round employment on rural infrastructure works have played an important role in combating seasonal malnutrition and insecurity and in improving livelihood security (Dev, 1995). The Bangladesh FFW programme has been similarly successful in providing employment for landless and marginal farmers when demand for agricultural labour is low. These programmes have their origins in crises and have been expanded successfully to provide employment and income transfers during subsequent periods of acute food insecurity. It has been argued that the success of labour-intensive public works (LIPW) in South Asia has limited relevance to the less densely populated regions of Africa (Clay, 1986), but this finding has been disputed (Braun et al., 1991). There are notable examples, such as in Ethiopia, where FFW projects have been expanded during short-term food shortages, preventing the distress migration and social disruption which would have otherwise occurred (SCF, 1997a). However the apparent success of such schemes in Niger and Zimbabwe in targeting the most vulnerable (Webb, 1995) is also disputed (Eldridge, 1997).

Problems in the effectiveness of these projects have largely been encountered where works programmes, with the short-term goal of providing food, have also aimed to have a long-term sustainable impact (CIDA, 1997). Public works projects cannot effectively achieve both goals simultaneously and should generally have one or other as their primary objective.

**Asset creation and sustainability** Controversy exists over the sustainability of assets created through LIPW and thus their impact on longer-term food security and poverty reduction goals. For example, a review of CIDA's multi-year programme in Ethiopia (Rempel, 1997) was unable to conclude that its goal of increasing long-term, sustainable household food security had been achieved. In other cases the assets were of questionable quality and frequently left to deteriorate. Assets from WFP-funded agro-forestry projects in Ethiopia, for example, were lost due to lack of maintenance. Similar experiences elsewhere raise the question of the degree to which the assets reflect the needs and interests of participants and the wider community, or the technical and administrative capacity of the implementing agency. The involvement of beneficiaries in project planning is all too rare, and risks the community feeling a lack of ownership towards the assets and this translating into lapses in maintenance.

The long-term developmental success of all works projects depends ultimately on the rights of beneficiaries to the assets they have created and are expected to maintain. Clear tenure and usufructuary rights are rarely established beforehand and, as the WFP evaluation elucidated (Chr.

Michelsen Institute, 1993a), the long-term benefits are often appropriated by the better-off. Even redistributive taxation measures, as implemented in the EGS in India have failed to redress this imbalance (Hirway and Terhal, 1994).

**Targeting the poorest** Public works' ability to reach the poorest, including women, has proved mixed, in both cash- and food-based employment schemes. The EGS in Maharashtra State, India, has over 90% participation by the poor, an increasing proportion of whom are women. The Rural Maintenance Programme (RMP) in Bangladesh which pays cash to destitute women in farm-to-market rural road maintenance achieved a 95% targeting rate (Guest, 1997). The wider Bangladesh FFW programme which pays wages in wheat also reported effective targeting to the poor with a high female participation rate (Ahmed et al., 1995).

Female-headed households are typically more labour-constrained and less able to participate in projects without damaging on-farm production and future livelihoods. Village level farm leadership is also often male dominated. These works, as illustrated by cases as far apart as N.W. Pakistan and Malawi, may therefore in practice also discriminate against them.

**Cash or food wages?** The mode of payment should be governed largely by local conditions including the market situation, and the specifics of likely household food consumption behaviour.

In circumstances of food scarcity, payment in kind has the obvious advantage of providing food to the hungry whilst simultaneously augmenting local supplies. In circumstances of high inflation, it is also probably more appropriate as it maintains the real value of the wage to beneficiaries. There is some evidence that the use of food as a wage can lead to increased calorie consumption at the household level, although in itself this is not a sufficient reason for payment-in-kind (the nutritional implications of this are discussed in Chapter 4).

A proclaimed advantage of food, compared with cash-wage employment, is that only the poorest will work for self-targeting commodities, at below market-rate wages, or engage in the strenuous labour typically required in FFW programmes. Opinion remains divided as to whether these assumptions are valid. A recent evaluation of Ethiopian FFW (Sharp, 1997) and studies in the tripartite evaluation of WFP also found that the benefits, in terms of food as a wage, often accrued to the less vulnerable (Chr. Michelsen Institute, 1993b, 1993c).

Delays in the provision and distribution of commodities have however disrupted works programmes and in some Ethiopian FFW programmes targeted beneficiaries chose not to participate because of their inability to defer payment until commodities became available (Sharp, 1997). Concern has been expressed about the disincentive effect of food wages upon beneficiary production. But there is little empirical evidence of reduced involvement in farming by participants of major FFW programmes in Ethiopia (Maxwell, 1991) or Bangladesh (Ahmed et al., 1996). Operational and technical difficulties associated with irregular food delivery and a lack of critical non-food inputs were also repeatedly highlighted in the tripartite evaluation of WFP.

Cost-efficiency is obviously a crucial issue in this debate. A cash wage appears to be more efficient than food payments where handling and transportation costs are high; in Bangladesh it is estimated that cash rather than food wages could reduce programme costs by 25% (Ahmed et al., 1995). Cash payments also obviate the need for beneficiaries to sell a portion of their food



wage to meet other needs, a process involving further transaction costs which are often ignored in cost-effectiveness calculations.

To sum up, the mode of payment should be largely determined by whether the market is functioning and whether any crisis event has occurred. When markets are functioning relatively efficiently, cash payment may be the better option since they can be more easily monitored, they create demand for local food production and are easier to handle. The use of food wages is ultimately likely to constrain the scale and composition of activities. Where markets are poorly integrated, dysfunctional or there is high inflation, payment-in-kind may be the preferred option. A mixed food and cash wage may also be the most satisfactory option where it provides greater flexibility for both implementing agencies and beneficiaries.

**The role of food aid** Food aid can support LIPW in three ways: through the provision of commodities for payment-in-kind, or public distribution systems which can then be drawn upon for wage payments, or through the generation of local currency to finance works. The first option has predominated to such an extent that food aid and FFW have become synonymous in much of the literature.

The issue of cost-efficiency is fundamental to the question of whether food aid is the most suitable way of supporting FFW projects. Transaction costs, including transportation, storage and handling costs, can be prohibitively high, lowering cost efficiency. The choice of commodity with which to make payment is another factor. If the selection is determined by the existence of exportable surpluses and poses problems of acceptability to the consumer, there is little basis for building public works programmes around food aid. These two problems are being addressed to a certain extent by the trend in increased purchases of commodities in developing countries (see Chapter 6).

The sustainability of food aid-supported programmes is also a crucial issue. In the short term, fluctuations in local food supply can sometimes make it inappropriate to import food. But switching between food and cash and between imports and local acquisition to take account of these fluctuations is technically difficult. In the longer term there may be funding problems, especially for relatively large rural works programmes. Bangladesh FFW programmes, for example, have involved the distribution of wheat, an inferior and thus self-targeting commodity. They rely on the willingness of donors to sustain them, as it is unlikely that the government, owing to budgetary constraints, will be in a position to substitute the locally produced rice for wheat even though the country is close to self-sufficiency in rice production. With market liberalization, cash-waged rural works may also be more suitable than FFW or monetization.

In summary, the empirical evidence on the role of LIPW in achieving poverty reduction and long-term livelihood security is mixed. The record of sustainable asset creation is unimpressive, although there have been many positive impacts in situations of acute food shortage and also in providing a safety net for the chronically poor. This uneven record is partly the result of over-ambitious project design which combines incompatible short- and long-term goals and partly because it reflects the implementation of works in regions or countries to which they are not well-suited. The role of food aid as a support for effective and efficient FFW programmes appears to be limited to situations of market dysfunction and food scarcity, when food aid distributed as payment-in-kind can be crucial in maintaining adequate household consumption, provided appropriate targeting is undertaken to reach the poorest.

### ***Project Aid: School Feeding Programmes (SFPs)***

This type of intervention typically involves the distribution of a food supplement to primary school children, although programmes have been undertaken in secondary schools, universities and colleges. Project objectives, besides improving nutritional status, are concerned with human development, and include increasing enrolment and attendance, often of girl-children specifically, reducing drop-out rates and enhancing cognitive development and academic performance. During the 1980s, a series of negative evaluations contributed to a decline in the importance accorded to SFPs in donor priorities. More recently some agencies and governments have been returning to SFPs for two reasons. First, the immediate impact of structural adjustment programmes on the poor has been so regressive in many instances that SFPs can provide part of a social safety net. Second, the greater emphasis on human development as characterized by the UNDP Human Development Index has re-focused attention on the role that food assistance can play in reaching the poorest and most vulnerable, particularly children (Sen, 1997).

**Developmental impact** Evaluations of WFP-supported projects have confirmed the long-recognised difficulty in convincingly establishing whether school feeding improves cognitive function and academic performance (Chr. Michelsen Institute, 1993a). A review of USAID-supported projects in Honduras, Burkina Faso and Bangladesh, was more positive in its conclusions with some evidence of improved attention spans and academic performance (McClelland, 1997). NGOs also report positive effects of more conventional supplementary school feeding, for example in post-drought Zimbabwe (Christian Aid, 1997).

**Targeting the poorest** Targeting of these programmes to the most insecure families has proved problematic. Past research indicated that because those attending primary school are more likely to come from less vulnerable backgrounds, SFPs may possibly discriminate against the neediest. The levels of enrolment and attendance and whether SFPs can influence these appear crucial. For example, the 'Nutribun' programme in Jamaica in 1986 reached its targeted beneficiaries because of the almost universal enrolment rates of primary school children (World Bank, 1989). The assumption that SFPs increase the number of girls attending school also appears to be more a matter of belief than consistently established fact. However a pilot programme in Bangladesh compensating target families for the loss of child earnings indicates that this can be achieved: it required that *all* the children must attend school in order for the household to be eligible for participation (Ahmed and Billah, 1994). These experiences illustrate the importance of considering the local socio-economic conditions when determining the most appropriate form of intervention.

The use of food aid as a cost-efficient way of supporting SFPs appears debatable. Evidence of positive developmental impacts is limited, often to pilot schemes where the constraints on effectiveness may be more easily addressed. SFPs appear to have had more success when they are implemented as income transfer programmes to the poorest families rather than as direct feeding interventions for poor children. Logistical and financial problems of maintaining supplies and non-food costs may also arise. Moreover, even if any project objectives are achieved their long-term sustainability would still be in doubt because of the high proportion of recurrent costs. The tripartite evaluation of WFP suggested that many host governments would be unlikely to continue funding programmes to the same level, if at all, were aid to be withdrawn. In choosing how to allocate local funds, alternatives involving lower transaction costs such as reducing or waiving school fees may also be more effective in increasing enrolment of poor children. Only

if there is convincing evidence that SFPs also improve nutritional status and performance might they be preferable.

### ***Project Aid: Supplementary Feeding Programmes***

This term is a wide-ranging one, and is used to describe interventions including Mother and Child Health programmes (MCH), Vulnerable Group Feeding (VGF) and Therapeutic Feeding Programmes (TFPs). Like SFPs, these interventions are now being re-examined in the context of increased prioritization of human development and security, in particular that of women and children. Their poverty, nutritional and health aspects are complex and difficult to separate, both conceptually and practically, and are discussed further in Chapter 4.

VGF programmes alone are no more than food distribution interventions that provide an income transfer (Chr. Michelsen Institute, 1993a). Experiences of these projects as long-term developmental interventions have been mixed. Problems have been encountered in linking the direct intervention with its other objectives of improving nutritional and health knowledge and practices. A VGF project undertaken in the Yemen Arab Republic, failed to relate the feeding component to any complementary activity in nutrition or health education. The large VGF programme in Bangladesh initiated in the wake of the 1974 famine, which targets poor, distressed women, directly increased consumption. However, sub-projects most clearly had a positive impact on economic status where the VGF included provision of an effective development support package of literacy, numeracy, health and nutrition education and income-earning skills (Guest, 1997).

The question remains as to whether a food intervention, supported by food aid, is the most cost-efficient way of achieving income transfer and nutritional objectives even in those projects that were successful. The education components of some MCH projects funded by USAID were judged to have had beneficial outcomes, with evidence of improved breast-feeding, weaning and other health practices but it is likely that comparable impacts could be achieved without costly food interventions. The positive non-nutritional impacts of these programmes may also only be attained hand-in-hand with non-nutritional costs, for example the creation of dependence on short-term unsustainable handouts at the expense of self-reliant development.

Many projects, however, have their origins in crisis response measures, for assisting displaced and refugee populations or resident populations affected by conflict and acute food insecurity. Under these circumstances, MCH and VGF interventions provide a way of simultaneously addressing a potentially acute nutritional situation and making a targeted income transfer. There is considerable evidence that such actions are often the only project option available and are 'supplementary to nothing' (Shoham, 1994). Consequently there *is* an argument for sustaining them as part of crisis management especially where markets are thin or dysfunctional. Their role in a more stable situation of endemic poverty is more contentious and raises the question of alternative ways of providing safety nets and supporting health education.

### ***Humanitarian Relief***

The range of responses to humanitarian emergencies involves all categories of food aid instruments, as appropriate. The exact structure of free food distribution programmes is highly situation-specific and varies according to the nature of the emergency involved (Jaspars and



Young, 1995). In acute, rapid-onset emergencies, food aid is provided largely as a means of preventing malnutrition and morbidity. But in other, more protracted crises, it can act principally as an income transfer to affected populations. The lack of understanding of this dual role can seriously weaken the link between relief and development activities - a link which is increasingly recognized as crucial in supporting livelihoods and preserving assets for the victims of natural disasters (Buchanan-Smith and Maxwell, 1994).

Many evaluations confirm that relief food aid has played a critical role in saving lives and limiting long-term damage to human development. A recent major example is the Rwandan emergency (Eriksson, 1996). Beyond that basic conclusion, there is a mixed record on effectiveness. One reason for this is the 'too little-too late' syndrome where the limited amounts of food aid made available in the early stages only mitigate rather than prevent the negative impacts of the crisis. Then, too much aid finally arrives just as the crisis is abating - a particular risk when the aid is sent in response to natural disasters from which there is often a rapid recovery. This has led to the development of early warning systems in famine-vulnerable regions and countries, but their record is so far mixed (Buchanan-Smith and Davies, 1996).

The emergency aid programmes and regional food logistic operations undertaken in response to the southern African drought of 1991/92 prevented severe food shortages, maintained regional political stability and the infrastructure developed for the transportation of additional cereal imports, including relief commodities, brought significant long-term benefits to regional trade and co-operation. Relief food distributions prevented mass migrations and the formation of displaced persons' camps and facilitated a rapid recovery in countries - Mozambique and Malawi - where conflict and problems of governance had resulted in market collapse and institutional weakness. Elsewhere efforts were made to ensure that targeted relief complemented measures to assure food supplies and avoid excessive price instability through market interventions, as in Namibia, Zambia and Zimbabwe. But in some cases, excessive emergency commitments which could not be easily halted or converted to other assistance, exacerbated post-crisis market management problems (Legal and Chisholm, 1996; World Bank, 1995). Subsequent efforts to learn from this experience suggest that drought management is becoming more refined and that the role for relief food aid, compared to support for preparedness including food security stocks and balance-of-payments support, is also diminishing (Buckland et al., 1998).

