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Food Aid: An Effective Instrument of Development Policy?

by Siegfried Schultz, Berlin*

After over thirty years' experience with food aid, there is consensus only on its use as a means of mitigating acute distress; except with regard to disaster relief of that kind, opinions are divided on the rationale of food aid deliveries from industrial countries with a food surplus to Third World countries with a deficit. What are the main arguments for and against food aid, and in which direction has the EC's food aid programme developed?

In the fifties and sixties, the bulk of food aid was provided by the United States under its P.L. 480 "Food for Peace" programme. In the main this consisted of wheat shipments to countries in Asia. Other donors, notably the EC countries and Canada, also provided substantial quantities of food aid in later years; Japan and Australia were also large-scale contributors. Deliveries of cereals, the main item of food aid, increased rapidly during the sixties, reaching a peak of 13 million tons in the early seventies. Since 1976-77 the annual volume has been about 9 million tons, rising to over 12 million tons during the food crisis in Africa in 1984-85.¹

Food aid was an important ingredient of development aid from the very outset. It accounted for about 10 % of total official development aid in the seventies, rising to about 12 % in 1984-85 owing to the widespread famine in black Africa. Set in the general context of Third World trade, food aid was equivalent to barely 1 % of total imports by developing countries in 1983-84 and around 5 % of their commercial imports of food.² The EC has been a food aid donor since 1969, initially supplying cereals and then a year later other products as well, such as milk powder, butteroil and sugar. EC food aid

shows a considerably different pattern from that of other donors; food aid constituted around 40 % of total Community aid in 1980 (including aid from the Development Fund), fell later to about one-third but then rose to more than 50 % owing to the acute worsening of the situation in Africa.

The range of food aid now on offer is far wider than in the early days. At least 25 donor countries and more than 100 recipient countries are now involved. With the exception of Bangladesh, most Asian countries can now cover the bulk of their food requirements themselves. The largest beneficiaries are countries in the continent of Africa, with Egypt the most prominent of these; Ethiopia and the Sudan have joined the list following crop failures, and the situation is also critical in Angola, Mozambique and Botswana. Food aid still consists mainly of wheat and other cereals, but the proportion of other food products such as vegetable oil and milk powder has increased. More than a quarter of food aid is now channelled via multilateral agencies, the main one being the United Nations World Food Programme. Food aid programmes have also been placed on a more institutional footing, as can be seen from the various international Food Aid Conventions and the creation of international emergency food stocks.

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¹ OECD: Development Co-operation ("Chairman's Report"), 1985 Review, p. 221; FAO: Review of food aid and policies and programmes, WFP/CFA. 21/5, 27th March 1986, Table 3.

² Based on food aid disbursements of DAC members of the OECD (from FAO. Food aid and food security: past performance and future potential, Economic and Social Development Paper, No. 55, Rome 1985, p. 43) and trade statistics from UN Bulletin of Statistics, No. 5/85.

The food crisis between 1972 and 1974 spurred the main donor countries and some international organisations to provide more resources for projects in the fields of nutrition and agriculture and to increase their food aid. The nevertheless rapidly deteriorating situation in a number of African countries brought about a more fundamental change in the notion of aid, inasmuch as greater importance came to be attached to the context of bilateral and multilateral agricultural projects; this applied both to the physical requirements for raising yields (more and better inputs, reduced post-harvest losses, improved transportation and distribution systems) and to the economic and other policy conditions that must be created by the country concerned. A tendency to do more to create the climate in which development projects can prosper (appropriate sectoral policies, infrastructure, efficient institutions) can be observed in the approaches adopted by a number of countries.

More than thirty years' practical experience with food aid has shown that widely different programme approaches and forms of aid are possible. Underlying conditions are rarely comparable in different countries, so that there are few universal truths with regard to food aid. There are no substantial differences of opinion among experts and politicians on the use of food aid deliveries to alleviate acute suffering. Although there is therefore agreement about disaster relief of this kind, which accounted for around 15% of the total funds provided for food aid in the early eighties and has increased recently, opinions are divided on the purpose and value of deliveries from industrial countries with a food surplus to Third World countries with food deficits and on the form food aid now takes or should take in future. What are the main arguments in the food aid debate?³

Arguments in Favour

The advocates of food aid argue that it should continue to be given, since in their view it has the following effects:

- In the event of shortages, essential basic requirements can be met without increasing commercial imports, thereby ensuring the survival of many people and at the same time easing the burden on foreign exchange reserves.
- Basic foodstuffs can be sold at reduced prices, thereby helping to improve income distribution.
- The net increase in resources can encourage the economic development of the country. This includes "food for work" projects that have long-term capacity

effects (on infrastructure and education) and hence improve development opportunities.

