Australian Agency for International Development

AusAID

Review of AusAID's Food Aid

Evaluation No: 6 - June 1997

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Glossary

ADB	Asian Development Bank
AIDAB	Australian International Development Assistance Bureau - former name of AusAID
AusAID	Australian Agency for International Development
BDFA	Bilateral Development Food Aid
CAA	Community Aid Abroad (OXFAM in Australia)
Calorie	Unit of energy, equivalent to the quantity of heat required to raise the temperature of one kilogram of water by one degree Celsius. 1 Calorie = 1,000 calories = 1kilocalorie.
CFA	WFP's former governing body, the Committee on Food Aid Policies and Programmes, which has been renamed the WFP Executive Board
CIDA	Canadian International Development Agency
CP	Country Program
CSO	Country Strategy Outline
DFAT	Department of Foreign Affairs and Trade
DPIE	Department of Primary Industries and Energy
EC	European Commission
EDP	Extended Delivery Point
EU	European Union
FAC	Food Aid Convention. While the Food Aid Committee of the IGA also has the same acronym this document does not use the abbreviation for this term.
FAO	United Nations' Food and Agriculture Organisation
FY	Financial Year
HRD	Human Resource Development
IDPs	Internally Displaced Persons
IFAD	International Fund for Agricultural Development
IGA	International Grains Agreement, formerly the International Wheat Agreement

kt	kilotonnes
LTSH	Land Transport, Storage and Handling
MOU	Memorandum of Understanding
Mt	million tonnes
NGO	Non-Government Organisations
ODA	Official Development Assistance
OLS	Operation Lifeline Sudan
pa	per annum
PL	Public Law (USA)
PRO	Protracted Relief Operation
PSA	Programme Support and Administration
RAG	Review Advisory Group
RD	Rural Development Programme (in Bangladesh)
REST	Relief Society of Tigray
TOR	Terms of Reference
UNDP	United Nations Development Programme
UNHCR	Office of the United Nations High Commissioner for Refugees.
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
VGD	Vulnerable Groups Development Programme (in Bangladesh)
WFP	United Nations' World Food Programme
WTO	World Trade Organisation
WVA	World Vision Australia
WVI	World Vision International

Review Responsibilities

The **AusAID** members of the **Review Team** were:

Dr Philip Fradd (Team Leader)
Evaluation Section
AusAID

Mr Andrew Mitchell
Environment, Agriculture and Physical Infrastructure Section
AusAID

The **Centre for International Economics** wrote the following papers which have been drawn on in the Review:

- The Current Status of Global Food Security and Food Aid.
- An Analysis of the Demand for Food Aid Over the Next Ten Years.
- Major Food Aid Donors. Their current positions and likely future trends.
- A Review of the Effectiveness of Food Aid.
- Improving the Effectiveness of Food Aid.
- Effects of Food Aid on Agricultural Development.
- The Commercial Benefits to Australia of Our Food Aid Programs
- Recommendations on Australia's Food Aid Programs.

Project Design and Management Pty Ltd wrote the following papers which have been drawn on in the Review:

- Recent Evaluations of Humanitarian Food Aid
- When should Food Aid be the Priority Relief Response?
- Needs Assessment and Targeting
- The Role of Food-for-Work in the Transition from Relief to Rehabilitation and Development
- Funding Channels - WFP and/or Australian NGOs?

A **Review Advisory Group**, with membership from AusAID, the Department of Foreign Affairs and Trade, and the Department of Primary Industry and Energy reviewed papers from consultants and the review report.

Consultations were held with staff of the Australian Wheat Board, the Rice Growers Cooperative and several NGOs.

The **AusAID Task Managers** for the review were Mr John Kerr-Stevens and Mr John Bailey in the early and latter stages respectively.

Many staff from AusAID provided comments on the contracted papers and various stages and sections of the Review Report.

Executive Summary

This review examines Australia's and other major donors' experience of food aid, and makes recommendations to AusAID, the Australian Government's aid agency, on the future use of food aid. The review is based upon papers prepared by consultants and AusAID officers, and discussions with interested parties including WFP, NGOs and commodity suppliers[1]. Its findings and recommendations do not necessarily represent AusAID's or the Government's views or policy.

The review took place at a time of considerable change in the food aid environment. The effects of the WTO Agreements on grain surpluses and prices and the implications for net food importing developing countries, the renegotiation of the Food Aid Convention, declining aid volumes and food aid volumes in particular, and the outcomes of the World Food Summit, have each been considered in forming the review's recommendations.

Globally, food aid volume has declined since 1993. This appears to have been caused by several factors: aid volume generally has been in decline, grain surpluses have been substantially reduced, grain prices have temporarily increased, and donors are more critically evaluating the extent to which the supply of food aid is appropriate.

Against this trend, Australia's food aid assistance has increased in monetary terms over this period. In 1996-7, more than 7% of the aid program will be provided in the form of food aid. This will be almost $110 million and will provide over 300,000 tonnes of wheat or its equivalent, as required by Australia's obligation to the Food Aid Convention (FAC).

There are three major categories of food aid:

- program food aid,
- development food aid, and
- emergency and relief food aid.

Food aid is channelled from donors to recipients through the United Nations' World Food Programme (WFP), and to a lesser extent through other multilateral agencies such as UNHCR, non-

1 A Review Advisory Group comprising members from the Department of Foreign Affairs and Trade, the Department of Primary Industries and Energy, and AusAID provided advice to the Review Team.

government organisations (NGOs), and bilateral government-to-government agreements.

Program food aid is essentially budgetary support for the recipient country, provided as food which is monetised. The food increases the food supply while the cash raised from its sale is usually intended to be directed towards development activities agreed between the donor and recipient governments. Frequently, the food is sold for a price lower than the cost of purchasing and transporting it. It is often difficult to monitor the use of the resultant cash in the development activities. Donor support for this form of food aid assistance has declined, largely because of these difficulties. Australia has currently only one such program, with Mozambique, and this is expected to be phased out. This review recommends that program food aid be continued as a form of assistance only with great care. If used, it should be restricted to least developed, food deficit, countries in support of externally monitored adjustment programs such as those of the World Bank and International Monetary Fund.

Development or project food aid usually uses food as a means of paying very poor and disadvantaged groups in recipient countries for work performed on social or economic development activities such as rural road construction, or to encourage attendance at schools or health clinics, or participation in training activities which will help them to increase future incomes. When well designed, these projects can be both effective and efficient forms of assistance for such groups. The food is less likely to be diverted than is cash. Payment in food is only attractive to those in greatest need. These activities also appear to provide a reserve of food and an infrastructure which enables a rapid response to be mounted to new emergency situations requiring food aid.

Australian supported development food aid projects funded through multilateral contributions to WFP have generally been successful. However, the experience of Australia and other donors has been that many development food aid projects have weaknesses. These include: assistance to countries which are not least developed net food importing countries, projects where food is not the most appropriate resource to assist development, project designs which involve inefficient sales or exchanges of food, overly ambitious project objectives, weak implementing government departments, and failure to secure necessary non-food inputs.

The range of activities and countries in which food aid is the most appropriate means of promoting development is quite narrow. The

review has, therefore, recommended that Australia reduce its commitment to development project food aid. It also recommends that AusAID develop improved means of appraising proposals for food aid development projects. Without micro-managing, AusAID should be able to better satisfy itself about the quality of projects and their appropriateness for Australian support. This would probably result in Australia directing more of its contributions to WFP for specific projects rather than maintaining a significant multilateral contribution. It would also mean that NGO projects involving food for development activities should be more rigorously examined.

The review sees **emergencies, and relief operations** for refugees and displaced person, as the priority use for Australian food aid. Here, food is essential to save lives and help the process of rehabilitation and reconstruction. The demand for food aid in emergencies and protracted relief operations is unlikely to diminish substantially in the foreseeable future. The review recommends greater assistance for emergencies and relief through cash contributions, with Australian sourced food only being used when it is cost effective to do so. The review recommends that the design of emergency and relief operations be more thoroughly appraised and modified as the situation evolves.

The review notes the constraints imposed on the aid program by Australia's commitment to the Food Aid Convention. Under the convention, Australia has agreed to provide annually a minimum of 300,000 tonnes of wheat or wheat equivalent in food aid, irrespective of price. Consequently, as the total aid budget is declining, food aid rises as a proportion because of this obligation. The flexibility of the aid program to respond to competing aid priorities and the needs of recipient countries is thereby also reduced. The review therefore recommends that this commitment of food aid in the program be reduced. Flexibility should be maintained to support worthy food aid projects and operations substantially above this level, if they are consistent with the aid program's objectives, and are efficient and effective. Such a reduction in the minimum commitment is not achievable until the current FAC expires in July 1998.

As regards the channels for Australia's food aid delivery, the review recommends that WFP be maintained as the channel or partner for development food aid projects and bilateral projects. WFP has shown itself to be effective and efficient in food logistics and

coordination. However, there is a general view among donors that WFP needs to strengthen its project design and monitoring capacity. For emergencies and relief operations, WFP is also recommended as the preferred channel. However, there are situations where Australian NGOs or their international partners may be able to mount a more effective response. When emergencies arise, AusAID should maintain a close dialogue with Australian NGOs with significant capacity in humanitarian relief operations, to ensure that the best channel is used.

In regard to the sourcing of food, there are often advantages in local and regional purchases. The reduction in costs of shipping and overland transport means that more food can be purchased for the same contribution. Delivery times can also be shortened. Moreover, such transactions can help strengthen production and marketing capacities in developing countries. Where local and regional purchases of suitable food products are not appropriate, Australian suppliers should be competitive on the international market for the supply of Australian commodities. This is consistent with the Government's procurement policies and helps to ensure the best value for money.

The review recognises the important role of food aid in the aid program. It recommends that Australia's food aid is used to pursue the objectives of the total aid program, whether it is channelled through multilateral organisations, bilateral programs or through NGOs. The review sees that the current aid environment requires that food aid be used where it is of greatest effect and by the most efficient means. This may marginally reduce food procurement in Australia. NGOs will benefit through strengthened links with WFP and greater opportunity to access emergency funding.

Chapter 1
Introduction

Background

Food aid is the provision of food commodities as a form of international assistance, on grant or concessional terms. It is a form of aid which can directly address poverty in developing countries. Objectives of food aid can include to reduce starvation in communities affected by emergencies and to contribute to the food security of a population or country. It can be used to support development projects targeting the poor and which promote economic growth, and as direct transfers to the poorest.

A floor is set for Australia's contributions to food aid programs by the 1995 Food Aid Convention (FAC) of the International Grains Agreement. Australia is committed to providing a minimum of 300,000 tonnes of wheat (or its equivalent) food aid per annum until the current FAC ends[1]. Australia is amongst the largest food aid donors after the USA (2.5 million tonnes per annum), the European Union (EU) (1.755m tonnes) and Canada (400,000 tonnes). Japan also has an annual commitment of 300,000 tonnes.

On average, over the past decade Australia has spent more than $100 millon per annum on food aid (Table 1(a) and Diagram 1). This has accounted for between 6.5% and 9.9% of the total aid budget (Table 1(b)). In the 1996-97 financial year Australia will spend more than $108 million on food aid. Food aid provided by the Australian Agency for International Development (AusAID) is usually classified under three headings (Tables 1 and 2, and Diagram 1):

- Bilateral development food aid (BDFA), which is usually provided for development projects, although occasionally it is used for relief operations or budget support, as part of bilateral country programs: about $25 million pa.;
- Multilateral food aid, which is channelled through the United Nations World Food Programme (WFP). In the 1996-97 FY about half of the $54 million contribution has been directed to

1 The current FAC is due to expire on 30 June 1998. There may be an extension of one to two years to enable donors to decide what will replace it. It is not yet clear what Australia's contribution would be during any extension.

Table 1(a) Australia's Food Aid Contributions 1986-97

	Bilateral Development		Relief & Emergency		Multilat. Development (WFP)		Yearly Totals	
Year	Tonnage	Value (A$m)	Tonnage	Value (A$m)	Tonnage	Value (A$m)	Tonnage	Value (A$m)
1986-87	186,000	35	58,000	15	108,000	34	352,000	83
1987-88	180,000	36	72,000	21	130,000	42	382,000	99
1988-89	204,000	54	67,000	20	126,000	44	397,000	118
1989-90	162,000	41	79,000	29	95,000	44	336,000	113
1990-91	140,000	25	91,000	31	165,000	44	396,000	101
1991-92	136,000	28	65,000	33	156,000	45	357,000	106
1992-93	86,000	20	63,000	25	157,000	47	306,000	92
1993-94	111,000	30	67,000	28	147,000	48	325,000	106
1994-95	106,000	25	58,000	27	155,000	50	319,000	102
1995-96	85,000	25	81,000	26	134,000	52	300,000	103
*1996-97	76,000	23	97,000	30	133,000	54	306,000	107
Totals	**1,472,000**	**342**	**798,000**	**284**	**1,506,000**	**504**	**3,776,000**	**1,130**

Tonnage figures represent metric tons of wheat equivalent - the figures are approximate, are drawn from various AusAID databases and may not include some food aid tonnages in multi-component relief activities (which are included in the Value figures).
* 1996-97 figures are estimates only

activities in China, Bangladesh and India, with the remainder being undirected; and

- Relief and emergency food aid from the Humanitarian Relief Program. This is used mainly to assist refugees and displaced people, with some contributions to emergencies. Funds have assisted primarily activities of NGOs and WFP. In the 1996-97 FY $30 million has been provided to WFP for a selected group of its emergency and protracted relief operations.

As will be shown in later chapters, food aid activities can more readily be discussed if they are separated into three different categories[2]: program or budget support, development or project food aid, and relief and emergency operations (Table 3).

Table 1(b) Food Aid as a Proportion of ODA 1986-97 ($m)*

	Current Prices			1995-96 Constant Prices	
Year	Food Aid	ODA	%	Food Aid	ODA
1986-87	83	976	8.5	117	1379
1987-88	99	1020	9.7	131	1350
1988-89	118	1195	9.9	144	1457
1989-90	113	1174	9.7	130	1348
1990-91	101	1261	8.0	111	1389
1991-92	106	1330	8.0	115	1438
1992-93	92	1386	6.6	99	1484
1993-94	106	1411	7.5	112	1493
1994-95	102	1480	6.9	106	1535
1995-96	103	1565	6.6	103	1565
1996-97	107	1450	7.4	104	1409

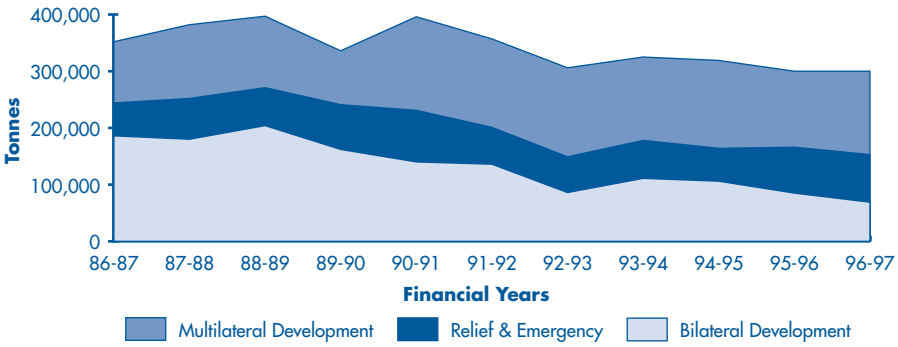
* Rounded to nearest $million.

Food aid objectives

To review the Australian food aid programs, it is necessary to establish the objectives against which they are to be assessed. AusAID's objectives are not necessarily congruent with those of other arms of the Australian Government, nor with the objectives of other aid donors[3].

2 BDFA includes support for one program food aid activity and one relief and emergency operation, with the remainder being development project food aid. Multilateral food aid is all development project food aid and relief and emergency food aid is classified the same under both classifications.

Diagram 1 Australia's Food Aid Contributions 1986-97



As AusAID has not established specific objectives for its food aid programs the review has used the overall objectives of the aid program. During the review period these have consistently promoted sustainable economic and social development, taking particular account of Australia's humanitarian concerns. Up until 1996 Australia's commercial interests and foreign policy objectives were also important.

Different types of food aid would address these objectives to differing extents. For example, it would be expected that program and development project food aid would be primarily concerned with promoting 'development', while the protracted relief and emergency food aid would address Australia's 'humanitarian' concerns. Commercial interests would come into play through the 'demonstration effect' of Australia as a supplier of high quality wheat and rice, and Australia's foreign policy interests would centre on meeting its commitments under international agreements, including the commitment under the Food Aid Convention.

The achievement of the commitment under the Food Aid Convention is of particular interest to other Government Departments[4] and, *inter alia*, this review examines the effect of the achievement of this objective on the effectiveness and efficiency with which the other objectives of the food aid program are met.

Review objectives

The objectives of this review[5] are:

3 Objectives could include: to meet international commitments; to participate in donor burden-sharing; to help poor people through the promotion of food security and/or the provision of capital and jobs; to promote international trade; or to respond to emergencies.

4 Particularly the Department of Primary Industries and Energy.

- to assess the relevance, efficiency, effectiveness and management of AusAID's food aid programs, including the benefits accruing to Australia from AusAID-funded food aid activities;
- to draw out the implications for AusAID's food aid programs of recent changes in the international policy environment, including the impact of the WTO Agreements, current debates on food security issues and changes in other donors' programs; and
- to recommend a framework for future food aid programs, including the balance between relief and developmental programs and between bilateral and multilateral channels for assistance, taking into account projected food aid demands and the geographical focus of the Australian aid program.

Table 2(a) Food aid value by program and region 1991-92 ($'000)

Region	Developmental		Relief and Emergency	Total
	Country Programs	World Food Programme		
PACIFIC			1,177	1,177
ASIA				
South East Asia		3,513	2,135	5,648
East Asia		2,850		2,850
South Asia	11,969	11,486	5,087	28,542
Total Asia	**11,969**	**17,849**	**7,222**	**37,040**
Africa				
Southern Africa	6,856	2,247	7,650	16,753
Other Africa	9,175	8,259	14,782	32,216
Total Africa	**16,031**	**10,506**	**22,432**	**48,969**
REST OF THE WORLD		**1,848**	**1,200**	**3,048**
WORLD UNALLOCATED		**15,197**	**919**	**16,116**
Total	**28,000**	**45,400**	**32,950**	**106,350**

5 The full Terms of Reference are at Appendix 1.

Table 2(b) Food aid value by program and region 1992-93 ($'000)

Region	Developmental		Relief and Emergency	Total
	Country Programs	World Food Programme		
ASIA				
South East Asia		14,336	1,862	16,198
East Asia		6,355		6,355
South Asia	14,469	1,048	3,119	18,636
Total Asia	**14,469**	**21,739**	**4,981**	**41,189**
Africa				
Southern Africa	5,739	920	6,585	13,244
Other Africa		8,619	11,697	20,316
Total Africa	**5,739**	**9,540**	**18,282**	**33,561**
REST OF THE WORLD		**1,127**	**174**	**1,301**
WORLD UNALLOCATED		**14,594**	**1,395**	**15,989**
Total	**20,208**	**47,000**	**24,832**	**92,040**

Table 2(c) Food aid value by program and region 1993-94 ($'000)

Region	Developmental		Relief and Emergency	Total
	Country Programs	World Food Programme		
ASIA				
South East Asia	6,290	8,017	4,433	18,740
East Asia	1,199	5,715		6,914
South Asia	15,694	8,919		24,613
Total Asia	**23,183**	**22,651**	**4,433**	**50,267**
AFRICA				
Southern Africa	7,188	403	5,570	13,161
Other Africa		5,130	13,963	19,093
Total Africa	**7,188**	**5,533**	**19,533**	**32,254**
REST OF THE WORLD		**3,512**	**2,900**	**6,412**
WORLD UNALLOCATED		**16,604**	**762**	**17,366**
Total	**30,371**	**48,300**	**27,628**	**106,299**

Table 2(d) Food aid value by program and region 1994-95 ($'000)

Region	Developmental		Relief and Emergency	Total
	Country Programs	World Food Programme		
ASIA				
South East Asia	5,447	6,079	4,980	16,506
East Asia		11,504		11,504
South Asia	13,444	8,191	2,485	24,120
Total Asia	**18,891**	**25,774**	**7,465**	**52,130**
AFRICA				
Southern Africa	6,343	40	4,750	11,133
Other Africa		6,997	13,758	20,755
Total Africa	**6,343**	**7,037**	**18,508**	**31,888**
REST OF THE WORLD		**369**		**369**
WORLD UNALLOCATED		**16,820**	**865**	**17,685**
Total	**25,234**	**50,000**	**26,838**	**102,072**

Table 2(e) Food aid value by program and region 1995-96 ($'000)

Region	Developmental		Relief and Emergency	Total
	Country Programs	World Food Programme		
ASIA				
South East Asia	3,613		7,556	11,169
East Asia			1,000	1,000
South Asia	15,488	16,994	2,673	35,155
Total Asia	**19,101**	**16,994**	**11,229**	**47,324**
AFRICA				
Southern Africa	5,647		4,692	10,339
Other Africa		15,332	7,940	23,272
Total Africa	**5,647**	**15,332**	**12,632**	**33,611**
REST OF THE WORLD		**4,613**	**1,562**	**6,175**
WORLD UNALLOCATED		**14,961**	**600**	**15,561**
Total	**24,748**	**51,900**	**26,023**	**102,671**

Table 3 Food aid value by type of food aid 1991-92 to 1996-97 ($m)

Type of food aid	Year 1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Program	4.3	5.7	7.2	6.3	5.6	6.5
Project (development)	69.1	61.5	69.0	65.5	67.6	70.4
Relief & emergency	33.0	24.8	30.1	30.2	29.4	30.3
Total	**106.4**	**92.0**	**106.3**	**102.0**	**102.6**	**107.2**

Environment of review

This is the first time for at least ten years that AusAID has reviewed together all elements of its food aid (Box1). There are a range of issues which give impetus to the review, including:

- the cuts in the food aid programs of the three major donors (US, EU and Canada), with global food aid falling from 16.9 million tonnes in 1993 to 7.6 million tonnes in 1996;
- a shift by food aid donors away from development food aid to relief and emergency assistance;
- continued concern of developing countries about the possible impact on them of the WTO Agreements;
- the need to reassess the role of food aid in Australia's aid program and the level of any future Australian commitment to the FAC; and
- the focus on food security as a major international topic of discussion at the World Food Summit in November 1996.

Box 1. Previous reviews of AusAID food aid.

BDFA to Bangladesh, Tanzania and Ethiopia was reviewed in the mid-1980s. In the early 1990s there were reviews of BDFA to Mozambique, Bangladesh, Sri Lanka, Mauritius and Maldives, along with a review of the overall BDFA program. Aspects of BDFA programs in Mozambique, Bangladesh and Pakistan were reviewed in 1994 and 1995. However, AusAID has not reviewed its recent BDFA contributions to Cambodia, Vietnam, China and the Philippines.

An AusAID review of Australian funding of international organisations in 1993 included WFP, but did not address food aid

issues in any detail. A major evaluation of WFP was carried out in 1993-4 by Canada, the Netherlands and Norway, although it did not specifically review Australia's (or any other donor's) food aid through WFP. WFP also carries out its own evaluations of individual development projects. Evaluations of its relief operations have only recently commenced.