Where a relief operation is protracted, it may be appropriate to choose commodities according to their economic as well as nutritional value, particularly for refugees dependent upon relief rations as their only economic resource. In considering such factors, the relief distribution supports beneficiary self-reliance and empowerment and links the current crisis to future livelihoods. To combine cash or credit payments with food distributions may also enable households to take control of their own livelihoods (Peppiat and Mitchell, 1997).

There is concern that in the longer term, free food distributions can have a negative impact on beneficiaries; by shifting tastes from locally available foods if inappropriate commodities are distributed; by creating dependency if the transition to more empowering forms of intervention is not undertaken; by creating disincentives to local production, particularly when food deliveries arrive late; and by sometimes perpetuating conflict when the food aid is intercepted by combatants (Macrae and Zwi, 1994). Rehabilitation efforts often overlap considerably with development activities as the needs of people whose lives have been affected by conflict or natural disaster are often indistinguishable from those of people living in absolute chronic poverty (Duffield, 1994).



Some believe that rehabilitation activities should be linked with existing and related programmes and projects and should incorporate development principles (Masefield et al., 1997), although others argue that this is not always appropriate in the context of a complex emergency (Macrae et al., 1997). In such situations, e.g. Sudan, the pursuit of developmental strategies may negatively affect conflict-affected populations.

Phasing out of relief activities is a complicated process. Although it is generally advisable that an exit strategy should be incorporated into any emergency operation, it needs to be flexible and the termination of relief food distributions must be sensitive to the rate of recovery in domestic food production. This means that an investment must be made in gathering information during the crisis as well as at the onset, so that operations can be modified in a more timely manner and phasing out can be undertaken at the appropriate moment.

Over time, the balance of relief operations has shifted from responses to natural disasters to conflict-related or complex humanitarian crises. This is partly because relief food aid has been recognized as a less appropriate response to rapid-onset natural disasters. The emergency food operations are usually temporary and are normally to do with ensuring that temporarily disrupted markets begin to function again quickly and that affected groups have access. In slow-onset disasters, especially droughts, as the southern African experience demonstrated, relief food aid has a limited role and one which may be much diminished except where markets are incomplete. Humanitarian crises and the protracted relief problems that these leave behind are the main area in which relief food aid distribution has a major role.

### *Conclusions*

The now considerable body of evidence has narrowed, if not entirely settled the controversy surrounding the usefulness of food aid as an input for sustainable development. As the 1993 tripartite evaluation of WFP pointed out, food for development is frequently a cumbersome resource, demanding specialist expertise and organization. There are also inherent institutional and community-level problems. It is frequently argued that developmental food aid projects merely act as a palliative, without addressing the root causes of poverty and food insecurity. But supporters contend that food aid provides a unique means of targeting the poorest and most vulnerable, whilst assisting long-term development.

PFA-supported subsidy and distribution activities have been found to be ineffective as an instrument for increasing the income and food consumption of the poorest, and sometimes may even have negative impacts through its effects on local production. Market liberalization is also reducing the scope for PFA. As a result, donors are close to a consensus that PFA has a role to play only in response to a crisis in which there is a temporary food or foreign-exchange gap.

Project food aid takes many forms as reflected in the wide body of literature on its effectiveness. From this, the rationale for food aid-supported projects appears to be clear and strong in only a limited set of circumstances, namely, situations of food scarcity and/or market breakdown. Project food aid has proved effective when acting as a safety net for livelihoods and food security in circumstances of short-term food shortage or high inflation; as an income transfer to needier families through SFPs where enrolment levels of poorer children are high; as an input in MCH programmes in crisis and rehabilitation situations. It has not been demonstrated to have significant impacts on sustainable developmental objectives either through the creation of assets

or in linking with educational and health interventions. The argument that its advantage over other forms of aid lies in its ability to target the poorest, especially women, is not *consistently* borne out by the evidence, although many projects did indeed reach their intended beneficiaries. WFP-supported projects have provided minimal information as to the way in which an impact is made upon women through their access to the food distributed, income generated or assets created. This lack of empirical evidence after 30 years' experience seriously weakens claims that food is a more effective resource than cash for supporting poorer women at the household level. It is crucial that *effective* targeting criteria and practices are defined and implemented in development programmes. The use of food aid as a developmental input is difficult to justify in the absence of such targeting (Chr. Michelsen Institute, 1993a).

Relief food plays a clear and crucial role in saving lives but its developmental relevance is limited by a lack of understanding of the settings and ways in which relief and development activities can be better integrated to maximize impact. Greater flexibility and timeliness are required for improved results in regions and countries where emergency food aid is likely to remain important. Minimizing the potential negative effects of free food distributions requires more innovative programmes of support, particularly for refugees and displaced persons.

## 4. Effectiveness: Improving Nutritional and Health Status

Nutritional status is widely believed to be determined solely by the amount and nutritional value of food consumed. Thus the nutritional impact of food aid interventions, on the rare occasions it is even considered, is assumed to be positive. In fact, an individual's health status, itself affected by a host of environmental variables, is as important a determinant of nutritional status as access to food. This is even more relevant in developing countries where the health environment is often poor and adequate facilities and services are lacking.

Evidence to evaluate the nutritional impact of food aid interventions is limited, in part because of the cost and complexity of obtaining accurate and reliable anthropometric data and also because of the difficulties in disentangling the effect of food from the host of other variables impacting upon nutritional status. This chapter will review the available evidence for each form of food aid intervention.

### *Programme Food Aid (PFA)*

Recent evaluations of food aid programmes agree that PFA has seldom made a significant contribution to the alleviation of hunger and food insecurity. PFA has often replaced commercial imports and so has generally not added to the food supply available. And even if it had resulted in increased aggregate food availability, this is still only a necessary but not sufficient factor in improving access for the most vulnerable. These findings led to the conclusion that there is typically a non-negative relationship between food imports, food aid and nutritional status - no strong positive impacts but little substantial evidence of negative effects. The important exception is in an acute food shortage, when foreign exchange constraints bind commercial imports and large-scale food aid imports supplement local supplies, and are thus crucial in preventing widespread starvation. The inadequacy of using the bulk supply of food for sale as a means of supporting interventions concerned with the micronutrient composition of beneficiaries' diets was also highlighted.

### *Project Food Aid*

The historical evidence on food-based nutritional interventions indicates little measurable impact on nutritional status, morbidity or mortality levels among targeted groups. Beaton and Ghassemi (1982) in their comprehensive and widely-cited survey of supplementary feeding programmes found that anthropometric improvements were surprisingly small and that programmes were expensive for the benefits measured. The evidence of project food aid's impact on nutritional status from recent evaluations has been similarly equivocal. Although the USAID review states 'American food aid has its greatest social and nutritional impacts through.....direct food distribution programmes', the scientifically robust evidence presented is slight (McClelland, 1997: 38). Project food aid, where it has been successful, has generally acted as a safety net, increasing consumption in the short-term rather than effecting longer-term nutritional improvements.

**Supplementary feeding programmes (MCH and VGF)** The improved nutritional status of poor mothers and babies is generally only one objective of these programmes. Nutrition and health education and small-scale income-generation activities are other aspects of this form of intervention. The US evaluation of its support to MCH interventions in five countries found mixed results. In all of the programmes, food supplementation alone showed little, if any, direct or sustainable impact upon the nutrition of under-fives suffering from moderate or mild malnutrition. One possible reason being that the ration was shared amongst all family members.



This raises the question of whether nutritional improvement is an appropriate objective for MCH programmes (Mora et al., 1990). The USAID-supported Honduran programme was judged to have had some success in raising nutritional status (Philips et al., 1995). But the simultaneous improvements in overall health conditions made it difficult to disentangle the effects of the food intervention from the other activities taking place, eg. vaccinations and improvement in water/sanitation. Given the evidence of other programmes, it seems safe to assume that the nutritional impact of the MCH programme alone was minimal.

The tripartite evaluation of WFP concluded that VGF programmes had negligible nutritional impact (Chr. Michelsen Institute, 1993a). Too often they acted in isolation from the other determinants of improved nutritional status: nutrition education; income generation; supply of potable water, to name but a few. Feeding projects need to be integrated into a more holistic response to malnutrition and related diseases to maximize their nutritional impact.

**Labour-intensive works** The controversial use of FFW as a developmental tool has already been described in Chapter 3. Assessment of its role as a tool for raising nutritional status has proved equally inconclusive. It has been strongly argued that providing food rather than cash wages results in increased household consumption, particularly if this wage is controlled by women. But, as already noted, increased consumption does not necessarily translate into improved nutritional status.

A recent review of EGS targeting practices in Ethiopia (Sharp, 1997) highlighted the phenomenon, by no means restricted to Ethiopia, of 'thin-blanket syndrome' in which rations are distributed so widely that the neediest receive too little for any significant improvements in their situation, nutritional or otherwise. Reasons for this are partly attributable to a cultural aversion to the concept of selecting beneficiaries. Frequently, beneficiaries were selected and food distributed to them in accordance with project guidelines, only for the rations to be redistributed later, sometimes involuntarily, amongst the whole community. Work entitlements may also be too thinly shared by the frequent rotation of beneficiaries or the severe limitation of the number of days work allowed per household. These problems are difficult ones to combat and limit the worth of labour-intensive works as a nutritional guarantee. It has also been suggested that the heavy workload in many works projects offsets, in energy terms, the effect of the food wage and so minimizes the impact on nutritional status. At this stage there is little empirical evidence to support this theory (Webb, 1995).

The most recent assessment of FFW in Bangladesh showed some positive impacts on calorie consumption of participating households, but anthropometric impacts are not established (Ahmed et al., 1996). This is a problem common to many studies which focus on 'food expenditure' or *apparent* calorie intake data from food expenditure and consumption surveys, but which do not provide sufficient evidence to infer nutritional improvement.

Female-controlled income, as mentioned above, is usually associated with higher household food expenditure and nutrient intake than income controlled by men. The argument goes, that by targeting programmes at women, a valuable and empowering resource is placed in the hands of the family member most responsible for household food security. In his study of intra-household resource allocation in Brazil, Thomas (1997) found that the share of the household budget devoted to human capital increased when income was controlled by women; specifically nutrient intakes rose more quickly as women's income increased and maternal income had a significantly



greater effect on child anthropometric indicators. Evidence from a number of studies in different geographical locations supports this assertion (Hoddinot and Haddad, 1991; Engle, 1993). But, as detailed in Chapter 3, the erratic success of FFW programmes in reaching women, precludes a consistently positive impact on household nutritional status.

A further consideration is the impact of maternal work outside the home on child care and thus child nutrition. The available evidence is mixed (Engle et al., 1997). Some studies have demonstrated significant negative effects; for example, an evaluation of 2000 rural mothers in India found that the children of those engaged in agricultural labour were likely to be significantly malnourished (Abbi et al., 1991). In contrast, other studies have found no negative effect (Wandel and Holmboe-Ottesen, 1992) or indeed some positive effects (De Groote et al., 1994; Brown et al., 1994). Further research is obviously required to clarify the effects of maternal time availability and workload upon child health and nutritional status.

**School Feeding Programmes (SFPs)** The available evidence provides no compelling support for the use of SFPs as a means of improving child nutritional status. There is no proof that this form of intervention consistently reaches the neediest children. Furthermore, operational difficulties, including irregular food delivery and distribution and the lack of complementary financial and technical support, have continually undermined project effectiveness, and thus nutritional impact. WFP's distribution of food supplements to primary schoolchildren has seldom demonstrated measurable improvements in nutritional status (Chr. Michelsen Institute, 1993a), and a review of the USAID-supported Honduran programme reported that the average daily amount of calories provided was probably not sufficient to show a measurable improvement in child growth or nutritional status (Rogers et al., 1995).

### *Humanitarian Relief*

There is almost unanimity on the appropriateness of providing food aid in situations of acute food insecurity. There is also abundant evidence of the need for continuous effort to improve operational performance. A recent review by Shoham and O'Reilly (1998) clearly elucidates the constraints on emergency food aid which affect its nutritional impact. In many emergencies, the ration provision has fallen short of the recommended 1900 kcal/capita (now revised to 2100 kcal/capita; WFP/UNHCR, 1997). In some instances this shortfall is in recognition of the fact that beneficiaries have access to other food sources. However, in closed or isolated camp situations this shortfall, combined with the hazardous health environment which often predominates in emergencies could be detrimental to nutritional status.

Effective targeting can make a crucial difference. An evaluation of the humanitarian intervention during the Great Lakes crisis (Borton et al., 1996) reported continued evidence of malnutrition in refugee camps generally well supplied with satisfactory levels of commodities, principally as a result of inequitable distribution rather than inadequate provision.

Provision of foods with the appropriate micronutrient composition has also proved problematic. Difficulties in supplying micronutrient-rich fruit and vegetables has led to an increased reliance upon blended foods (WFP/UNHCR, 1997). But these are not without their own problems. They are a very expensive means of providing micronutrients (at least US\$ 500/tonne) and their supply cannot always be guaranteed. This means that the few grammes generally included in emergency rations are often insufficient to bring the micronutrient density of the entire food basket to

adequate levels. In some situations micronutrient deficiency diseases have not occurred reflecting the fact that beneficiaries have been able to diversify their diets through access to other food or income sources. In situations where this is not possible e.g. isolated or closed camps, deficiency diseases have resulted. An analysis of the household food economy in the Kakuma refugee camp in Kenya (SCF, 1997b) highlighted the significant incidence of severe anaemia at least partly attributable to the poor micronutrient content of the diet, in particular the lack of absorbable iron and vitamin C. There have also been outbreaks of beri-beri, scurvy and pellagra amongst refugee populations provided with deficient rations (Jaspars and Young, 1995).

A further obstacle to improvement in nutritional status in the recent past has been, the provision of commodities which are culturally unacceptable, unpalatable, difficult to prepare or spoiled. For example, during the Great Lakes emergency, Rwandan refugees were provided with spoilt locally purchased blended foods which then had to be discarded.

### *Conclusions*

Food aid interventions have rarely had a demonstrable positive impact on the nutritional status of beneficiaries, except in circumstances of acute food shortage, when food aid has been critical in ensuring adequate food availability to the neediest. The health environment in which many emergency distributions are undertaken is extremely hazardous, however, and this negatively affects the 'size' of the nutritional improvement that can be achieved through the supplementation. Indeed, the prevalence of diseases such as diarrhoea, TB and measles in these situations can accelerate so rapidly that nutritional crises occur despite the adequate provision of food. Nutritional interventions alone are generally ineffective in reducing morbidity and mortality risks in crisis situations as exposure to disease is not reduced in the precarious health environment. Practitioners agree that a more integrated approach to nutritional, public health and environmental determinants is required to address the relationship between malnutrition and morbidity.

Chronic malnutrition has clear socio-economic dimensions in terms of poverty and social exclusion. Unless these aspects, which include access to health services, water and sanitation improvement and economic development, are simultaneously addressed, improved nutritional status is unlikely to be realized through food assistance alone.