- The systematic building-up of food stocks can make an effective preventive contribution towards securing the food supply of the population.
- If the goods provided under food aid programmes are sold within the recipient country, the proceeds can be paid into counterpart funds, thus increasing the country's scope for investment and income redistribution.
- Given the desire to make use of surpluses, the giving of food aid has no direct link with other forms of development aid from donor countries; free deliveries of food are therefore in addition to other aid.

Arguments Against

Critics of food aid are adamant that food aid in its present predominant form should be reduced or abolished completely for the following reasons:

- Deficiencies in the fields of transportation, storage and distribution mean that insufficient food aid reaches the true target group, that is to say starving sections of the population, living mostly in remote rural areas.
- The food offered by foreign donors does not suit the eating habits of the recipients (for example, wheat instead of sorghum and millet).⁴ If consumption habits are changed, aid deliveries of wheat may further boost food imports, since it cannot be grown in some regions owing to climatic conditions and the quality of the soil.⁵
- The weakening of market forces means that home production of food becomes even less worthwhile; food aid depresses producer prices and thus undermines the incentives for increasing agricultural production in recipient countries.
- A steady inflow of food aid causes recipient countries to postpone measures of their own to raise agricultural productivity. Unpopular, and hence delicate decisions with domestic policy repercussions (such as land reform and pricing policies geared towards the needs of producers) can be avoided. The country's dependence on the rest of the world is also prolonged.
- If products received as food aid are not distributed directly to those in need but are sold in the local market and the proceeds deposited in counterpart funds, the

³ For a detailed bibliography, see the German version of this paper.

⁴ The use of milk powder can actually damage the health of persons who cannot tolerate lactose.

⁵ This may even be the donor's intention, as explicitly stated in the case of the American P.L. 480 programme.

developmental value of these resources depends on the use to which they are put. Though difficult to enforce politically, agreements or even supervision arrangements are essential, since without them there is a high risk that the proceeds will ultimately be absorbed into general budgetary resources and will not necessarily benefit the group for which the food aid was intended. Hence the creation of such funds in no way constitutes an improvement in the quality of food aid.⁶

□ As the product composition of aid deliveries shows, giving away foodstuffs is a safety valve for donors that enables them to “dispose” of surplus agricultural products. Although food aid is not primarily a means of disposing of surpluses and was not designed for that purpose, the perennial oversupply in industrial countries maintains the political pressure from the farm lobby and thus delays the development of agriculture in the recipient countries themselves.

“Food Strategies”

International food aid has been confronted with the above counterarguments for many years. National and international development aid agencies have modified their approach to food aid, partly in the light of criticism from academics and public opinion and partly as a result of their own project evaluations. The core elements of the “food strategies” on which donors and recipients have agreed, which are generally longer-term in nature, essentially comprise the following measures:

⁶ The UN/FAO World Food Programme (WFP) is prohibited from marketing food aid products in recipient countries; exceptions require specific authorisation.

□ integration of individual projects into a uniform framework (strengthening of programme components);

□ orientation of other development measures so that they promote food production; this means in particular tax relief for agriculture and higher agricultural producer prices;

□ measures to create or enhance an institutional environment that encourages increased domestic production of food (provision of seed and equipment, easier access to credit, expansion of processing capacity, improvement of logistics, marketing assistance and agricultural research);

□ the establishment of consultative bodies to co-ordinate donor policies and focus administrative resources in recipient countries.

