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FOOD ASSISTANCE:  
Economic Development and Food Security Impacts\*

by

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## FOOD ASSISTANCE: Economic Development and Food Security Impacts

by Brady J. Deaton and Mesfin Bezuneh\*

Our nation recently heralded what is popularly seen as one of the United States' finest moments: the creation of Food for Peace, a program to support food security for poor countries based on the prodigious strength of the US food system. We continue as a nation to seek new strategies that address the needs of the most vulnerable people of the world, with USAID's new Feed the Future Program being a current manifestation of this impulse. Food for Peace also remains a critical element of our foreign policy, if a limited one, because it is perceived to be effective public policy on both the diplomatic and humanitarian fronts. And it reflects the best intentions of the American spirit and values. Food for Peace also proudly proclaims the scientific achievements of our farmers, our Land Grant universities, our corporate sector, and the volunteer spirit of our citizenry.

Better health, restored dignity, and the pride that comes from the ability to feed one's family. THIS is the power of food aid's impact in the most positive sense. Whether it be the floods that have plagued Bangladesh, the political violence all too common in South Sudan and the Democratic Republic of the Congo – or the horror of the earthquakes in Haiti – Food for Peace in its many programmatic forms has saved millions of lives and given countless children and families new opportunities for improved health and renewed dignity.

Responsible governments and partner agencies have found impressive policy tools to allay most fears of disincentive effects. Understanding the cropping cycle, the local labor needs, periods of local food shortage, in order to deliver food aid in a constructive time frame is commonplace implementation strategy. Using revenues from food sales to directly and indirectly compensate farmers and provide food for supplementing family diets – all are common practices in many countries which have creatively used food aid resources to improve their production and marketing systems and meet the foods needs of the poorest segments of their populations. Brazil, India, Korea, Tunisia and Ethiopia provide some of the many examples that demonstrate the power of such policy tools. There is ample evidence that food aid provides resources and investment flows that benefit the farmer, the local government, and the recipient nation.

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By designing programs to take advantage of the inherent strengths of food aid as a real resource, we can encourage developmental consequences that lead to sustainable economic conditions which ultimately reduce or eventually eliminate the need for food aid. Empirical research by Bezuneh and Deaton identified four important streams associate with food aid which hold the keys to understanding – and defining – a truly developmental role for food aid programs – programs that are key tools in transforming a country’s economy. These capital formation effects of food aid depend on some of the practical strategies that improve small scale farming, soil conservation, and the diets of many families – strategies that hold answers to the fundamental needs faced by many of the more than 850 million families in “extreme poverty” in some of the most challenging and environmentally fragile eco-zones in the world.

These investment streams are the following: (1) foreign exchange savings; (2) new and improved capital projects; (3) gains in household savings; and (4) human capital improvements. The combined dynamic effects of these four streams of new investments are critically important and have surface validity, even though comprehensive evaluation studies of such programs require measuring outcomes over a longer time frame to verify sustainability. Nevertheless, some principal economic benefits are often quickly realized at both the national and/or household level.

The first investment stream -- foreign exchange savings -- allows for the reallocation of funds which did not have to be used to buy food to be reallocated to address high priority needs in the agricultural and other sectors of the economy. Macro-economic analyses of the national economy attest to the significance of this investment stream and was the subject of the authors’ most recent writing on food aid. The other three streams of effects/benefits to the economy can be best examined in a household -- and community level -- analysis. The authors undertook such a study in a remote community in the Rift Valley of Kenya in the mid-eighties and conducted a re-examination ten years later.

A grant from the National Science Foundation and collaboration with the faculty of Egerton College, Njoro, Kenya, enabled research to be undertaken on the impact of a food-for-work project in a community of small holder agricultural producers and their families in a selected food deficit region of the country. An in-depth examination was made of the household economy of 330 farm families randomly selected from this community in the Baringo District of the Rift Valley, a semi-arid area devoted to millet and livestock production. The UN/World Food

Program provided commodities through its Food-For-Work (FFW) Program to pay laborers to work on water harvesting, irrigation, road building, and other public works as part of an integrated rural development project in the District.