## 5. Efficiency

### *Issues and Evidence*

**Economic criteria** As food aid is increasingly regarded as a fully-costed resource in competition with other instruments, it has become more important to examine the value-for-money of its different forms. Where the objective is to provide balance-of-payments or import support, economic considerations apply. Similarly where the aid is being used to generate counterpart funds or more restricted monetization, economic criteria also apply. In most circumstances the alternative course of action is to provide financial aid to be used for these purposes. Even where, because of market failure or institutional weaknesses in recipient countries, it is judged that food aid is the only appropriate response, there will still be different ways of providing that aid in terms of channels: multilaterally, via NGOs and even bilaterally. There are also choices in terms of modalities: direct import by international tender, tender restricted to the donor market or developing countries (triangular transactions), or local purchase. Similarly, there may be choices in terms of commodities.

In the case of emergency interventions decided on humanitarian, non-economic criteria, the efficiency issue is whether the implementing agency is attempting to find a least-cost solution commensurate with achieving the desired result. The cost-effectiveness of food aid can therefore be evaluated in three ways: by a comparison of food aid and alternative financial aid; by an examination of the alternative forms of food aid and its channels and modalities; and by a search for evidence of attempts to find least-cost solutions to actions determined on humanitarian grounds. In the first two cases, food aid can be regarded as a resource transfer intended to support wider economic and social development or more narrowly to support food transfer activities within the recipient country. The aid transfer achieves this end in two ways, either as balance-of-payments support or by providing budgetary support for local costs.

Considered globally, the options available to donors and recipients involve a choice of financial or commodity assistance. From the viewpoint of each, financial aid is likely to involve lower *transaction costs* (Abbott and McCarthy, 1982). The issue, therefore, is whether the additional transaction costs involved in providing or receiving food aid with all its associated restrictions, for example, tying to specific commodities, fall within a range that is acceptable, taking into account other considerations. Some distinguished analysts, for example John Mellor and Hans Singer, have seen food aid as being, in this sense, potentially as good as financial aid. This was partly because, up to the 1980s, food aid was seen as a partially additional resource. Furthermore, reflecting agricultural market considerations, the overall cost of aid programmes, or the cost that recipients would incur in obtaining similar levels of imports on a commercial basis, could actually be higher than the cost to aid agencies of providing food aid (Singer et al., 1987). That may have been the reality in previous decades; is it any longer the case?

**Evidence** Some of the recent evaluations provide evidence on cost-effectiveness covering most modalities and most of the important donors.<sup>1</sup> Integrating their findings produces a broadly consistent negative assessment of the cost-effectiveness of food aid in comparison with financial assistance. The evidence also points to systematic differences among modalities, channels and donors that ought to be taken into account in providing food aid, where this is regarded as virtually the only available response to humanitarian crises or severe problems of food insecurity.



### ***Balance-of-Payments Support***

An appropriate way of considering cost-effectiveness in balance-of-payments terms is to consider the cost-effectiveness of supply. Assuming that the recipient country is also importing commercially or, in the absence of food aid, would have made commercial imports, the appropriate price is the import parity price.<sup>2</sup> From the viewpoint of donors, food aid actions tied to their own markets ought not then to exceed export parity or international price levels. The picture emerging from recent evaluations is of high levels of transaction costs associated with tying and other characteristics of food aid actions.

**Programme, project and emergency aid** The Court of Auditors (1993) found that, broadly, PFA actions of the European Commission were likely to involve lower transaction costs than project and relief actions organized multilaterally and through NGOs. This was partly a result of economies of scale - opportunities to use bulk and charter shipping. The finding is broadly consistent with the widely recognized higher costs associated with project and emergency actions overall, and is important in reinforcing the findings on cost-effectiveness of the Joint Evaluation of EU PFA as indicating the minimum levels of transaction costs for food aid more generally.

**Channels** The Court of Auditors also found that direct aid involved lower transport and transaction costs overall than indirect aid through the WFP or NGOs. However, this difference was associated with EU procedures which involved a single tendering process for direct programme aid actions including both acquisition of commodities and transport, but separate tendering for commodities for indirect supply, this involving the WFP in separate and more costly organization of shipping to take delivery of commodities provided by the EU. The widespread practice of many donors in making available commodities, with WFP and NGOs arranging delivery from specified ports is therefore probably increasing food aid transaction costs overall. More flexibility in supply arrangements may be a matter for best-practice guidelines or a code of conduct.

**Modalities** Four different kinds of modality are involved, namely, finance for food organized by the recipient, direct aid tied to the donor market or tendered internationally, triangular transactions restricted to developing country supplies, and local purchases. Recent Australian and Canadian evaluations indicate that the combination of tying with lack of competitive tendering has resulted in costs of around 25% above international market prices for acquiring cereals. Evidence for a number of European donors indicates that, prior to the single European market, there was considerable tying involving commodities that would not otherwise have been selected by multilaterals or NGOs, for example, and also high transaction costs.<sup>3</sup> The Joint Evaluation estimated minimum transaction costs of EU aid at around 25% (Clay et al., 1996). Together with a number of other individual studies it also suggests that triangular transactions and the provision of finance to recipient governments and agencies for imports tied to food, are more cost-effective than tied direct aid and are comparable to commercial import parity prices.<sup>4</sup> Again, this may be a matter for a future code of conduct.

**Commodities** Wheat, as the food aid commodity most widely used, is typically associated with transaction costs of around 25%. The picture is complex for maize, which is particularly important for Africa, and for relief operations because of differentials between white and yellow maize and the many developing country sources involved. Rice has typically involved very high transaction costs where European donors are providing grades and types that neither recipients



nor multilateral agencies would otherwise have selected with untied funding. Non-cereals, including vegetable oils and dairy products, are less widely traded and markets are heavily administered. Costs appear not to be substantially greater than for other administered trade. The issue is whether recipients would have imported these commodities if they had the flexibility to finance commercial imports. For example, in many countries the commercial sector imports full cream rather than skimmed milk powder, which has typically been made available by the EU with butter oil for reconstitution. Commercial importers may select lower-cost palm oil rather than rape or soya bean oil provided as food aid.

**Donors** The suggestion that there are systematic differences in performance amongst donors is obviously a sensitive matter. However, assessment needs to take into account the choice of instruments, preferences for channels, different modalities and choice of commodities. The last may reflect export availabilities and internal supplier pressures. For example, until the late 1980s, EU Community Action involved higher expenditure on dairy aid than cereals. More recently the supply of vegetable oil increased with the development of internal surpluses of rape seed oil. Canada and Norway have historically provided fish, and there is a powerful rice lobby in the US.

The Joint Evaluation of EU PFA found that, broadly, Community Action was more cost-effective than Member States' national action in providing programme aid. However, there was a wide range in performance amongst Member States. The most efficient were the Netherlands and the UK for small numbers of actions where finance was provided for triangular transactions and financing of internationally tendered imports by recipient governments. This finding raises the issue of subsidiarity. With regard to differences in performance, would it be more appropriate for the EU to have a single Commission-managed food aid programme? Attention might then be focused on ways of increasing its efficiency, for example, by modifying procedures to allow the WFP, and other multilateral and NGO agencies to engage in single tenders for both commodity mobilization and transport of indirect aid.

The tying of aid to national markets and restrictions on tendering generally appear to increase donor costs. For example, the supply of wheat in Australia and Canada only from the intervention board automatically adds around 12% to costs. The US has legal requirements restricting the shipment of 75% of food aid to US vessels. More generally all such tying potentially affects the operational efficiency of food aid. Food aid actions often appear to be more cost-effective where they have been assigned to bodies without responsibilities for internal market management.<sup>5</sup> Within the spirit of the Uruguay Round agreement, is there scope for agreeing on increasing flexibility including commercial tendering in food aid actions?

Finally, there is the overall question of the relative efficiency of commodity as compared with financial aid. An OECD study concluded that the overall costs of tying aid were of the order of 12-15% (Jepma, 1991). The minimum costs of tying in terms of additional transaction costs for food aid appear to be substantially higher overall - *not less than 25%* for those donors accounting for the major part of food aid.<sup>6</sup> The implication is that, without agreed and widely implemented changes in procedures, food aid should be regarded as a relatively inefficient resource transfer mechanism. This conclusion has important implications for negotiations on measures to implement the Marrakesh Decision, especially where aid budgets generally have been declining in real terms.

### ***Local Currency Budgetary Support***

**Counterpart funds** There is a considerable literature on the management of CPFs. More recently the use of monetization within project food aid frameworks has resulted in close scrutiny of this method of meeting non-food costs. The management of public expenditure in the context of programme aid support has been widely discussed (eg. White, 1996). The evidence on the comparative efficiency of food aid as a way of providing local budgetary support is less frequently addressed. However, evidence on its resource transfer efficiency indicates that commodity aid is unlikely to be an efficient way of providing budgetary support - a conclusion underlined by the Joint Evaluation of EU PFA. As a measure of efficiency, CPFs generated as a ratio of actual import costs incurred by the donor indicated relatively disappointing performance, with an efficiency ratio of only 77%. Such aggregates include wide variation among recipient countries. However, performance was typically highest in relatively more stable economies where funds were being used for general budgetary support. The poor performance does not diminish the importance of providing aid, particularly programme aid within an agreed public expenditure framework, but it raises questions about the appropriateness of food aid being used primarily as a mechanism for providing local currency support.

The alternative approach is to try to improve management. The EU is attempting to improve performance through best practice agreed by the European Council (European Council, 1991). The new EU policy on food security also allows for the use of financial aid where this is deemed more appropriate (European Council, 1996). The difficulties of CPF management and use should be a factor in decisions as well as food balance-sheet issues.

**Monetization in support of development projects** The relatively limited evidence on NGO experience in monetization suggests that the transaction costs of these operations are very high. A recent survey of US voluntary agency experience indicates how these costs are incurred. First, the donor requirements on 'cost recovery', ensuring that the revenue generated is at least equivalent to the expenditure, oblige NGOs 'to become commodity futures traders'. But, second, efficiency in generating CPFs is typically no better than for programme aid (Mendez England and Associates, 1996). The WFP has not evaluated its performance in monetization systematically. However, it would appear to be relatively satisfactory. Unlike many NGOs, the agency is a major commodity trader. Difficulties occur more in the area of determining prices, efficient local management of funds in fully monetized projects such as those for dairy development, and food security reserve schemes. Significantly the WFP has also made progress in containing the need for monetization through its Resource and Long-Term Financing Policy of full cost recovery. It has also highlighted the problems that arise in the attempt to monetize on a *cif* price including commodity and transport costs. These problems result from the cost-inefficiency of food aid reflected in high *job* valuations of commodities by some donors, the additional costs of organizing shipment in uncompetitive situations, price distortions and so forth (WFP, 1997a). This leads to a broad preference, except in special circumstances, for cash rather than monetization, which our evidence endorses.

### ***Cost-effectiveness in Relief Operations***

Both the growing scale of international emergency actions and the increasing number of people assisted through protracted relief operations make it necessary to consider the cost-effectiveness of emergency food aid more closely. An acceptable criterion is that of minimizing the cost of

agreed outcomes. 'If an intervention is decided on non-economic criteria...the most that can be done is to examine whether the solution adopted was the least-cost one commensurate with the desired result' (EU Court of Auditors, 1997: para 5.37).

**Procurement** The Court of Auditors again suggest 'A necessary - though not always sufficient - procedure for ensuring cost-effective procurement is tendering, or at least adequate market testing'. It found that large organizations like the WFP and the major NGOs apply adequate procedures. This may be difficult where an initial action is 'urgent', but should be required subsequently where an operation is protracted. WFP's establishment in 1991 of a separate category of Protracted Relief Operations (PROs) for refugees and displaced persons has been an important move in putting these on an efficient basis, with agreement with the UN High Commission for Refugees giving WFP the responsibility for procuring and delivering food for its operations.

The European Community Humanitarian Office (ECHO), set up in 1992, still has to establish itself convincingly as a cost-effective provider of emergency food aid. The most recent special report cites examples of actions that do not meet its tests for cost-effectiveness. A contributory factor may be parallel systems that spread managerial capacity too thinly. In contrast to WFP, the European Commission has separate procurement and tendering systems for humanitarian and food aid (European Court of Auditors, 1997).

**Logistics** In emergency operations, especially those organized on an urgent basis and to, typically, less accessible locations, logistical rather than procurement costs are likely to be dominant. Choices of mode and transport procedures may be the main determinant of cost-effectiveness. Once the initial phase is over, there is considerable scope for containing costs, such as limiting the use of military aircraft and organizing combined rail and road transport wherever possible. These considerations were starkly illustrated in the Rwanda operations in 1994 (Borton et al., 1996).

**Finance or food?** A persistent criticism of emergency aid is that both official and non-governmental agencies have too readily assumed that food aid is an appropriate response. A further consideration is that too many parties are willing to become directly involved in providing this aid, with insufficient regard to both technical efficiency and cost implications. A review of the evidence from recent major emergencies suggests three important conclusions. First, emergency food aid is likely to be efficient where measures to ensure food supply and avoid excessive price hikes at a national or regional level can be kept separate from the actual interventions. This can be done where there is an integrated and well functioning open market, by allowing or organizing commercial imports, as was the case in southern Africa in 1992/93. Financial support for such imports is a more cost-effective response for donors who want to avoid the higher transaction costs of food aid.

Secondly, where targeted direct emergency assistance is appropriate, local acquisition of food, including drawing on commodities commercially or as programme aid, is likely to be more efficient than organizing separate imports of relief aid. Finally, there appear to be substantial economies of scale and other related efficiency gains to be realized through unified procurement and logistics operations at an international level - a conclusion which has implications for reorganizing the international relief system and the behaviour of the NGO community (see Chapter 8). However, the appropriate forms of intervention depend critically on the local context



and the nature of the emergency. There is possibly more scope than was recognized in the past for a range of interventions including tokens, cash-for-work, credit and even cash transfers. This has implications for donor procedures where some donors are only able to provide relief food for direct distribution.

### **Conclusions**

Almost forty years ago, the Nobel Laureate T.W. Schultz (1960) concluded that food aid was an inefficient way of transferring resources to developing countries, and that the cost to the donor economy including internal agricultural subsidies might be three times the value to the beneficiary economy. If not quite justifying such a high ratio of costs to value, the evidence on inefficiency of direct food aid is formidable. In most circumstances, financial aid is preferable to commodity aid for developmental purposes. This holds true whether aid is being provided for balance-of-payments or for budgetary support. Where the intention is to support the food security of vulnerable groups with direct food assistance, then the choice of finance or food should take account of the specific circumstances. Even in an emergency, it should not be assumed that food aid is automatically the appropriate response. Where food assistance is appropriate, then triangular transactions or local purchases should be considered automatically as options.

