

# **Food Aid At A Crossroads: The Shared Challenge NGOs Face**

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## Executive Summary

Food aid stands at a crossroads today. Major policy decisions will be made in the coming year as to the direction food aid will follow for the next decade or more. NGO leaders need to decide soon how to engage these debates. If the NGOs fail to step forward on these imminent, major decisions, not only will they miss a substantial opportunity to shape their own future role in food aid operations, they risk abdicating the historic responsibility of development and humanitarian agencies to ensure the poor's access to adequate food. Thus far, the NGO community has been largely and noticeably silent.

How has food aid reached this crossroads, with key decisions to be made amid contradictory indicators of the health of the current system and the NGOs struggling to join the debate? What key issues lie ahead and what key next steps must NGO executives take at this conjunctural moment, taking advantage of emerging opportunities and paying heed to ever-present risks? This background paper focuses on these two topics. First, it describes the persistent reality of donor-oriented food aid and slow, incomplete movement towards a recipient-oriented system. Then it lays out the three-part shared challenge the NGOs face:

- (1) to articulate a shared vision as to how food aid fits into a strategy to reduce poverty and to fulfill and protect human rights,
- (2) to coordinate at an operational level in food aid management, and
- (3) to cooperate at the strategic level in the realm of policy advocacy related to food aid.

NGOs must work together in these three parallel activities. No single NGO has much incentive to seriously rethink, much less to change its food aid operations or mount a significant advocacy effort for pro-poor reform of food aid programming without the cooperation of other NGOs. If, however, the NGOs can move as a bloc to push for real reform of food aid and development assistance more generally, they could be a potent force for a reallocation of resources that would enhance, not constrain, the resource base for fighting poverty and protecting human rights.

The first step is collective articulation of a shared, strategic vision for food aid. The objective here must not be to develop a "food aid strategy" *per se*. Rather, the humanitarian and development community must develop a coherent strategy for reducing acute food insecurity and poverty, and then, based on that broader strategy, demonstrate when and where food aid is an appropriate tool with which to implement (part of) such a strategy, and when it is not. The natural objectives of such a strategy are to fulfill and protect basic human rights to life, health, and food and the reduction of chronic poverty and acute food insecurity. In such a strategy, food aid must be seen as *one* resource, not *the* resource.

Numerous operational issues limit food aid's effectiveness. In particular, questions abound regarding targeting, timeliness, information systems for early warning, procurement and supply chain management. Many useful lessons have been learned in recent years. But there could be considerably more interaction between NGOs over these issues. Specific areas demanding increased operational coordination include:

- self-enforcement of codes of conduct and development of mechanisms for operational agencies to hold each other accountable in the field,
- modes of collaboration and capacity-building among local partners,

- personnel management to recognize and value effective emergency programming as much as development programming,
- revisiting fears about the financial repercussions of reforming food aid.

This last bullet point naturally leads to the third and main shared challenge the NGOs face over food aid: policy advocacy. NGOs have long been a major political force in Washington for food aid. As the main conduits by which WFP distributes food aid in low-income countries, NGOs have unique expertise and credibility on the international stage as well. This hard-earned authority can be put to more effective use in advocacy surrounding food aid policies.

However, NGOs face a real dilemma regarding food aid advocacy. They are presently divided within and amongst themselves. Several of the NGOs that handle US food aid must overcome internal divisions over food aid. And organizational self-interest in food aid varies among NGOs. Divisions within and between agencies presently prevent the NGO community from speaking with a unified, effective voice on a subject in which its moral authority and technical expertise is arguably second to none. Nonetheless, these divisions appear reconcilable with more active direction from senior leadership. Without such reconciliation, the NGO community is unlikely to play a leading role in charting the course of food aid for the coming generation.

Four imminent policy debates merit special and immediate attention. First, the current WTO negotiations offer NGOs tremendous opportunities on multiple levels:

- (1) far-reaching liberalization of agricultural trade is in developing countries' interests;
- (2) conversion of program food aid and monetization resources to cash is in NGOs' and recipient countries' interests;
- (3) multilateral disciplines on some forms of food aid tying would facilitate focus of food aid resources on intended beneficiaries and play to NGOs' comparative advantage;
- (4) the prospective exchange of EU (and others') concessions for restrictions on the more egregious forms of food aid offers a chance to secure partial support of the agricultural lobbies for conversion of some current food aid resources to cash.

This debate will likely be largely settled by early August, so NGOs must band together soon if they are to have an effect on the course of the negotiations.

If the NGOs do not work together to shape the WTO food aid debate, and in particular to convert resources presently spent on controversial forms of food aid (e.g., program food aid, monetization) into cash commitments for development programming, they run a very real risk of either (i) facing further reduction in resources or (ii) seeing the WTO ban monetization outright, albeit with a gradual phase-in of 6-10 years. The opportunities and risks afforded by current WTO negotiations over food aid are too great for the NGO community to remain on the sidelines or to engage only behind the scenes through paid lobbyists or in single organization efforts.

The second policy debate over which NGOs could exert influence concerns international food aid governance. Existing international mechanisms governing food aid are dysfunctional and outdated. Donors recognize this and have begun serious discussions of reforms, but thus far have opted to defer such decisions until after new WTO disciplines on food aid have been agreed. To date, the NGOs have been largely disengaged from these debates. The impending

resumption of negotiations over the future of global food aid governance presents a tremendous opportunity for NGOs to secure a seat at a table from which they have thus far been excluded.

The third arena for advocacy is the US domestic policy debate surrounding foreign aid appropriations and the Farm Bill. A status quo bias was clearly manifest in the NGOs' collective response to the Bush Administration's FY2006 budget proposal to shift \$300 million out of the Title II budget to allow local and regional food aid purchases in emergencies so as to increase flexibility in response. This status quo bias reflects underlying fears that food aid is the only sort of resource available to NGOs through the federal appropriations process. However, this is an unnecessarily fatalistic position reflecting circular logic. Moreover, the claim that the government will neither support increased appropriations for foreign aid nor dramatically change the composition of its development portfolio is demonstrably false. If they step up to the shared advocacy challenge, the NGOs could wield their collective moral authority to articulate and vigorously advance an agenda of development assistance focused on the chronically and acutely poor and food insecure, rather than on self-interested technologies and ideologies.

The fourth and final area in which NGO advocacy could significantly improve food aid concerns policy debates in other countries. Here, the objectives should be to:

- i) reduce delays in commitment and disbursement on the part of cash-for-food donors
- ii) continue the push for untying of commodity procurement in nations such as Canada
- iii) play a supporting advocacy role with credible and effective agents for reduction of inflated farm subsidies that slow income and productivity growth in developing countries.

Fifty years after the beginning of modern food aid, several key domestic and international policy processes are converging in such a way as to afford a rare opportunity to recast food aid so as to markedly enhance its effectiveness in serving humanitarian and development objectives. NGO leaders have an uncommon opportunity in the coming year to reshape food aid for poverty reduction for the coming decades. To do so, they will need to follow two key next steps:

- (1) Close ranks within their own organizations around an approach to food aid that is consistent with their organizational mission and vision.
- (2) Establish which NGOs – having arrived at a shared vision per step (1) – can make common cause on a twin-track approach based on:
  - (a) enhanced operational coordination over food aid management issues and
  - (b) more vigorous policy advocacy on issues in which NGOs have indisputable technical expertise and moral authority. This must happen immediately if WTO-related opportunities are not to be squandered. Subsequent debates over international food aid governance, the US Farm Bill, and other donor nations' policies are likewise approaching rapidly.

The NGO community is understandably proud and protective of the central role it plays in global food aid programming. We should collectively celebrate the many accomplishments achieved through food aid and a longstanding and productive private-public partnership over the past half century. Nonetheless, with a few significant and overdue policy and operational changes, made possible by enhanced cooperation among NGOs, food aid can become a far more effective tool for reducing poverty and hunger while reducing costs. Just because we are doing good doesn't mean we can't do better.

