

## 2. Framing the debate

Modern food aid began in the years following the Second World War as a way of disposing of surplus commodities while stimulating demand in poor countries where hunger was widespread. In these early years, food aid was meant to accomplish multiple goals for the donors – surplus disposal, farm price support, export market development and foreign policy objectives – while promoting food security in recipient countries.

International food-aid governance mechanisms have long sought to reconcile these multiple aims, with limited success. As the understanding of food security has deepened, food aid has come under increasing scrutiny. Food aid practices have improved substantially over the decades, driven primarily by changes in trade and farm policy in donor countries, but also by a more nuanced understanding of food security. Despite the progress that has been made, however, many controversial food-aid practices continue.

This chapter reviews the evolution of food aid practices and governance over recent decades, and discusses how the changing conceptualization of food security and social protection is changing the way food aid is perceived. This background material is meant to frame the debates that will be explored in more depth in following chapters.

### Food aid programming<sup>1</sup>

Food aid programming is extremely complex, with many different donors and agencies involved in implementing a wide range of interventions. The effectiveness and efficiency of food aid in supporting food security objectives and its potential for unintended adverse consequences depend crucially on how it is managed. This section

outlines how food aid has evolved in recent decades.

#### Trends in total food aid

Since 1970, the earliest date for which comprehensive data are available, food aid has fluctuated between 6 and 17 million tonnes per year (Figure 2). In nominal terms, this has been equivalent to about US\$750 million to US\$2.5 billion.<sup>2</sup> In recent years, total food aid has averaged about 10 million tonnes (worth about US\$2 billion) per year. Cereals account for the largest and most variable component of total food aid.

By a number of measures, food aid has declined in importance over the past few decades. Food aid has fallen from about 20 percent of total bilateral official development assistance (ODA) in the 1960s to less than 5 percent today (Barrett and Maxwell, 2006). Food aid has declined as a share of world cereals trade, from 10 percent in the 1970s to less than 3 percent in recent years, although it still makes up about 5 to 10 percent of the net food imports of all the countries receiving such aid. Cereal food aid typically averages less than 0.5 percent of total cereal production in the world, but it can be very important relative to domestic production for individual recipient countries.

The fluctuating volume of total food aid historically has shown an inverse relationship with commodity prices. Food aid volumes fell by half between 1970 and 1974, a period when world cereal prices almost trebled. In the mid-1990s, agricultural policy reforms in several major cereal-producing countries led to sharp reductions in surplus stocks, which, together with short harvests in 1996, led to a spike in world cereal prices and another precipitous drop in food aid shipments.

The inverse relationship between food aid volumes and cereal prices reflects the historical origins of food aid as a tool for surplus disposal and the budgetary process

<sup>1</sup> This section is based on Lowder and Raney's working paper (FAO, 2005a).

<sup>2</sup> Food aid values are calculated on the basis of global annual cereal export unit values.

## BOX 1

### Defining food aid

The first efforts to define food aid date from 1954 and the creation of the FAO Consultative Sub-Committee on Surplus Disposal (CSSD). Because conceptual difficulties prevented the group from agreeing on a definition of food aid, the CSSD instead established a list of transactions – the *Catalogue of Transactions*, later the *Register of Transactions* – that would be considered food aid.

The definition used in this report emphasizes the international nature of food aid and is consistent with the data reported by the World Food Programme: "*Food aid is the international sourcing of concessional resources in the form of or for the provision of food*" (Barrett and Maxwell, 2005). This definition limits food aid to international assistance in the form of food, or for the procurement of food. It includes food sourced in the donating country – often called "in-kind", "direct" or "tied" aid – as well as cash resources used for the purchase of food on local, regional or international markets. It includes food provided to recipient governments or other implementing organizations, in grant form or on concessional terms, and whether it is "targeted" to needy households or resold

on the domestic market. It does *not* include all types of assistance that may affect food security, nor does it include national food security programmes based on domestic resources.

While defining food aid might seem like an easy task, even food aid experts struggle to agree. At a meeting in Berlin in 2003, experts developed (but by no means as the result of a consensus) the following expansive definition: "*... food aid can be understood as all food supported interventions aimed at improving the food security of poor people in the short and long term, whether funded via international, national public and [sic] private resources*" (von Braun, 2003). The Berlin definition includes all international and domestic actions and distributions of food, as well as non-food resources used in combination with food for food security purposes. As such, the Berlin definition of food aid is more similar to the generally recognized definition of "food-based interventions". These include food distribution, market intervention or financial transfers that are funded nationally or internationally and which are intended to improve food security (Clay, 2005).

in the United States of America, the major food aid donor. Econometric evidence from the early years of international food aid confirmed the role of commodity prices and stocks as the key determinants of food-aid donations from three of the five major donors at the time. The same study revealed that global food aid donations were only slightly influenced by production shortfalls in recipient regions (Konandreas, 1987), validating the view of food aid as a donor-driven resource.

Changes in the agricultural policies of most major donors since the mid-1990s have meant that government-held commodity stocks are no longer direct determinants of food aid flows. The inverse relationship between cereal prices and food aid flows

continues, however, because food aid budgets are set on an annual basis in fixed monetary terms. A fixed budget buys less food aid when prices are high and, because budget allocations cannot normally be carried over from year to year, the result is an inverse relationship between food aid volumes and prices. This relationship provides powerful support for critics who argue that food aid disappears precisely when it is needed most.

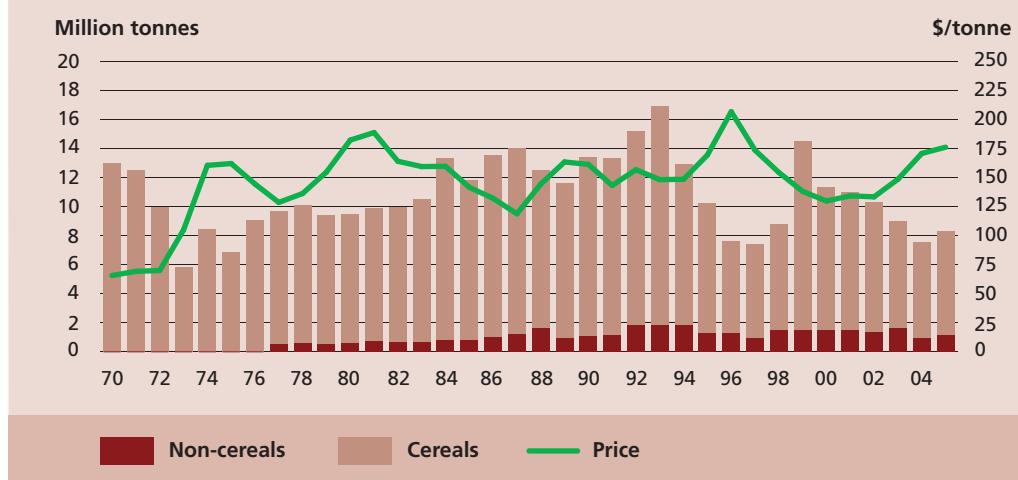
Many countries, international organizations, private charities and businesses donate food aid but, as noted above, the majority is provided by the United States (Figure 3). Since 1970 the United States has contributed an average of 6 million tonnes of cereal food aid annually

and has been the source of 50 to 60 percent of total cereal food aid (WFP, 2006). It funds 50 percent of WFP food-aid operations, and that organization is typically responsible for 40 to 50 percent of global food aid (WFP, 2005a).

Sub-Saharan Africa and Asia receive the majority of cereal food aid in typical years (Figure 4). Eastern Europe and the

Commonwealth of Independent States received large but quite variable cereal food aid shipments in the decade following the break-up of the Soviet Union. The share of total cereal food aid distributed in Latin America and the Caribbean has declined from nearly 20 percent in the late 1980s to 5 percent in more recent years. Shipments to the Near East and North Africa have also

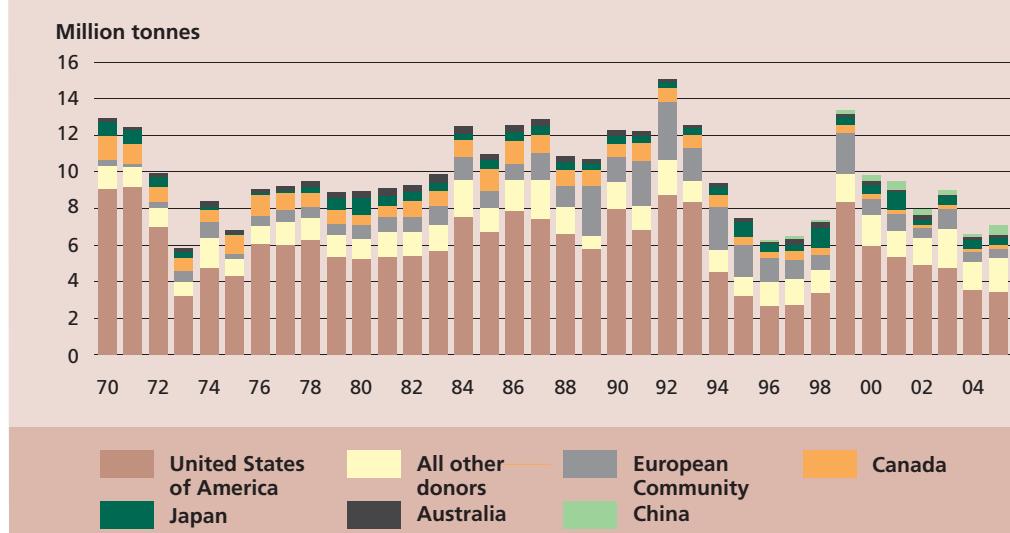
**FIGURE 2**  
**Total food aid shipments and cereal prices, 1970–2005**



Note: Prices represent annual export unit values for cereals, US\$/tonne.  
Data for 2005 are provisional.