### **Endnotes**

1. Important sources of recent evidence include the European Court of Auditors (1993) study of the deficiency of EU Community Action food aid reported in the summary form in the annual report for 1993. The EU Joint Evaluation covered two thirds of EU programme aid to developing countries in the early 1990s (Clay et al., 1996). The evaluations of Australian and Canadian food aid provide important complementary evidence on the costs of tying food aid to donor exports and the absence of competitive tendering. The European Court of Auditors' (1997) special study and some other evaluations of emergency operations provide evidence on relief operations.
2. In theory this would be the international price for commodities, for example, for early delivery to an external US port for wheat as traded on the Chicago Board of Trade. In practice, until the Uruguay Round Agreement has been fully implemented, market management continues. Consequently, those importing on any substantial scale take advantage of export subsidy schemes such as the US Export Enhancement Programme which involves a lower price (Clay et al., 1996).
3. For example, Denmark used to specify a range of domestically processed commodities but following a review which identified costs of tying, ended their practices with spectacular cost-efficiency gains (Colding and Pinstrup-Andersen, 1998).
4. Some triangular operations are cost-ineffective where these involve irregular export sources.
5. For example, some of the more cost-effective programme food aid actions covered in the Joint Evaluation involved the GTZ, WFP bilateral services and UK Crown Agents.
6. This estimate reflects the average transaction costs for EU cereals programme food aid, the Australian and Canadian estimates of extra cost, non-competitive tendering by intervention boards and US shipping restrictions.



## 6. Coherence of Donor Policies

Food aid is an extremely complex aspect of aid policy and management. This complexity would inevitably make it difficult to achieve coherence amongst donors. In circumstances of urgent humanitarian crisis such incoherence carries unacceptable risks of inappropriate action. The complexity has its origins partly in the close links between food aid and agricultural trade, when food aid was also a much larger proportion of aid in the 1960s and 1970s (Box 2). Now that it accounts for perhaps 4% of official aid flows, compared with 11% even as recently as the mid-1980s, this institutional complexity looks increasingly unnecessary. How, then, might the institutional arrangements be made more appropriate to the more modest role of food aid? The findings on the effectiveness and efficiency of food aid presented above point clearly to the importance of flexibility in terms of the choice of financial or commodity aid, and of sources, commodities and channels. There are also a great many donors, including virtually all members of the DAC. This raises problems of co-ordination, especially in emergencies. But there is also the problem of ensuring consistency in the support of poverty eradication and food security, with food and other aid, regionally in Africa or at a national level.

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### Box 2: Mandates and Responsibilities: The Issue of Incoherence

Various aspects of food aid policies and their implementation are considered in parallel in different forums. Minimum commitments under the Food Aid Convention are monitored by a **Food Aid Committee** of donor countries, with the International Grains Council in London acting as Secretariat. The **FAO Committee on World Food Security (CFS)** in Rome provides a general framework for food security policy. The **FAO Consultative Sub-Committee on Surplus Disposal** in Washington DC monitors food aid to ensure free trade principles are not violated. This is now also a **WTO** issue. The **WFP Executive Board** (Rome), also has a mandate to consider wider food aid policy issues. **UNICEF** (New York), the **UN High Commissioner for Refugees** (Geneva) and the **Office of the Coordinator for Humanitarian Affairs (OCHA)** within the UN Secretariat (Geneva and New York) have an interest in aspects of food aid and convene international meetings in relation to their wider responsibilities. There is no single forum or body through which a major international or national crisis would automatically be considered or overall policy reviewed and negotiated.

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To clarify the issues for consideration, some of the broader features of UK, other EU Member State and EU Community Action food aid policy and organization need to be taken into account. The distinctive features of other major DAC donor aid, especially from the US, Canada and Japan, are a further consideration and there are also the international institutional arrangements which offer scope for rationalization.

#### *UK Food Aid*

The UK has always preferred the greater flexibility of financial aid in supporting food security or providing humanitarian relief. But it accepted responsibilities for food aid as a member of the EU and in supporting multilateralism through the WFP. Humanitarian assistance with a focus on multilateral channelling have also been the priorities since at least the mid-1980s. Nor has it been found appropriate to seek to combine humanitarian relief aid with trade promotion by aid tying.

Strictly, there is no UK Food Aid Programme. Geographical and Central Departments of DFID each manage parts of the UK's overall food aid within their respective programmes. Most of the

bilateral food aid is part of the UK's share of EU obligations under the Food Aid Convention. As an aid instrument, food aid involves the provision of finance tied to the procurement and transport of food, but not tied by source. Humanitarian relief and emergencies are the priority uses. Needs and appropriateness are expected to determine the choice of commodity and source. Consequently most of this aid has been acquired in recent years in developing countries and directed for use in Africa, with most of the food being maize, rice or wheat, because of the restriction of FAC contributions to cereals. The main channel has been the WFP International Emergency Food Reserve (IEFR). If justified by special circumstances, as in the early 1990s, actual commitments may substantially exceed the FAC minimum contribution.

The UK's share, currently around 15%, of expenditure under the EU Community Action programme is also attributed to the UK aid budget. A small contribution is also made to the Regular Programme of the WFP. Total expenditure on food aid may fluctuate sharply (Table 6.1) as a result of changes in commitments under these different components and variations in unit costs, which are sensitive to fluctuating international commodity and transport prices and uses. Currently it amounts to only around 4% of UK aid expenditure and the UK contributes only about 5% of global food aid.

**Table 6.1. Distribution channels of UK food aid 1991/2-96/7**

| Channel             | 1991/92      |            | 1992/93    |            | 1993/94      |            | 1994/95     |            | 1995/96     |            | 1996/97     |            |
|---------------------|--------------|------------|------------|------------|--------------|------------|-------------|------------|-------------|------------|-------------|------------|
|                     | £mn          | %          | £mn        | %          | £mn          | %          | £mn         | %          | £mn         | %          | £mn         | %          |
| <b>Multilateral</b> | 68.1         | 65         | 79.1       | 63         | 68.4         | 63         | 53.7        | 60         | 67.6        | 72         | 54.3        | 68         |
| - EC (a)            | 65           | 62         | 76.3       | 61         | 63.8         | 59         | 50.3        | 56         | 63.2        | 67         | 50.5        | 63         |
| - WFP (b)           | 3.1          | 3          | 2.8        | 2          | 4.6          | 4          | 3.4         | 4          | 4.4         | 5          | 3.8         | 5          |
| <b>Bilateral</b>    | 36.4         | 35         | 45.8       | 37         | 39.9         | 37         | 36          | 40         | 26.1        | 28         | 25.9        | 32         |
| - WFP (c)           | 11.4         | 11         | 11.5       | 9          | 24           | 22         | 16.4        | 18         | 17.2        | 18         | 21.2        | 26         |
| - NGO's (d)         | 25           | 24         | 34.3       | 27         | 15.8         | 15         | 19.6        | 22         | 9           | 10         | 4.7         | 6          |
| <b>Total</b>        | <b>104.4</b> | <b>100</b> | <b>125</b> | <b>100</b> | <b>108.3</b> | <b>100</b> | <b>89.6</b> | <b>100</b> | <b>93.7</b> | <b>100</b> | <b>80.2</b> | <b>100</b> |
| <b>As % of</b>      |              | <b>6</b>   |            | <b>7</b>   |              | <b>6</b>   |             | <b>4</b>   |             | <b>5</b>   |             | <b>4</b>   |
| <b>UK ODA</b>       |              |            |            |            |              |            |             |            |             |            |             |            |

**Notes:** (a) UK's estimate of its contribution to funding EU Community Action  
(b) UK contribution to WFP Regular Programme  
(c) Emergency aid as 'directed' through the WFP IEFR  
(d) Food aid organized by NGO's, funded by DFID grants

**Source:** DFID

### ***EU and Member State Policies and Institutional Arrangements***

EU Community Action food aid is currently split organizationally between DGVIII's Food Security (formerly Food Aid) Service and ECHO, with each having separate budgets and arrangements for mobilization. The latter's responsibility for relief and rapid on-set disasters involves unclear boundaries in terms of what is relief, rehabilitation and food security or development. In addition, the respective components of DGI with geographical responsibility for development co-operation outside the Lomé Convention group are involved in country-level policy. However, there are now proposals for the reorganization of responsibility for aid policy

that will achieve greater integration of geographical responsibilities, whilst still leaving ECHO as a separate entity.

The Council of Ministers, particularly through the Working Group on Food Aid and the Food Aid Committee (chaired by the Commission), plays a crucial role in establishing legal and binding agreements and in formulating policy. The European Parliament also influences policy through its comments on the budget. Such agreements and policy statements only establish the framework for Community Action. They are not binding on the Member States and there is considerable diversity of policies and practices. For example, some Member States, such as Ireland, the Netherlands, Sweden and the UK, now effectively provide only emergency food aid. Others support food security and development more broadly with programme aid (France, Italy and Spain) and bilateral projects (Germany). Some Member States choose to channel their aid almost entirely multilaterally (Denmark and Finland), whilst the UK has provided a proportion of its aid through NGOs and France works largely bilaterally, government to government. The Commission has attempted in some countries to achieve more consistency in practice on the management of counterpart funds (not only for food aid) in terms of the 1991 Council Resolution, but Member States have continued with a diversity of practices that reflect national development policies and financial reporting requirements. There are also major differences in recipient priority, with the Commission and most Member States now concentrating on low-income, crisis-affected countries especially in sub-Saharan Africa. However, there are different national priorities in this region, and France has also favoured North Africa and Spain Latin America. Information-sharing on allocations, implementation, monitoring and evaluation findings, which is necessary for achieving greater coherence, has been largely one-way, from the Commission to the Member States (Clay et al., 1996).

The historically close association of EU Community Action with agricultural policy directly involved DGVI (Agriculture) and national intervention agencies. Formally that link has been much attenuated by the transfer of responsibilities for mobilization to DGVIII and then to ECHO for emergency actions. Agreement that food aid budget lines can be used to finance balance-of-payments and budgetary support under the 1996 Regulation and the ending of the intra-Commission agreement to limit extra-European food aid purchases are reflected in the increase in developing country purchases, including triangular transactions and in-country local purchases, from 11% in 1990 to 31% in 1996. There is currently a wider trend within the EU to allow much greater flexibility of sources of food and to reduce the role of direct transfer involving food from the European market (Table 6.2). The Single European Act has contributed substantially to this development by requiring Community-wide tendering. Denmark ceased to provide processed foods to WFP unless these were specifically requested (Colding and Pinstrup-Andersen, 1998). However, details of tenders can still constitute a barrier to competition by restrictive specification of commodity and port of loading. The EU has also attempted to minimize the impact of fluctuating prices on recipient economies by absorbing, in a rising market, the additional costs of already committed food aid. However, this arrangement is restricted to cereals aid. Higher prices are also still likely to have a delayed influence on planned commitments for the following year.

The complexities of Member State food aid have perhaps been a factor leading the EU to agree to use Community Action as the vehicle for a combined response to an exceptional situation. However, this process may be drawn out, as in the 1992 response to the southern African



drought, when EU food aid arrived too late and became part of the problem of post-drought food market management in several affected countries.

**Table 6.2. Food aid deliveries sourced on donor internal market**

| Donor               | Shipments ('000t) |             | % of Total Food Aid |           |
|---------------------|-------------------|-------------|---------------------|-----------|
|                     | 1990              | 1996        | 1990                | 1996      |
| Australia           | 196               | 190         | 94                  | 89        |
| Canada              | 1010              | 373         | 97                  | 95        |
| EU Community Action | 1855              | 1065        | 89                  | 69        |
| France              | 127               | 194         | 96                  | 98        |
| Germany             | 252               | 31          | 70                  | 11        |
| Japan               | 6                 | 91          | 1                   | 20        |
| UK                  | 37                | 11          | 67                  | 10        |
| USA                 | 5571              | 3291        | 100                 | 99        |
| <b>Global</b>       | <b>9718</b>       | <b>5820</b> | <b>89</b>           | <b>82</b> |

Source: WFP Interfais

### *Australia, Canada and Japan*

The policies of these three DAC members reflect the differences in the way development and agricultural trade policies have shaped food aid. Historically, Australia and Canada have provided direct aid from their cereals intervention board stocks. Commodities therefore reflect internal supply availability and the influences of domestic pressure groups. Both countries have provided a mix of bilateral programme and multilateral aid, being strong supporters of the WFP and responsive to the requirements of low-income countries with severe food security problems. Australia juggled its allocations of rice and wheat following a drought in 1982 and then reduced its FAC commitments in 1986 by 25%. With budgetary pressures and a tight market, Canada cut its FAC commitment by one-third in 1995. These major cereal exporters have shown limited flexibility in financing food aid purchases in developing countries.

Japan is usually a cereals-deficit country and provides finance for international purchases. Purchases of rice in Thailand and wheat in the US could be seen as compensation for failing to reduce barriers to imports. However, to reduce pressure on rice farmers it re-exports as food aid part of the purchases it is obliged, under the GATT agreement since 1994, to make on world markets, for example, to Africa (Thirion, 1997).

### *The US: Multiple Objectives and Grey Aid*

Food aid has its origins in the highly successful US support for post-Second World War reconstruction in Europe and East Asia. Then, as institutionalized under Public Law 480 in 1954, food aid explicitly combined the objectives of promoting foreign policy, development, management of surpluses and trade promotion (Wallerstein, 1980). As the major donor, the US has been a dominant influence in all aspects of food aid policy. This is most clearly illustrated by the effects of US budgetary practice on global food aid: the US determines the budget in advance in dollar terms and the amounts of food acquired and shipped are then dependent on subsequent price movements. The US also continues to tie food aid to commodities determined as available



in surplus by USDA, and requires that three-quarters of the food is shipped in US registered vessels. Food aid has also been seen as separate and to a substantial degree additional to other US development aid because of the coalition of interests that provide this support. This policy imparts considerable inflexibility and uncertainty to the global food aid regime.

The multiple objectives of US food aid are reflected in the different food aid instruments, each of which has a distinct role in promoting these different objectives. The major programmes are described in Box 3. Only Title II involves minimum quantitative commitments of 2.025 million tons. The other Titles are highly sensitive to short-term agricultural market as well as budgetary considerations. S416 surpluses provided substantial commodity aid to Southern Africa in 1992 on a grant basis, although other donors combined, for example for Zambia, to fund part of the transport costs (Legal and Chisholm, 1996). However, due to a subsequent rundown of stocks, if the forecast El Niño drought had resulted in a comparable food import financing requirement for southern Africa in 1997/8, this Title would not have been available. Cereals from the Food Security Commodity Reserve were released in 1996 because of short domestic supplies, but it has not been replenished (Hanrahan, 1998). Foreign policy considerations have been strongly reflected in the role of Egypt as the largest food recipient from the late 1970s to the early 1990s, and the support to the conflict-affected Central American states in the 1980s and the Former Soviet Republics in the early-1990s. The US, as the largest single contributor, has also insisted on the right to veto any WFP development projects.

These multiple objectives, in particular those of agricultural policy, have been responsible for blurring the boundary between food aid and trade, resulting in what Shaw and Singer (1996) have called 'grey food aid'. They argue that the levels of food aid including credit sales are much higher than reported as aid according to DAC definitions. As the possibilities for subsidized exports are reduced under the Uruguay Round Agreement, this may offer scope for more food aid.