## **Food Aid At A Crossroads: The Shared Challenge NGOs Face**

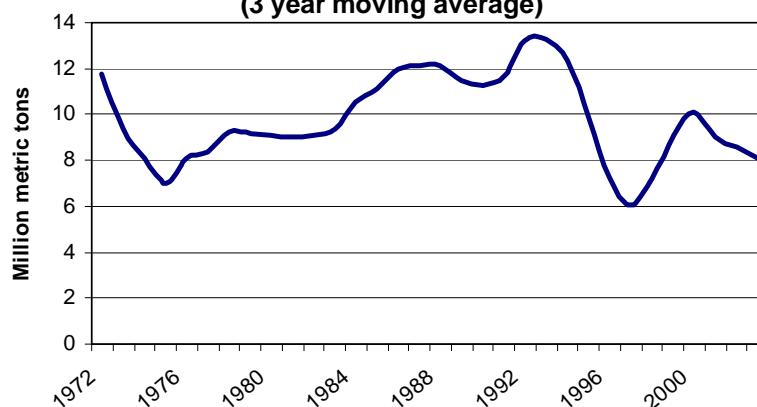
Food aid stands at a crossroads today. Major decisions will be made in the coming year, both globally and in the United States, the world's major donor country, as to the direction food aid will follow for probably the next decade or more. Food aid is a key point of debate within the current World Trade Organization (WTO) Special Session on Agriculture (WTO SSA) negotiations. Meanwhile, donors are seriously rethinking the Food Aid Convention and the future, if any, of the United Nations (UN) Food and Agriculture Organization (FAO)'s Consultative Subcommittee on Surplus Disposal (CSSD). In Washington, the Congress is in the midst of a supplemental appropriations debate that may or may not resolve a funding crisis for emergency food aid resources in the current US federal fiscal year, depending on how House and Senate conferees work out their differences. Next up in the legislative food aid debate will be President Bush's FY2006 budget proposal to move \$300 million from the Title II PL480 account to a new International Disaster and Famine Assistance account for local and regional food purchases, prospectively setting a crucial precedent for uncoupling U.S. food aid budgeting and procurement from domestic commodity and service vendors. And negotiations over the next Farm Bill, through which the US Congress appropriates most global food aid resources, will begin in earnest later this year. The activity level and the long-term implications of impending decisions are arguably unprecedented.

Yet these decision points arise amid contradictory trends in food aid. On the brighter side, marked improvements in early warning systems, targeting methods and supply chain management over the past decade have enhanced readiness and the quality and timeliness of response. NGOs have developed codes of conduct to improve the handling of food aid resources and to help bring interactions with recipient communities into line with rights-based approaches to programming. Several donors have uncoupled their food aid donations from domestic farm support policies, thereby increasing the flexibility of the resource for NGO programming. For the first time in a half century, there are serious, high-level discussions in both Canada and the United States about at least partial, further untying of food aid. And donors are actively exploring substantive reform of international food aid governance that might focus the resource more on humanitarian and development objectives and, perhaps, offer a seat at the table to operational agencies and recipient governments.

On the darker side, food aid is in decline in spite of these considerable improvements. Food aid volumes have fallen to levels seen only twice previously in the past half century: during the 1973-74 world food crisis and during historic food price highs in 1995-97 (Figure 1). Meanwhile, emergency needs and procurement and freight costs are rising rapidly. As a result, USAID has had to reallocate scarce commodities out of multi-year development programs towards emergency operations, and other donors face similar choices. The result is a true funding crisis for non-emergency programs heavily dependent on food aid resources. Meanwhile, there is considerable pressure in the context of current WTO negotiations to put

strict limits on food aid – especially on tied<sup>1</sup> or monetized food aid – that might cause further reduction in resource availability, especially for non-emergency programming. At the same time, agencies handling food aid have been involuntarily drawn into trans-Atlantic disputes over genetically modified foods and now must navigate some delicate political terrain on these issues.

**Figure 1: Global Cereals Food Aid Flows  
(3 year moving average)**



Source: WFP INTERFAIS

Time is of the essence, especially as regards shared advocacy. The world is not waiting on the NGOs. One subtle but important legislative milestone has now passed without NGO input. The Congress recently reauthorized the U.S. Maritime Security Program for another decade, well in advance of its September 2005 expiration. This directly affects freight costs on U.S. food aid shipments. The next impending decision point on food aid arises from the WTO SSA's need to agree on preliminary modalities related to food aid by early August, in preparation for the Hong Kong ministerial in early December 2005. OXFAM has visibly engaged that debate.<sup>2</sup> But the broader NGO community, notably the NGOs most active in handling food aid, have been strikingly silent in the WTO food aid debate, although trade negotiators openly welcome expert input of the sort the NGOs could provide.

Meanwhile, where the NGOs have been active collectively, thoughtful observers openly wonder about the motives and wisdom of the positions taken. For example, the Coalition for Food Aid<sup>3</sup>

<sup>1</sup> There are two different definitions of “tying” in play. The US government tends to use the more lax definition employed in the WTO Uruguay Round Agreement on Agriculture (URAA), which prohibits food aid from being directly or indirectly tied to commercial exports of agricultural products to recipient countries, in contravention of the export subsidy commitments made elsewhere in the URAA. The prevailing use that is likely to prevail within the WTO SSA for the next Agreement on Agriculture, however, will be the stricter definition agreed in 2001 among OECD/DAC member states, which defines tying as aid that requires the procurement of goods and/or services from the donor country (i.e., in kind contributions). See the recent study OECD/DAC (2005), “The Development Effectiveness Of Food Aid And The Effects Of Its Tying Status”. Moreover, the URAA’s definition of tying is internally inconsistent with its endorsement of the UMRs monitored by CSSD, since these require food aid to be accompanied by commercial food imports by recipient countries.

<sup>2</sup> OXFAM International, *Food aid or hidden dumping? Separating wheat from chaff*. OXFAM Briefing Paper 71 (March 2005).

<sup>3</sup> The Coalition for Food Aid, a consortium of 14 NGOs, was established in 1985. As of early 2005, the membership of the Coalition for Food Aid consisted of Adventist Development and Relief Agency International, ACDI/VOCA, Africare, American Red Cross, CARE, Catholic Relief Services, Counterpart International, Food for the Hungry

has been energetic and effective behind the scenes in marshalling developing country support for U.S.-led positions in WTO and in drumming up Congressional support for authorizing commodity release from the Bill Emerson Humanitarian Trust and for supplemental appropriations. Yet the Coalition's response to the President's FY2006 budget proposal – to make \$300 million available for local and regional purchases – was notable mainly for its clear lack of enthusiasm for increasing procurement flexibility and the Coalition's lobbying at the WTO conveys a similar impression of unqualified support for business as usual. There is widespread questioning within Coalition member organizations as to whether these policy stances best serve NGO long-term interests — not to mention the rights of poor and food insecure peoples — and whether the NGOs are leading or following in this agenda and whether these positions are perhaps driven by inertia more than by a serious strategic assessment that the status quo is NGOs' best option.

NGO leaders need to decide soon, individually and collectively, how to engage contemporary food aid debates. This decision matters enormously for their organizations for at least three reasons: food distribution is a central part of several organizations' identity, food aid represents a large portion of gross program expenditures for many US-based NGOs, and emerging divisions within some NGOs over food aid could easily spill over into other domains. NGO decisions with respect to food aid debates also matter for the world, especially for acutely and chronically food insecure peoples for whom food aid is a critical – if sometimes contentious – resource. For example, donor positions remain rather ideological in the WTO debate, where trade negotiators have little understanding of crucial details of food aid programming and policies. Without adequate, accurate information, they may well enact disciplines that could hurt vulnerable peoples and the organizations that serve them. The NGOs are perhaps the only authentic, credible voice for the poor in the WTO debate today. The question is whether, when and how they will exercise that voice.

Several of the organizations most active in food aid distribution are currently mired in protracted internal reviews of operational issues concerning food aid management that seem to leave them largely on the sidelines in the public policy debates. Meanwhile, divisions within and between agencies appear to prevent the NGO community from speaking with a unified, effective voice on a subject in which its moral authority and technical expertise is arguably second to none. If the NGOs fail to step up and make themselves heard on these imminent, major decisions, not only will this represent a substantial missed opportunity to shape a critical debate over the future role that NGOs themselves will have in food aid operations, it also risks abdicating the historic responsibility of development and humanitarian agencies to ensure the poor's access to adequate food.

### **The Persistent Reality of Donor-Oriented Food Aid**

Literally scores of millions of people have been assisted, and in many cases their lives saved, by food aid over the past half century. However, food aid remains driven primarily by donor

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International, International Orthodox Christian Charities, International Relief and Development, Mercy Corps, OIC International, Save the Children and World Vision.

country political economy considerations that make food a primary form in which overseas development assistance is available in many contexts, most notably from the United States.

The prevailing model of transoceanic food aid shipments was born in the 1950s and 1960s, when generous farm price support programs for North American farmers generated large government stockpiles of food. Government-to-government food aid shipments, commonly known as “program” food aid, helped dispose of surpluses, thereby reducing government price support payments to farmers and storage costs for government-held stocks. So the food was cheap. Recipient governments usually sold the food on the open market and used the cash proceeds for other development activities.

The hypotheses that food aid donations might help build future commercial agricultural export markets, that tying food aid shipments to U.S. flag vessels could help maintain a viable private merchant marine fleet for national security purposes, or that food aid might prove a useful tool for gaining geopolitical leverage, only made the US food aid programs –primarily PL480 – that much more attractive in the 1950s and 1960s. These multiple objectives also built a strong, if unusual, political coalition behind food aid.

However, since government food stockpiles are largely a thing of the past, most U.S. food aid is now purchased through government procurement systems, at a slight premium above prevailing market prices to a few fortunate firms in the system. What used to be a cheap resource now costs a bit more than wholesale market prices. Yet at a total annual value of less than \$2 billion today, U.S. food aid programs are too small to have any major effect on the general prices America’s farmers receive in an economy where annual food expenditures top \$900 billion. Consequently, outside of a very few niche commodities and processors, food aid generally fails to boost the prices received by American farmers and agribusinesses, and it doesn’t expand overseas markets for their products. European nations, realizing this, have largely decoupled food aid programs from their bloated domestic farm support programs over the past decade. The U.S., and to a lesser degree Australia and Canada, has been slow to follow suit.