Source: FAO 2006c.

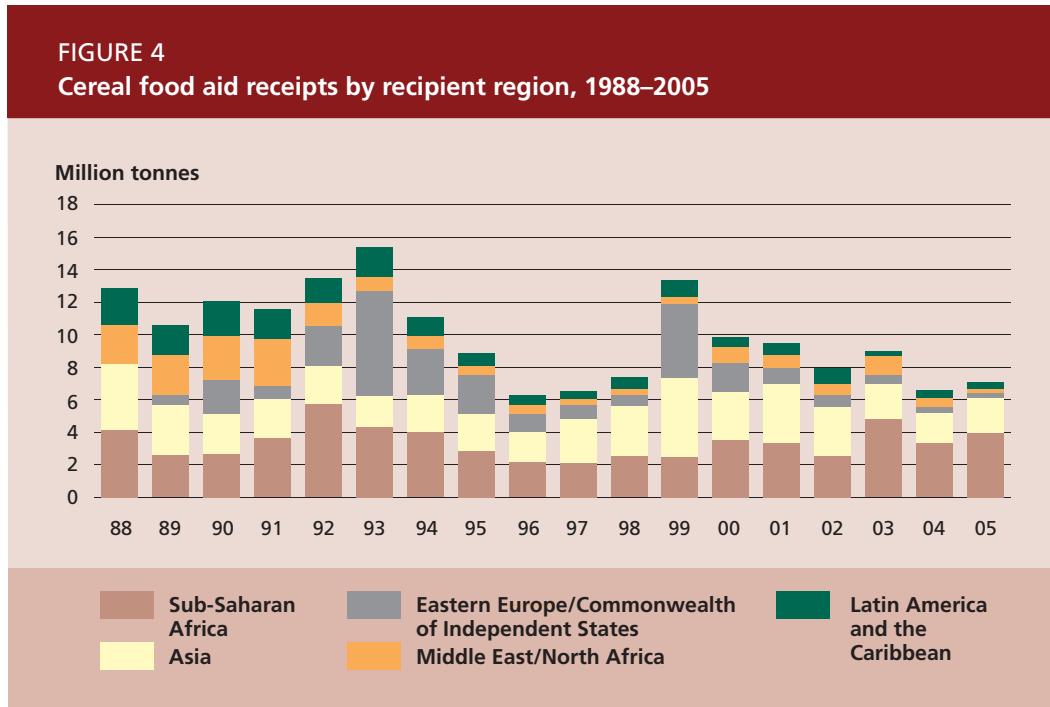
**FIGURE 3**  
**Levels of cereal food aid shipments by donor, 1970–2005**



Note: Data for 2005 are provisional.

Source: FAOSTAT (data from 1970 through 1995) and WFP INTERFAIS (data from 1996 onwards).

FIGURE 4  
Cereal food aid receipts by recipient region, 1988–2005



Note: Data for 2005 are provisional. Regional designations are by WFP.

Source: WFP, 2006.

declined from a peak of about 20 percent in the late 1980s to 10 percent in more recent years, with the exception of an atypical peak flow to the region in 2003.

Although food aid is relatively small in terms of the global food economy, it provides a significant share of the total food supply for individual countries in certain years. During the 1992/93 drought in Mozambique, for example, food aid in the form of yellow maize supplied about 60 percent of total cereal availability in the country, and it continued to represent 20 to 35 percent of cereal supplies throughout the first half of the 1990s (Tscharley, Donovan and Weber, 1996). Figure 5 shows the ten leading recipients of food aid over the five-year period from 2001 to 2005. The Democratic People's Republic of Korea, the biggest recipient in recent years, receives more than 1.1 million tonnes of grain equivalents per year on average. Ethiopia receives almost as much on average, but the amounts vary significantly from year to year. Over the last ten years, food aid to Ethiopia has averaged 13 percent of the country's total cereal production, reaching 23 percent in 2003. In the Democratic People's Republic of Korea, food aid equaled 31 percent of total cereal production in 2002 and 22 percent in 2003.

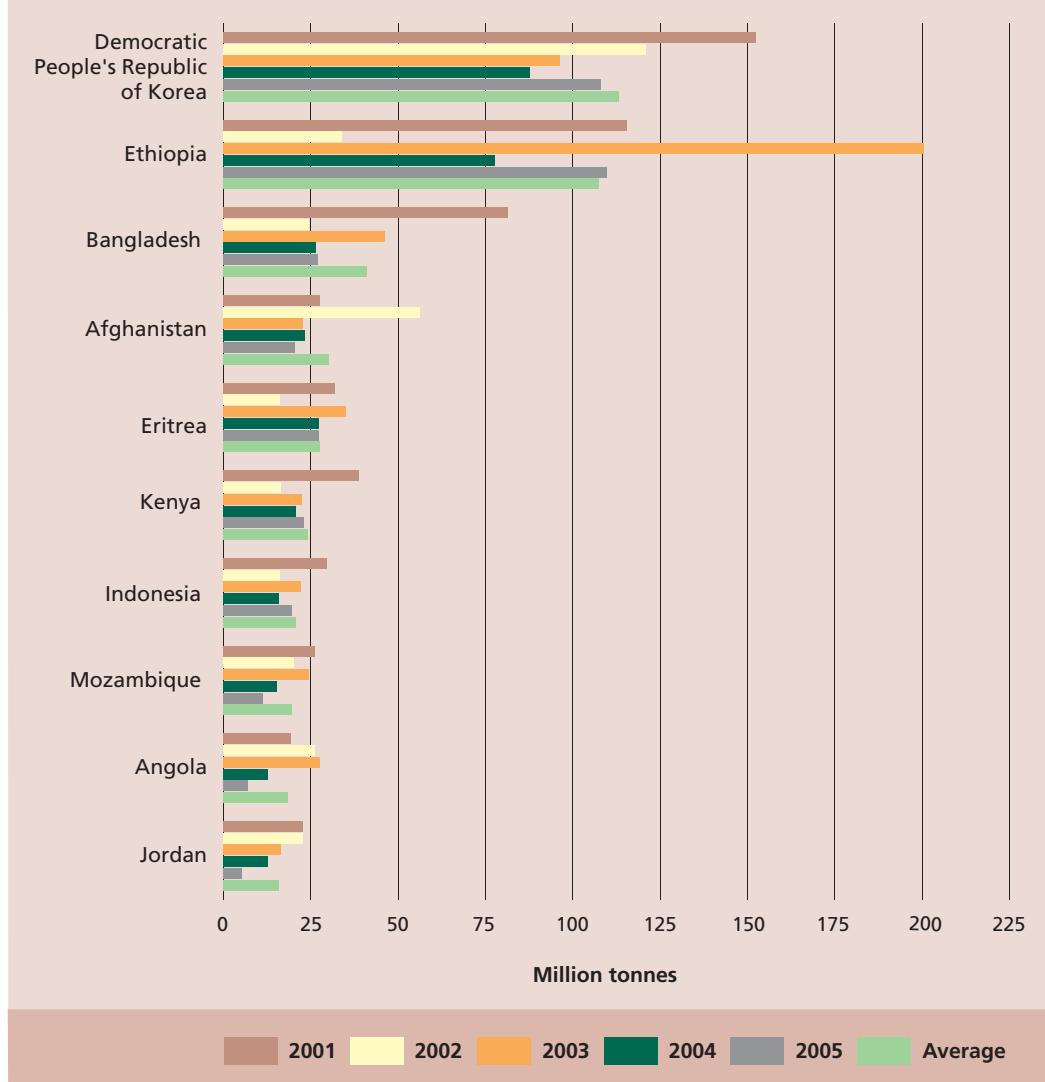
#### Food aid management

Food aid is often categorized according to the way donors provide it to recipient countries, that is, through programme, project or emergency operations. Figure 6 shows the breakdown of cereal food aid deliveries by category from 1978 to 2005.