In the era prior to the 1972-4 'World Food Crisis', US food aid was entirely part of the USDA budget. Titles I and III for programme aid, in particular, provided both dollar and local currency loans that combined in varying degrees the multiple objectives of PL480. The volumes of commodities provided, including credits to middle-income countries where trade promotion was a major consideration, were much higher than subsequently. Following the 1972-4 crisis and Congressional legislation to give priority to low-income countries and development goals, USDA has found other instruments for market management and trade promotion, in particular credits under the Export Enhancement Program. The issue is further blurred by the practice of providing 'blended' packages of credits and grant aid opportunistically for different combinations of objectives.

The monetization issue in food aid also owes much to the complexities of US policy. Under Title II, NGOs are actually required to monetize 15% of commodities. In the absence of alternative public support, NGOs lobbied successfully to build monetization provisions including so called 'Third Country' monetization into the legislation. The multiplicity of objectives and entrenched interests have resulted in considerable scepticism in the US about the realistic developmental potential of food aid, contributing to the steady decline in budgets during the 1990s (Ruttan, 1993; Hanrahan and Leach, 1994; Sewell and Gwin, 1994).

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### **Box 3: The US Food Aid Programmes**

The major US food aid programmes are detailed below:-

**Title I of the Food for Peace Program (PL480) 'Trade and Development Assistance':** is a government-to-government concessional sales programme to developing countries, administered by USDA. The loans offer terms of 10 to 30 years, with a 7-year grace period and low rates of interest. In 1998 it provided economic support to crisis affected Indonesia.

**Title II of the Food for Peace Program (PL480) 'Emergency and Private Assistance':** is a grant programme, administered by USAID on behalf of the State Department. Food aid provided under this programme may be used for emergency purposes, but also for non-emergency purposes through private voluntary organisations (PVOs), co-operatives and international agencies (WFP). Commodities supplied may be monetized to provide support for other development activities.

**Title III of the Food for Peace Program (PL480) 'Food for Development':** is a multi-year bilateral grant programme to provide economic development and food security, also administered by USAID but financed with Title I funds. The food aid can be sold, with the CPFs generated used for development activities or directly in feeding programmes. Operations were reduced to \$300 million in 1995.

**Section 416 (of the Agricultural Trade Act of 1949):** is a grant programme, administered by USDA, entailing donations of surplus food, acquired by the Commodity Credit Corporation (CCC) of USDA to developing countries, emerging democracies and inter-governmental relief operations bilaterally or through PVOs. Not available in 1997 or 1998.

**Food-for-Progress Program:** an independently authorized usually grant aid programme under Section 416 in support of countries which have made commitments to introduce or expand free enterprise elements in their agricultural economies.

**Food Security Commodity Reserve:** a reserve of 4 million tons of cereals was created in 1980 to help fulfil PL480 commitments where US supplies were short or to meet unanticipated emergency needs. The lack of procedure for automatic replenishment is a current issue.

*Source:* Hanrahan and Leach, 1994; Hanrahan, 1998.

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### ***The Problems of Incoherence***

The considerable diversity in the food aid policies of DAC members is reflected in the uses of food aid. Some donors, in particular the Nordic countries, the Netherlands and the UK, have favoured its use for humanitarian relief. In contrast, Australia, Canada and the US have looked for developmental uses as a distinct policy instrument. Some donors favour multilateral channelling, notably the Nordic countries, the Netherlands and the UK as well as Australia and Canada. The EU has recently adopted a policy making food security the primary concern (European Council, 1996).

This diversity poses challenges for achieving coherence in international policy on food aid. These problems have long been recognized and reflected in institutional forums for articulating food security strategy, such as the FAO Committee on World Food Security, the WFP Executive Board and the EU Development Council. A less formal process of consultation amongst donors

has also developed, which is also part of the underlying rationale for exploring regional and global codes of conduct specifically relating to food aid.

The international institutional arrangements that concern food aid are as complex as those at the individual donor level (see Box 2). They also reflect the overlap of developmental and agricultural trade concerns of exporters, who have been the dominant providers, to protect commercial trade. The Rules of Surplus Disposal and the Committee on Surplus Disposal carry out this function. The Food Aid Convention reflects the assumed availability of surpluses and the appropriateness of burden sharing in the funding of aid. The WFP has been expected to provide food aid for direct distribution in ways that are additional to normal commercial trade. A second tier of arrangements resulted from the attempt to ensure international food security following the experiences of the early 1970s. However, there has so far been no attempt to consider whether more far-reaching reconstruction is appropriate in the light of subsequent developments, including the GATT process and the global liberalization of markets, the emergence of humanitarian crises as the major focus of international attention, the concentration of aid on low-income countries especially in Africa, and the growing role of civil society institutions.

The lack of coherence is most clearly reflected in three ways. First, evaluations confirm donors' lack of success in using food aid to support food security or development more generally in a consistently effective and efficient way at the country level. With a few conspicuous exceptions, food aid is ineffectively co-ordinated and not well integrated with other development aid, for example in support of structural adjustment programmes. Second, where markets are functioning and there is institutional capacity, financing commercial imports has been shown to be a more effective and efficient response to a temporary supply crisis than a food aid response from such a diverse and still relatively inflexible donor community. Thirdly, when as during 1995-97 international grain markets imposed severe additional balance-of-payments costs on low-income food-importing countries, the real value of food aid actually declined. These weaknesses have been widely recognized since the mid-1970s but have still not been effectively addressed by most donor agencies.



## 7. Trade Liberalization and Future Food Aid Needs

### *The Uruguay Round Agreement and the Marrakesh Decision*

The GATT Uruguay Round, in particular the Agreement on Agriculture, has given formal expression to the processes of economic liberalization that are transforming the international and national context of food aid. Liberalization within developing countries is reducing the scope of institutional arrangements within which food aid could both provide budgetary support and support public food market management. These practices have included the active involvement of government and parastatal agencies in price controls to subsidize consumers, through public rationing and price stabilization stocks, coupled with quantitative regulation of imports and exports. Such practices, with the exception of export taxes, are no longer in conformity with the Agreement. But there has been an even greater impetus to policy change from structural adjustment. At a national level structural changes have important implications for the use of food aid as balance-of-payments and budgetary support. Arrangements for public distribution of food aid and the creation of counterpart funds are being dismantled or reduced in the scale of their operation.

Other structural changes also have to be taken into account in order to appreciate the potential consequences of the Agreement. The longer-term projected growth rates of population and urbanization in developing countries, combined with likely limits on agricultural growth, imply substantial increases in their food imports (Pinstrip-Andersen et al., 1997). The former Soviet Republics and China, as potential major importers, introduce considerable uncertainty into overall calculations. However, substantial import growth in Asia will be driven by rapid income growth whilst the 150% increase projected for sub-Saharan Africa will be driven by poor performance of food production. If poverty eradication goals include food consumption targets, intended to guarantee widely accepted minimum nutritional standards for energy intake, this may imply cereals and other basic food imports of around 50 million tons a year by 2020 by LIFDCs. This prospect has led to projections for financing food imports on a concessional and grant basis considerably in excess of recent levels of cereals and food aid and broadly equivalent to the peak levels of subsidized exports in the early 1990s (Shaw and Singer, 1996).

The liberalization of international agricultural trade under the Agreement could lead to some increase in world prices for basic foods which, together with reductions in export subsidies, would raise the effective price paid by importers. This expectation resulted in the 1994 'Marrakesh Decision', involving a commitment that the Agricultural Committee of the WTO would consider possible compensatory financial mechanisms and a role for food aid in assisting low-income and other food import-dependent developing countries (Box 4). As part of the Final Act of the Uruguay Round, these commitments were reiterated in the WTO ministerial conference in Singapore in December 1996 which asked the Committee on Food Aid supervising the Food Aid Convention to "develop recommendations with a view to establishing a level of food aid commitments, covering as wide a range of donors and donable foodstuffs as possible, which is sufficient to meet the legitimate needs of developing countries during the reform programme".

The agreement in this way passes responsibility to the Committee for establishing a relationship during the reform process specifically between appropriate food aid levels and the legitimate needs of developing countries. These could be defined in two ways: more narrowly as the additional needs resulting from the reform process; or, more broadly, as the needs for meeting overall food security objectives including poverty eradication and nutritional improvement during the period

of the reform. Another potentially problematic aspect of the Decision is that it includes low-income countries defined according to World Bank criteria and other importing developing countries which identify themselves as potentially affected by the reform process.

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#### **Box 4: The Marrakesh Decision**

Some countries will gain and some will lose in the multi-commodity, multi-country Uruguay Round trade liberalization. The OECD/World Bank and the GATT estimate net gains to world income per annum of over US\$200 billion. Some low-income and net food-importing developing countries (NFIDCs) are likely to lose.

Accordingly signatories to the final act recognize that during the reform programme, leading to greater liberalization of trade in agriculture, LDCs and NFIDCs may experience negative effects in terms of availability of adequate supplies of basic foodstuffs from external sources on reasonable terms and conditions, including short-term difficulties in financing normal levels of commercial imports of basic foodstuffs. (GATT, 1994: 448-9)

This is the basic rationale behind the so-called Marrakesh Decision, agreed as part of the Final Act of the GATT Uruguay Round which calls for certain remedies in the form of assistance, should the reform process result in these negative effects. Such measures include possible compensatory financing arrangements and a potential role for food aid. Accordingly it was agreed that the Agricultural Committee of the WTO would:

review the level of food aid established periodically by the Committee on Food Aid under the Food Aid Convention of 1986 and initiate negotiations in the appropriate form to establish a level of food aid commitment sufficient to meet the legitimate needs of developing countries during the reform programme; to adopt guidelines to ensure that an increasing proportion of basic foodstuffs is provided to LDCs and the NFIDCs in fully grant form and/or on appropriate concessional terms in line with article iv of the Food Aid Convention 1986.

In addition, in the context of their aid programmes, donors were to give full consideration to the request for the provision of practical and financial assistance to developing countries and NFIDCs to improve their agricultural quality and infrastructure.

*Source:* Shaw and Singer, 1996; Konandreas et al., 1998

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A second concern is that liberalization will result in additional agricultural price instability, leading to price shocks for food importers. The combination of unfavourable climatic conditions, particularly in the US, and a rapid reduction in measures to sustain stocks in exporter countries contributed to a severe price spike in 1995/96 (FAO, 1996b), which has increased concerns about instability, for example on the part of civil society institutions in their declaration and associated statements at the time of the World Food Summit in 1996. The balance of expert opinion underlines the importance of distinguishing longer-term and more immediate transitional problems. Commodity markets are more likely in the future to be characterized by lower levels of overall stocks, although at the same time these will be less prone to instability because of faster broad-based adjustments to production and demand-side shocks. However, the path to the new market environment is less certain and price instability could therefore be greater in the transitional period than in the era of managed markets after the system has fully adjusted (FAO, 1996c).

The appropriate role for food aid in a post-Uruguay Round environment must therefore take into account a number of overall considerations. For countries where trade represents a high proportion of food supply, compensatory financing measures including food aid could play a major role (Sarris, 1997). There may be a need for different modalities to accommodate the effects of internal liberalization, an extreme case in point being the small island economy of Cape Verde. In the past programme food aid successfully provided budgetary support to the substantial social safety net, where previously there was a serious risk of famine. With liberalization, imports are increasingly organized by the private sector, so that alternative funding has to be devised (Ferreira Duarte and Metz, 1996). More difficult is the situation of countries where imports are a relatively small proportion of supply but vary considerably with domestic supply instability, such as drought-prone African economies. Food security stocks might have a role to play, as market-based responses such as futures contracts and options are not easily accessible to many such low-income countries.

With increased liberalization, part of the adjustment to price variability is carried out through variations in tariffs (FAO, 1996b). The experience of developing countries in adjusting to the effects of price rises in 1995/96 was that doing this through the transmission of price changes to the domestic economy proved to be stabilizing. However, in the short run a greater part of the adjustment to a price spike is likely to be through reduced demand, especially of low-income vulnerable consumers, who spend relatively the most on food, rather than positive supply responses. This experience highlights the need to protect the most food-insecure from the short-term effects of liberalization, with implications for food aid.

### *Future Food Aid Needs*

Discussion of future measures to support LIFDCs needs to be set in the context of projected food import levels and related financing problems - an area of highly divergent 'optimistic' and 'pessimistic' views'.<sup>1</sup> But the FAO and USDA projections of food aid needs and requirements indicate the scale of the problem and policy issues raised.

Estimates of food aid 'needs' or 'requirements' are usually based on national food balance sheets. Both FAO and USDA adopt variations on this approach, but with differences in the way capacity to import commercially is computed and the coverage of countries. Food import needs are defined as the volume of grain required to make up the difference between national production and carry-over stocks and the target level of consumption. Food aid needs are the difference between this import requirement and commercial import capacity, as illustrated in Table 7.1 with USDA projected global food aid needs for 60 developing countries and involving two scenarios; maintaining the current per capita grain consumption (the status quo); or achieving minimum nutritional standards as defined by FAO (nutritional needs).

The considerable gap between projections of need and actual food aid levels even to achieve 'status quo' levels of consumption raises questions of the usefulness of these exercises. The most constructive interpretation would be to see the projections as indicating the level of food-related import support needed to avoid either an adjustment through commercial imports crowding out other categories or a reduction in consumption. They provide no guidance on the actual capacity of economies to absorb such levels of food aid.



Table 7.1 Cereals food aid shipments and USDA estimates of food aid needs (million tonnes)

|                                     | 1990 (a) | 1996 (b) | 2005 (b) |
|-------------------------------------|----------|----------|----------|
| Total Actual Aid Deliveries         | 10.0     | 4.7      | -        |
| <b>USDA Projected needs:</b>        |          |          |          |
| <b>Status Quo (of which):</b>       | 16.1     | 12.3     | 24.3     |
| chronic needs                       | -        | 10.3     | 21.4     |
| emergency needs                     | -        | 2.0      | 2.9      |
| <b>Nutritional Need (of which):</b> | 26.1     | 31.7     | 37.0     |
| chronic needs                       | -        | 29.7     | 34.1     |
| emergency needs                     | -        | 2.0      | 2.9      |

Notes: (a) Calculated for 55 LIFD countries, for 1990/91, taken from Pinstup-Andersen (1991)

(b) Calculated for 60 countries based on lowest food aid requirement scenario

Source: WFP Interfais; Missiaen et al., 1995

Even with optimistic assumptions about the ability of recipient countries to improve national production or to be financially capable of commercially importing food, food aid or food-related import financing needs will double over the next two decades or triple if nutritional needs are considered. The requirement for emergency situations is projected to reach 60% of recent actual deliveries and FAC commitments. Predictably, sub-Saharan Africa emerges as the most vulnerable region, needing 55% of the total projected requirement.

The disparity between food aid needs and availability has major implications for the use of food aid over the coming years. One answer is to concentrate resources on the most effective forms of food aid distribution in responding to rising needs, whilst finding a way for those needs to be sustainably reduced over time. Another possible response is to question the link between food aid and cereal import financing. The scale of resource transfer now involved, combined with cost-effectiveness issues, makes food aid less appropriate for addressing the balance-of-payments problems of LIFDCs. The projections are arguably flawed because they are based on the 'needs' of those countries that have been receiving food aid. In the medium and longer term the projections may be particularly unhelpful at an individual country level; those that liberalize most will be least affected by variability in international market prices and also benefit most from any balance-of-payments support (Konandreas et al., 1998). Nevertheless, in that liberalization process there will be problems of vulnerable groups akin to the problems of the social dimension of adjustment. There is no economic logic in isolating just the food dimension of this social problem, unless it is felt that food offers the only resource or is a uniquely effective instrument for combating the social consequences of liberalization.