AusAID's relief food aid program was reviewed in 1991. There have been limited in-depth reviews of relief and emergency operations in individual countries since then and relief food aid was considered, briefly, in the 1994 review of humanitarian relief programs.

Review method and team

The scope of the review includes policy, effectiveness and program management issues for the three food aid categories. It is essentially a desk review, drawing on papers prepared by consultants and AusAID staff, and discussions with interested parties, including WFP, major NGOs and Australian commodity suppliers.

Two consultants were contracted to write papers: one with expertise in economic and policy analysis and the other with practical experience and expertise in emergency and protracted relief food aid activities. Documentation consulted included published works, papers from international organisations and from AusAID. A partial list of these is at Appendix 2. As this report summarises the information from all of these sources, much of the argument and detail of the original papers has had to be omitted.

A Review Advisory Group (RAG) advised the review, with members drawn from AusAID, the Department of Foreign Affairs and Trade (DFAT) and the Department of Primary Industries and Energy (DPIE).

Structure of the report

Following this chapter the report begins with a summary of the need for, and availability of, food aid, which includes a brief discussion of the structure and objectives of the food aid programs of the major food aid donors other than Australia (Chapter 2). This is followed by three chapters which discuss program food aid (Chapter 3), development project food aid (Chapter 4) and emergency and relief food aid (Chapter 5). Each of these chapters include a general overview of the effectiveness of each form of food aid, address a

range of subsidiary issues, briefly assess the performance of AusAID's food aid activities, and summarise how to maximise effectiveness for each type of food aid. The final chapter (Chapter 6) lists the main recommendations arising from the discussion in the previous chapters.

The report also includes two appendices of subsidiary issues addressed by the review. Appendix 3 summarises the effects of food aid on agricultural development while Appendix 4 discusses the 'commercial benefits' to Australia from AusAID's food aid program, and also examines the role of wheat flour in the food aid program. Appendices 5 and 6 provide additional information on food aid activities reviewed in Chapters 4 and 5 respectively.

Chapter 2
Food aid needs and availability

Introduction

This chapter sets the scene for the remainder of the review by discussing:

- the current state of global food security and food aid;
- country, regional and global shortfalls in food production and purchasing capacity, which translate into the need for food aid; and
- the changing directions in the food aid programs of the four major food aid donors other than Australia.

Current state of global food security and food aid

Global population, food production and food consumption

World population and world food production increase each year, although the rate of increase of both is declining. Thirty years ago the annual rate of increase in food production (about 3%) was significantly greater than the rate of increase in population (about 2.1%), so global food production per person increased. Today, the rate of increase in world food production is roughly equal to the rate of increase in world population (both about 1.5%). Global per capita food consumption has stabilised at about 2700 Calories per day. This would be adequate for healthy, productive lifestyles if food was distributed equally amongst the world's population, but it is not.

The increase in *per capita* food consumption over the last 30 years has reduced the share of the world's population that is chronically undernourished[1]. In the 20 years to 1990 there was a reduction

1 While adequate (calorific) consumption does not guarantee adequate nutrition, it is a major determinant, and has been used here as a proxy, for simplicity.

from 35% to 20%. However, there were still about 800 million undernourished people in the world in 1990.

These global aggregates hide significant changes both in the composition of food supplies and in the distribution and causes of changing production and consumption. Much of the improvement in global nutrition has been the result of rapid economic growth in East Asia. Although many people continue to be undernourished in South Asia, consumption levels there are also improving. But, nutrition levels in much of sub-Saharan Africa have not improved.

In contrast to world food production overall, in the 1990s total world cereal[2] production fell. World cereal stocks declined from a high 30% of annual consumption in the mid-1980s to 13% in 1996. International trade in grains remained fairly steady over the same period. The reduction in world grain production generally occurred in the developed countries, which consume about half of the world's cereal supplies at levels averaging some 3400 Calories per day. However, experience in 1996-97 has shown that the developed countries can increase production in response to price increases induced by reductions in supplies. The previous decline in production may have been a response to price reductions. This flexibility of response by grains producers is a major factor contributing to global food security.

Of course, increases in prices of cereals, as in 1995 to mid-1996, are of concern to the least developed food deficit countries, because it reduces their purchasing power for cereals imports. In this context, sub-Saharan Africa and South Asia face particular difficulties. South Asia has an estimated 270 million malnourished people but levels of nutrition are generally improving. In sub-Saharan Africa the number of malnourished people has increased by 46% since 1970, to 175 million people in 1995. Malnutrition is also likely to persist in Latin America but will continue to decline in East Asia.

Several studies have concluded that, over the next two decades at least, global food supplies will be adequate to meet an expanding global demand for food, with the price of cereals continuing to decline in real terms. However, regional differences will remain, with the situation in sub-Saharan Africa deteriorating further.

2 This includes wheat and rice, the main foods provided as food aid.

Food security and economic growth

The more pressing issue for world food security is not whether global cereal production is keeping pace with global population growth, but whether economic and social development is occurring fast enough to increase local food production and food imports where insufficient food is currently being consumed.

Sub-Saharan Africa is a particular concern. The availability of cropping land is not a major constraint, and the scope for catch-up technology is enormous. However, civil and military conflict in parts of sub-Saharan Africa, have kept economic growth rates low. Other disincentives to growth have included macro-economic policies which have maintained high trade barriers, prevented domestic market liberalisation, enhanced state rather than private ownership, and maintained excessive tax rates with low national savings. In contrast, in East Asia annual *per capita* economic growth rates have averaged over 6% for the last 15 years and this is likely to continue.

In about two-thirds of all developing countries the share of agricultural labour, in the total labour force, is so large that economic growth and increased food consumption must come primarily through growth in agricultural output. These countries will require a high rate of agricultural development to meet their food security needs for both demand reasons (to raise the incomes of the bulk of their population) and for supply reasons (to produce or finance imports from agricultural export earnings). As a whole, the growth rate of *per capita* agricultural production from the mid-1980s to the early 1990s was equal or higher to that in earlier periods, in these countries. Furthermore, the most vulnerable countries in general had higher *per capita* agricultural growth rates from the mid-1980s to the early 1990s than in earlier years. Sub-Saharan Africa was the exception.

Most developing countries have not reduced their dependence on imports of food as incomes have risen. In the early 1970s about 3% of their cereals consumption came from imports. This rose to about 9% by the beginning of the 1980s. This mainly reflected the substitution of rice with wheat-based products as incomes rose, and a greater ability to finance imports as incomes rose and real import prices declined.

During the 1980s the share of imports in total cereals consumption in developing countries stabilised at about 9%. This reflected a

slower growth in *per capita* consumption, as levels of nutrition improved. It also reflected rates of population growth which broadly matched rates of production growth. However, some analysts are forecasting that, under the continuing stimulus of income growth and declining world cereals prices, the share of consumption met from imports in developing countries will once again rise.

Impacts of the WTO Agreements on food prices

The impact of the WTO Agreements on food (grain) production and prices is of particular importance to net food importing developing countries, as it will affect the capacity of these countries to service their food needs.

Over the last forty years there has been a downward trend in world cereal prices. There have been fluctuations, with the latest occurring in the mid-1990s, when a number of factors increased prices. These factors were reversible, however, and the large world harvests for 1996 - 97 are likely to restore the downward trend in prices. The effects of the WTO Agreements on these trends in prices will be difficult to identify, as the effects may well be masked by the impact of other factors, such as the climate in major cereal growing areas.

The arrangements negotiated under the WTO Agreement on Agriculture are the first significant steps to impose disciplines on the protective policies of the major industrialised countries, particularly those in Western Europe and North America. These policies, which support farm incomes, have led to increased grain production, reduced import demand and increased exports from these countries, and have depressed world prices. Under the WTO Agreement on Agriculture, domestic support across all agricultural commodities is to be cut by 20% in developed countries, and by 13.3% in developing countries. Export subsidies applied by developing countries are to be reduced by 36% in terms of value and by 21% in terms of volume. For developing countries, commitments to reductions will be two-thirds of these rates. Cuts will be implemented over the period 1995 - 2004.

While the volumes of subsidised exports are expected to decline as a result of these reductions, the resultant increases in world market prices for grain are estimated to be only in the order of 6% to 8% over the implementation period. However, as noted above, such increases are likely to be less than the normal variations in annual prices due to other factors.

The overall intention of the WTO Agreements is that they will provide more open and secure market access for world trade in both agricultural and industrial products, which should stimulate economic growth in both developed and developing countries by promoting diversification of products and markets. While there will be longer term benefits of market reform, there is concern that, in the medium term, net food importing developing countries may be temporarily disadvantaged by increased prices of their food imports.

The role of food aid

Food has been a significant source of aid since food aid began in the mid-1950s as a means of disposing of growing food surpluses in the United States. Australia was an early contributor to food aid in the 1950s, through grants under the Colombo Plan, and was also an early complainant about the adverse effects that food aid could have on third parties through the displacement of trade. In 1954 the FAO developed a set of principles on surplus disposal (revised in 1980) which affirmed the desirability of increasing world food consumption rather than imposing restrictions on supplies, though acknowledging the need for solutions to be found within countries where surpluses originated. The principles stressed the importance of guaranteeing that disposals of surpluses did not cause world prices to drop or otherwise harm commercial trade. They also established consultative obligations to ensure that there was no trade displacement.

However, bilateral arrangements between donors and recipients remained largely uncoordinated and contentious. In 1963 an effort was made to integrate food aid into the United Nations system through the creation of the World Food Programme (WFP). In 1967 an effort was made to stabilise aid in cereal grains, through a Food Aid Convention within the International Grains Arrangement (now Agreement).

In the 1950s and 1960s the emphasis of food aid was on surplus disposal and humanitarian relief. In the 1970s the objectives for food aid were reoriented toward longer term development policies and a continuity of food aid supplies. Global grains aid stabilised at around 9 million tonnes per year during the late 1970s and early 1980s. It then rose again, dominated by the United States, peaking at over 15 million tonnes in 1993[3] in response to a rapid deterioration in food supplies in Eastern Europe and the former

3 Note that these figures do not include non-cereal food aid.

Soviet Union. Principally under the influence of diminishing stocks in donor countries, rising world prices, and a reassessment of food aid by some donors, global grains aid fell to 6.7 million tonnes in 1996. This was, however, still larger than global commitments under the Food Aid Convention (7.52 million tonnes per annum from 1986 to 1994 and 5.35 million tonnes since then).

In the early- to mid-1980s food aid represented about 10% of global aid, though by the mid-1990s it declined to about 5%. Australia's food aid currently amounts to about 7.5% of its total aid.

About 50% of global food aid is currently provided on a bilateral (country to country) basis, while about 25% is provided on a multilateral basis, mostly through the WFP, and around 20% is delivered through non-government organisations. About 40% of food aid is provided on a program basis for general budget support and macroeconomic management, 25% for development projects, and 33% for emergency relief. Less emphasis is placed on program food aid, more on relief aid, and about the same on development project aid than was the case at the beginning of the 1990s. Only relief food aid has not been reduced in absolute terms over this period. About 33% of all global food aid in 1995 went to sub-Saharan Africa, 25% to south and east Asia and to eastern Europe and 25% to the republics of the former Soviet Union.

Food aid represents only about 1% of consumption of cereal grains in developing countries as a whole and, with a few exceptions, contributes little to overall global food security. However, it has been a significant contributor in some of the poorest countries, such as Bangladesh, in which food aid has provided nearly 3% of cereals consumption since 1980. Bangladesh has been the largest single recipient of both global and Australian food aid. Food aid has provided larger proportions of cereals consumption of sub-Saharan African countries (about half for each of Ethiopia and Sudan), but these countries generally depend on staples other than cereals.

Food aid and the WTO Agreements

The WTO Agreement on Agriculture may not only have an effect of food prices, but also will affect how food aid is used.

Article 10 prohibits the use of non-commercial transactions (including food aid) which might circumvent commitments on export subsidies (Article 9). Donors must insure that food aid is not tied to commercial exports and that food aid transactions are carried out in accord with the FAO principles on surplus disposal and

consultative obligations. Food aid should also be provided, to the extent possible, in fully grant form or on terms no less concessional than those provided for in Article IV of the Food Aid Convention of 1986.

Article 12 of the Agreement obliges exporters who may want to prohibit or restrict exports to give due consideration to the food security situation of importing trading partners, while Article 16 obliges developed member countries to act consistently with the 'Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Program on Least-Developed and Net Food-Importing Developing Countries'.

This last decision includes the establishment of mechanisms to ensure that these countries are not adversely affected during the implementation period of the Agreement in terms of the availability of food aid. There is an obligation to review the level of food aid established under the current Food Aid Convention and to initiate negotiations in the appropriate forum to meet the legitimate needs of these countries. Where these countries experience short term difficulties in financing normal levels of commercial imports, as a result of the implementation of the Agreement, they may be eligible to draw on the resources of international financial institutions.

Summary

The above section has shown that world food production capacity, particularly the capacity to produce cereals, has not reached its limits. The important factor in global food security is the capacity of developing countries to increase economic growth so that they can import sufficient food when their own production does not meet their needs. The capacity to import sufficient food is partially dependent on prices, particularly the prices of cereals. The prices of cereals have downward trends over time, but prices may be temporarily increased by the impact of the WTO Agreements. Food aid, which has in the past assisted developing countries to meet their food needs, has decreased substantially in recent years, except for emergency and relief food aid. The WTO Agreements will also effect how food aid is used, but measures are built into the agreement to protect the interests of the least developed and net food importing countries.

Food aid needs

Difficulties in determining the 'need' for food aid

The need for aid, and for food aid in particular, will differ among groups within recipient countries, as will the immediacy and scope of the problems being addressed by aid. As stated above, there is an international obligation within the WTO Agreements to initiate negotiations to establish a level of food aid commitments sufficient to meet the legitimate needs of developing countries. However, no criteria have yet been defined for establishing those needs, although in 1997 the Food Aid Committee has been asked by the WTO to recommend how to establish such a level.

While it is difficult to predict the onset of emergencies caused by civil disorder or natural disasters which destroy, or reduce access to, physical food stocks, once these have occurred the needs are immediate and specific. Where people face acute hunger, food aid is necessary for immediate survival. Requirements for aid as food (or aid for food) can be known with some confidence, at least for a limited time, and needs as defined by recipients and donors normally coincide.

Assessing food aid needs in cases of pandemic poverty is more complex. Populations may be at risk through inadequate nutrition and deficits in available or affordable food supplies, and particular groups (the poor) may face chronic nutritional deficiencies. Some aid will be required for food for the alleviation of some poverty. However, the need for food aid cannot be assessed simply in terms of a deficit between nutritional needs (specified in terms of a nutritional standard) and the nutritional quality of available food supplies. It must be assessed as a component of the total resources which are required for the alleviation of poverty.

Estimates of food needs

In 1995 the US Department of Agriculture published a study of food aid needs for the next 10 years. This projected global, regional and country specific requirements. It is used as the basis of further discussion. The study defined food aid needs as the gap between a target consumption and the availability of grains for food. This raises some concerns which are briefly discussed later in this section. The study recognised that the use of grains as the basis for assessing food aid needs may misrepresent needs in countries where diets are

based largely on non-grain foods, but in most low income countries grains account for at least half of all energy intake.

Projections were made of 'emergency' and 'chronic' needs in 60 traditional food aid recipient countries together with an aggregate estimate of emergency needs in the rest of the world. 'Emergency needs' were seen to result from weather variability (droughts etc.) and political instability, the former assessed from analyses of production behaviour in each of the countries and the latter from a US world refugee study. 'Chronic needs' arose from a country's sustained inability to produce enough food for its population or to earn enough foreign exchange to commercially import the balance. Each country's needs were taken to be the requirements to maintain current *per capita* grains consumption or to increase consumption to a minimum nutritional standard defined by the FAO ie. 2200 Calories per day.

Estimates were made from a 1980 to 1994 base of capacities of countries to finance commercial imports of grains. Projections were then made for 1996 to 2005 using World Bank scenarios of a relatively high rate of economic growth, to finance imports, and a relatively low rate of growth. The results of the study are summarised in Table 4.

Table 4 Summary of global chronic and emergency food aid needs (Million tonnes)

	Status quo consumption				Minimum FAO standards			
	Higher growth		Lower growth		Higher growth		Lower growth	
	1996	2005	1996	2005	1996	2005	1996	2005
60 countries								
Chronic needs	10.3	21.4	11.2	26.3	29.7	34.1	33.2	42.2
Emergency needs[1]	2.0	2.9	2.7	3.4	2.0	2.9	2.7	3.4
Total	12.3	24.3	13.9	29.6	31.7	37.0	35.9	45.5
Other countries								
Emergency needs[2]	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Total								
Chronic and emergency	15.1	27.1	16.7	32.4	34.5	39.8	38.7	48.3
Emergency only	4.8	5.7	5.5	6.1	4.8	5.7	5.5	6.1

1 Emergency needs due to weather problems and other natural disasters as well as for refugees and displaced persons.
2 Emergency needs for refugees and displaced persons only.
Source: USDA (1995) p.16.

Global estimates

The estimated total needs for grains aid worldwide for 1996 was approximately 15 million tonnes. By 2005 the need for grains aid is projected to rise to between 27 and 32 million tonnes to maintain current levels of consumption, or to between 40 and 48 million tonnes if nutritional levels are raised to minimum FAO standards (under higher and lower rates of growth, respectively).

Emergency needs for 1996 are assessed to be about a third of total needs (5 million tonnes). During the 1980s and early 1990s emergency needs rose rapidly because of dislocations in sub-Saharan Africa, the Middle East, the former Soviet Union and the former Yugoslavia. The projections for emergency needs assume that complex emergencies involving displaced people will stabilise at current levels, and that needs arising from natural disasters in developing countries will increase in line with their populations, adjusted by their capacities to import. On this basis emergency needs are projected to rise only to about 6 million tonnes by 2005 under any of the scenarios.

The major component of current food aid needs is therefore assessed to be in the area of chronic needs. It is this category which is projected to grow most rapidly. But it is also the category where there is most debate about whether aid is best provided for food or in ways which can address a range of priorities. This would particularly be a concern as incomes and levels of nutrition actually increase.

Regional estimates

There is considerable diversity among the 60 developing countries assessed in the study, and regional groupings, in terms of chronic food aid needs.

Southeast Asia

Only three traditional Southeast Asian food aid recipient countries were assessed in the study. Of these, Indonesia and the Philippines have no food aid needs under any of the scenarios, while Vietnam only has food aid needs if nutrition is to be improved to FAO minimum standards.

South Asia

Afghanistan is the only South Asian country assessed to need external food aid to 2005 to maintain current levels of nutrition.

Food aid needs to meet chronic under-nutrition in Bangladesh[4], Nepal and Sri Lanka are projected to decline to the point where, at current *per capita* consumption levels, they should be able to rely on domestic production and commercial imports by 2005, even under relatively low economic growth rates. However, Bangladesh and Nepal are projected to continue to require food aid if nutrition is to be improved to minimum FAO standards. Sri Lanka should be able to make the transition to improved nutrition relying on its own economic growth (assuming no escalation in its civil war). Most of the emergency food aid needs of South Asia are in Afghanistan, Bangladesh, Nepal and Sri Lanka, but these are projected to decline to 2005. Neither India nor Pakistan should have aggregate food aid needs to 2005, even at minimum FAO nutritional standards, though both face internal distribution inequities.

China was not included in the US study, nor were North Korea and Mongolia.

Sub-Saharan Africa

Sub-Saharan Africa is the most vulnerable region for both chronic under-nutrition and emergency needs. It contains a quarter of the population of all 60 traditional food aid recipients in the study but accounts for half their chronic food aid needs at current nutritional levels. Eight per cent of current grains requirements in sub-Saharan Africa come from food aid compared with less than 1% in South Asia. This could increase to 15% by 2005. Also, some 85% of the emergency needs of all of the 60 traditional food aid recipients are in sub-Saharan Africa.

The countries of East and Southern Africa rely to a greater extent for their grains consumption on grains aid than the rest of sub-Saharan Africa (7% and 15% respectively). Of East African countries only Kenya is projected to have no food aid needs to 2005 at current nutritional levels. However, Kenya currently does not achieve the minimum FAO standard and is unlikely to, unless its economic growth rate is increased.

Of all Southern African countries, only Angola and Zimbabwe are assessed to have no food aid needs, either now or to 2005, at current nutritional levels. All others require food aid now and will continue to do so to 2005. Angola currently does not achieve the

4 WFP states that per capita food grain availability for Bangladesh has declined over the last decade! It is not clear whether this assessment has taken into account the capacity to import.

minimum FAO nutritional standard, but could if it were to lift its rate of economic growth (and if the peace continues).

East and Southern Africa are also extremely vulnerable to emergency needs. For example. Eritrea, Ethiopia, Somalia, and Sudan in East Africa remain vulnerable to political instability and production variability.

Some caveats

Caution should be exercised in the interpretation of these projections. Even where there are deficits between consumption requirements and available food supplies, it cannot be assumed that food is an appropriate aid response, although emergency situations are usually an exception. There are four other reasons for caution.

First, while needs for food aid are estimated as the *differences* between projected consumption and projected availability, the degree of uncertainty (variance) of the estimates is the *sum* of the uncertainties about consumption and availability. In most cases, projected deficits are small compared with estimates of consumption requirements and food availability. This implies that uncertainty arising from measurement inaccuracies dominates any set of estimates.

Second, the estimates relate to grains, yet in the most vulnerable regions of sub-Saharan Africa consumption and local production are dominated by non-grain staples. Little is known about supplies and trade flows of these commodities, although the need for food aid is undeniably high.

Third, projections based on national aggregate data do not focus on vulnerable target groups which do not enjoy adequate nutrition or have the means to escape from poverty. Such groups can be found in any country irrespective of levels of aggregate income. The role of food aid in meeting the needs of these groups, in developing countries which have adequate aggregate access to food, was beyond the scope of the study.

Fourth, some significant potential food aid recipient countries, such as republics of the former Soviet Union, China and North Korea, were not included in the USDA study because they were considered not to have been traditional food aid recipients. Some smaller countries of significance to Australia's interests (eg. Laos and Cambodia) were also not included.

Trends in other aid donor countries

Setting the scene

The origin of food aid is briefly discussed earlier in this chapter. At the formation of the FAC in 1967, developed country donors pledged quantities of wheat for food aid. Following the World Food Conference in 1974 the types of food for food aid were extended while the sources of food aid were expanded to include developing countries.

In the past five years donor countries have refocussed their food aid programs, due to the:

- disappearance of surplus grain stocks,
- pressures to reduce budget deficits,
- rise in grain prices (up to mid-1996),
- completion of the Uruguay Round leading to limitations on commercial incentives that can be attached to food aid,
- rapid growth in the economies of some traditional food aid recipient countries, especially in Asia, and
- growing need for emergency relief and rehabilitation aid caused by civil wars and internal political unrest in certain regions.

This section discusses the current food aid policies of the United States, Canada, the European Union and Japan, and likely future trends. These countries and Australia are the larger food aid donors and account for 98% of all the donor pledges under the 1995 FAC.