A key difference among the three categories of food aid relates to targeting: the effort to get food aid into the hands of the hungry poor. When food aid is well targeted, it reaches the people who need it and only the people who need it. More formally, proper targeting ensures that there are minimal errors of inclusion and exclusion. Errors of inclusion occur when food aid is provided to people who would have otherwise purchased it using their own resources without unnecessarily depleting their assets. Inclusion errors increase the likelihood of food aid adversely affecting local producers and traders. Errors of exclusion occur when food-insecure people do not receive the food aid they need (Gebremedhin and Swinton, 2001).

Programme food aid is transferred bilaterally on a government-to-government basis. About half of all programme aid is donated in fully grant form and about half is sold to the recipient government at concessional prices or credit terms, i.e.

FIGURE 5  
Leading recipients of cereal food aid, 2001–2005



Note: Data for 2005 are provisional.

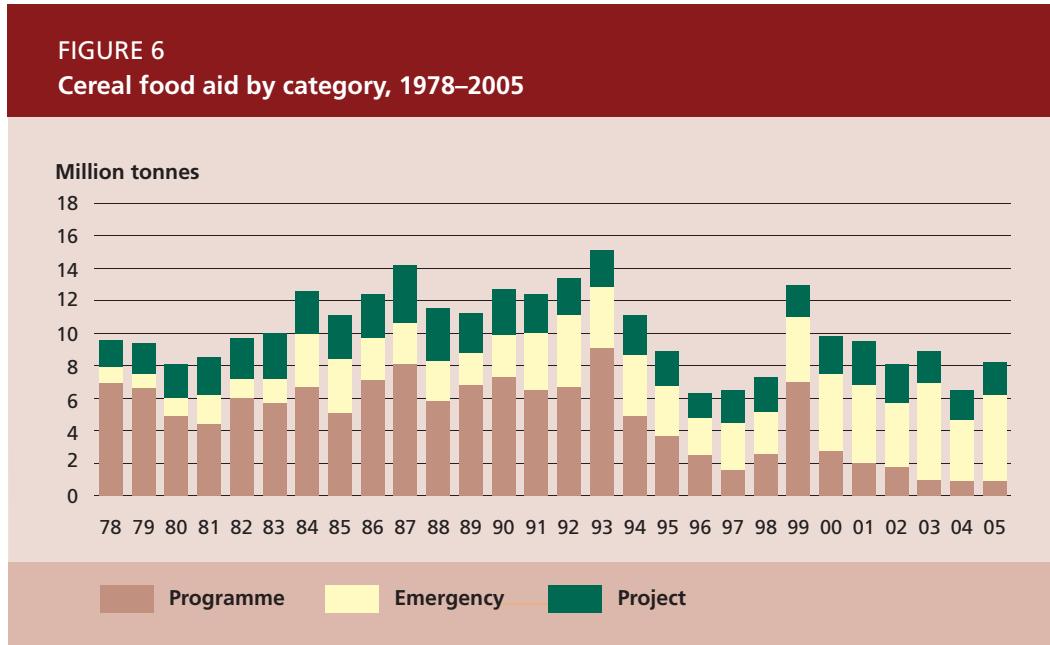
Source: WFP, 2006.

greater than zero but less than market rates. Programme food aid is resold by the recipient government on the local market, and therefore is not targeted. As such, programme food aid is associated with significant errors of inclusion. It increases the overall availability of food but otherwise does not directly affect food security (Clay and Benson, 1990). Until the mid-1980s, more than half of all food aid was of this type, but it now accounts for less than 20 percent of the total.

*Project* food aid may be transferred bilaterally or through multilateral channels, and the government of the recipient

country may or may not be involved in the transaction. Project food aid is usually – but not always – targeted to specific beneficiaries. It may be provided freely or in exchange for work or on other conditions, and is often associated with activities intended to promote agricultural or broader economic development as well as food security. Examples of project food aid include food for work, school feeding and mother-and-child nutrition centres. These activities are typically run by WFP or non-governmental organizations (NGOs), and are associated with several targeting approaches, including self-targeting, discussed below.

**FIGURE 6**  
**Cereal food aid by category, 1978–2005**



Note: Data for 2005 are provisional.

Source: WFP, 2006.

Sometimes project food aid is sold on recipient country markets to generate cash for relief and development programmes. This practice is known as “monetization”. Monetization is used by NGOs implementing project aid mainly from the United States. In the late 1980s, only about 10 percent of all project food aid was monetized, but this has increased to more than 30 percent in recent years (WFP, 2006). Monetized project aid is similar to programme aid in that it is not targeted to specific food-insecure populations.

Emergency food aid is targeted to food-insecure populations in times of crisis. In some cases, the distinction between emergency and project food aid is blurred. For example, in Ethiopia, emergency food aid is sometimes distributed through food-for-work programmes. Emergency aid has increased steadily and now accounts for about two-thirds of total food aid.

The decline in programme food aid is largely the result of shrinking cereal stocks in donating countries as a result of trade liberalization and domestic agricultural policy reforms. The need for programme aid has also declined, especially in many Asian countries where chronic food deficits no longer occur. Concerns over market distortions resulting from programme and project aid, and an increased incidence and awareness of emergencies have also played

a part in increasing the share of food aid devoted to emergency response (Russo *et al.*, 2005).

Like other forms of foreign aid, food aid is often tied to the procurement of goods and services in the donating country. Almost all food aid donated by the United States is tied to domestic procurement, processing and shipping requirements, and many other donors have similar tying requirements. Some donors have stopped donating food aid in the form of commodities, providing cash instead, so as much as 15 to 25 percent of all food aid is now purchased in the country or region where it is needed (WFP, 2006). Such transactions are generally referred to as “untied”, although donors may stipulate where purchases are to be made, thus reducing the overall flexibility of the procuring agency and raising costs (Box 2).

### Food aid governance<sup>3</sup>

Concerns about the risk of food aid disrupting commercial exports and domestic markets were recognized from the beginning of the modern food-aid era, and early food-aid governance mechanisms were shaped

<sup>3</sup> This section is based on Konandreas (2005) and FAO (2005b and 2005c).

**BOX 2**  
**Lost efficiency due to tied food aid**

Tying food aid to domestic procurement is a controversial practice that imposes significant efficiency costs on aid transactions. Most tied food aid consists of direct transfers from donor to recipient country, but triangular (procurement of food in third countries) or local purchases of food might also represent a form of aid tying. In these cases the procuring agency may be prevented from using the most efficient or appropriate sources of supply.

Some countries, notably the United States, have legislation or regulations governing food aid operations that require procurement largely within the donor country. The United States also has further legislative requirements that 50 percent of commodities should be processed and packed (value added) before shipment, and that 75 percent of the food aid managed by USAID and 50 percent of that managed by USDA be transported in "flag-carrying" vessels registered in the United States. Barrett and Maxwell (2005) estimate that, as a result of various tying requirements, approximately half of the total United States food aid budget is captured by domestic processing and shipping firms (American farmers generally do not benefit because food aid is too small to influence domestic prices).

OECD (2006) estimates that 60–65 percent of all food aid is tied in some way. They calculate that the global inefficiency cost of providing tied food aid instead of financing commercial imports is at least 30 percent. The cost of direct food-aid transfers from the donor country was on average approximately 50 percent more than local food purchases, and 33 percent more than regional purchases. These are conservative estimates, as they are based on the maximum price that would have been paid for commercial imports. Furthermore, the considerable transaction costs of organizing food aid deliveries are not reflected in these calculations.

The OECD (2006) study argues that the most efficient form of food aid is likely to be for protracted or continuing relief operations, flexibly sourced within the recipient country or region. Direct food aid is almost always more costly than alternative commercial imports or local and regional purchases. The relative efficiency of local purchases and purchases from third countries also suggests that the benefits of untying would not just flow to middle-income agricultural exporting countries, but could benefit agricultural development in many low-income developing countries.

primarily with those concerns in mind. The first international governance institution for food aid, the FAO Consultative Sub-Committee on Surplus Disposal (CSSD), was established in 1954 to provide a forum for consultation among food-exporting countries aimed at minimizing commercial market disruption.

International governance mechanisms for food aid have evolved since then, but their primary focus remains on minimizing the risk of distorting markets and trade. Less attention has been given to creating effective governance mechanisms to promote and protect the food security objectives of food aid. Although some governance mechanisms acknowledge the

need to ensure the availability of adequate levels of food aid, none has food security as its central focus, and none holds donors or agencies accountable to recipients for their actions.

Today, food aid flows are supposed to be reported to four different bodies: the CSSD, the Food Aid Convention (FAC), WFP and the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). None of these organizations has the capacity or mandate to govern food aid effectively from a food security perspective. Of these, only the FAC is a formal international accord, but it has no mechanism for enforcing compliance of signatories to their commitments.

