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**Article — Digitized Version**

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Intereconomics

*Suggested Citation:* Singer, Hans W. (1988) : Food aid: Pros and cons, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 23, Iss. 2, pp. 79-83, <https://doi.org/10.1007/BF02927027>

This Version is available at:

<https://hdl.handle.net/10419/140121>

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Hans W. Singer\*

## Food Aid: Pros and Cons

*Extreme poverty, drought and famine continue to afflict people in many parts of the world. Food aid has occupied a central role in the response to these problems, and there have been notable successes, yet there is doubt and criticism about the appropriateness of food aid. Is food aid doing more harm than good?*

Food aid is only 10 %, in value, of total aid flows. But it has generated a good deal more than 10 % of the total aid discussion, both pro and con. There are a number of reasons for this:

- For some important aid donors, including the USA, and even more so for European Community aid, food aid represents much more than 10 % of total aid flows.
- Food aid has much more political support than financial aid in donor countries where the farmers' lobby is strong and agricultural subsidies and protectionism are rampant – again the US and European Community are outstanding examples.
- Food aid has shown a tendency to increase in recent years (although it has not yet come back to the high levels of US food aid under the Marshall Plan and also in the late 1950s and the 1960s under PL480, particularly to the Indian sub-continent).
- Food aid is more concentrated than financial aid on the poorer countries, particularly on Africa and Bangladesh.
- Emergency food aid to support famine victims or refugees has a special popular appeal and is easily dramatised by the media (although in fact in normal years emergency food aid is only a small fraction of the total and even at the height of the Ethiopian famine, the bulk of food aid was developmental rather than emergency).

This list could be added to but should be sufficient to explain the intensity of the food aid debate.

Emergency food aid has been largely exempt from the controversies raging around other types of food aid. To

feed the hungry, improve the nutrition of small children, keep refugees alive, etc., is more or less accepted as a non-controversial moral duty, especially in view of the existence of huge food surpluses. This does not exclude controversy concerning the *effectiveness* of emergency food aid: the critics rightly point out, and the defendants of food aid admit, that all too often emergency food aid arrives too late, when it does more harm than good, or that it fails to be properly and efficiently distributed to the neediest regions and groups, that it may consist of the wrong commodities, that in emergencies assistance with transport, medical supplies and financial aid may be as important, or more important, than food aid, etc. The emergency food aid given by the European Community has been especially subject to criticism in these respects. However, the *principle* of emergency food aid is universally accepted, although where emergency aid helps to ease the situation for repressive governments, the moral case becomes more debatable.

This universal support for the principle, at least, of emergency food aid may show a way of resolving some of the objections put forward by the critics of food aid. There are narrower and broader concepts of "emergency". A broad concept of emergency would include the timely prevention of future emergencies, the creation of reserve stocks of food in strategic locations, improvements in local food production practices, environmental improvement such as afforestation, etc., as well as rehabilitation and resettlement after the acute emergency is over. If supporters and critics could agree on such a broader definition of emergency, a good deal of what is now described as "developmental" food aid could well be brought under the umbrella of uncontroversial "emergency" aid.

We have already mentioned the political support for food aid from the farmers in donor countries. This link between the surplus mountains of food which we are

\* University of Sussex, Brighton, UK. For a more detailed discussion of the issues involved in the food aid controversy see Hans W. Singer, John Wood, Tony Jennings: *Food Aid: The Challenge and the Opportunity*, Oxford University Press, Oxford 1987.

building up as a result of senseless agricultural policies, and the willingness to give food aid, forms in fact one of the planks of the critics. They describe food aid as really being surplus disposal, a way of dumping our surpluses rather than genuine aid.

It cannot be denied that the historical origin of food aid to developing countries in the US was the desire to get rid of unwanted surpluses: the original US programme set up in 1954 under Public Law 480 was called a "surplus disposal programme" – perhaps a more honest name than subsequent titles such as "Food for Peace". However, a selfish interest of the donors in wishing to get rid of surpluses is not inconsistent with developmental and humanitarian motives. In financial aid, the motives of donors are equally mixed; the desire to build up export markets, to benefit local producers by aid tying, to utilise idle surplus capacity or reduce unemployment – all these are just as much mixed in with a desire to promote development or reduce poverty in financial aid as in food aid. Moreover, some of the criticism of food aid seems to be misdirected in the sense that what the critics really mean to criticise (rightly) are the agricultural policies, such as the Common Agricultural Policy of the EEC, which lead to the surpluses which in turn lead to food aid. However, it does not seem plausible that food aid is a significant causative factor in these agricultural policies. If it were, food aid would be very much larger than it is; in fact it is relatively insignificant by comparison with the enormous food surpluses.

