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IS THE U.S. USING MONEY WISELY?

NELLIE BRISTOL

While millions of struggling people worldwide benefit each year from U.S. donated food, critics of the system advocate for a more efficient, development-oriented food assistance program.



The food price crisis is spurring food aid policy reforms at institutions as varied as the World Bank and the Gates Foundation. But the largest food donor, the United States, which provides more than half of food aid globally, is largely maintaining what many feel is an antiquated and inadequate food delivery system. With the best chance for reform, the 2008 U.S. Farm Bill, already behind them and the crisis not likely to abate, food aid advocates are wondering what it will take to force U.S. policy to be more responsive to the hungry and vulnerable.

Devised 50 years ago largely to offload farm surpluses and promote trade, U.S. food aid is delivered almost entirely in the form of grain and other commodities and transported mainly on more expensive U.S. ships. The Government Accountability Office (GAO) calculates that even in emergency situations, the shipments take four to six months to arrive in needy areas. Sometimes they arrive after the harvest has come in and the crisis has abated, which leaves shipments to flood the now functioning local market. Those pushing for reform are asking the U.S. to provide more cash for local and regional food purchases both to make aid quicker and to bolster local markets. They also are advocating for more resources to support long neglected developing world agriculture sectors.

"This is really all about a flexible approach," said Phillip Thomas, GAO assistant director for international affairs and trade. "If you're really about feeding hungry people in an emergency situation or in a development situation, you want to have all the tools."

The longer the food price crisis continues, the more imperative it becomes that food is used in the most efficient form. On average, Congress appropriated \$2 billion yearly for food aid since 2002. It allotted \$2.5 billion a year in the recent Farm Bill and an additional \$1.2 billion to address the food crisis. GAO estimates that even before the current crises, fuel and business costs reduced the total tonnage of food delivered with U.S. funds by 52 percent over five years. The stakes are high for the world's vulnerable populations. The price of food more than doubled over the last several years in some places, causing additional stress for families and increasing political pressure for developing country leaders. The UN Food and Agriculture Organization estimates that more than 75 million people have been added to the roles of the hungry since prices began to climb in 2005. With the global financial crisis, growing markets in China and India, and added pressures from climate change, the situation is only expected to get worse. Some predict that the era of food surpluses may be over, indicating a drastic need for increased agricultural development in food insecure areas.

Food security is key to the health both of economies and individuals, especially for particular populations. Research shows that lack of essential nutrients in the first two years of life can lead to irreversible damage including shorter adult stature, lower attainment in school and reduced earning capacity. Lack of food has a range of effects for HIV/AIDS positive individuals. Infected adults need 10 percent to 30 percent more calories than the non-infected while HIV positive children can require up to 100 percent more calories than other children. Poor nutritional status can speed progression of AIDS related illness and jeopardize drug adherence, said Stuart Gillespie, director of the Regional Network on AIDS, Livelihoods and Food Security. "Some people are actually scared to take the drugs because they know their appetite will increase and they know that they won't be able to find the food for that increased appetite," Gillespie adds. Adequate food availability can also have a preventive effect, keeping women in particular from engaging in risky transactional sex to feed themselves or their families.

The most effective form of aid is highly context oriented and sometimes even specific to the type of person receiving the aid, said Agnes Quisumbing, senior research fellow at the International Food Policy Research Institute. While all forms of food aid show increases in weight to height, work by Quisumbing and her colleagues shows differences in aid effectiveness depending on whether the food was distributed for free or used in a food-for-work situation. It also shows variations in effectiveness depending on the gender of the recipient. Research continues on whether food or cash is more effective for long-term results. While nutritional status may improve more rapidly in the short term with direct commodity distribution, cash may encourage sustainable markets, which could improve health outcomes more in the long term, she noted. "The donors were hoping we would come up with one blanket recommendation," for the most effective food aid, Quisumbing said, but the results were not that clear. Overall, she said, research findings argue for greater investment in long-term agricultural development over provision of emergency aid after nutritional status already has been compromised.

But emergency relief has grown in recent years and now comprises the bulk of U.S. food aid. In addition, funding for agricultural development has dropped steadily over the years from all donors. Agriculture made up 18 percent of official development assistance in 1979, but fell to 3.5 percent in 2004. Many are pushing for greater attention to increased crop yields and diversification and market improvements to reduce the number of food emergencies. "I think there's general recognition that just focusing on the short term, we're chasing our tail and we're getting further and further behind," said Thomas Melito, GAO director for international affairs and trade.

To better address short-term concerns and support longer range market issues, food aid reformers advocate a range of interventions that respond to local market and nutritional needs rather than just choosing one donation method for all situations. Cash is often quicker and more efficient but may cause more problems than straight food donation in some cases. "The problem is that cash works really well if markets work well," said Christopher Barrett, international professor of agriculture at Cornell University and co-author of *Food Aid After 50 Years: Recasting its Role*. In other circumstances, "just pumping cash into the system can be purely inflationary," he added. Food also is the better choice in situations where commodities are not available in a broad regional area.

Barrett and co-author Daniel Maxwell, associate professor at Tufts University, developed a food aid decision tree that analyzes local markets and food availability to determine whether aid should come in the form of food or cash and whether food should be purchased locally, regionally or come from abroad. They and other advocates warn against locking into any specific donation method, but urge looking at the specific situation. Food, in fact, may become the more valuable commodity if prices remain high. "In-kind food aid is suddenly in very short supply and very high demand," Maxwell noted. While recipients had been asking for cash, "Now they are saying, 'please, we want the food and not the cash.'"