New Approach to EC Aid

For some years past the various EC institutions have also been attempting to change the shape of Community food aid. In September 1980, when it passed the “Resolution on the European Community’s contribution to the campaign to eliminate hunger in the world” in the light of the Ferrero Report, the European Parliament came out against traditional Community food aid and called instead for long-term food strategies and for efforts to be concentrated on the promotion of rural development in the Third World. The subsequent report by the Court of Auditors in November 1980 took up some of the points mentioned above and also criticised the lack of a longer-term strategy, the reluctance of member states to abandon their own programmes in order to participate more fully in the

Table 1
Cereal Food Aid Shipments by Developing Country, Region and Group
(in thousand tons, grain equivalent)

	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
World total	6847.0	9022.4	9215.5	9499.7	8887.0	8942.2	9140.2	9198.0	9831.0	12522.0
Total developing	6691.2	8745.0	8790.0	9116.1	8588.0	8672.6	8714.1	9114.8	9789.0	12446.0
of which:										
Africa	1946.3	3168.9	3390.7	3535.2	3662.1	4511.9	4937.6	4635.2	5116.7	7607.4
Asia	4085.8	5138.3	4914.2	4884.1	4066.8	3549.9	2916.6	2967.5	3341.4	3359.0
Latin America	524.6	244.7	372.2	605.0	720.9	583.3	711.9	1264.4	1294.4	1353.8
Other developing	7.6	14.7	11.0	12.0	13.5	7.4	2.8	0.1	2.2	—
Unspecified	126.9	178.4	101.9	79.8	124.7	20.1	145.2	247.6	34.3	125.8
Low-income food-deficit countries	5406.7	7273.1	7303.4	7628.5	7334.0	7163.7	7452.1	7741.0	8791.8	11025.4
of which:										
Sub-Saharan Africa	715.9	833.7	1250.8	1137.5	1549.8	2335.3	2339.8	2471.2	2591.3	5462.5
Least developed	1827.1	1686.6	2231.9	2426.9	2623.3	2404.5	2702.8	2971.8	2925.6	5017.2

Sources: Compiled by FAO from data provided by donors, the International Wheat Council, the World Food Programme and other international organisations

efforts of the Community and, above all, the lack of supervision over the use of aid products. The criticism struck home; in March 1983 the Commissioner responsible for development affairs, Edgar Pisani, wrote to the Council of Ministers that evaluations had shown the European food aid system to be inflexible, bogged down and outdated; its thirty-year-old approach was based on the need to dispose of the industrial countries' grain surpluses.⁷

The presentation of a "Plan of action to combat world hunger" in September 1981 marked the beginning of attempts to shape a new policy. It was followed in October 1982 by a far-reaching Commission paper on the re-organisation of relations with the Third World, the "Memorandum on the Community's Development Policy", commonly called the Pisani Memorandum. The crux of the modification of EC policy was to regard food aid as one element in a comprehensive strategy to promote agriculture and food production and to integrate it into an overall development policy. Here the Community built upon the food strategy concept recommended by the World Food Council in 1979. Since then, the type, amount and usage of aid have been determined jointly by the Community and the recipient country. The identification of food or agricultural projects is to be preceded by "policy dialogue", in which the key requirements (the donor considers) necessary for the success and sustained viability of the projects are stated.

For the "trial run", resources were concentrated on four African countries that typified the regional emphasis of Community aid (Mali, Kenya, Rwanda and Zambia) with the declared aim of improving their self-sufficiency in foodstuffs. A "coherent" programme was not only to link national food strategies with other development measures but also to co-ordinate Community aid with that from member countries and, if possible, from other donors.

When put into practice, the new approach proved to have a number of weaknesses,⁸ both in administrative procedures and in implementation, where the problems stemmed mainly from organisational shortcomings in the fields of transportation, storage and distribution. Emergency aid programmes, in particular, depend for their success on the ability to react quickly, and experts all demand scope for adjusting more flexibly to

conditions on the ground. There was apparently room for further improvement, for in 1983 the EC introduced new guidelines to attune food aid more closely to the recipients' development strategies and to alleviate its adverse effects on food output and consumption.⁹ The new stance is described in the Commission Communication to the Council entitled "Food aid for development" of April 1983, which reaffirms that, apart from emergency aid, food aid can only be a stop-gap but should nevertheless be guaranteed contractually for several years so that it can be integrated into food security programmes. It warns of a number of dangers for recipient countries, such as the alteration of consumer habits, disincentives and the problem of balance of payments assistance, but asserts that with appropriate conditions imposed on the use of food aid they should not arise and that if they do they should be easily overcome. The document continues to express full confidence in the instrument of counterpart funds, despite repeated criticism of the lack of possibilities for supervision, and even advocates widening their use.

