



# U.S. Food Aid

Time to Get It Right



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**INSTITUTE FOR AGRICULTURE AND TRADE POLICY**  
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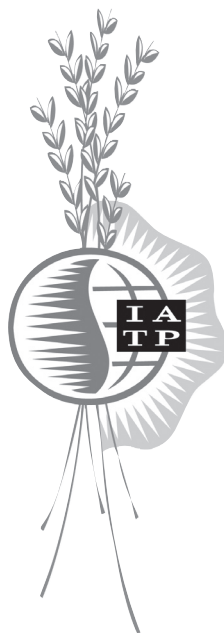
#### ABOUT IATP

The Institute for Agriculture and Trade Policy promotes resilient family farms, rural communities and ecosystems around the world through research and education, science and technology, and advocacy.

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#### ABOUT THIS PUBLICATION

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# U.S. Food Aid: Time to Get It Right

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# “True

generosity consists precisely in fighting to destroy the causes which nourish false charity. False charity constrains the fearful and subdued, the ‘rejects of life’, to extend their trembling hands. True generosity lies in striving so these hands—whether of individuals or entire people—need be extended less and less in supplication, so that more and more they become human hands which work and, working, transform the world.”

—Paulo Freire, *Pedagogy of the Oppressed*, 1970.



## **A B S T R A C T**

The paper first considers food security, setting the context in which food aid should operate. The paper next briefly reviews the mechanics of food aid: who gives what food, in what ways, to whom, looking primarily at the U.S. but using other donor states and multilateral institutions for comparison. The paper then looks at sub-Saharan Africa, where food deficits and food-related crises are most heavily concentrated, to understand how food aid interacts with the wider context of food security and agricultural development. The paper then reviews some of the main criticisms of U.S. food aid, related specifically to the dominance of domestic interests—especially commercial shipping and food processing firms, but also the role of PVOs—in defending the current design and implementation of food aid. The paper also considers the international and local market problems that poorly planned and implemented food aid programs cause. The paper concludes with recommendations for fundamental changes to U.S. food aid practices and for a stronger rules-based approach to food aid in the multilateral system.





# [ 1 ]

## INTRODUCTION

**H**UNGER IS NOT INEVITABLE. Malnutrition is not a consequence of food scarcity, but a result of the way economies are organized and of political choices to address—or ignore—the causes of hunger. In the 21st century, we have the means to defeat hunger: we grow enough food, we know enough about redistributive economics, we have the political tools to ensure inclusive decision-making and we can afford to provide the basic needs that protect every person's entitlement to an adequate, nutritious diet. It is important to assert this fact, because so many food-related interventions seem premised on the assumption that hunger is an eternal fact, and therefore charity to assuage its most pernicious effects will always be necessary. This clouds our thinking. We have the knowledge and the tools to address the root causes of hunger, if we act strategically and empower communities facing hunger and countries with food deficits to feed themselves again.

We can increase the likelihood that 10 years from now, we will have reached the Millennium Development Goal of halving hunger. We can also ensure that 20 years from now, aid agencies will not be feeding yet another hungry generation. We can foster sound food and development policies to help establish independent and self-reliant countries and communities where today there is desperate need and dependence.

This paper takes a critical look at food aid, particularly U.S. food aid. We tread carefully: even poorly designed and badly managed food aid saves lives, at least in the short term. Food aid levels have fallen dramatically in recent years, while need has increased. It is incumbent on us to be cautious in criticizing the existing, flawed food aid system because in the current U.S. political climate, it will be easier to cut overseas aid, in whatever form, than to generate additional resources to meet the urgent needs of the hundreds of millions who cannot now secure enough food to survive.

Nonetheless, much U.S. food aid, especially non-emergency food aid, is not nearly as effective as it could be. And some of it, particularly program aid, is simply unacceptable. U.S. in-kind food aid—the transfer of food grown in the U.S. for distribution or sale abroad that makes up the bulk of U.S. food aid—is a grossly inefficient resource transfer. Food aid analysts Chris Barrett and Dan Maxwell estimate that it costs more than two dollars of taxpayer money to generate one dollar of distributed food procured as in-kind food aid.<sup>1</sup> In the name of the poor overseas, very large sums of money are now paid to prop up U.S. shipping firms and to buy food at higher than market prices from U.S. based food processors and other agribusinesses. Meanwhile, U.S. private voluntary organizations (PVOs) generate millions of dollars of revenue for their operating costs and for development aid by selling U.S. commodities in local markets in developing countries.

Fortunately, there are practical ways to improve food aid, including increasing the share of distributed food that is purchased in or near regions of hunger, and channeling food aid through experienced and reputable international agencies. Other countries have already shifted their food aid program in this direction, although most still need to make further reforms.

But the U.S. lobby advocating the status quo is organized and well-entrenched. It will take an equally strong and clear articulation of the problems in the existing system to bring about the needed changes. The U.S. must continue to provide generous assistance to fight hunger, including through food aid when

appropriate. But food aid must be freed from the ties to a relatively small number of U.S. interests that make today's food aid a domestic boondoggle. It is mistaken to believe food aid helps U.S. farmers. The U.S. must end self-interested and politicized forms of food aid.

A food aid program that makes a real contribution to development must have a two-fold objective: to meet emergency needs, preventing deaths today, and to help build sustainable and self-reliant food systems across the world for tomorrow. The sums of money involved need be no greater, but the results promise to be far better than those we have now.

# [ 2 . 1 ]

## THE ORIGINS OF FOOD AID IN THE UNITED STATES

**I**T IS 50 YEARS SINCE THE U.S. FIRST INTRODUCED REGULAR FOOD AID PROGRAMS. In that time our understanding of the causes of hunger, the best ways to protect food security, and the strengths and weaknesses of food aid has evolved enormously. U.S. food aid is the particular focus of this paper. The U.S. is the largest food aid donor in the world; in 2004, the U.S. funded 57 percent of global food aid deliveries.<sup>2</sup> The U.S. is also virtually the only food aid donor that sells part of its food aid. All others, apart from South Korea, donate all their food aid contributions.

The U.S. attempted to tackle a number of objectives simultaneously with the establishment of food aid programs in 1954. First, the Cold War was in full swing and a number of developing countries were cooperating with the Socialist bloc. The U.S. government saw food aid shipments as a way to secure the goodwill of the newly emerging states.

Second, the U.S. government maintained that food aid would provide useful resources to developing countries to help with their development. President Harry Truman, in his 1949 inaugural address, characterized the formerly colonized regions of the world as “underdeveloped” and therefore in need of U.S. science, investment and aid to overcome their poverty.<sup>3</sup>

A third objective was to find new outlets for surplus production. The U.S. had spent decades investing in the country’s agricultural productive capacity, funding public research, building infrastructure and providing outreach services to propagate the use of new technologies and techniques. The mechanization of agriculture (and of transportation more generally) released land that had been used to grow feed for draft animals: as much as one third of arable land was used for feed until tractors replaced ploughs and cars replaced horses. Moreover, production that had been suspended during World War II resumed, ending shortages in Europe, Japan and elsewhere. This left the U.S. and Canadian governments facing significant unsold production in the 1950s. Food aid seemed a great way to empty the bursting silos. In 1951, Canada started to send food aid to South Asia under the Colombo Plan.

The fourth objective was linked to the third: to build future export markets. Subsidized sales of food as food aid were seen as a way to encourage dependence on imports that could replace traditional foods in developing countries. The idea was to develop a taste for a wheat-and-meat-centered diet. As agricultural sociologist Harriet Friedmann explains, “U.S. export dominance, far from being a natural result of resources or efficiency, was based on its unique capacity to use tax revenues to buy vast quantities of domestic wheat and accept payment for exporting it in, for example, pesos or rupees.”<sup>4</sup> Friedmann goes on to assert that most developing countries had the land, labor and skills to feed their populations and export food besides. The developing country governments that accepted U.S. food aid programs sacrificed their own agricultural sectors, and their peasantry, in exchange for subsidized food imports that generated revenue (through resale of program food aid on domestic markets) and developed new tastes among the (largely) urban consumers, in particular for wheat.

In July 1954, the U.S. Congress passed Public Law 480. The law authorized concessional sales and dona-

tions of food commodities to developing countries, with the explicit intention of developing future commercial markets in those countries. PL 480 established the U.S. as the world's primary source of food aid, a status it retains today.

Not surprisingly, the mix of objectives that led to the establishment of U.S. food aid programs has undermined their effectiveness. Some of these objectives are now out-dated (although the fight against communism has turned into the use of some food aid programs to support the “expansion of private enterprise”). Other objectives have proven unobtainable. For instance, there is no evidence to support the contention that U.S. food aid contributes to future export markets.

The U.S. government no longer holds large farm surpluses and must buy the commodities it wishes to ship as food aid. This has led some advocates of the current food aid system to claim U.S. food aid is no longer about disposing of surpluses. However, the shift away from public stock keeping in domestic agricultural policy has just put the problem at one remove; food aid remains a tempting pressure release valve when supply starts to climb and prices to fall. Although the evidence indicates that food aid purchases are too small to have an effect on the market price of the commodities involved, Congress continues to see raising food aid allocations as an appropriate response to industry and farmer demands for support in years of large crops and low prices.<sup>5</sup>

One of the arenas in which food aid has come to the fore most recently is the World Trade Organization (WTO). Again, it is the U.S. approach that is at issue, for two reasons. One, the U.S. practice of monetizing food aid—that is, allowing PVOs to sell food aid in recipient country markets to generate funds for their development projects. Two, the U.S. use of publicly funded export credits to facilitate its concessional sales of program food aid to developing country governments. Both monetization and the sale of food aid displace commercial food sales (for local producers as well as rival exporters). Other food aid procurement and delivery mechanisms achieve much better humanitarian results without distorting markets as seriously.

Fifty years on, there is a lot to be remedied in U.S. food aid. This paper puts U.S. food aid into context and makes some recommendations for its reform.

## [ 2 . 2 ]

# FOOD AID AND FOOD SECURITY

“HUNGER RELATES NOT ONLY TO FOOD PRODUCTION AND AGRICULTURAL expansion, but also to the functioning of the entire economy and—even more broadly—the operation of the political and social arrangements that can, directly or indirectly, influence people’s ability to acquire food and to achieve health and nourishment.”

—Amartya Sen (1999), ch. 7, p.162, *Development as Freedom*.

**G**OVERNMENTS HAVE ACKNOWLEDGED THE UNIVERSAL HUMAN RIGHT TO FOOD IN THE UN Declaration on Human Rights and the Covenant on Economic, Social and Cultural Rights.<sup>6</sup> Food security is defined by the Food and Agriculture Organization (FAO) committee on World Food Security as when “all people at all times have both physical and economic access to the basic food they need.” Additionally, many food security advocates insist that food security and the realization of the right to food require countries and communities to have control of their food supplies: to have a say in what is produced, under what conditions, and what is imported and exported. At the local level, this often entails the rights of rural communities to remain on the land and to continue producing food for themselves and for domestic markets if they choose to. Some analysts refer to this as “food sovereignty.”