The domestic political benefits of food aid serving multiple masters has come at a serious cost in terms of its effectiveness, limiting food aid’s effectiveness in humanitarian emergencies by, more often than not, impeding good targeting, slowing responsiveness, distorting recipient and intermediary incentives, and adding considerably to costs. Although trade promotion, surplus disposal, geopolitical and humanitarian assistance motives all support food aid as a general phenomenon, these objectives almost inevitably conflict over the specifics of food aid policy. Where other donors have significantly simplified the politics and practice of food aid in recent years, significant reforms have yet to occur in the United States.

The ineffectiveness caused by trying to use food aid to serve multiple, but ultimately inconsistent objectives, should come as no surprise. As Vern Ruttan and other expert commentators on food aid have pointed out repeatedly for more than a decade,<sup>4</sup> the failings of the global food aid

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<sup>4</sup> See Vernon W. Ruttan, editor (1993). *Why Food Aid?* (Baltimore: Johns Hopkins University Press, 1993) and *United States Development Assistance Policy: The Domestic Politics of Foreign Economic Assistance* (Baltimore: Johns Hopkins University Press, 1995).

system derive directly from ill-advised efforts to try to serve multiple objectives that have ultimately proved mutually inconsistent with a single policy instrument: food aid.

Moreover, food aid is demonstrably ineffective in advancing donor-oriented goals such as farm price support, export promotion or geostrategic manipulation. The use of food aid to pursue donor objectives that it does not effectively advance not only sparks controversy, it also causes food aid to under-perform its potential to provide food to places where availability is insufficient and markets don't deliver it reliably and quickly enough to protect human lives. Many of us believe, based on rigorous empirical analysis, that food aid could be uncoupled from these other objectives with no harm to farmers, donor commercial or strategic interests overseas, etc. and in such a way that the developmental effectiveness of food aid could be improved markedly.<sup>5</sup>

Yet the current political economy of food aid remains underpinned by several key myths, among others that:

- 1) food aid is an effective form of support for American farmers;
- 2) in the wake of the 1990 Farm Bill's declaration of food security as the sole stated objective of US food aid, American programs are no longer driven by self-interest, especially not by the commercial interests of a few dozen private firms;
- 3) food aid adds fully to recipient consumption, rather than displacing market purchases, supplementing marketed surplus, or both, thereby potentially driving down food prices and/or disrupting commercial trade in recipient countries;
- 4) food aid builds long-term commercial export markets for donors, although the best available statistical evidence finds negative internal rates of return out to horizons of thirty years on US food aid as a commercial export promotion tool;
- 5) cargo preference laws effectively support the U.S. maritime industry, which has been halving in shipping capacity every decade for the past thirty years;
- 6) food aid reliably reaches hungry people and only hungry people, and in timely fashion; and
- 7) a dollar's worth of food aid appropriations translates into a dollar's worth of food consumption by hungry people.

The NGO community is currently a (perhaps unwitting) party to the propagation of these myths. Individually and collectively, NGO leaders need to decide if they wish to continue on this path. Or, do they prefer to invest the energy to transform a machine in which their organizations are a crucial cog. Without the necessary effort and resources to change the debate to focus it on poverty and hunger reduction, to expose prevailing myths and to build the political coalition necessary to support modest, sensible food security programming around the world, there are real risks in abandoning the status quo. But sticking with the status quo runs very real risks as well, as the international community's patience with existing food aid programs runs thin and as NGOs' financial and reputational exposure on these issues remains high. NGOs can – arguably, must – take the lead in determining the future of food aid.

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<sup>5</sup> For example, see Barrett and Maxwell (2005), OECD/DAC (2005), Joachim von Braun (2003). *Berlin Statement on Food Aid for Sustainable Food Security*. International Workshop on Food Aid - Contributions and Risks to Sustainable Food Security. September 2-4, Berlin, Germany, or B. Colding and P. Pinstrup-Andersen (1999), "Denmark's contribution to the World Food Programme: A success story," *Food Policy*, 24(1), 93-108.

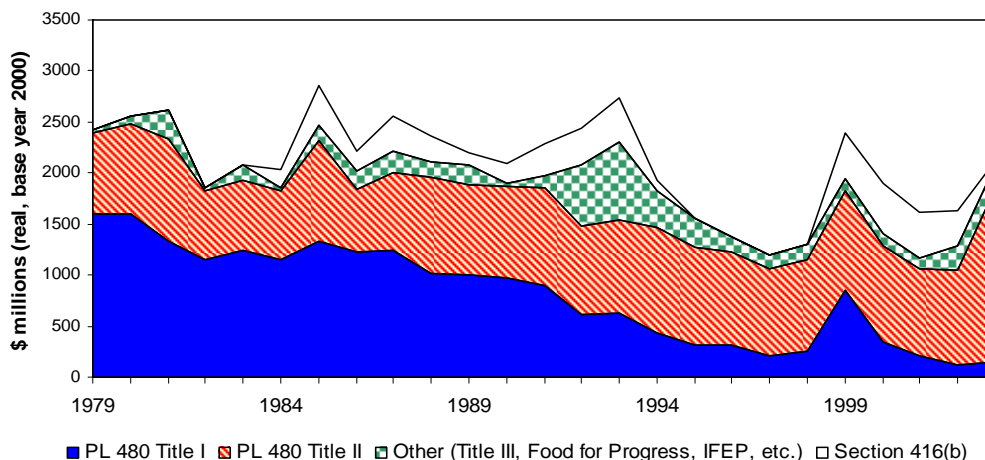
## Slouching Towards A Recipient-Oriented Food Aid?

While food aid remains mired in donor-oriented concerns, there has been significant progress in food aid programming and management in recent years. These recent advances offer the promise of a food aid regime that could be far more effectively integrated into coherent strategies to combat poverty and undernutrition around the world.

It remains to be seen, however, whether these advances give rise to a more effective set of food aid policies or if they merely provide political cover for what could be a Yeatsian second coming of donor-oriented food aid in the wake of the next WTO Agreement on Agriculture. History has shown repeatedly that donor governments have difficulty resisting domestic political pressure to use food aid as a vent for domestic surpluses, regardless of the appropriateness of the shipments in development or humanitarian terms.

Over the past 20 years, as donor governments' farm policies have evolved, reducing or eliminating most direct price supports and resulting public food stockpiles, program food aid has waned. Project food aid, in support of local interventions run by NGOs or by the World Food Programme (WFP) and often linked to food-for-work, maternal and child health or school feeding initiatives, has been commonplace since the 1970s. Over the past fifteen years, emergency food aid in response to natural disasters and complex political emergencies has become the predominant form of food aid, usually in the form of free distribution to acutely hungry people, including refugees and internally displaced persons.

**Figure 2: US Food Aid Programs, 1979-2003**

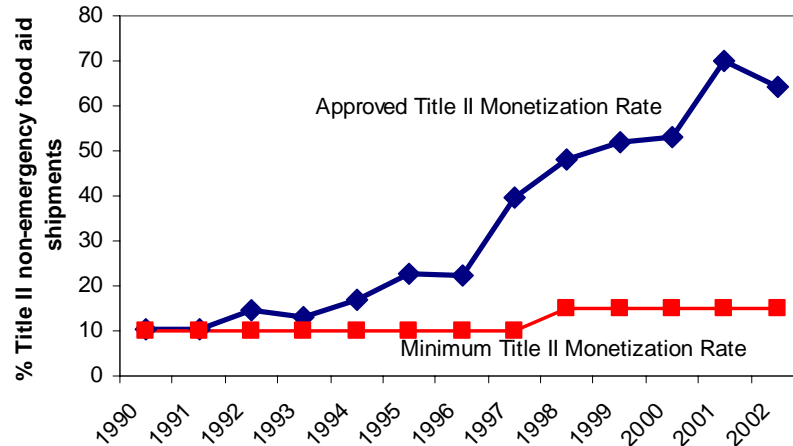


Data sources: U.S. Dept. Of Agriculture, General Accounting Office, Bureau of Economic Analysis

U.S. food aid programs, the world's largest, demonstrate this pattern. Title I PL480 program food aid has declined more than 90 percent since 1980 in inflation-adjusted terms, while emergency and project food aid under Title II have increased significantly since the end of the Cold War in 1989-1990, when food security was made a formal objective of American food aid (Figure 2). Title II resources have increased significantly in real terms, even since 2000, although a large share of the increase since the early 1990s is associated with the rapid increase in non-

emergency Title II monetization (Figure 3), which has blurred the old distinction between program and project food aid.

**Figure 3: Non-Emergency Title II Monetization Rates**



Food aid programs have evolved considerably over the last fifteen years as the various actors involved in food aid programming have learned that direct distribution of food to individuals is necessary but insufficient to stem suffering and to achieve lasting social and economic development. However, it is unrealistic to expect to find much additional public funding for this strategically important goal. So we must use existing resources more wisely. This requires both policy changes by the donor country governments that provide food aid and operational changes by the agencies that distribute it.