## Endnotes

1. 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 over the next 15-25 years: Alexandratos (1995), Mitchell and Ingco (1993) and Rosegrant et al. (1995) which is updated in Pinstup-Andersen et al. (1997). These models agree that global demand will increase enormously by 2010-20, as a result of population and income (and consumption) increase especially in developing countries. 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 raised. 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 dependent on external finance including food aid. Estimates by USDA predict that, to maintain current per capita consumption levels, global food aid needs are likely to increase from around 15 million tons in 1996 to 27 million tons in 2005, and that the food aid needs of sub-Saharan Africa will climb from 5 million to 21 million tons (Missiaen et al., 1995)

## 8. An Emerging Consensus on Policy?

The now considerable body of evidence on the performance of food aid and recent trends in donor actions indicates a convergence of views: on the priority for humanitarian relief; on the limited developmental role for food aid (on which there is less agreement); on the need to achieve better coherence of policies and donor actions in conjunction with codes of conduct; and on the urgent need to take into account the potential impacts of trade liberalization.

### *The Appropriate and Inappropriate Uses of Food Aid*

**Humanitarian relief** There are many situations in which food assistance is a vital component of programmes intended to save lives and limit the impact of disasters and conflicts on the livelihoods of poor and vulnerable people. This is because of reduced production (crop damage, inability to cultivate, etc.) and the breakdown of markets, particularly in conflict situations and the very specific needs of displaced populations. There are also situations where the government is politically unacceptable or its ability to manage the macro-finances is not trusted (eg. North Korea, Sudan, Iraq). In these situations donors would rather provide food aid for physical distribution direct to target groups.

The need for such assistance is likely to extend to periods of rehabilitation and recovery. However, the appropriate balance of food aid to meet requirements could often be better addressed. There are also problems of inflexibilities in terms of the balance of local purchases and financing purchases on international markets or in other developing countries and direct food aid, and challenges in providing robust estimates of requirements and building these into planning on an annual or possibly twice yearly rolling basis. Close donor co-operation is needed to ensure that adequate resources are available to provide for food security and poverty eradication objectives. A further issue is flexibility in terms of potentially rapidly changing needs and the local situation with regard to food supply, especially so as not to inhibit spontaneous recovery.

**Programme aid for balance-of-payments and budgetary support** In most circumstances financial assistance is likely to be preferable to commodity aid. Even in a crisis situation, balance-of-payments support to governments confronted with the need for additional food imports is likely to be both more effective and cost-effective than food aid. There are, however, circumstances of weak institutional capacity or market collapse and severe problems of logistics where internationally organized food aid has a role. Apart from cost-efficiency, financial assistance is generally more flexible than food aid because commitments can be more readily transferred or rescinded. Aid tied to procurement from donors' own markets appears intrinsically more inflexible in this regard and, combined with the dynamics of often thin and volatile markets and poor domestic supply, can increase market management problems and the disincentive risks considerably. In providing budgetary support, food aid monetization is rarely cost-effective and typically brings many other problems of counterpart fund management and use that weaken its efficiency. The long-standing UK position is not to supply programme food aid and even in a crisis to consider financial support for exceptional balance-of-payments needs - a response which is becoming more widely accepted within the donor community.

**Project food aid for development** There are few situations in which development activities could not be supported by financial aid with equal or greater efficiency. The exceptional circumstances are those of market collapse or incomplete markets. In addition, there are circumstances in which food assistance may be a more appropriate way of targeting food insecure



highly vulnerable, often female-headed households and children. This report has underlined the importance of recognizing the limited range of situations in which food will be preferable to cash transfers. There are problems of dependence and sustainability. Interventions are likely to bring their own distortions. There are, however, some situations in which, on balance, food aid rather than financial support may be the preferable option.

**Project monetization** There are possibly limited circumstances in which this is an appropriate option, e.g. where there is a severe food supply shortage and there are difficulties in organizing finance for the complementary local costs of storage, transport and handling. Monetization is also practised by agencies which are looking for the best ways of utilizing food aid (North American NGOs). It becomes an additional resource for these agencies in circumstances where direct use is inappropriate. The WFP also goes in for monetization because it is unable to mobilize complementary financial assistance. But these are all circumstances in which monetization will rarely be as efficient as the use of financial aid to meet local costs.

### *Appropriate Institutional Arrangements and Policies*

The complex of institutions concerning food aid (see Box 2) reflects its historical origins as a consequence of surplus disposal. Food aid was seen as an *additional resource for promoting development and meeting humanitarian needs*.

**Additionality in doubt** Even without closer scrutiny the recent modest levels of food aid must raise questions about the continuing additionality of this form of aid. In the 1980s analysts concluded that it still presented a substantial opportunity to use resources which would not otherwise be available. Even then, the budgetary practices of many donors indicated that food aid had already become a fully costed resource, competing directly with other instruments within overall development co-operation budgets (Singer et al., 1987; Ruttan, 1993; Clay and Singer, 1985). There is now an emerging consensus that, with much reduced budgets for food aid in agricultural-exporting countries, little additionality remains. Consequently, it would seem reasonable to ask whether this any longer justifies such elaborate arrangements which are unique within the context of aid.

The Food Aid Convention originally focused on quantitative commitments to spread the costs of food aid. These arrangements were subsequently modified to ensure minimum levels of supply for food security, after experience of market volatility in the early 1970s indicated that export of surpluses available for food security purposes was uncertain. This arrangement, as discussed below (pp 51-54), is now in doubt. There are special arrangements and, in effect, a code of good conduct for avoiding damaging major agricultural exporter interests - the FAO Committee on Surplus Disposal. The current basic argument is that rules are also needed to ensure that food aid is effective in providing humanitarian assistance and supporting development without damaging developing countries' agriculture (see below pp 54-57).

The characteristic way in which the problem of food aid has been defined is that of exploiting the opportunity - how to use an additional resource - whilst also recognizing the challenges posed in terms of avoiding distortion to markets in importing countries and the normal trade of exporters, and in handling commodity aid in the most efficient ways possible. The WFP was established to provide an extra multilateral channel for using food surpluses for development. Its problem now

is as an agency with food as its only resource for supporting development in addition to fulfilling its humanitarian goals (see below pp 57-61).

Broadly, there are two alternative approaches to the re-orientation of food aid, consequent on the changes in the global economic environment and the resource constraints which are now widely recognized. These might be characterized as an *adaptive strategy* and a *food security approach*:

- Adaptation implies streamlining and improving the operational effectiveness and efficiency of existing institutions and modalities. There would be no major institutional change.
- The food security approach, on the other hand, implies re-thinking the role of food aid and a reconstruction of institutional arrangements. It could be viewed as an aid instrument to be used, as appropriate, in supporting food assistance actions at a regional or national level - the position implied in the FAO documentation for the World Food Summit (FAO, 1996a, 1996d). An interpretation of EU food security policy since 1996 is that existing food aid budget lines should be used as flexibly as possible to provide, as appropriate, commodity aid or financial assistance to food security policies at a sectoral level or to specific food security actions.

Different donors and agencies have favoured one or the other approach. The challenge at an international level is to reach agreement on a coherent, worthwhile re-orientation of food aid that is necessary and achievable.

### *The Food Aid Convention*

**The role of minimum contributions** The performance of donors in relation to their commitments under the FAC has been reviewed in Chapter 2. If it is accepted that the primary objective of the FAC has been to stabilize quantities of food aid by setting floor levels, then it has been a relative failure. The considerable variability in aid levels - on average 20-25% - and the current uncertainties about actual availabilities indicate the scale of the continuing problem. No other aspect of development co-operation fluctuates so sharply between years, which highlights the continuing and essentially negative relationship with the situation in the international grain markets. Food aid is least available when markets are tightest. This experience points up the issue of whether there is a continuing role for minimum levels of food aid under a renegotiated FAC. Some, especially smaller, donors indicate that the Convention plays a major role in determining their overall allocations. The views of major donors, including the US, Canada and the European Commission, are less clear. Overall, the legal obligations under the Convention appear to have acted as a binding constraint only twice in 30 years, in 1973/74 and 1996/97 (Figure 2.1), but, given the recent downward trend, they could be more effective in setting a floor level in the future.

Developments since 1995 further highlight the challenges. The potential role of the FAC in minimizing the effects of the price hike was limited by two major contributors, the US and Canada, unilaterally reducing their contributions in the lead-in to a tight market situation. Nevertheless the contraction might have been more severe without the minimum obligations agreed. The credibility of the Convention is now in question; recent actions imply at best a qualified commitment to its objectives. Attention also focuses on another issue - the determination of minimum obligations. In the past this was not undertaken in any transparent,

objective way, but was a negotiated outcome. To assure stability of support for food assistance to those who are most food-insecure, especially in years of volatile prices, would appear to require reconsideration of how obligations are calculated. They might be continued at current levels because this at least provides some sort of floor level, but this option ought to be considered in terms of the implications for ensuring the availability of food aid to support predictable relief operations and internationally agreed multilateral and other project activities. Overall, levels of around 5 million tons with many stable programmatic commitments will leave little flexibility in responding to any substantial new emergency. Another option is to rethink obligations in terms of the two generally agreed areas of need for continuing food aid: the needs of people affected by emergencies and the continuing relief of refugees and displaced persons, and assistance to prevent the situations of highly food-insecure groups degenerating into crisis. These needs are defined in terms of groups rather than national balance sheets.

The Agricultural Agreement of the GATT Uruguay Round includes measures to meet the food import costs of developing countries during the reform process. A precise role for food aid in meeting such needs has yet to be formally agreed. However, this agreement is more about foreign-exchange gaps. The way in which food aid might contribute to meeting variable problems in financing food imports requires clarification. Furthermore, in view of the historic record there must be some scepticism about whether food aid is either an effective or efficient way of addressing this issue.

**People-centred approach** The WFP proposed a more people-centred basis for the FAC involving assessment of the food assistance needs of humanitarian emergencies and highly food-insecure groups threatened by crisis (WFP, 1997b). Currently, no attempt is made in this direction. Some elements are already in place, for example, the annual estimates of WFP PROs together with the work on vulnerability mapping being undertaken by FAO and WFP, as well as other bilaterally supported food security early warning systems. Arrangements for integrating these sources of information might make it possible to provide globally, regionally, and by country, basic estimates of food assistance needs, and in terms of quantities of basic foodstuffs, i.e. cereals and pulses, translated into estimates of the likely cost of operations, which could be shared more fairly by members of the international community.

**Quantitative commitments or commitments to action?** Such an assessment would provide evidence on whether current quantitative obligations approximate to current estimates of humanitarian and high priority needs. A number of issues concerning quantitative commitments might then need consideration:

- The IEFRR might be re-examined: would this or an alternative framework with different levels of commitment be useful for ensuring humanitarian assistance (Konandreas et al., 1998)?
- Should FAC commitments be determined, as at present, for 3 years or longer?
- Should commitments be re-examined more frequently in relation to changing humanitarian and other urgent needs?
- Is there a need for a framework for presenting to donors the needs for the next six or twelve months as well as for two years ahead which can be taken account of in their budgetary cycles?

Currently FAC obligations are in tons of commodities shipped as wheat equivalent with or without transport funded by the donor. These simplistic equivalent terms were agreed initially



when most food aid was programme aid. This leaves considerable scope for meeting obligations at very different costs, ranging from credit finance on *job* terms with the recipient paying for shipping to emergency aid involving funded transport up to the point of distribution - from less than US\$150 to US\$600 plus a ton. A more rational formula would take costs into account in a consistent way, so that quantitative obligations are, for example, all on a wholly grant basis including transport costs up to the point of use.

An alternative qualitative approach would be to end the link between food aid commitments and cereals aid. Donors might agree a formula for burden-sharing in responding to humanitarian crises and financial support for WFP in a similar way to UN funding obligations. This would provide considerably greater flexibility and fairness in burden-sharing.

**The Marrakesh Decision** Low-income countries' levels of basic food imports are likely to be considerably greater than any minimum obligations likely to be renegotiated under the FAC. Pragmatically, an important issue could be to provide a framework within which international responsibilities under the Marrakesh Decision are regularly re-examined to consider their implications for food import financing and the balance-of-payments situations of LIFDCs.

The reconstruction of FAC obligations in terms of a people-centred approach would currently be constrained by the capacity of the International Grains Council or other international organizations, notably FAO and WFP. If an initiative in this direction were appropriate, it might offer an opportunity for the UK and its international partners to support the strengthening of FAO with trust funds or grants to the WFP. Part of the agenda might be to find ways of getting the two organizations to work together more. The FAO has substantial professional capacity in its Global Information and Early Warning System (GIEWS) and Commodities Divisions, whilst the WFP still has relatively substantial resources, but limited professional capacity (see below). Both FAO and WFP are currently involved in investigations into vulnerability assessment.

**Subsidiarity and EU FAC obligations** Currently the EU divides up responsibility for its FAC obligations between the Commission (approximately 55%) and the Member States (45%), the latter divided amongst the Member States according to a negotiated formula that originally reflected a complex of factors, not just the contribution to the EU budget. Evaluations fail to provide any evidence that this arrangement has any underlying rationale on grounds of effectiveness and efficiency. Rather, the evidence is that a single larger food aid programme is likely to realize economies of scale in management that will involve substantially lower transaction costs. The practice of using Community Action as the major vehicle for responding to crises indicates that agreement on, and funding of, a single response has been found more appropriate.

The current division of responsibilities within the EU dates from the period prior to both the Single Market Act and the increasing practice of acquiring food in developing countries. Following the introduction of the single market, the rationale for tied national programmes has now disappeared. With a growing focus on emergencies and acquisition in developing countries, the WFP's bilateral services have also come to play a greater role in organizing the provision of food aid for a substantial number of EU and small bilateral donor actions in parallel. An area for careful investigation is whether there are more effective ways in which the EU could collectively meet its international obligations for providing humanitarian assistance and responding to the urgent needs for food security assistance. In particular, if the whole donor community wishes to maintain minimum contributions in cereals equivalent, the EU might limit its obligations to

providing such aid only through Community Action organized by the Commission. That simplification would have potentially considerable advantages in terms of both coherence (Chapter 6) and efficiency gains (Chapter 5).

The FAC is about providing a safety net underpinning food assistance where this is genuinely needed. It is *de facto* a donor club which is a useful forum for discussing international food aid issues. Re-focusing its objective away from minimum food obligations in the context of cereal market management to guaranteeing the needs of the most food-insecure is related to the question of a code of conduct or best practice.