Food sovereignty is not the same concept as food self-sufficiency; self-sufficiency implies each country seeks to produce all the food it consumes domestically. Rather, food sovereignty underlines the importance of political choices in meeting food security needs. The U.S. government and some food security experts define food security as the ability to purchase food in a global market, unimpeded by trade barriers such as tariffs, import quotas, preferential trade arrangements or production and export subsidies. Food sovereignty advocates maintain that in a highly unequal world, food security is not possible if countries are not free to choose how and to what extent they engage in trade to meet their domestic food needs, and how and in what ways to support domestic food production.

The debate on food security helps explain why food aid is contentious. For some critics, the evaluation of food aid is not just a question of whether food aid meets its stated objectives, such as improving the nutritional status of a target population, or contributing to a wider development initiative to improve school attendance or maternal health. For these critics, an evaluation also requires consideration of whether food aid is contributing to the emergence of countries that are independent in their food security choices, and able to engage in a global system of exchange as equals rather than as dependents.

Food insecurity does not necessarily mean rapid death from starvation. Repeated exposure to periods of inadequate nutrition undermines human health. Hunger compromises the body’s ability to fight disease, creates health problems for pregnant women and the babies they carry, and stunts physical and mental development in children. In turn, these problems reduce capacity to earn a living. Persistent uncertainty about where and how to get enough food diverts energy and resources from longer-term investments that could improve economic wellbeing. Food insecurity encourages risk-averse choices that protect people’s access to food now at the expense of less certain investments that could achieve greater long-term returns.

Food security must consider supply, distribution, access and nutritional issues. Supply is clearly a necessary element in food security. It is deeply troubling that, while the world has seen a continuing increase in food production levels, food dependency in many developing countries has grown. Parts of Latin America and much of sub-Saharan Africa, both historically net food exporters, are now net food importers.<sup>7</sup> Food production per capita in Africa is now 10 percent less than it was in 1960. In Asia it is 76 percent more and in Latin America 28 percent more.<sup>8</sup> In 1997, an International Food Policy Research Institute (IFPRI) report on trends in world food needs predicted that, "... the 150 percent increase forecast [in food imports] for sub-Saharan Africa will be driven primarily by its continued poor performance in food production."<sup>9</sup>

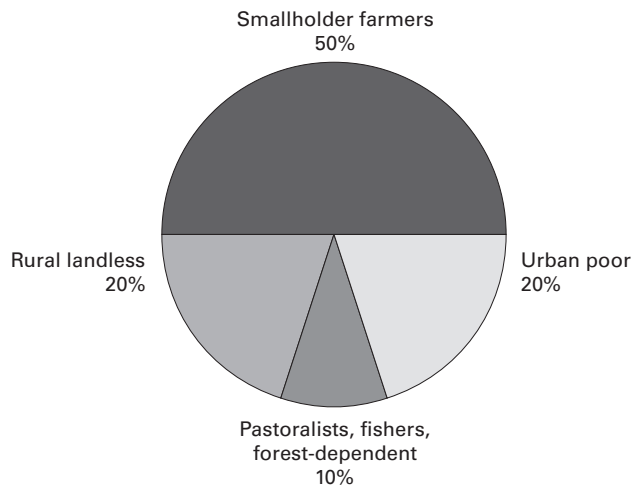
Most countries in sub-Saharan Africa, and many others in the developing world, need to increase their domestic food production. A number will need to import more food to meet the demands of an increasing population. Some of them will pay for that food, and other essential imports, by continuing to export agricultural commodities. In turn, this means the international community has to focus on improving the terms of trade for agricultural commodities, so as to improve the return for commodity growers on their production. National and international mechanisms that consider supply management, quality control and investment in more sustainable production methods are essential. Programs to increase domestic value added in agriculture, manufacturing and services are also vital to Africa's future food security.

Together with supply, distribution is vital. The business of storing, processing and moving food around the globe is capital-intensive and complicated. In practice, the field is restricted to a small number of mostly transnational firms. For well over 100 years, a handful of companies (and the families that own them) have dominated the grain trade, including Cargill, Louis Dreyfus, Continental and Bunge.<sup>10</sup> Cargill's annual sales are in the range of U.S. \$50 billion, and it operates in over 160 countries worldwide from its global headquarters in Minnesota. Cargill is a dominant world company not just in grains, but also in milling, poultry, cattle, salt, fertilizer, cotton, sugar and more. For developing country firms, the barriers to entry on this global market are formidable.

The disbanding of most government-run agricultural commodity marketing boards over the past 20 years or so, under pressure from the World Bank and International Monetary Fund (IMF), has further complicated distribution in Africa. A great many developing countries operated state-run agencies in their agricultural sectors. Some were marketing boards, which bought all the country's production and were responsible for the subsequent distribution of the commodity around the country, and for handling any export sales. Some also provided credit and extension services to farmers. Often the boards were established for the principle export crops—cotton, cocoa, coffee—but sometimes boards also handled food staples, such as white maize. The boards were often inefficient, corrupt and sometimes oppressive. However, they also serviced the country as a whole, including remote regions with limited storage facilities and little access to transportation.

With the boards mostly gone, producers in remote regions now find themselves with much smaller potential markets, unable to afford the cost of shipping their produce to the urban centers and unable to interest a private sector intermediary to help. Under strong advisement from international financial institutions and bilateral aid donors, many countries have also reduced or sold off their publicly accessible domestic food stocks, which were expensive to maintain but played a vital role during uncertain harvests. According to UN Conference on Trade and Development (UNCTAD), in some cases a flurry of private sector action in the years following the disbanding of the state enterprise gave way to dominance by one or more transnational firms.<sup>11</sup> In other cases, distribution services are simply no longer available. These are important

Graph 1. Who the hungry are



FAO *State of Food Insecurity 2004*, p. 25.

public policy obstacles to realizing food security that need urgent attention.

The heart of food security is access. There is enough food in most markets, but not everyone can afford to buy it, or they cannot buy enough to meet their family's needs. This was not always true. At different periods in human history, communities have suffered absolute scarcity of food, not just unequal access to the food available because of different levels of income. But the revolution in agricultural productivity over the past 60 years has turned that around, leaving the world with more food per capita today, globally, than we had when the earth supported a sixth the number of people.

The graph above illustrates the nature of 21st century hunger: half of those living with hunger around the world are farmers, another 20 percent are rural laborers, mostly in agriculture, while a further 10 percent live as gatherers in the forest, fish or raise livestock. Only 20 percent of those living in hunger today live in urban areas, though this population is growing and it is in the name of this population that many of the less targeted food aid interventions, such as the U.S. program food aid, are justified.

Many of the hungry smallholder farmers are net consumers of food. Many do not grow enough food to meet their own needs, or are obliged to sell what they grow for cash income, and so must buy food in the market. Nonetheless, this group also depends on good prices for their commodities and food crops to survive—that is their primary source of income, as it is for the landless rural workers who live alongside them.

Economist Amartya Sen, one of the foremost contributors to our understanding of food security, describes access to food as dependent on an interconnected “bundle” of factors. The concept is similar to the concept of “indivisibility” in human rights discourse, where the protection of any individual human right is understood to require the protection of them all. Employment and wage levels (especially relative wage levels), health care, land policy, the availability of credit on reasonable terms: each of these factors is central to ensuring that a person is food secure.

One of the points that Sen's bundle approach underlines is the importance of tackling hunger and food insecurity holistically. Access to clean water and primary health care can be more important in some situations than access to calories for protecting nutritional status. Cash for non-food needs, such as health care, may be more important in these cases than providing food.<sup>12</sup> Many of the most successful program food aid interventions use food as a way to increase the income of woman-headed households, or to encourage children to attend school, reflecting an understanding the food is only one element if an intervention is to end hunger in the long term.

# [ 3 ]

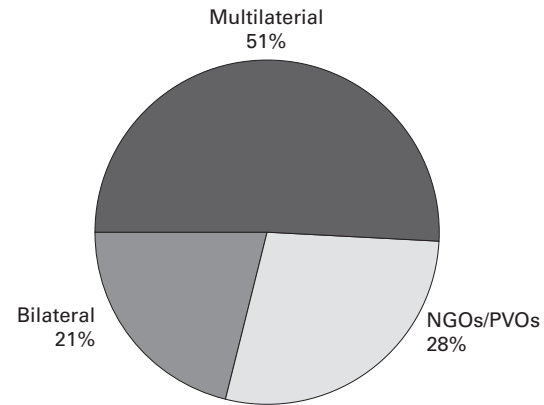
## FOOD AID:

### WHAT IS IT? WHO GIVES IT? TO WHOM?

**T**HREE CRITERIA DISTINGUISH FOOD AID from non-aid transfers of food and from non-food development aid.<sup>13</sup>

1. Food aid must cross at least one international border. Food assistance by a government or private agency to local citizens, such as the food stamp program in the U.S., does not count as food aid.
2. Food aid must be “concessional”: it must be either free or provided to the recipient at a cost lower than the commercial price of the food involved.
3. Food aid must either be in the form of actual food—known as direct transfers—or in the form of funds or goods to be exchanged for food.<sup>14</sup>

Graph 2. Breakdown of 2003 food aid deliveries by channel

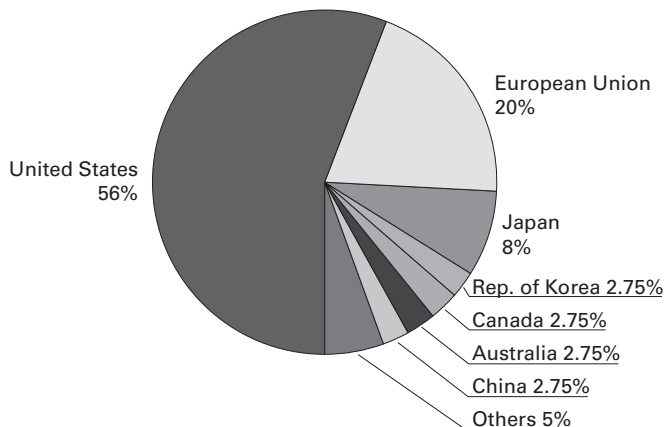


Source: WFP/INTERFAIS, May 2004

To put things in perspective, food aid constitutes less than 2 percent of all food traded internationally. It is a tiny proportion of world food production: about 0.015 percent. The IMF calculates that food aid provides only 7 kg of every metric ton of food shortfall in poor countries.<sup>15</sup> Total global food aid deliveries in 2004 were 7.5 million metric tons, down from 10.2 million metric tons in 2003. The drought-related crisis in Southern Africa made 2003 a higher than normal year for food aid contributions.

