Part I

FOOD AID FOR FOOD SECURITY?


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1. Introduction and overview

Food aid is one of the oldest forms of foreign aid and one of the most controversial. Food aid has been credited with saving millions of lives and improving the lives of many more, but it was also a serious obstacle in the Doha Round of multilateral trade negotiations. Nothing seems more obvious than the need to give food to hungry people, and yet this apparently benevolent response is far more complicated than it seems. Does food aid do more harm than good? This issue of *The State of Food and Agriculture* seeks to understand the challenges and opportunities associated with food aid, particularly in crisis situations, and the ways in which it can – and cannot – support sustainable improvements in food security.

Questions about food aid's potential to depress commodity prices and erode long-term agricultural development in recipient countries were first raised by T.W. Shultz (1960). Since then, some development specialists have worried that food aid can destabilize local markets, create disincentives for producers and traders and undermine the resilience of food economies.

The possibility that food aid may create "dependency" on the part of recipients is a long-standing concern of policy-makers in the donor community as well as in recipient countries. The concern is that food aid, like other forms of external aid, has the potential to influence the incentives of recipients such that short-term benefits erode longer-term strategies for sustainable food security.

It has also been argued that food aid may make recipient governments dependent on foreign resources, enabling them to postpone needed reforms or to abdicate responsibility for the food security of their people. Like any other external resource, food aid may be captured by local elites who – through incompetence, corruption or malevolence – fail to channel it to the intended beneficiaries.

Food aid has been criticized as a wasteful means of transferring resources to needy people, not least because almost one-third of all food aid resources are captured by domestic food processors, shipping firms and other intermediaries in the donor countries (OECD, 2006). Such findings reinforce the widely held view of food aid as a donor-driven response, designed more to subsidize domestic interests in the donor country than to help the poor abroad.

Some critics even say that commodity food aid should be banned, except in clearly defined emergencies where it serves a legitimate humanitarian function (International Relations Center, 2005). Even in the case of emergency response, food aid policy is criticized as being inflexible and unresponsive to the particular contexts in which it is deployed. Emergency needs assessment is dominated by "food aid needs assessment", which presupposes that food aid is the appropriate response mechanism, often resulting in interventions that are too narrowly focused.

On the other hand, supporters believe that food aid is a uniquely effective mechanism for addressing both acute humanitarian needs and longer-term food security objectives such as mother and child nutrition, school attendance (particularly by girls), health interventions in households affected by HIV/AIDS and public works aimed at

building basic productive infrastructure (WFP, 2004). They advocate the use of food aid in response to food crises as well as to combat chronic hunger among targeted populations and to promote economic and market development in poor countries.

Some humanitarian workers believe that food aid is less likely to be misappropriated than cash because it is less fungible. Furthermore, within households, it is believed that women are more likely to retain control of food aid resources than cash, and are also more likely to channel the aid to the most vulnerable family members (Emergency Nutrition Network, 2004).

Researchers worry that food aid is an "additional resource", and that were food aid to be curtailed, donors would not replace commodities with an equivalent amount of cash; thus, eliminating food aid would reduce the overall amount of foreign aid. While acknowledging the need to discipline the misuse of food aid, they warn against excessive restrictions because even badly managed food aid saves lives (Young, 2005).

Supporters say that food aid management has improved dramatically in recent years and they are actively pursuing further improvements in procurement, distribution and monitoring to minimize the unintended negative consequences of food aid. But critics doubt whether any amount of planning can prevent the pervasive market disruptions associated with large food aid transactions.

Food aid and food security

About 850 million people in the world are undernourished, a number that has hardly changed from the 1990–1992 figures on which the World Food Summit and Millennium Development Goal commitments to halving hunger by 2015 were based. Lack of progress in reducing hunger and the growing number, complexity and duration of food security crises over the past few years have raised concern throughout the international aid system about the scope and nature of aid responses to food insecurity.

The total volume of food aid varies from year to year but has averaged about 10 million tonnes (grain equivalent) per year recently. This is equivalent to about 2 percent of world grain trade and less than 0.5 percent of world grain production. Food aid distributed by the World Food Programme (WFP) reaches about 100 million people at some point each year, and bilateral donors probably reach about another 100 million people. If all of the food aid in the world were distributed evenly among these recipients, it would provide only about 50 kilograms of grain per person per year. If this food aid were divided among the 850 million undernourished people in the world, it would provide less than 12 kilograms per person. Clearly, food aid is far too small to provide food security for all of the people in need.