Triangular Operations

Triangular operations, which involve the donor buying products in a developing country with a food surplus and donating them as food aid to a country with a deficit (such as deliveries from Kenya to Ethiopia or from Malawi or Zimbabwe to Mozambique), are discussed in the Commission's document and judged to be beneficial in principle, since they would avoid many of the drawbacks of food originating in industrial countries; however, in practice such operations are used only in emergencies or if the goods required are not available on the Community market. By way of qualification, the document notes that a problem may arise as to non-convertible currencies of countries belonging to different currency areas, an objection that is hard to understand in the case of deliveries financed by the EC. However, the reservations about recommending triangular operations are evident from the conclusions of the document, which point to the scale and efficiency of the

Table 2
Cereal Food Aid Shipments by Type of Aid
(percentages)

Category	1980/81	1981/82	1982/83	1983/84	1984/85 ^a
Disaster relief	14	21	12	15	26
Project aid	26	27	26	28	22
Non-project aid	60	52	62	57	52

^a Provisional.
Source: WFP/CFA:21/5 (27th March 1986); estimates on the basis of data from donor countries.

⁷ EG Magazin, No. 7/83.

⁸ See inter alia S. J. Maxwell (ed.): An evaluation of the EEC food aid programme, Institute of Development Studies/Afrikabüro, Brighton/Cologne 1982.

⁹ Cf. World Bank: World Development Report 1986, Washington, D.C., 1986.

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Community's own agricultural production capacity: "Europe considers that it has the capacity and responsibility to continue meeting the food requirements of the world's population".

In July 1983 the Court of Auditors of the Commission published a special report that again levelled sharp criticism at the co-ordination of Community aid. With regard to food aid, it criticised the lack of texts defining procedures for co-ordination, which could thus only occur at an informal level. As a result of this, and given that communication between offices is often slow, "it sometimes happens that within one and the same Directorate-General no administrator has an overall view of the measures undertaken within one field". In its reply the Commission conceded that there are weaknesses and pointed out that some of the observations were a repetition of previous criticisms; the sometimes inadequate co-ordination with member states was due to poor co-operation on their part, and there were examples of exemplary co-ordination with other donors, as in the case of aid for Mauritania.

Substitution

The first signs of a departure from the old ways were evident in the new approach set out in a Council Regulation of June 1984 establishing the possibility of "substitution". This was indeed a step towards orienting Community food aid more strongly towards development objectives, thus making food aid a more flexible instrument. In principle, food aid recipients that believe they can forgo part of their allocated food aid

from the Community can commute it into financial grants for development projects in agriculture and food. The scheme rightly upholds the long-term objective of food aid by requiring that projects financed in this way should increase self-sufficiency and food security. However, other developing countries have so far been allowed to participate in tenders and contracts only on a case by case basis. The most recent instances in which the scheme has been applied concern the granting of funds for Chad, Niger, Burkina Faso and Zambia to finance the purchase and transportation of cereals available in the region and to erect storage facilities; instead of grain shipments, Mali received a sum in ECUs to finance the purchase of local varieties.

To summarise, it can be seen that the policy of promoting food security strategies is correct and that in principle it is beneficial to recipient countries. However, the practical implementation of the policy fails to live up to its aspirations. None of the four pilot countries – the Third Lomé Convention enables the approach to be extended to all ACP countries – has had an unqualified success as far as the nutritional status is concerned. The comparative assessment of the case studies for Mali and Zambia reveals certain similarities among both their successes (liberalisation of the cereals market) and their weaknesses (the negligible impact on the productivity of small farmers), but also shows substantial differences in the extent to which food strategies are an integral part of the government programme in developing countries and hence in the overall success of the approach. In all of the "dialogue

Table 3
Regional Distribution of EC Food Aid in 1985^a

(in percentages)

Region or organisation	Cereals	Milk powder	Butteroil	Vegetable oil	Sugar	Other products ¹
„Normal” food aid						
Sub-Saharan Africa	40.0	8.5	18.7	7.9	2.3	6.9
Mediterranean	12.4	8.3	9.4	–	11.7	–
Caribbean and Pacific	–	1.1	1.4	–	–	–
Latin America	1.8	5.4	3.1	11.3	–	15.4
Asia	17.5	18.0	19.6	16.9	1.2	–
International organisations and NGOs ²	28.3	58.7	47.8	63.9	84.8	77.7
Emergency food aid						
Sub-Saharan Africa	83.4	98.7	100.0	–	48.4	78.4
Mediterranean	6.0	–	–	–	51.6	13.0
Caribbean and Pacific	–	–	–	–	–	–
Latin America	2.0	1.3	–	–	–	–
Asia	8.6	–	–	–	–	8.6

^a On 31st December 1985; calculated on the basis of delivery volumes.