The graph above shows a rough breakdown of who delivers food aid globally. Note that NGOs are also contracted by multilateral agencies to deliver food aid; they deliver 28 percent of global food aid themselves and also a percentage of the food aid handled by multilateral agencies such as the World Food Programme.

Graph 3. Global food aid by donor, 2004



In 2004, the main recipients of food aid were Ethiopia, with 0.8 million tons (11 percent of all food aid that year), the Democratic People’s Republic of Korea (North Korea) with 0.7 million metric tons and Sudan, Bangladesh and Eritrea.<sup>17</sup> In 2003, Ethiopia received 1.95 million metric tons, Iraq over 1 million metric tons, and North Korea 0.96 million metric tons.



# [ 3 . 1 ]

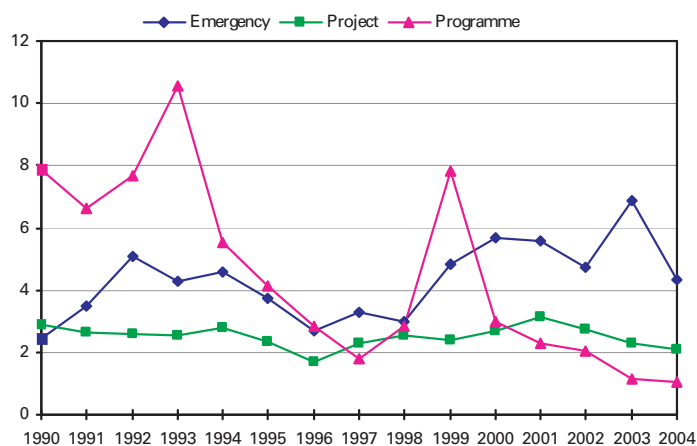
## THREE KINDS OF FOOD AID: PROGRAM, PROJECT, AND EMERGENCY

**U**NDER THE BROAD HEADING OF FOOD AID, THE WORLD FOOD PROGRAMME RECOGNIZES THREE categories of aid, based on the different ways in which the aid is meant to contribute to food security. These three are program, project and emergency food aid. Although the line between these three categories is not always clear, program, project and emergency food aid are distinguished by the different purposes they serve: budgetary support, support for development and nutrition programs, and emergency feeding.

### Program Food Aid

Program food aid involves the transfer of food from one government to another as a form of economic support. Some program food aid is donated to recipients, while the rest is sold on concessional terms. Often the donor will finance the sale of food by a private firm to the recipient government by extending an export credit that the recipient government then pays back on more favorable than commercial terms. In

Graph 4. Food aid deliveries by category, 1990-2004 (in millions of metric tons)



Source: FAO INTERFAIS, May 2004, p. 16

the 1960s, most food aid was of this nature, but program food aid has been declining as a proportion of total food aid. In the 1990s, program food aid accounted for an average of 49 percent of all food aid. In 2000, it dropped to 26 percent of the total and in 2004 it fell to less than 15 percent.<sup>18</sup>

Program food aid was designed and used to dispose of commodity surpluses in donor countries that could not find a commercial market. For this reason, because such surpluses vary enormously from year to year, program food is the most volatile category of food aid, as Graph 4 (left) reflects.

### Project Food Aid

Project food aid is provided on a grant basis for hunger-related development, disaster relief or nutrition programs. Most project food aid is channeled through multilateral agencies, mainly the WFP, or through non-government organizations (NGOs). In 2004, according to WFP criteria, the volume of project food aid was 2.1 million tons, or 28 percent of total food aid.

Unlike program food aid, project food aid was originally focused on direct distribution to people living

with hunger. Examples of project food aid include food for work and school lunch programs. Since 1990, the U.S. has allowed an increasing share of its project food aid to be sold to generate funds for development projects, a process called monetization. We return to the question of monetization later in the paper.

## Emergency Food Aid

Emergency food aid is intended for direct, free distribution to people facing famine or an acute food shortage as a result of natural or human-made disasters. In 2005, WFP expects to need \$1.1 billion for emergency operations, as well as another \$1.3 billion for protracted relief and recovery operations. As noted above, while overall food aid volumes have declined over the past 15 years, emergency food aid has been increasing as a proportion of total food aid (Graph 4). Emergency aid accounted for nearly 49 percent of all food aid in 2000 and an unprecedented 67 percent of food aid in 2003, boosted by donor response to food shortfalls in Southern Africa.<sup>19</sup> It dropped back to 59 percent of the total in 2004.

## [ 3 . 2 ]

### THREE SOURCES OF FOOD AID: DIRECT, TRIANGULAR, AND LOCAL

**F**OOD AID IS ALSO CATEGORIZED BY THE WAY THE FOOD IS SOURCED. There are again three ways this happens.

#### Direct transfers

Direct transfers are food aid donations that originate in the donor country. This mode of supply accounted for 74.5 percent of all food aid deliveries and 80 percent of food aid provided by the U.S. in 2003.<sup>20</sup> All direct food aid transfers are a form of “tied aid” in the sense that they are limited by definition to food sourced in the donor country. In addition, a lot of directly transferred food aid is tied to additional requirements, such as the use of donor-country contractors. In particular, the U.S. requires that at least 75 percent of the procurement, processing (including fortification with nutrients), bagging and shipping be handled in the U.S., by U.S. firms. Canada ties 90 percent of its food aid budget to the costs of procuring and handling Canadian commodities.<sup>21</sup>

#### Triangular transactions

Triangular purchases describe food aid purchased in one country (not the donor’s) for use as food aid in another country. Such transactions provided 12 percent of all food aid in 2004 (down from 16 percent in 2003). Of this food, 73 percent was purchased in developing countries.<sup>22</sup> Triangular purchases are usually financed by a cash contribution from the donor for the initial purchase of the food. Commodity swaps, a form of triangular transaction sometimes used by the U.S., involve the delivery of a food commodity to one country, where it is sold to buy a food commodity that gets shipped to a third country for use as aid.

Triangular transactions account for less than 8 percent of total U.S. food aid, but because the U.S. is such a large food aid donor (and triangular purchases a relatively small share of global food aid), the U.S. provides 26 percent of the global total of triangular purchases.<sup>23</sup> The other main bilateral contributors to triangular purchases include the E.C. (20 percent), the UK (12 percent), Japan (8 percent), Germany (7 percent) and Norway (5 percent).

#### Local Purchases

Local purchases refer to the procurement of food in the recipient country. About 15 percent of food aid was locally purchased in 2004, up from 9 percent in 2003.<sup>24</sup> This is one of the most cost-effective ways to source food aid, although it is still only a small part of total food aid contributions.

Of the 1.1 million metric tons of food aid donated through the European Commission in 2003, 45 percent was transferred directly from E.U. countries, 31 percent was acquired in triangular transactions, and 24

percent was purchased locally. Of the E.U. member states that provided food aid bilaterally, the UK and Germany were notable for the large share of local purchases in their total food aid contribution: 58 and 81 percent respectively. In the same year, the U.S. donated or provided loans for 5.7 million tons of food aid, of which 91.6 percent was a direct transfer from the U.S., 7.7 percent was from triangular purchases and barely more than half of one percent was purchased locally.<sup>25</sup> The Bush Administration recently proposed shifting \$300 million from its project food aid budget to increase the budget of the U.S. Agency for International Development (USAID) for local and triangular food aid purchases. Congress has rejected this proposal.

Where food for food aid is obtained can be very important to the immediate efficacy of food aid and to its longer-term effects on food security. Most aid policy analysts agree that local purchases or triangular purchases from nearby countries are generally preferable to food direct transfers. This is because food can be purchased from less costly sources, because shipping costs are often lower if food travels for shorter distances and because, when properly managed, food purchased locally or from nearby developing countries can stimulate agriculture and other economic activities in hunger-prone regions.

Local purchases are not always the most appropriate use of food aid resources. Before deciding to buy food locally, it is important to assess if enough food is available in the market and whether local purchasing will cause a price spike that might perversely increase hunger by cutting people's access to food. Some of the other constraints on local purchasing, such as inadequate storage facilities or transportation networks, are problems that must be addressed for long-term development as well. If local purchases can stimulate an improvement in the infrastructure for agriculture, then the programs will address the important strategic goal of supporting local food production, in addition to answering the immediate problem of getting food to hungry people.

# [ 3 . 3 ]

## SUMMARY OF U.S. FOOD AID PROGRAMS

**T**HERE ARE SIX ACTIVE U.S. FOOD AID PROGRAMS. The programs are summarized in the table below for reference. Title III of PL480 is not included, as it has not been funded for a number of years.

<b>Program</b>	<b>PL 480 Title I (program)</b>	<b>PL 480 Title II (emergency and project)</b>	<b>Bill Emerson Humanitarian Trust (emergency)</b>	<b>Food for Progress (project)</b>	<b>Food for Education and Child Nutrition (project)</b>	<b>Section 416(b) Agricultural Act of 1949 (project)</b>
<b>Managing agency</b>	USDA	USAID	USDA	USDA	USDA	USDA
<b>Program structure</b>	Concessional sales of agricultural commodities; sold by recipient governments for budgetary support, etc.	Donations of commodities for emergency and non-emergency needs; may be sold in recipient country for development purposes.	Private firms are paid to store U.S. commodities in the U.S. against possible emergency shortfalls in developing countries.	Donation of commodities from PL 480 Title I, 416(b) or CCC stocks to eligible developing countries.	Donation of commodities + financial and technical assistance for educational and nutritional objectives in poor countries.	Donations of CCC surplus commodities for purposes of PL 480 Title II and III or Food for Progress Programs.
<b>Operating agencies</b>	Governments and private entities.	Governments, cooperatives, NGOs, public or private entities, inter-governmental organizations (mainly World Food Programme).	Governments, cooperatives, NGOs, public or private entities, inter-governmental organizations.	Governments, cooperatives, NGOs, public or private entities, inter-governmental organizations.	Governments, private entities, intergovernmental organizations.	Governments, cooperatives, NGOs, public or private entities, inter-governmental organizations.

Source: Modified from OECD/Clay, p. 16 and U.S. General Accounting Office, 2002.

U.S. food aid suffers from administrative confusion. Two departments—USAID and the U.S. Department of Agriculture or USDA—oversee six separate programs. There is also the Food Assistance Policy Council (FAPC): an inter-agency body charged with the coordination of food aid policy. The FAPC is chaired by the USDA and includes the Departments of State, Defense and Transportation, as well as USAID, the Office of Management and Budget and the National Security Council.<sup>26</sup>

## [ 3 . 4 ]

# MULTILATERAL CHANNELS AND AGREEMENTS

**A**BOUT HALF OF ALL FOOD AID WAS MANAGED BY MULTILATERAL AGENCIES IN 2004. The multilateral share of the total has been growing steadily over the past two decades. The dominant global food agency is the United Nations World Food Programme (WFP), established in 1962, which handles about 98 percent of multilateral food aid. Other multilateral and international organizations involved in food aid include the International Committee of the Red Cross (ICRC), the International Office for Migration (IOM), UNICEF and the UN office of the High Commissioner for Refugees (UNHCR).