Food aid is not distributed evenly among all vulnerable people. The relatively small volume of food aid available globally can be of major significance for certain countries in certain years. For example, in 2001–2003, food aid accounted for 22 percent of the total food supply, measured in caloric terms, of the Democratic People's Republic of Korea. For Eritrea, this figure was 46 percent.

While these are extreme examples, 19 other countries relied on food aid for at least 5 percent of their total food supply during this period. A decade earlier, in 1990–1992, the volume of global food aid was larger and more countries received a significant share of their total food supply in the form of food aid: 38 countries received more than 5 percent, and of these 10 countries received at least 20 percent (FAO, 2006a). Food aid is central to the immediate food security of many countries, but it is less clear how food aid in such volumes may influence longer-term strategies for food security.

Food aid in crisis contexts

A growing share of all food aid is provided to people suffering food crises. Emergency food aid now accounts for one-half to two-thirds of all food aid. As of October 2006, 39 countries faced food crises requiring emergency assistance (Figure 1) (FAO, 2006b). Over the past two decades, the number of food emergencies has risen from an average of 15 per year in the 1980s to more than 30 per year since 2000. Much of the increase has occurred in Africa, where the average number of annual food emergencies has tripled (FAO, 2004a).

As shown in Figure 1, food crises are rarely the result of an absolute shortfall in the availability of food; rather, widespread lack of access to food is more common.

Human actions are often an underlying cause or trigger for food crises, either directly (through wars and civil conflict) or indirectly through their interaction with natural hazards that would otherwise have been of minor importance. Of the 39 countries facing food crises in mid-2006, 25 were caused primarily by conflict and its aftermath, or a combination of conflict and natural hazards. The HIV/AIDS pandemic, itself a product of human and natural hazard interactions, is also frequently cited as a major contributory factor to food crises, especially in Africa (FAO, 2006b).

Human factors are particularly culpable in protracted crises. Approximately 50 million people worldwide live in an area marked by a protracted crisis that has lasted for five years or more. Ethiopia, Somalia and the Sudan, for example, have each been in a state of protracted crisis for over 15 years (FAO, 2004a). Providing humanitarian support for people living in such conditions is enormously difficult and fraught with ethical dilemmas.

While there is little controversy about the need to provide food aid and other assistance to people caught up in crisis situations, the management of external assistance in such situations is hotly contested. People do agree, however, that if food aid is to improve food security, needy populations must be properly targeted, shipments of appropriate foods must arrive in a timely manner (for as long as needed but no longer) and complementary resources must also be provided.

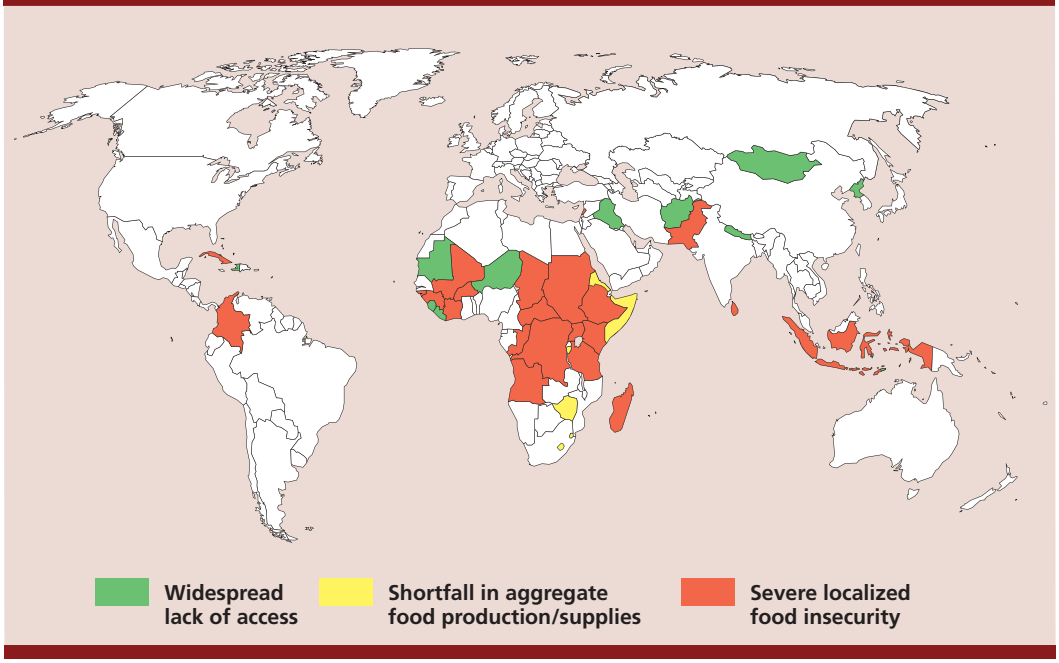
Overview and summary of the report

Food aid programming, governance and social protection

Food aid programming has changed significantly in recent years. Total food aid has declined relative to other aid flows and to the world food economy. Nonetheless, food aid remains very important for certain countries in certain years, sometimes accounting for more than half of the total cereal supply.