¹ Beans, pulses, dried fish, rusks. ² Non-governmental organisations.

Source: Commission of the European Communities: Nineteenth General Report on the Activities of the European Communities 1985, point 927.

countries" there was a period of initial success followed by weakness in identifying and implementing concrete measures.

Now that the four-year experimental phase is over, certain aspects of food aid under the food security approach seem to need modification before the policy is extended to other ACP countries. This includes a reform of food aid management by the EC, as proposed by the Commission in July 1986, entailing more stringent implementation procedures by strengthening the Commission's implementing powers and a clearer division of decision-making powers between the European Parliament and the Council. However, it also seems important to direct food aid more systematically towards the groups originally targeted by food security programmes, to pay greater attention to distributional objectives, to exercise effective control over the use of counterpart funds and, last but not least, to liberalise the restrictions on replacing aid in kind by (tied) financial resources. This "substitution", which will help eliminate otherwise rather dubious deliveries of products from Europe, is a test of the extent to which EC food aid differs from the mere disposal of surpluses.

The same applies to triangular operations, which should be a step towards regional food security among neighbouring states in the various regions of the Third World. Triangular operations account for around one-tenth of all Community aid and a rather higher proportion of emergency aid,¹⁰ but some member countries are resisting increasing the use of this instrument above even this modest level. Triangular deals are unlikely to increase appreciably in the foreseeable future, for even after repeated acknowledgement that greater effort should be made to improve "the mobilisation of available resources on the ground or in adjacent countries" the present regulations still cling to the principle that products should by preference come from the Community, although recognising that costs could be reduced by purchasing locally. Nevertheless, triangular operations will continue to be limited to situations in which products are not available on the Community market or to emergencies in which aid can reach its destination more quickly if purchased in the region. Besides a number of other requirements, the ratio of such purchases to the volume of goods supplied

¹⁰ In 1984 and 1985 the EC purchased around 10% of Community food aid in developing countries; in the case of bilateral food aid donated by the Federal Republic of Germany, the proportion was around 30% in each of the two years.

¹¹ Article 3 of Council Regulation (EEC) No. 3972/86 of 22nd December 1986 on food-aid policy and food-aid management, in *Official Journal of the European Communities*, No. L 370, 30th December 1986.

from Community sources must be compatible with the principle of procurement on the market of the Community.¹¹

Pricing Policy and Producer Behaviour

There is controversy about the impact of food aid on domestic suppliers and hence on future domestic food output. Demand is not undermined if food aid is distributed free to those in need, who are outside the money economy in any case. The situation is less clearcut if substantial quantities of food aid compete with goods on sale commercially. The effects then depend on a number of factors, the most important being:

- the agricultural system,
- government pricing policy,
- the price elasticity of supply from agricultural producers,
- public investment behaviour, and
- the distribution system, especially in rural areas.

Attention will be focussed here mainly on the effects food aid can have on the system of incentives for agricultural producers. In principle, prices can be determined by market forces or set by the authorities; hybrids of varying shades are the rule. In most recipient countries the government actively intervenes in the food market; for example, so-called monopolies operate in the cereals market in all countries of the Sahel. These state grain boards are in a strong position *de jure*, but in practice they have not been able to make their writ run, so that more than half the market turnover is handled by private traders, despite administrative restrictions.

The distribution effects of a strong parallel market are negative, for only the privileged minority can purchase their requirements cheaply; the rest of the population, especially people in food-deficit rural areas but also poorer sections of the urban population, must rely on private markets, which are subject to extreme price fluctuations, depending on the size and quality of the harvest and the timing of outside aid.

