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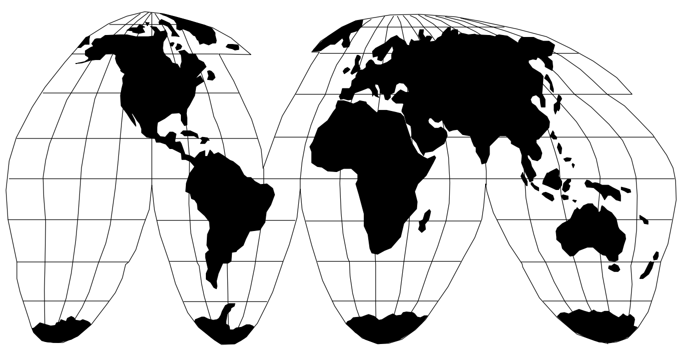

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The New Policy Environment for Food Aid: The Challenge of Sub-Saharan Africa

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Food aid decisions are being made in a new policy environment and implemented under changing institutional arrangements and guidelines. Constrained budgets, changing agricultural and food aid policies in the US and other donor countries, as well as economic and policy reform in developing countries are some of the national levels forces changing food aid decision-making and implementation. Global forces-- trade liberalization and continuing negotiations under the WTO, the outcome of the recent World Food Summit and the upcoming renegotiation of the Food Aid Convention--create both constraints and opportunities for food aid's role in a more complicated and dynamic world. All donors and recipients are likely to be impacted to some degree by this new environment. This paper, however, focuses primarily on the US, as a donor, and sub-Saharan Africa as a recipient, since recent analyses have suggested that this continent will most likely face rising food deficits in the next decade.

Introduction: What's Happening to Food Aid?

Between 1985 and 1996, US government food aid levels fell from 7.5 million tons a year to 2.8 million (Table 1). Global food aid shipments by major donors through the Food Aid Convention (FAC) declined from 12.5 million metric tons to an estimated 6.5 million metric tons. Food aid now plays a much smaller role world grain markets. Food aid in grains amounted to nearly 18% of world grain trade in the mid-1960's, 10% in the early 1970's and only 4-6% in the 1990's.

The decline in food aid provided does not, however, reflect a reduced need for assistance. On the contrary, recent analyses suggest there is a looming mismatch between food aid resources and needs.[1] Food aid needs--both to relieve chronic food insecurity and to meet burgeoning emergency and relief requirements, are estimated to nearly double over the next decade. The increasing use of food aid for emergencies reflects not only natural disasters (such as drought) but also the rising number of conflicts and complex emergencies, such as Somalia and Rwanda. Between 1984/6 and 1994/6, the volume of food aid used for relief purposes has remained relatively constant, while food aid for economic and market development fell.

Over its forty-year history, U.S. food aid has changed significantly (Figure 1). When U.S. Public Law 480 (PL480) was passed in 1954, the food aid program was tied intimately to national agricultural policy. Government surpluses, the result of commodity support programs, provided the grain for food aid, as well as the basis of support among farmers and agricultural organizations. US farm welfare was directly linked to food aid. In the mid-1950's, food aid accounted for as much as

[1] Economic Research Service, USDA, *Food Security Assessment* (Washington D.C., November, 1997).

Table 1. Food Aid Shipments (Cereals) by Donor, 1971-1997 and Obligations Under The Food Aid Convention (FAC), 1986-1997

(Figures given in million metric tons)