Organisations and major objectives

United States

The original objectives of Public Law 480 (PL 480), the principal piece of legislation underlying US food aid, were to dispose of surplus grain stocks, develop overseas markets for US commodities and reduce the threat of communism. As food aid was intended to dispose of US domestic agricultural surpluses and develop markets, the United States Department of Agriculture (USDA) dominated US food aid policy. However, the official US overseas aid agency, USAID, has now taken over the main carriage of US food aid policies.

The current policy goal for all US food aid programs in developing countries is to strengthen food security. USAID regards food aid as a tool for advancing food security goals and reducing hunger in developing countries with emphasis on the least developed, most needy countries. The primary goal is to achieve long term self reliance and sustainable development throughout food aid programs by enhancing agricultural productivity and improving household nutrition. Relief operations must be designed and implemented on the same principles that guide sustainable development. The prime objective of food security development is to reduce vulnerability of recipients to emergency situations.

USAID argues that food aid will be most effective where it is integrated with other US aid resources. Food aid is now recognised as a scarce resource with government funding subject to the same budget constraints as all other forms of aid. Effective and efficient use of scarce food aid resources is emphasised. The measure of success is the extent of sustained improvements in food security.

The US maintains a strong commitment to use commodities sourced from its own domestic providers. There is little indication of this changing in the near future.

Canada

The Canadian International Development Agency (CIDA) is reviewing its food aid programs. Its new approach to date is that, in addition to their emergency role, its food aid programs must support Canada's aid priorities, particularly by enhancing health and alleviating malnutrition. In an environment of severe budgetary constraint CIDA has developed the concept of a 'new generation of food aid' which will enhance the cost-effectiveness of food aid in reducing hunger as a constraint to development.

Canadian food aid is also now regarded as a scarce resource rather than as a by-product of agriculture. It competes on an equal footing with other forms of aid. Its effectiveness must be demonstrated. Food aid policy focuses on the reduction of hunger among vulnerable groups, with the aid provided for emergency purposes or as part of an integrated approach to development. Where the cost-effectiveness of directly distributed targeted food aid cannot be convincingly demonstrated, CIDA will monetise Canadian commodities and channel the funds generated to governments, NGOs and multilateral organisations involved in hunger reduction among the poor.

While there is no mention of commercial objectives in Canada's new approach to food aid, recent documents mention the commercial benefits which flow to Canadians from Canada's general aid program.

European Union

The EU also has a new approach to food aid. The legislative basis is a new regulation of the Council of the European Union (No. 1292/96 of 27 June 1996) on food aid policy. From 1986 EU food aid policy has had a strong food security orientation, but there is now the recognition that aid as food is one of a set of flexible instruments which can be used to promote both development and long term food security. There is also recognition that food security does not merely involve making food available, or even increasing production in target developing countries but, rather, involves poverty alleviation by addressing complex technical, economic, political and social factors which differ from one country to another.

Local purchases and triangular operations are important elements in the provision of the EU's food aid.

The EU has adopted two basic and complementary instruments to address its food aid and food security policy: delivering aid as food and other products (seed, fertilisers, tools and other production inputs), and the financing of activities to enhance food supplies.

EU food aid can be direct (government-to-government), in which case food can be sold on the market to reduce a structural food deficit, or distributed to vulnerable people, or it can be indirect: provided through multilateral organisations or NGOs. Currently about a third is direct and two-thirds indirect. Counterpart funds from sales of direct food aid are expected to be used for integrated programs of rural development, but in the case of countries undergoing formal structural adjustments, counterpart funds are integrated into a single coherent budgetary policy under a socioeconomic reform program.

EU policy recognises that, for countries which have liberalised their imports of foods, aid in the form of commodities can disrupt market operations. It has thus introduced a foreign currency facility designed to develop the private sector by avoiding market displacement. Through this facility the EU's food contribution can be put at the disposal of private operators, provided that their operations fall under a food security policy which is consistent with wider economic policy.

About 80% of the EU's food aid is for development, the rest being for humanitarian and emergency aid administered by the European Commission Humanitarian Office. Food aid actions with a development character are undertaken through a food security and food aid unit within the EC's Directorate-General for Development.

Japan

Japan's food aid makes up about 5% of the grant aid budget which in turn constitutes about 14% of the total ODA budget. Two other related categories, 'grant aid for increased food production' and 'grant aid for disaster relief', make up a further 12% and 2% respectively of the grant aid budget.

Most of Japan's official food aid is bilateral aid: contributions to international organisations are funded out of other budget items. About half of its food aid purchases come from developing countries and half from developed countries.

Food aid is provided following assessment of requests from aid recipient countries. Assessments take into account factors such as the extent of food shortage in a country, its relations with Japan, the economic and social situation and the state of the country's balance of payments.

Fiscal trends

Over the past few years the United States, Canada and, to a lesser extent, the EU, have reduced their food aid budgets. Japan has maintained its resources in food aid.

In the US, food aid is now only about half the levels of the early 1990s. Title I of PL 480 was cut by 70% in the 1995 Farm Bill, primarily because food aid was no longer seen as an effective instrument for achieving commercial objectives. The budget under Title III (primarily program aid aimed at supporting political reform) was reduced by 50%, while allocations under Title II (development and emergency food aid) were reduced by only 15%. There were further cuts in other food aid instruments.

Between 1987-88 and 1995-96 Canada reduced its food aid budget from $436 million to $260 million, a reduction of 40%. As a percentage of the total (declining) aid budget food aid fell from about 17% to about 11%. The total aid budget will be further reduced in 1997 and 1998.

During negotiations for the 1995 FAC commitment both Canada and the United States reduced their minimum pledges in wheat equivalents: Canada from 600kt under the 1986 FAC to 400kt and the US from 4.47Mt to 2.5Mt (See Table 5). However, the major donors' actual shipments have historically exceeded their minimum pledges. For the first year of the 1995 FAC, despite the pledge reductions, the major donors' shipments still exceeded pledges by about 20% (and 40% in the case of the EU).

Like the US, the EU has reduced its food aid shipments since 1992-93 (although by less) but it increased its minimum pledge by 5% in negotiating the 1995 FAC. This was accounted for by the expansion of the Union.

Japan's food aid expenditure has been steady at around 12-14 billion yen per annum. In most years Japan has contributed more than its minimum pledge under the FAC.

Table 5 Minimum pledges and actual shipments of food aid by members of the Food Aid Convention: 1986 and 1995 FACs ('000 tonnes wheat equivalent)

	1986 FAC Pledge	1988-95 average annual shipments	1995 FAC Pledge	1995-96 shipments
Argentina	35	17	35	n.a.
Australia	300	340	300	300
Austria	20	20	-	
Canada	600	908	400	483
European Union	1,670	2,162	1,755	2,400
Finland	25	25	-	
Japan	300	415	300	350
Norway	30	33	20	22
Sweden	40	51	-	
Switzerland	27	72	40	75
United States	4,470	5,563	2,500	3,100
TOTAL	**7,517**	**9,606**	**5,350**	**7,086**

Note: Pledges of Austria, Finland and Sweden were included in the EU's pledge in the 1995 FAC.

Source: Food Aid Committee, 1996, and Article III of Food Aid Convention, 1986 and 1995.

Trends in types of food aid

Program food aid (budget or foreign exchange support) has traditionally been the dominant form of food aid supplied by donor countries (mainly the US) but its use has declined from about 55% (in the early 1990s) to 40% (in 1995-96) of global food aid. In the 1990s emergency food aid has increased (from 20% to 35%) in line with the escalation in regional conflicts and the number of displaced persons. Development project food aid has been constant at about 25% of global food aid.

Of all the major donors, the US provides the smallest proportion of its food aid to multilateral aid organisations, although in absolute terms it is still the largest contributor, with the EU. Its greater emphasis on bilateral aid reflects the fact that food aid is constrained by domestic legislation and, in the past, the US has given weight to commercial objectives. The recent changes to budget allocations to the three Titles of PL 480 indicate that the US is moving away from bilateral program food aid toward multilateral or NGO project and emergency relief assistance.

Over the past decade Canada has increased the proportion of its food aid for emergency purposes while expenditure on development aid has shown a strong downward trend. However, in 1995-96 these trends were sharply reversed. In future years Canada is likely to pay more attention to the concept of a continuum between emergency and development food aid and to look to demonstrable results from food aid. If anything, there is likely to be renewed emphasis on development over emergency food aid.

The EU is ensuring greater linkages between emergency, relief and development aid. Like the US, the EU claims that its policy for food security is lifting people and communities above a vulnerability threshold so that they will be robust enough to handle most emergencies from their own resources.

There has been little change in the composition of Japan's food aid.

Summary of trends in food aid donors

Rapid changes are taking place in the provision of food aid by major donor countries. Disposal of surplus grain stocks is no longer an important feature of food aid. In general, much greater scrutiny is being placed on food aid budgets. Program food aid has declined substantially. Emergency food aid has rapidly increased in recent years.

Donor countries are using food aid to improve food security and human nutrition and to alleviate poverty in the least developed countries. While the US apparently still attaches some (declining) importance to the commercial and political objectives of food aid, other donors do not directly mention these as considerations.

The EU, and the US have recently completed reviews of their food aid policies, and Canada is undertaking a review. Increasing attention is being given to the effectiveness and efficiency of food aid and its integration with other forms of aid. Food aid is viewed as a scarce resource and only one of many instruments for achieving aid objectives. Increasingly, aid agencies are requiring demonstrations of the worth of food aid relative to other forms of aid, and increased attention is being given to design, monitoring and evaluation activities.

Chapter 3
Program food aid

Introduction

This chapter, and the two following, discuss the effectiveness and, to a lesser extent, the efficiency, of the three major categories of food aid:

- *Program food aid*, provided directly from government to government to promote general political and macroeconomic stability and growth. See this chapter.
- *Project food aid*[1], provided to achieve specified social and economic development objectives in sectors such as health, education, and infrastructure. See chapter 4.
- *Emergency and relief food aid*, provided to save lives in the event of natural disaster, war and civil strife and to help repair livelihoods and rehabilitate communities following these disasters. See chapter 5.

Each chapter assesses the general effectiveness of the relevant category of food aid, as reported in the literature on the subject, discusses some of the more important issues, summarises AusAID's experience with the relevant form of aid, and discusses how effectiveness can be maximised.

The effectiveness of food aid should be evaluated against the objectives which it is expected to achieve. As stated in Chapter 1, the objectives against which food aid will be assessed here are the objectives of each category of food aid, as outlined above, and the objectives of Australia's aid program.

Advantages claimed for food aid are its immediacy of use; the ability to focus it on groups whose priority is food, and the simplicity of the managerial arrangements required. However, the conditions under which these claimed advantages are real advantages have not generally been addressed, and depend on the basis on which food aid is provided and other aspects (see below).

1 In this report the term 'projects' means 'development projects'.

Effectiveness of program aid

Program food aid is usually provided to developing countries to achieve macroeconomic objectives of aid which is not targeted on specific groups. The lack of targeting on needy groups is one of the chief drawbacks of program aid. The objectives include freeing up foreign exchange, allowing developing country governments to raise funds to balance their budgets and finance necessary investments, stabilising food prices in periods of rapid inflation and supporting essential reform measures.

Program aid may be appropriate from the viewpoint of monetary and fiscal objectives, ie. by providing the government with additional fiscal resources through the sale of the food aid. However, it runs the risk of depressing local incentives to produce food by raising the value of the recipient country's currency and lowering import prices. On the positive side, it can make food more affordable to all sections of the community, including the poor.

It is difficult for donors to monitor how funds from sales of program food aid by recipient governments are used to enhance development, and conversion of food into funds always involves costs and/or losses (see later section on monetisation). It is also difficult to ensure that the extra food supplies do not depress incentives to produce food locally[2] or displace imports from other sources[3], eg. commercial purchases. There is also the potential for unconditional program food aid to relieve pressures on recipient governments to implement fundamental (agricultural) policy changes.

There is minimal justification for program food aid on grounds of immediacy or focus. It has sometimes been used where food security is a priority, either by providing food which would otherwise not be produced locally or imported commercially, or by building stocks of grains to stabilise supplies and prices. But food aid alone is an inappropriate means of addressing structural food deficits, and large centrally managed buffer stocks of food are expensive to maintain and difficult to administer. In many instances the priority in government-to-government aid to low income countries with structural food deficits should not be food aid, but rather the financial and technical means of reforming sectoral policies of production, processing, marketing, storage and distribution of food.

2 Appendix 3 discusses the possible effects (positive, negative and neutral) of food aid on agricultural production and development in some detail.

3 Notwithstanding the activities of the Committee on Surplus Disposals.

Issues

Food aid as an additional resource

One of the claimed advantages for food aid is that it is *additional* aid, and transfers resources to developing countries which would not otherwise be available for aid. This claim stems from the origin of food aid in the 1950s and 1960s, when the United States needed to dispose of massive food stocks built up under its farm programs. Since then, there have been fluctuations in the levels of food aid, which have followed the pattern of surpluses or tight supply in the US and Europe. Therefore, there is a view that grains aid *has* resulted in long term additionality in total aid and, more importantly, that it has provided a degree of stability to total aid resources, since the value of food aid to recipient countries is higher in tight supply years than in surplus years.

Levels of program aid are more likely to be affected by any additionality than the two other forms of food aid.

This additionality is likely to be of declining significance in the post-Uruguay Round environment in which food surpluses should be reduced, as domestic prices in donor countries become more in tune with international price realities, and as supply matches demand.

Unlike the US and Europe, Australia's food aid program was not conceived as a mechanism for disposing of surpluses, and food aid disbursements have remained close to commitments to the FAC and other food aid obligations. While Australia's food aid program does not provide additional resources, the current level of Australia's FAC commitment reduces the flexibility of the aid program and its ability to respond to Australian government initiatives to meet the changing needs and priorities of developing countries.

Monetisation

Program food aid is customarily sold on local markets soon after arrival in the recipient country, with the resulting funds used by the recipient government either as general budget support or to support programs such as health or education, as agreed with the food aid donor. The delivery process itself can encounter difficulties, when, for example, two donors deliver food aid in close succession and the handling capacity of the port is exceeded. Transport, storage, security and the process of selling the grain all impose costs on the recipient government[4]. Other factors which can affect the

monetisation process and the funds raised to support agreed programs include:

- overvalued exchange rates;
- a selling price set at too low a level by the recipient government;
- recipient government support for food subsidies, which affects the price received for the food;
- poorly functioning local markets which can lead to dependence on government or parastatal food outlets, which are often inefficient;
- unauthorised deductions from the sale price by the government agencies selling the food;
- pilferage, or the diversion of food to government agencies which do not pay;
- delays in expenditure of monies raised, which lead to devaluation of the counterpart funds;
- difficulty encountered by the donor in securing acquittals from the recipient government; and
- difficulty in identifying or reaching agreement on suitable activities to fund.

These factors make monetisation of program food aid, and hence program food aid itself, inefficient compared with, say, cash transfers.

The sourcing of food.

The source of the food is important if benefits of food aid are to be maximised. The source of program food aid is normally the donor itself, in line with the origin of (program) food aid as a mechanism for disposing of food surpluses. This food aid, while it may be of high quality, is often expensive from the recipient country's point of view. It may also come in a form which is not appropriate for local diets, and may in time create demands for a type of food which is not produced domestically.

4 This criticism, as with many of the other criticisms made of the various forms of food aid in this report, are not unique to food aid. However, space is insufficient to make a comparison of the relative importance of various problems with food aid and other forms of aid. The intent on this occasion is to show that some or all of the problems listed could be avoided by using more efficient forms of providing resources than the monetisation of program food aid.

In some cases the donor requires that the food must be supplied not only from the donor country but also from a monopoly exporter. In such cases the exporter may be in a position to be able to extract a 'price premium', since the aid agency will not be able to shop around for normal commercial discounts unless there is an alternative type of food which can be shipped or adequate lead time for negotiation. This may be to the commercial advantage of the donor country's producers, but it comes at the expense of reduced efficiency of the recipient country's aid program.

The sourcing and purchasing of Australian food aid[5]

This Review examined whether a price premium is paid for food purchased for the Australian food aid program (Appendix 4). The brief examination conducted led to the conclusion that, while the preconditions exist, there is no firm evidence that a price premium is being paid[6]. However, it is clear that AusAID should ensure that, for all its food aid activities, its procurement arrangements for food obtain the best value for money. This will embody principles of market contestability (the capacity to test prices paid in Australia against international market prices), including flexibility to purchase food in developing countries (which is already practised in some activities). As shown in Chapter 5, the choice taken recently by AusAID in support of emergency and protracted relief operations is to provide cash contributions, to give the implementing agent (normally WFP) the greatest flexibility to purchase food and other inputs in the most cost effective manner.

Delivery channels

Recipient governments and their commercial nominees

Program aid is normally delivered at the port of arrival directly to the recipient government or its commercial nominee. Untied or loosely defined bilateral (government-to-government) food aid for sale in local markets is very difficult to monitor by donor governments. If the aid is tied, the donor government is able to insist on a degree of audit of how counterpart funds are raised and used, but experience of most donors is that tight control over usage is resource intensive.

5 While this issue is discussed here, in the chapter on program food aid, it is relevant to the three categories of food aid: program, development project and emergency and protracted relief, in those cases where food aid is provided as food.

6 A subsequent review is further examining this issue.

Although direct grants to recipient governments have traditionally represented about half of all food aid, untied or loosely tied bilateral program food aid has been of declining significance worldwide.

Australian experience with program food aid

Mozambique

Mozambique is the only country to which Australia provides program food aid, as part of an international assistance effort which is monitored by the World Bank/IMF. Australia has been assisting this program since the early 1980s. Between 1991-92 and 1995-96 AusAID contributed approximately $28 million aid to this activity. In 1995-96 Australia provided $4.5 million (11,250 tonnes) of wheat and approximately 14,000 tonnes of wheat will be provided in 1996-97. Australia's current MOU with the Government of Mozambique (GoM) states that up to 10% of the funds generated from the sale of Australia's BDFA will be used to support the In-Country Scholarship Award Scheme. The remainder of the funds supports development projects in the national budget.

This activity has been reviewed on a number of occasions, the latest being 1994. The main findings from these reviews included that the monetised food aid was providing GoM with some freedom in restructuring its economic policies. However, the activity suffered from many of the problems discussed earlier in this chapter, particularly the failure to receive the full value of grain when monetised, inadequate reporting, and poor targeting of the funds generated to those most in need. Mechanisms have been put in place to correct these deficiencies.

A visit by the AusAID Director General and other senior AusAID staff to Mozambique in October/November 1996 reported that, if progress in agricultural development continues, some GoM ministers would like program food aid to be phased out in two to three years. Money reallocated from food aid could be more effectively used in support of such activities as: health and agriculture sector projects; scholarships to Australian universities to help alleviate the shortage of well-trained professionals; and generally a high level technical assistance program combined with scholarships aimed at promoting good governance. However, it might be difficult to adequately monitor the implementation of such activities due to AusAID's limited representation in Africa.

Maximising effectiveness of program food aid

Food aid is an inefficient way of providing program aid (compared with the direct provision of funds), but it may be an effective means of promoting macro-objectives if the counterpart funds it generates are closely integrated into a structural reform program which is supervised by a disciplining agency, such as the World Bank or IMF. It is likely to be an effective instrument of food security only if a condition of receiving it is that a national food security policy is in place, and that any counterpart funds derived from food aid sales are directed to the fulfilment of that policy within the context of a wider structural reform framework.

Program food aid can only be reasonably efficient and effective if it is restricted to the least developed and most food deficit countries as a part of other disciplined aid. This would give a focus on poverty and food security at the national level and it would help ensure the role of food security in the macro-development policies of the most severely food deficit countries. It would also help focus on the food needs of the most vulnerable groups in these low income countries. The FAO has published a list of 31 such countries, most of which are in sub-Saharan Africa and therefore not within the geographic focus of the Australian aid program.

Any program food aid should also be aimed at increasing food use rather than displacing food sourced from within recipient countries or from other commercial imports. As discussed in the previous chapter, the WTO Agreement on Agriculture establishes a framework for food aid within wider world agricultural trading arrangements which should assist in meeting this provision.

If program food aid is to be used to assist a structural reform program, the food security needs of those who are most vulnerable to adverse consequences of structural adjustment need to be addressed. This may involve providing aid (perhaps as food) on a project basis focused on vulnerable poverty groups.

Chapter 4
Project food aid

Introduction

This chapter discusses the effectiveness of *project* food aid. Project food aid, also referred to as development food aid, normally encompasses activities intended to achieve specified social and economic development objectives in sectors such as health, education and infrastructure development. AusAID supports project food aid through:

- certain of its 'country programs': those in which there is agreement between the Australian and developing country governments that part of their respective aid allocations should be expended on these activities[1]; and
- its contributions to WFP's Development/rehabilitation /disaster preparedness[2] category of activities.

AusAID's BDFA is mostly managed by WFP in support of WFP development activities, some of which are also assisted through AusAID's direct contribution to WFP. Additional WFP activities are supported solely through the direct contribution to WFP.

Effectiveness of project food aid

Project food aid can be effective in terms of immediacy, focus, priority and simplicity. It can be used to directly address community development needs and sectoral productivity improvement. It can meet immediate needs, but has the advantage of these being linked to longer term development objectives. It is, however, difficult to maintain focus where it is necessary to target large numbers of people.

1 This is commonly referred to as bilateral development food aid (BDFA). However, Australia's BDFA also includes program aid to Mozambique and a protracted relief activity in Cambodia.

2 WFP defines these as activities using food as an aid to economic and social development, particularly when related to feeding and improving the nutritional condition of the most vulnerable and neediest group, increasing agricultural production and productivity, fostering labour intensive activities and promoting rural employment and welfare, and human resources development.

Like all project aid, project food aid runs the risk of developing project dependency in the communities receiving it. Also, in areas which are not well linked to wider national or international markets, the provision of large quantities of food aid may reduce incentives for local food production by depressing prices, especially if the food aid is sold on local markets.

Project food aid has principally been provided to address the priority needs of low income or other vulnerable target groups. It promotes the development of human resources through primary nutrition, health and education activities, and rural development through land development and forestry and fishery improvement. Principal forms of project food aid have been 'food for work' (FFW) and 'vulnerable groups development'. However, where targeting loses focus food aid may not be the most appropriate form of assistance.

It is also by no means certain that project food aid activities have focused on the abject poor (as sometimes claimed), as the 'self-selection' processes of FFW do not always work as intended, and FFW activities do not include the sick or invalid, and in some countries do not include women. In addition FFW and VGD projects are often inadequately resourced with respect to additional, non-food, inputs, including technical assistance. Lack of technical expertise can adversely affect the quality and sustainability of infrastructure built during FFW projects.

Issues

Monetisation

Monetisation, the conversion of food aid to money, increases the flexibility of food aid in projects. However, donors and the WFP itself have been reluctant to allow unrestricted monetisation in projects in view of the targeting objectives for food aid. Also, as noted earlier, monetisation is an inefficient process by which to raise funds to purchase non-food (or even other food) inputs, as the money realised from the sale of the food aid is often less than the initial cost of the food plus the cost of its transport from its country of origin.