In 2004, the WFP handled about 3.7 million metric tons of food aid.<sup>27</sup> The WFP is asking for 5.7 million metric tons for its operations in 2005, in part because of enormous need in the wake of the December 26, 2004 tsunami disaster.<sup>28</sup>

The U.S. is the largest donor by far to the WFP. Nearly all the U.S. contribution is in the form of food rather than cash. The WFP prefers to receive cash to have some flexibility to source food aid supplies where it makes most sense as needs evolve. Canada and some European countries provide their WFP contributions as cash.

More than a quarter of the food distributed by the WFP since 2000 has been purchased from a food-surplus region in the recipient country or from a country other than the aid donor. In 2003, WFP deliveries accounted for 89 percent of all triangular food-aid purchases and 70 percent of all local food-aid food purchases.<sup>29</sup> NGOs are important partners of WFP, in some cases providing food and cash donations, and in others serving as implementing agencies for WFP projects.

In addition to the WFP, there are several multilateral agreements and institutions that guide, monitor and track food aid, notably the FAO Consultative Sub-Committee on Surplus Disposals (CSSD) and the Food Aid Convention (FAC).

### The FAO Consultative Sub-Committee on Surplus Disposals (CSSD)

In 1954, under the auspices of the FAO, but in Washington D.C. rather than Rome, the CSSD was established to monitor the disposal of agricultural surpluses as food aid. The choice of D.C. reflected the interest of food aid donors in the committee's creation, although both donors and food aid recipients make up its 41 members. The CSSD assesses food aid contributions against recipient countries' "usual marketing requirement", or UMR. This is measured by using an average of the past five years' commercial imports of the commodity in question. Food aid is supposed to be additional to the UMR, responding to an unexpected need for additional imports. By proxy, the UMR measure is also supposed to help monitor impact on local production. Understandably, and importantly, the CSSD food aid rules seek to avoid possible damage to the long-term food self-reliance of the recipient country.

All CSSD members are required to report shipments of food aid to the CSSD's Register of Transactions. Very small transactions and those made in response to emergencies, where the recipient country is in crisis, do not have to be reported. However, this reporting requirement has lapsed almost completely since 2000.<sup>30</sup> In 1993, 80 percent of all transactions were reported; by 2001, less than 5 percent of transactions were. This collapse is the result of changes in the nature of food aid—above all, the shift in priority from program to emergency food aid. This means the majority of food aid transactions are now exempt from the UMR restriction. The collapse also suggests that members have lost confidence in the CSSD's usefulness.

Economists have shown that no food aid contribution can avoid causing at least some disruption to the commercial market. This is because food aid provides (or frees up) resources that will not all be spent on food: as incomes or government revenues rise, the share spent on food diminishes.<sup>31</sup> Food aid has widely varying degrees of impact on commercial sales, from significant in the case of poorly targeted food aid, as under program food aid sales and monetized project food aid, to minor in the case of emergency assistance, where there may well be no market to disrupt, or the difference in consumption is too minute to compute. The CSSD has steadily lost relevance and influence as food aid has evolved.

## The Food Aid Convention

The Food Aid Convention (FAC) is a set of voluntary guidelines for food aid, first agreed to in 1967, and most recently renewed in 1999. Only donor countries can join. There are 23 members: Argentina, Australia, Canada, the European Community and its member States (15 at the time the FAC was renewed), Japan, Norway, Switzerland and the U.S.

The convention was established to create a predictable flow of food aid. Donors commit to a minimum annual level of food aid for the duration of the FAC (usually three years), regardless of changes in price or supply. The convention spells out some useful goals for food aid, including the importance of giving priority to countries with the greatest need (not a high priority in many bilateral food aid programs). Signatories commit themselves to only use food aid where it is the “most effective and appropriate” intervention.<sup>32</sup> In 1999, the FAC adjusted its rules to allow donors to meet their obligations through cash for local or triangular purchases, as well as through the more usual in-kind donations.

The FAC was due for further renewal in 2002 but governments put the negotiations on hold pending the outcome of current WTO negotiations, which WTO Members do not expect to complete before 2007 at the earliest. The fact that some governments have successfully held up renewal of the FAC until completion of WTO negotiations is indicative of how weak the FAC is. The WTO is only peripherally concerned with food aid; negotiators there are focused on one or two specific practices that are most disruptive of normal trade.

Most donors commit much less than their usual food aid contribution under the FAC (exceptionally, Canada commits most of its food aid through the FAC and has recently had difficulty meeting its obligation). Members that fail to meet their minimum contribution are obliged to make up the shortfall the following year. Overall, the FAC is a weak document. Its strictures apply only to the food aid committed under FAC, rather than to a donor's entire food aid contribution. The FAC does not even forbid sales of food aid, although it does limit the amount of FAC-committed food aid that can be sold to 20 percent of a donor's total contribution. Nonetheless, the convention does set some important standards that encourage donors to strive for better practice in development terms.

## The World Trade Organization

The history of food aid as a surplus disposal mechanism and vehicle to promote future export sales has drawn the WTO into the food aid fray. The EU in particular has championed food aid reforms at the WTO as part of its attempt to balance its commitment to eliminate agricultural export subsidies with demands for changes to other countries' various supports to agricultural exports. A number of advocates seeking reforms of U.S. food aid, including Oxfam America, see a useful role for the WTO in improving food aid practice. Others, like IATP, are more skeptical that the WTO has the competence, or even inclination, to act as an arbiter on food aid.

Nonetheless, effective implementation of the right international trade rules for agriculture could do a lot to clean up food aid practice. Such rules would address the chronic over-supply of most commodities in world markets by ending the food dumping (sales at prices lower than the costs of production) that has added to the global problem of depressed food prices.<sup>33</sup> Such rules would permit multilateral mechanisms for commodity supply management and emergency food reserves, and would allow countries scope for policies to support and protect their domestic production of staple foods. Along with increased aid and investment for agriculture, this would greatly improve food security around the world and reduce the need for food aid as a stopgap solution.

As explained in the section on the CSSD above, food aid does displace commercial sales of food—whether for local producers or commercial exporters. The idea of Usual Marketing Requirements (UMRs) and the attempt to maintain normal commercial imports despite the arrival of food aid makes no economic sense (nor much practical sense). The point of food aid is to meet unmet demand for those too poor to buy food or for people whose food supply has been disrupted or destroyed. The WTO Membership continues to use terms such as “full additionality” (that is, food aid should be entirely additional to normal consumption), which creates a standard that cannot be met and thereby risks irrelevance. What good food aid does achieve is to keep the commercial displacement trivial by successfully targeting those most in need of food.

Food aid was mentioned in Article 10 of the Uruguay Round Agreement on Agriculture. The language was timid and the injunctions—respect the CSSD and its principles and make food aid “to the extent possible” available in grant form—had no impact on WTO Members' food aid practices. Food aid was also integral to the Marrakech Ministerial Decision on Net-Food-Importing Developing Countries (NFIDCs) and Least Developed Countries (LDCs). This was a decision taken to try to sweeten the Uruguay Round (UR) package for Africa in particular, the world's poorest continent and the only continent that was predicted to lose out under the liberalization of agriculture put in place by the UR agreements. The decision reflected the recognition of WTO Members that the implementation of the Agreement on Agriculture was expected to decrease the supply of food available on concessional terms (through food aid or export subsidies) and therefore increase the cost of food imports for those countries that most depended on these sources of food—LDCs and NFIDCs. WTO Members undertook to provide financial assistance if the situation following implementation warranted such help and agreed to ensure the adequacy of minimum food aid commitments made under the FAC were adequate.

By the end of 1997, FAO concluded, “The food security situation in both the LDCs and the NFIDCs remains precarious...”<sup>34</sup> The cost of food imports for food insecure countries rose dramatically in 1995 and 1996 and stayed higher than pre-Uruguay Round levels even when grain prices fell again. Yet the International Monetary Fund (IMF) argued that the liberalization under the UR was not responsible for the food deficit facing LDCs and NFIDCs. The IMF therefore recommended to the WTO Committee



on Agriculture that nothing be done to help these countries pay for the additional commercial food imports they needed. WTO Members obliged, over the protests of the LDCs and NFIDCs, who continue to fight for the implementation of the Marrakech Decision.

The story is important because it shows that the WTO does not see itself as an institution with responsibility for development. This has been starkly evident in the failure of developed country WTO members to deal with any—even one—of the development concerns raised by developing country members in light of their problems implementing the UR agreements. LDC and NFIDC members have no confidence that other WTO Members are interested in protecting their adequate access to food today, while the promised reforms are scheduled to take a decade or more.

That said, the food aid that is worst from the WTO's perspective is also bad for development. The coincidence may have some value in the push to reform food aid. A recent policy briefing published by FAO suggests three questions whose answers together generate a filter to determine which food aid transactions are problematical from a trade standpoint.<sup>35</sup> These are:

1. To what degree does the food aid increase overall consumption? (Does it displace food that would otherwise have been bought?)
2. To what degree is the food aid tied? (Must it be sourced in the donor's market? Are there restrictions on how it can be shipped, processed, etc.?)
3. Is the food aid really needed by the recipient country? (In FAO's language, is it legitimate?)

The EU has proposed using the review of the Agreement on Agriculture to pass new rules that all food aid be cash-based (not in-kind) and untied from requirements to source commodities in the donor country. The implications for U.S. food aid would be enormous, were such rules to be accepted. That is extremely unlikely, however—not only the U.S., but also many of its food aid recipients would not advocate such a narrowing of the definition of food aid at this time and in this forum. What is most alarming about the proposal is the attempt to make the WTO the source of rules for what is basically a humanitarian intervention, where the WTO has no competence or mandate to act.

U.S. food aid poses two big problems for rival exporting interests: the use of export credits (some with repayment periods of up to 30 years) to sell program food aid, and the increasing prevalence of monetization of project food aid (described in greater detail below—basically the sale of food aid on open markets in recipient countries to generate funds for development projects). Tighter disciplines on these practices in the multilateral trade system could make a positive difference. Other kinds of reform to food aid need to be discussed in a multilateral forum where trade offs for market access do not dominate the agenda.