In addition, the World Trade Organization (WTO) Agreement on Agriculture refers to food aid, but does not as yet contain any binding provisions. Members of the WTO are currently negotiating stricter disciplines on the use of food aid aimed to prevent it from being used to circumvent rules on export subsidies, while also protecting the humanitarian role of food aid in a "safe box". Meanwhile, a number of NGOs are seeking to reform their own food aid operations.

### FAO Consultative Sub-Committee on Surplus Disposal

The first discussion of food aid in an international forum was at the Seventh Session of the FAO Conference in November 1953. The Conference discussed the growing difficulties in absorbing surpluses of certain commodities, and concluded that, in accordance with FAO's basic aims, the foremost remedy for the absorption of excess supplies was to be sought in increasing consumption in the developing countries.

Accordingly, the Conference instructed the Committee on Commodity Problems to consider: (i) the most suitable means of disposing of surpluses; (ii) the principles that should be observed in order that the disposal of surpluses would be made without harmful interference with normal patterns of production and international trade; and (iii) the strengthening of intergovernmental machinery for consultations on these matters (FAO, 1953). Underpinning these consultations were a series of analytical studies prepared by the FAO Secretariat that first articulated a number of strategies and concerns regarding the use of food aid (Box 3). These consultations resulted in the adoption of the FAO Principles of Surplus Disposal and Consultative Obligations and the creation of the Consultative Sub-Committee on Surplus Disposal (CSSD) in 1954. Initially, 37 FAO Member Nations agreed to adhere to the principles, a number that had increased to more than 50 by the early 1970s.

The Principles of Surplus Disposal represent a code of conduct for governments in the provision of food aid. In the main, they seek to ensure that food and other agricultural commodities that are exported on concessional terms result in additional

consumption for the recipient country and do not displace normal commercial imports, and that domestic production is not discouraged or otherwise adversely affected. While the principles are not a binding instrument, they represent a commitment by signatory countries. They help governments to focus on their responsibilities as parties to transactions on concessional terms and to avoid potential difficulties and disagreements.

The interests of recipient countries are safeguarded, in theory, by the emphasis on increasing consumption rather than restricting supplies. The interests of exporting countries are protected by the undertaking that such disposals should be made without harmful interference with normal patterns of production and international trade; assurances against resale or transshipment of commodities supplied on concessional terms; and the introduction of the concept of "additional consumption", which is defined as consumption that would not have taken place in the absence of the transaction on concessional terms.

The mechanism for assuring such additionality is the Usual Marketing Requirement (UMR), a concept adopted by FAO in 1970. The UMR is a commitment by the recipient country to maintain a normal level of commercial imports of the commodity concerned, in addition to the commodity supplied as food aid. This provision has become a standard element of many food aid agreements (most transactions channelled through WFP and NGOs are exempt from the UMR, as are emergency transactions). The CSSD monitors adherence to the principles by reviewing food aid transactions, in principle prior to signature of the agreement and shipment of the commodity.

Because the FAO principles are voluntary guidelines, many donors have failed to adhere to these reporting requirements in recent years. In 1999, the FAO Secretariat expressed concern over the declining share of food aid transactions reported to the CSSD and the increasing number of transactions that were exempt from formal reporting requirements, trends that reflect: i) the relatively small size of most transactions; and ii) the increased proportion of food aid that is channelled through private voluntary organizations and multilateral agencies, or

## BOX 3

**Evolution of food aid from surplus disposal to food assistance**

In 1954, FAO carried out a major study on surplus disposal that pioneered some creative ways to make appropriate use of food aid to address humanitarian needs in developing countries. This was the first major step in the conceptual evolution of food aid towards its eventual food security role (FAO, 1954). That study had profound implications at both the conceptual and institutional levels. It launched new ideas for utilizing food surpluses in food-for-work projects, for food stabilization purposes, in special feeding programmes for the most vulnerable target groups and in support of government programmes to subsidize consumption.

Closely related in timing and significance was another FAO study (1955), which concerned the possible contribution of food aid to economic development. A clear distinction was made for the first time between food assistance for welfare and support for general development programmes. That study stressed the role of food aid as an additional capital to finance economic development, including its balance of payments and budgetary support roles.

In 1959, the CSSD submitted a report on "Consultative machinery and procedures and operations and adequacy of the FAO Principles of Surplus Disposal" (FAO, 1959). As several countries became net exporters of basic foods in the early 1960s, additional tensions in food aid governance were recognized, and a CSSD ad hoc group was formed on "Changing attitudes toward agricultural surpluses". The report pointed out new developments in the scope and nature of "near-commercial" and "extra-commercial" transactions (FAO, 1963), and

was followed two years later by a "Grey Area Panel Report" on developments and problems arising from concessional transactions with commercial features and commercial transactions with concessional elements (FAO, 1965).

Meanwhile, the establishment of the World Food Programme under the joint auspices of FAO and the United Nations in 1962 marked the beginning of multilateral food aid. The decisions and recommendations of the World Food Conference in 1974 (UN, 1975) marked another major step in the evolution of food aid. In particular, the conference established the WFP Committee on Food Aid Policies and Programmes (CFA) and the FAO Committee on World Food Security (CFS). Both of these committees promoted innovative approaches in the use of food aid to support food security and economic development in vulnerable countries.

In addition, the World Food Conference recommended the acceptance by all donor countries of the concept of forward planning of food aid and of a global food-aid target of 10 million tonnes of cereals. It also suggested the need for raising the share of food aid channeled through WFP, the grant component of the bilateral food aid programmes and the cash resources available for commodity purchases from developing countries. The conference recommended measures to meet international food emergency requirements in order to enhance WFP's capacity to render speedy assistance in emergencies. The latter recommendation led to the establishment of the International Emergency Food Reserve (IEFR) by the UN General Assembly in September 1975.

provided in response to emergency situations (FAO, 1999).

**Food Aid Convention**

The institutional basis of food aid was strengthened with the signing of the Food Aid Convention (FAC) in 1967 within

the context of the International Grains Arrangement (IGA), an intergovernmental organization outside the United Nations system. The International Grains Council, located in London, has served as the convention's host agency and secretariat since its inception. The FAC has been successively

extended or renewed since then, and the current convention, which came into force in 1999, has been extended beyond its scheduled expiration on 30 June 2002. Negotiations on a new FAC may begin soon in anticipation of the conclusion of the Doha Round of WTO negotiations (Hoddinott and Cohen, 2006).

Under the FAC, donors undertake to provide a minimum level of food aid expressed in tonnage terms (wheat equivalent). This minimum level has varied between about 4 million and 7.5 million tonnes and is currently set at about 5 million tonnes. Membership in the FAC is limited to countries that commit to making food aid contributions. The 1999 FAC has 23 signatories.<sup>4</sup>

Since 1999, humanitarian and development assistance policy concerns are taken into consideration to a much greater extent than before. The objectives of the FAC are:

- to make “appropriate levels of food aid available on a predictable basis”;
- to encourage “members to ensure that the food aid provided is aimed particularly at the alleviation of poverty and hunger of the most vulnerable groups, and is consistent with agricultural development in those countries”;
- to maximize “the impact, the effectiveness and quality of the food aid provided as a tool in support of food security”; and
- “to provide a framework for co-operation, co-ordination and information-sharing among members on food aid related matters to achieve greater efficiency in all aspects of food aid operations and better coherence between food aid and other policy instruments”.

In addition to the initial focus on grains, the current convention also includes pulses, root crops, edible oil, sugar and skimmed milk powder. The convention encourages members to provide food aid in grant form rather than as concessional sales, and to decouple food aid from export promotion.

Hoddinott and Cohen (2006) review the principal criticisms of the FAC, and present

four main areas of concern. The main focus of the criticisms has been on the minimum level of food aid. In recent years, this minimum level has been set at such a low level that it is not very meaningful. Usually the international community has exceeded this minimum requirement by considerable amounts. Since the commitments are based on volume rather than monetary value, the FAC should, in principle, contribute modestly to making food aid countercyclical with respect to world grain supplies and prices. As we have seen earlier in this chapter, this does not occur, as food aid provision is negatively correlated with global grain prices. The first key issue raised by Hoddinott and Cohen is that there are no significant consequences when members fail to meet their commitments. Second, there is a lack of effort and mechanisms to provide any meaningful dialogue on the effectiveness of food aid provided by signatories. Third, stakeholders who are not signatories (e.g. donor governments) are excluded from negotiations on FAC terms and discussions of food aid policy and practice. Fourth, the FAC operations lack transparency.

### World Trade Organization

Food aid has been one of the most difficult issues discussed in the Doha Round of WTO negotiations. Progress was also slow on a number of other issues, but resolving the food aid issue was considered of pivotal importance in making progress in the agricultural negotiations overall.