FFW activities, as their name states, provide food in return for work, with the intent that this food is then consumed by the family of the worker, improving its nutrition. However, even in these activities food, as food, is not necessarily the best form of payment. Table 6 was originally devised to show the conditions under which food

should be provided, and those in which food should be monetised and the money used as payment. However, in cases where monetisation is favoured, it may be more efficient to fund the project with cash, than to sell food to raise cash.

Table 6 Monetisation vs distribution in kind (as food)

Conditions under which monetisation (or cash) is the preferred option.	Conditions under which distribution in kind is the preferred option.
The objective of the project is a general income transfer, not specific food supplementation; where food supplementation is the objective, cash funds can be reliably expected to be transferred to food expenditures.	The project objective is an increase in food intake which will not result from cash transfers.
Targeting within households (eg. to women or children) is possible using cash transfers.	Targeting within households can only be successful with food.
Social traditions require remuneration in cash.	Social traditions allow remuneration in kind.
Food is available to buy: local food markets or distribution mechanisms (eg. fair price shops) function, or can be expected to adjust or be established in response to increased purchasing power; there are no serious distortions in local food markets.	Food is unavailable (drought, civil disturbance, inadequate logistics, seasonal shortages) or overpriced (traders make supranormal profits or do not serve remote areas); and government interventions using food aid cannot improve the functioning of the market.
Government bureaucratic managerial capacity is adequate for deposit/transfer/expenditure/auditing of cash funds; no particular risk of diversion of funds.	Government bureaucratic managerial capacity is more suited to handling food in kind than cash funds; risk of diversion of food less than of funds.
Additionality of cash payments and their targeting on the poor assured or possible to arrange without violating Government budgetary/fiscal policies or procedures.	Additionality and targeting on the poor more easily assured for food than for cash, given Government budgetary/fiscal policies or procedures.
Cash-supplementation of specific target groups (eg. civil-service staff) acceptable; no particular dependency/phase-out problems that argue against cash; risk of undesirable taste changes through direct distribution of food.	Government prefers food as a temporary addition (topping-up) to eg. civil service salaries, rather than cash; food is preferred because it is easier to phase-out, particularly during structural adjustment programmes; no risk of taste changes through distribution of food.
Monetisation, ie. arrangements for sale and deposit /programming/auditing of cash funds, more cost-effective than distribution in kind	The cost-effectiveness of direct distribution (overall administrative/logistical costs against net local value of food transferred) is more favourable than monetisation.

Source: Schulthes, J. (1992) *Monetisation of project food aid?* IDS Bulletin 23(2): 36-40.

Sourcing of food

The source of the food is important in project food aid if benefits are to be maximised. This may involve strengthening cost effectiveness, ensuring that appropriate commodities are consumed, and using local markets and local commodities where they are likely to speed deliveries and lead to the best long term outcomes. Purchasing food near to where it is needed, or from neighbouring developing countries, has generally been found to meet food needs in project food aid less expensively and more appropriately than sourcing in a donor country. It allows greater flexibility in meeting needs and can promote development in the recipient country and in the country from which the food is purchased.

Triangular purchases and exchanges have been of growing importance, especially in sub-Saharan Africa, where dietary patterns do not correspond with commodities on offer from major food aid donors. Food is either purchased in one developing country for delivery in another, or food from a donor country is delivered to one developing country and exchanged for a different type of food, which is in turn shipped to the final recipient. Triangular arrangements have been used more extensively by non-food exporting donors than by food exporters.

Delivery channels

Development agencies of recipient governments

Some bilateral project aid is administered through donor agreements with development agencies of the recipient countries. These in turn may involve recipient country NGOs. Food aid has been a component of some of these bilateral programs. However, the agencies selected have often not had experience in delivering aid as food or lack the necessary capacity. There may also be problems in handing over quantities of food for these agencies to distribute to their own nationals without the disciplines of an external party, such as the WFP.

NGOs

Donor countries are poorly equipped to become directly involved in the management of food aid projects, and normally have appointed one of their own NGOs or a commercial project manager on their behalf. Alternatively, they have made use of the WFP rather than provide food aid through their own bilateral mechanisms.

The World Food Programme and other multilateral agencies

The World Food Programme (WFP) is the major multilateral agency for the use of food aid in development projects and for emergency relief. The WFP performs particularly well in the physical movement of food.

Australian experience with project food aid

As stated earlier, AusAID's project food aid includes activities funded under bilateral agreements with recipient country governments and activities funded through AusAID's contribution to WFP. AusAID's 'bilateral' projects are:

Bangladesh
- Vulnerable Groups Development (VGD) Programme.
- Rural Development Programme (RDP) (formerly known as the Food for Work [FFW] Programme).

Pakistan
- Integrated Land Management (and Rural Development Works) Project.

Philippines
- Street Children Nutrition and Education Project.

Sri Lanka
- Participatory Forestry Project.

The largest AusAID expenditure on food aid 'projects' during the Review period was on the two activities in Bangladesh. These activities were implemented by WFP with food aid also being provided through the Australian multilateral contribution to WFP. The Philippines project was initially managed by WFP but was transferred to the Philippines Dept. of Interior and Local Government when WFP closed its Manila office. The WFP also managed AusAID's contribution to the Pakistan and Sri Lanka projects, the latter of which was co-financed by ADB and AusAID. Details of all of these projects and their performance are provided in Appendix 5.

Efficiency and effectiveness of AusAID bilateral project food aid

A common element of the projects, except those in Bangladesh, is that all of the food aid supplied was monetised or used as a food swap. In the Bangladesh programs, while much of the food was provided to project beneficiaries, there also was significant monetisation to cover the cost of non-food items and, in the RDP, as much as half of the wheat given in payment was sold by the

beneficiaries[3]. Even in the Sri Lanka project, where the government agreed to cover any losses during monetisation, this only transferred any losses from the AusAID-funded project to the budget of the relevant Sri Lankan agency.

As discussed earlier, there are inefficiencies in the monetisation process. In most of the projects considered above it would have been more efficient to use cash or alternative forms of aid, or at least to provide cash to cover the costs of non-food items. While the use of food assisted Australia to meet its FAC commitments it resulted in inefficiencies in project implementation.

The monetisation question aside, the effectiveness of the projects is variable. The two Bangladesh projects, which have been improved steadily over the past twenty years, are considered to be reasonably effective in achieving their objectives in the difficult aid delivery environment of Bangladesh. Over recent years Australian support has been shifting from the RDP to the VGD, which provides a greater focus on women, may better target the poorest groups, and has less 'leakage' to unauthorised food aid recipients.

The Sri Lankan project is also reported to be achieving its objectives, although the better-off farmers, rather than the poorest, may receive the greatest benefit. The same appears to be true of the project in Pakistan. With the Philippines project it is too early to assess the longer term benefits.

Efficiency and effectiveness of WFP

Introduction

Over the past 5 years AusAID has expended $240 million to support WFP development projects. Under the WFP's 'new' financing formula, in the 1996-97 FY some $27 million has been 'directed' to agreed WFP development projects, with another $27 million provided as 'undirected' funds for WFP to allocate to its priority development activities. The major activities receiving support have been in Bangladesh, Vietnam and China. The Bangladesh activities, which AusAID supported through both bilateral and multilateral channels, are discussed in Appendix 5.

Evaluations of the effectiveness of WFP activities supported by Australia have been limited. Therefore, rather than looking at individual WFP activities, this section discusses several major reviews

3 It is proposed that this problem will in future be addressed by paying a proportion (30%) of wages in cash!

of WFP and their findings on WFP's efficiency and effectiveness in delivering development project activities. Some of the major organisational and management issues will also be discussed.

Chapter 5 will discuss WFP's performance in delivering emergency and protracted relief activities, to which AusAID contributed over $75 million between 1991-92 and 1995-98 FY.

Context

WFP is the food aid arm of the United Nations system and its policies are oriented towards the eradication of hunger and poverty. It has an ultimate objective of eliminating the need for food aid. WFP's Mission Statement states that it provides food aid to:

- save lives in refugee and other emergency situations;
- improve the nutrition and quality of life of the most vulnerable people in developing countries at critical times of their lives; and
- help build assets and promote the self-reliance of poor people and communities, particularly through labour-intensive works programmes.

During 1995 WFP managed about US$1.2 billion of resources in food commodities and cash, feeding about 50 million people. The 1995 expenditure of $1.2 billion was a reduction from US$1.5 billion in 1994, and reflected a general downturn in global food aid, which dropped from a high of 16.9 million tonnes in 1993 to 9.5 million tonnes in 1995[4]. Apart from reductions in income, WFP's operations were also affected by rising food prices: Development activities in particular were hampered, as contributions to these activities were often fixed in financial terms, and hence less food could be purchased. Donors gave priority to emergency needs.

The currently approved budget of approximately $1.2 billion per annum is based on anticipated annual delivery of 2.8 million tonnes of food aid over the 1996 - 97 biennium.

Assessments

There have been three significant reviews of WFP over the period of this review: an internal review which led to an external review of financial systems by McKinsey and Co. and an evaluation of the WFP in 1994 jointly funded by three donors: Canada, the

4 While global food aid decreased, WFP's share increased from 22% in 1993 to 30% in 1995.

Netherlands and Norway (the Tripartite Evaluation)[5]. The major focus of this section is the findings of the Tripartite Evaluation. While WFP's governing body has never discussed the Tripartite Evaluation and while WFP has not formally accepted its findings, nevertheless WFP has addressed many of the Evaluation Report's recommendations in changes it has made to its work.

Tripartite Evaluation

The Tripartite Evaluation was a comprehensive assessment of WFP and its operations, and included detailed studies of nine country programs. In brief the Review Team concluded that:

- there were some successes, but also a disturbing number of weaknesses, in WFP *development* projects. The Programme was seen to perform well in the physical movement of food but it was much less successful in coping with the developmental aspects of its projects. Both Headquarters and Country Offices were strong on food management but weak on development planning; and
- the role of WFP with regard to food aid policies in general was vested in the CFA rather than in the Secretariat. The results achieved by the CFA[6] were not impressive.

There were numerous specific findings and recommendations, including the following.

- Given that vulnerable nations may face increasing difficulties in mobilising foreign exchange for their food imports, and considering the extent of under-nutrition in many developing countries, the Evaluation Team considered that the case for food aid remains strong. However, it is important that food aid is *additional*[7] to other forms of aid, not a replacement for them. In addition, the future of food aid will depend on the particular suitability of food aid compared to other forms of aid, and the use of food aid for development projects is likely to be increasingly closely scrutinised.

5 Chr. Michelsen Institute (1994) Evaluation of the World Food Program, Main Report, Bergen, Norway.

6 The CFA (Committee on Food Aid Policies and Programmes) was WFP's governing body until 1 January 1996 when it was transformed into the WFP Executive Board. The functions of the Executive Board are largely similar to those of the CFA.

7 Additionality is discussed in Chapter 3. As noted there, additionality in food aid is decreasing.

- Food aid can be useful as a tool, provided that it is the right kind of food, arrives at the right moment, and reaches the intended beneficiaries. Food is a preferred form of aid in conditions of marked inflation, limited geographical availability of food and as a means of payment less likely than money to be diverted to less basic needs than improving nutrition, or to be stolen.
- FFW activities are possibly cost-inefficient and these projects sometimes suffer from shortages of essential non-food items for which there may be an inadequate budget. These activities also often have two aims: to do development work *and* to provide poor people with better nutrition. There are sometimes conflicting views as to which of these is the priority.
- The Evaluation Team considered that the CFA and WFP management had not gone nearly far enough to focus WFP's work at country level. The Team considered that WFP should move towards a programme, as distinct from a project approach. Agreement also needed to be reached on a clearer policy regarding country eligibility for WFP developmental food aid. The overall thrust should be to reduce the number of eligible countries.

Since the Review WFP has made considerable progress in reducing the number of eligible countries, with an increased percentage of funding going to low income food deficit countries, particularly least developed countries, and it has commenced a country program approach. In 1995 it initiated a needs-based country resource allocation model, which uses three criteria: level of poverty (per capita income); nutrition status (using under-5 mortality rate as an indicator), and food insecurity (FAO aggregate household food security index.).

The evaluation clearly showed that WFP was not carrying out certain functions effectively, notably in project design. In the area of staffing there appeared to be great pressure on units handling such functions as resource management, food purchasing, shipping and logistics. The Executive Director had recognised that the Programme suffered from unacceptable and inadequate financial control. A Financial Management Improvement Program has since been introduced to completely revise the financial systems, and a new financial model is operating.

The outstanding reputation of WFP in the transport and logistics of moving food was confirmed by an 'Evaluation Study of Food Aid Transport Costs and Options' carried out for the European Community. It was felt that overall WFP was the most effective agency in this activity.

The Evaluation Team was critical of the CFA's Sub-Committee on Projects' apparent lack of control over the quality of projects. The Project Committee had not been able to prevent projects going ahead which were weak in problem analysis, set unrealistic objectives or which did not cover important issues. In addition, Headquarters' staff appeared to 'massage' elements of project proposals, such as the effects on women, to gain approval in the CFA. The functions of the Sub-Committee on Projects are now performed by the Executive Board (since 1996) but there is reportedly still a lack of control.

WFP as a development agency.

At the time of the Tripartite Evaluation, HRD projects accounted for about 40% of WFP's development activities, and directly productive activities for about 50%, with the rest being classified as economic and social infrastructure projects.

An examination of agricultural and forestry projects gave a very mixed picture of effectiveness. Forestry activities in China appeared to have been very successful but in a number of other countries considerable difficulties had been encountered. With FFW projects there had been considerable problems in design, and there were a number of examples of projects benefiting the less disadvantaged.

Supplementary feeding projects, such as school feeding and VGD, are capable of getting satisfactory results but often experience difficulties in implementation. Improvement in relating VG feeding projects to the overall national response to malnutrition and malnutrition disease was required. Problems encountered with supplementary feeding included difficulties in targeting and the emergence of dependence. There was often an unclear link between such projects and their objectives.

As a general conclusion to the discussion of FFW and supplementary feeding projects, the Evaluation Team said that there was no demonstrated general case for WFP to favour either FFW or supplementary feeding projects. With FFW there was a need to integrate food aid with financial and technical assistance, for instance from UNDP, the World Bank or IFAD.

The Tripartite Evaluation Team stated that project preparation could be improved. Specific weaknesses they identified included lack of beneficiary participation in project planning, inadequate targeting and inadequate measures to assure sustainability. Many technical deficiencies in project design were noted, ranging from over-ambitious project objectives to designs which ignored traditional or existing institutional arrangements in government. One of the key design weaknesses noted in country studies concerned unrealistic assumptions about the administrative and programming capacity of counterpart agencies and projects which were provided with insufficient technical assistance.

The overall picture of effectiveness emerging from country studies was one of mixed results. There were key problems in targeting food aid to the poorest and the most food insecure, in ensuring participation by target members in project design, and in ensuring adequate measures for sustainability of assets, activities and institutions created or supported by WFP assistance. Commitment of the recipient government to project activities explained the relative success of certain WFP-assisted projects. Monitoring by WFP was a concern, and appeared to be limited to food movements, to numbers of beneficiaries participating and to output indicators.

One of the overall weaknesses emerging from the country studies was the neglect of assessment of effectiveness and impact at country level. Important evaluation problems were identified: there was a lack of baseline data and of qualitative information on beneficiaries; targeting was seldom considered in depth in project design or evaluation; very little is known about how WFP food is used by households; and economic analyses of projects are seldom done.

The Evaluation Team recommended that the Programme:

- move towards a country programming approach;
- more realistically assess the capacity of implementing agencies and provide technical support;
- apply more effort to improve the targeting of projects to ensure that the benefits will more fully reach the most food-deficit regions, the poorest and the most food insecure members of the community, and so that women participate more fully; and.
- upgrade the technical capacity in development project design to achieve more acceptable levels of project quality.

Responses to reviews

Recent major changes in WFP, due at least in part to the Tripartite Evaluation and other reviews include[8]:

- a shift in WFP resources towards emergency assistance (This was a response to donors wishes in view of the incidence in the early 1990s of large scale complex emergencies eg. Somalia, former Yugoslavia and Rwanda/Burundi, and international demands for humanitarian action.);
- restructuring of the WFP for improved management;
- greater accountability to donors;
- strengthened financial organisation and accountability;
- the shift from short term to long term contracts for staff; and
- the new processes of producing a Country Strategy Outline (CSO) and the subsequent production of a Country Program (CP). The CP will cover a period of 4 to 5 years with a mid-term review, but will always be subject to funds availability on a biennial basis, as this is the level of predictability of WFP's donors' voluntary contributions.

AusAID assessment

An AusAID officer, who visited WFP in April/May 1996 in preparation for this Review concluded that, while there have been a number of improvements in WFP in response to the various reviews, there was still some way to go. He noted that the current procedures in place mean that there are difficulties in 'getting things done' and donors complain that the organisation is not active enough in responding to their requirements and that there is a continuing need for reform.

Apart from the changes mentioned above he learnt that:

- A new model for long-term resourcing had been developed to fix WFP's previous problem with insufficient cash contributions and to offer donors better options for providing assistance[9].

8 See also comments in earlier sections.

9 This new approach has since been implemented. It provides donors with the option of supporting all or any of four categories of programmes: Development, Protracted Relief Operations, Emergencies and Special Operations, through three funding windows: multilateral, directed multilateral and bilateral, based on full cost recovery.

- The cost of food purchases has been significantly reduced by increasing the proportion which is bought in developing countries, closer to the point of delivery.
- WFP has reduced the meetings and documentation budget from $8.3 m to $2.5 m by rationalising services. More importantly, WFP has further reduced the already low Program Support and Administration budget.
- The Office of Evaluation has been upgraded and now reports directly to the Executive Director. The Office is establishing new approaches which will be more program and policy-oriented and will increasingly include evaluations. The biennial evaluation program has since been approved by the Executive Board.
- A Rapid Response Team has been established to improve the speed of response to emergency situations.

Sustained pressure and support will be required from donors and committed staff if reform is to continue. Major effort needs to be made to develop CSOs and CPs, and in the design and monitoring of activities.

Efficiency and effectiveness

There is widespread agreement that WFP has impressive capabilities in procurement, shipping, internal transport and storage of food commodities. Economies of scale and decades of experience have endowed the organisation with a comparative advantage in these areas (Although NGOs may challenge this statement.) and the ability to provide food quickly[10].

However, as was also clear from the Tripartite Review, the flip side of this strength seems to be a weakness in dealing with the human and development impact aspects of field operations. WFP's programs have been dominated by input provision rather than the achievement of development objectives. Monitoring and evaluation reporting has been dominated by quantitative reporting on physical

10 However, this pre-eminence is under threat. WFP's emergency and protracted relief operations are well supported by donors, whereas the proportion of their resources allocated for development programs had already fallen from 50% to 33% between 1990 and 1995. This causes a problem as WFP's development program infrastructure is the base upon which their 'first strike' capacity for emergencies is based. Since they hold development food stocks in store all around the world, and normally have 20-30 ships in transit, they are able to quickly reallocate these stocks for emergency purposes, and are typically the first to supply food in times of crisis. As their development programs are wound back, this first strike capacity is eroded.

achievements, and by the collection of commodity statistics rather than development impact data and qualitative analysis. More attention is needed to establish the appropriate role for food aid and better targeting of beneficiaries. WFP has yet to develop adequate capabilities in project design, impact monitoring, and evaluation. Although there is some awareness of these limitations in WFP, only a modest start has been made to date on addressing them.

Monitoring, and particularly monitoring of development impact, may have been put into the too hard basket by WFP. However, WFP often operates in very difficult circumstances, and where there are no strong government agencies or NGOs to distribute food from its extended delivery points (EDPs) to the final beneficiaries, WFP has to 'have a little faith in its partners'.

Conclusion on WFP's effectiveness

WFP has a good record in emergency relief (see Chapter 5). Its development portfolio also has merit, although many of its activities exhibit problems identified in earlier sections. While WFP is obviously improving its processes, there is a considerable way to go, particularly in activity identification, design, monitoring and evaluation. Improvements in these areas are essential if support for the organisation is to be maintained and if increasingly scarce food aid resources are to be allocated as efficiently and effectively as possible.

Maximising effectiveness of project food aid

The strategic design issues mentioned above have to be assessed project by project If projects were approached from the viewpoint of food being a *tool* rather than a *resource*[11], a smaller role would be found for food aid in development projects, but the food aid would be used more effectively and efficiently. This would imply starting with the question 'why use food aid?' rather than 'why not use food aid?'

11 This concept is fundamental to the argument on the appropriate role of food aid. At present food aid is a resource, in the same way that money is a resource ie. At present Australia has 300,000 tonnes of wheat (or its equivalent) to 'spend' on the implementation of food aid activities, in the same way that other activities are allocated money. This Review argues that food should be a tool, in the same way that technical assistance or training are tools, and that food should be purchased only when it is the most appropriate tool to use to achieve a given set of development or relief objectives. It will usually be used in conjunction with other tools such as training, technical assistance, and/or physical inputs if it is to be used efficiently and effectively.

To be effective and efficient, food aid projects (as for all project aid) need careful design[12] and management, and quality assurance programs to monitor project implementation and to evaluate outcomes. Also, with tightly defined memoranda of understanding and project control, it may be possible to monetise some of the food aid to support other features of projects without running into the funds 'leakage' problems of more broadly defined program aid.

Food aid is likely to be effective only if the objective of the project is to increase levels of food intake, or if the objective can be achieved only by increasing levels of food intake, say to enable more effective work performance. Thus, food aid projects might be designed to raise the nutritional status of mothers and children who live in poverty (a food intake objective), or to improve the health and strength of the work force so that they are able to undertake more productive employment (a condition for poverty alleviation). A subsidiary characteristic should be that increased food intake cannot be guaranteed as inexpensively by providing cash or other transfers in kind.

For example, it should be asked whether food consumption might be increased less expensively or in a preferred form by providing cash payments for work or certificates for food purchases in local markets. Alternatively, it should be asked whether food might be more effectively sourced by providing goods for barter or for food production (for example, fishhooks). These issues must be addressed project by project.

A standard case for aid as food rather than as cash or non-food goods is where priority groups can only be successfully targeted with food. It might not be possible to guarantee increased consumption by women and children if payments in cash can be spent on non-food priorities by male householders. Targeting on the poor may also be more assured with food than with cash, though such targeting is by no means straightforward or costless. Costs of excluding non-target households can be large, and double dipping by recipients difficult to control. Furthermore, targeting with food may not reach the abject poor, who are difficult to identify as a community and, being the weakest, do not become involved in FFW activities. Direct relief with no development objective may be the only humane approach to assistance for these people. However,

12 This includes ensuring that there is an appropriate mix of inputs, including technical assistance etc.

these are general problems of targeting which go beyond the provision of aid as food.

There may also be situations where increased food intake is feasible only if aid is given as food. Other sources of food may be unavailable because of drought or seasonal difficulties, or supplies may be limited so that cash payments have the end effect of driving up prices, thereby further disadvantaging the weakest members of the community. Alternatively, in remote areas, transport and storage infrastructure may be inadequate and markets underdeveloped. These problems may need to be tackled in a development project, but in an initial phase it may be necessary to provide aid as food. Furthermore, the early stages of development may occur in a non-monetised society in which households are unable to transform cash into food. Local staff might also more readily manage and monitor food than cash, and the dissipation of food resources through corruption may be more readily controlled than the dissipation of cash (though contrary arguments may be mounted in particular circumstances). Food is harder to steal than cash!