### Financial Aid

A frequent criticism of food aid is that it is an inferior form of aid compared with financial aid. It is true that normally, other things being equal, from the recipients' point of view it would be better to have freely usable money and to buy food, if that is the top priority, in the open market. However, as we have already said, food aid has a special political and economic appeal to a number of donors and it seems practically certain that at least a considerable part of total food aid is not an inferior substitute for financial aid but is *additional*.

In the nature of things, this is an area in which it is difficult to be certain. If food aid were abolished tomorrow would financial aid increase, and if so by how much? Nobody can tell. In any case, we cannot be all that certain about the alleged inferiority of food aid. On the one hand, financial aid also is often tied to specific commodities or to specific donor sources of supply; to that extent it is also worth less to the recipient than free financial aid. On the other hand, much of food aid, possibly as much as two-thirds, is in the nature of programme food aid or balance of payments support

which to some extent at least replaces commercial imports. In so far as this is the case the food aid releases foreign exchange which can be freely and unconditionally used by the recipient country – to that extent it may be better than tied financial aid subject to severe conditionality. The line between food aid and financial aid is far less clear than the debate about the inferiority or otherwise of food aid would suggest: much of what is called financial aid really helps to finance food imports and to that extent is food aid, while much of food aid releases foreign exchange and to that extent is financial aid.

### Neglect of Domestic Agriculture

Perhaps the most serious and frequent criticism of food aid is that it induces the recipient governments to use it as an easy alternative to the much more difficult task of increasing domestic food production, and thus leads to "food dependency". There is no doubt that many developing countries in the past have shown "urban bias" in neglecting investment in agriculture and food production. But it is far from clear whether food aid has played any significant part in this. The forces making for "urban bias" are deeply rooted in the greater political leverage of the urban population and in the attractions of industrialisation as the perceived highroad to economic development.

Neither history nor empirical analysis suggests any close correlation between the receipt of food aid and neglect of domestic agriculture. The biggest recipients of food aid were Western Europe (in the days of the Marshall Plan), India (under PL480 during 1955-1970), South Korea, Israel, Greece, etc. Yet in all these countries domestic food production has increased quite vigorously. In India, for example, food aid at the very least has not prevented the Green Revolution in the Punjab; on the contrary it could be argued that the additional resources provided by food aid and the revenue derived by the Indian government from the sale of food aid have helped to finance the investments in irrigation, transport, extension services, research, etc. which were the necessary infrastructure for the Green Revolution. Food security is an essential element in national sovereignty, and one does not easily see newly independent developing countries so keen on establishing their national sovereignty making themselves easily dependent on the uncertain flow of food aid and the dependency which it brings.

However, the critics have done a useful service in suggesting that food aid will only be helpful in the context of an economic strategy by the recipient country which mobilises all possible resources for the promotion

of domestic food production. Such a link of food aid with a "policy dialogue" or "food strategy" is becoming increasingly frequent, as is also the link of food aid with structural adjustment lending and stabilisation schemes which normally also insist on proper incentives for domestic food producers. Here as elsewhere it can be said that the critics of food aid may have been wrong in arguing that food aid is intrinsically bad, but they may have been right in pointing out dangers; in that way they may have pointed the way towards improvement in food aid procedures. There is now an emerging consensus that food aid given in a context of bad policies and bad management by the recipient will do more harm than good, while food aid given in a good context has the potential to be a useful and powerful development tool.

### Effect on Prices

In the food aid literature, another criticism has played an even bigger role. This is to the effect that the arrival of additional food supplies in the markets of the recipient country will drive down prices and thus discourage domestic food production, even if the recipient government is not tempted by the availability of food aid to shift its priorities away from agriculture. This criticism, of course, depends on the assumption that the food supplied as food aid represents *additional* supply.

To the extent that food aid takes the place of commercial imports, there would be no additional supply and no reason why prices should be lower (although some of the critics have tried to have it both ways, criticising food aid both for replacing commercial imports and for driving down prices). The food aid would also not depress local food prices if it is handed out (either free or at subsidised prices) to people who for lack of income have no present effective demand for food. Thirdly, food aid, especially food aid given as programme aid and balance of payments support, should enable the recipient country to follow more expansionary domestic policies which would result in additional *demand* for local food; this should offset (or more than offset) any depressing price effect of increased supply.

