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REFORMING FOOD AID: TIME TO GRASP THE NETTLE?

The international arrangements to underpin food security are in disarray. This matters because tackling hunger is central to the achievement of the international development targets for reducing poverty: the poorest 1.5 billion people in the world, living on less than $US 1 per day, typically spend 80% of their income on food (ODI Briefing Paper 1997(1)). Access to adequate food is a fundamental human right, most recently confirmed in the summer of 1999 by the UN Committee on Economic, Social and Cultural Rights (ODI Briefing Paper 1999(3)).

In this Briefing Paper, we concentrate on food aid. The disarray arises from:

- loss of confidence in all forms of food aid except for emergency relief;
- internationally negotiated commitments which are not adapted to the many ways other than food aid in which donors can help overcome hunger;
- institutional arrangements which exacerbate the problem, notably regarding the role of the World Food Programme (WFP), the US and the EU;
- widespread recognition of the need to change, but difficulty in reaching consensus on how.

From this perspective, the food aid case is interesting not just because of the importance of hunger, but also as a case study in the pitfalls of reshaping global governance (*ODI Briefing Paper* 1999(2)).

A central distinction

A frequent source of confusion when discussing food aid is the failure to distinguish between interventions by governments or NGOs that involve (a) providing food directly to poor people or subsidising food purchases, and (b) food aid as a form of aid transfer. For this reason, the Food and Agriculture Organization (FAO), in a background paper for the 1996 World Food Summit, makes a useful distinction between *food assistance* and *international food aid*.

Food assistance describes any intervention designed to address hunger, in response to chronic problems or short-term crises. Food assistance may involve the direct provision of food, for example in supplementary feeding or food for work projects. Equally, it may involve financial interventions, for example to support food subsidies or price stabilisation schemes. Food assistance may be funded largely internally, as in India; or be supported by internationally-sourced food and financial aid, as in Bangladesh or Ethiopia.

Food aid is commodity aid that is used either to support food assistance action or to fund development more generally, by providing balance-of-payments support in substituting for commercial imports, or budgetary support through the counterpart funds generated from sales revenue. Food aid transfers are required to meet the Development Assistance Committee (DAC) criteria for official development assistance (ODA) – grants or loans with at least 25% concessionality, intended for developmental or humanitarian purposes and organised by development co-operation agencies. The historical origins of food aid in agricultural surplus disposal have resulted in further regulatory and definitional complexities which imply that the donor acquires commodities at some point in the transfer process, though some agencies only count food that crosses international borders (Box 1).

Food aid as currently defined can therefore include: *direct aid* acquired on the donor's internal market or internationally on open markets; *triangular transactions* where acquisition is restricted to developing country sources other than the country of use; and *local purchases* where the donor's agent acquires food for humanitarian or developmental purposes in the country of use.

An uncertain resource

The scale of food assistance is not known with any precision. However, except in countries in humanitarian crisis, the relative importance of these interventions is declining throughout the developing world, as economic growth reduces the relative share of food in consumption, and because of budgetary pressures linked to economic liberalisation and structural adjustment. Food aid has, with surprising rapidity, become a marginal and uncertain component of aid globally – only 3–4% of ODA in 1995, compared with 22% in 1965 and 11% in 1985 – making it difficult for it to have significant food security impacts at an international level. The Food Aid Convention (FAC)(Box 2) has largely been ineffective in assuring stability in food aid levels. Traditionally strong links to agricultural surpluses are major sources of uncertainty. Total cereal shipments fell for four consecutive years to 4.9 million tons in 1996/7, less than one third of the 1992/3 level of 15.1 million tons, only to bounce back to over 8 million tons

Box 1: Is this food aid?

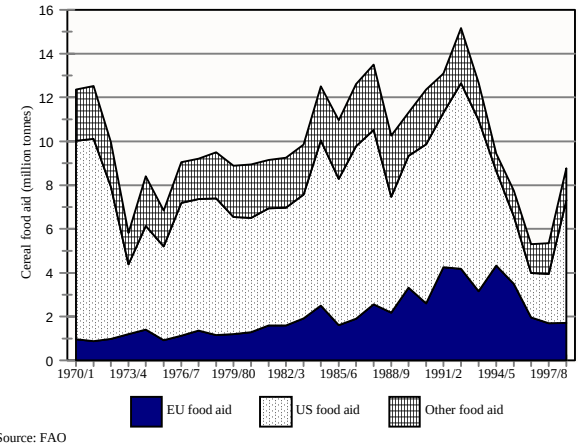
Three examples of food-related aid to three recipient countries from three donors illustrate the problem of defining food aid, and the ambiguity of statistics.

