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Fifty Years of U.S. Food Aid and Its Role in Reducing World Hunger

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In 1996, the World Food Summit set its sights on reducing by half the number of hungry people in the world by 2015. But 8 years after the signing of this declaration, the international community is coming to grips with the fact that it will fall far short of its goal. All indicators developed by ERS lead to the inescapable conclusion that the aggregate food security situation—measured by food availability of many low-income countries—has hardly improved at all in the last decade. Reports from the Food and Agriculture Organization (FAO) of the United Nations tell the same story.

Among the reasons for chronic undernutrition in the poorest countries are slow growth in domestic food production, high population growth, inadequate purchasing power, and frequent setbacks associated with natural and manmade shocks, such as drought, hurricanes, and civil strife. To counter the trend, the ultimate goal is to reduce the impacts of shocks, which reduce food production and consume too many resources in countries with too few to spare. Until that long-term goal can be met, it is critical to strengthen the food safety net in the most vulnerable countries. Because most poor countries do not have national food safety net programs, they depend on international food aid. But food aid increasingly falls short of needs: quantities change annually, and overall levels have grown only minimally during the life of the programs. The uncertain availability of food aid, though worrisome, is just one reason why food aid has not played a larger role in reducing world hunger. Differing objectives in food aid

programs, lack of consistency among donors' approaches to food aid, and types of food donated are just a few factors that limit the effectiveness (the degree to which it reduces a country's food gaps) of food aid.

Future of Food Aid Programs Is Uncertain

The global quantity of food aid has fluctuated during the last two decades, and its share has declined relative to both total agricultural exports from food aid suppliers and total food imports of low-income countries. The virtual stagnation in the level of food aid over time is not likely to change, and it may even decline if budgets remain tight. As major donor nations reduce market support to agriculture due to budget constraints as well as to comply with their commitments to the World Trade Organization, decreases in surplus food production will likely follow. The costs of food aid may increase as a result.

As the trend in supplies of food aid has remained relatively flat, the gap between food production and food consumption in low-income countries, and thus the demand for food aid, has widened. According to ERS, the gap between recommended nutritional requirements and purchasing power of the populations in the world's poorest countries was more than 32 million tons in 2003, about four times larger than the supply of food aid in 2002. While this gap is projected to narrow to less than 28 million tons during the next decade, it will likely remain far above the level of available food aid, which may decline.

According to the World Bank, about 1 billion people in developing countries live in poverty with annual per capita incomes of less than \$370. In some regions, particularly Sub-Saharan Africa, per capita food consumption has declined in the last two decades, but food aid supplies have not changed since the late 1980s. For these countries, further declines in food consumption from already low levels can lead to severe food shortages, malnutrition, and political instability.

These estimates, however, do not necessarily mean that significant increases in food aid would be able to close these gaps. Given the poor distribution systems in these countries, absorption of large quantities of food imports would be difficult, if not impossible. Nevertheless, targeting efforts in the distribution of food aid need to be improved in order to increase its effectiveness and reduce hunger. There are growing and unresolved questions related to the impacts and the role of food aid. Despite 50 years of food donations, food aid's role in reducing world hunger remains unclear. (See box, "The Evolution of the 50-Year U.S Initiative.")

How Effective Is Food Aid in Improving Food Consumption?

There are three types of food aid, each with a differing objective. *Program food aid* is a government-to-government donation that aims to reduce food import costs for the recipient country. *Project food aid* is used by a government or non-government organization to provide support for development projects. *Emergency food aid* is used to augment food supplies or assist in rebuilding productive assets for countries affected by political or natural disasters.

The different uses of food aid have generated debates on the positive (additional food supplies) and negative (production disincentive due to the decline in local prices) effects of the programs. Still,

food aid is regarded as a valuable resource for increasing food consumption by providing temporary relief from food shortages. But has food aid reduced consumption instability over time? Since the quantities of food aid fall short of the aggregate needs of the study countries, the next question is whether food aid is provided to those who need it the most.

Food aid clearly had a significant role in reducing the loss of life . . .

What does food aid contribute to consumption? The overall contribution of food aid to total food consumption in the 70 countries included in ERS's annual *Food Security Assessment* is small, but the importance of food aid is more pronounced when it is measured at the country level at particular points in time. The 70 countries covered in this exercise include 4 in North Africa, 37 in Sub-Saharan Africa, 10 in Asia, 11 in Latin America and the Caribbean, and 8 in the Commonwealth of Independent States (CIS). Food aid, on average, provided less than 4 percent of food consumption (grain equivalent) for the 70 countries in the last decade, but the share varied greatly by country and tended to be more significant during emergencies.