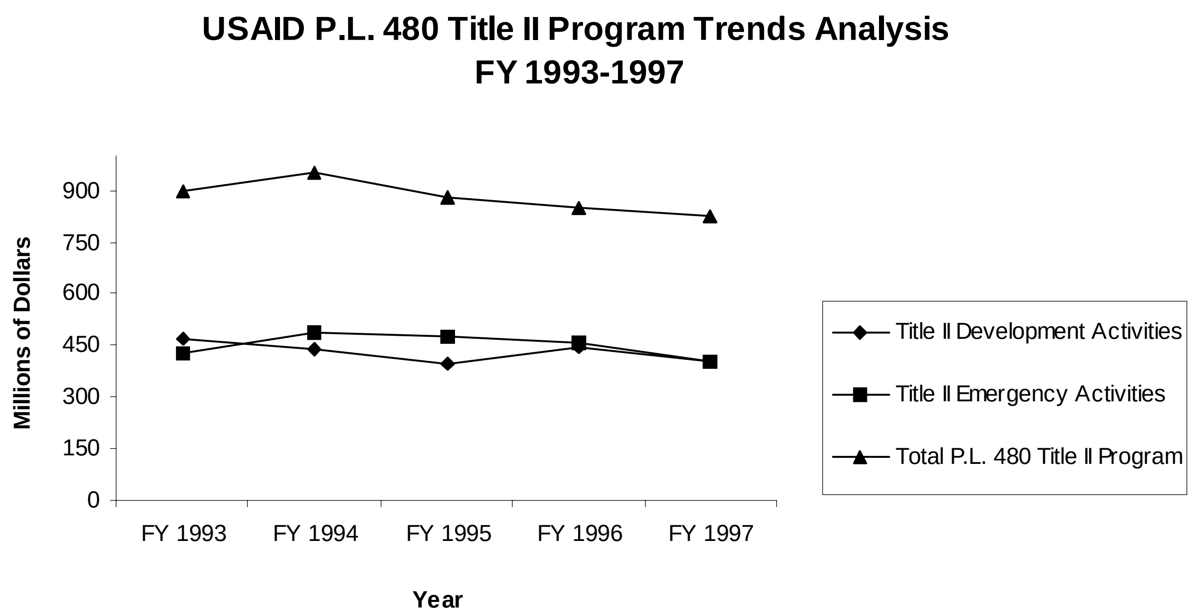
Year	Donors	USA	EU	Canada	Japan	Australia	Other Donors
1972	12.5	9.2	1.0	1.1	0.7	0.2	0.3
1973	10.0	6.9	1.0	0.8	0.5	0.3	0.4
1974	5.8	3.2	1.2	0.7	0.4	0.2	0.2
1975	8.4	4.7	1.5	0.6	0.2	0.3	1.1
1976	6.8	4.3	0.9	1.0	0.0	0.3	0.3
1977	9.0	6.1	1.1	1.2	0.1	0.2	0.4
1978	9.2	6.0	1.4	0.9	0.1	0.3	0.6
1979	9.5	6.2	1.2	0.7	0.4	0.3	0.7
1980	8.9	5.3	1.2	0.7	0.7	0.3	0.6
1981	8.9	5.2	1.3	0.6	0.9	0.4	0.6
1982	9.1	5.3	1.6	0.6	0.5	0.5	0.6
1983	9.2	5.4	1.6	0.8	0.5	0.3	0.5
1984	9.8	5.7	1.9	0.8	0.4	0.5	0.5
1985	12.5	7.5	2.5	0.9	0.3	0.5	0.8
1986	10.9	6.7	1.6	1.2	0.5	0.3	0.7
1987	12.6	7.9	1.9	1.2	0.5	0.4	0.7
1988	13.5	7.9	2.6	1.1	0.6	0.4	1.0
1989	10.2	5.3	2.2	1.2	0.4	0.4	0.8
1990	11.3	6.0	3.3	1.0	0.4	0.3	0.3
1991	12.4	7.3	2.6	1.1	0.5	0.3	0.5
1992	13.1	7.1	3.7	1.0	0.4	0.3	0.6
1993	15.2	8.5	4.1	0.7	0.4	0.2	1.2
1994	12.6	8.3	2.7	0.7	0.4	0.2	0.5
1995	8.4	4.2	2.7	0.5	0.4	0.2	0.3
1996	6.5	2.8	2.4	0.4	0.5	0.3	0.1
Minimum Annual Contributions:							
FAC 1986	7.5	4.5	1.8	0.6	0.3	0.3	0.1
FAC 1995	5.4	2.5	1.8	0.4	0.3	0.3	0.1
FAC 1997*	5.4	2.1	1.8	0.5	0.3	0.3	0.1