Several surprising and very positive findings emerged from the research:

1. Food aid was a gain in net assets for the family farming unit. So the capital constraint for local producers was relaxed, resulting in a 52 percent increase in net farm income. Most of this increase was due to the induced effects of capital formation on the small, subsistence farms of the participants. They had more water for their farms, more food for their own energy, and a wider band of options for their agricultural production. Further income gains were expected in subsequent years due to the compounding effects of capital formation.
2. As implied already, food aid stimulated own farm production so that available labor, land and tools were used more effectively. We found that local employment increased 93 percent above the direct employment in the FFW project itself -- quite a remarkable finding as enterprising, low income farmers improved their fences, managed the over-grazing of their livestock, harvested available water and improved their irrigation systems, and generally engaged their neighbors in helping with the process.
3. The food aid commodities given to the workers represented, of course, increased household income. This greater income in combination with consumption of the distributed food commodities significantly improved the nutrition of the family and resulted in 42 percent more fat consumption, 26 percent higher calorie consumption, and 16 percent higher protein consumption than a sample of non-participant families with the same income levels including the monetized level of food aid. So, food aid improved the nutritional intake of participants more than would its cash equivalent.

This is a critically important finding as it demonstrates the value of family decisions over their own diet. The workers in this case were all men, so the decisions of the women in food preparation and food choice were likely important factors, and benefited everyone in the family with more nutritious diets. The difficulties of transportation to market for any of the commodities may have also been factors increasing family consumption of the food aid.

4. Food aid benefited the poorest households most of all. They tend to participate more in the FFW project resulting in more equal patterns of income distribution and improved nutritional intake. Looking at the lowest income quintile of the sample revealed that this group consumed 32% more nutrients than the average of the sample. These low-income families appeared to understand the value of food for their children, consistent with many other studies.
5. Food aid stimulated own-farm production and created less dependency on outside aid donors, contrary to the fears of many critics.

The consequences for long term growth in the local economy as agricultural production and local employment improved laid the foundation for a pattern of economic development that was projected to eliminate the need for food assistance over a five to ten year period.

The evidence provided by this research and by more recent research assessments by Margolies and Hoddinott and by Abdulai, Barrett and Hoddinott, suggest that properly managed food aid programs can alleviate hunger and avoid disincentives. We find no more recent substantive results that discourage our earlier conclusions that food aid also plays an important role in the long term economic development of food deficit regions in Africa and likely elsewhere. Local social and economic conditions must always be taken into consideration, and the nature of household decision making is clearly very important to evaluate.

These results hold insight and value in designing future food assistance programs. WFP Administrators were regularly briefed on these research results during this period. Perhaps the most exciting aspect is that the results reaffirm what many observers have argued: that farmers will make efficient and worthwhile decisions when they are given the chance to do so. We need to trust that their cultural and social norms are programmed for survival of the family, efficiency in enterprise operations, and the understanding of economic dynamics that serve their advantage even when they cannot articulate the process. Indeed, few of us can do that! Yet, this is consistent with the arguments proffered by Nobel Laureate T.W. Schultz in most of his writings.

The dynamics of consumption, savings and investments will lead to sustained economic growth if the decision makers themselves, the farmers, are

armed with the bare minimum of resources to stimulate the local economy. Food aid can provide that missing link in many cases.

These findings suggest that the FFW programs hold important lessons for practical strategies that address the needs of over 800 million of the poorest of the poor who depend on improved small scale agricultural operations to feed their families, insure healthy diets for their children, and, when possible, sell small quantities of food in their local markets. Many USAID programs with the support of recipient governments and voluntary organizations (NGOs) demonstrate that food assistance programs can potentially liberate the energy and creativity of even the most limited resource farmers if we give them a chance. The farmer gets more energy to work effectively in some areas, improves fences for livestock management, and harvests more of the available rainfall or stream flow for his/her crops and livestock. As Nobel Laureate T.W. Schultz emphasized, farmers are rational and will make the right decisions for their enterprises and their families. U.S. foreign aid policy, from our perspective, should always reflect this respect and faith in farmers and provide them the opportunity to improve their lot and take advantage of a resource-enhanced environment -- supported by food aid, whenever that becomes necessary.

The anthropologists among us emphasize that food is a fundamental cultural foundation of all societies. It represents much more than just its value in the market place. Even equivalent money is no substitute for the commodity. The words "Food for Peace" reflect a national foreign aid policy committed to more than simply nutrient adequacy for countries and people -- our brothers, our sisters, and "all our children" if you will -- in need. Many great thinkers and advocates for peace agree. In his acceptance speech for the Nobel Peace Prize, Norman Borlaug said that "Food is the moral right of all who are born into this world". He went on to reframe the argument by saying, "If you desire peace, cultivate justice, but at the same time cultivate the fields to produce more bread; otherwise there will be no peace."

History tells us that when food security is threatened, the very foundation of family and community is threatened. And where these are threatened, there is seldom peace. So, the moral and political challenges remain for us to address, as we seek to understand the many dimensions of food aid programs.



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