Project aid requires good design and management for its success, whatever the instruments employed. It is therefore imperative to have faith in the channels of project aid delivery. In the context of food aid this may place a high priority on specialist agencies, principally the World Food Programme in a multilateral context, or experienced non-government organisations (possibly working as world networks) in a bilateral context. Donors can be confident of the effectiveness and efficiency of projects only if quality assurance programs are in place which are capable of monitoring project implementation and evaluating project outcomes. Quality assurance needs to be adequately resourced.

Chapter 5
Emergency and relief food aid

Introduction

This chapter will examine emergency and relief food aid and includes discussion of a number of issues which are important in determining its effectiveness and efficiency. More in depth discussion of these issues, AusAID's experience of emergency and relief food aid, and findings of recent evaluations of these types of activity are at Appendix 6.

Emergency food aid is provided to help save the lives of people who may otherwise starve due to natural disasters such as droughts, or because they are displaced from their normal sources of food by war or civil strife. *Relief food aid*, which may be required over a protracted period, assists in the rehabilitation of these people following such disasters. Sometimes it is possible for a continuum of activity from emergency through rehabilitation to development, each stage being usefully supported by food aid.

AusAID's past support for emergency and protracted relief operations has been through funding for WFP[1] and NGO activities. In 1996-97, AusAID will provide cash contributions to WFP for a selected group of emergency and protracted relief operations. An outline of activities supported by AusAID is provided in Table 7. Expenditure over the period from the 1991-92 to the 1995-96 FY, by delivery channel, is shown in Table 8.

1 While most support for these activities has come from AusAID's Humanitarian Relief funds, one activity in Cambodia also received funding from the bilateral country program. This amount has not been included in Table 8. Table 3 does include this figure.

Table 7 Contributions for WFP Emergency and Protracted Relief Operations 1996-97

Country	Title	$('000)
ASIA		
Afghanistan	Afghan refugee activities	3,000
Burma/Bangladesh	Rohingya refugee activities	1,000
Cambodia	Rehabilitation program	5,580
DPR Korea	Assistance to flood victims	2,500
Iraq	Food assistance for vulnerable people	1,925
Laos	Assistance to flood victims	1,850
Sri Lanka	Assistance to displaced persons	3,773
Nepal	Assistance to Bhutanese refugees	2,600
	Sub-total	*22,228*
AFRICA		
Ethiopia	Assistance to acute food deficit areas	1,028
Ethiopia	Food assistance for refugees	2,000
Kenya	Emergency drought relief	1,000
Sudan	Displaced drought victims	500
Sudan	Assistance to displaced persons	1,560
Sudan	Emergency drought relief	1,000
Tanzania	Emergency drought relief	1,000
	Sub-total	*8,088*
	Total	**30,316**

Effectiveness

Food aid is of greatest and most obvious value in providing assistance in natural and man-made disasters and in providing relief to refugees and internally displaced persons.

Where the emergency or relief situation deprives people of the means of growing or purchasing food, but food supplies are available, food aid may not be appropriate. In such situations cash or food certificates will provide support while not proving a disincentive to agriculture and marketing. When food is not available for purchase, the provision of food is clearly appropriate.

Table 8 Delivery Channels for Emergency and Protracted Relief Operations ($'000)

	1991/92	1992/93	1993/94	1994/95	1995/96
United Nations Agencies					
WFP	16,617	9,743	16,598	16,490	18,288
UNHCR	130	411			
Sub-Total	*16,747*	*10,154*	*16,598*	*16,490*	*18,288*
Australian NGOs					
CAA		298		2,500	2,760
CARE Australia	2,452	4,412	580	75	350
FSWG	3,656	3,031	1,870	2,534	
UNICEF Australia		89	2,594	667	686
WVA	7,853	5,440	5,823	4,307	1,726
Others	873	614			525
Sub-Total	*14,834*	*13,884*	*10,867*	*10,083*	*6,047*
Inter-Government & Storage	***1,369***	***795***	***162***	***265***	***1,688***
Total Emergency & Relief Food Aid	**32,950**	**24,833**	**27,627**	**26,838**	**26,023**
% WFP	**51**	**41**	**60**	**61**	**70**
% NGOs	**45**	**56**	**39**	**38**	**23**

However, extended support, in the form of food or cash can extend conflict, cause shifts in food preference from local foods, and reduce incentives for local food production and implementation of disaster preparedness measures.

Each emergency or relief situation requires an assessment to be made of the best form of assistance to provide. A food aid response is not appropriate when:

- food is available, and what is required is the means to purchase the food;
- it will not have an impact on the nutrition of the target population eg. where there is no capacity to target, and insufficient food is available to remedy this by providing blanket cover;
- the overall impact of the intervention is likely to be negative eg. where food attracts people to centres or camps where they cannot be sustained, or where they will be worse off than where they are; or

- it merely serves to flood local markets with food aid after the main crisis is over, depressing prices and incentives for surplus production.

Food aid (or in fact any type of aid) should be questioned when:

- it can be co-opted by warring parties and serves to fuel the war eg. the supply of food aid to garrison towns in Sudan;
- the beneficiaries have not been consulted as to their needs (including the number in need); or
- targeting and monitoring mechanisms have not been put in place.

When food aid is appropriate the type of food to be provided also needs to be carefully considered. Wheat is generally not an appropriate relief commodity as it rarely suits local food preferences. Some rice varieties are more often a suitable substitute for local food staples, as are pulses. However, it is frequently more appropriate to purchase locally acceptable foods either elsewhere in the country or within the region. This promotes developing country agriculture and is often more efficient in providing more food for the same monetary contribution, reducing delivery time and delivery costs.

Issues

Targeting

Blanket feeding, in which the whole population in an area is fed, is often the only way of ensuring that the needy receive food in a complex emergency or dispersed relief population. Targeted food distribution is facilitated by data on vulnerable groups and more general socio-economic data. This type of data is being prepared for disaster-prone countries by FAO and WFP. Trigger indicators are identified to predict the percentage of the population likely to need assistance.

Targeting is less of an issue in refugee and IDP camps, but camps create their own problems. Assessment of numbers remains difficult for both practical and local political reasons. Camps also tend to draw people to them, exacerbating the environmental, health and future rehabilitation problems. Dispersed populations are often difficult to reach with food supplies, but in many situations it is preferable to extend the supply chain rather than create camps. Food aid agencies appear to have increased difficulties with

monitoring and reporting on their activities when dealing with dispersed populations.

Community involvement in the type, extent and targeting of assistance is important if assistance is to be optimised.

Activity proposals

A participative approach, together with the following, should be evident in any proposal to provide relief food aid:

- objectives, in terms of nutritional impact and food security,
- how these objectives are to be achieved,
- the assumptions made about distribution and targeting and what risks are foreseen,
- the indicators to be used to measure impact, and
- how impact will be monitored.

AusAID should have a policy on the design of humanitarian relief interventions, coupled with a strategy for formative evaluations and improvement of the design standards of funded activities. Such a strategy could include collaborating with Australian NGOs willing to develop their humanitarian relief expertise in this manner. AusAID could also request that WFP provide preliminary designs with proposals for emergency interventions, in the same way that they do for protracted relief operations.

Food for work - protracted relief

Food for work (FFW) activities are sometimes used to provide relief while helping to create and maintain assets. These assets can include rural roads, check-dams, irrigation channels, dykes, wood lots, reafforested lands, health clinics and soil conservation measures. Such activities can help to bridge emergency relief and development and have proved to be an effective means of assistance. However, criticisms of FFW activities include that:

- FFW activities are really 'make work' activities and the results (eg. road construction) can be achieved more efficiently and effectively with machinery.
- FFW activities are premised on a belief that free food creates dependency, and that people should be put to work for their own good. This is perverse if it results in people 'jumping through hoops' to receive the food they need to survive. However, FFW can be justified if the activities implemented

improve the affected community's food supply or meet a priority need of the community or the country.

- It would be more productive to provide food freely and let people get on with their own activities. People are often perceived to be idle, when they are in fact very busy, simply because they may appear that way when gathered to receive a visitor or at the time of day a visitor normally encounters them.
- The most vulnerable, those likely to be most in need of food, include people who are unable to work, such as the aged, the sick and the disabled, and a high proportion of women, who should not end up bearing the brunt of heavy physical tasks such as breaking up rock. The most able, who are selected for work, will generally include a high proportion of strong, healthy young men who are the least likely to pass food assistance on to other members of the household.
- It can have a disincentive effect and represent an inefficient use of labour, particularly by competing with other labour opportunities. For example, FFW may compete with seasonal migration as a labour opportunity.

The most frequent criticism of FFW is directed not at the approach, but to the poor quality of the work, the inadequate maintenance of the assets created and hence the lack of sustainability. The main problems are lack of technical supervision and lack of community participation in the identification and implementation of FFW activities.

The long-term impact of FFW activities for relief depends on the value of the assets created and their value to local communities. A frequent design failure is in the choice of assets and/or the size or scale of work undertaken. There has to be regard to what the community can, and is willing, to maintain, otherwise there will be continuing dependence on donor financing and technical support.

The quality of project design is as important in FFW relief activities as it is in any development project. Clarity of objectives, identification of indicators, management of risks, sustainability, environmental impact and gender equity considerations are all relevant.

Without adequate monitoring, such projects can go on for years based on erroneous assumptions about what they are achieving. These assumptions and techniques need to be regularly tested and

monitoring systems should be in place to determine whether or not the activities are meeting their objectives.

Channelling

Until 1996-97 FY Australian emergency and relief food aid was channelled through WFP and Australian NGOs and their international partners:

- In these activities WFP managed operations in which it used its resources to deliver food to extended delivery points. It made extensive use of local or international NGOs to distribute food from these EDPs to the final beneficiaries.
- Australian NGOs provided little food aid from their own resources, but were used by AusAID to distribute food aid in emergency aid situations. NGOs frequently work through their international networks, eg. a donor such as AusAID makes food, or funds for food, available to a domestic NGO, which then channels the assistance through its international network or direct to its counterpart in the developing country concerned. NGOs normally deliver food aid to the end user.

AusAID's approach for 1996-97 is to rely on WFP as the channel for all humanitarian food aid, although NGOs can still submit funding proposals, based on the use of food aid, to compete with non-food proposals. This preference for WFP is based on cost effectiveness, programming and administrative capacity considerations, ie. it is easier for AusAID to select a range of WFP projects in different countries and not have to appraise, select and track smaller NGO projects as well. It is supported by reasoning that WFP is in a better position to select the most effective operational NGOs to conduct final distributions than AusAID and that NGOs can negotiate directly with WFP to undertake this role under contract to WFP.

AusAID should normally regard WFP as the appropriate channel for humanitarian food aid:

- in complex emergencies where WFP is given a mandate by the UN Department of Humanitarian Affairs (DHA) to coordinate food assistance, and
- in relation to refugees and internally displaced persons where UNHCR has exercised its mandate to respond and the WFP/UNHCR arrangement, that WFP will be the only delivery channel, pertains.

In view of the increasing importance of UN-led operations it is in the interests of all donors and recipients to maintain and strengthen WFP as the principal international organisation for procuring and handling humanitarian food relief, coordinating contributions and handling logistics eg. use of ports, rail and truck services. Channelling funds through WFP also strengthens WFP's ability to coordinate the activities of partner NGOs and the use of food resources.

WFP is most effective and efficient at the macro-level of emergency and relief aid ie. in the logistics of moving large quantities of food and in coordination of aid from a number of donors. NGOs tend to perform well at the micro-level, in identifying and delivering food to defined individuals and groups. In fact WFP usually contracts NGOs for this stage of food delivery. It is at the micro-level that relief frequently fails to meet its objectives.

AusAID should seek to combine the strengths of WFP and NGOs in a coordinated manner. This will normally mean providing funds to WFP, leaving the WFP country office to choose the most effective and efficient NGOs (or other agencies) as implementing partners. However, AusAID requires WFP to engage Australian NGOs, or to give their international partners preference for the final distribution of Australian-supported food aid, wherever this is practicable.

AusAID should monitor and evaluate WFP's mechanisms for assessing NGO capacities and selecting NGO partners as an assurance that WFP/NGO partnerships established are efficient and effective in delivering emergency and relief aid. If there are doubts about the ability of WFP to find a suitable partner in any particular activity, and thereby to weaken the impact of the intervention, AusAID should be prepared to contract an Australian NGO to gain access to an NGO operation that can provide a more effective humanitarian intervention, or directly support such an NGO operation through Australian overseas missions.

Selective contestability

WFP has an unrivalled global capacity and is best placed to coordinate food aid flows, but it may not be prudent to rely totally on WFP as a channel for food aid. WFP will not necessarily always be the most efficient supplier. It will not always be able to mount the most effective response. AusAID should maintain an element of contestability in the humanitarian food aid program by allowing NGOs to compete with WFP for Australian food aid. Practically,

this will require AusAID to develop strategies for countries deemed to be a priority in the humanitarian program and to make a provisional analysis of the most effective and efficient delivery channels for humanitarian food aid. If it is likely that an Australian NGO could mount or secure access to a more effective and efficient operation than WFP, then AusAID should invite Australian NGOs to submit proposals.

This approach should ensure that AusAID assumes the discipline of analysing WFP's effectiveness and efficiency and relating WFP's transaction costs to the value added by WFP's involvement as an intermediary. Moreover, some use of alternative channels will provide a comparison against which to judge WFP's performance.

Efficiency

A brief analysis undertaken for this review suggested that WFP is generally, but not always, able to procure and deliver food aid at a lower cost per tonne than Australian NGOs, presumably because WFP procures much larger quantities. The support costs (direct support plus overheads) for WFP and Australian NGOs were found to be of a similar order, ie. 13.8% to 15.2% of total costs for WFP projects considered, 11% to 15% for Australian NGO projects considered.

However, there are problems in making direct comparisons for both delivery and support costs, and NGOs consulted disputed the findings of the analysis. To compare efficiency AusAID should try to work out the total funding picture for each proposal, from all agencies and NGOs. WFP's new financial model, introduced in 1996, should facilitate such comparisons in the future.

Scrutinising WFP's charges

AusAID does not adequately scrutinise what WFP charges to handle humanitarian food. AusAID should do more to clarify what it is paying for, what value for money it represents and how much of what it pays is passed on to implementing partners, including NGOs, to effect final distribution. To assist in this task AusAID should, as a matter of course, obtain the land transport, storage and handling (LTSH) matrices prepared by WFP for each project. These can be compared with costs of NGO proposals for food aid activities in the same country.

Program management issues

In relation to monitoring, AusAID should not rely on WFP's analysis of its own performance, until such time as its evaluation and review capacity has been formally assessed as being satisfactory[2]. At present, WFP's experience of monitoring and evaluating emergency and relief operations is limited but growing, and AusAID should independently monitor, or take part in joint evaluations of, WFP operations to reassure itself on their appropriateness, effectiveness and efficiency, contracting out monitoring where existing internal resources are inadequate.

In relation to the type of support provided to WFP, AusAID could also allocate a significant amount to WFP's Immediate Response Account to assist WFP's capacity to respond to newly arising emergencies. For the remainder, a mechanism should be developed to ensure AusAID has the flexibility to respond to emergencies, within the constraint of having to meet specific FAC targets each year.

Conclusion relevant to AusAID policy

In selecting the channels for delivery of its emergency and relief food aid program, AusAID has to weigh the relative importance of different elements of efficiency and effectiveness. For example, in some operations, directing funds through an Australian NGO might be more cost-effective, but this may have to be weighed against the overall operational effectiveness of having WFP coordinate food flows. For another operation, WFP's proposed arrangements for implementation may be weak, leaving doubts about reaching beneficiaries, in which case there may be value in providing additional resources for final distribution through an Australian NGO.

AusAID also has to balance the perceived difficulties of channelling a proportion of humanitarian food aid through Australian NGOs, against the desirability of having a mechanism by which the effectiveness and efficiency of WFP can be contested. In the interests of seeking the best humanitarian outcomes, Australian NGOs should continue to be allowed to compete with WFP for direct funding.

2 AusAID is proposing to review the evaluation capacities of major UN aid agencies, which would include WFP.

In assessing the relative effectiveness and efficiency of WFP and NGO proposals, AusAID should stress operational capacity and proposals should be considered against the following criteria:

- Mandate and mode of operation.
- Appropriateness and design of interventions.
- Logistics capacity.
- Capacity to identify needs and reach target groups.
- Role in coordination of humanitarian interventions.
- Specific country capacity and experience.
- Monitoring arrangements.

Australian experience with emergency and relief food aid

AusAID has, over recent years, supported one WFP protracted relief operation as part of its bilateral country program to Cambodia. Additional funding has in the past been divided between NGO and WFP activities, except for the 1996-97 FY in which all funding has been channelled through WFP. Appendix 6 includes an assessment of the Cambodian activity, an assessment of WFP's overall performance in emergency and protracted relief operations, and summaries and comments from evaluations and reviews of a number of emergency and relief operations, including a number funded by AusAID.

Conclusions

Overall, Australia's experience, and the evaluations by other bodies, show that emergency and relief operations often have positive impacts. These can be improved if activities are thoroughly designed (even though this may be an iterative process during implementation) and monitored (in part to feed into the continuing design process) to ensure that project activities achieve desired objectives.

Flexibility of sourcing and use of resources by operations managers is necessary for effective emergency relief. To get food to people in need following natural disasters, or in situations of civil or military strife, often requires doing deals which defy the protocols of less urgent actions. It is therefore important that donors have confidence in the integrity of the agencies delivering emergency aid.

It is likewise important that donors provide the maximum forward notice of their preparedness to provide assistance (whether in cash or in kind). Donors have generally been generous in response to emergencies, but responses are often reactive. People cannot be fed retroactively.

It is also important that minimal legal, administrative and sourcing constraints be placed by donors on how emergency aid is sourced and distributed, subject to general rules of accountability being followed by channelling agencies. Logistics are difficult in emergency situations. Destinations are frequently far from traditional food aid donors. To source food from the donor countries can be difficult and costly. The types of food from those sources may not match the consumption needs of potential recipients. This means that if food is a priority, it may be better to provide funds and allow the relief agencies to purchase food or goods for barter from appropriate least cost sources.

Notwithstanding the priority for food in many emergency situations, it is important to assess the need for aid in the form of food. Where people are concentrated in refugee camps and logistics are well established and local food systems have broken down, aid in the form of food supplies may be appropriate. However, in other cases, where distressed populations are widely spread throughout rural areas there may be pockets of adequate food supply. It will be less disruptive not to encourage migration to camps through centralised food distribution operations. It may be preferable to provide dispersed populations with the means to purchase or barter for food. It is also important to terminate emergency food aid before recipients come to rely on it, otherwise actions may not be taken to create purchasing power and produce food locally.

In some emergencies, local populations may not have the financial wherewithal to purchase food which is available from nearby sources. Where this is the case and food is supplied as an immediate response, assistance should be switched as soon as possible away from supplying food sourced from elsewhere toward financing purchases from local sources. This will prevent diets being changed and local producers being discouraged from producing. However, in most emergencies adequate food supplies are not available locally even if there is money to buy them. In these cases food aid should be phased as quickly as feasible into other forms of reintegration and rehabilitation assistance. This may involve the rehabilitation of

combatants who themselves become displaced as a result of conflict resolution.

In summary, the use of food aid is an appropriate and effective response to emergency and protracted relief operations under certain conditions. Issues to particularly note include that FFW may not be an appropriate component of an emergency response, that there can be developmental and efficiency benefits from local food purchase and that registration is an important aid in accurate determination of numbers at risk. In addition, targeting those most at risk is difficult but important for an effective and efficient emergency response and an emergency response must evolve into a rehabilitation and development response only when the emergency has passed. Also, adequate design and monitoring of all emergency and protracted relief operations is essential.

Chapter 6
Recommendations

Introduction

The Review makes the following recommendations to AusAID, based upon the preceding findings. The recommendations address: the future objectives of food aid in Australia's aid program; the use of development projects, emergency and relief, and program food aid to achieve these objectives; ensuring only quality activities are supported; the delivery channel options; the proportion of aid given as food aid, and its sourcing and purchasing.

Recommendations

1. Food aid objectives

Australia's food aid should be used to pursue the objectives of the total aid program, whether it is channelled through multilateral organisations, bilateral programs or through NGOs. As with all forms of aid, food should only be used where it is the most appropriate tool to meet Australia's aid objectives. Food aid's greatest value is in emergency and relief situations. AusAID should direct more of its food aid to support emergency and relief operations.

The achievement of aid program objectives is compromised by the current requirement to meet the FAC commitment.

2. Emergency food aid

Food aid for emergencies should be allocated through the more appropriate channel, either WFP or Australian NGOs and their international partners, on a case by case basis. Contributions should be in the form of cash unless Australian sourced food is clearly more appropriate.

3. Relief food aid

Protracted relief operations should normally be supported through programmed cash contributions to WFP. Australia should work with other donors to ensure the highest standards of accountability and transparency in WFP's operations. In particular, more attention should be paid to the design and monitoring of activities.

4. Development project food aid

Development project food aid should be targeted specifically upon assistance to the poorest groups in recipient countries through projects which aim to improve the groups' nutrition. This will include projects which promote social and economic development and, thereby, greater income for food purchases, and creation of a policy and institutional environment which facilitates agricultural and trade development. Such projects should also help provide a platform from which to respond rapidly to emergencies.

5. Program food aid

As program food aid is a particularly difficult and controversial form of assistance, Australia should exercise particular care in deciding to extend or renew its current activity of this type. Any future proposals should be rigorously appraised to ensure that adverse effects are minimised. In any event, program food aid should be restricted to use with least developed, food deficit, countries and require that counterpart funds generated are used to support activities within an economic adjustment program which is externally monitored by, for example, the World Bank or International Monetary Fund.

6. Ensuring the quality of food aid activities

AusAID should take additional measures to ensure that it supports only high quality food aid projects and operations. In this regard, AusAID should develop improved procedures to rigorously appraise activity proposals received from NGOs and WFP. Reviews of activity implementation, and evaluation for impact, efficiency and effectiveness should be undertaken regularly in conjunction with other food aid donors and/or WFP and NGOs.

7. Expenditure on food aid

Annual expenditure on food aid should be the total value of food aid activities implemented in a year due to their appropriateness, effectiveness and efficiency in achieving Australia's aid program objectives. This is likely to be substantially lower than the current 7.4% of the aid program.

Any reduction in annual expenditure before the 1998-99 FY is not achievable under Australia's current commitment to the FAC.

8. Sourcing and purchasing food aid

Consistent with Australian Government procurement policies and procedures, AusAID's arrangements for the procurement of food aid should ensure that the aid program obtains the best value for money. They should embody principles of market contestability, including freedom to purchase in developing countries, having regard to the efficiency and effectiveness of the total food aid operation and the particular circumstances and requirements of the activity for which the aid is required.