Many also are arguing that the nutritional value of food, both that obtained locally and donated, needs to be considered more carefully. "We may need to bring in something that is trying to address the nutrition issue a bit more directly. That's a big issue," said Bob Bell, director of the food resources technical team for CARE.



The food crisis is arguably felt the strongest in refugee camps, such as the three Dadaab Refugee Camps in northern Kenya.

The recent Farm Bill, approved in June by Congress, calls for increased nutritional analysis of U.S. food and establishes a pilot project that provides cash for local food purchases. But many were disappointed that the bill didn't go further. Bill sponsors rejected a Bush Administration proposal allotting 25 percent of food aid funding for local purchase instead of buying commodities in the U.S. The pilot program set aside \$60 million over four years for local purchase, less than 1 percent of total U.S. food aid. An

additional \$50 million was added in supplemental appropriations, but advocates still find it lacking. "If you like the status quo then [the Farm Bill] is not so bad. If you're interested in improving and reforming our food aid program, then it was a disappointment," said Gawain Kripke, senior policy advisor on international trade issues for Oxfam America.

Pushing against more sweeping reform is what is known as the "iron triangle" of agribusiness, maritime interests and NGOs that use funding generated from selling food aid to support their programs. Those interests "all have a major stake in seeing to it that the status quo is not upset because they all stand to lose if that coalition of interests falls apart," said Tufts' Maxwell. Some NGOs sell U.S. food that is donated to them in low-income countries. They then use the cash to support development programs and operations in a practice known as "monetization." GAO calls monetization "inherently inefficient" and some estimate that for every \$1 used to buy the food initially, 50 cents or less actually ends up in program budgets.

The funding method is highly controversial and has divided the NGO community. One of the largest monetizers, CARE, instituted a four-year phase-out of the practice, which becomes fully effective in September 2009. "We stopped doing it because it was wasteful and because it has unintended harmful consequences," including commercial displacement of local products and undermining local development, said David Kauck, senior program technical advisor with CARE. Bell adds, "Imported food aid is probably best when used in times of emergency or to support certain kinds of safety nets. Monetization, while important as a source of cash, was not the right use of the resource."

While CARE's move is described as "bold" by several observers, the group says it expects to lose as much as \$45 million a year in U.S. funding as a result of the decision. While it is working to raise the funds from other donors, CARE officials said the move will affect their operations in certain countries. That money was used for precisely the types of long-term programs most needed to ensure sustainable agriculture in developing countries. While some groups have expressed support for CARE's move, including Catholic Relief Services and Mercy Corps, none has joined it yet.

Pro-monetization forces, including World Vision, Feed the Children and Land O'Lakes, all members of the Alliance for Food Aid, argue that monetization provides important food resources in certain countries and supports key programs. "The proceeds generated from sales are used to support delivery of donated food or for projects that improve local food security, including decreasing childhood malnutrition, increasing agricultural productivity, and increasing household incomes in poor areas," Alliance documents say. Sixteen NGOs received donated non-emergency food through the U.S. Agency for International Development's Food for Peace program in 2007 valued at \$348 million. USAID staff said about two-thirds of non-emergency food is monetized yearly.

Reform supporters say most NGOs, at least privately, admit that monetization is inefficient, but they are loath to give up the practice without a guarantee that equivalent funds would be made available to support their programs. "The challenge for NGOs is if you're seeing investments in agriculture going down, why would you say stop food aid on an assumption that it would somehow go up?" said Sam Worthington, president and CEO of InterAction, an NGO umbrella organization. The European Union switched from a largely commodity based food aid system to a cash program, but some say the total amount of aid available has decreased. Also, they argue the current U.S. system generates political support for food aid from farm-state representatives in Congress and others and potentially generates good will for the U.S. as the needy receive bags of grain emblazoned with U.S. symbols. "There certainly are valid political reasons for why the status quo has been maintained, there's no question about that," Maxwell said.

As turmoil continues both in the food and financial markets, donors will be looking for ways to improve their aid efficiency. "The longer the food crisis goes on, the more flexible the U.S. is likely to become," said Lisa Kuennan, director of the public resource group at Catholic Relief Services (CRS). She said USAID already shifting some of its contract with CRS from food to cash to mitigate the high costs of shipping.

Other proposals also are being developed. Sen. Richard Lugar, R-IN, ranking Republican on the Senate Foreign Relations Committee, introduced legislation in September that would authorize \$5 billion over five years to develop an integrated U.S. global food security plan and support agricultural development in high-risk countries. It also would provide funding for local and regional purchase of food aid separate from current food aid programs.

Despite entrenched interests in current U.S. food aid policy, some are optimistic there will be a move toward greater efficiency in the future. The food price crisis, said J. Stephen Morrison, director of the Global Health Policy Center at the Center for Strategic and International Studies, "changes the whole context" of food aid policy. "It gives a whole different rationale and sense of urgency and allows us to lift the debate out of where it's been stuck for a very long time."



As of September 2009, CARE will halt the controversial practice of monetization, which is estimated to create a \$45 million loss in U.S. funding each year.

Nellie Bristol is a freelance journalist specializing in health policy.

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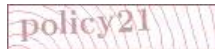
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