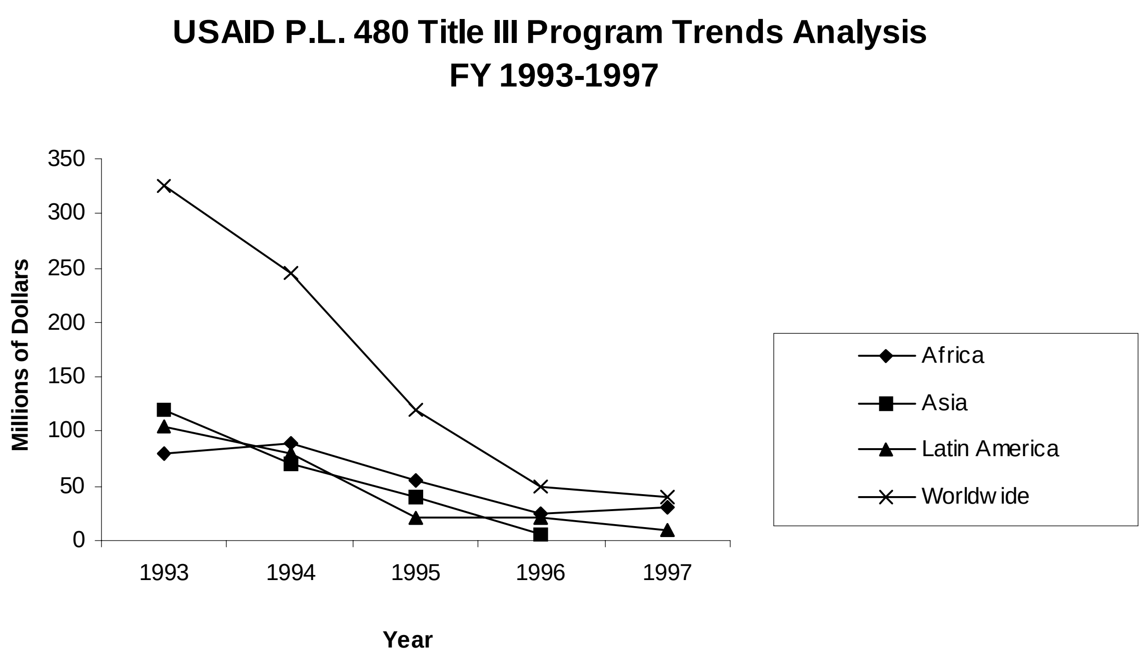
*Provisional Estimate

(Sources: FAO Agrostat and FAO Food Outlook, Aug/Sept 1995; Food Aid Convention 1995 & Food Aid Committee)

U.S. International Food Assistance Report, 1997.

Figure 1.





U.S. International Food Assistance Report, 1997.

much as one third of the total value of U.S. agricultural exports. Food aid also provided a significant foreign policy and development assistance resource in a world where the US was expanding its relations with newly independent nations in the context of a global Cold War. The multiple objectives of PL480 reflected the program's broad constituency in the agricultural community (develop export markets, expand trade), foreign policy makers (promote broad-based development, foster private enterprise and democratic participation) and humanitarian organizations (combat world hunger and malnutrition).

Food aid played an important role in increasing US agricultural trade, as countries which were once food aid recipients went on to become commercial customers. It also played an important role in mitigating famine--as, for example, when massive shipments of grain were made to India in the early 1960's to stave off disaster. Food aid was incorporated into development assistance strategies, as efforts were made to find effective ways both directly (as food) and indirectly (through the use of local currency and sales proceeds) to support economic and agricultural development.