Food and foreign exchange constraints being two of the major obstacles to expansion, food aid given as balance of payments support and setting free foreign exchange has the advantage of relaxing both these constraints at the same time. As an alternative, it is always open to the government to utilise the revenue obtained from the sale of food aid either for additional price incentives to local food producers – perhaps operating a dual price system – or subsidising essential inputs to local food producers such as fertilizer,

agricultural tools, etc., or to finance rural infrastructure projects essential for domestic producers, such as transport, irrigation, etc., or to use food aid directly for work projects which maintain rural employment and hence demand for local food.

There are thus many possibilities of avoiding depressing price effects of food aid in recipient countries. The previously mentioned linkage between food aid and an agreed food strategy is another way. But perhaps the most important answer to the critics of food aid on grounds of price disincentives is to question whether food markets in developing countries really operate on the free market paradigm where prices are determined by the interplay of supply and demand. This has been one of the most hotly debated issues surrounding not only food aid but the whole question of agricultural development in developing countries. Most of the knowledgeable investigators have come to the conclusion that prices ruling in food markets of developing countries are more typically administered and regulated rather than free market prices, with a dominant role played by marketing boards and similar parastatal organisations. Price is at most one of many factors determining the response of local food producers, and perhaps not the most important single element. Here the debate on the pros and cons of food aid has tended to merge with the broader debate on the role of prices and markets in developing countries.

### Shift in Consumption Patterns

Another line of criticism of food aid may be briefly considered. This accuses food aid of promoting an undesirable shift in consumption patterns away from traditional local staple foods and towards the commodities supplied as food aid, specifically wheat, wheat flour and dairy products. The importance of this line of criticism depends on what you assume to be the driving forces behind the indubitable shift in consumption patterns in developing countries towards wheat and dairy products. Nobody questions that the main driving force is urbanisation; food aid would at best be a subsidiary factor, subsidiary also to commercial imports. Moreover, as we shall point out later, there are methods available for using food aid to promote demand for local food staples. On the other hand, we must concede to the critics that once again they have rendered a useful service in drawing attention to the dangers involved in shifting consumption patterns. As a result, there is an increasing tendency in food aid now to look at "triangular transactions", where the food for food aid is obtained from neighbouring countries having export surpluses available, e.g. maize from Zimbabwe,

or rice from Thailand. As far as dairy products are concerned, which play such a big part in European Community food aid, there are good grounds for accepting the critics' case and for advocating a shift away from dairy products to cereals. The pros and cons of the most important dairy food aid project, Operation Flood in India, are among the most hotly debated issues; the project has ardent advocates as well as ardent critics.

Food aid is a fact of life and will certainly not disappear in any foreseeable future. In fact, food aid represents an international commitment of the donor countries, at least to the amount of 7.6 million tons of cereals, on a multiannual basis, a situation which has never been achieved in the case of financial aid. Moreover, food aid in the last few years has shown signs of increase exceeding the UN target of 10 million tons; this again is in sharp contrast to the situation in financial aid where there is a shortfall of 50 % below the UN target of 0.7 % of GNP. There is a general expectation that food aid is likely to increase – partly as a result of the new initiatives to be discussed – and both the FAO and the US Department of Agriculture have estimated the amount of food aid which can be effectively absorbed as 18-20 million tons of cereals, much higher than the present flow of around 11 million tons (although not higher than the volume of food aid some 25 years ago). Certainly the food surpluses from which food aid is being fed are larger than ever.

### Structural Adjustment

If food aid is certain to continue and likely to increase rather than diminish, what can we say of its future shape? One possible – and desirable – development is to use food aid to solve some of the intractable problems of the debt burden and balance-of-payments difficulties of developing countries. The present methods of adjustment and conditionality under IMF/World Bank auspices are now generally criticised as being too harsh and having undesirable social consequences. Some of the critics would go even further and maintain that the present methods are also counterproductive in undermining rather than promoting future economic growth. The most articulate criticism has come from UNICEF in its advocacy of “adjustment with a human face”. It is also recognised that in return for the painful adjustments expected from developing countries they must be given a greater *quid pro quo* in terms of additional resources. It is therefore not surprising that the uses of food aid in structural adjustment lending have caught the attention of those concerned, including even the IMF and World Bank.

Food aid would have the special advantage of representing both additional resources to ease adjustment and also of being capable of providing particular relief for vulnerable groups such as children, landless rural people, unemployed and other direct victims of “tough” adjustment policies. It is to be hoped that such possibilities will be actively explored and not be allowed to fall victim to any bureaucratic division between food aid agencies and financial agencies (or within the UN system between World Food Programme/UNICEF versus World Bank/IMF).