The existing WTO disciplines on food aid came into force in 1995 under the export competition pillar of the Uruguay Round Agreement on Agriculture, and were intended to prevent food aid being used to circumvent commitments on export subsidies. In addition, the Marrakesh Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries (which is an integral part of the Uruguay Round Agreement) sought to ensure that agricultural reforms would not adversely affect the availability of a sufficient level of food aid to help meet the needs of developing countries, especially least-developed and net food-importing developing countries.

<sup>4</sup> Signatories of the FAC are: Argentina, Australia, Canada, Japan, Norway, Switzerland, and the United States, as well as the European Union (EU) and 15 of its member states.

The agreement states that food aid should not be tied to commercial exports, that all food aid transactions should be carried out in accordance with the FAO Principles of Surplus Disposal and Consultative Obligations and that such aid should be provided to the extent possible fully in grant form or on terms no less concessional than those provided for in the 1986 FAC. In principle, these explicit references to the FAO Principles and the FAC meant that they became part of members' rights and obligations under the legal framework of the WTO. However, adherence to these disciplines has not always been in line with expectations, partly because there has not been a corresponding remedy in the WTO legal framework in cases of partial compliance. It is for these reasons that new, enhanced disciplines on food aid were considered necessary by the WTO membership under the negotiations in the Doha Development Agenda (DDA).

Because of the humanitarian nature of food aid, there was general support by the WTO membership to preserve and enhance it. Some members considered that maximum flexibility should be allowed in the provision of food aid so that humanitarian considerations are not compromised. Others called for reforms, but were motivated by the same objective. They argued that disciplining food aid to minimize its possible adverse market effects, both on world markets and on the market of the recipient countries, would enhance its humanitarian effectiveness.

In the framework text of the General Council Decision of 1 August 2004, WTO members agreed that the objective of the new disciplines on food aid would be to prevent commercial displacement, and that food aid outside the disciplines (to be agreed) would be eliminated, in parallel with other forms of export subsidization. At the Sixth Ministerial Conference in Hong Kong Special Administrative Region in December 2005, ministers reaffirmed this commitment and agreed on 2013 as the date for elimination of export subsidies, including "effective disciplines on in-kind food aid, monetization and re-exports so that there can be no loophole for continuing export subsidization" (WTO, 2005). The ministers reconfirmed their commitment to maintain an adequate level of food aid and

to take into account the interests of food aid recipient countries. A "safe box" for bona fide food aid was to be provided "to ensure that there is no unintended impediment to dealing with emergency situations". Thus, a clear distinction was established between emergency food aid and non-emergency food aid.

As regards emergency situations, the main contentious issue involved who could initiate appeals for in-kind food aid to be provided under the safe box. While some members argued for an explicit definition of what would constitute an emergency situation, the mainstream view supported the notion of a "multilateral" trigger, on the basis of an appeal by the relevant "multilateral or international agencies" that are best placed to determine and assess an emergency situation based on their own knowledge, expertise and standards, in collaboration with the recipient country concerned. There were also some differences regarding the role of other actors in the emergency response, including charitable bodies and bilateral government-to-government arrangements, as well as the duration of assistance under emergency situations.

The issue of disciplines for in-kind food aid in non-emergency situations was more difficult. One proposal was for the complete phasing out of this type of assistance by the end of the implementation period and its replacement with untied cash-based contributions. Another view was that both in-kind food aid and monetization should remain permissible subject to certain conditions – essentially, when such aid is based on an assessment of needs, is targeted to an identified vulnerable population group and is provided to address specific developmental objectives or nutritional requirements.

Although the Doha negotiations were suspended in July 2006, the latest report from the chairperson of the agriculture negotiations suggested that there was support by the WTO membership for some general principles that should apply to all food aid transactions, namely, that food aid should be needs-driven and result in additional consumption; provided fully in grant form; not tied directly or indirectly to commercial exports of agricultural products

or of other goods and services; not linked to market development objectives of donor members; and not re-exported, except during an emergency situation where it is an integral part of a food aid transaction initiated by a relevant United Nations agency. Other generally agreed principles were that, when providing food aid, donor members should take fully into account local market conditions of the same or substitute products and are encouraged to procure food aid from local or regional sources to the extent possible (WTO, 2006).

### Governance options for international food aid

While the disciplines being discussed in the WTO appear to take the food security objectives of recipient countries very seriously, the WTO is not primarily concerned with food security. Some participants in the food aid discussion argue that a more effective international food aid coordination and governance mechanism is required to minimize trade disputes and maximize the effectiveness and appropriateness of responses to humanitarian emergencies, thereby helping to meet international poverty and hunger reduction goals (Konandreas, 2005; Barrett and Maxwell, 2006; Clay, 2006; Hoddinott and Cohen, 2006).

Humanitarian and development practitioners, meanwhile, increasingly recognize the need for greater accountability for the consequences of their activities in recipient countries. NGOs have undertaken a number of voluntary initiatives to improve the effectiveness of food aid as a humanitarian and development tool. Although these codes of conduct are voluntary, they have had considerable influence in recent years (Hoddinott and Cohen, 2006). CARE-USA's policy statement on food aid is summarized in Box 4. The Trans-Atlantic Food Aid Policy Dialogue, a broad coalition of NGOs involved in food aid programming, is also calling for substantive reforms. The International NGO/CSO Planning Committee for Food Sovereignty, an interlocutor between FAO and civil society, has provided a special contribution at the end of this report in which it calls for reforms of the international food-aid system.

### Food aid in the context of food security

Along with food aid programming and governance, the way food aid and food security are conceptualized has evolved significantly over the past few decades. Food security is now widely understood as "access of all people at all times to sufficient, nutritionally adequate and safe food, without undue risk of losing such access" (FAO, 2003a). This definition includes four distinct dimensions – availability, access, utilization and stability.

For a long time, food security mechanisms that ensured the availability of food (through production, commercial imports or food aid) were viewed as sufficient to prevent hunger. Thanks to Sen's influential work, *Poverty and famines* (1981), it is now understood that the availability of sufficient food in the right place and at the right time is a necessary condition for food security, but it is not sufficient. Households and individuals must also have access to food through their own production, purchases in the marketplace or transfers via social safety nets.

Recent thinking has added the concept of utilization as a dimension of food security. This refers to the physiological ability of the body to absorb the nutrients in food, and thus highlights the importance of non-food inputs in food security such as clean water, sanitation and health care. Finally, stability is an essential element of food security because even temporary interruptions of food availability, access or utilization can have serious long-term consequences.

In any particular case of food insecurity, one or more of the dimensions of food security may be compromised. Effective support for restoring food security requires understanding which dimensions are threatened and why. The full set of mechanisms that guarantees continued physical and economic access to food must be considered. This demands an appreciation of food security that goes well beyond the domain of providing food aid.

The following section discusses food aid in the broader context of social safety nets aimed at improving food security. The

## BOX 4

## CARE-USA white paper on food aid policy

CARE-USA reviewed its food aid policies and management practices in 2005 and made several changes to ensure greater consistency with the organization's goals and values. CARE-USA has long been associated with food distribution programmes and continues to believe that food aid, properly managed, can be an important component of a global strategy to reduce vulnerability and food insecurity. However, recent analysis has shown that, under some circumstances, food aid can harm local production and markets, undermining long-term food security. CARE-USA's objectives in using food aid are to save lives, protect livelihoods, reduce vulnerability and address underlying causes of poverty, while minimizing any potential harmful side effects. The policy review led CARE to make four specific policy decisions:

- Monetization (the sale of food aid to generate cash for humanitarian programmes): CARE-USA will phase out monetization by September 2009, except in situations where it can be clearly demonstrated

that monetization addresses the underlying causes of chronic food insecurity and vulnerabilities with reasonable management costs and without causing harm to markets or local production. CARE will use monetization only when it is sure that the food that is monetized reaches vulnerable populations and has effective targeting of poor people with limited purchasing power. CARE cites three reasons for this decision: (i) the practice requires intensive management and is fraught with legal and financial risks; (ii) it is an economically inefficient means of funding food security programmes; and (iii) open sales of commodities on local markets inevitably cause commercial displacement, harming traders and local farmers and undermining long-term food security.

- Local and regional purchase: CARE-USA supports local and regional purchases of food supplies for food security programming, but recognizes that the practice is complex and

different types of safety nets are outlined, and some features that should be considered in the design and implementation of safety nets are discussed.

#### **Social protection, safety nets and food security<sup>5</sup>**

*Social protection* is a broad concept that refers to a range of measures designed to provide income or other transfers to the poor and to protect the vulnerable against livelihood risks, with the overall aim of reducing the economic and social vulnerability of poor, vulnerable and marginalized groups (Devereaux and Sabates-Wheeler, 2004). These measures vary according to their degree of formality, who provides them and how they are funded.