## FOOD AID IN SUB-SAHARAN AFRICA

**E**VEN AS TOTAL WORLD FOOD AID HAS declined, a rising proportion of food aid has gone to sub-Saharan Africa (SSA), the only major world region where food production increases have lagged behind population growth. The share of food aid received by countries in SSA in the years since 1990 has gone from one-fifth to one-half of the total.<sup>36</sup>

Between 1999 and 2003, emergency food aid to SSA rose after a series of floods and droughts in Southern Africa, and continuing food shortages in the horn of Africa. Conflicts in Angola, Burundi, Congo, Côte d'Ivoire, Guinea, Liberia, Sierra Leone, the Democratic Republic of the Congo, Sudan and Uganda also contributed to the sub-continent's food shortages. In 2003, according to the WFP, 38 million Africans faced serious food shortages triggered or worsened by erratic rainfall, civil and armed conflicts, and land disputes.<sup>37</sup>

## Hunger in Africa is chronic and severe

“ALTHOUGH INTERNATIONAL MEDIA PORTRAY FOOD insecurity in Africa mainly as the result of disconnected crises requiring immediate food aid to avert starvation, the hunger crises seen in Africa are primarily a manifestation of much broader chronic food insecurity.”<sup>43</sup>

—Todd Benson, “Africa’s Food and Nutrition Security Situation, IFPRI 2004

Hunger in Africa is severe in some regions and getting worse overall. More than 200 million people in Africa are undernourished and of those, about 40 million in any one year face acute hunger. Although the proportion of hungry people in Africa has dropped slightly, there are about 20 percent more malnourished Africans today than 15 years ago. Population growth is a factor, but the

### Africa Food Aid Facts

In 2003, 42 countries in sub-Saharan Africa (SSA) together received 50.9 percent of world food aid, or 5.2 million tons. The main donors of finances or food to SSA that year were the U.S. (55 percent), the European Commission and individual European Union member states (30 percent), Japan (5 percent) and Canada (2 percent).<sup>38</sup>

Of that amount, 78 percent was categorized as emergency aid, 17 percent as project food aid and 5 percent as program food aid. Of that aid, 54 percent was channeled through multilateral agencies, mainly the World Food Programme (WFP), while NGOs and governments were the direct source of 32 and 24 percent respectively. Donor countries provided all of that food aid in the form of either financial contributions or grants of food commodities, not concessional sales.<sup>39</sup> In another small but significant improvement, 30 percent of food delivered to SSA was procured through either local purchases or triangular transactions (from countries other than the aid donor), an increase from 22 percent in 2002.

more important, underlying causes are neglect of agriculture by governments and lending agencies, and economic policies that have left many African countries more dependent on food imports but with less resources to pay for them. The FAO reports that one in three sub-Saharan Africans lacks access to enough food to meet his or her caloric needs.<sup>44</sup> An estimated 28 percent of all deaths in Africa—nearly 3 million deaths every year—are linked to under-nutrition.<sup>45</sup>

Only 11 percent of total food aid to SSA in 2003 was sold on local markets (monetized), so that, according to the reporting agencies, 89 percent was distributed in the form of food intended for consumption by the recipients.<sup>40</sup>

Of the aid delivered to SSA in the form of in-kind food commodities, 90 percent was grain. About half that grain was wheat or wheat flour and 34 percent was coarse grains, including the controversial shipments containing genetically engineered U.S. maize. The remainder included rice, blended and/or fortified grain products (8.2 percent), oils and fats, pulses, and small amounts of dairy, meat and fish.<sup>41</sup>

In 2003, 38 percent of food aid to SSA—19 percent of world food aid—went to one country, Ethiopia. Another 22 percent of SSA's total went to Eritrea, Angola, Zimbabwe and Sudan. More than 100,000 tons each were delivered to Mozambique, Uganda, Kenya, Zambia, Malawi, and Tanzania.<sup>42</sup> Other countries that are home to millions of hungry people, including the Congo and Nigeria, received only small food aid contributions (76,000 and 13,000 tons, respectively).

The picture of African malnutrition varies from place and by population group, but includes insufficient intake of calories, often specifically inadequate protein consumption, and a lack of micronutrients, especially vitamin A, iodine, zinc and iron. Somewhere between 15,000 and 20,000 African women die each year as a result of severe iron-deficiency anemia.<sup>46</sup> Data from the World Health Organization indicate that 34.5 percent of African children—48.5 million in all—suffer from stunted growth caused by malnutrition.<sup>47</sup> This stunting is commonly accompanied by physical and mental impairments that follow these children through life.

For those who rely on Western media for their analysis of Africa, this picture of hunger and need dominates: the continent seems to be permanently cursed by violence, corruption, drought and disease. Many countries in SSA do not grow enough food to feed themselves, and they cannot afford sufficient commercial imports to make up the shortfall. Such an Africa seems inevitably dependent on the charity of others, including food aid. However, this picture obscures crucial facts about sub-Saharan Africa that are essential to any strategy to eliminate hunger and foster sustainable development there. African countries produced more of their own food in the past and could grow much more of their own food in the near future: the central objective should be to build domestic capacity.

## Africa's Advantages

Africa has a strong natural resource base. For the most part, Africa feeds itself. As the Rockefeller Foundations Gary Toenniessen and Joseph deVries point out, African farmers produce about 83 percent of what Africans eat, so that “overall food security in Africa remains solidly dependent upon local agricultural production.”<sup>48</sup> An additional share of Africa's food comes from commercial

imports; food aid accounts for a very small proportion of SSA's food supply. For some of the Africans who receive distributed food, especially refugees and members of households decimated by HIV/AIDS, food aid is essential to their survival. For others, food received through aid and development programs—food that the recipients may consume, trade, or sell, depending on their circumstances—is only one strategy for coping with poverty.

Two-thirds of all Africans live in rural areas. Of all continents, Africa has the highest percentage of its population engaged in agriculture and the second-largest area of cultivable land. Sub-Saharan Africa's yields of grain per unit of land—a measure often used as a proxy in judging efficiency and success in agriculture—are substantially lower on average than those of other regions. But it would be wrong to conclude that African farming is inherently inferior or “backward.”

Grain production per land unit is a limited measure of farm productivity, especially when large-scale, industrial agriculture is compared to peasant production. Many systems of smallholder farming in Africa (and elsewhere) include multiple crops or intercropping of grains, root crops, pulses and other foods, often along with animal husbandry. Where livestock are more important than crop cultivation, for instance in the Sahel, African herders are sophisticated livestock breeders and efficient producers of animal protein.<sup>49</sup>

African agriculture is primarily rain-fed, with growing conditions that are varied and often challenging. African farmers have therefore had to be capable innovators and selectors of seed, adapting their traditional crops, and in this century, newer crops such as maize and cassava, to African agro-ecosystems. Climate change could lead to unmanageable droughts in the future. Severe environmental degradation has already destroyed some of the sub-continent's arable land. However, many innovative solutions to these problems are evident on the ground around the continent, and many communities have risen to the new challenges.

“Overpopulation” is also not a useful concept for understanding Africa's challenges. Population densities and population growth in some regions make agricultural self-sufficiency difficult or impossible with present technologies and under current farm, food, and trade policies. But in many parts of Africa, *under*-population limits food production. Millions of able-bodied young African men and women are compelled to migrate, seasonally or permanently in search of work, often leaving mothers and older adults with the entire farming burden. Consequently, many farming communities have too few people to plant or to harvest as much farmland as they need to support themselves and to carry out land-conserving cultivation tasks. The loss of adults in their prime to AIDS adds to the under-population problem.

## Obstacles to Greater Food Self-sufficiency

To fully understand the barriers to African agriculture, and to ensure that development interventions are making a strategic difference (that is, building towards a self-reliant future), it is essential to also consider the historical and political blocks that have been created.

European colonialism undermined African prosperity and self-reliance and put in place political borders and economic patterns that continue to undermine food security in the continent today. Africa's vigorous intra-continental and external trade, and its systems of governance and education, were disrupted and suppressed by European colonial powers in the 19th century. Industries such as metallurgy and textiles were largely destroyed. The 20th century saw land takeovers by European settlers, laws against African property ownership and entrepreneurial activities, rules for farms patterned on European models that did not suit

Africa's ecology or social history, and labor and tax policies that forced Africans to cultivate crops and raw materials for the colonial states, not food and fiber for themselves.

These profound transformations are not just memories: they are built into the political systems and the social and physical infrastructure of Africa today. Roads and railways follow the colonial pattern established to extract resources, running from the forest, plantation, or mine to coastal ports. As a result, when food shortages occur in one region, there is no easy way to transport surplus from other parts of the same country or from neighboring countries.

Colonial restructuring of agriculture is also still evident in the widespread monoculture of crops imported from the Americas, including cotton, tobacco, maize (which grows fast but needs rain), and cassava, which is drought tolerant but less nutritious than indigenous African staples. Much of the continent's most fertile land and farm labor are dedicated to crops for export, rather than to growing food for domestic consumption. Most African countries still depend on exports of primary commodities—minerals, and unprocessed forest and agricultural products—to earn foreign exchange for the purchase of essential imports as well as luxury goods. But the terms of trade for most of these products have been in steady decline for decades.

## The impact of trade liberalization

The economic liberalization policies required of African countries by the IMF and by bilateral and multilateral development agencies were intended to create conditions for export-led economic growth. Africa has generally complied with these structural adjustment conditionalities: in 2005, the Heritage Foundation rated Africa as the region that has made the greatest “strides in economic freedom.” But little new investment has been forthcoming and growth has been modest, much of it linked to commodity-price spikes and China's demand for minerals.

While 23 countries in SSA have qualified for partial debt relief under the IMF/World Bank HIPC initiative for Highly-Indebted Poor Countries and nine more yet qualify, debt service remains a great burden for many of them. A 2003 report by Christian Aid pointed out, “The World Food Programme appealed for US\$507 million for southern Africa for July 2002 to March 2003. Meanwhile, Mozambique, Malawi and Zambia alone will have paid back US\$506 million in total debt service to multilateral and bilateral donors in 2002 and 2003, even after so-called HIPC debt relief.”<sup>50</sup>

Per capita GDP has not grown in SSA, and as the Economic Commission on Africa notes, “growth has so far not been translated to employment creation or poverty reduction.”<sup>51</sup> Even in countries where growth has exceeded the region's average, small-scale producers have rarely benefited. And as we have seen, hunger is not always reduced with economic growth. “The prevalence of stunted children in Mali has increased even as the Malian economy has grown.”<sup>52</sup>

Development strategies centered around exports of primary agricultural commodities have rarely succeeded: only countries with strong links between domestic industry and agriculture and relatively more protectionist trade policies have managed to turn agricultural land and natural resources into sustained “comparative advantages” in international trade.<sup>53</sup> With dozens of would-be developing countries competing to sell the same, low-value-added commodities, prices for those exports continue to fall. Countries with little economic bargaining power, weak supporting infrastructure and relatively small-scale economies cannot turn such exports into sustainable economic growth. This is one reason why greater market access for African

exports, however desirable, should not be the centerpiece of policy campaigns to foster African development.