Appendix 1

Review of AusAID's food aid programs Terms of reference

1. Background

AusAID is conducting a review of Australia's Food Aid Programs as part of its regular cycle of major program reviews outlined in the Foreign Affairs and Trade Portfolio Evaluation Plan.

The Review is timely in view of the rapidly changing international situation with respect to food security and agricultural trade liberalisation. The Review's conclusions should also provide a useful input to the Government's deliberations in 1997 on commitments to the World Food Programme and to the Food Aid Convention.

2. Review objectives

The objectives of the Review are:

- to assess the relevance, efficiency, effectiveness and management of AusAID's food aid programs, including the benefits accruing to Australia from AusAID-funded food aid activities;
- to draw out the implications for AusAID's food aid programs of recent changes in the international policy environment, including the impact of the Final Act of the Uruguay Round, current debates on food security issues and changes in other donors' programs; and
- to recommend a framework for future food aid programs, including the balance between relief and developmental programs and between bilateral and multilateral channels for assistance, taking into account projected food aid demands and the geographical focus of the Australian aid program.

3. Scope

The Review of Food Aid Programs will focus on activities funded by AusAID from the 1990/91 financial year onwards. This will include activities funded through the three program areas:

- support for the World Food Programme;
- relief food aid activities managed by the Humanitarian Relief Section (HUR); and
- bilateral development food aid programs managed by country desks.

The Review will undertake the following tasks.

Effectiveness issues

- Summarise the key lessons which have emerged from international donor experience on the effectiveness of food aid programs. What are the major pitfalls? In what circumstances can the effectiveness of food aid activities be maximised? For example, under what conditions can monetisation or commodity swaps be appropriate and cost-effective ways of using food aid?
- Review the development and relief objectives of AusAID's food aid programs and assess the extent to which the programs have made a contribution towards achieving those objectives.
- Assess the benefits which have accrued to the Australian economy as a result of Australia's food aid programs, from both direct purchases of Australian commodities and also from the longer term regional impacts of such assistance.

Policy issues

- Outline the projected global demand for food aid over the next 5-10 years and likely trends in donor assistance.
- Review the advantages and disadvantages of food aid compared with alternative forms of assistance in Australia's development cooperation program. What is the most appropriate role for food aid in Australia's aid program?
- Assess the advantages and disadvantages of support for local purchase of food commodities rather than supplying Australian food.

- In view of changes in the international environment and expected reductions in the Australian aid budget, recommend whether there is a need for adjustments to either the overall level of food aid (and Australia's commitments under the Food Aid Convention), or its allocation between bilateral and multilateral channels.
- Assess the scope for using food aid to support selected developing countries undertaking trade liberalisation reforms.
- Review Australia's policy and strategy for interaction with WFP.

Program management issues

- Assess the adequacy of current administration and management arrangements for food aid programs within AusAID.
- Assess the adequacy of quality assurance and accountability mechanisms for food aid activities.
- What are the advantages and disadvantages of using WFP as the delivery channel for all food aid activities? Under what circumstances should AusAID respond to direct requests for food aid assistance from NGOs or recipient governments?

4. Conduct of the review

The Review will be managed and conducted primarily by staff of AusAID's Evaluation Section. Short term consultant inputs will be utilised as required for particular components of the work.

Extensive fieldwork will not be required for the Review, which will draw primarily on existing source material. However, limited international travel may be involved to consult with key stakeholders and other donors. The analytical work of the Review will be based primarily on existing sources, supplemented with consultations with stakeholders and AusAID staff, including those at relevant overseas posts. However, if significant data gaps are identified on program effectiveness, additional technical input may be engaged, either internally or from external consultants, to undertake additional fieldwork. The Review is expected to cost in the order of $100,000, the final cost depending on the level of consultant inputs required.

A Review Advisory Group, chaired by the Assistant Director General: Sectoral Policy and Review Branch, AusAID, and with membership from key stakeholders in AusAID, the Department of Foreign Affairs and Trade and the Department of Primary Industries

and Energy, will guide the conduct of the Review. The Group will meet to discuss the work plan and work in progress over the review period, and to provide comments on the draft report when completed.

A draft Review report of approximately 40 pages should be ready for circulation by the end of April 1997.

Appendix 2
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Appendix 3
Effects of food aid on agricultural development

Introduction

Reviews of the effectiveness of food aid usually state that one of the possible deleterious outcomes of food aid is that it can depress agricultural production and development in recipient countries. This section examines this statement and other possible positive, neutral and negative effects of food aid on agricultural development, focusing on three of the major recipients of Australia's food aid: Bangladesh, Cambodia and Mozambique.

Agricultural development as an objective for Australia's food aid

One of the objectives of food aid is to foster general development by reducing food deficits. This objective is pursued in Australia's assistance to Mozambique without focusing on special groups or special projects[1]. Australia's food aid is provided to the Government of Mozambique, which monetises it to support its efforts to restructure its economy by providing balance of payments and budgetary support. In Bangladesh and Cambodia the focus is on meeting the food needs of the poorest groups and Australia's food aid is channelled through the WFP's development or protracted relief operations. Food aid has formed the major part of Australia's aid program to both Bangladesh and Mozambique (about two thirds), whereas in Cambodia the food aid component has been smaller (20% to 25% in the period 1993 to 1996, and none in 1997). In Cambodia, aid resources have been provided directly for agricultural development.

In none of these three countries has the objective of Australia's bilateral food aid programs explicitly been the development of

1 Except for the funds from monetisation which are used to fund a scholarship program.

agriculture. However, as each country has a high incidence of poverty among the rural poor, the development of agriculture might be expected to be an implicit or indirect objective. In both Bangladesh and Cambodia, WFP's operations include some agricultural infrastructure activities.

While agricultural development is not generally an explicit objective of Australia's food aid, Australia has assisted activities in Pakistan and Sri Lanka which support soil conservation and/or reafforestation. Also, several World Food Programme projects supported by Australia have agricultural development as an explicit objective. For example, there is a program in Ethiopia designed to help rehabilitate forest, grazing and agricultural lands. In this project food aid is seen as a way of reducing the pressure to overproduce from the current land base, and is used as payment for labour to develop terracing and contouring, so that more food can be produced in the future from an increased land base.

Impacts on agricultural development

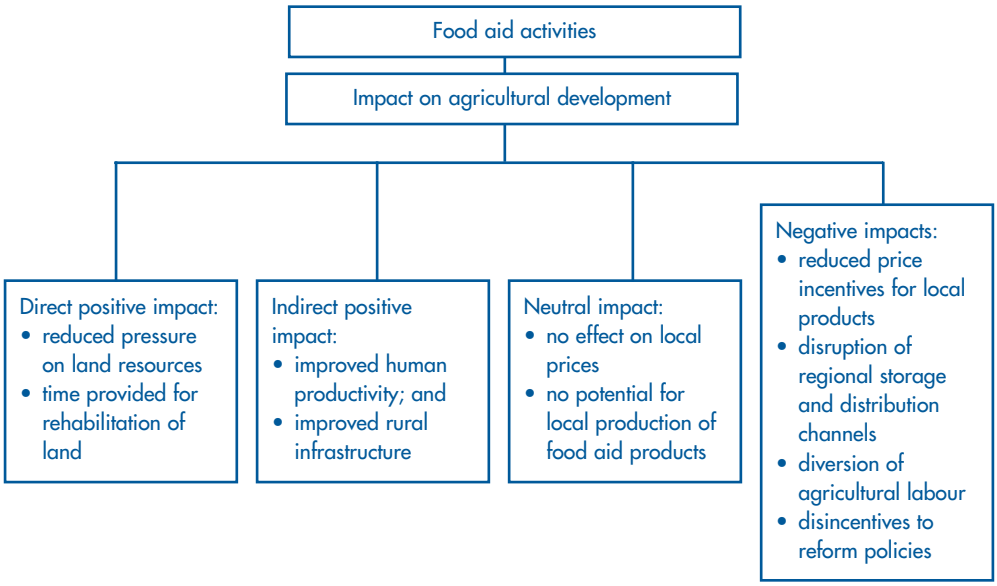
There are four possible types of impact of Australia's food aid activities on agricultural development. These are summarised in Chart 1.

Some food aid projects may have a direct positive impact on agricultural development as their objective. Such activities need to be evaluated in terms of their effectiveness and efficiency in achieving that objective. Other food aid projects may promote agricultural development only indirectly, as a spin-off from addressing other objectives. Such activities may be effective ways of bringing agricultural development about, but are unlikely to do so at least cost.

Many food aid activities may not address agricultural development at all. The impact of some of these will be strictly neutral: perhaps their objectives will complement agricultural development but not reinforce it.

Food aid activities should be watched for any features which might impact negatively on agricultural development. Trade-offs must be made in any food aid activities which are incompatible with agricultural development, if overall community well-being is to be improved.

Chart 1 Possible impacts of food aid on agricultural development



Direct positive impacts

WFP's food aid project in Ethiopia to help rehabilitate forest, grazing and agricultural lands has a direct agricultural development objective. It is one of the longest and costliest programs ever undertaken by the WFP, with antecedents going back to 1973. Australia has been contributing to it since the late 1980s. The project was assessed in the tripartite evaluation of the WFP in 1993.

The evaluators concluded that the objective was, in fact, too ambitious in terms of what could reasonably be achieved. Despite the stated long term agricultural development objective, getting food to those most desperately in need had turned out to be the priority, while conservation and the build up of sustainable land improving assets was secondary. The evaluators were not overly critical of this choice for the use of food, and concluded that if conservation is the desired outcome then appropriate inputs, such as agricultural technology, finance or management resources, should be directly provided for that purpose.

The lesson from this activity is not that food aid is inappropriate to meet the immediate food needs of farming communities requiring agricultural development assistance, but rather that agricultural development objectives are too ambitious for food aid alone, and

can only be efficiently realised if technical advice and appropriate non-food physical inputs are provided.

Indirect positive impacts

Australia channels considerable quantities of food aid to Bangladesh through the multilateral activities of the WFP, and it also uses the WFP as its agent for bilateral food aid in both Bangladesh and Cambodia. In both countries food aid is focused on the very poor in rural communities. In Bangladesh, assistance is provided through the Rural Development (RD)(food for work) and Vulnerable Groups Development (VGD)schemes, and in Cambodia there are food for work projects which, however, do not distinguish between categories of recipients and may include land owners. None of these activities explicitly addresses agricultural development *per se*, but improved nutrition of farm workers, rural infrastructure asset building through RD schemes, and improved survival skills through small scale food production in VGD schemes, can be indirect routes to agricultural development.

Evaluations of these activities have been sympathetic to their effectiveness and efficiency in meeting their primary objectives of targeting the poor, saving lives and creating rural assets and survival skills, though concerns have been expressed about the design and maintenance of many of the infrastructure assets constructed as part of the RD schemes. In addition, the Tripartite Evaluation of the WFP cited a study in Bangladesh comparing villages having access to the most developed infrastructure with those that were least developed. In the former, household income was 33% greater, income from agriculture was up by 78%, and wage income had almost doubled. The evaluators concluded that RD activities are high yielding in terms of increasing output.

While there has not been the same degree of external evaluation of food for work schemes in Cambodia, as the Cambodian schemes work with rural communities they may have a more direct agricultural development pay-off than in Bangladesh. Also, there is greater scope for food for work to be used to bring additional land into production and to rehabilitate agricultural infrastructure at relatively low cost. This type of activity has yielded high agricultural productivity in the past.

An additional indirect benefit to agriculture can come from the local purchase of commodities for the provision of food aid. The increased demand can stimulate production and assists with the

development of markets and distribution systems. WFP and some other donors are increasing their sourcing of food aid in developing countries, in part because of this additional benefit. For example, WFP has reported that local purchase is working well in Cambodia, stimulating the local market and providing cost-effective assistance.

Food for work activities are inevitably multi-objective and suit the agenda of many interests in both donor and recipient countries. Therefore, they receive greater support than alternative means which could address specific objectives more directly and probably more efficiently. They can be effective in increasing agricultural productivity, but not at least cost or where the greatest priority is added food production. Even small scale, labour intensive, rural infrastructure may be more efficiently undertaken privately by local contractors. Of all the forms of development project aid, food for work schemes also raise the most serious concerns about sustainability.

Neutral impacts

Food aid given as an immediate humanitarian response to an emergency situation is generally neutral in its impact on agricultural development. Some longer term humanitarian food aid is also meant to be neutral in its agricultural impact, but care needs to be taken to avoid unintended negative consequences.

Negative impacts

Concerns about possible negative impacts of food aid centre on the adverse impacts which it can have on prices received by domestic producers and merchants (reducing incentives to produce, or to buy and sell); the dependence food aid can induce (reducing incentives to work); the distortions food aid can create in the labour market (reducing the agricultural labour supply in times of critical food production); and the effect that food aid can have on easing the imperative for policy reform.

For example, Australia's program food aid to Mozambique runs the risk of lowering prices paid to farmers in Mozambique by supporting that country's currency at a higher level than it otherwise would be. Also, although Australian wheat aid is claimed to have no agricultural impact because of negligible wheat production in Mozambique and negligible consumption substitution between wheat- and maize-based products, food aid impedes both the

development of market linkages between the city and countryside and the more efficient utilisation of local food supplies.

Concerns also have been raised that the scale of food aid to Bangladesh and the extent of food for work leakages to commercial markets must depress the prices received by farmers in that country. However, evidence to support this claim is still scant.

Dangers of food aid dependency inhibiting land holders undertaking their own conservation practices have been identified in the Ethiopian land rehabilitation project. Concern has also been raised that the maintenance of rural infrastructure in Bangladesh is becoming dependent on rural development projects rather than being funded from increased agricultural productivity derived from those projects.

Concerns also have been raised that food for work activities may be diverting labour away from farming activities at critical times. There is no direct evidence of this being a problem with Australian food aid, but possibilities of it occurring need to be closely monitored and projects designed to minimise such conflict.

With respect to the impact of food aid on agricultural policy, there is no evidence of Australian food aid causing the delay of needed agricultural pricing, marketing or production reform. Nor, however, is there evidence that Australia has used its food aid as a lever to accelerate agricultural policy reform.

Summary

As can be seen, concerns about the negative impacts which food aid can have on agricultural development have been raised on many fronts. While most are raised on grounds of a priori reasoning, rather than demonstrated outcomes, they are powerful arguments nonetheless. They need to be taken into account either when the most appropriate ways of fostering agricultural development are being assessed, or in project design and management if aid is to be provided in the form of food.

Appendix 4

Commercial costs and benefits in AusAID's food aid program

AusAID is an important, through modest sized, commercial client of the Australian Wheat Board (AWB) and the Ricegrowers' Cooperative. Each year it purchases around 200kt of wheat and 35kt of rice (and from other producers lesser amounts of wheat flour, coarse grains, pulses, vegetable oils, and high protein biscuits). For some time there has been discussion concerning the level of commercial benefits that derive from AusAID's food aid program and what, if any, are the additional costs. Questions to be answered relate to whether the food aid program actually delivers benefits in terms of:

- prices to the producers and
- market development.

With respect to costs, there has been speculation that the costs of the current food aid program could be reduced. Overlaying these points has been the question, is there a way of spending the aid dollar more efficiently?

Benefits

Prices to the producers

The term commercial benefit is often loosely interpreted as the benefits derived by Australian organisations from the use of aid funds to provide goods and services - whether water supply equipment, consultancy services, or wheat - to developing countries. Aid dollars spent to purchase Australian goods and services not only provide development benefits but are seen as having the additional benefit of 'staying in Australia'.

In the case of grain producers, for example wheat farmers, it does not matter who buys their wheat or what it is used for, provided that the conditions of sale (ie. the price they receive) are the same. It is immaterial whether the final buyer is overseas or in Australia: producers receive the same price. They receive no additional direct benefits by selling to AusAID, nor is there any effect on the Australian economy: downstream economic activity is the same whether the AWB sells to AusAID or to some other (overseas) buyer. Thus, the argument that the dollar value of food aid 'stays in Australia' as a benefit additional to its development effect is not valid since the grain would, in any case, be sold overseas.

Later in this appendix the issue discussed is whether AusAID pays a 'premium' for the wheat and rice it purchases. The issue here is whether the producers would receive any additional financial benefits through AusAID paying above commercial or world prices, and whether these are net benefits to Australia.

If AusAID pays more to Australian suppliers than it would to overseas suppliers, and Australian suppliers receive more than if they were to supply elsewhere, in these circumstances an additional share of taxpayers' contributions to aid does 'stay' in Australia, but that share simply amounts to a transfer from taxpayers to Australian suppliers, and is not a net gain to the economy. It would, however, be a 'loss' to the aid recipients, as less of the commodity could be provided for a given cost.

Calculations done by consultants on their estimates of possible premiums paid by AusAID for wheat (to the AWB) and rice (to the Rice Grower's Cooperative), resulted in average increased prices per tonne of wheat for producers of no more than 35 cents per tonne when distributed over total wheat production, and increases of no more than $1.70 per tonne of rice. The overall conclusion, therefore, is that whether or not the sale prices to AusAID are different to that of other purchasers, there is little or no commercial benefit to the producer, in terms of prices.

Commercial market development

A reason frequently used to justify food aid is that it can help establish markets in recipient countries. However, an assessment, based on comparisons of commercial and aid shipments of Australian wheat and rice, suggest that linkages between food aid shipments and early stage market development are at best tenuous. While there may have been some commercial benefits flowing from specific food

aid shipments, and both the AWB and the Rice Growers representatives said that there was a 'demonstration effect' of Australian wheat and rice in several markets, in the main there are few significant examples of food aid shipments having a major impact on the commercial development of markets for Australian grain[1].

Developing countries receiving food aid are not usually promising markets and are generally those with significant trade and current account deficits. In spending its own market development funds, the industry would probably not focus on these markets so there seems little rationale for the taxpayer to subsidise market development through the use of food aid.

An additional argument in favour of linking food aid with commercial market development objectives is that other major exporters use grains to develop markets, thus giving them a commercial advantage over Australia. The argument has little validity for the reasons concerning the market potential of developing countries discussed above. In any case, there is a general trend toward development considerations prevailing over commercial considerations in the provision of food aid. In the United States, commercial considerations, while still important, are declining. Canada and the European Union now emphasise the humanitarian and development objectives of food aid.

Conclusions on benefits

There would not appear to be significant commercial benefits from AusAID's food aid program, in terms of prices for producers or for the Australian economy - except in the case of a significant decline in global demand for wheat, when AusAID purchases may assume greater significance in market terms. Wheat not sold to AusAID can be readily sold on the world market, but possibly at a slightly lower price: when AusAID purchases from the AWB it merely replaces some other international sale and the fact that AusAID is the

1 Of the 29 countries to which Australian food aid is sent in the form of rice, only five have received commercial shipments of Australian rice over the five years to 1995 and only Turkey, Jordan and Lebanon can be regarded as significant commercial markets. Over the past five years the AWB has made commercial sales to over 60 countries. For only six of these could it be argued on prima facie grounds that food aid shipments may have assisted the commercial development of these markets. The countries are Bangladesh, Indonesia, Pakistan, Philippines, Sri Lanka and Vietnam. Only Bangladesh and Pakistan have received regular and significant shipments of Australian food aid (and most of that for Pakistan was for refugees from Afghanistan).

purchaser is irrelevant to producers. As regards market development, any benefits are of minimal effect and, for the current and future aid program, this role should at best be ancillary to the food aid program's development purpose.

Costs

There has been a perception in some quarters that AusAID has been paying a 'premium' for the wheat and rice which it purchases. For example, a review of the Mozambique bilateral development food aid program in 1991 concluded that 'Australia could achieve a very substantial increase in the volume of rice donated (for the same budgetary cost), if rice deliveries could be sourced at internationally competitive free on board prices.' Certainly, current marketing arrangements provide the *conditions* in which a price premium might be expected to occur. AusAID is responsible for meeting Australia's FAC commitment, under which it supplies about 200kt of wheat and 35kt of rice each year, with limited opportunities to substitute, say, pulses for wheat or rice. Given the monopoly position of the wheat and rice boards, they are in a much stronger negotiating position than AusAID (with its limited resources to review market developments) to negotiate on price when settling contracts.

Box 1 and 2 below outline AusAID's current purchasing arrangements for wheat and rice. However, both the AWB and the Ricegrowers' Cooperative are willing to discuss alternative pricing mechanisms if AusAID wishes to do so.

Box 1. AusAID purchasing arrangements for wheat

AusAID purchases wheat from the AWB using an average monthly pricing mechanism, which involves setting a given forward month's price at the average 'card' price for the previous month. 'Card' prices are equivalent to Chicago futures prices in US dollars adjusted for quality, freight differences and exchange rates. Like any offer prices, 'card' prices are usually higher than the prices at which sales are actually made. Most sales by the AWB involve a discount, often substantial, from the 'card' price.

Each year, AusAID indicates its approximate needs, usually around 200kt, and the AWB ensures that it has the wheat available. Specific contracts are then struck during the year according to AusAID's requirements. For a particular contract AusAID can order up to five months ahead at prices equal to the current

month's average quoted 'card' price. This gives AusAID some flexibility and predictability as well as lessening the exposure to sudden price rises. However, the exchange rate used is that prevailing on the day the contract is signed.

Box 2. AusAID purchasing arrangements for rice

The Ricegrowers' Cooperative and AusAID agree on a 'fair' price for around 35kt of rice at the beginning of the season, taking into account factors such as ABARE price forecasts, with the rice being held until required for shipment. If international rice prices rise above the agreed price, AusAID is the beneficiary: conversely if prices fall during the year, the Cooperative gains.

Discussions with the AWB confirmed that AusAID is amongst its top price payers, but the AWB states that AusAID receives excellent service. The AWB holds grain without storage charges[2], there is some option of loading ports (which can reduce transport costs), and it provides high quality ASW wheat. There is also some flexibility in shipping tonnages and at times the AWB is able to combine commercial and food aid wheat parcels on a single vessel, which reduces freight rates on the food aid. The actual 'value' of these services is not clear.

When asked about its performance relative to overseas (not EU or USA) suppliers the AWB points to its logistics record, which is not matched by developing country suppliers, and notes that Australian wheat returns several per cent more flour per tonne than say, US wheat, due to its lower moisture content.

If wheat was not sold to AusAID, the AWB may receive a lower price for the wheat, by selling it to a less preferred customer, if for example, it sold the wheat in the low end of the bulk wheat market[3]. The AWB claimed that it would only consider selling into this market in exceptional years and that it would consider carrying over wheat from one year to the next (storage costs are about $2 per month per tonne) rather than sell at too low a price, which would affect the price it could ask from subsequent customers.

2 ie. Once AusAID has specified its requirements for the year the AWB will reserve this quantity of wheat. While this is immaterial in most years it can be a substantial benefit in years of short supply.

3 In previous years these markets have been adversely affected by US and European Union export subsidies.

The Ricegrowers Cooperative stated that there was no evidence that AusAID had paid a premium over prices paid by other customers. While the price setting arrangement meant that significant price fluctuations during a year could lead to gains or losses on either side, on average AusAID had paid prices below the average export price. The Cooperative added that, as a valued customer, AusAID receives excellent service by way of scheduling, storage and the quality of rice received.