- During Somalia's 1992-93 civil war, food aid contributed to about 70 percent of its consumption.
- When Mozambique was faced with prolonged economic and political difficulties (early 1980s through early 1990s), it often relied on food aid to supplement more than a third of its food consumption.



FAO/ M. Griffin

- In Rwanda during 1997-99, food aid contributed to more than a third of food consumption.
- Since 2000, Eritrea has relied on food aid for about half of its consumption.
- During 2000-02, the largest recipients of food aid were North Korea (4.2 million tons total for the 3 years), Ethiopia (4.0 million tons), Bangladesh (1.4 million tons), and Afghanistan (1.1 million tons). In North Korea, food aid contributed to about 20 percent of food consumption. In Ethiopia and Bangladesh, food aid's contribution to consumption was less than 10 percent.

Has food aid stabilized consumption?

Food aid clearly had a significant role in reducing the loss of life during food emergencies in such countries as Ethiopia, Sudan, Somalia, Afghanistan, Rwanda, and Haiti. However, over time and at the aggregate level, the impact was less apparent. Based on food consumption data (grain only) in 62 low-income countries, the annual consumption shortfalls from trend in each country (excluding food aid) during 1981-99 exceeded the cumulative quantity of food aid received over the same period by 8 percent. Ideally, the volume of food aid would have matched the consumption shortfalls. In practice, however, food aid followed a declining trend while consumption shortfalls varied annually: in 5 of the 19 years, aggregate food aid exceeded the consumption shortfalls; in 12 of the years, it was less than the shortfalls; and in only 2 years (1986 and 1992) did the quantities

The Evolution of the 50-Year U.S Initiative

The U.S. food aid program began in the early 1950s with the enactment of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480). The program's objectives include the provision of humanitarian assistance and the support of economic development (project aid) in recipient countries. These objectives are carried out under three broad programs:

- Title I consists of government-to-government commodity sales and sales to private entities in developing countries under long-term, low-interest credit arrangements.
- Title II provides food as a grant for emergency relief and economic development projects.
- Title III provides for government-to-government grants to support economic development in the least developed countries (1977 amendment); this program has not received funding since 2001.

The goals of food aid have changed through time, and the importance of food aid as an export outlet has diminished substantially. For example, during the early 1970s, as commercial demand for grains increased dramatically, fewer commodities were available for food aid, and donations fell to their lowest level since the enactment of P.L. 480. During the mid-1980s, increased U.S. grain stocks did not translate into increased food aid because the U.S. Government adopted a targeted export subsidy program that boosted agricultural exports. With the decline in food aid as a share of exports, the U.S. food aid program has become more focused toward humanitarian goals. In 1991, for the first time since the start of U.S. food aid programs, the largest share of the P.L. 480 budget was allocated to Title II to support humanitarian concerns. Between 2001 and 2003, Title II received 85 percent, on average, of the P.L. 480 budget.

Other food aid programs include:

- Food for Progress, which provides for the donation or credit sale of U.S. commodities to developing countries and emerging democracies,
- Section 416(b) of the Agricultural Act of 1949, which provides for overseas donations of surplus commodities acquired by the Commodity Credit Corporation, and
- McGovern-Dole International Food for Education and Child Nutrition, which helps support education, child development, and food security for some of the world's poorest children.

match. The comparisons are much more uneven at the country level.

Does food aid respond to needs? The effectiveness of food aid depends on whether it is provided to those who need it most. *Distribution food gaps*, as estimated by ERS (see "Behind the Data," page 45), reflect the amount of food needed to raise consumption of all income groups within a country to the nutritional requirement. This measure captures the differences in purchasing power within a country. *Food aid effectiveness* is measured on a scale of 0 to 100 percent, with 0 percent reflecting food aid given to a country with no needs and 100 percent reflecting food aid that reduces a country's food gap by its full amount. This method measures actual consumption as related to purchasing power within the countries at the national level