Bangladesh: the European Commission supports the Integrated Food Assisted Development Project (IFADP) – part of the support by many donors to the nationwide food-for-work programme – by meeting some of its costs with financial aid and by supplying imported wheat, part of which is sold to meet IFADP costs and part released for direct distribution as food-for-work wages. FAO and WFP only report the imported wheat as food aid, so when the EU switches from providing wheat for sale to financial support to IFADP, there will be an apparent decline in food aid.

Burkina Faso: a GTZ (German Technical Cooperation Agency) food security project finances the local purchase of grains to replenish a government food security reserve from which grains are sold. WFP reports this as project food aid at the time of purchase. FAO only reports international food shipments as food aid and so the switch from donor-funded imports to local purchases is shown as a decline in food aid.

Zimbabwe: in 1992–3, the World Bank financed drought-related maize imports by making an Emergency Recovery Loan. The Maize Marketing Board was required to tender openly for each import contract under the International Development Association procurement rules. None of the DAC, FAO or WFP report these transactions as food aid.

Figure 1: Trends in EU, US and global cereals food aid, 1970/1–1998/9



Source: FAO

in 1998/9, when, after the collapse of purchasing power in Russia and Indonesia, the US provided freshly accumulating stocks of wheat as food aid (figure 1). Over this period 'needs' have not changed greatly; rather it is the supply side effects of international price variability, levels of stocks and overall donor budgetary commitments which have made food aid the most unstable element in ODA.

Key research findings

The wealth of evidence from recent evaluations, audits and studies has almost settled the controversy surrounding the effectiveness of food assistance interventions and food aid in attaining food security and poverty alleviation goals. As the ODI policy review by Clay, Pillai and Benson (1998a, 1998b) suggests, some general conclusions can be drawn.

Relief food aid plays a clear and crucial role in saving lives and limiting nutritional stress in acute crises caused by conflict or natural disaster. However, there is frequently a lack of robust evidence quantifying its positive impact, much evidence of ineffectiveness, and some evidence of late-arriving, inflexible relief hampering the recovery of local economies affected by natural disaster.

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

Financial aid is a more efficient way in most circumstances of funding activities such as school meals or food-for-work, or providing balance-of-payments or budgetary support for general development or food security. Hence the massive fall in programme food aid and the slow decline in WFP development activities.

Success in mitigating the effects of natural disasters and conflicts indicates that food aid has a continuing role in emergency relief and post-crisis rehabilitation, though with considerable scope for improved performance. It can also be useful as targeted assistance to highly food-insecure people in situations of poorly functioning fragile markets and serious institutional weakness. However, it has not proved an effective or efficient instrument for supporting poverty reduction strategies more generally.

The implications are clear. Hunger remains an important problem, and one that needs a comprehensive package of food assistance measures, devised and implemented nationally, and with international support. Food aid has a positive but limited role to play in this task, especially in emergencies. It needs to be planned and managed in the wider, food assistance context. Unfortunately, current rules and institutional arrangements continue to treat food aid as a special case.

International treaty arrangements

There have been few recent changes in institutional arrangements for the provision of food aid. Most of the basic modalities reflect a process of adaptation from the 1950s–70s, when food aid was both a major element of development co-operation and a considerable part of agricultural trade. There is relatively little coherence in donor policies, and co-ordination is weak, apart from major emergencies such as the 1991/2 southern African drought or the 1994 Rwanda crisis.

The major international arrangements involve the Food Aid Convention, WTO, FAO, and the WFP.

The Food Aid Convention: the FAC was agreed in 1967, as part of the International Grains Agreement. It has the primary objective of ensuring a minimum availability of food aid to meet emergency requirements and developmental activities in developing countries. It is intended to act as a safety-net, protecting recipient countries against downward fluctuations in annual food aid shipments.

Minimum commitments of cereals food aid under the FAC shrank from 7.6 to 5.5 million tons in 1995, when the US and Canada unilaterally reduced their commitments because of budgetary pressures in a time of high prices. The latest 1999 Convention implies some further reduction in cereals commitments (Box 2).

The World Trade Organization (WTO) is responsible for implementation of the Marrakesh Decision of 1994, which makes commitments to compensate low-income food-importing countries affected by trade liberalisation under the Agricultural Agreement of the GATT Uruguay Round. However, little of substance seems likely to materialise in the

Box 2: The 1999 Food Aid Convention (FAC)

In 1997, in the light of the new World Trade Organization (WTO) arrangement, the Declaration on World Food Security and the Plan of Action adopted by the World Food Summit in Rome, as well as changes in many donor food aid policies, FAC signatories decided to open the existing 1995 Convention to re-negotiation. This proved difficult and negotiations lasted two years.