### **The Shared Challenge NGOs Face**

The persistent reality of donor-oriented food aid and slow, incomplete movement towards a recipient-oriented system pose a shared, three-part challenge for NGOs and other development professionals today:

- (1) to articulate a strategic vision for food aid as an integral component of poverty reduction efforts, including the design and implementation of an effective strategy for transitioning donor policy and agency programming so as to realize that vision,
- (2) to coordinate effectively at an operational level over food aid management issues, and
- (3) to mobilize effectively at a strategic level in policy advocacy.

While American NGOs face substantial challenges associated with the current food aid funding crisis, with broad-based pressure to curb monetization, etc. and considerable opportunities afforded by current and impending policy dialogues around the WTO, international food aid governance arrangements, and the U.S. Farm Bill, they have been unable thus far to identify an effective means of addressing these challenges and opportunities. While it will not be possible (or even desirable) to radically reform US food aid overnight, a two step process is both desirable and feasible. The first step is to determine what NGOs believe the future of food aid should look like. The second step is to design a transition strategy to get from the current status quo to that new vision, how long it will take, and what is required to get there.

Given greater opportunities to use food aid for development purposes since the changes brought about in the 1990 Farm Bill and relatively easier access to food than to cash resources, NGOs have become very proficient at using food aid as the “least bad” resource for development programming. Monetization and the Development Assistance Programs (DAPs) they support enable NGOs to use food aid for non-emergency programming that otherwise could not be directly addressed using distributed food (e.g., improving agricultural production and non-farm rural livelihoods, improving access to potable water, micro-credit, education, etc.). But monetization is terribly inefficient and raises the risks of unintended negative effects of food aid, as we have extensively demonstrated.

This highlights the dilemma in which the NGOs find themselves. Most NGOs defend food aid and many depend on it heavily. Yet few field managers defend their reliance on food aid for long-term development programming – as quite distinct from emergency relief operations – on the basis of anything other than the lack of any alternative available resource to address long-term food security problems. The Europeans, the White House (especially the Office of Management and Budget, OMB) and commercial agricultural exporters all want to eliminate or sharply reduce food aid monetization by U.S. NGOs. This at once poses a direct threat to NGOs that rely significantly on food aid monetization but it also creates an opportunity as these other constituencies increasingly realize that they need to work with NGOs and the Congress to replace monetized food aid with new sources of funding for NGO poverty reduction programming.

NGOs’ reliance on food aid — and on Title II in particular<sup>6</sup> — makes most of them fearful that changes in food aid programs will directly and negatively affect their budgets and therefore their ability to fulfill their mission. Food aid budgets contribute directly not only to the cost of the delivery of food commodities themselves, but also to the budgets of field offices, recurrent staff costs, and other operational costs related to project management, so-called “shared project costs”. Furthermore, food aid can also be used to leverage other, non-food (cash) resources.

Some NGOs also fear that a drop in food aid receipts would adversely affect private donations they receive because of a widespread – but unsubstantiated – belief that NGO private fundraising performance depends in part on the ratio of program expenditure to overall expenditure as an indicator of managerial efficiency. Having a large food aid budget helps keep that ratio high because the marginal management costs of additional food aid are low: one can handle 100,000 tons of food aid with roughly the same headquarters management costs as 10,000 tons.

These factors have generally fed NGO fears that if food aid were reformed, they would suffer financially, leading to a widespread “don’t-rock-the-boat” attitude. Nevertheless, NGOs will have to show some courage and break from their short-term, income statement dependence on food as a resource. NGOs can take the lead by making adaptations to their food aid operations which push the process of change in the right direction, demonstrating a credible long-term vision without jeopardizing essential ongoing operations. Several prototype transitional strategies exist, where food aid is targeted to uses where food itself is the necessary resource and cash is leveraged to address other, poverty programming.

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<sup>6</sup> NGOs also use other U.S. food aid programs, but the overwhelming majority of resources comes from Title II.

NGOs and other operational agencies are clearly doing some excellent and important work in spite of being starved of first-best cash resources. If NGOs can do good things even with poor resources, they could do even better with more flexible resources, even if there was a bit less of it in aggregate in the system. Such reforms are not only necessary but feasible.

NGOs must cooperate on this. No single NGO has much incentive to change its food aid operations without the cooperation of other NGOs. If, however, the NGOs can move as a bloc to push for real reform of food aid and development assistance more generally, they will be a potent force for a reallocation of resources that would enhance, not constrain, the resource base for fighting poverty. Yet many NGOs continue to push food aid aggressively, seeing monetization as the best short-term route for greater cash resources for development, even while acknowledging the questionable economic returns on monetization. NGO staff too often argue that the lobby supporting the status quo in food aid is far too powerful to change, perhaps not recognizing the extent to which they themselves are a substantial part of that lobby and the extent to which development funding has been expanding and changing rapidly in recent years. In order for real reform to take place, the NGOs must wield their influence to bring about overdue reform of food aid programs. The first step is collective articulation of a shared, strategic vision for food aid.

### **The Shared Challenge I: A Strategic Vision for Food Aid**

For fifty years, food aid has been driven in large part by interests among multiple political constituencies prepared to support a donor-oriented design for food aid policies. The first shared challenge faced by NGOs is to articulate a more compelling, strategic vision for food aid. Food aid can, under clearly defined circumstances and when properly managed, be an important instrument in an overall strategy for addressing both acute food insecurity and chronic poverty. However, it can also be detrimental to those objectives if not properly managed, or if the humanitarian or poverty-reducing goals of food aid are subservient to other policy objectives. So getting the strategic vision clear among the principals is a necessary first step towards effective coordination at both operational (food aid management) and strategic (advocacy) levels.

It is critical to emphasize that the aim of articulating a shared vision for food aid must *not* be to develop a “food aid strategy” *per se*. For far too long, the response to food insecurity in low-income or disaster affected countries has been resource-driven, with donated food commodities as the resource. Rather, the humanitarian and development community must develop a coherent strategy for reducing acute food insecurity and poverty, and then, based on that broader strategy, demonstrate when and where food aid is an appropriate tool with which to implement (part of) such a strategy, and when it is not.

Dan Maxwell and I advance one such strategic vision for food aid in our new book, based on the integration of recent advances in the economics of poverty traps and in rights-based approaches to development and humanitarian programming. In brief, Maxwell and I conclude that food aid is most effective and necessary in addressing acute humanitarian emergencies, with some limited applications in safety nets in support of anti-poverty interventions and even more limited support

of cargo net interventions in situations where effectively no other resources are available. Food as a resource can advance food security and poverty reduction objectives effectively by ensuring adequate availability of and access to necessary nutrients, and by pre-empting distress sales of productive assets – or the cessation of investment in children’s education – that might imperil future well-being. This preferred use underscores the importance of linking food aid directly to conditions of insufficient local food supply and imperfect food markets. In other situations, alternative instruments are more effective than food aid in meeting poverty reduction and humanitarian objectives. Other policy objectives that have traditionally been associated with food aid (surplus disposal, export market development, maintaining a maritime fleet, etc.) are likewise best achieved with policy instruments other than food aid.

In recasting food aid’s role in support of development and humanitarian objectives, policymakers and implementing agencies must therefore consistently ask two core questions:

1. Is food aid *an effective resource* with which a particular problem can be addressed?
2. Is food aid *the most effective resource* with which to address the problem?

The first question establishes a necessary condition for the use of food aid. If the answer is not “yes,” then food aid is clearly an inappropriate tool and should not play a role. The second question establishes a sufficient condition to justify the use of food aid. When and where the honest answer is “yes,” food aid is a critical resource for combating food insecurity and poverty. More nuanced criteria will be required where the first question can be answered “yes,” and the second question answered “no.” Under such circumstances, there may be operational reforms that can improve the performance of food aid, enabling a “yes” answer to the second question. The tricky cases emerge where food aid is a “second best” resource. Does and should it play a limited role, perhaps balanced with other resources? If so, what are of those other resources and the politics of their allocation? Much of the political tussle over food aid, especially in the United States, concerns this grey area. Progress in this arena will depend, in part, on progress on the second of the NGOs’ shared challenges: improved coordination and cooperation at operational level in food aid management.

## **The Shared Challenge II: Operational Level Issues Of Food Aid Management**

Even with a more explicitly recipient-driven approach to food aid and a clear strategic vision for food aid as one instrument in a broader, coherent strategy for reducing acute and chronic poverty and food insecurity, numerous operational issues limit food aid’s effectiveness. Many useful lessons have been learned in recent years. And many NGOs are working diligently at improving internal operating procedures, while recognizing that many – if not most – current shortcomings result primarily from constraints imposed by donor (especially United States) policy.