Most important to the issue of hunger is the damage to Africa's domestic agriculture caused by economic deregulation and the export-led development model. Public spending for agricultural research and extension has been slashed.<sup>54</sup> A recent study by Todd Benson for the International Food Policy Research Institute says,

The share of agriculture in total government spending in Sub-Saharan Africa declined from 6.5 percent in 1992 to 4.2 percent in 1998 (FAO 2001). In most countries in Africa, food crop production, relative to cash crops, is frequently the most disadvantaged by government policies and spending decisions.<sup>55</sup>

### Anti-agricultural policies

Removal of government subsidies for farm credit, fertilizers, tools, and seeds has contributed to declining or stagnant food production.<sup>56</sup> So has the dramatic reduction in development assistance for agriculture. Reforms in Mozambique, Zambia, Malawi and Zimbabwe have left in their wake a collapse in staple food markets. Another liberal reform that has contributed to hunger has been the reduction of state capacity to maintain grain reserves.<sup>57</sup>

One central problem, analyzed by the UNCTAD and others, has been the lender-enforced dismantling of many state-led market institutions, such as marketing boards. These boards were far from perfect, but did provide important services to rural areas and to producers specifically that have not been replaced since they were dismantled. Governments have closed public food storage facilities. Private traders do not have the capital or know-how to fill the resulting gap in services.<sup>58</sup> Most countries in SSA face real constraints on investment that requires more management than an open market can provide. There is a need for state-led intervention to provide the necessary stability to encourage entrepreneurship, to strengthen marketing, storage, and transport infrastructure, and to foster economic activities that add value to domestic farm products.<sup>59</sup>

### Genetically Engineered Food Aid: The African 'Crisis'

The controversy over food aid containing genetically engineered grain illustrates how food aid can be used to advance the agendas of particular countries and transnational agribusinesses. In 2002, the World Food Programme called for emergency aid, preferably in the form of funds, in response to severe local food shortages in Southern Africa. Instead of providing only funds, as most other donor countries did, the U.S. shipped 500,000 tons of whole-grain maize under the U.S. Emerson Trust program for distribution by the WFP and NGOs.<sup>60</sup> Because approximately half of all U.S. maize is genetically engineered, and because the U.S., unlike Canada, does not segregate transgenic (GMO) crops from conventional crops, this U.S. food aid contained a significant proportion of GMO corn.

The governments of Zambia, Mozambique, Lesotho, Zimbabwe and later Angola objected. The governments based their concerns on the still unknown health effects of transgenic maize on people for whom maize is a dietary staple (most GMO maize is used as animal feed or in foods that are a minor part of human diets in the U.S.). Another worry was that whole-kernel (rather than milled) corn was likely to be planted by some farmers, posing possible risks of contamination to locally adapted maize varieties. Mozambique, Lesotho and Zimbabwe accepted the grain on the condition that it be milled before being distributed.<sup>61</sup> Malawi also joined the governments

who objected, insisting that the maize be milled and that monitoring accompany the food aid to ensure it was not planted. Zambia still rejects transgenic food aid but accepts maize and other food aid from non-GMO sources.

The African stance provided the U.S. with an opportunity to step up its campaign, then being vigorously pursued by US AID, USDA and the White House, for the worldwide acceptance of transgenic crops.<sup>62</sup> Although not a party to the Convention on Biological Diversity, the U.S. actively opposes the Cartagena Protocol on Biosafety (an agreement under the convention), which gives member states the right to choose not to accept GMO imports under certain conditions. At the time of the food aid shipments, the U.S. was also preparing to lodge a dispute at the WTO against the E.U. for its moratorium on imports and commercial planting of transgenic crops. The Europeans, at least tacitly, endorsed the African position.

Whatever one's views on the risks and potential benefits of transgenic crops or of the motives of the European and African governments, it is clear that this GMO "crisis" was manufactured. It could have been avoided if the U.S. had answered the WFP request for funds rather than food to meet the emergency. As it was, the "crisis" gave the Bush administration a platform for promoting exports of U.S. agricultural technology and for broadcasting simplistic messages that a technological quick fix can resolve the deep-rooted problems of food insecurity in Africa.

Despite the mounting evidence that food security for SSA cannot be achieved without significant new investment in local production, USAID and the U.S. Departments of State, Agriculture, and Commerce continue to contend that African and other low-income regions ought to concentrate on exports and rely on international markets rather than domestic production to achieve food security. The approach is deeply damaging to SSA's right to self-reliant development and food security strategies.

### **Food aid is still needed in Africa....**

The toll that hunger, disease and economic need take on millions of people in sub-Saharan Africa is undeniable. Food aid can play a role in addressing these problems, especially if it is programmed with the larger picture—that of Africa's potential and actual capacity to grow its own food—clearly in view.

# Food Aid Myths

## **1. Food aid from wealthy countries is necessary to feed hungry people in developing countries.**

Food security requires much more than just ensuring adequate supply. For many people facing hunger, distribution and access are much more important; there is food available in the country but they cannot afford it, or it does not reach their local market. Food that is exported at prices below the cost of production and sold on local markets in developing countries can compete with local production and trade. In turn, this can worsen long-term hunger, especially in rural areas, where most of the hungry resides. Cheap or free in-kind food aid sometimes has this effect, although the volume (and therefore impact) of subsidized, commercial food exports at below the cost of production is far greater. Where food is the best resource to meet the demands of a given situation, that food is almost always best sourced locally or in the region where the people facing hunger live.

## **2. Food aid solves the problem of over-production in the United States.**

The U.S. has more food than it knows what to do with—enough to maintain current export levels and still give each American twice their recommended daily level of calories.<sup>63</sup> Amidst this plenty, millions of Americans live with hunger, proving that adequate supply is not the only barrier to food security. The U.S. should confront the problem of over-supply at its source: excessive production. The long-term harm that results from the lack of U.S. controls on commodity production is one of the reasons that world markets in many commodities are depressed. Depressed world commodity markets worsen conditions for those that are most vulnerable to hunger: smallholder farmers and landless agricultural laborers. U.S. food aid is now part of the edifice used to justify continuing the policy of unmanaged agricultural production in the U.S. Food aid should not depend on the U.S. allowing unmanaged agricultural production.

## **3. Today's food aid recipient is tomorrow's paying customer.**

Although many countries that once received food aid now buy commercial imports or produce enough food domestically, many other long-time food aid recipients continue to need food aid.<sup>64</sup> Food aid is rarely part of a transition strategy to food self-reliance (including the ability to pay for imports on world markets if desired). If some of yesterday's food aid recipients are today's paying customers, it is because improved income levels among some sectors of the population have increased the country's ability to pay for imports. The commercial commodity traders and food processors that claim food aid builds future markets are actually trying to defend the continued role of the U.S. government—using taxpayer dollars—as today's customer. The U.S. government is a particularly good customer because it pays a significant premium over commercial prices when it buys food aid to donate or sell.

## **4. U.S. farmers need the help.**

Food aid contributions are simply too small to make a difference to the price a farmer receives. Farmers do not sell food aid to the government; grain firms do. And while those contracts can be lucrative for the firms involved, there is no evidence that the above-market price the government pays to the grain and processing firms for food aid makes any difference to the price these firms pay to farmers when they buy the grain. There are a few exceptions to this, for instance dried peas, lentils and raisins, for which the farmers are organized into cooperatives that handle the marketing of the crop, and these cooperatives have focused on U.S. food aid programs as their preferred customer. In these exceptional cases, food aid is a primary marketing channel. The strategy has worked for the few producers involved, but hardly qualifies as helping needy farmers. For the rest, although farmers tend to believe that food aid is an important market for their crops, in fact it is statistically insignificant.<sup>65</sup> If we want to help U.S. farmers, there are many policy changes that could and should be adopted, and urgently. However, using a program ostensibly to stem the human catastrophe of hunger is not the place to start.



## **5. Food aid buys the U.S. goodwill in the world.**

Food aid has significant diplomatic costs. It antagonizes other exporting countries, which see the food aid as an export subsidy. Food aid can spark powerful hostile reactions when donors use food for political reasons to pressure or to reward recipient governments. The recent fracas over food aid to North Korea is an example. Whether the withdrawal of U.S. food aid commitments to North Korea in May 2005 was because North Korea is not cooperating with U.S. objectives to limit its nuclear program or—as U.S. government officials insist—because of problems ensuring that food aid reaches the people that need it, there is unquestionably a strong appearance of using food as a political weapon. The result can be exactly the opposite of the goodwill that the U.S. government wants.

## **6. Food aid is “cleaner” than cash.**

Just as food banks and food stamps seem to appeal more to taxpayers in the U.S. than an above poverty-level minimum wage or welfare system, so in-kind food aid seems to appeal to the public conscience as somehow better than a financial contribution. The sense is that cash is more easily stolen or misappropriated, particularly given the high levels of corruption in some recipient states, and the lawlessness of some others. There is some truth to this. However, food can also be misappropriated, as the misuse of food aid by warring parties in the Sudan illustrates. Moreover, cash has important advantages, including its versatility. While all cash for only local food purchases would be impractical and probably bad in a number of cases (since food scarcity is part of the problem food aid is designed to address) a lot more cash for a much higher percentage of both local and triangular food aid purchases would be a much more strategic investment of food aid resources than the current reliance on tied in-kind aid. Like any public or commercial transaction, all food aid—in-kind or cash—needs to be monitored to avoid corruption and misuse. But properly managed, and rapidly dispensed, cash is a much more effective tool to deliver food to people in need than in-kind food aid.

There are also a few myths about the problems caused by food aid that need to be corrected.

## **7. Food aid is always bad for local producers.**

There are clear, proven instances when in-kind food aid shipments have hurt producers in recipient or nearby countries. Program food aid has consistently been shown to be the worst offender. There are many more cases where there is no evidence one way or the other on how individual farm households, or even whole communities, have been affected by food aid. Some of the largest former recipients of food aid, including India, Indonesia and Viet Nam are now self-sufficient in food or even export some food—although food aid was not a decisive factor in this development. The evidence suggests most of the commercial sales displaced by food aid hurt rival exporters rather than local producers.<sup>66</sup> At its best, food aid can make a positive contribution to the long-term outlook for local agriculture (which in turn helps the wider economy). Potential benefits include the release of income for non-food purchases and the provision of a safety net against hunger-related disease. To achieve these beneficial outcomes, 1) food aid must be properly managed, so that it reaches those who genuinely need it, with minimal “leakage” to others. Most importantly, 2) the benefits in no way depend on in-kind donations or monetized food aid—quite the opposite. Local or triangular purchases of food aid grants offer the same benefits without the disadvantages.