### *Codes of Conduct and Guidelines on Best Practice*

**Objectives compared** Can agreement on good conduct assist in bringing about improvements in practice? The EU Development Council in June 1997 supported the principle of an international code of conduct on food aid and invited the Commission to pursue this in collaboration with other donors. At the time of the World Food Summit in Rome civil society institutions (mostly NGOs) confirmed a commitment to the right to food for all, associating this with the need for more specific food security commitments (NGO Forum, 1996).

The DAC has taken the lead in the development of agreed guidelines on best practice for different aspects of development co-operation such as programme aid and disaster mitigation and preparedness. NGOs have attempted to formulate and commit themselves to guidelines on good practice. Within the EU Liaison Committee of Development NGOs and EuronAid a 'Code of Conduct on Food Aid and Food Security' has already been adopted (EuronAid, 1995). The US-based Food Aid Management Committee has agreed 'generally accepted commodity accountability principles' (FAM, 1993). The Red Cross movement has also adopted guidelines on good practice for the provision of humanitarian assistance (ODI, 1994). Follow-up actions have included the SPHERE Project for Minimum Standards in Humanitarian Response (SCHR and Interaction, 1997), and the British Red Cross are attempting to develop the idea of an ombudsman monitoring obligations (British Red Cross, 1997).

These proposals and actions exemplify a wider endeavour in civil society to relate human rights to the accountability and responsibilities of national and international public institutions. However, the concept of a code of good conduct and the development of guidelines for improving practice represent different approaches. The former is overarching, and concerned with policy as well as practice. The latter builds on narrower concerns in relating objectives to outcomes effectively and efficiently. The European NGOs' Code of Good Conduct exemplifies the first approach (EuronAid, 1995):

- 'Access to food is a fundamental human right' that provides a basis for action and the further development of priorities in terms of the most food-insecure, namely, women and children. More immediately there is a responsibility to respond to and prevent potential famine and high risk situations;
- NGOs have responsibilities to individual supporters and institutional donors in terms of accountability.

Implementation involves:

- Proper identification or assessment;
- Co-ordination of action;
- Special attention to the effective management of implementation;
- Intervening in ways that support local and regional agriculture; management that is participatory;
- Monitoring and evaluation in assessing performance as an aspect of accountability and a way of improving performance.

The principal components of proposals circulated by the European Commission for discussion are broadly similar and stress agreement on:

- Analysis or assessment of needs, involving agreement on joint activities or arrangements that are jointly accepted;
- A national framework of intervention for the recipient country;
- Co-ordination of intervention amongst donors;
- Monitoring and evaluation that are independent, available to all, and, in principle, undertaken jointly (European Commission, 1997).

**Good conduct: some experiences** The concept of an agreed code of good conduct has been implicit in agreed statements of, for example, the Committee on Food Aid, the predecessor to the WFP Executive Board (WFP, 1979). There have also been statements of good intention in the Food Aid Conventions, for example to purchase to the greatest extent possible in developing countries and to make the greatest use of multilateral channels for food aid. In practice, such statements have been little more than 'a catalogue of good intentions and principles' (European Commission, 1997), and have been taken up by donors only in so far as they consider the commitments consistent with their national policies. For example, the use of multilateral channelling has been low in the case of France and Japan but very high for Nordic donors. Purchasing in developing countries ranges from minimal levels (the US), relatively limited (Canada and France), to high levels (Germany, the Netherlands and the UK).

The important policy issue appears to be whether codes of conduct or guidelines can influence international food aid policy and practice substantively. This often requires changing explicit regulations on procedures and budgetary practices to achieve improved outcomes. Recent experience illustrates the strength and limitations of both approaches, with a code of conduct working from general principles while the guidelines approach focuses on improvements in performance in relation to objectives.

The *Food Aid Charter for the Sahel* has highlighted a number of ways in which codes of conduct can contribute to greater policy coherence. Since its establishment in 1990 the Charter has provided a more formal framework for the regular annual examination of the food security situation and the performance of food aid on a regional basis. The involvement of donors, governments and some civil society institutions with a role in emergency assistance and early warning, as well as international institutions, is seen as having given greater coherence to food security policy in the region. However, aid channelled through NGOs is not covered by the Charter and so is not discussed. The Charter does not monitor closely either implementation or impacts on vulnerable groups. The Charter was also in some ways conceived defensively as



providing a framework for avoiding some of the negative consequences of food aid experienced in the droughts of the early 1970s and in particular the mid-1980s (Club du Sahel, 1990:5). In the absence of a regional crisis and with climatic and other factors favouring growth in agricultural production, the Charter has so far been operating as a vehicle for assessment and review in circumstances where less rather than more food aid has been needed.

**Best practice guidelines** The preceding analysis of effectiveness and efficiency has highlighted many practical ways in which the performance of food aid could be improved. An important instance is the European Council (1991) Resolution, providing guidelines on the use of counterpart funds generated by various development assistance instruments. If it had been more widely adopted, that regulation could have made a considerable contribution to improving the management of budgetary support. So far evaluations have highlighted only a few cases where attempts have been made to follow more consistent procedures that would also minimize demands on the scarce manpower of recipient governments. Formal commitments by all parties to adopt these guidelines and associated arrangements for monitoring performance are also lacking.

The potential scope for guidelines which, if adopted and monitored, could bring significant improvements in performance is illustrated by a few examples from the preceding discussion:

- Where food is acquired on the European market the guidelines should suggest EU and national regulations that allow tendering for a single transaction including mobilization, shipping and insurance as required.
- Within the spirit of the Single European Act, Member State food aid should not involve *de facto* discrimination, for example by specifying the port of loading.
- Guidelines for triangular operations and local purchases could help to avoid wasteful competition among donors and also potential market disruptions in the source economy. Guidance in this area could also improve the performance of NGOs which have encountered difficulties, for example in executing local purchases.
- On the issue of financing commercial food imports, guidelines on tendering arrangements appropriate for both normal and emergency situations could have a number of benefits: in facilitating timely crisis management, minimizing the financial costs to affected countries, and ensuring acceptable levels of accountability.

These are examples where consultation might be wider than among bilateral donors and extended to include multilateral institutions. If the EU wishes to 'punch its weight' in providing food and finance for food, then a focus on better performance in this area will make a considerable contribution. The limited impact of the Council Resolution on the uses of CPFs indicates the importance of including explicit arrangements for assessment, programme design and monitoring of performance, perhaps against agreed targets, in any Code of Good Conduct. Similarly, the positive assessment of the Code of Conduct adopted by the Red Cross indicates the importance of agencies committing themselves explicitly to principles for improved practice and agreeing follow-up measures.

Too many food aid programmes involve problems of basic ineffectiveness and inefficiency that raise further important policy questions:

- Within the EU is there on balance a case for progressively giving greater responsibility for food aid to the Commission and freeing Member States from the obligation to provide food aid?

- Are there also advantages in an agreement to utilize only one international channel, for example the WFP, for triangular operations? The use of a single channel could be especially advantageous for emergency operations that require closely integrated logistical operations. But that channelling agency should be expected to use open transport tendering procedures or market testing.
- The need for agreement on commitments, common approaches and monitoring of performance suggests the need for agreed codes of conduct, and that these should concern both policy issues and more specific management and efficiency.

Some of the building blocks for an international code of good conduct are almost in place. This is more apparent in a crisis than in normal circumstances. For example, the response to the southern African drought of the early 1990s was exemplary in terms of international donor attempts to co-ordinate needs assessments and in successfully co-ordinating the logistics of emergency aid. Subsequently, there has been progress in joint evaluation within the EU and in a Danish DAC-related initiative for Rwanda (Eriksson, 1996). The EU should continue to build on its recent experience in joint evaluation (European Council, 1997) in terms of the new policy on food security. The coherence of Member State policies will be indicative and ECHO's actions could be regularly monitored. In the restructuring of UN responsibilities, the WFP, as discussed below, could be given redefined responsibilities as effectively the international relief supply and logistics institution.

To sum up, negotiation on a international code of conduct in conjunction with a new Food Aid Convention offers the opportunity to streamline institutional arrangements for food aid. This should reflect the primacy of humanitarian objectives and be consistent with the Uruguay Round Agricultural Agreement. The effectiveness of such agreements will, however, require explicit arrangements for monitoring the performance of signatories perhaps against agreed targets.

### *The WFP's Role in Emergency Relief and as a Development Agency*

Historically, the WFP has an unusual background as 'an autonomous joint subsidiary programme of the United Nations and the Food and Agriculture Organization'. Established in 1962, its original mandate was 'to assist the poor and the hungry, and to be their advocate in word and deed'. Its latest mission statement, adopted in 1996, reflects its greater autonomy, defining its role as the food aid arm of the UN system with policies oriented towards 'the objective of eradicating hunger and poverty', leading ultimately to the elimination of the need for food aid.

In practice, WFP has its origins in an attempt to make better use of available food surpluses in the United States, complemented by contributions from other donor governments. Its strength lies in the specificity of its business: to provide food aid. It has a good reputation as a practical agency quick to respond to emergency problems using established and comparative logistical advantages. As a developmental agency, its orientation has always been to identify and exploit opportunities for the use of food aid as a resource. While historically strong on practical management, it has limited capacity for strategic planning, assessment project design and evaluation. It has always been understood that it would draw on the capacity of its parent organization, the FAO, as well as other UN agencies.

**Strategic policy and resource issues** WFP's own emergency operations and its management of resources channelled by donor agencies through the IEFER strongly reflect the reorientation of

food aid over the past decade. In the 1990s emergency aid, relief and recovery assistance have come to dominate its activities. In 1996, 66% of its expenditure was accounted for by emergency and protracted relief operations, in contrast to 34% in 1989 (Table 8.1).

**Table 8.1 WFP operational expenditure by type of programme 1989-96 (\$million)**

| Uses         | 1989       |            | 1992        |            | 1994        |            | 1995        |            | 1996        |            |
|--------------|------------|------------|-------------|------------|-------------|------------|-------------|------------|-------------|------------|
|              | \$         | %          | \$          | %          | \$          | %          | \$          | %          | \$          | %          |
| Development  | 500        | 66         | 470         | 35         | 311         | 22         | 341         | 31         | 279         | 26         |
| PROs (a)     | 6          | 1          | 403         | 30         | 264         | 19         | 188         | 17         | 244         | 23         |
| Emergencies  | 252        | 33         | 465         | 35         | 610         | 44         | 426         | 39         | 457         | 43         |
| Extra-       | 0          | 0          | 0           | 0          | 208         | 15         | 142         | 13         | 87          | 8          |
| <b>Total</b> | <b>758</b> | <b>100</b> | <b>1338</b> | <b>100</b> | <b>1393</b> | <b>100</b> | <b>1097</b> | <b>100</b> | <b>1067</b> | <b>100</b> |

**Notes:** (a) PROs - Protracted Relief Operations

(b) Largely relief-related expenditure on Special Operations such as Bosnia and Rwanda

**Source:** WFP

The decline in aid, and the even sharper decline in food aid in particular, has impinged severely, especially on WFP's development activities. Whereas WFP resources rose by 84% between 1989 and 1994, from US\$758 million to US\$1.4 billion in 1994, falling to US\$1.1 billion in 1996, development activity fell by 42% between 1989 and 1996 (Table 8.1). Further reduction is projected because of a decline in development resources of 5% a year. Recognizing that future emergency requirements involve a considerable element of unpredictability, the overall distribution of food aid through WFP expenditure gives the impression of an agency whose regular developmental programme is close to free fall (Figure 8.1).

The UK currently channels most of its bilateral emergency aid through IEFER, sometimes directed to specific humanitarian emergencies. The UK also makes a small contribution to WFP's Regular Programme of development project activities, and is among the top 14 donors. The alternative channel for UK emergency aid involves international NGOs. In practice, this depends on NGOs requesting assistance at a country level (Table 6.1). There are, therefore, important issues for consideration by the UK:

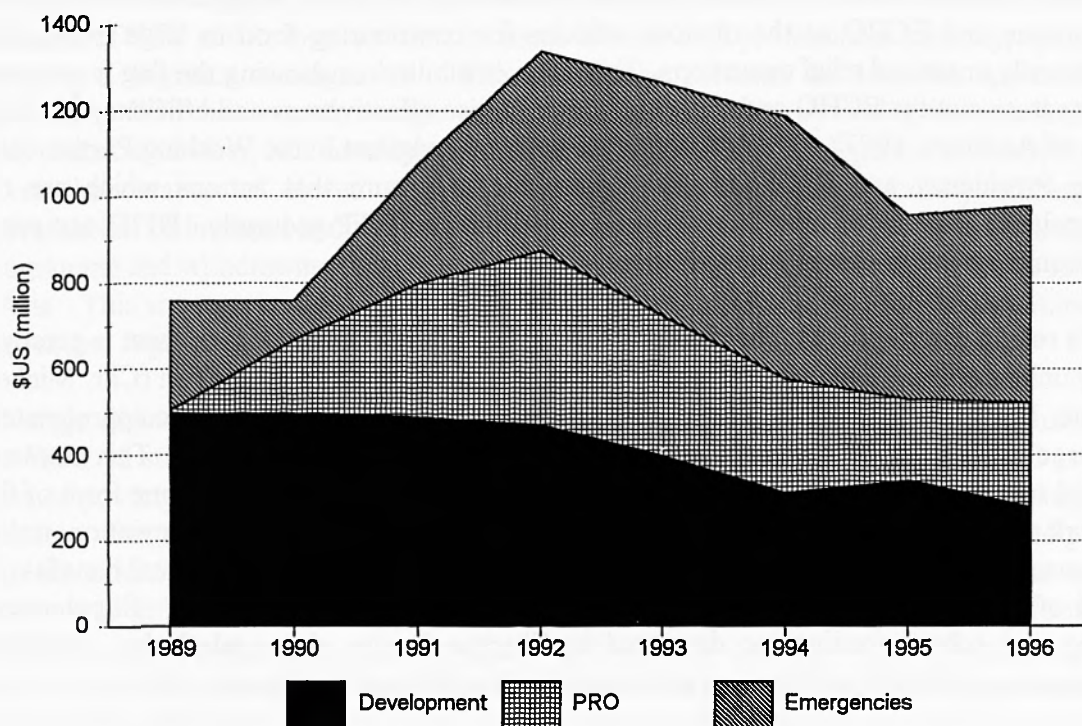
- First, and more narrowly, is its spread of resources appropriate?
- Should DFID continue to use the WFP as the main channel for emergency resources, whilst also providing assistance through NGO's?
- Are there efficiency gains to be achieved through concentrating emergency resources on the WFP channel?
- Should the UK continue to contribute to WFP's developmental activities?
- If so, are there other actions that the UK might take to strengthen those activities?
- Are there operations that the UK could encourage, working within an EU framework?

Currently, there is some element of competition between EU institutions and the WFP as a multilateral agency. In becoming more operational, ECHO now provides an alternative vehicle with a high European profile for organizing relief directly or through NGOs. Similarly, the Food Aid Service of the Commission's DG VIII has preferred to develop its own resource management



capacity, for example, to acquire food through triangular transactions and local purchases rather than using WFP's bilateral services.