Food aid programming has become more responsive to recipient needs and less driven by donors' interests, although many controversial practices continue. Most food aid is now used in emergency situations and is targeted to vulnerable individuals and households. Nevertheless, about one-quarter of all food aid is still sold on recipient-

FIGURE 1
Countries in crisis requiring external assistance, October 2006



Source: FAO, 2006b.

country markets. At the same time, many donors are replacing commodity donations with cash, making it possible to procure more food aid locally or in neighbouring countries. About 15 percent of all food aid was procured in local or regional markets in 2005.

Some economists argue that, despite an increase in cash donations, as much as 60–65 percent of all food aid resources remain "tied" in one way or another. About half of all food aid is directly tied to domestic procurement, processing and shipping requirements in the donor country. Most cash donations are tied to other procurement and distribution requirements that may prevent the implementing agency from using the most efficient channels. Globally, tying requirements are responsible for an estimated 30 percent efficiency loss of all food aid resources (OECD, 2006).

Food aid governance mechanisms have long sought to balance the interests of donors and recipients, while reconciling the multiple objectives associated with food aid: commodity surplus disposal, price support, trade promotion, foreign policy and food security. Never able to reconcile these conflicting goals, food aid governance has kept pace neither with the recent changes in food aid programming nor with current thinking on food security and social protection. Calls for reform of the international food-aid system are increasing even as the demand for humanitarian intervention grows.

This report argues that food aid should be seen in the context of broader concepts and strategies supporting food security and social welfare. Social safety nets include a broad range of measures that aim to provide income or other consumption transfers to the poor and to protect the vulnerable against livelihood risks; food aid can be part of a social safety net aimed at supporting food security, but it is not always the most appropriate tool.

Understanding the proper role of food aid within a social safety net requires an understanding of the nature of food security and how it may be compromised. Food security can be said to exist when all people have access at all times to sufficient, nutritionally adequate and safe food, without undue risk of losing such access. This definition has four dimensions: availability, access, utilization and stability.

The availability of food in a country – from domestic production, commercial imports or food aid – is a necessary condition for food security, but it is not sufficient. People must also have access to food from their own production, purchases on local markets or transfers through social safety nets either of food itself or the means to acquire it. Utilization refers to an individual's ability to absorb the nutrients in food, and thus highlights the importance of non-food inputs to food security such as access to clean water, sanitation and health care. Stability underscores the dynamic nature of food security. Food insecurity may be manifest on a chronic basis, usually reflecting severe underlying poverty or situations recognized as "crises".

Whether food aid is appropriate in a given situation depends on which aspect of food security has been compromised and why. Where food is available and markets work reasonably well, food aid may not be the best intervention. Cash or vouchers may be more effective, more economically efficient and less damaging to local food systems.

Food aid is often essential in emergency situations but, even in these cases, four elements need to be considered when designing and implementing appropriate interventions: i) how the crisis affects the different dimensions of food insecurity over time; ii) the economic, social and political context of the crisis; iii) the nature, magnitude and extent of the crisis itself and how this affects the ability of local governments and institutions to respond; and iv) how short-term interventions may affect long-term food security.

Displacement, disincentives and dependency

The risk that food aid can displace commercial exports was recognized from the beginning of the modern food-aid era, in the years immediately following the Second World War. Concerns about the risk of food aid creating disincentives for domestic agricultural production and market development were raised. Development specialists have long worried that food aid

might create "dependency" on the part of recipients and governments.

Dependency occurs if the expectation of receiving food aid creates perverse incentives that cause people to take on excessive risk or to engage in self-defeating behaviour in order to receive aid. The empirical evidence shows that food aid flows are generally too unpredictable and small to create such dependency. Beyond a few isolated incidents, there is no established evidence that dependency is a widespread problem. Yet people ought to be able to depend on appropriate safety nets when they cannot meet their food needs on their own, both because food is a fundamental human right and because it can be an essential part of a broader strategy for hunger reduction and poverty alleviation.