Over time, however, food aid has become much less important to the economic well being of the US agricultural sector. Between the mid-1950's and the mid-1960's, roughly a quarter of U.S. agricultural exports occurred under food aid programs. In the 1970's, however, US agricultural exports grew significantly, while food aid stabilized or declined. By the end of the decade, only 3% of the value of US agricultural exports moved as food aid. While US food aid levels have fluctuated over the 1980's and 1990's, they have remained a relatively small share of US exports. Even in 1993, when US food aid shipments were at record levels, they accounted for only 6% of total exports.[2] Food aid is also a relatively small portion of world food consumption, and while the decrease in Title I and Title III is large, it did not significantly affect global consumption.

Food aid's place in US agricultural policy also changed over time. By the 1980's programs for export promotion were becoming more significant than food aid (Table 2). While food aid retained its export promoting objectives, it was supplemented with other programs which focused more directly on increasing exports. Exports under credit guarantee programs were consistently larger than food aid levels from 1978 on, and total export program levels were well above food aid from 1987 on.[3] US agricultural policy from 1985 on became steadily more market oriented, culminating the 1996 Farm Act, which fundamentally restructured US commodity support programs. Farm programs initially changed, then steadily reduced, the government's role in holding stocks. The large physical supply of grain, which had provided the initial underpinning for food aid, declined. Food aid became more budget driven and less surplus driven. As government accounting reforms increasingly required food transfers to be "scored," food aid moved from being an additional resource for development assistance to being a part of the overall assistance budget.

The actors involved in delivering food aid have changed (Figure 2). Initially food aid was provided primarily through government-to-government negotiations. Since the early 1980's,

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[2] Karen Ackerman, Mark Smith and Nydia Suarez, *Agricultural Export Programs: Background for 1995 Farm Legislation* (Washington D.C.: June, 1995), p.27.

[3] Export enhancement programs here include EEP, DEIP, COAP and SOAP.

Table 2. Export Program Shipments of Agricultural Products[1]