There are 23 signatories to the 1999 FAC, including the EU (represented by the European Commission) and the 15 EU member states, Argentina, Australia, Canada, Japan, Norway, Switzerland and the USA. Under this new Convention, which came into effect in June 1999 with an initial three-year duration, the list of products which can be supplied has been broadened beyond cereals and pulses to include edible oil, skimmed milk powder, sugar, seeds and other products important in relief, although the total wheat equivalent value of commitments remains approximately unchanged at 5.5 million tons. However, cash contributions to meet transportation and other delivery costs can now be attributed against FAC commitments, implying a likely further decline in the total quantity of food aid available. Much of the 5.5 million tons is already effectively accounted for by programmed commitments of project and protracted relief aid, or multi-year donor commitments to specific countries. There therefore appears to be little flexibility to respond to major new emergencies within the FAC.

foreseeable future. A cynical view is that the special dispensation for food aid will be exploited by industrialised countries to address their domestic agricultural problems under the guise of assisting developing countries.

The FAO Consultative Sub-Committee on Surplus Disposal, established in 1955, monitors food aid to safeguard export interests. Historically, it has been largely concerned with programme aid, because relief and project food aid were considered additional to the so-called 'usual marketing requirements' for commercial food imports of recipient countries.

There are also regional intergovernmental arrangements with a food security aspect. In sub-Saharan Africa, perhaps the two most effective groups are CILSS (le Comité inter-états de lutte contre la sécheresse dans le Sahel) and the Southern African Development Community (SADC). The Club du Sahel, the OECD-based donor group which interfaces with CILSS and was established after the drought of the early 1970s, has instituted a Charter for Food Aid to the Sahel.

These complex arrangements make international action in the area of food aid and food security difficult to achieve beyond statements of problems, declarations of responsibility and setting global targets. This is one of the areas where the need for changes in global governance has been widely recognised (see also *ODI Briefing Paper* 1997 (1)).

Food aid agencies

The World Food Programme is the main international channel for food aid. WFP was established in 1963, to provide food aid to development projects through its Regular Programme, as well as a modest amount of emergency aid. Large-scale humanitarian assistance has been provided since 1977 through the International Emergency Food Reserve, and humanitarian assistance for Protracted Refugee and Relief Operations since 1991, in co-operation with UNHCR. WFP has evolved from a joint UN/FAO programme into an international food aid agency, confirmed by changes to its regulations in 1992. It is underpinned by the FAC, because many donors commit part or all of their obligations to provide food aid to WFP relief and regular (development) activities. It is currently responding to a larger but variable relief responsibility and cuts in development resources, by attempting reorientation (Box 3).

Bilateral donor food aid typically involves at least development, humanitarian and agricultural ministries or agencies, which then relate to the above international bodies and NGOs, as well as individual recipient countries. The arrangements of the two largest bilateral donors, the US and the EU, illustrate the complexity and coherence problems of food provided as commodity aid.

United States. The US situation is complex but relatively transparent. This is because its government structure involves a division of powers that requires the executive to have a detailed legislative basis for its actions, and afterwards to be able to account to Congress for every dollar. The landmarks in US food aid are therefore the intensively negotiated Farm Bills, which reflect lobbying that effectively ties all food aid to US exportable surpluses, requires 75% of commodities (including that for relief purposes) to be shipped in US registered vessels, but also allows NGOs to 'monetise' over one third of commodities and use the proceeds for development projects. The next of these bills is scheduled for 2001.

European Union. The EU in effect has 16 separate food aid programmes, one for the EU as a whole and one each for the 15 member states. There are extensive liaison and management arrangements covering NGO involvement. This complexity has led to considerable operational problems, and in 1999 arrangements were again in the process of reorganisation.

Possibly the most important long-term adaptation in food aid has been the greater flexibility, which allows finance to be provided for food aid, as reflected in the growth of triangular transactions and local purchasing since the early 1980s. Changes in FAC rules facilitated such flexibility over sources. The EU's 1996 Regulation on Food Aid is the latest development in this direction, allowing use of food aid budget lines to provide financial aid for food security. There has been a parallel adaptation on the agricultural export side, as the US and the EU, in particular, found a range of alternatives to food aid for subsidising agricultural exports and disposal of surpluses.

These adaptations aside, the institutional treaty-based arrangements and institutions inherited by the international community reflect a very different world – when food aid was assumed to be a major feature of development and humanitarian relief, to a considerable extent *additional*, but involving all sorts of inflexibilities. The challenge was how to use it to best effect. The challenge today, in light of the process of institutional adaptation, is to determine, first, when food assistance is an appropriate intervention for government and civil society and, second, under what circumstances food aid is an appropriate way of providing international support for such actions.

Options for change

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

In practice, two not entirely distinct institutional responses are identifiable: piecemeal *adaptation* and far-reaching *reconstruction*.