But there could be considerably more interaction between NGOs over these issues. Codes of conduct relating to food aid already exist, but more effort needs to go into the self-enforcement of these codes of conduct, including critically, the space for operational agencies to hold each other accountable in the field. The 2003 Berlin Statement calls for reforms at both international and at national level, including an international code of conduct that would strengthen

accountability, effectiveness, fairness, and transparency, and that would be monitored by an independent body.<sup>7</sup>

Operational changes are called for as well. Better information systems are required to support improved situation analysis, both in terms of accuracy and timeliness. Longer-term planning in crisis-prone countries or regions needs to incorporate risk management and vulnerability reduction. And approaches to improve the capacity of local and national partner organizations in all of the above will be critical for long-term sustainability of reducing food insecurity and malnutrition, i.e., in creating appropriate exit options in the longer term.

Because they are increasingly important as local partners of both international NGOs and WFP, local (and community-based) NGOs are in many ways better placed than international agencies to deal with the nitty-gritty details of understanding local problems, perceptions of vulnerability, and their implications for assessment and targeting. International agencies can play an important capacity-building role for local and community-based NGOs.

Many NGOs embrace the right to food, but have not addressed the thorny questions that arise about the implied obligations to respect, protect and fulfill rights. This underlines the earlier point about the centrality of a coherent strategic vision for food aid: this resource plays a role in addressing the right to food and in reducing poverty and acute food insecurity, but only a partial role.

NGOs need to devise better methods of personnel management that recognize and value effective emergency programming as much as development programming. Staff promotions and careers are rarely built on effective emergency programming activities, at least in part because emergencies are viewed as being short-lived and having short-term goals. To retain the staff who can handle the operational demands of humanitarian emergencies, agencies need to have long-term programs employing these staff between emergencies, and to keep pipelines primed with resources. But poorly-resourced development programs do not serve their ostensible poverty reduction objectives very well, nor do they serve their less readily obvious emergency preparedness functions. NGOs must more clearly value both emergency response and development objectives, and manage personnel and resources appropriately for each.

NGOs also need to revisit some of their fears about the financial repercussions of reforming food aid. As Dan Maxwell and I demonstrate in analyzing the expenditures of CARE USA, the possible effects of changes in either general food aid distribution or monetization on the ratio of administrative and fundraising costs to total expenditure are actually quite modest. Ironically, those most dependent on food aid may be NGOs, not poor recipients.

There are significant financial risks associated with a prospective cut-back in inappropriate uses of food aid. But these risks may be less serious than some NGO observers seem to believe. The most significant risk is at the Country Office level in cases where large programs are funded by monetization. These programs are at risk this year simply because DAP budgets are being cut by USAID to find resources to respond to emergencies. Significantly reducing monetization,

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<sup>7</sup> See von Braun (2003).

without a clear strategy to increase cash resources for food security programming, will put some NGO country programs at risk.

Cooperative ventures such as C-SAFE in southern Africa and current relief efforts in Darfur are demonstrating the opportunities, as well as the difficulties, of sharing the detailed lessons learned from complex food-based operations. Improvements in targeting methods, in particular, have the greatest potential to improve the developmental effectiveness of food aid and to reduce the unintended adverse effect of poorly managed food aid on vulnerable subpopulations. Thus greater sharing of lessons learned in targeting – not just the “who” and “how” questions, but equally the “what”, “when”, “where” and “for how long” questions too often overlooked in targeting – could significantly enhance NGO effectiveness in handling food aid.

The biggest shared challenge NGOs face at an operational level comes in coordinating response and clear rules over when and when not to handle food aid. This means developing and maintaining the analytical capacity and the institutional self-discipline to determine when food is not the appropriate resource for a given mission. A Tufts University study clearly noted that NGO managers perceive food aid as a suboptimal resource (a “least bad” resource), but often the only available source of multi-year program funding available from US donors — particularly where food security outcomes constitute the programmatic objectives. When “bad” resources become acceptable, strategic vision often gives way to expediency. NGO leadership needs to consider carefully how comfortable they feel with such compromises.

The shared challenge arises, of course, because no single agency has the incentive to exercise such critical judgment and the discipline to decline in appropriate food aid resources if other NGOs do not follow the same path. But if agencies do not coordinate effectively, the individually rational choice quickly becomes to cave in to short-term pressures to distribute food aid whenever the resource is available, regardless of its appropriateness, and to thereby become beholden to the system as it presently exists. This predictably results in a decidedly inferior outcome.

### **The Shared Challenge III: Advocacy**

As the main (or only) advocates for the poor among the primary current beneficiaries of US food aid programs – the so-called “Iron Triangle” of NGOs, shippers and big agribusiness – NGOs must exercise leadership not only over internal operational issues but also at a broader, strategic level in reforming food aid policies. In particular, the NGOs must ensure not only that food aid remains available when and where it is needed in emergencies, but also that food aid is not misdirected to applications and locations where it is inappropriate.

NGOs have long been a major political force in Washington for food aid. They were key behind-the-scenes players at the creation of PL480 in 1954 and their prominence has increased markedly since the landmark 1990 Farm Bill, which made food security objectives prominent. And of course, NGOs have gained prominence as the main purveyors of American food aid. As the main conduits by which WFP distributes food aid in low-income countries, NGOs have

unique expertise and credibility on the international stage as well. This hard-earned authority can be put to effective use in advocacy surrounding food aid policies.

However, NGOs face a real dilemma regarding food aid advocacy. They are presently divided within and amongst themselves. NGO leaders will need to focus on resolving these differences – at least among the main players – if the NGOs are to speak with a unified voice and thereby exert real influence over the course followed in imminent policy decisions concerning food aid.

While all Title II partner NGOs defend food aid, many of them at least privately question its current application. All would argue that under current circumstances, it is a critical resource. Most, however, would also add (if only privately) that on its own, food aid is an inadequate and terribly inefficient resource. With respect to applications outside of humanitarian crises, virtually all would say that cash, not food, is the resource of choice, but that given the current donor priorities, such resources are not available in sufficient quantities to make them comfortable turning away food aid even when it seems an inappropriate resource.

Several of the NGOs that currently handle US Title II food aid suffer intense internal divisions within their organizations over food aid. In some cases, this will likely require senior executive leadership to break the stalemate. At considerable risk of oversimplification – because the dividing lines are not really so clean and individuals can subscribe to more than one of these views – most of the major NGOs handling food aid encompass four distinct camps:

- (1) The “truck and chuck” camp sees direct food aid distribution as central to organizational identity and an invaluable activity in which their organization holds comparative advantage. They hold no particular opinion on food aid procurement, funding or other practices and think it best to stay out of such debates and to focus on the implementation activities that their agency does well.
- (2) Monetization advocates see food aid as a way to exploit Congressional willingness to appropriate funds for commodity procurement and shipping, but don’t see the food itself as especially useful other than as a means to get scarce cash.
- (3) There is a small group of ideological purists who would like to see their organization dispense with food aid entirely because the resource is inextricably related to donor country farm subsidy programs that hurt developing country economies and farmers.
- (4) The reform-minded group sees food aid as seriously flawed but full of potential, an important tool in need of serious reform, both operationally and at policy level.

Based on my discussions with staff at various levels in field and headquarters offices of most of these organizations over the past few years, it strikes me that few of the larger NGOs handling food aid have adequately resolved these internal divisions. Smaller NGOs (e.g., ACIDI/VOCA, Africare, Technoserve) have made executive decisions among these positions. But the more prominent players have not, in part because senior leadership has not yet articulated a clear organizational vision of how food aid fits with the agency’s mission and how the organization will insert itself into ongoing policy debates over food aid, then closed ranks around that vision. All NGOs need to resolve their position on the use of food aid in development and humanitarian programming, regardless of which position they favor.

Quite aside from the internal divisions within NGOs that handle food aid, there are divisions between NGOs. These differences simply reflect variation in NGOs’ interests. Those with

comparative advantage in handling food commodities risk losing out to those with comparative advantage in delivering critical emergency services or in non-food development programming if resources are uncoupled from the distribution or monetization of food. All NGOs risk losing out to for-profit development consulting firms if there's not a conversion of less desirable forms of food aid into cash earmarked for poverty reduction and food security programming. These divisions within and between NGOs are perhaps the biggest current obstacle to meeting the shared challenge presented by impending food aid policy decisions.

That said, there remains much crucial common ground among most NGOs, especially among the big ones handling food aid – CARE and Catholic Relief Services together account for more than 60 percent of US food aid distributed in the past five years, and an even higher proportion in past years<sup>8</sup> – and other NGOs prominent in international development and emergency relief (e.g., Doctors Without Borders/Medecins sans Frontieres, OXFAM). In particular, they have more common cause with each other than with shippers and agribusiness. Yet the current advocacy posture of the NGOs with respect to food aid appears less through InterAction or similar NGO alliances and more through the Coalition for Food Aid, which throws their lot in with the commercial beneficiaries of food aid, who exploit the appealing humanitarian face of NGO operations to manipulate U.S. food programs for the naked financial interests of a few dozen firms.