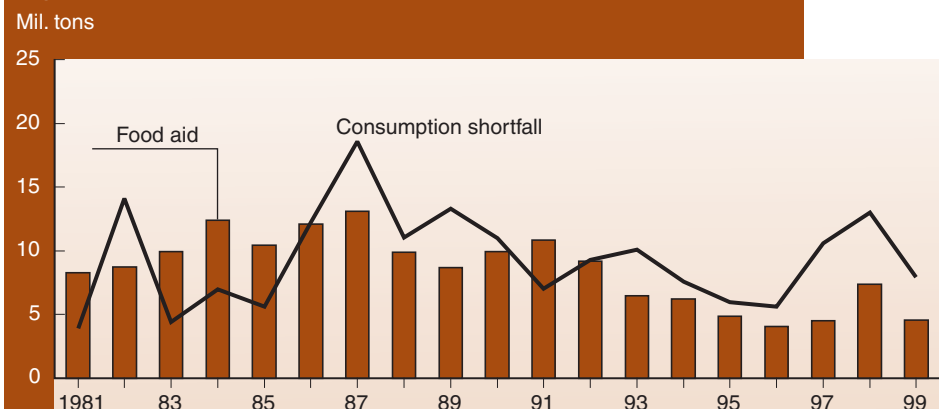
and may not capture micro-level specific programs, such as food for work, which could be location specific.

During 1991-2000, the average effectiveness of food aid was 66 percent, meaning two-thirds of food aid went toward

reducing and/or eliminating the recipient countries' food gaps. The remaining 34 percent went to countries that either did not have food needs or that had needs less than the amount of food actually received. Regionally, food aid deliveries in Sub-Saharan Africa and Latin America were highly effective in reducing food gaps, averaging about 80 percent, compared with 40-46 percent in Asia and the CIS.

The effectiveness of food aid in meeting nutritional needs depends highly on how food aid is allocated and what criteria are used to make allocation decisions. The largest nutritional gain is realized when food aid is targeted to the lowest income group—thus indirectly increasing this group's purchasing power—either in emergency situations or in support of supplementary feeding programs, such as food stamps. In these cases, food aid changes a country's income distribution indirectly because it allows the lower income group to consume more than expected given its income level. In 2000, about half of food aid was used for emergencies, which can be categorized as targeted. It is not clear how much of the other half was targeted—the effectiveness of other uses of food aid in reducing hunger is difficult to estimate. All food aid reduces food costs in the market, making food more affordable; but without targeting to the most vulnerable group, the ben-

In 62 low-income countries, consumption shortfalls vary from year to year while food aid declines





efits of food aid tend to be distributed across the entire population of a country.

What Prevents the Program From Achieving Its Full Potential?

There are many unresolved issues relating to food aid. After 50 years, there are neither uniform approaches nor transparent criteria among donors regarding decisions to allocate food aid. Program eligibility criteria are loosely defined, and it is not always clear when an activity stops, and why. Many countries receive food aid for reasons that are not clear. For example, China received wheat in 2000-02 as food aid to finance development projects, but, in turn, donated food (wheat, rice, corn, oils) to North Korea and several African countries during the same period. In addition, it is not clear what governs donor decisions to shift from the use of food aid for development purposes to emergency relief (or vice versa) both within a country and across countries. Such changes have implications (positive or negative) on the coordination and management of food aid between donors and recipients. In each case, it is difficult to measure which potential goals are met (cost effectiveness, meeting recipient needs) and to what extent. Compounding the problem are the changes in annual availability of

food aid stemming from donors' political and budgetary considerations. It is an open question whether a program with this type of characteristic can provide a reliable food safety net, let alone a reliable source of development.

The United States plays a pivotal role within the international food aid system . . .

Another issue of concern is the producer disincentive impact of food aid when it is sold for development activities. In such cases, food aid results in lower producer prices, which reduces incentives to produce, thereby creating a growing dependency on food aid. The selection of commodities used for food aid is also raising questions. The growing share of non-cereal food aid products, such as vegetable oil, pasta, dried potatoes, dried fish, pulses, sugar, and fresh vegetables, is potentially worrisome. As recently as the early 1990s, these products accounted for only 9 percent of total food aid donations; 10 years later, the share had jumped to more

than 14 percent. This is problematic because these commodities are higher priced than cereals and, therefore, are not likely to reach the poorest segment of the population. In some cases, these commodities now account for a larger share of the food aid package than cereals. For example, in 2000, noncereals accounted for two-thirds of Georgia's food aid receipts (67,739 tons in grain equivalent). (See box, "Who Are the Major Food Aid Donors and Where Does the Aid Go?")

Toward Improving Effectiveness of Food Aid

The goal of the World Food Summit was to halve global hunger in a little over a decade. Each and every signatory country bears the responsibility of meeting this goal, but short-term economic and political shocks around the world remain serious obstacles. The United States plays a pivotal role within the international food aid system, and its actions have a profound effect on the actions of other donors and the system as a whole. The 50th anniversary of the U.S. food aid program in 2004 is a timely point to appraise the program and reexamine plans for the future. The U.S. Action Plan on Food Security, released in March 1999, outlines policies and actions aimed at alleviating hunger at home and abroad. To improve the effectiveness of the international food assistance program, the action plan made aid to the most food-insecure countries a priority. It is too early to evaluate the impacts of this policy change, but steps are being taken by the U.S. Government to develop transparent methods to monitor the effectiveness of food aid in reducing hunger in recipient countries.