They may be informal (such as gifts or loans from family members) or formal (such as private insurance or government-sponsored social security schemes). Formal social protection programmes may be supported with domestic or international resources and be operated by governments, private businesses or charitable organizations.

*Social safety nets*, an important component of social protection, refer to cash or in-kind transfer programmes that seek to reduce poverty and vulnerability by redistributing wealth and protecting households against income shocks (Figure 7). *Food safety nets* are a subset of social safety nets, and aim to ensure a minimum amount of food consumption and to protect households against shocks to food consumption (FAO 2004b). *Food aid*, in turn, is one of many food safety nets.

Both social safety nets and food safety nets seek to ensure a minimum level of

<sup>5</sup> This section is based primarily on FAO (2004b and 2004c) with inputs from Barrett (FAO, 2006d).

may entail risks. The two main justifications for local and regional purchases are: (i) to reduce costs, delays and market distortions brought about by "tying" food aid to domestic procurement in the donor country; and (ii) to increase procurement flexibility while providing economic opportunities for small farmers in countries where the purchases are made. Local and regional purchases can cause harm if not managed properly, by raising prices for agricultural commodities in local markets.

- Specific United States Department of Agriculture (USDA) programmes: CARE-USA supports the Coalition for Food Aid's policy statement: "Food aid should not be used to enable a donor to establish an unfair commercial advantage and must not create disincentives to local production and markets". CARE believes two USDA programmes, Title 1 (concessional sales) and Section 416b (surplus disposal), are inconsistent with that

position and therefore will phase out participation in those programmes. Some of the food aid provided under a third USDA programme, Food for Progress, comes from Title 1 and Section 416b and much of it is monetized; therefore CARE-USA will phase out participation in it as well.

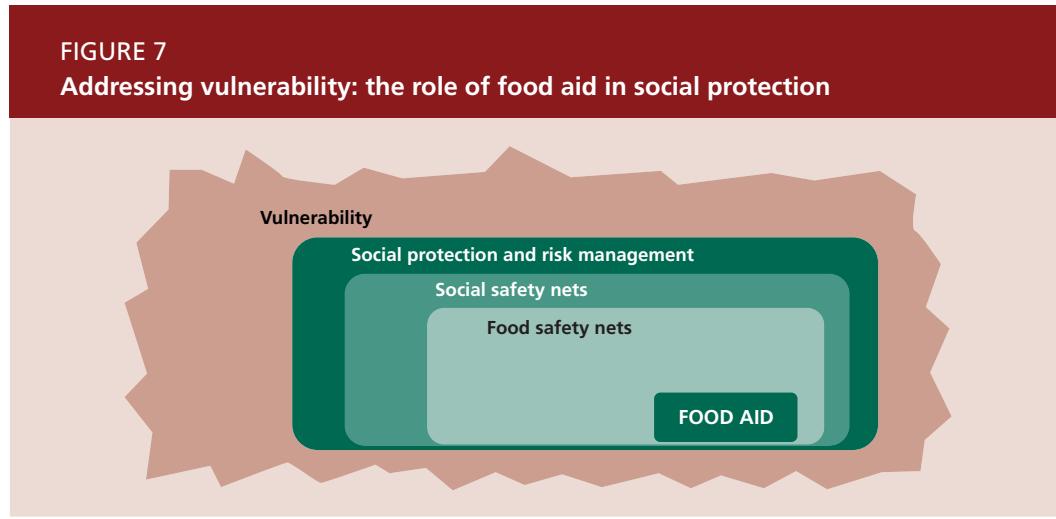
- International trade, agricultural subsidies and food aid: CARE-USA will enhance its capacity to understand how the poor are likely to be affected by trade liberalization, particularly if liberalization is linked to reform of the food aid system and the possible elimination of safety nets precisely at the moment when they are most needed. CARE-USA is committed to engaging with sister agencies, donors and other stakeholders to increase the overall effectiveness of food aid as an important instrument to address underlying causes of poverty and food insecurity.

Source: CARE-USA, 2005.

well-being, including a minimum level of nutrition, and to help households manage risk, though they often use different definitions or indicators of household or

individual well-being. Social safety nets usually rely on poverty indicators, while food safety nets rely on indicators more directly related to food insecurity (such as

**FIGURE 7**  
**Addressing vulnerability: the role of food aid in social protection**



Source: adapted from WFP, 2004.

### BOX 5

#### Food insecurity in crisis contexts

Crisis contexts offer particular challenges in the design and implementation of food security interventions. Interventions need to be based on an understanding of specific crisis contexts and the underlying processes that threaten food security.

A “food security crisis” can be seen as a time of extreme food insecurity, when the main danger is widespread loss of access to food, perhaps leading to famine. Walker (1989, p. 66) defines famine in terms of “a socio-economic process which causes the accelerated destitution of the most vulnerable ... to a point where they can no longer maintain a sustainable livelihood”. This definition highlights the close connection between food security and livelihoods and the dynamic nature of food crises.

Yet, food security crises are still regularly treated as purely transitory phenomena (even when in practice they may last several years) with a primary focus on the shocks that trigger them and on the immediate measures required to restore acceptable food-consumption levels. The underlying mechanisms that lead to crisis are usually not addressed.

anthropometric measurements, consumption surveys or vulnerability criteria).

Social safety nets and food safety nets play a much broader role than providing food during crises. They provide fungible resources that can be used to protect or to invest in productive assets. They can also be directly linked to human capital development when made conditional on school attendance and health care checkups.

##### **Key criteria in designing food safety nets**

Many criteria must be considered in the formulation, design and implementation of food safety nets:

- nature of food insecurity;
- programme objectives;
- institutional capacity and budgetary resources;
- politics, public opinion and the roles of government and civil society;

While crises tend to be diverse, their impacts are often broadly similar. Three broad types of crisis contexts can be identified: sudden-onset, slow-onset and complex or protracted emergencies. These are by no means comprehensive or mutually exclusive categories. Rather, they serve to demonstrate that the success of an intervention is very much the outcome of understanding the full crisis context and factoring this kind of knowledge into the response. Failure to do so can prolong a food security crisis.

*Sudden-onset food crises* are often associated with natural disasters triggered by climatic hazards, such as floods or hurricanes. Given the episodic nature of the shock, national governments and civil society often have significant capacity to mobilize resources and to respond to basic demands for food, water and shelter. The difficulties stem from the fact that resources to promote long-term food security through human, social and physical capital investment dwindle in the crisis context, so that transitory food insecurity becomes chronic.

- incentives and preferences of the targeted population;
- targeting mechanisms;
- effects on prices, labour and trade.

The first consideration in designing a food safety net is to understand the nature of food insecurity: Who is food insecure and what are the immediate and underlying causes? Many factors may contribute to food insecurity, such as seasonal supply variations, chronic poverty and lack of assets, intrahousehold distributional inequities and the functioning of local food markets. Responding to food insecurity in crisis contexts is particularly challenging (see Box 5 and Chapter 5). The existence of food insecurity in areas where adequate food is available and food markets function well suggests that the problem is one of purchasing power; that is, that

*Slow-onset food insecurity* crises arise when people who are chronically food-insecure are faced with recurrent or persistent external shocks such as drought, HIV/AIDS, poor governance and policies, degradation of land and water resources, social and political marginalization or other factors. Although slow-onset crises may offer greater opportunities for planning and implementing appropriate responses, they can have macrolevel effects, leading to a cumulative drain on resources and undermining of the national capacity to respond. Where these impacts are widespread and severe, and structures of governance are too weak to prevent them, such situations take on the character of protracted crises.

*Protracted or complex crises* have the potential to increase food insecurity by downgrading, constraining or destroying altogether people's mechanisms for ensuring food availability, access, utilization and stability. Conflict can create uncertainties that hinder economic activity needed to develop food security, and economic activity can itself become a focal point for conflict. The involvement

or destruction of wider governance institutions – particularly those of the state – has repercussions at the national level. Response options are limited both by the nature of protracted crises and by the "humanitarian–development" divide that inhibits the necessary broad, long-term analysis of the processes (social, political, economic and environmental) that shape food security.

Chapter 5 returns to this theme but, briefly, four elements need to be factored in when designing and implementing appropriate interventions in a crisis: (i) how the dynamic nature of a crisis affects the four food security dimensions individually and collectively over time; (ii) how the sociopolitical and economic context influences food security; (iii) how the nature of the crisis affects the institutional and governance arrangements for effective policy design and implementation; and (iv) how short-term outcomes influence long-term objectives for food security.