Basic economic theory suggests that food aid can displace commercial trade. The empirical evidence on this point is surprisingly thin, however. Food aid can displace contemporaneous commercial imports by about one-third of the amount of aid. The literature suggests that the trade-displacing effect is short-lived; commercial imports recover quickly and may actually grow in the years following food aid flows.

The empirical record on the risk of food aid creating disincentives for local agricultural development is rather mixed. The evidence shows that large food-aid deliveries clearly depress and destabilize domestic prices in recipient countries, potentially threatening the livelihoods of domestic producers and traders and undermining the resilience of the local food systems. Given that most people, including the rural poor, depend on markets for their food security, this could have serious long-term consequences.

Whether these price effects create long-term disincentives for domestic production is less clear. Several studies have found a negative relationship between food aid flows and domestic production, especially in earlier decades when most food aid was untargeted (Lappe and Collins, 1977; Jean-Baptiste, 1979; Jackson and Eade, 1982). More recent work suggests that these studies may have had the direction of causality reversed. Because food aid tends to flow to communities that are already suffering from severe chronic poverty and recurrent disasters, food aid is correlated with low productivity – but it does not necessarily *cause* low productivity. Indeed, more recent studies find that any production disincentive effects may be quite small and would appear to be temporary (Maxwell, 1991; Barrett, Mohapatra and Snyder, 1999; Arndt and Tarp, 2001; Lowder, 2004).

Although measurable production effects are small, the empirical evidence suggests that commodity food aid can disrupt local markets and undermine the resilience of local food systems. Instead, where sufficient food is available in an area and markets work reasonably well, cash-based transfers or food vouchers can stimulate local production, strengthen local food systems and empower recipients in ways that traditional food aid cannot. Food aid is most likely to be harmful when: (i) it arrives or is purchased at the wrong time; (ii) it is not well targeted to the most food-insecure households; or (iii) the local market is poorly integrated with broader markets.

Food aid in emergency response

Food aid is clearly a valuable tool for ensuring the basic nutritional needs of people affected by humanitarian crises – earthquakes, hurricanes, droughts, wars, etc. – and has been credited with saving millions of lives over the past century. Equally important, the timely delivery of food aid to acutely food-insecure people can relieve the pressure they face to sell scarce productive assets, enabling them to resume their normal livelihoods as soon as the crisis passes.

Nevertheless, emergency response tends to suffer from a number of common problems. Food aid is usually the most readily available resource in crisis situations – donors know how to give it and agencies know how to deliver it – so it becomes the default response. While food aid is often essential, it is not always necessary and it is never sufficient to deal with the myriad needs of people affected by crises.

What is more, emergency food aid is a relatively expensive and slow intervention, especially if it is sourced in a donor country. Experience shows that timely deliveries of appropriate resources can enable people to manage shocks and avoid slipping into severe food insecurity. Early appeals for assistance are routinely ignored, however, so manageable shocks too often become full-scale crises requiring massive intervention

with incalculable human costs. Emergency measures commonly fail to appreciate the extent to which people rely on markets for their livelihoods and food security. Interventions aimed at rebuilding market infrastructure and restoring trade links can often achieve lasting improvements in food security without the need for massive food-aid shipments.

When crises occur repeatedly against a backdrop of chronic hunger, donors and recipients can find themselves caught in a "relief trap", in which development-oriented strategies are neglected. The longer and more complex an emergency becomes, the more difficult it is to respond with the right resources at the right time, and so the challenges of timing and targeting (so important in all food aid transactions) become even more intractable. Donors and agencies should consider a broader and more flexible range of interventions, beginning with better information and analysis to identify the real priority needs of affected populations.

Food aid may be part of the appropriate response when insufficient food is available in a region, many households lack access to sufficient food and markets are not functioning properly. But food aid is often used inappropriately for a variety of reasons: (i) food aid is the most readily available resource; (ii) inadequate information and analysis fail to identify the real needs of affected populations; and (iii) implementing agencies fail to appreciate the complex livelihood strategies of vulnerable households, particularly the extent to which they rely on markets for food security. In many cases, emergency food-aid interventions are used to address chronic food insecurity and poverty, challenges that can be met effectively only with a broader development strategy.