Lessons from the past could be useful toward improving the effectiveness of food aid. For example, emergency food aid has saved lives (response to drought in Ethiopia, 1984-85, 1991, 1999-2000, and Zambia, 1992; response to civil strife in

Who Are the Major Food Aid Donors and Where Does the Aid Go?

The major food aid donors are the United States, European Union (EU), Japan, Canada, and Australia. In the late 1980s, the U.S. provided roughly 7 million tons of food aid per year, or nearly 60 percent of global food aid donations during the period. The EU share at that time was about 25 percent. U.S. donations fell considerably from the late 1980s through the mid-1990s, and the U.S. share of world food aid slipped below 50 percent in 1994-96. This decline was offset by the EU, whose share rose to 35 percent, and Japan, whose share jumped from less than 4 to nearly 6 percent. U.S. donations have rebounded considerably, however, and since 2000, the U.S. share of world food aid has surpassed levels of the late 1980s. Conversely, EU donations have slipped, with the EU share averaging less than 20 percent in recent years.

Countries in Sub-Saharan Africa (SSA) and Asia have been by far the largest recipients of food aid, receiving more than 60 percent of the volume of food aid during the last 15 years. The food aid share of the two regions has changed over time, depending on the economic and political developments in their respective countries. Severe droughts in the early 1990s resulted in higher food aid shipments to SSA, while political, financial, and natural disasters in the late 1990s triggered a shift in donations to Asia. On a per capita basis, however, food aid receipts are much higher in SSA than in Asia because of differences in population: SSA countries have less than half of the population of lower income Asian countries.



WFP/Mike Huggins

Donors' shares of global food aid

	U.S.	EU	Japan	Canada
	<i>Percent</i>			
1988	58.1	22.5	3.6	8.6
1989	56.6	27.2	3.9	6.7
1990	59.7	24.6	3.6	7.2
1991	58.1	25.4	3.3	7.3
1992	49.7	35.2	3.0	6.9
1993	63.5	24.4	2.4	3.6
1994	56.1	29.0	2.4	7.1
1995	41.7	39.5	8.7	4.9
1996	44.3	35.5	6.4	5.2
1997	43.3	30.6	4.5	7.3
1998	48.2	22.8	13.7	4.8
1999	63.9	24.3	2.9	2.7
2000	61.5	18.9	4.8	2.7
2001	59.0	18.8	8.8	2.6
2002	64.9	13.8	3.2	1.7
1988-89	57.4	24.8	3.8	7.6
1994-96	47.3	34.7	5.8	5.8
2000-02	61.8	17.2	5.6	2.4

Somalia, 1991-92, and Rwanda, mid-late 1990s; response to Hurricane Mitch in Honduras in 1998-99; response to financial crisis in Indonesia in 1998). Food aid has also proved effective in post-emergency situations.

Other uses of food aid, however, have had mixed results, particularly program food aid, that is, government-to-government donations that are commonly sold in recipient country markets. Program food aid is a resource transfer and is often used to reduce financial constraints of recipient countries. Therefore, it is not targeted to any specific nutritional or development objectives. Another drawback of program food aid is the potential for interfering with market functions. The most prevalent food aid commodities are cereals and

vegetable oils, commodities most often imported commercially by the recipient. The injection of food aid in this circumstance can disrupt markets and depress producer prices.

There is also evidence that program food aid, in some instances, has created structural import dependency. For example, program food aid has encouraged the development of industries, such as poultry farming or wheat milling, that require imports to continue operations even after the termination of the food aid program.

Overall, the impact of food aid in reducing hunger has fallen short of its potential and, in some cases, has negatively affected the economies of the recipient countries. A more important

problem lies in the fact that there is no coordination among donors to establish guidelines for distribution and need-based targeting of food aid. It is an annual budgetary program, which hinders its flexibility to expand or contract in response to the needs of recipients. However, steps toward transparent goals and criteria for food aid eligibility, length of the program, and type of program could enhance its effectiveness and pave the road to improved coordination among donors. \mathbb{W}

This article is drawn from . . .

Food Security Assessment, by Stacey Rosen and Shahla Shapouri, GFA-15, USDA/ERS, May 2004, available at: www.ers.usda.gov/publications/gfa15/