Figure 8.1 Distribution of food aid through WFP



Source: WFP

**WFP and emergencies** The evaluative evidence overwhelmingly confirms the crucial role of WFP in providing the technical underpinning for major international emergency and relief operations. WFP has an impressive record globally. In recent crises, Bosnia, the Great Lakes Region and, most recently, North Korea, its relief operations have been the only politically and technically viable option. The evidence is that WFP is technically efficient and also cost-effective in terms of the criteria of the European Court of Auditors - seeking least-cost solutions commensurate with the desired result. ECHO and EuronAid provide UK-based and international NGOs with complementary food aid windows for relief and developmental food security operations. The only apparent argument for DFID using a further food aid window for NGO emergency operations is that this might allow it to kick-start an emergency operation with a small, visible, rapidly organized action.

In terms of both effectiveness and efficiency, it may be more appropriate to channel the UK's FAC commitments entirely through the WFP. As WFP relief operations are generally constrained by finance, part of the FAC commitment could be a contribution to its Immediate Response Account while the greater part could still be used, as in the past, to support specified relief operations, the needs of which could be anticipated in advance. If there were increased flexibility in meeting FAC obligations, this could also be used for a wider range of commodities.

Any attempt to hold part of the relatively small UK FAC commitment in reserve runs the risk that it will have to be committed quickly, late in the year, but less appropriately. The alternative strategy, which appears to have been adopted by the UK and some other European bilateral donors, involves basic FAC obligations being committed relatively early in the budgetary cycle,

with additional commitments then made out of emergency budget lines or reserves for unanticipated events. This strategy may explain the regular over-fulfilment of FAC obligations, at least up to 1995, by the UK and others. With food a typically modest part of the resources required for humanitarian disasters, comparative strengths would suggest the EU Food Aid Programme and ECHO as the obvious vehicles for contributing food to large international, multilaterally organized relief operations. However, 'visibility' or showing the flag is recognized as a separate aim for ECHO and this could compromise effectiveness and efficiency (European Court of Auditors, 1997). The UK should therefore be vigilant in the Working Parties chaired by the Presidency and the Food Aid Committee to ensure that actions which are more appropriately channelled multilaterally are handed over to WFP promptly. DFID can provide other complementary emergency assistance.

**WFP's role in development** The record of food aid as a developmental instrument is patchy and mostly unimpressive. The comprehensive and independent tripartite evaluation (Chr. Michelsen Institute, 1993a), raised serious questions about the WFP's performance and the appropriateness of a large multilateral involvement in food aid to assist development projects. This assessment included support for agriculture and for rural development, largely involving some form of food-for-work or payment in kind as wages or rations. The successes in poverty alleviation, noted in a few cases only, were not complemented by significant longer-term developmental benefits. The record of vulnerable group feeding in providing safety nets was recognized. Supplementary feeding and school feeding, as discussed in Chapter 3, also show relatively unimpressive performance, with little evidence of nutritional and health benefits (Chapter 4).

Relatively more successful use of food aid in support of food assistance projects has been in the stabler economies of South-East and South Asia, including China and India, as well as some middle-income countries. In contrast, the scope for such projects appears to be most problematic in sub-Saharan Africa, which is increasingly the focus of international food aid. There are perhaps temporarily important exceptions in highly crisis-vulnerable countries, especially in post-conflict rehabilitation, e.g. Ethiopia and Mozambique. But these countries also illustrate the potential for rapid recovery in domestic food production with favourable climatic conditions, availability of inputs and integration of markets, which makes regular large-scale food aid imports for project use unnecessary. The alternatives are monetization and local purchases. Because of thin markets there can be a regular move between deficit and surplus, but frequent switching between imports and local purchases is extremely difficult to organize efficiently. However, a planned shift, with flexibility on timing, to domestic food resources might be appropriate in a period of rehabilitation. Monetization on any significant scale raises all the problems of programme aid. Imports have to be managed to ensure an adequate level of sales for generating local currency support rather than with regard to local market conditions. There are also all the related difficulties of minimizing transaction costs. Secondly, the focus on local acquisition and monetization in Africa underscores the inflexibilities of food aid. Financial aid, providing it can encompass support for food assistance where appropriate, is more likely to be effective and efficient.

The need to sustain an international technical, managerial and logistical capacity for food aid for low-income highly crisis-vulnerable countries is often advanced as an additional argument for supporting WFP's development programme. For example, food-for-work and supplementary feeding projects can be expanded to become an important part of a famine prevention programme. However, these are arguments also for a national disaster prevention strategy that will encompass market integration and the use of local resources where food-based safety nets are more

appropriate. Such developments will make international emergency assistance less necessary. WFP's fundamental difficulty lies in addressing problems of poverty eradication and human development with a single, relatively inflexible resource - international food aid. Evaluations over three decades have consistently highlighted the lack of complementary financial assistance and the weaknesses of WFP and its local partners in terms of restricted professional capacity, apart from resource and logistics management. The choices lie between an adaptive approach and reorientation. WFP has recently sought to address these problems by raising the standard of its various technical services, and developing management skills to allow delegation to the field. This involves the creation of eleven regional offices and six stand-alone country offices, with decentralization of financial and administrative programme functions. WFP is also rationalizing its programme and withdrawing from many middle-income countries, especially in Latin America and Asia. This strategy could achieve more focus on low-income highly food crisis-vulnerable countries and regions (Faaland et al., 1998).

DFID might do more, working bilaterally and in co-operation with other sympathetic donors, to assist WFP in strengthening its effectiveness and achieving a greater focus on food security aspects of poverty in low-income crisis-vulnerable countries. Key areas are project design and evaluation. But the credibility of this adaptive approach is an issue. The problems of project design are exacerbated by the need to plan around a relatively inflexible food resource and the demonstrated difficulties that WFP and also NGOs have encountered of combining food with other resources. Furthermore, the formidable difficulties in making targeted feeding or food distribution effective instruments of poverty eradication or nutritional and health improvement in societies with weak institutional capacity suggest that significant improvements will be hard to achieve. Part of the challenge concerns the restructuring of responsibilities within the UN, including the specialized agencies. Currently capacity concerned with food insecurity aspects of poverty and vulnerability is spread across several agencies. Imbalances of food, financial resources and technical capacity severely limit the effectiveness of the international system. Over the past five years resource uncertainties have exacerbated these problems. Is there an opportunity for a more radical reorganization of international food aid and food security arrangements that might address these challenges? If not, then the weight of evidence from past attempts to improve performance suggests that the limited resources and organizational capacity should be progressively directed to relief and post-crisis rehabilitation.

### *Performance Indicators*

The lack of conclusive evidence on performance noted above and in Chapters 2, 3, and 4 points to the need for accurate indicators by which to judge the effectiveness of programmes and projects. An adaptive strategy would focus on improved monitoring and evaluation, but a comprehensive system for monitoring and evaluating food aid's performance will inevitably be a complex one, given the diversity of programmes. It is therefore crucial that it is discriminating with regard to indicator selection in order to minimize the cost burden. Different types of indicators would need to be selected according to the nature of the intervention, emergency, project or programme aid and the recipient country.

**Appropriateness and efficiency** A priority area for strengthening performance monitoring includes some more general areas of concern that relate to appropriateness and efficiency:

- Appropriateness of commodities delivered;
- Timeliness of delivery;



- Effects on local market;
- Availability and timeliness of non-food inputs;
- Transaction costs for donors and recipients;
- Local currency generation
- Management involved in monetization.

These are all areas of performance for which management specialists and food economists can both provide a qualitative assessment and suggest context-specific indicators.

Some of the issues of appropriateness and efficiency ought to be considered as part of the *ex ante* assessment before a food aid action is approved: for example, choices in terms of finance or food, source of food and method of procurement, all of which should be made explicit in terms of their cost-effectiveness implications. US legislation for programme aid requires a 'Bellmon determination' to establish that no negative effects on local agriculture are expected. It might also be useful to establish in advance if there are criteria for deciding when to stop food imports, to switch to local sources of food and when to end food distribution.

Food aid involves potential local market impacts that are difficult to monitor and assess in any wholly conclusive way at local or sectoral level. However, some analysts, e.g. Maxwell (1991), have suggested indicators. His conclusion is that assessment is possible even with relatively poor data, provided that there are market data for local and imported commodities. The other constraint is economic skills. If local market impacts are potentially severe where there are incomplete markets, especially in a disaster or humanitarian crisis, then the institutions involved need to ensure monitoring of local markets and a capacity to analyse the data quickly. They may provide important evidence on targeting, modifying and phasing out of interventions.

Local budgetary support and monetization assessment are nearly always hampered by lack of data. A few critical pieces of information enable an assessment of efficiency - import parity prices, prices at which commodities are sold, deductions for within-country ITSH and management, the time delays before deposit of funds, whether deposits are in interest-bearing accounts, timing and rates of disbursement. The composition and geographical distribution of expenditure, not just sectoral uses, may also provide qualitative clues to the extent to which budgetary support is being targeted at poorer groups.

**Targeting and impacts** Food aid interventions cover the whole gamut of social development and crisis-related measures. For that reason, assessment of impacts should typically concern:

- Penetration of food assistance to the most vulnerable;
- Impact on livelihoods and well-being of targeted groups such as poor, female-headed households;
- Nutritional and health status and educational participation of target groups.

Assessments in terms of livelihoods require social surveys that provide both 'before and after' and 'with-without' comparisons. But as the evaluation literature reiterates, the design of food-aided interventions has seldom included any kind of formal survey. The remedy lies in DFID and other donors requiring a monitoring module to be included in any substantial humanitarian operation or development project, and providing the financial and human resources where necessary.

**Nutritional status** It is also crucial to monitor the social impacts of interventions. The objectives of emergency aid are to save lives and livelihoods. When provided on a significant scale, the macroeconomic and sectoral implications of emergency aid should also be considered as well as the effects upon beneficiaries. There are no simple, low-cost strategies for improving performance monitoring. What is surprising is that, with notable exceptions, so many food aid interventions have for so long failed to be effectively monitored.

## ***Conclusions***

**Finance for food and food aid** The balance of evidence is that food aid is no longer an additional resource but must justify itself in competition with other uses of scarce aid funds. It is also a relatively modest aspect of development co-operation overall. Its major use is in humanitarian assistance and related post-crisis rehabilitation. The international community and policy analysts are still adjusting to the implications of these developments. Most importantly the situation requires a radical reorientation of thinking. In the past the issue was how to make best use of this separate and, to some degree, additional resource. The primary issue now is: when and where is food aid an appropriate aid instrument?

In most circumstances financial aid is preferable to commodity aid for developmental purposes. This holds true whether aid is being provided for balance-of-payments or for budgetary support. Where the intention is to support food security then the choice of finance or food should take account of the specific circumstances. Even in an emergency, it should not be assumed that food aid is automatically the appropriate response.

An important clarifying distinction is between food assistance actions and food aid as an international instrument that can support such actions. There is a range of situations in which food assistance is an appropriate way of addressing food insecurity and the best means available for providing a safety net for the poorest and most vulnerable. Issues of gender and the ways in which income and food are controlled within households will affect strategies. In the past food aid was frequently seen as the only supporting instrument available. However, with the increasing commitment to poverty alleviation and eradication, there is now a wider range of options. For example, the World Bank can now include food assistance components in IDA financing of human resource development activities.

When, then, is food aid likely to be an appropriate response? This is most likely where there is market collapse and also institutional weaknesses, or in some limited circumstances of high food insecurity where, for a combination of social and technical factors, it is the best of the practical options available. This implies some combination of the following:

- High incidence of chronic moderate to severe undernutrition
- Endemic micronutrient deficiency disorders
- Lack of purchasing capacity on the part of vulnerable households
- Markets which are incomplete and volatile
- Availability of commodities that are especially appropriate to the needs of the food-insecure combined with delivery and targeting capacity.

In these circumstances the choice of food aid instrument should also reflect considerations of technical and cost-efficiency balanced with an assessment of risk.

Reviews of recent donor policies reveal that such considerations have had a substantial impact on food aid. The shift to acquiring food in developing countries and the provision of finance for food assistance operations are important aspects of this change. Nevertheless, there is still considerable diversity of practice which adds unnecessary complexity, and there are still areas in which the practice of official donors and NGOs is organized around the treatment of food aid as a separate and apparently additional resource.

**Elements of a new humanitarian assistance - food security framework** An overall picture of the broad features of the international system and what the UK and EU roles should be in five years time suggests the following elements:

- The EU's 1996 Food Aid regulation offers a way of moving progressively away from traditional food aid and eventually merging food security into the main stream of EU development co-operation.
- The Food Aid Convention renegotiation in 1998 and concurrent discussions on EU and international codes of conduct offer the opportunity of moving away from quantitative commitments related to cereal surpluses towards focusing more effectively on humanitarian problems and critical food security situations.
- 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.
- The WFP's role should be redefined as, with appropriate resources and professional capacity, the UN's humanitarian and rehabilitation logistics and food support agency.
- The UK and other Member States might be released from the obligation to provide food as commodity aid 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 the WFP in its role.
- NGOs would have a supportive policy framework and incentives to make EU humanitarian assistance and food security instruments work effectively.

In practice, two not entirely distinct strategies for establishing a new framework are identifiable for the EU and the wider international community - *ie* 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, under the FAC there would be more flexibility over allowable commodities, and a closer relationship would be established between fulfilling FAC 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 would be achieved by the integration of what were food aid units into humanitarian, international and regional bureaux. Many bilateral donors are doing this. The UK has probably proceeded as far as it can bilaterally in these directions and can only facilitate such changes more widely.

There are two problems with this strategy. First, the re-emergence of surpluses could lead to the re-occurrence of all the old problems. For example, WFP and NGOs could find themselves once again 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. This is a serious possibility if the fall in grain prices since 1996 leads to a building of



stocks in exporting countries. Another international or regional crisis could lead some donors to respond with large-scale emergency food aid. Secondly, the current mismatch of too many institutions and arrangements concerned with surplus disposal and the more modest current scale of resources and greater focus on relief might not be adequately addressed.

*Reconstruction* of food aid in terms of addressing wider problems of human security is a more ambitious strategy. Major components might be:

- Qualitative commitments to provide humanitarian relief and recovery assistance and to assure resources for WFP would replace FAC quantitative commitments in cereals.
- An international Code of Conduct would link regional networks (CILSS/Club du Sahel and SADC) to wider regular donor discussion at the FAC or in some other forum.
- Institutional arrangements would be streamlined, including abolition of the Committee on Surplus Disposal or its transfer to WTO.
- People-centred assessments of humanitarian and crisis needs involving food aid would be reviewed and updated on a regular basis, in both quantitative and financial cost terms and be clearly separated from balance-of-payments food balance sheet exercises for low-income countries.
- The Marrakesh Decision issues would be merged progressively with more general balance-of-payments problems of low-income countries adapting to liberalization. An aspect of that adaptation involves recognizing food security as part of the wider social dimension of liberalization and not to be addressed separately as a food import problem. As part of this review, international compensatory financing arrangements for low-income countries affected by liberalization might be strengthened and made more accessible.

The challenge with such a strategy is mobilizing and sustaining a coalition for change within the EU and more widely. Individually most donors and agencies would agree in principle with such a transformation. 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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ISBN 0-85003-323-3