Source: Flores, Khwaja and White, 2005.

the food insecure do not have enough income to purchase sufficient food. In such cases, programmes should be focused on improving income-generating opportunities or providing cash-based transfers. If food markets are not functioning well, then a local or regional food shortage may be the key underlying problem, which would suggest that a programme should provide food directly or take measures to improve the functioning of local markets.

The second key aspect involves defining programme objectives. Different types of interventions are required for programmes aimed at alleviating structural or chronic food insecurity versus those aimed at transitory or crisis situations, a distinction taken up in more detail below and in later chapters. Other programme objectives could include empowerment of the poor or women, or addressing specific types of

food insecurity, such as malnutrition among children.

Administrative and budgetary resources must be considered in designing food safety nets because they determine the capacity of a government or organization to carry out interventions. In many least-developed countries, administrative capacity is extremely limited due to weak government institutions and a shortage of qualified personnel. Administrative limits may thus constrain the level of complexity and the reach of a given intervention. Tight budgets obviously constrain programme design, most clearly in forcing a choice between coverage and the size of a given transfer.

A fourth consideration involves the relative roles of different levels of government and civil society, in terms of both the administrative and budgetary distribution of responsibility. This depends in part on the

## BOX 6

### Targeting

Targeting refers to efforts to ensure that assistance reaches all of the people, but only the people, who need it. Many different targeting mechanisms exist and policy-makers need to know how effective the different mechanisms are. Unfortunately, there is little consensus about which of the commonly used methods for targeting transfers to the poor is best. A meta-analysis by Coady, Grosh and Hoddinott (2004) compiled a comprehensive database on 122 programmes in 48 countries. The study provides information on the use of targeting techniques, summary statistics on comparative programme performance and regression analysis to examine the correlations between methods and outcomes. The most common targeting methods are:

- Individual / household assessment:
  - *Means testing*: An official directly assesses whether the applicant is eligible for the programme.
  - *Proxy means tests*: A “score” for each household is calculated based on a small number of easily observable characteristics.
  - *Community targeting*: A community leader or group of community

members decides who in the community should receive benefits.

- Categorical targeting:

- *Geographical*: Eligibility for benefits is determined by location of residence.
- *Demographic*: Eligibility is determined by age, gender or some other demographic characteristic.

- Self-targeting: A programme or service that is open to all, but designed in such a way that participation will be much higher among those who are poor than those who are not.

The study drew five broad conclusions:

1. Targeting can work. The median programme provided a quarter more resources to the poor than random allocations would have. The ten programmes with the best incidence delivered two to four times their per capita share of benefits to the poor. Progressive allocations were possible in all country settings, in countries at markedly different income levels and in most types of programmes.

2. Targeting does not always work.

While median performance was good, targeting was regressive in a quarter

institutional history of a given country, as well as the desire to correct or compensate for institutional shortcomings, such as lack of democracy at local levels. The politics and traditions of a given country may govern what kind of food safety net is acceptable in the eyes of public opinion.

Programme design is also guided by the type of incentive effects that policy-makers want to promote or discourage and the preferences of the target population. Potential beneficiaries may prefer a certain kind of programme for economic, social or cultural reasons. For example, households may prefer cash because it allows greater flexibility in meeting diverse needs, and indigenous communities may resist measures targeted at the individual or household level, preferring instead community-based

measures. Ignoring local preferences may reduce the impact of a given intervention.

Targeting mechanisms must be carefully considered. Most interventions are targeted towards a specific region or type of household because of budgetary and equity reasons. The methodology chosen to reach a target population determines in large part the effectiveness of an intervention, as well as the risk of causing unintended negative consequences. Many methodologies are available (Box 6), and the choice depends on programme objectives and design, the availability of data, budget and the operational capacity of the implementing agency. Some programmes are considered self-targeting, in that wages are so low, or requirements so high, that only the poorest households will participate. Such a self-

of the cases. For every method considered, except self-targeting based on a work requirement, there was at least one example of a programme that was regressive.

3. There is no clearly preferred method for all types of programmes or all country contexts. Eighty percent of the variability in targeting performance was due to differences *within* targeting methods and only 20 percent due to differences *across* methods.

4. A weak ranking of the different mechanisms was possible. Interventions using means testing, geographical targeting and self-selection based on a work requirement were associated with more benefits going to the two poorest quintiles. Proxy means testing, community-based selection of individuals and demographic targeting to children showed good results on average, but with considerable variation. Demographic targeting to the elderly and self-selection based on consumption showed limited potential for good targeting.

5. Implementation matters tremendously to outcomes. Some, but by no means all, of the variability was explainable by country context. Targeting performance improved with country income levels, the degree of income inequality and the extent to which governments are held accountable for their actions. Generally, using more targeting methods produced better targeting. Factors not captured in the regressions (imagination and vigour in programme design and implementation) explained much of the difference in targeting success. Thus, there remains great potential for improvements in the design and implementation of targeting methods.

Source: Coady, Grosh and Hoddinott, 2004.

targeting scheme has other advantages and disadvantages.

For those programmes focusing on specific households, it is usually necessary to choose one adult as the person actually to receive the benefits of the programme. The choice of the beneficiary will depend on the programme's objectives, but most cash- and food-based transfer programmes now give priority to the responsible female in a household. This concept, which has become conventional wisdom in the development arena, is based on empirical evidence that females spend income differently than men. In particular, women are more likely to spend self-earned income on nutrition and children's health and education, whereas men are more likely to allocate income under their control to tobacco and alcohol.

These gender differences in the allocation of income seem to be especially relevant among poor households (see, for example, Haddad, Hoddinott and Alderman, 1997).

Exit criteria should be determined by the programme objectives. However, getting individuals or households off a programme is politically sensitive and often technically challenging. Conditional cash transfer programmes linking payments to education should terminate participation once children have reached a certain age, and temporary programmes should have households exit the programme once they no longer need assistance. This last rule, common in the United States and Europe, is very difficult to implement for administrative reasons, even in middle-income countries. Often, simple time limitations are imposed. In any case, for low-

income countries, simple and transparent exit criteria should be established.

The important role that evaluation techniques should play in the selection, design, implementation and impact evaluation of food safety nets has gained increasing recognition in recent years. Evaluation techniques can improve implementation and efficiency of programmes after interventions have begun, supply evidence of the cost efficiency and impact of a specific intervention and provide information for the comparison of interventions within and between policy sectors. They provide invaluable insight into the incentive structure and processes of an intervention, and as such form an essential part of policy design and of the agricultural and rural development process itself (FAO, 2003b).

#### *Design options*

Three main types of design options for food safety nets are in use among developing countries: cash-based, food-access-based and food-supply-based.

Cash-based programmes provide a cash transfer to beneficiary households, sometimes in return for actions taken by these households. In one type of cash-based programme, there are no conditions or compliance requirements attached to the cash transfer. Such programmes are rapidly gaining support as a tool in addressing chronic poverty and food insecurity in Africa. Lessons from unconditional cash-transfer programmes in 15 countries in eastern and southern Africa were reviewed for the United Nations Children's Fund (UNICEF) by Save the Children UK, HelpAge International and the Institute of Development Studies (2005).

A second type of cash-based safety net includes conditional cash transfer programmes, which have become popular in the Latin America and Caribbean region in recent years. The Progresa (later renamed Oportunidades) programme in Mexico (1996 to the present) is the most prominent example. Households receive cash conditional on certain actions, typically school attendance by children and health examinations (FAO, 2003b). A third type is cash for work, in which households are paid to work on public works projects. An example would be the Maharashtra

Employment Guarantee Scheme (MEGS) in India, which was introduced in 1973 (Subbarao, 2003).

Programmes based on food access seek to improve the ability of food-insecure households to acquire food. These programmes are founded on the presumption that adequate food is available and that food markets function reasonably well, so that an increase in demand will not lead to a substantial increase in food prices. One type of food access programme involves a cash transfer, but the cash must be spent on food. An example is Brazil's Carta Alimentação, launched in February 2003 as a key component of the Fome Zero anti-hunger programme. Households are restricted to spending the transfers only on food items, which is verified by having the household provide receipts for the amount of the transfer (Presidencia da Republica, 2003). A second type of food access programme includes food stamps, which have been used in a number of developed and developing countries, including Sri Lanka (Castaneda, 1999; Rogers and Coates, 2002).

Programmes based on food supply directly provide food or nutritional supplements to individuals or households. Some of these programmes are based on the assumption that food markets are not well functioning; that is, that an increase in demand would lead mostly to inflation, or simply to food being unavailable. This is the case of direct food aid or food-for-work programmes, which constitute the primary food safety net implementation of the World Food Programme. Other types of these programmes assume that some members of the household are particularly vulnerable to food insecurity or malnutrition, and thus specific directed food interventions, such as school lunches or food supplement programmes, are necessary. These types of interventions have been employed in many developing and developed countries.