Policy gaps in protracted and complex emergencies

The number and scale of complex and protracted crises have risen sharply over the past decade, especially in sub-Saharan Africa. The growing prevalence of protracted crises has created particular problems for the international humanitarian community, because resources for addressing emergencies tend to wane after a short period. Food security interventions in protracted crises have tended to reflect a narrow range of standardized, supply-driven policy responses, with a bias towards short-term projects dominated by provision of food aid and agricultural inputs.

This policy failure partly stems from inadequacies in systems for generating up-to-date information and knowledge about the complex crises. It also arises from a lack of capacity to produce timely, context-specific policy responses using the considerable amount of information and knowledge available. This in turn reflects an aid system divided between agencies that focus on humanitarian emergencies and others that focus on development.

Because the humanitarian agencies command the greatest aid resources for protracted food security crises, traditional responses – food aid in particular – tend to dominate. In each crisis, the strengthening of food systems should be based on an analysis of the dynamics of food security resilience and vulnerability. The analysis should also address the causal factors in the evolution of the crisis.

Main messages from *SOFA 2006*

- Food aid should be seen as one of many options within a broader range of social protection measures to assure access to food and to help households manage risk. Whether to provide food directly instead of cash or food vouchers depends largely on the availability of food and the functioning nature of markets. Where adequate food is available through markets that remain accessible to crisis-affected people, food aid may not be the most appropriate resource.
- The economic effects of food aid are complex and multilayered, and solid empirical evidence is surprisingly limited. The existing empirical evidence does not support the view that food aid creates negative "dependency", because food aid flows are too unpredictable and too small to alter recipients' behaviour routinely or substantially. Concerns over dependency should not be used to deprive needy people of required assistance. Indeed, people ought to be able to depend on appropriate social safety nets.

- Food aid can depress and destabilize market prices in recipient countries. Food aid that arrives at the wrong time or is poorly targeted is especially likely to destabilize local prices and undermine the livelihoods of local producers and traders upon whom sustainable food security depends.
- Food aid tends to displace commercial exports in the short run, although under certain conditions it may have a stimulating effect in the longer term. The impacts of food aid on commercial trade differ by programme type and affect alternative suppliers differently. Well-targeted food aid can minimize the displacement effect on commercial trade.
- Emergency food aid and other social safety nets are essential to prevent transitory shocks from driving people into chronic destitution and hunger, but by themselves they cannot overcome the underlying social and economic causes of poverty and hunger. This challenge can only be effectively addressed as part of a broader development strategy. Donors should avoid falling into a "relief trap" in which so many resources are devoted to emergencies that longer-term needs are neglected.
- A policy gap between food aid and food security exists on many levels. Bridging this gap requires: (i) improving food security analysis to ensure that responses are needs-based, strategic and timely; (ii) incorporating needs assessment as part of a process linked to monitoring and evaluation, rather than a one-off event driven by resource requirements; and (iii) supporting national and regional institutions to make food security a primary policy concern, reinforced by interventions at the global level focused on reforms to the international food aid and humanitarian systems.
- Reforms to the international food aid system are necessary but they should be undertaken giving due consideration to the needs of those whose lives are at risk. Much of the debate on food aid is based on surprisingly weak empirical evidence; nevertheless, it is known that the consequences of food aid are closely linked to timing and targeting.

A few basic reforms could improve the effectiveness and efficiency of food aid while addressing legitimate concerns regarding the risk of causing adverse consequences. Desirable reforms include:

- *Eliminate untargeted forms of food aid*. Food aid that is sold on recipient country markets is likely to displace commercial imports or distort local markets and production incentives, with long-term negative impacts on food security. In practical terms, this means eliminating programme food aid and the monetization of project aid.
- *Untie food aid from domestic procurement, processing and shipping requirements*. About one-third of global food-aid resources are wasted due to such requirements. Many donors have untied food aid from domestic procurement requirements; others should consider doing so as well.
- *Use in-kind commodity food aid only where food insecurity is caused by a shortage of food*. Where food is available but vulnerable groups lack access to it, targeted cash assistance or food vouchers will be more effective and efficient in meeting their food needs without undermining local markets. Interventions that improve the functioning of markets (repairing roads, for example) may be more effective in supporting sustainable food security than direct, food-based interventions.
- *Use local and regional food-aid procurement where appropriate, but do not replace domestic tying with local and regional tying*. Such interventions may result in inflated food prices paid by poor consumers and may create unsustainable market incentives for food producers and traders. This point reinforces the need for careful monitoring of the impact of all food aid interventions.
- *Improve information systems, needs analysis and monitoring*. These reforms will ensure that appropriate and timely interventions are made and that negative consequences are minimized.