Overall, while the arguments of the AWB and the Ricegrowers appear sound, the claims that AusAID is paying too high a price for its commodities remain. This Review did not have the resources to further investigate, to confirm or deny the claim.

Contestability

If AusAID was able to purchase a range of food products from a range of sources, then perceptions that it was paying premium prices would disappear. If it did pay a premium price, then this should reflect the value of services required; if it did not, then that would suggest that its current purchases were either too expensive or that the quality was too high.

The problem could be addressed by allowing AusAID more freedom to purchase food from the best value for money source, including those overseas. The more flexibility AusAID had in sourcing food aid, the greater the confidence that could be placed in it obtaining the best value for money. Greater flexibility could, theoretically, be provided in a number of ways, for example:

- AusAID could indicate the possibility of purchasing a certain percentage of its food aid commitments offshore from cost-effective international sources. However, this is unlikely to significantly alter AusAID's actual sourcing of Australian product, particularly wheat, because there are limited supplies available outside the main grain exporters. It would be politically unacceptable for AusAID to buy subsidised wheat from the EU or US, although Canada would be a possibility, and, these suppliers apart, it may be difficult to source wheat in sufficient quantities and with the same degree of reliability from developing country exporters.
- AusAID could provide a greater proportion of its food aid in the form of money to aid delivery agencies, be they recipient countries, WFP or NGOs, for the purchase of food, so that they can purchase grain either locally or from nearby

developing countries. This is already happening to a considerable extent, with substantial success in some countries.

- Australia could also negotiate to further reduce restrictions on the commodities which can be counted against FAC commitments, and to include a higher proportion of pulses, or request WFP to widen the varieties of rice which it will purchase. The renegotiation of the FAC is likely to consider an expansion of the types of food which can be counted as food aid.
- AusAID could be given the option to source wheat from any supplier in Australia but this may require changes to the Wheat Marketing Act.

Therefore, while 'local' purchase is being used extensively in the aid program already, and there are proposals to increase the range of goods which could be purchased as food aid, options for introducing contestability into AusAID's direct purchases of wheat and rice are at present limited.

It is recommended that further analysis of the price premium be undertaken and possibilities of opening up procurement arrangements to allow for a greater degree of contestability be further investigated. Advice should also be sought on the advantages and disadvantages of alternative purchasing mechanisms with the AWB and the Ricegrowers' Cooperative.

Wheat Flour

After wheat and rice, the major commodity provided in Australia's food aid program is wheat flour. This has primarily been provided as part of Australia's 'undirected multilateral' contribution to the WFP, with annual allocations varying between 10,000 and 20,000 tonnes. Purchasing arrangements for wheat flour are shown in Box 3.

Box 3. AusAID purchasing arrangements for wheat flour

AusAID decides on flour suppliers by tendering. To standardise the tenders, AusAID asks for tenders based on a given wheat price. Tender bids therefore mainly reflect flour production costs.

Most flour is provided by Goodman Fielder, Weston Milling or Millers Produce Co. of South Australia, as the large millers are the only ones able to supply the quantities and meet the tender specifications.

Due to the tendering arrangements and the limited number of suppliers there have been few concerns that AusAID is paying a fair price for wheat flour. The major issue is whether wheat flour is an appropriate commodity to provide under the food aid program.

Wheat flour as food aid

Flour millers are interested in providing Australian flour under the food aid program, as this uses some of the excess capacity of Australian flour mills, creates employment in Australia and provides a quality manufactured product to recipient countries. The 'demonstration effect' to possible future commercial customers is also a consideration.

In terms of Australia meeting its FAC commitments at the lowest possible cost, the provision of wheat or flour is almost neutral, as the 'wheat equivalent ratio'[4] of wheat flour is approximately the same as the flour:wheat cost ratio. However, in terms of benefits to recipients there is a clear advantage in the provision of wheat rather than wheat flour:

- Transport, storage and handling costs of wheat are much lower than for flour.
- There is little demand for flour in food aid activities, as recipient governments usually have a milling capacity, or recipient refugees themselves have the capacity to convert wheat into flour (albeit the quality may not be as high as Australian made flour).
- Provision of wheat flour can have deleterious effects on recipient country millers.

Lack of demand for wheat flour has led to some peculiarities in recipients of this form of aid from Australia. Where possible, WFP have used Australian wheat flour in countries of high priority to Australia's aid program. For example, Vietnam has received substantial quantities of wheat flour over the last 5 years. However, the requirement in Vietnam has been sporadic (and food aid to Vietnam is to be phased out), and in some years the recipients of

4 Commodities provided under food aid programmes, which contribute to donors meeting their FAC commitments, are given a 'wheat equivalent ratio'. For example, flour may be given a wheat equivalent ratio of 1.37, which means that one tonne of wheat flour provided by AusAID under an aid program is counted as 1.37 tonnes of wheat in the calculation of whether Australia has met its FAC commitment of 300,000 tonnes of wheat. The ratio for rice is about '2'.

Australian wheat flour have not been priority Australian aid recipients. For example, in 1995 - 96 FY two-thirds of the 15,000 tonnes of wheat flour provided to WFP were used in a school feeding project in Yemen, while in 1993 - 94 20,000 tonnes of wheat were provided to Iraq. Neither of these countries normally feature as Australian aid recipients.

Therefore, it is recommended that allocations for wheat flour be more flexible, and that they be commensurate with the demand of priority Australian aid recipients for wheat flour as food aid. Actual requirements should be negotiated with WFP well prior to the commencement of each financial year.

Appendix 5

AusAID's bilateral development project food aid

Introduction

This appendix briefly describes and assesses development food aid projects currently or recently funded as part of the agreed bilateral aid programs between AusAID and developing countries. The two activities in Bangladesh have also received Australian support through Australia's contribution to the WFP.

Bangladesh

Over the review period, Australia provided an average of approximately $11 million per annum through bilateral aid channels to support two development food aid activities in Bangladesh.

Vulnerable Groups Development Programme (VGD)

The VGD is a program which provides food (wheat) to the families of 'vulnerable women' (primarily from female-headed households) for a period of two years. Seventy percent of the almost 400,000 women who receive a food ration, and participate in a savings scheme under the program, also receive a range of training and other services intended to increase their income-earning capacity (training for income generation is backed by market links, professional trainers, extension workers, savings and credit specialists) and to improve their functional knowledge (through social and economic awareness together with selected skill training).

The VGD is WFP's largest project for women. A 1995 joint Appraisal/Evaluation stated that:

> 'While the VGD programme has in the past been criticised as merely a relief operation, there has been, more recently, growing, broad recognition that it is a worthwhile poverty alleviation programme and that it has significant, though so far inadequately

> measured, effects on the living conditions of the poorest 10 percent among rural women. These effects appear to be more evident in respect of income generation than of social empowerment. ... An incremental, but steady move from relief to development has characterised the programme since its inception. There are still structural changes required to enhance this transition further.'

The Evaluation/Appraisal Team recommended that there be a survey once every two years focusing on 'with' and 'without' situations for women in the programme (with and without training, non-VGD women and post-VGD women) to assess the real impact of the Programme.

A separate recent WFP evaluation of the program had four main conclusions:

- It is reaching its intended target group, which includes the poorest of poor women.
- It is more than adequately cost-effective in the type of income transfer it offers.
- While the program provides significant assistance, it is only for a period of two years.
- Owing to the brevity of the entitlement period, the programme on its own cannot expect to bring about strategic change in the profile of VGD women to sustain a higher level of living.

As a response to this last concern WFP has been seeking allies among other agencies, such as an arrangement with BRAC[1] to provide follow-up support to former VGD women, to increase longer term impacts. The evaluation also highlighted the need for further development and refinement of in-built monitoring and evaluation processes.

The International Food Policy Research Institute assessed that the VGD program increased income, in the form of food, at a cost of 1.5 Taka for every 1 Taka transferred (this did not include training and other costs). Resource leakages to non-eligible beneficiaries were estimated to be 14%. In contrast, one of the Government-managed food projects cost 6.55 Taka per 1 Taka transferred, with an estimated leakage rate of 70%. On a more sobering note, a 1991

1 Bangladesh Rural Advancement Committee, the largest NGO in Bangladesh.

survey by IFPRI calculated that while VGD households had an energy intake 7% higher than a control group, this was still no more than 83% of an adequate calorific intake.

In summary, the programme appears to be a beneficial and valid use of food aid, although there is room for improvement, and there is no absolute measure as yet of its benefits. While food distribution to increase calorific intake is a major part of the project, non-food items could more efficiently be purchased if cash was available for use, rather than food being monetised to raise funds, with consequent losses and costs.

Rural Development Programme (RDP)

The long-term objective of the RDP is to contribute to sustainable improvements in the socio-economic quality and standard of living of the people in rural Bangladesh. It pursues this objective by improving essential infrastructure for general economic growth, including increased production in agriculture, fisheries and forestry. It does this through a FFW programme which was launched by WFP in 1974-75 and is largely implemented by Government agencies. In recent years the program has received annual allocations of 350,000 - 400,000 tonnes of wheat from WFP.

The immediate beneficiaries of the RDP are claimed to be a 'self-selecting' target group of those who are sufficiently poor, available, fit and willing to undertake low grade, unskilled employment for a food wage (wheat). However, the nature of the program, and the social barrier against women working alongside men, has, in the past, precluded any preferential targeting of the program on women.

WFP claims that the program has significant benefits for Bangladesh, including that:

- The rehabilitation and repair of flood control, drainage and irrigation systems have brought benefits to landowners, sharecroppers and to those millions of landless poor who rely on agricultural employment even more than they do on FFW. Road works have done much to permit closer market integration while, more recently, the diversification of the program into the fisheries, forestry and sericulture sectors has generated new streams of continuing benefits for the rural economy as a whole.
- The program has shown its effectiveness in providing numerous employment opportunities rapidly and easily. The

wages paid have provided an element of inflation-proof food security at the household level for direct beneficiaries.

- The program has had positive economic effects, reaching people beyond the direct target group. Analyses undertaken by WFP during the 1980s point to the role of food aid in mitigating seasonal fluctuations in the price of wheat on the local market. Prior to FFW wheat prices tended to peak during the first quarter of the calendar year, immediately before the winter harvest. Now, with the RDP concentrated in this period, price fluctuations are less severe and the peak is generally more attenuated, bringing a general benefit to the rural poor.

Despite these claimed benefits there have been concerns about the magnitude, nature and mechanism of leakage and diversion of resources, the quality of the work done under the program and the efficiency of management. An appraisal undertaken by WFP for another expansion of the program confirmed the need for technical support to form a 'bridge' of expertise and advice between WFP and some of the national implementation agencies. It was agreed that UNDP would provide technical assistance through a parallel programme with full collaboration among WFP, UNDP and the Government of Bangladesh, from January 1997.

Most recent advice is that steps are being taken to address a number of the perceived shortcomings of the program. For example, opportunities for the participation of women in the program have increased and within the current expansion of the program 30% to 35% of total employment days will be taken by women. These women also will have access to other benefits such as micro-credit, income generating schemes, health and literacy training. In future a poverty map developed by WFP will play a greater part in determining where RDP activities are focussed, and it is intended that a portion of the wages of workers (30%) be provided as cash, to allow them to purchase non-food priority goods.

While both the VGD and the RDP are relatively effective in Bangladesh, the VGD program currently better reflects AusAID's aid priorities, and funding for the programs will be gradually altered until the VGD receives twice the funding of the RDP. With respect to the Government of Bangladesh's view on the programmes, non-monetised food aid, targeted on the poorest, has an essential role in its social safety net policy framework, and it considers that increased

support for the RDP and VGD programmes is one of the principal steps that donors could take to attack poverty.

Pakistan

Australia supports the community-based operations of the WFP project: Integrated Land Management (and Rural Development Works) in the Azad Jammu Kashmir area of Pakistan. Australian food aid is monetised to pay wages to the rural poor employed on soil conservation and reforestation projects. Australia contributed to the five year project (1993 - 98) mainly in the 1993-94 ($3 million) and 1994-95 ($1.44 million) FY. The project comprises two main components, of which Australia is supporting one: the watershed management component, which includes reforestation, plant production, construction of forest paths and anti-erosion works.

The project introduced an integrated land use and watershed management concept, seeking to meet the changing conditions of forestry in N.E. Pakistan. A review in 1995 stated that this has achieved considerable success in meeting the quantitative targets for rural development works such as check dams, terracing, anti-erosion measures, plantations and developing nurseries for afforestation purposes. The benefits of the project are expected to be that the revegetation will help to reduce water run-off, recharge ground water and reduce flooding and landslides. Some 14,500 small-scale farmers and their families will also benefit from increased incomes from their reforested lands.

The role of WFP has been to support the rural development works and to supply food stamps to community members and casual labour who undertake the work. Most of the direct beneficiaries of the food stamp distribution are male, although female beneficiaries are maintaining tree nurseries and receiving support for kitchen gardens and plantations at institutions or homesteads. The indirect benefit comes from protected water supplies and access of landowners to improved fodder grasses or future fuel wood sources closer to home.

The process of intervention targeting is unclear as virtually anyone offering their land for upgrading has been accepted into the program. This tends to favour the larger and wealthier landowners. The concern that the poorest people most in need of assistance might acquire only short term benefits (through the food for work) was borne out by a field inspection, which showed that many individuals do not have access to land suitable for project activity and that some of the food stamps go to people external to the

community (eg. refugee Afghan workers - although their needs are also considerable).

The 1995 review noted that, while operation management, implementation and targeting required improvement, the general tone was that there had been significant achievements to date. It recommended that donors increase the effectiveness of the program through the rationalisation of inputs, joint strategic planning, sharing of training costs and other features relevant to the management of what is a very important and difficult integration of land management, environmental enhancement, income generation and change.

The review did not make any definitive statement on project efficiency and effectiveness.

Philippines

The objective of the $3.2 million Street Children Nutrition and Education Project is to improve the economic conditions of over 17,000 street children, between the ages of 3 and 17 years, and over 9,500 parents. The project involves the provision of rice to children and their parents to encourage their participation in various project activities. Services provided include educational assistance, informal street education classes, mobile schools, guidance and counselling sessions, skills training and assistance to establish income-generating enterprises for both parents and older children, advocacy programs, value formation training, health and sanitation care. The project supports the Philippines National Project on Street Children, which aims to alleviate the plight of the (estimated) 1.5 million street children. The project follows a pilot project funded by Australia under its development pledge to the WFP.

There was difficulty at the commencement of the project in determining what type of food (wheat, wheat flour or rice) should be provided to the project. Cartels were expected to depress the price at which wheat and wheat flour could be sold, and there were government restrictions on rice imports. The difficulties were such that an initial proposed shipment of wheat flour was changed to a monetary contribution of $700,000 to allow the project to start. Eventually, the Government of the Philippines allowed Australian rice to be imported, at a time of low rice stocks in the country. This high quality rice was exchanged for an equivalent value (ie. larger quantity) of lower quality local rice which was used for distribution on the project.

The project has faced a number of difficulties including:

- The initial poor quality of rice received in exchange for the Australian rice.
- Delays in, and irregular, release of rice, and hence irregular distribution to street children, which may reduce their incentive to stay in full-time schooling.
- Incapacity of some of the NGOs implementing the project to prepare monthly reports, and a Philippines government rule of 'no report: no rice' to all agencies.
- Difficulties with the transport and distribution of rice.
- Difficulties in targeting street children only, with the number of beneficiaries attending formal education being swelled by other poor urban children, and exceeding original estimates.
- The variable quality of NGO programs, with targets for skills training and income generation activities consistently not being met.
- Curtailment of rice distribution during school holidays, even though street children were dependent on the rations.
- Concern about sustainability after AusAID assistance ends.

As monitoring procedures identified these problems, solutions were devised and implemented.

While the final impact of the project is yet to be seen, there have been obvious inefficiencies. These included the considerable time and expense taken to identify a suitable food to use in the project, and the costs of the food swap. The initial cash, rather than food, input was a boon as it enabled non-food inputs to be purchased for the project without monetisation of food.

Sri Lanka

The objectives of the ADB/AusAID co-financed Participatory Forestry Project in Sri Lanka are to:

- Increase tree planting by rural communities, creating employment and income earning opportunities for participants, leading to a reduction in poverty and the rehabilitation of environmentally degraded areas; and
- Strengthen the institutional capacity of the Forestry Department to expand its program of non-forest tree planting, especially in terms of adaptive or on-farm research, extension

delivery systems and the establishment of village nurseries as independent and profitable private sector operations.

The AusAID contribution to the project is 30,000 tonnes of wheat (provided over six years 1993 - 1998) which is monetised by the Cooperative Wholesale Establishment. The funds raised are used by the Forestry Department to finance vouchers used to pay project participants for work on tree planting and maintenance activities. The vouchers are exchangeable at multi-purpose cooperative stores.

This project replaced the program food aid which was provided to Sri Lanka by AusAID between 1987 and 1993. The AusAID component of the project, about A$8.5 million of a total project cost of US$25 million, is managed by WFP.

The project is currently set to achieve all of its physical targets in terms of hectares of trees planted and numbers of homestead gardens and farmers' wood lots established. Target numbers of protected wood lots, school demonstration plots, roadside plantings, and school nurseries developed are also likely to be met. Institutional strengthening of the Forestry Department, while presenting some difficulties, is also proceeding.

A recent AusAID review of the project reported that the socio-economic benefits of the project were quite evident, and that there were also expected to be environmental benefits. However, the major project beneficiaries were people with at least some farming land, with less benefit going to the poorer and landless sections of the community.

Appendix 6

AusAID's emergency and relief food aid, evaluations of humanitarian food aid, and issues.

Introduction

This appendix expands and discusses:

- Australia's experience with emergency and relief food aid activities funded through both the bilateral (country) program and through the WFP;
- a range of evaluations of emergency and protracted relief operations and draws lessons from them; and
- some of the issues discussed briefly in Chapter 5.

Australian experience with emergency and relief food aid.

AusAID has recently supported one WFP protracted relief operation as part of its bilateral country program to Cambodia. Additional funding has in the past been divided between NGO and WFP activities, except for the 1996-97 FY in which all funding has been channelled through WFP.

Cambodia

Australian bilateral food aid to Cambodia commenced in 1993-94 when $2.5 million was provided, with $3.4 million expended in 1994-95 and another $3.4 million in 1995-96. This expenditure was to cover approximately half the cost of 30,000 tonnes of rice.

The remainder of the cost was met by AusAID's emergency vote. The contribution was to a WFP/Cambodia Red Cross protracted relief operation requiring a total of 95,000 tonnes of food aid.

The activity aimed to improve the household food levels of target groups amongst the rural poor, including large numbers of former refugees and internally displaced persons. It proposed to do this through FFW operations which would rehabilitate badly damaged infrastructure, such as roads, canals and dams/dykes, excavate ponds and wells, clear agricultural land and construct community facilities. This was expected to have a positive impact on agricultural production, access of people to markets, water and sanitation and the general living conditions of the poor. The activity was enlarged in 1995 to take account of additional needs resulting from a severe crop reduction due to floods in August 1994, followed by a drought in October - November 1994.

A WFP report claimed that one of the (ongoing) activity's key strengths was its ability to precisely target its assistance to the most vulnerable communities due to an annual poverty mapping exercise. As its target areas for assistance WFP had selected communes with:

- rice production deficits caused by 1994-95 crop damage and high rates of recurrent rural debt; and
- large populations of returnees and internally displaced persons who have not yet achieved full reintegration and who lack means of agricultural production or income generation.

Apart from FFW the activity included feeding programmes for vulnerable groups, food for training, establishment of rice and seed banks, and provision of relief food to displaced persons and communities suffering from natural or man-made disasters.

Food was given directly to participants and it was claimed that food got directly to the homes, resulting in better control and access by the housekeeper, in most cases a woman.

While there is a requirement for an on site evaluation of each activity in the project by WFP or CRC, this has yet to take place. However, from the current and past activities WFP has drawn lessons on dependency (rations should not be provided to returnees for more than 400 days), targeting (targeting of individual households should be avoided in an environment of general scarcity), and FFW (one of the strengths of the activity is that villagers identify their own priorities and programmes; those who are unable to participate fully,

due to disability or because of childcare responsibilities, are given less demanding work; and enhanced technical support is required).

WFP

Over the 1991-92 to 1995-96 Fys AusAID provided nearly $80 million to support WFP emergency and protracted relief operations as well as $9.3 million through country programs to assist the PRO operation in Cambodia discussed above.

Evaluations of the effectiveness of WFP activities supported by Australia have been limited, or non-existent, until recently, in the case of emergency operations. Therefore, rather than looking at individual WFP activities, this section discusses the findings of the Tripartite Evaluation of WFP on the effectiveness of WFP as a relief agency.

Tripartite Evaluation

The Tripartite Evaluation concluded that WFP's performance in *relief* was impressive. The Evaluation Team's recommendations were aimed at incremental improvements rather than radical changes.

The Evaluation Team stated that, in emergencies, there are strong arguments for providing the maximum possible amount of aid in cash, due to its flexibility. However, food aid can be useful as a tool, provided that it is the right kind of food, arrives at the right moment, and reaches the intended beneficiaries. Food is a preferred form of aid in conditions of marked inflation, limited geographical availability of food and as a means of payment less likely than money to be diverted to less basic needs than improving nutrition, or to be stolen.

In-country arrangements, for the distribution of WFP relief supplies, are normally handled by a government agency, either directly or through NGOs. The Evaluation Team identified a few problems with this arrangement but generally it was functioning reasonably well with help from WFP itself, from UNHCR in the case of refugees, and from NGOs. As far as can be judged, the Programme has acquitted itself creditably in operations undertaken in zones of conflict.

The Evaluation Team recommended that WFP develop a method for micro-assessment, which should be an integral part of the WFP approach for improving the effectiveness of its emergency operations. The development of micro-assessment should be accompanied by improved planning with a view to the better

targeting of relief; and adapting operations to local coping systems; seeking, wherever possible, to get at the root causes of the emergency and to reinforce long-term development objectives.

It also recommended that WFP organise extended monitoring, including economic, social or nutritional indicators, so that it can make the best use of resources. Since nutritional impact is the most evident justification for relief, it needs more attention from WFP. Nutritional data should be systematically generated in the monitoring phase of activities and analysed during evaluation.

No basic faults were identified in WFP's relief work, but there was a lack of any serious evaluations of recent relief exercises, and an absence of agreed criteria for judging cost-effectiveness in complex emergency operations. Since late 1995 WFP has commenced a program of evaluations of emergency operations.

The Evaluation Team considered that donors could continue to give WFP their confidence.

Recent evaluations of humanitarian food aid.

Evaluations of the efficiency and effectiveness of emergency and relief food aid activities have been limited. WFP only recommenced evaluations in 1995, and AusAID has evaluated few of the activities it has supported in this area. To illustrate the effectiveness and efficiency of humanitarian activities, and to extract lessons, this review has drawn upon the limited number of evaluations and reviews of emergency and relief activities undertaken by a range of people and agencies in countries of interest to AusAID[1]. The evaluations are divided by country.

Ethiopia

Ethiopian Food Security Reserve (EFSR)

The EFSR is considered to be an answer to the problem of the long lead time between donor pledges and deliveries in emergencies in Ethiopia, which have resulted in massive loss of life in the past. Australia provided about 14,800 tonnes to the EFSR in the period 1994-96. The EFSR rates very highly on 'immediacy' grounds.