Many food safety nets combine elements of these different options. A mix of design options is appropriate when the causes of hunger vary across regions, households or individuals, necessitating a heterogeneous response; when the causes of hunger are multiple within a household; or when one programme has multiple objectives. For example, in Brazil, under the auspices of

the larger Fome Zero programme, the Carta Alimentação described above is accompanied by other local development initiatives at the municipal level, including for example adult literacy, water cistern provision and school feeding, as well as programmes more regional or national in scope, including land reform and support for small-scale agriculture. Another example is the Progresa programme, which combines a conditional cash transfer with nutritional supplements targeted to pregnant and lactating mothers and infant children.

#### **Cash, vouchers or food transfers**

One of the most important decisions in designing a food safety net is whether to provide assistance in the form of cash, vouchers or food. All effectively increase household income, and thus the ability to acquire food. However, these programmes may have different impacts on household food security and upon local markets.

A cash-based transfer is appropriate when food markets work reasonably well and lack of access to food is the root cause of hunger. As discussed earlier, in these situations the food supply curve is virtually horizontal so an increase in demand will not lead to a substantial increase in food prices. A cash-based transfer should thus foster local market development of not only foods, but other goods as well. Furthermore, unrestricted cash transfers allow poor households to invest and spend on what they consider most important. Studies have shown that even the poorest of the poor invest some portion of their transfer on self-employment or agricultural production activities (Peppiatt, Mitchell and Holzmann, 2001).

A food access approach, such as food stamps, vouchers or restricted cash transfers, is also appropriate when local food markets work and lack of access to food is the root cause of hunger. This approach will also foster local market development, primarily of food goods. Food access programmes may have the advantage of being more politically acceptable, because it is very difficult to argue against providing food to the hungry. Food access transfers may also reduce the diversion of resources to “undesirable” consumption, because the programme design seeks to force spending on food

items. Their administrative requirements and transaction costs are lower than those of food supply measures but greater than those of cash-based measures. On the other hand, the restriction on recipient spending on non-food items also limits spending on investment. Further, restricting spending may spur other negative behaviour, such as cheating or selling food stamps on the black market.

An approach based on food supply, such as food aid, is fundamentally different because it is most appropriate when an insufficient supply of food is the root cause of hunger. Cash in this case simply leads to inflation if markets are not working well or, worse, if food is simply not available. Like food access programmes, food supply programmes are often politically more acceptable than unrestricted cash transfers. Moreover, it is difficult to divert food to undesirable consumption. Importantly, food aid is often donated and “free” to the receiving government. On the negative side, the availability of food aid may influence the selection of a less than optimal programme from the country’s perspective. Further, as with the food access approach, providing in-kind food aid limits investment or savings opportunities by beneficiaries and may spur other negative behaviour, such as cheating or selling the food provided as aid.

Studies from the United States (Fraker, 1990) show that food access transfers, such as food stamps, had a bigger impact on food consumption than cash-based transfers, although beneficiaries preferred receiving the cash. Studies comparing food stamps and cash assistance in Latin America and the Caribbean (Handa and Davis, 2006; Rawlings, 2004) find that results differ by country. Poorer people have a higher marginal propensity to consume out of income than wealthier people (that is, they are more likely to increase consumption when their income rises), so the difference between the impact of food stamps and cash-based transfers would probably be smaller in poorer countries and in programmes where the poorest households are targeted.

For both kinds of transfers, some diversion from food to non-food consumption is likely to take place. Households receiving food stamps may purchase less food with their cash income (thus substituting between

the two sources of income), or sell some of the food stamps on the black market at a discount to generate cash. Households receiving cash may of course spend the income as they please. For both kinds of transfers, such diversion may be beneficial or harmful for long-term food security. Beneficial diversion may include the purchase of agricultural implements, school clothes or other items that are supportive of long-term improvements in food security.

#### **Food aid to support nutritional outcomes**

In addition to the availability, access and stability dimensions of food security, there is utilization to be considered; it refers to the ability of the recipient to absorb the nutrients in food. This dimension relates to the health status of the recipient and the availability of complementary factors such as clean water and sanitation facilities. For many people with compromised health, specially fortified foods may be necessary to provide the nutrients they require.

Relatively few studies have examined the nutritional impact of food aid. Bezuneh and Deaton (1997) reported significant nutritional gains for participants in Kenya's food-for-work (FFW) programmes. In another study, for rural Ethiopia, Yamano, Alderman and Christiaensen (2005) found that, relative to households who do not receive food aid, recipients of food aid experienced less child malnutrition and stunting. They conclude that "food aid has indeed been effective in protecting early child growth from droughts and other income shocks in food aid receiving communities".

In contrast, other studies were unable to find conclusive evidence in support of a significantly positive nutritional effect in various food aid programmes. While FFW programmes have been relatively successful in meeting the nutritional needs of food-deficit households in the short term, they have not been as effective in providing long-term food security. Rural infrastructure projects supported by FFW programmes are not equipped to address both short- and long-range food security goals adequately (Clay, Pillai and Benson, 1998).

Separate studies by Brown, Yohannes and Webb (1994) and Webb and Kumar (1995) examined the nutritional impact of FFW in the Niger and found inconclusive evidence of

an overall positive effect of food aid on all participants. Although they found a positive relationship between nutritional status and participation in the FFW programme, they were unable to establish causality because of limitations of the data. More recently, Quisumbing (2003) investigated the effects of food aid on nutritional status as measured by indicators of child nutrition in rural Ethiopia, and found that, although food aid has a positive effect on nutrition, the impact differs by gender of the child and the form of food aid distribution. Participating households tend to devote income from free distribution to girls' nutrition, whereas FFW income makes a relatively more significant contribution to nutrition improvements in boys.

Finally, although various supplementary feeding programmes are effective tools in increasing the caloric intake of the recipients, they are not enough to eliminate malnutrition. Beyond the increase in the quantity of caloric intake, the quality of the nutrient content of food aid is also important. In addition, other factors may contribute to suboptimal caloric intake and increased prevalence of malnutrition. These factors include poor treatments for infectious diseases, nutritional imbalances in local diets and various social and cultural conditions that give priority to adult males rather than mothers and children.

## **Conclusions**

Food aid policy and practice have changed considerably in recent years. They have become more responsive to recipient needs and less driven by donors' interests, although many controversial practices continue. The decline in programme aid in favour of emergency aid implies a shift towards more targeted forms of aid. The increasing use of monetization in project aid partially offsets this improvement, however, because monetized aid is not targeted. As will be seen in the following chapter, food aid is more likely to harm producers and commercial markets when it is not well targeted.

Another important change in food aid is the increasing number of donors who are replacing commodity donations with

cash, making it possible to procure more food locally or in neighbouring countries. Unfortunately, some donors have replaced domestic procurement requirements with local and regional requirements, so that most food aid resources remain “tied” in ways that reduce both the flexibility and efficiency of food aid programmes. The effects of local and regional procurement on local markets are explored in the following chapter but, on efficiency grounds alone, tying should not be mandated.

International food-aid governance institutions have evolved considerably since the early 1950s, but they have not kept pace with the deepening understanding of food security, social protection and safety nets that has emerged in recent decades. Vested interests and political considerations along the whole food-aid chain, from donors to final beneficiaries, have impeded the effective governance of food aid. The primary victims of such malfunctioning are the vulnerable people that food aid is supposed to help.

Better governance of international food aid would target programmes to the poorest countries with a chronic unmet food deficit, and to well-identified vulnerable population groups in these countries. To the extent that this is achieved, considerations of commercial displacement and disincentives to domestic production should not arise. Better food-aid disciplines could also improve transfer efficiency. Although it may not be realistic to expect the complete replacement of in-kind food aid with untied cash resources, there are ways to improve the transfer efficiency of in-kind donations, such as relaxing processing and shipping requirements.

WTO members agree on the need to protect the role of bona fide food aid in emergency response, and they seem to have made a commitment to ensuring adequate levels of food aid. They have established a clear distinction between emergency and non-emergency food aid, but critical questions still remain: What defines the commencement and duration of an emergency? Can food aid be justified in non-emergency situations? Who decides? Existing international mechanisms for governing food aid already have severe limitations when it comes to monitoring and enforcing efficient

and appropriate responses to humanitarian emergencies. Is it time for a new institution?

Recent thinking about food security and social protection has brought in-kind food aid under greater scrutiny from a development perspective. Effective support for restoring food security requires an understanding of which dimensions of food security are compromised and why. An emerging body of experience with social protection and food safety nets offers important lessons for the design and implementation of such measures. More research is needed to evaluate alternative interventions, but it is already clear that conditional and unconditional cash-based programmes offer exciting opportunities for promoting sustainable improvements in food security. Whether to use food instead of cash in social safety nets depends largely on food availability and the functioning of markets. Where adequate food is available and markets work reasonably well, in-kind food aid is not the most appropriate resource.