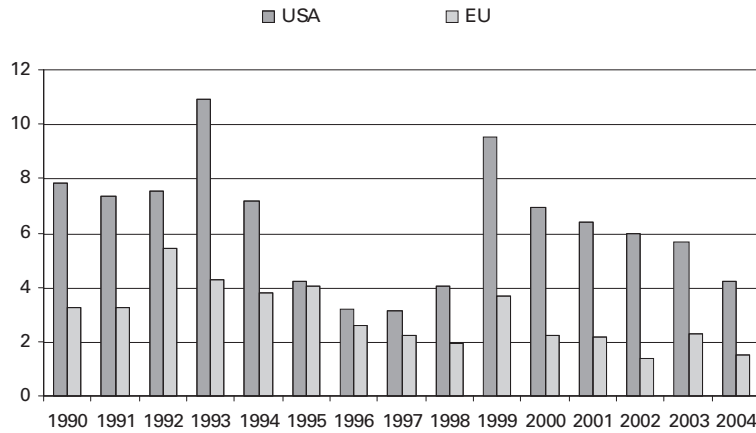
## **8. All food aid is procyclical: less is sent when more is needed.**

Some food aid is undoubtedly procyclical: more is available when world prices are depressed and developing countries least need the help. Some donors, particularly the U.S., do provide more food aid when commercial prices are depressed. Program food aid is particularly vulnerable to this tendency. However, some food aid is counter-cyclical, particularly that of the WFP. Assessments need to separate out the U.S. contribution from the global total. U.S. food aid is much more volatile than that of the E.U. and its member’s states, which collectively are the next-biggest food aid contributor. Table S shows the food aid flows from the E.U. and the U.S. over 15 years. Both U.S. and E.U. contributions fell markedly in 1995 and 1996, years of unusually high grain prices, but the U.S. contribution fell much more.

Part of the negative, pro-cyclical effect exists because when food prices are higher, budget allocations for food aid buy less food, creating a link between higher world prices and lower food aid volumes. WFP purchases are somewhat protected from this effect because half their

resources are provided in cash and most of the food the WFP buys is bought in developing countries, a practice that realizes considerable savings by avoiding transcontinental shipping of bulk commodities.

Graph 5. Comparison of EU and U.S. food aid flows, 1990-2004



Source: WPF INTERFAIS, *World Food Monitor* 2003 (May 2004), Section 6, p28

## WHO BENEFITS FROM U.S. FOOD AID?

**T**O UNDERSTAND THE POLITICS OF U.S. FOOD AID, PARTICULARLY THE GOVERNMENT'S RELUCTANCE to reform food aid in line with internationally recognized best practices, it is essential to understand who benefits from the existing system. Three interest groups support the status quo on U.S. food aid: agribusiness firms (especially food processors but also some farmer cooperatives), maritime companies, and a small but powerful group of non-governmental organizations, or private voluntary organizations (PVOs), as they are more commonly known in the U.S.<sup>68</sup> Some food-aid analysts refer to this group as the “iron triangle” because of their stranglehold on food aid practice. While their goals and activities differ greatly, these three interest groups cooperate to perpetuate food aid programs in their current form. All three use the same myths to rationalize food aid.

### Agribusiness

Agribusiness companies bid on food aid contracts offered by the USDA Farm Service Agency (FSA). U.S. law requires that a minimum of 75 percent of U.S. food aid be sourced, fortified, processed and bagged in the U.S. Only a limited number of firms are qualified to bid on the procurement contracts and a few large corporations dominant. In 2003, just two firms, Cargill and Archer-Daniels Midland (ADM), won the contracts to provide a third of all U.S. food aid shipments.<sup>69</sup> Barrett and Maxwell compared open market prices with procurement prices under food aid contracts and calculate that the U.S. government was paying up to 70 percent more than the prevailing domestic market price for maize (corn). On average, across a number of commodities, the government was paying 11 percent more than open market prices for food aid. Barrett and Maxwell conclude, “...food is no longer a relatively cheap form in which to provide aid. Indeed, food aid as presently practiced by the United States is not necessarily even a cheap way to provide food!”<sup>70</sup>

Agribusiness in the U.S. is a highly concentrated business: three firms (Cargill, ADM and Zen Noh) export over 80 percent of U.S. corn and over 60 percent of U.S. soybeans; three firms (Cargill, ADM and Conagra) dominate flour milling; three firms (Bunge, ADM and Cargill) have 71 percent of the U.S. soybean crushing business; and, three firms (Cargill, Cenex Harvest States and ADM) dominate export terminal handling facilities (which are essential to shipping the grain out).<sup>71</sup> This dominance is the main reason just two firms—and not just any two firms, but Cargill and ADM—handle so much U.S. food aid.

U.S. farmers neither export food nor handle food aid contracts. Demand for some farmers' products in some years may be increased slightly by U.S. food aid purchases. However, these purchases for all but a tiny number of commodities are too small to affect farmgate prices, which are determined by the much, much larger commercial markets and the policies of the dominant agribusiness firms.

### Shipping Companies

The second, and perhaps most important, beneficiary of U.S. food aid programs are shipping and maritime interests. U.S. law stipulates that 75 percent of all food aid must be transported on ships flying U.S. flags. The percentage was increased from 50 percent in the 1985 farm legislation, against the wishes of USDA,

USAID and farm groups.<sup>72</sup>

The U.S. shipping industry benefits handsomely from a number of government subsidies. U.S. shipping firms receive a standing subsidy from the Department of Defense because Congress considers the maintenance of a civilian U.S. fleet to be a national security concern. The firms are disqualified from receiving their standing subsidy when they carry more than a fixed tonnage of bulk food aid. However, there is a loophole that allows them to collect the standing subsidy *and* the payment for transporting food aid if the food aid they ship is already bagged (rather than in bulk). The shipping industry was naturally a significant supporter of the 1985 farm legislation provision to increase to 75 percent the amount of non-emergency food aid that had to be bagged before leaving the U.S. According to Barrett and Maxwell, “In the 2000-2002 period, *nearly 40 percent of total costs of U.S. food aid programs were paid to U.S. shipping companies.*”<sup>73</sup>

U.S. shippers are failing as businesses. U.S. carriers now handle only 3 percent of U.S. imports and exports (excluding food aid).<sup>74</sup> Using 1991-93 data, the U.S. General Accounting Office (GAO) established that U.S. bulk carriers cost 75.9 percent more than foreign bulk carriers over the same routes and shipping the same commodities.<sup>75</sup> Barrett and Maxwell used the same methodology to analyze the 1999-2000 data for 416(b) and Food for Progress shipments, and found the premium for using U.S. ships had gone up to 77.7 percent.

According to the GAO, only 18 shipping firms were qualified to bid on food aid contracts in the 1990s. In 2002, Barrett and Maxwell counted only 13 approved U.S. shippers. Inevitably, the restrictions limit competition and increase costs. Freight forwarders pose a further big problem for competitiveness—freight forwarders are the companies that act for the operational agencies, such as CARE, Catholic Relief Services or WFP. Very few companies are both willing and eligible to handle food aid for the operational agencies. Barrett and Maxwell analyzed the contracts granted in fiscal year 2001, and found that just four freight forwarders handled 84 percent of the food aid (in volume terms) that year.<sup>76</sup>

Just as food aid is not significant enough a share of global totals to make a difference to the price received by farmers at the farmgate, so it is not particularly significant as a share of the global shipping business. Most of the U.S. shipping companies involved in food aid make their real money on container vessels, where they are more competitive. Food aid brings in a tidy and reliable profit, safe from competition, but only a small number of shippers would go bankrupt without it. The U.S. shipping industry is not maintained by food aid, but U.S. food aid is rendered much less efficient than it might be by restrictions on who is eligible to ship it.

## Private Voluntary Organizations and Monetization

Private voluntary organizations (PVOs) comprise the third arm of the iron triangle. Barrett and Maxwell reviewed the numbers for eight of the main NGOs engaged in food aid. Together these eight NGOs had almost \$1.5 billion in gross revenues in 2001, and three alone (CARE, World Vision and Catholic Relief Services) account for well over four-fifths of this total. The eight reviewed were Adventist Development and Relief Agency International, Africare, CARE, Catholic Relief Services (CRS), Food for the Hungry International, Project Concern International, Technoserve, and World Vision. Barrett and Maxwell calculated that food aid was worth an average of 30 percent of these eight organizations’ gross revenues in 2001.

The PVOs’ interest in protecting the status quo is less obvious than that on the private companies involved.

After all, the PVOs' credibility depends on delivering, and being seen to deliver, help that goes straight to those in need, making a real difference on the ground in developing countries. These agencies pride themselves keeping their overhead costs low and are committed to the eradication of poverty. This makes their active lobbying to preserve the status quo around food aid much more difficult to justify than the lobbying of firms whose obligation is to maximize corporate profits. In fact, most NGOs would probably prefer to manage financial resources than to act as food brokers to fund their development work.

The trap for these NGOs is dependence on monetization: the relatively new but rapidly expanding feature of project food aid. Monetization is the sale of food aid on local markets in developing countries to generate funds for development projects. Originally, limited monetization was allowed to enable PVOs to cover the financial costs associated with handling food aid (storage, for example). Since 1990, however, monetization has become an important revenue stream for PVOs' funding of their ongoing development work. The problem is uniquely American because other aid-donor governments provide much of their food aid in the form of cash, so few non-U.S. NGOs are tempted to sell food aid to cover their costs.

According to Ed Clay's 2005 study for the OECD, "Monetisation of U.S. development food resources [... provided under PL480 Title II] by NGOs increased from 10% in 1990 to over 60% in 2001 and 2002"<sup>77</sup>. In 2002, 63 percent of US food aid under PL480 Title II, valued at \$632 million, was monetized, as was a portion of 416(b) and other in-kind U.S. food aid.<sup>78</sup>

The PVOs are caught for several reasons: large sums of money are involved relative to NGOs non-food aid revenues, the money comes with relatively few strings attached, and food aid shipments are good for the books, because a relatively large sum of money can be realized for relatively little administrative cost.<sup>79</sup> And, they fear that attempts to reform food aid will simply end food aid altogether, when politically powerful U.S.-based agribusiness and U.S. maritime shippers lose their stake in the system.

Requests for food aid for monetization have to meet the criteria set out by a measure called the "Bellmon Determination" and provide an analysis of the Usual Marketing Requirement. These criteria require any agency requesting food aid for a project to demonstrate that the recipient port infrastructure, storage, and handling capacity is able to handle the food aid shipment proposed and that the program will not damage either local production or the interests of commercial importers.<sup>80</sup> In practice, the Bellmon Determination has proved insufficient as a way to block sales of food aid that disrupt local markets.

The sale of program food aid using export credits and monetization together attract the most hostile attention at the WTO. Since the food aid is not targeted to recipients who lack purchasing power to buy food in the market, and because the food aid is in direct competition with local producers and commercial market imports, monetized food aid neither meets the criteria for best food aid practice, nor satisfies long-standing requirements established by the international community to protect commercial markets from the use of food aid to undercut commercial sales.