1 The list is illustrative rather than exhaustive.

World Vision Australia (WVA)

AusAID provided $17.5 million to WVA to assist two World Vision Ethiopia (WVE) activities in the five years 1991-92 - 1995-96. WVA evaluated the South Kalu programme in May 1995.

South Kalu faces chronic food production deficits: crop yields are said to cover food needs for only four months of any year, indicating chronic and severe food insecurity and high vulnerability to recurrent famine. The main Australian assistance was wheat, used initially for relief distributions, and later for relief and FFW activities to support environmental rehabilitation and agricultural recovery activities. High energy biscuits were provided to the malnourished.

The evaluation concluded that over the four years to 1994-95 AusAID assistance (both cash and commodities) had played 'a crucial role in mitigating severe hardship in South Kalu, while furthering the communities' efforts to attain food security'. At the same time, the evaluation team concluded that households remained extremely vulnerable to famine and required ongoing food aid. The evaluators stressed that famine prevention and/or recovery are complex matters calling for longer-term, multi-faceted programmes: change takes place slowly and requires patience. The team concluded that WVE food assistance is a key factor in enabling vulnerable households to subsist at a marginal, but vulnerable, level, without slipping into malnutrition.

It appeared from the evaluation report that the FFW rations provided were more valued by participants than the works created, and that the main achievement of this aspect of the programme was the provision of a safety net and/or that it prevented asset liquidation. Longer term food security objectives remained to be met, and the focus probably needed to be more on increasing household income than on FFW and the mobilisation of the community in public works.

Community Aid Abroad (CAA)

In 1995 CAA contracted an independent consultant to evaluate its 1994-95 Internal Purchase and Agricultural Rehabilitation Project, to which AusAID had contributed $2.5 million of a total budget of $2.9 million.. The project was a food security activity with two main components: food was purchased in western Tigray, a surplus area, and distributed in deficit highland areas; and oxen, ploughshares and seed on credit were provided to the same areas. The project was part of a larger programme which included both

free food distribution and FFW activities focussed on natural resource conservation.

The evaluator accepted that the distribution of food to deficit producers and vulnerable groups had contributed to food security in the medium and longer term, as it had prevented the distress sale of productive assets, prevented distress migration and supported beneficial soil conservation work. However, it was recommended that the selection process should be tightened to focus more on the poor and that REST (the NGO which implemented the programme) and the Ministry of Agriculture review soil and water conservation measures including the relative merits of terracing and enclosure. The evaluation concluded that, to achieve progress towards longer term food security, pressure had to be taken off highland farming areas. The evaluation also found that internal purchase proved cost-effective in 1995, being about 10% cheaper than the importation of wheat from Australia would have been. The evaluator recommended that monitoring of the activities be increased.

Sudan

Operation Lifeline Sudan (OLS)

OLS is significant as it created a model for humanitarian intervention. Commenced in 1989, it was the first humanitarian program to assist internally displaced and war-affected civilians during an ongoing conflict within a sovereign country, as opposed to caring for refugees from beyond its borders. OLS was part of a trend to contain and ameliorate the humanitarian effects of internal war, and avoid having to deal with refugees. AusAID had contributed $3 million for food transport and monitoring to OLS. OLS was reviewed for the first time in 1995.

The Review Team considered OLS a success and called for its continuation. Of particular importance, they thought, was its ability to use international pressure to maintain access. However, the Team was critical of the way in which the shift in emphasis from emergency relief to food security had taken place, arguing that it had more to do with changing fashions and rhetoric than changes in need. The Team argued that there had been no gradual improvement in terms of malnutrition and mortality, and that the need to respond with emergency relief remained. Despite this, free food was being given for purposes other than nutritional intervention, in smaller quantities, and to fewer people.

The Review Team stated that any food distribution system must have clearly defined target groups which are perceived to be at particular risk. The project faced problems in identifying vulnerable households or individuals, due to the difficulties of 'measuring' vulnerability in a chronic emergency. It stated that 'Although the problem is now commonly perceived as one of inadequate access to food, this is the result of a complex interaction between economic, social, and political factors. ... access to food, as well as malnutrition and mortality, is in many instances related to political vulnerability.'

The Review Team examined monitoring procedures and concluded that they were inadequate in that little was known about programme delivery, let alone impact. Even the most basic form of monitoring, such as what percentage of the estimated needs were met, had not been done. Even less was known about what people actually received, who received it, or about the coverage and utilisation of services.

The conclusion from the OLS Review is that one has to assess the impact on nutrition of emergency relief and, if an appropriate impact has not been achieved, then the intervention has to be declared a failure. In some cases an inability to target has to lead to a decision not to act; a more rational use has to be found for the cash or food.

Rwanda

Joint evaluation of emergency assistance to Rwanda

In 1994 there was a multinational, multi-donor evaluation of emergency assistance to Rwanda. Australia provided financial support and was a member of the steering committee. The report was published in 1996. Australia had provided only $2 million in food aid to Rwanda, most funding having gone for non-food assistance.

The Evaluation Team concluded that 'the essential failures of the response of the international community to the genocide in Rwanda were (and continue to be) political. Had appropriate political decisions been taken early on, it is apparent that much of the humanitarian operation subsequently required would have been unnecessary. In effect, humanitarian action substituted for political action. Since key political issues have yet to be resolved, the crisis continues, as does the necessity for massive allocation of humanitarian resources.'

However, the Evaluation Team also found that once the extent of the exodus from Rwanda became clear 'the international humanitarian assistance system launched an impressive and, on the whole, effective relief operation.'

The Evaluation Team found that 'one of the principle causes of malnutrition in many camps was not the overall food supply to the camps by WFP, but rather the inequitable systems of distribution within the camps. ... The use of former leadership in many camps as an expedient mechanism for food distribution reinforced its power and resulted in rations being manipulated by extremist leaders and diverted from refugee consumption. ... Direct distribution to women is an option that should be explored.'

Also, the Team found a high degree of over-estimation of refugee numbers, at one time at least 40% in the cases of both Goma and Ngara. UNHCR was criticised for not making more accurate initial estimates.

The Evaluation Team found that the variety of maize provided was inappropriate as it was unfamiliar to beneficiaries, they didn't like it, and it required additional cooking time over their usual varieties. Another concern was that supplementary feeding programmes were established in refugee camps by a variety of NGOs when there was an adequate general ration and attention should have been on strengthening the food pipeline and making the distribution system more equitable. The Evaluation Team was also struck by the very limited attempts by agencies to obtain the views of beneficiaries on the assistance which they were provided.

Mozambique (WFP)

In late 1995 WFP evaluated its then current Mozambique PRO Project 4164, to which AusAID has contributed $5 million over the last 5 years.

WFP had registered those affected by drought and introduced food-beneficiary cards. This markedly improved targeting and ensured that food was distributed only to those who needed it. The mission noted that the lack of national institutions or NGOs capable of technically managing FFW activities limited the number of people who could be employed on such activities nationally.

Local purchases by WFP boosted local production and meant that farmers did not lose their crop surpluses and obtained cash. The mission found no evidence that local purchases had resulted in an

increase in market prices of maize and pulses. The purchases made by WFP helped to create a better level of demand for developing commercial networks. They also fostered competition in agricultural markets, helping thereby to reduce poverty and improve food security.

Afghanistan

AusAID review of WFP relief and rehabilitation assistance (PRO 5086).

Over the last five years AusAID has provided $15 million to WFP's Afghanistan PRO 5086. In 1995 AusAID officers reviewed the activities supported by Australia. The reviewers concluded that Australian assistance to Afghanistan was effective and well-targeted, that food aid was very important to Afghanistan, and that WFP was doing a good job overall, despite some problems. Activities included FFW rehabilitation projects, bakeries providing subsidised bread to the urban poor, and emergency feeding for IDPs.

There were a number of lessons learned from the review. These included that management and supervision breaks down when hundreds of FFW projects are attempted at once, or if the same activity is replicated in hundreds of locations. If the first priority is food distribution on a large scale then relief should be not be linked to FFW activities, or only channelled through activities for which there is adequate supervision.

Another lesson was that, in examining agency requests for funding for FFW activities, AusAID should ensure that the agency and its implementing partner(s) have experience/expertise in participatory, community-based approaches, and that implementation will involve an adequate number of field staff (including women) with appropriate training.

It was estimated that $1 million could have been saved if cash had been provided to WFP to purchase grain from surplus producing areas within Afghanistan, rather than providing wheat from Australia. This would have been expected to stimulate production and market development. The only cautionary note was that the impact of purchase on local prices would need to be monitored.

As in other reviews, the review team recommended increased monitoring from Australia. Joint donor reviews, as recommended in the AusAID Review of Humanitarian Programs, or reviews with WFP, are possibilities.

WFP evaluation of PRO 5086

In 1996 a WFP team evaluated this project and felt that in the emergency relief context it had provided for life-sustaining short-term needs and that FFW has been found to be a viable way of supporting rehabilitation activities. (This assessment conflicted with the views of the AusAID Review Team). Amongst a range of other observations the team questioned whether or not it was the 'better-off' people who benefited most from the infrastructure built under the FFW activities implemented by the project.

The team also noted that in complex emergencies, and in the context of transition, analytical as well as managerial skills are essential to effective planning and that short term 'relief' staff may be inappropriate in such situations. The team was concerned about WFP's capacity to monitor closely the distribution and targeting of food through its implementing partners.

Review of British aid to Afghanistan

Among the conclusions and recommendations from this study was that, while the 'continuum' concept is a reminder that emergency operations should be replaced by rehabilitation and development initiatives as soon as is feasible, a range of interventions, at different points on the continuum, may be required in different parts of the same country at one time. Each type of activity needs to be properly designed, appraised and monitored.

US General Audit Office review

This study identified a number of the problems identified in other studies and noted that WFP projects in Afghanistan and Pakistan suffered sustained and significant food losses. WFP had itself identified instances of commodity mismanagement and continued to provide food based on a census even though it suspected that the census figure was inflated.

Issues

The following expands on some of the issues addressed in Chapter 5 on emergency and protracted relief.

When should food aid be the priority response?

If the effectiveness of emergency and relief food aid is to be maximised then the situations in which food is, and is not, the

priority response should be clarified. This section addresses this issue.

Food is clearly the right response in emergency situations when people are in immediate need of food for their survival. But the provision of food in kind may not be the only, or the best, way of providing people with immediate access to food. The appropriate response may differ depending on whether there is an absolute shortage of food (a supply problem) or whether people are unable to purchase the food available or to trade something, not essential for continued survival or production, for it (a demand problem). It is only in the former case that the provision of food is the most appropriate response. In the latter case provision of money or other alternatives need to be considered.

In protracted relief situations, where the local situation allows[2], the focus should shift from food aid to local production and generation of income with which to buy food. Non-food inputs (seeds and tools, animal vaccines, credit) can, to varying degrees, substitute for relief. The key to making this transition is to ask beneficiaries what is most appropriate. A necessary element in offering beneficiaries more choices is transparency: beneficiaries have to understand the mechanics of the operation directed at them and the constraints on the relief agencies.

Distributions to dispersed populations, which attempt to target particular groups, are extremely problematic and far more attention needs to be paid to the efficacy of targeting (see below).

As a general principle, it is better to avoid the formation of camps, whether of IDPs or refugees. Food aid is a magnet, and agencies have to carefully consider its placement. People are more vulnerable in camps: they are at the mercy of disease and the will of the international community to provide for them. Refugee camps can remain for many years and the food pipeline supplying them may have to become more or less permanent. This is particularly the case where internal conflicts remain unresolved for decades. There are also protracted operations which arise from chronic food deficits, as in the highlands of Ethiopia and Eritrea, where families are farming on such small and degraded land holdings that they cannot produce their annual food requirements.

2 For example, IDPs returning to a locale from which they have been absent for some time, or communities which have received relief *in situ*. However, refugees often face major constraints in seeking employment or producing food.

The beneficiaries should be given the final say in the form of assistance which is given to them. Field surveys, using simple ranking techniques, should be conducted to determine the relative priorities assigned to food and non-food inputs by beneficiaries, particularly women who are normally responsible for feeding families. The extent to which beneficiaries will select non-food inputs in place of food aid has surprised many agencies. This is most notable with pastoralists, where animal drugs will almost always be of more value to them than food aid. Generally, people in a protracted relief situation will forego short-term food security for medium and longer-term food security. In part this choice is based on people's uncertainty about the continuation of food aid.

In brief, food aid is not appropriate when:

- food is available, and what is required is the means to purchase the food;
- it will not have an impact on the nutrition of the target population eg. where there is no capacity to target and insufficient food is available to remedy this by providing blanket cover;
- the overall impact of the intervention is likely to be negative eg. where food attracts people to centres or camps where they cannot be sustained or where they will be worse off than where they were; or
- it merely serves to flood local markets with food aid after the main crisis is over, depressing prices and incentives for surplus production.

Food aid (in fact all aid) should be questioned when:

- it can be co-opted by warring parties and serves to fuel the war eg. the supply of food aid to garrison towns in Sudan;
- the beneficiaries have not been consulted as to their needs (including the number in need); or
- targeting and monitoring mechanisms have not been put in place.

The type of food provided also requires careful determination, as maize, wheat or rice is not always the staple food. Wheat is generally not an appropriate relief commodity, whereas some types of rice are more acceptable, even by populations for whom it is not a staple. Pulses are an excellent part of a food basket but are

sometimes hard to purchase in quantity locally or regionally[3]. The criteria that should be used in determining the most appropriate type and source of food include timeliness of delivery, cost-effectiveness and acceptability to recipients. Support for local and regional production should be a factor as it has potential to impact positively on local and regional food security.

Australian commodities are often relatively expensive compared to local and regional supplies. Australian commodities are generally also of a higher quality than the minimum which would be accepted by beneficiaries. Australia is a surplus producer of wheat, rice and some pulses, but this does not, of itself, give it a comparative advantage as a source of food aid.

Needs assessment and targeting

This section addresses issues about assessment of food aid needs, targeting and distribution of assistance and monitoring for victims of conflict and natural disasters. The focus is on dispersed rural settings.

Methods for collecting information in an emergency context are poorly developed. Nutrition surveys have been conducted for many years and the method is relatively sophisticated. Far less progress has been made in other areas, including the rapid collection of socio-economic data to assist in targeting, and registration procedures to control recipient numbers. However, WFP and FAO are now preparing vulnerability maps for all disaster prone areas/countries which will include this type of information.

Trigger levels showing that a food aid intervention is required[4] typically translate (theoretically at least) into the need to intervene to assist between 10% and 20% of the population or group surveyed. However, experience has shown that blanket feeding (providing food to everyone) is often the only way to ensure that those in greatest need actually receive adequate food. WFP's experience in Liberia has been that if the majority of the population require food there must be a general distribution: it is not possible in a complex emergency context to 'deselect' those who might not require an emergency ration.

3 Australia may be an appropriate source of pulses for some emergencies in Africa. The FAC currently allows for 10% of donors' food aid commitments to be supplied as pulses, but this limit has to date not been approached by Australia.

4 For example: more than 15% of children 'wasting'; Cal supply less than 1,500/person/day; and mortality greater than 1/10,000/day.

While blanket feeding has often been the response in the past, agencies will come under increasing pressure in the future from donors to target food to alleviate only the most acute cases of malnutrition and to allocate food aid resources more effectively. In the opinion of the International Federation of Red Cross and Red Crescent Societies, 'the efficiency and effectiveness of the way food aid is used will be the hallmark of the next decade, particularly as agencies try to reduce the detrimental effects poorly targeted food aid can have on local food production and marketing systems.'

Unfortunately, targeting a specific group is notoriously difficult. Members of the target group are normally the most vulnerable and powerless, and much of their food allocation may be appropriated by other members of the community, which means that their survival would still be in doubt. However, faced with starving people, agencies and donors tend to ignore these matters, believing that an expensive food relief operation must have had some impact simply because it used a lot of food.

Agencies that try to target food usually look to proxy indicators of vulnerability, the most common being female headed households, pregnant and lactating women, children under five, the elderly and the disabled. These categories are useful but they cannot be applied automatically. An agency has to identify those who are *actually vulnerable* in a particular socio-economic and political context. AusAID and other donors should be alert to proposals which use terms like 'vulnerable groups', 'female headed households', 'the displaced', etc. but which do not provide socio-economic and political analysis to confirm the relevance of the categories in a particular context.

However, targeting is not as big an issue in refugee or displaced persons camps. Blanket distributions are the norm for obvious reasons and the issues will concern registering people to determine actual numbers, and establishing an equitable distribution system.

Most of the considerations discussed above are as relevant to targeting in a protracted relief context in a dispersed rural or urban setting as they are to emergency situations.

Targeting fails for several reasons, one of which is limited transport capacity to move food beyond extended delivery points (EDPs). If the majority of the population to be targeted are more than a day's walk from the EDP numerous things can go wrong. Resources spent getting food from an EDP to beneficiaries may be inadequate.

Delivery agencies are sometimes insufficiently aware of the difficulties involved in meeting their targeting requirements and submit reports on distribution as if the instructions on distribution plans and waybills were followed to the letter. At the very least, agencies should ensure that those entrusted with distributions are clear about who is supposed to be targeted, if they and the community accept (or have the freedom to accept) the targeting criteria and if this level of targeting is feasible in the local context.

To achieve targeting intentions normally requires the agreement of the whole community in which the targeted groups are located. If the community or group concerned doesn't accept the targeting proposed, it will not be implemented. Some communities have resented targeting of a specific group as they have considered that the poverty being addressed is a problem of the entire community. Agencies should aim to establish a social contract of sorts with the people concerned, through their real representatives, rather than impose pre-determined categories of vulnerability and expect them to be relevant and to be respected.

AusAID and other donors should expect a funded agency or organisation to design an intervention which clearly defines and practically enables the implementing agency to reach the people or groups defined. Agencies and organisations seeking access to relief food aid should be able to clearly specify:

- their objectives in terms of nutritional impact and food security,
- how they intend to achieve these objectives,
- what they have assumed about distribution and targeting and what they see as the risks,
- the indicators they intend to use to measure impact, and
- how they will monitor impact.

Monitoring is vital to ensure that food actually reaches intended beneficiaries and has an impact. Agencies will never know whether or not they are having an impact unless they undertake extended monitoring including nutritional, socio-economic and political indicators.

Monitoring (and targeted distributions) cost substantial sums of money if done well. However, it is a false economy to dispense with monitoring in the interests of keeping program costs low. Spending nothing on monitoring yet failing to have an impact due to poor

targeting or inequitable distribution is even more 'expensive' in terms of life and death.

AusAID should have a policy on the design of humanitarian relief interventions, coupled with a strategy for formative evaluations and improvement of the design standards of funded activities. Such a strategy could include collaborating with Australian NGOs willing to develop their humanitarian relief expertise in this manner. AusAID could also request that WFP provide preliminary designs with proposals for emergency interventions, in the same way that they do for protracted relief operations.

The role of food for work (FFW) in the transition from relief to rehabilitation and development[5].

In relief situations, FFW activities have a short term impact on food security by providing a nutrition safety net and by assisting beneficiaries to retain their productive assets. In the longer term, FFW is used to create or rehabilitate basic infrastructure, typically with the objective of protecting or increasing agricultural production and thereby protecting or enhancing household food security. The assets involved may include hillside bunding, check-dams, irrigation channels, dykes, wood lots, feeder roads, village health clinics, etc.

The infrastructure is usually a community or national asset although some work supported through food for work creates personal assets eg. farmers (including refugees returning home or settlers) may be given food to clear and/or cultivate their own fields.

While infrastructure created by FFW activities can be valuable, the FFW concept is not without its critics. Criticisms include that:

- FFW activities are really 'make work' activities and the results (eg. road construction) can be achieved more efficiently and effectively with machinery.
- FFW activities are premised on a belief that free food creates dependency, and that people should be put to work for their own good. This is perverse if it results in people 'jumping through hoops' to receive the food they need to survive. However, FFW can be justified if the activities implemented improve the affected community's food supply or meet a priority need of the community or the country.

5 Some of the statements about FFW in this section are relevant also to FFW activities implemented as project food aid.

- It would be more productive to provide food freely and let people get on with their own activities. People are often perceived to be idle, when they are in fact very busy, simply because they may appear that way when gathered to receive a visitor or at the time of day a visitor normally encounters them.
- The most vulnerable, those likely to be most in need of food, include people who are unable to work, such as the aged, the sick and the disabled, and a high proportion of women, who should not end up bearing the brunt of heavy physical tasks such as breaking up rock. The most able, who are selected for work, will generally include a high proportion of strong, healthy young men who are the least likely to pass food assistance on to other members of the household.
- FFW can have a disincentive effect and represent an inefficient use of labour, particularly by competing with other labour opportunities. For example, FFW may compete with seasonal migration as a labour opportunity.

The most frequent criticism of FFW is directed not at the approach, but to the poor quality of the work, the inadequate maintenance of the assets created and hence the lack of sustainability. The main problems are lack of technical supervision and lack of community participation in the identification and implementation of FFW activities.

Long term impact

The long-term impact of FFW activities for relief depends on the value of the assets created and their value to local communities. A frequent design failure is in the choice of assets and/or the size or scale of work undertaken. There has to be regard to what the community can, and is willing, to maintain, otherwise there will be continuing dependence on donor financing and technical support.

The quality of project design is as important in FFW relief activities as it is in any development project. Clarity of objectives, identification of indicators, management of risks, sustainability, environmental impact and gender equity considerations are all relevant.

Without adequate monitoring, such projects can go on for years based on erroneous assumptions about what they are achieving. These assumptions and techniques need to be regularly tested and

monitoring systems should be in place to determine whether or not the activities are meeting their objectives.

As mentioned earlier, FFW public works projects often do not benefit the poorest. Generally, members of all households are permitted to participate and this is justified on the basis that food for work activities are 'self-targeting', in that the better-off would not be interested. In very poor, food deficit communities with high unemployment this may not be so, and the poorest could fail to achieve selection, as would the infirm. Rations for work can be set at a very low level, to discourage all but the poorest from seeking employment, but this can have perverse consequences if the rations are inadequate to sustain the worker and his/her family.

The attractiveness of FFW is the opportunity to make food aid serve *relief and development* goals: productive relief. But efficiency and effectiveness suffer when large quantities of food are forced to conform to this simple model. Relief objectives are frequently compromised because the food is not adequately targeted. The effectiveness of projects *as targeted food aid interventions* is compromised by the drive to mobilise large numbers of able-bodied people to undertake priority public works. Development objectives are compromised as project design is poor, there is inadequate technical supervision and community participation is limited.

Conclusions on the role of food for work

Agencies should ask: What is the most effective way of providing targeted food relief **or** building public/private infrastructure? This approach would promote closer examination of the appropriateness of using food as a resource in public infrastructure programmes. Food is, thereby, less likely to be used for infrastructure development where it is an inappropriate resource.

Therefore, the main requirement is for funding agencies such as AusAID to thoroughly appraise proposals from NGOs and agencies such as WFP to ensure appropriate and adequate design, to ensure that internal monitoring procedures are adequate, and to evaluate a substantive sample of completed activities.