Adaptation of existing arrangements implies more flexibility in the use of food aid and more integration with

Box 3: WFP: enabling development?

Emergency operations dominate WFP's portfolio and their effectiveness has been impressive. Efforts continue to improve its performance as a development agency, an area which involves more countries and field staff than relief operations; but there is no clear evidence of WFP meeting its objectives of poverty alleviation and improving nutritional status. As part of its reorientation, a two-year programme was adopted in May 1999, which proposes to refocus WFP development activity on five areas:

- enabling young children and mothers to meet nutritional and nutrition-related health needs;
- enabling poor households to invest in human capital through education and training;
- enabling poor families to gain and preserve assets;
- mitigating the effects of natural disasters, in areas vulnerable to recurring crises; and
- enabling households dependent on degraded natural resources to shift to more sustainable livelihoods.

These are ambitious objectives for a two-year timetable, given past performance and the inflexibility of recipient country food aid delivery infrastructures and food assistance programmes.

other aid instruments. There is evidence that many institutions are modifying the modalities of their operations, but largely as a result of short-term influences rather than in a planned strategic way. Example of adaptation include:

- the gradual shift in WFP resources away from developmental activities towards humanitarian operations;
- increased flexibility in the FAC on permissible commodities;
- modification of World Bank operational guidelines to allow funding of food for human development efforts;
- individual donors removing (Netherlands, UK) or reducing (Denmark, Germany) aid-tying restrictions.

These adaptive changes are increasing the effectiveness and efficiency of humanitarian and development activities. But there are two problems with this strategy. First, the temporary re-emergence of surpluses, as in 1998, could lead to WFP and NGOs again being expected to handle more food aid opportunistically on behalf of some donors, but with considerable uncertainty about medium-term resourcing prospects, and lack of complementary financial resources. Secondly, the current mismatch of many institutions and arrangements concerned with food surplus disposal and the tensions arising from the more modest scale of resources and the greater focus on relief might not be satisfactorily resolved.

Reconstruction of the *international infrastructure* dealing with food to address wider problems of human security (especially relief in humanitarian crises, rehabilitation, and food security for the most vulnerable in very poor countries) is a more ambitious strategy. Major components of this strategy might include:

- The replacement of FAC quantitative commitments in wheat equivalents by qualitative commitments to provide humanitarian relief and assist recovery, based on a human right to food.
- A reconstitution of WFP to make it the UN's humanitarian and rehabilitation logistics and food support agency, replacing the focus on food aid as a resource with that of ensuring resources and professional capacity appropriate to objectives defined by humanitarian emergencies and the alleviation of hunger and malnutrition.
- An international Code of Conduct to reflect qualitative commitments, linking regional networks such as the CILSS/Club du Sahel and SADC to wider donor discussion at FAC or other forums on a regular basis.
- Streamlining of institutional arrangements, for example, abolishing the FAO Committee on Surplus Disposal, or transferring it to the WTO.
- People-centred assessments of humanitarian and crisis needs involving food aid to be undertaken on a regular basis, in both quantitative and financial cost terms, and reviewed every six or twelve months at an existing forum, such as the FAC or WFP Executive Board: these assessments to be clearly separated from food balance-sheet exercises for low-income countries that highlight cereal import 'gaps'.
- The progressive merging of WTO Marrakesh Decision food import issues with the more general balance-of-payments problems of low-income countries adapting to liberalisation, with food security treated as part of the wider social dimension (of liberalisation), and not as a separate food import problem. International compensatory financing arrangements might also be strengthened and made more accessible.

Within the *European Union*:

- The EU through its focus on food security, could progressively merge food aid into the mainstream of its development co-operation programme.
- The UK and other member states could be released from the obligation to provide food as commodity aid on a bilateral basis as part of the EU's contribution under the FAC, and instead would accept responsibilities under an EU or international Code of Conduct to respond to humanitarian crises and support WFP.
- European NGOs could be given a supportive policy framework and incentives to make EU humanitarian assistance and food security instruments work effectively. This would imply modifying EU procedures to make them function more quickly, smoothly and cost-effectively.

One of the major obstacles to a strategy of reconstruction is lack of consensus on moving from general food security goals, as set out by the World Food Summit in 1996, to specific objectives for food aid. If these can be agreed, then the next challenge lies in mobilising and sustaining a coalition for change – no easy task when there are powerful vested interests in some major food-exporting donor countries, which see no conflict in simultaneously promoting domestic, commercial interests, and addressing global humanitarian concerns. Individuals in most donors agencies would agree in principle on the need for change. Similarly, if assured that they would not be disadvantaged, most developing countries would welcome a more modest role for food aid except in extraordinary crisis situations. Institutional resistance arises where change implies a narrower mandate, even though existing formal responsibilities are not being carried out effectively.

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