NGOs are the fulcrum in the food aid policy debate, especially within the United States. They are the most powerful member of the present food aid coalition. The agriculture lobby is divided on food aid issues, as most producer groups get little-to-nothing from food aid and farmers themselves do not benefit from the programs. The shippers care deeply about cargo preference and have proved a formidable lobby. But they can only work behind the scenes because there is no public support for the use of food aid to cushion a dozen or so shippers' bottom lines. If the NGOs collectively opt to make a break with current policy, this will make an enormous difference to the politics and the course of US – and thus global – food aid.

There are four key sets of issues around which NGO advocacy could make a significant difference: domestic food aid and farm policy debates in the US, food aid policy in other donor countries, prospective disciplines on food aid within the next WTO Agreement on Agriculture, and the rehabilitation of international food aid governance mechanisms.

### WTO Doha Round

The economist David Orden makes the case, in a background paper for CARE, that “[t]he timing of the WTO negotiations, before the next U.S. farm bill, is right for seeking [food aid] reforms as multilateral rules. Doing so also avoids an immediate confrontation with defenders of existing U.S. food aid in a unilateral context. Yet, it would position CARE to bring its arguments to the Congress in a second phase of advocacy, and in that context as part of a multilateral regime to which other nations have also committed and through which the U.S. has achieved other agricultural policy gains. In this way, from its area of strength, CARE also begins to be engaged

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<sup>8</sup> As reported in various annual U.S. International Food Assistance Reports filed by USAID with the Congress.

in farm policy advocacy more generally.”<sup>9</sup> Orden’s guidance to CARE applies to NGOs more broadly. They can and should be engaging the WTO debate from their position of strength as the undisputed global experts on food aid.

In spite of a strikingly content-less agreement in July 2004, WTO discussions on food aid have kicked into high gear in the past month or so, re-ignited by Geneva seminars organized by the US and EU delegations and the resumption of negotiations within the WTO SSA. OXFAM has weighed in with a timely briefing paper proposing specific, strong disciplines on food aid within the WTO’s Doha Round Agreement on Agriculture. Without delving into – nor endorsing or challenging – any of the detailed recommendations OXFAM advances, I note that its views have registered with the trade negotiators. For example, Tim Groser, Chair of WTO SSA, has repeatedly mentioned the OXFAM report, emphasizing the weight of the moral influence NGOs command on such issues with taxpayers and trade negotiators. A concerted effort by the broader NGO community would have considerable influence on the details of agreed modalities for food aid disciplines, which otherwise risk getting slapped together haphazardly at the last minute by negotiators more concerned with other elements of the upcoming Agreement on Agriculture.

This matters because the current debate within the WTO SSA on food aid remains tense. Open (i.e., untargeted) monetization and program food aid are the most objectionable elements to opponents of the status quo and seem almost certain to be subject to some form of disciplines. Food aid on concessional credit terms (e.g., Title I PL480) and tied (i.e., in kind rather than cash-based) food aid are also hot button issues, with many WTO member states pushing hard for food aid that is on a fully grant basis and that is at least partially untied in the OECD/DAC sense of the term, meaning that procurement is permitted in developing countries as well as the donor country. At this point, the key elements to preliminary modalities to be agreed by early August – in order to give negotiators necessary time for consultation with their governments prior to the early December Hong Kong ministerial – appear to be:

- b) clear definition of what constitutes an emergency and universal agreement that there will be no restrictions whatsoever on emergency food aid (“green box” in WTO terminology),
- c) clear definition of “tying”, most likely adopting the OECD/DAC definition and agreeing that there will be no restrictions on untied food aid (i.e., cash resources provided for local and regional purchases),
- d) endorsement of a conversion principle so as to provide developing countries (and NGOs and WFP) with the assurance that food aid no longer permitted under new WTO disciplines will be converted, at least partly, into cash commitments for food security programming,
- e) clarification of a transition period of 6-10 years over which these changes will take place, and
- f) identification of the institutions that will monitor food aid flows and provide the necessary technical adjudication of compliance with new disciplines, including determination as to how much, if any, targeted, tied, nonemergency food aid will be permitted under WTO rules.

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<sup>9</sup> David Orden, “Review of U.S. Farm Policies: International Context, Effects on Developing Countries, and Food Aid in this Policy Nexus”, report to CARE USA, July 2004 (p. ii).

One might legitimately wonder why food aid gets such attention within the WTO. Food aid is small potatoes in the context of international trade: less than 2 percent of global commercial food trade in the past three years. Yet it is symbolically very important. In the WTO framework agreement adopted in July 2004, the EU committed itself to phase out all agricultural export subsidies – roughly €3 billion/year – if and only if other exporters did the same. Food aid is the nearest equivalent US policy and therefore attracts attention disproportionate to its mass in international trade.

The most objectionable forms of US food aid to the EU, Cairns Group, Switzerland and some other delegations are program food aid – under Title I PL480 and Section 416(b) – and monetization of Title II PL480 shipments.<sup>10</sup> So long as USDA remains in charge of a portion of food aid programs – not as a procurement office (through the Farm Services Agency) but as a programming office (through the Foreign Agricultural Service) – then US food aid will be suspect. Thus, while in the short-run many agencies find USDA/FAS simpler to deal with on Food for Progress, 416(b) and the McGovern-Dole International Food for Education and Child Nutrition Program, this may prove penny wise and pound foolish for NGOs if it calls the international credibility of US food aid into question. USDA's mission to promote American agribusiness commercial interests render USDA-mediated food aid problematic to foreign observers.

The current WTO negotiations offer NGOs a tremendous opportunity on multiple levels. First, far-reaching liberalization of agricultural trade is in developing countries' long-term interests (and in most cases, their short- and medium-term interests as well). Second, conversion of program food aid and monetization resources to cash is in NGOs' and recipient countries' interests. Third, multilateral disciplines on some forms of food aid tying – especially tying shipments to donor country procurement of bagging, processing and shipping services that eat up half or more of the US food aid budget most years – would facilitate focus of food aid resources on intended beneficiaries and play to NGOs' comparative advantage.

Moreover, this is a political opportunity to create a coalition for reform that might not reappear for some time. The agricultural lobbies in the United States, Canada and Australia ultimately want WTO concessions from competitor nations far more than they want to protect existing food aid programs. This is, of course, especially true for those lobbies that really don't benefit from food aid (e.g., sugar, peanuts, livestock). The prospective exchange of EU (and other trade competitor) concessions for restrictions on the more egregious forms of food aid thus offers a chance to secure partial support of the agricultural lobbies for conversion of some current food aid resources to cash. Shippers will oppose any changes to current policies, because they can only lose relative to the massive implicit subsidies they currently earn under cargo preference restrictions. The key to NGOs getting the best deal possible for themselves lies in getting at least some agribusiness support, or at least muting agricultural opposition to reforms that favor pro-poor food aid reforms. Moreover, as Orden suggested, the WTO negotiations offer NGOs an opportunity to advocate for disciplines on food aid that can be advantageous to development-oriented programming without having to directly confront powerful opponents in a unilateral political context.

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<sup>10</sup> Arguments that program food aid and monetized project food aid have significant international trade displacement effects find support in a recent study by OECD/DAC (2003), "Export Competition Issues Related To Food Aid".

If the NGOs do not work to convert resources presently spent on controversial food aid practices under assault (e.g., program food aid, monetization) into cash commitments for poverty reduction and food security programming, they run a very real risk of either (i) facing further reduction in resources (i.e., tying a conversion commitment to WTO concessions is an opportunity) or (ii) seeing the WTO ban monetization outright, albeit with a gradual phase-in of 6-10 years. The risks and opportunities afforded by current WTO negotiations over food aid are too great for the NGO community to remain on the sidelines or to fail to find adequate common ground to marshal the considerable moral authority and technical expertise they can bring to bear in these debates.

### *New international governance arrangements*<sup>11</sup>

Existing international mechanisms governing food aid are dysfunctional and outdated. The one formal international accord with legal status, the Food Aid Convention (FAC), has no mechanism for effectively monitoring or enforcing signatories' compliance with the terms to which they have agreed. Moreover, it is based in the International Grains Council, a commercial trade promotion body, and its membership consists only of donor countries – seven countries plus the European Union and its member states – leaving it unable to address myriad issues that involve recipients or operational agencies.

A parallel body with technical monitoring capacity, the Consultative Sub-Committee on Surplus Disposal (CSSD) of the FAO, is routinely ignored by its donor members. CSSD, like FAC, was designed in a different era, one in which food aid was a tool for surplus disposal and commercial export promotion. So its rules, its name, its location within the Committee on Commodity Problems, even its Washington location, reflect an antiquated design that leads to nonperformance. Since 2000, less than five percent of global food aid flows have been reported under CSSD's required notification mechanism.

Meanwhile, the main multilateral organization with the greatest technical expertise in food aid, the World Food Programme (WFP), and the world's chief aid monitoring agency, the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC), have no formal role in coordinating or even monitoring global food aid response. Nor do recipient country governments or NGOs have a seat at the table.