The impact of price fluctuations on the behaviour of domestic producers has not yet been clearly demonstrated empirically, either as regards their reaction to changing market conditions generally or to changes induced by food aid in particular. Literature on the subject and evaluation reports reach widely contrasting conclusions about the response of domestic producers to changes in producer prices. The structure of agriculture, the configuration of the market and the income distribution objectives obviously differ too widely

from one country to another for universally applicable conclusions to be drawn. All that is reasonably certain is that elasticity is generally far higher at long term than at short term, so that the desired volume reaction can be elicited only by "confidence-building measures". It can also be assumed that agricultural output reacts significantly not only to price but also to factors such as improvements in the physical infrastructure and in literacy, which signify deliberate government measures to promote rural areas.

Country case studies, which initially concentrated mainly on India and other Asian countries but are now concerned more with African countries, conclude that in a number of cases there is no indication that food aid has had a detrimental effect on agricultural output.¹² In these instances price incentives apparently continued to apply, despite the impact of food aid on the market, since farmers reacted by raising output; for example, domestic grain production in Mali increased after the liberalisation of trade in millet, maize and sorghum in 1981-82. Nonetheless, the supply elasticities calculated in these studies remain relatively low.¹³ The World Bank is more optimistic in this respect, attributing the success of a number of agricultural projects to changes in pricing policies for agricultural products brought about by political pressure.

The majority of cases in which food aid could not be shown to have disturbed the local market were those in which the government of the recipient country had taken effective action, such as withholding substantial amounts of food aid from the market and using it instead as a direct agricultural input (seed), adding it to emergency stocks or using it as required to stabilise prices. As in India, such measures also included distributing the supplies to specific target groups, such as the poor, the unemployed and the undernourished, and offering them at reduced prices in "fair price shops", thus effectively creating a parallel market.

Conclusions

1. Food aid, including that granted by the EC, is beneficial to recipient countries if it enables starving people to obtain basic nutritional requirements in emergencies, such as earthquakes, drought, flooding, epidemics, wars and refugee situations. The programme of immediate aid to eight African countries adopted by the European Council of Heads of State and Government in Dublin in November 1985 accords with this principle.

2. Food aid in the form of humanitarian emergency or disaster relief only treats the symptoms, but in this instance it is meaningful and important, since the

symptoms are a threat to life and health. It does not attack the root causes of hunger, which lie in widespread poverty and the consequent lack of purchasing power.¹⁴

3. Some developing countries must reconcile themselves to the fact that increasing agricultural production to the point where they are self-sufficient is a long-term objective, even if they make serious and sustained efforts. This is particularly true of countries with a "structural shortfall" in important basic foodstuffs, in other words countries where experts consider that even in years of average or good harvests the utilisable agricultural land cannot produce sufficient to feed the entire population; this applies to cereals production in Mali and other Sahel countries until the year 2000 and beyond. For these "welfare cases of the international community", food aid is no longer a stop-gap or at most a temporary support but a permanent feature for the foreseeable future.

4. If one considers the acceptance of starvation as a fact of life to be cynical and inhumane and if one has no influence over population growth, the only approach that can be applied to developing countries that are basically efficient is to increase the available food supply. In view of the lack of competitiveness of most developing countries' exports and their consequent shortage of foreign exchange, they cannot increase their commercial imports of food without additional borrowing. Their development efforts are therefore aimed primarily at expanding domestic production; only in exceptions can food aid be the answer.

5. Malnutrition and hunger are not only the result of erratic natural influences or the long-range effect of biological or ecological changes, mostly caused by human interference; they are often caused by political and socio-economic obstacles, chief among these

¹² See H. W. Singer: A summary survey of studies of food aid, in: H. Schneider (ed.), *Food Aid for Development*, OECD/Development Centre, Paris 1978, pp. 45 f.; C. Stevens: Food aid: good, bad, or indifferent? Evidence of four African case studies, also in H. Schneider (ed.), *op. cit.*, p. 54; M. Metz: Food aid: consequence or cause of widening food gaps in developing countries? Discussion paper, Wissenschaftszentrum Berlin, IIV6/dp 81-129, pp. 4 f. and 9-11; H. Brandt: Food security programmes in the Sudano-Sahel, Deutsches Institut für Entwicklungspolitik, Occasional Paper No. 78, Berlin 1984, pp. 50 f.; see also H. Schneider: Food aid issues from the recipient countries' perspective, unpublished paper presented to the symposium on "The European Community's Development Policy: The Strategies Ahead", Bruges, July 1985.