### Sub-Saharan Africa

A second desirable and likely development is increasing concentration of food aid on sub-Saharan Africa. The net import needs of sub-Saharan Africa have rapidly increased and all the projections are for further increases in the future; per capita food production has actually fallen and its revival will be a long-term business which for some time to come will require additional aid including food aid. At the same time, Africa also carries the heaviest debt burden and is most affected by the weaknesses in primary commodity prices. While attention is focused on the big debtors in Latin America, in fact the debt service ratio (which measures the percentage of export earnings swallowed up by debt service) is actually even higher in sub-Saharan Africa.

Thirdly, and related to a concentration on Africa, one may foresee a developing consensus on a broader definition of emergency. As already discussed, emergency aid represents the uncontroversial aspect of food aid. If we could extend our concept of emergency to include prevention at one end and rehabilitation at the other, it should be possible to provide a basis for substantial additions to present flows. The insight which we largely owe to Amartya Sen from his work on famines, i.e. that famine is often caused not so much by a real shortage of food, but rather by a breakdown of incomes or other “entitlements” to provide access to food, should further support such protective and non-controversial extensions of food aid. For example, rural public work schemes supported by food aid, or by the proceeds of counterfunds from food aid, would be well designed to maintain rural incomes; they could be planned so as to cover specifically the “hungry months” before the harvest and could be stepped up at times of crop failures.

A fourth line of development for expanded and improved uses of food aid in the future is through wider use of the potential of monetisation. This trend is also

clearly visible and offers considerable scope. We have already pointed out that by means of monetisation in one form or other, food aid can be sold in urban areas while the revenue is used for rural investment, strengthening the demand for local food. Monetisation is also very helpful in financing the non-food costs of food aid-supported programmes such as emergency food aid, food-for-work schemes, feeding programmes for children, etc. All these projects require financial as well as food resources; some of the food aid agencies, such as the World Food Programme, suffer from chronic shortages of cash and from restrictions on permitted monetisation to raise cash from food aid. If this bottleneck on food aid could be lifted it would have great advantages. A related desirable development would be better linkages and combinations of financial and food aid, including better co-operation among the agencies concerned.

#### **"Triangular Transactions"**

A fifth improvement would be the spreading use of "triangular transactions", of the type already briefly described. There are still a number of developing countries with exportable surpluses. These countries are presently hard hit by the Common Agricultural Policy of the European Community and similar policies in the US and Japan, and by the resulting low international

food prices. Short of a revision of our own agricultural policies, it would be highly desirable for such surpluses to be bought at remunerative prices for use in deficit areas, perhaps combined with the establishment of regional buffer stocks in which such internationally financed regional surpluses could be held under international control. Such an imaginative approach could be supplemented by methods to encourage transfer of surplus food from surplus regions to deficit regions within individual developing countries; this would require investment in transport as well as the encouragement of financing of local reserve stocks.

#### **Necessary Improvements**

These are just some of the lines of possible future developments in the field of food aid. But in conclusion we must return to a basic concession to the critics of food aid: as long as food aid is badly administered on the donors' and/or the recipients' side no real benefit can be expected. One basic precondition is the creation of a good framework on the part of donors, including ideally revision of our agricultural policies; food aid must be given for the right reasons to the right countries in the right way. Similar improvements are necessary on the recipients' side: food aid must be increasingly devoted to its two essential purposes, i.e. to reduce poverty and to help develop domestic food production.

PUBLICATION BY THE CENTRE FOR RESEARCH ON REGIONAL DEVELOPMENT AT THE JUSTUS LIEBIG UNIVERSITY, GIESSEN, VOL. 34

**Andreas Kopp**  
(Editor)

## **SCIENTIFIC POSITIONS TO MEET THE CHALLENGE OF RURAL AND URBAN POVERTY IN DEVELOPING COUNTRIES**

**Proceedings of a Conference Organized by the German Foundation for International Development and the Centre for Regional Development Research at the Justus-Liebig-University, Giessen**

Large octavo,  
384 pages, 1987,  
price paperbound DM 39,-  
ISBN 3 87895 338 0

This book is the final result of a conference held in June 1987 at the University of Giessen, which was organized jointly by the Centre of Regional Development Research at the University of Giessen and the German Foundation for International Development (DSE). The basic purpose of the conference was to bring together social scientists from both developed and developing countries to assess the achievements and omissions or failures of research on poverty and to set perspectives for future research and possible changes of development policy. This volume is an excellent contribution to overcome barriers in both politics and research.

VERLAG WELTARCHIV GMBH-HAMBURG