The architecture of international food aid governance can and should be reworked. This presents a tremendous opportunity for NGOs to secure a seat at a table from which they have thus far been excluded. Donors have begun serious discussions of such reforms, but have provisionally opted to defer such decisions until after new WTO disciplines on food aid have been agreed. To date, the NGOs have been largely disengaged from these debates, which will likely resume in earnest after the preliminary WTO agreement expected this summer. Thus there remains time to join the discussion and to help shape the future of global food aid governance.

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<sup>11</sup> See Barrett and Maxwell (2005) chapter 4 for more detail on the international food aid governance institutions and related agreements.

Dan Maxwell and I have proposed a simple, practicable solution to the present mess, a Global Food Aid Compact (GFAC) that would include recipient country governments and NGOs, as well as donor country governments, drawing on existing technical expertise in FAO, OECD/DAC and WFP, utilizing the effective dispute resolution mechanism and credible enforcement power of the WTO, and adding an all-parties code of conduct to enhance transparency and to explicitly recognize the rights of poor people.<sup>12</sup> There is precedent for an arrangement such as GFAC. The Codex Alimentarius works in broadly similar ways to advance food safety objectives while guarding against undue trade disruption.

Variants of the GFAC idea are currently being mooted within the FAC, CSSD, WTO and various donor agencies. It will be discussed in Ottawa in late June at an event for CIDA and parliamentarians organized by the Canadian Foodgrains Bank in cooperation with other Canadian NGOs. Other NGOs should likewise review and discuss the options among themselves and engage the dialogue. They can be a positive force for change if the NGO community can organize effectively around this common cause.

### *Policy Debates In The United States*

The NGO community is perhaps most engaged in advocacy within the Beltway around US policy. Through the Coalition for Food Aid and, to a lesser degree, InterAction, the NGOs play a significant role in shaping the terms of the policy debates around food aid issues. The core question the NGOs confront in the wake of President Bush's FY2006 budget proposal and in the run-up to the next Farm Bill negotiations is whether to continue to play the game as they have previously – as the appealing public face of the Iron Triangle, espousing “useful myths” that prove helpful politically in the short-run.<sup>13</sup>

This question was brought into stark relief by the President's FY2006 budget proposal. If passed into law, an International Disaster and Famine Assistance account for local and regional food purchases would set a crucial precedent by partially untying US food aid from domestic procurement of commodities, post-harvest services (e.g., bagging, processing) and shipping. This is critical since food aid commodities are now purchased at a modest premium over open market prices – in part because of bagging, processing and cargo preference restrictions – and services and shipping costs now gobble up roughly half of the food aid budget. NGOs should strongly support the principle of untying and the objective of increasing flexibility for quick, cost-effective response to rapid onset emergencies.

Yet the NGOs failed to offer a principled endorsement of the President's proposal. Instead, the Coalition for Food Aid gave only a lukewarm endorsement of a dramatically watered-down version of the President's proposal. The NGOs failed to offer clear, wholehearted support for the core principle underlying the proposal: to make resources available in a more flexible and timely

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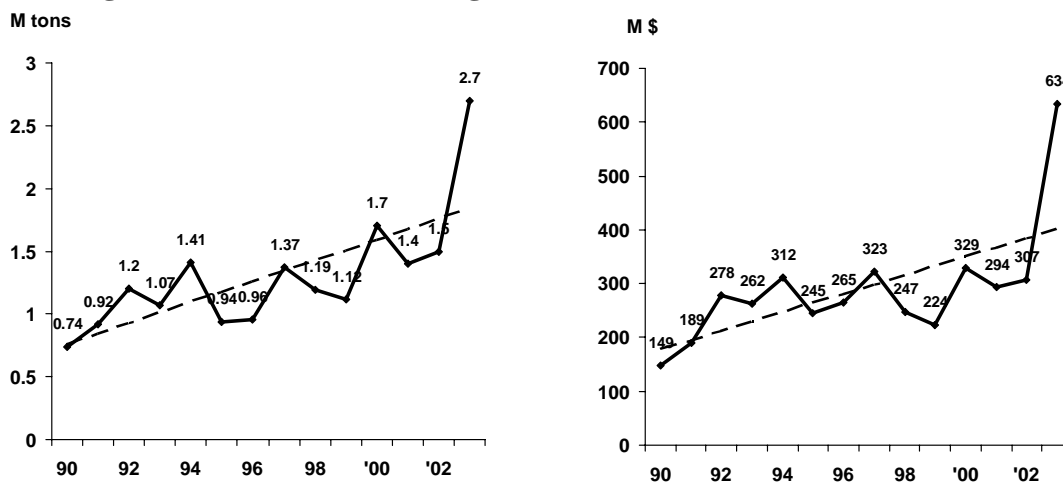
<sup>12</sup> See C.B. Barrett and D.G. Maxwell, “Towards A Global Food Aid Compact,” April 2005 draft paper, or chapter 11 of Barrett and Maxwell, *Food Aid After Fifty Years*.

<sup>13</sup> At an August 2004 meeting at CARE USA Headquarters in Atlanta, one senior executive of another NGO that handles food aid responded to our enumeration of some of the myths that pervade contemporary discussion of food aid by remarking that “some myths are useful” and cautioning against rocking the boat. We take that injunction seriously, recognizing the practical-minded spirit in which it was made.

fashion so as to improve emergency response. To be sure, there are very real and important cautions as to the prospective risks of adverse unintended effects of local and regional purchases due, for example, to unreliable quality control, logistical bottlenecks that could affect timeliness of delivery, limited enforceability of contracts, and induced price rises that hurt low-income, net food purchasing households in the countries where local purchase is carried out. But it seems somewhat disingenuous to express deep concern about NGOs' capacity to undertake adequate *ex ante* analysis of demand-side interventions while steadfastly maintaining that NGOs do meticulous work on Bellmon analyses of counterpart, supply-side interventions. Both the concern about the former and confidence in the latter seem exaggerated.

Moreover, the Coalition clearly misrepresented historical local and regional purchases in an effort to make it appear that the proposal overreached the absorptive capacity of the global food aid system. In its March 2005 recommendation to USAID Administrator Natsios, the Coalition argued that total WFP *local* procurement from developing countries for both emergency and non-emergency programs averaged only 300,000 metric tons a year *over the past decade*, at a total estimated cost of \$150 million. Yet, total *local and regional* (i.e., triangular) purchases actually averaged more than 1.4 million metric tons annually over the past decade and have been climbing steadily, reaching 2.7 million metric tons in 2003, at a cost of more than \$600 million (Figure 4).<sup>14</sup> Local and regional food procurements by WFP in Africa alone were more than 800,000 metric tons in 2003. By leaving out regional purchases and using a decadal average, the Coalition substantially understated the actual and rapidly rising volume of local and regional purchases already undertaken in spite of binding cash constraints to such operations.

**Figure 4: WFP Local and Regional Food Aid Procurement, 1990-2003**



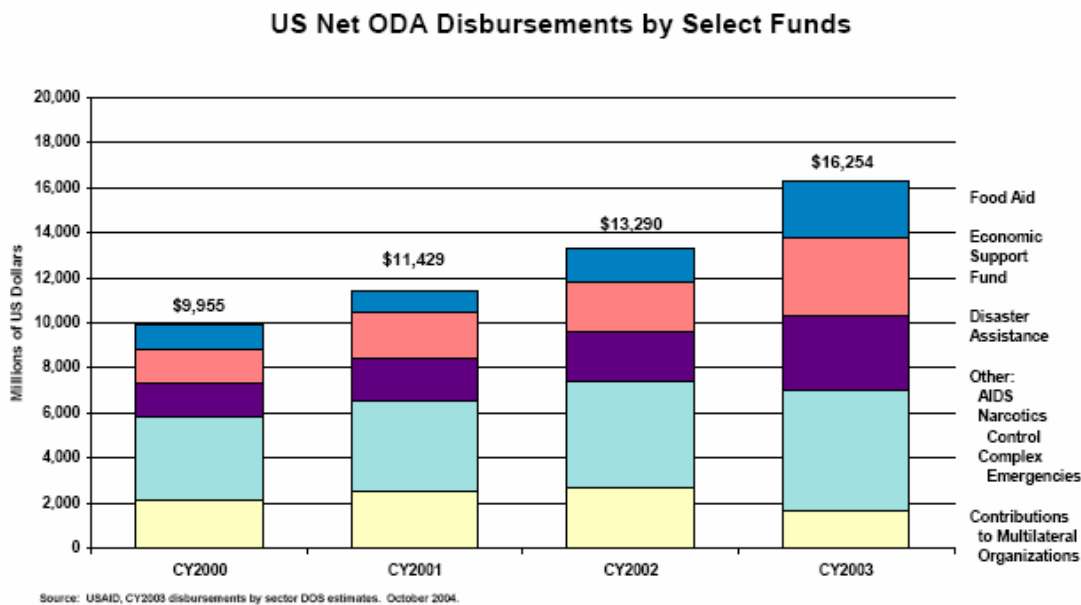
This unfortunate, disingenuous opposition to a reasonable proposal for increased budgetary flexibility signals a reflex defense of the status quo that concerns many observers within NGOs that handle food aid as well as in the international development and relief communities more

<sup>14</sup> Data and figure 4 are from Petros Aklilu, "Local and Regional Food Procurement: An Analytical Review," presentation to the FAO informal expert consultation on food aid, January 2005, Rome. Aklilu is Chief of the Economic Analysis Unit at WFP, where he directs their current local and regional food procurement review, on which this presentation offered a preliminary briefing.

broadly. The concern revolves especially around the likely stance of NGOs in the Farm Bill debate that will begin in earnest later this year. Without strong NGO support, the prospects for rescinding cargo preference – or at least rolling it back to its pre-1985 level of only 50% tying – seem dim in spite of leadership by many farm state lawmakers, the White House and others. Shipping costs are the biggest source of inefficiency in the US food aid system.<sup>15</sup> If the Coalition cannot support modest untying initiated by the White House with a clear humanitarian motive, one must wonder how much NGOs will exert themselves on broader reforms under the next Farm Bill if they remain on the present course.