## Is U.S. food aid worse than others?

Two things stand out about U.S. food aid. One, as it contributes roughly 65 percent of the global total, what the U.S. does really matters in the food aid world. Two, the U.S. has continued to spend a lot of money on expensive and sometimes damaging kinds of food aid, rather than showing leadership towards best practice. It is not that the U.S. is alone in its bad habits: Canadians have an even higher domestic procurement require-

ment, with a 90 percent minimum threshold for in-kind food aid. South Korea also sells food aid, rather than providing only grants. The E.U. disbursement of food aid funds is so slow that the timing of their assistance—a critical variable in assuring good results—can make it less useful than in-kind donations, even though these have to be procured and shipped from thousands of miles away. Japan uses food aid to get rid of unwanted rice imports, forced on it by the WTO Agreement on Agriculture’s minimum import requirement for countries that did not convert market access barriers into tariffs. Nonetheless, most food aid donors have made important reforms to their food aid programs in recent years: the U.S. has not.

The main problems with U.S. food aid are:

1. Food aid sales, under Title 1 of PL 480. Although program food aid is now less than a tenth its former size, the U.S. continues to sell food aid.
2. The insistence on minimum levels of U.S. procurement, processing, bagging and shipping. Best practice would create a more flexible system, designed to be responsive to recipients’ needs. The E.U.’s greater reliance on local and triangular purchases contributes to shipping costs of less than one half those paid by the U.S. The Bush administration this year proposed carving out a further \$300 million for local and triangular food aid from existing food aid resources. Congress, encouraged by food aid PVOs and other lobbyists for the status quo, rejected the proposal.
3. The time lag created by insisting on in-kind food aid. Food aid shipments from the U.S. take an average of five months to reach their destination—making them pointless for rapid response, and potentially harmful if the shipments arrive at a time when domestic production is available in the market. It is true the E.U. has bureaucratic problems with the disbursement of its food aid cash that can make its local and regional purchases slow as well. This situation has to be improved. But the U.S. will not be able to improve its performance until it moves towards an untied system that favors food purchases in developing countries, near where the food aid is needed.
4. In-kind food aid wastes money. An OECD study published in 2005 determined that in-kind food aid, by conservative estimates, is at least 30 percent more costly per metric ton than the much smaller portion of food aid that is purchased in third countries. Food aid that is purchased in the recipient country usually costs less than food purchased in the open global market and far less than food aid procured in donor countries.<sup>81</sup>
5. Food aid needs a single government home, with an agency that is responsive to recipient needs and which knows how to work with the multilateral community engaged in responding to emergencies and fostering long-term food security. USDA, the Department of Defense, and many of the other agencies involved in U.S. food aid have limited—if any—development experience and no natural constituency pushing to ensure their programs serve people living with hunger overseas. These are not the agencies that should run U.S. food aid allocations. In 1990, the Farm Bill declared the sole purpose of all U.S. food aid to be food security. It is time its administration reflected that worthy ambition.

6. Continued links between levels of domestic production, the storage of domestic commodities and food aid contributions, such as exemplified in the Bill Emerson Humanitarian Trust. The trust pays private companies to store food against possible shortfalls; the result is the companies involved have become an active lobby to stop the commodities being used (they are only paid if they hold the grain in their silos). Similarly, when grain prices fell in the late 1990s, U.S. program food aid sales jumped. A tighter administration of food aid and clearer mandate for the programs as a whole could avoid the imposition of domestic concerns on what should be a program that serves some of the world's poorest people.

At the moment, the three sides of the iron triangle are joined by some farm organizations to support food aid. Farmers really have nothing to gain from food aid as it is now structured. PVOs gain large amounts of money for their work but at a high price: their legitimacy is called into question because of their support for practices that are rejected by the international food aid community for their counter productive effects in developing countries.

Most of the transnational (U.S. headquartered) agribusinesses involved in providing food aid are supportive of deeper trade liberalization through the WTO; food aid contracts are lucrative but hardly worth the trade off if U.S. refusal to reform its food aid puts other countries off significant tariff cuts under WTO negotiations. Transnational agribusiness is much more interested in access to larger developing country markets than in protecting a few million dollars worth of food aid. Besides, companies like Cargill might well continue to get some of the action with a shift to local or regional sourcing, since they are major players in the grain market in over 160 countries worldwide, especially when cross-border shipments are involved.

The constituency with the most to lose is part of the shipping industry. So long as not much is known about its role in food aid, and the subsidies that are consistently pumped their way, they have nothing to lose by pushing for the current food aid system. Nonetheless, it is unlikely their role in food aid would earn them any public support, and it could even become a tempting target for someone in Congress looking for a crusade against public boondoggles.

## [ 6 ]

### RECOMMENDATIONS FOR CHANGE

**F**OOD AID IS AN IMPERFECT TOOL, YET RESOURCES OF ANY KIND ARE SCARCE AND THERE IS A REAL RISK that calls for change might be used to advocate an end to assistance altogether. IATP joins those who are calling for food aid practices to be converted, not abruptly banned. Sometimes even second or third-rate help is better than none. But there is no excuse for second-rate help when we know how to improve it. As important as making sure no one starves today is ensuring that future generations are not dependent on charity to meet their most basic human needs.

In other words, there are two issues: where should food aid be headed, and what transition strategies do we need to ensure that today's food aid recipients do not suffer. Both are necessary if food aid is going to start making a real contribution to long-term food security. We will always need strategies to provide food in emergencies like the recent tsunami, or in countries that are fighting wars. However, monetization, program food aid, tied food aid: these should be targeted for phase-out, as carefully as necessary to protect people who now depend on food aid, but with a clear eye to shifting support to more lasting investments in food security.

Building commercial markets, keeping a shipping industry afloat, or offloading unwanted commodity surpluses are not acceptable objectives for U.S. food aid programs. It is immoral to dress up commercial self-interest as charity. U.S. food aid does not support higher farmgate prices in the U.S., it fails to promote commercial food exports, it is a poor way to advance geopolitical goals, and it has failed to maintain a viable U.S. maritime industry.<sup>82</sup>

Food aid needs the following reforms:

- 1. Transition to untied, cash-based food aid.** Good food aid needs to be well-timed, properly targeted and supported by adequate cash—which means moving towards untied and cash-based food aid for most situations, and ensuring that cash is provided in a timely fashion. Food must arrive at the right time if it is to help rather than hinder a recovery or development project. Ensuring food aid is flexible—not tied to donor restrictions on sourcing, processing, or shipping—is vital for good food aid. Very little U.S. food aid meets this fundamental requirement. The emerging trend among many other donors towards increased reliance on cash not commodities to fund the programs must be encouraged. Food aid donors should ensure the money is disbursed quickly and favor local, then regional, and only as a last resort, donor markets to procure food. Cash is necessary to accompany the food, wherever it is purchased, because moving and storing food costs money.
- 2. Phase out sales of food aid.** The sale of food aid on concessional terms for governments and private agencies to sell again in developing countries must end. Monetization also needs to be phased out. The evidence consistently shows that sales of food aid, whether program aid or the PVO monetizations of project aid that now dominate non-emergency U.S. food aid, are the most disruptive of local production, local markets and therefore of long-term food security. This food aid is not targeted to recipients at or below the poverty level and so also is the most



disruptive of commercial imports.

3. **Impose strict limits on in-kind food aid.** Moving large amounts of commodity from one place to another across thousand of miles is seldom a good use of resources, although exceptional emergencies may make it necessary on occasion. All food aid needs to move towards being untied from the obligation to source food in the donor country. In most situations, sourcing food aid near the region where the food is needed offers the most promising results for a cost and time-effective intervention.
4. **Protect and promote people's right to food.** Food aid must be part of a larger development program, one that recognizes access to adequate and nutritious food as a necessary component for a life lived with dignity. The best food aid will be integrated into programs that support education, health care, access to clean water and other long-term investments in people's capacity to earn a living, support their families and participate in their communities.
5. **Protect and promote individual country's right to determine their food security strategy.** Experience shows many ways to improve food security. Full liberalization of trade and agricultural policy is unlikely to be a solution for many of them. Agriculture does not respond well to the assumptions of perfect competition. Countries should be allowed to make independent decisions on how to structure economic incentives and investment regulations. They should be allowed to determine the mix of public and private policy they want to support. Under multilateral rules to ensure other countries are not harmed by these choices (for example through dumped exports), individual countries—particularly developing countries—must have the flexibility to determine their own development.
6. **Invest in agriculture.** Agriculture is critical to rural livelihoods and domestic markets, and therefore to wider economic development. Food aid should support the larger effort to raise domestic food production. Obviously emergencies arise, in which normal food supply chains are disrupted and access to food in the short-term becomes the overwhelming need. But moving towards long-term sustainable food security requires an emphasis on building choices and opportunities, not dependence on external aid.
7. **Establish strong and enforceable multilateral guidelines.** Food aid needs clear multilateral rules, with appropriate monitoring and enforcement mechanisms. The current Food Aid Convention does not allow recipient countries a voice. The FAC should be moved out of the International Grains Council to the FAO or perhaps to a joint body that gives a place to the FAO, WFP, UNICEF, WHO, UNHCR and possibly other UN programs. The UNAIDS office provides an example of how a multi-agency approach can work effectively. Recipient countries must be given a place in the decision-making on the future of food aid. All food aid, whether bilateral or multilateral, should be bound by the best practices determined by the members of a new FAC.<sup>83</sup>
8. **Establish a system of regional reserves.** Reserves of emergency food should be established for the multilateral system to call upon, rather than relying on the current, mostly ad hoc,

system that leaves the WFP with less food than it needs and sends food to high profile emergencies that the donors prioritize, rather than to where there is the greatest need. Significant changes in agricultural policy, in developed and developing countries alike, have undermined developing countries' public access to food reserves in times of need.

**9. Establish supportive multilateral trade rules on food aid.** The multilateral trading system should support and enforce calls for the phase out of food aid sales, should encourage moves to replace monetization with cash-based food aid, and establish protection for food aid recipients (or their neighbors) who suffer from inappropriate food aid transactions that disrupt local producers. The use of food aid to dispose of unwanted surplus food should be prohibited as dumping.

**10. Implement the Marrakech Decision for Least Developed and Net Food-Importing Developing Countries.** When they signed the Uruguay Round Agreements, developed countries undertook to provide readily accessible financing to assist LDCs and NFIDCs if they faced higher import bills as a result of the liberalization of agriculture. This commitment has not been respected. Developed countries should provide this aid, whether the rise in LDC and NFIDC food import bills is attributed to more volatile world commodity prices or because of the decline in food aid volumes and of food sold at concessional prices in the world market.

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