¹³ Price supply elasticities of between 0.1 and 0.2 are given in evaluations of food security projects. Reasons for differences in supplier behaviour (differences in the level of resources and in their willingness to take risks) are given in H. Schneider: Meeting food needs in a context of change, OECD/Development Centre Studies, Paris 1984, pp. 122 f.

¹⁴ See inter alia World Bank: *Poverty and Hunger: issues and options for food security in developing countries*, Washington, D C, 1986.

being misguided agricultural policies, i.e. outdated agricultural systems, inadequate price and other incentives to production, an inefficient infrastructure and a balance of political forces that disadvantages the rural population. Small farmers attempting to rise above subsistence level by marketing a modest volume of produce have a poor chance of success, since credit policies and tax and customs arrangements are biased in favour of large producers and industry.

6. If rural development and an increase in small-scale production in order to prevent a drift away from the land are priority objectives of development policy, food shipments that are not intended as disaster relief may conflict with these objectives, for experience has shown that it is extremely difficult to adapt the destination, volume, timing and type of food deliveries in order to avoid unbalancing markets and in particular adversely affecting small-scale production.

7. It is undoubtedly primarily the task of countries with food shortfalls to create a better environment for domestic agriculture so that the available potential is at least fully employed and efforts are made to guarantee basic food supplies. Relaxing or even abolishing the policy of low prices¹⁵ has generally led to increases in output, so that in principle supply reacts to price signals. If supply reactions are still weak, it is obviously because farmers are unsure whether the new policy will last and/or because further measures are needed to strengthen the entire system of production incentives. These measures include agricultural research, improved seed, a credit system geared towards the small farmer, more advice on the use of fertilisers and pesticides, regulated water supplies, improved transport routes and the erection of low-loss interim storage facilities. These are responsibilities that fall mainly within the ambit of the recipient countries and can be supported through general development measures.

8. Food aid that is more than just support in times of genuine emergency is useful where the restructuring of the agricultural sector requires complementary measures that are too large to be financed from local resources; infrastructure projects come to mind in this regard. Project aid under the heading "food for work" is legitimate in this context and will remain so for the foreseeable future in a number of cases. The reshaping of Community food aid to support long-term objectives, as expressed in the strengthening of programme components, promotes the development of recipient countries.

9. By contrast, the bulk supply of goods without specific plans as to their use is harmful to development;

if used as balance of payments and budgetary assistance, it indirectly facilitates projects that do not necessarily meet the requirements of those in need. Supplies in kind from industrial countries are detrimental, since they disregard the products available from potential and existing suppliers in the Third World. Products provided under the Community food aid programme still come predominantly from producers within the EC. Triangular operations – in other words, the granting of funds to buy food from adjacent surplus countries – are subject to tight restrictions and do not account for an appreciable share of the total.

10. Even if it is a gift, food that does not match local eating habits (and can only be produced locally at great cost, if at all) increases the dependence of recipient countries on continued food aid or ties up foreign exchange for commercial imports. Milk products, traditionally the main item of EC food aid, also require expensive conservation and storage facilities; in the case of milk powder, clean water is an important further requirement.

11. A food security strategy requires substantial investment in agriculture and elsewhere. Additional resources to give financial and technical support for these and other projects that are judged to be worthwhile should be provided instead of increasing food aid, which on balance is considered to be of dubious benefit on account of its impact in the recipient country. Moreover, recipient countries do not benefit to the full value of food aid shipments, for they give rise to transportation and distribution costs, thus consuming financial resources that could otherwise have been used to finance development.

12. The leading industrial countries – the USA and the European Community – could make an important contribution to development by reforming their own agricultural and trade policies. A reduction in deliveries of subsidised food to the world market, and especially to developing countries, would improve the Third World's sales prospects; less protection against competing agricultural imports from the Third World, such as sugar, beef, vegetables and vegetable oil, would also strengthen their foreign exchange position. Only when food aid has shaken off the taint of being a "dump" for surpluses, when the shortcomings in its management have been overcome and when it has found a clearly defined place in food security strategies can it be a useful tool in the long-term campaign against hunger in the world.

¹⁵ Including overvaluation of the currency, which makes food imports cheaper.