The strong status quo bias apparent in current NGO positions on US food aid policy reflects underlying fears that food aid is the only sort of resource they can secure through the federal appropriations process. However, this is an unnecessarily fatalistic position reflecting circular logic. NGOs have not pushed hard to replace commodity resources with cash, so there is no vocal, credible constituency for reforms since the main practitioners support the status quo. In the absence of such a constituency, NGOs feel obliged to band with agribusiness and maritime interests that favor a system that effectively distorts policies publicly advanced for humanitarian purposes, turning them to benefit domestic commercial interests at the cost of slowed, less efficient and less appropriate resources for NGO development and emergency relief programs.

**Figure 5: Growth in U.S. Overseas Development Assistance Since 2000**



NGOs must take a lead role in mobilizing public support for public funding of programs for poverty and hunger reduction. Americans believe the US spends much more on development

<sup>15</sup> Moreover, cargo preference restrictions also inflate commodity procurement costs because of federal procurement methods that award contracts to the lowest cost combined bids for commodity and shipping in response to a federal invitation for bids.

assistance than it does, and express support for spending more, especially for hunger eradication. As the economist Jeffrey Sachs has argued, “We must have leaders who recognize that the problems of the poor aren’t trifles to leave to do-gooders, but are vital strategic issues. ... In the case of a superpower, ignorance is not bliss; it is a threat to Americans and to humanity.”<sup>16</sup>

The claim that the executive and legislative branches simply will not support increased or transformed foreign aid is not supported by recent evidence. U.S. foreign aid flows are up by nearly two-thirds since 2000, from \$9.96 billion in calendar year 2000 to \$16.25 billion in 2003 (Figure 5).<sup>17</sup> Statistical analysis finds that when one party is firmly in control of the U.S. government, overseas development assistance rises, suggesting the current environment in fact offers a prime opportunity to make progress.<sup>18</sup>

### Policy Debates in Other Donor Countries

Although other donor countries have adopted generally more progressive food aid policies than the United States, the laudable principles underlying the decoupling of food aid from domestic farm policy objectives are not always matched by bureaucratic practice. For example, Canada has repeatedly failed to meet its Food Aid Convention tonnage commitments in recent years and its food aid programs have been hamstrung to a degree by domestic law requiring 90 percent of Canadian food aid be procured domestically. Moreover, other donors’ agricultural policies often have even graver distortionary effects on developing country economies than do U.S. policies. NGOs therefore need to be careful not to focus excessively – nor excessively critically – on American policies to the neglect of an appropriately balanced critique of other donors’ policies that likewise have adverse impacts on poor people around the world.

Within the domain of food aid, the main shortcoming of other donors’ policies is sluggishness in resource commitment and disbursement. In spite of their vocal protests that in-kind food aid – such as that provided by the US and Canada – is slow and inefficient, those (mainly European) donors who provide mainly cash for local and regional purchases consistently prove remarkably slow in making resources available to avert serious problems. The theoretical possibility and rhetoric of responsive, efficient cash-based food aid needs to be better matched by practice. The NGOs can reinforce their operational expertise and independence in humanitarian operations by decrying the hypocrisy of non-responsive donors criticizing second best response just as they decry the inefficiency and other problems caused by tied food aid from the US and Canada.

The bigger stakes lie not in food aid but in farm subsidies within the OECD economies. Nearly 40 percent of all government subsidies worldwide support the agricultural sector.<sup>19</sup> According to the OECD, farm support programs in the European Union alone exceeded \$100 billion in 2002, more than \$260/year per EU resident, roughly equivalent to annual per capita income in the

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<sup>16</sup> Jeffrey D. Sachs, “Don’t Know, Should Care” *New York Times*, June 5, 2004.

<sup>17</sup> U.S. Department of State, “The United States Perspective On Financing For Development – Lasting Results”, October 15, 2004, presentation.

<sup>18</sup> Markus P. Goldstein and Todd J. Moss (2003) “The Surprise Party: An Analysis of US ODA Flows to Africa,” Center for Global Development working paper.

<sup>19</sup> C. Van Beers and A. de Moor (2001). *Public Subsidies and Policy Failures: How Subsidies Distort the Natural Environment, Equity and Trade and How To Reform Them*. Cheltenham, UK: Edward Elgar.

world's poorest countries. Japanese outlays on domestic farm support, although less than half that of the EU in absolute terms, averaged more than \$300/resident. The United States' farm subsidies were a bit less than Japan's in absolute terms, about \$125/resident in per capita terms, given the much larger U.S. population. These support programs are a heavy tax on European, Japanese and American food consumers and taxpayers – nearly \$1000 and \$650/household annually in Japan and Europe, respectively. Since 98 percent of their own populations are food consumers, rather than food producers, the overwhelming majority of these nations' population would benefit from reducing these implicit taxes. Yet powerful domestic farm lobbies in each country protect a lucky few firms and invoke populist favor for things rural, thus far succeeding in impeding sensible reforms.

Of more immediate relevance to NGOs, virtually every international economic or development research organization has documented the damage OECD nations' farm support programs cause in low-income countries. For example, the World Bank estimates that ending trade-distorting farm subsidies and tariffs would increase global wealth by more than \$800 billion and lift more than 150 million people out of poverty by 2015, with most of those gains accruing to developing countries.<sup>20</sup> Removing farm subsidies would allow LDC producers to compete with OECD producers in many agricultural sub-sectors. The lowest credible estimates of the welfare costs to developing countries of OECD agricultural subsidies and market access barriers is on the order of \$10 billion annually.<sup>21</sup> The damage done by farm programs in the OECD countries dwarfs any damage from even the most mismanaged food aid program. Indeed, it far exceeds total global food aid flows. Eliminating such harmful distortions must be a priority for those concerned about poverty and hunger worldwide. However, as with debates over domestic farm policy in the United States, NGOs largely lack the expertise and credibility to become influential advocates, although their support as secondary members of a broader coalition could be important to build momentum for change.

## **Conclusions**

Fifty years after the beginning of modern food aid, several key domestic and international policy processes are converging in such a way as to afford a rare opportunity to recast food aid so as to markedly enhance its effectiveness in serving humanitarian and development objectives. NGO leaders have an uncommon opportunity in the coming year to reshape food aid for poverty reduction for the coming decades. Since WTO rounds launch only once every fifteen or so years and Farm Bills last five years at a pop, missing this immediate opportunity for advocacy will imply living with continued donor-oriented food aid for quite some time.

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<sup>20</sup> See World Bank (2003) *Global Economic Prospects 2004: Realizing the Development Promise of the Doha Agenda* for these estimates and Kym Anderson (2004), "Subsidies and Trade Barriers" (Copenhagen Consensus Challenge Paper) for a broader summary of the cost and benefits of trade liberalization and the termination of agricultural subsidies.

<sup>21</sup> See Anderson (2004) and Orden (2004) for reviews of a range of technical studies of the global costs of agricultural trade barriers and subsidy programs.

If they are to seize the opportunities afforded by the suite of major policy decisions to be made around food aid issues in the coming year or so – and if they are to avoid the risks associated with inaction or reflexive response – there are two key next steps for NGO leadership:

- (1) Close ranks within their own organizations around an approach to food aid that is consistent with their organizational mission and vision.
- (2) Establish which NGOs – having arrived at a shared vision per step (1) – can make common cause on a twin-track approach based on:
  - (a) enhanced operational coordination over food aid management issues and
  - (b) more vigorous policy advocacy on issues in which NGOs have indisputable technical expertise and moral authority. This must happen immediately if WTO-related opportunities are not to be squandered. Subsequent debates over international food aid governance, the US Farm Bill, and other donor nations' policies are likewise approaching rapidly.

The NGO community is understandably proud and protective of the central role it plays in global food aid programming. We should collectively celebrate the many accomplishments achieved through food aid and a longstanding and productive private-public partnership over the past half century. Nonetheless, with a few significant and overdue policy and operational changes, made possible by enhanced cooperation among NGOs, food aid can become a far more effective tool for reducing poverty and hunger while reducing costs. Just because we are doing good doesn't mean we can't do better.