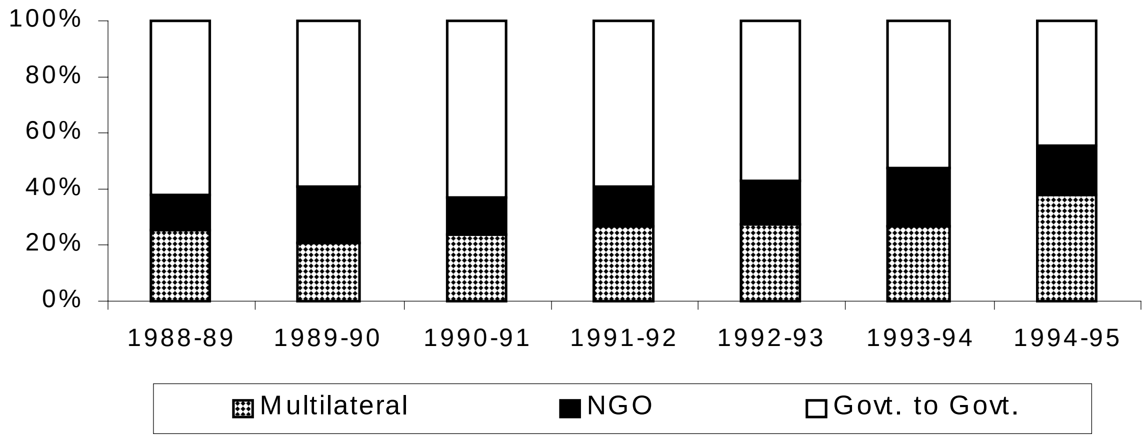
Year	P.L.480 and Section 416	Credit and Guarantee Programs	Export Enhancement Program[2]	Barter[3]	CCC Direct Sales[4]	Agricultural Export Value	Program Share of Exports
	--------Million dollars--------						Percent
1955	384.4	69.0				3,144.0	14.4
1956	984.9	61.9				3,496.0	29.9
1957	1,525.1	73.1				4,728.0	33.8
1958	981.0	203.3				4,003.0	29.6
1959	1,017.3	92.8				3,719.0	29.8
1960	1,115.9	1.0				4,519.0	24.7
1961	1,316.4	18.0				4,946.0	27.0
1962	1,495.5	33.0				5,143.0	29.7
1963	1,456.3	77.0				5,078.0	30.2
1964	1,418.0	118.0				6,068.0	25.3
1965	1,570.5	95.0				6,097.0	27.3
1966	1,345.9	210.0				6,747.0	23.1
1967	1,270.8	339.0				6,831.0	23.6
1968	1,279.5	141.0				6,331.0	22.4
1969	1,038.6	116.0				5,751.0	20.1
1970	1,055.8	211.0				6,958.0	18.2
1971	1,023.0	391.0				7,955.0	17.8
1972	1,057.0	372.0				8,242.0	17.3
1973	946.4	1,029.0				14,984.0	13.2
1974	865.9	297.9				21,559.0	5.4
1975	1,099.1	248.6				21,817.0	6.2
1976	904.1	956.9				22,742.0	8.2
1977	1,103.6	755.3				23,974.0	7.8
1978	1,072.8	1,582.5			16.9	27,289.0	9.8
1979	1,187.2	1,590.6			17.8	31,979.0	8.7
1980	1,341.6	1,417.0			41.4	40,481.0	6.9
1981	1,333.0	1,874.0			172.6	43,780.0	7.7
1982	1,107.6	1,393.0		13.0	24.3	39,097.0	6.5
1983	1,194.7	4,069.0			95.0	34,769.0	15.4
1984	1,505.9	3,646.0		34.0	15.5	38,027.0	13.7
1985	1,905.8	2,761.0	86.5		95.6	31,201.0	15.5
1986	1,334.2	2,416.5	715.7		111.7	26,312.0	15.9
1987	1,077.2	2,984.0	1,684.4		157.0	27,876.0	19.1
1988	1,435.7	3,879.9	3,313.5		108.6	35,316.0	22.0
1989	1,298.4	5,057.0	2,826.7		137.0	39,590.0	23.5
1990	1,315.0	4,299.6	2,384.2		7.1	40,220.0	18.0
1991	1,109.2	4,111.3	2,009.3		39.9	37,609.0	17.9
1992	1,074.3	5,529.0	3,296.8		133.3	42,430.0	19.6
1993	2,365.6	3,759.0	3,733.5		15.9	42,590.0	20.9

[1]Program shares of exports account for overlaps between sales under credit guarantee program and EEP, COAP, and SOAP from 1986 through 1993. The following amounts have been subtracted from total Government-assisted sales to account for the overlap: 1986, $387 million; 1987, $578 million; 1988, $951 million; 1989, $964 million; 1990, $778 million; 1991, $520 million; 1992, $1.7 billion; 1993, $965 million.
[2]Includes EEP, DEIP, COAP, and SOAP sale values.
[3]Barter sales outside of the P.L. 480 program were reported for 1982 and 1984.
[4]The market value of commodities sold by the CCC was not available prior to 1978.

Sources: U.S. Dept. Agr., For. Agr. Serv., Agricultural Assistance Update, "Notices to Exporters," and communications with officials in the Export Credits Division: U.S. Dept. Agr., Econ. Res. Serv. database of P.L. 480 shipments; U.S. Dept. Agr., Econ. Res. Serv. database of P.L. 480 and Section 416(b) shipments and Foreign Agricultural Trade of the United States.

however, more food aid globally has moved through NGO's. In 1997 75% of US food aid was channeled through NGO's and international organizations, up from 41% in 1990. This trend reflects both the rise in emergency/relief operations and the movement on the part of USAID to work more closely with NGOs as participants in their overall development program.[4]

Figure 2. Food Aid Channels



Source: WFP

Finally, the institutional environment within which food aid is embedded is changing. The main thrust of the institutional changes is to create a more market oriented environment for agriculture, both domestically (in the United States and many developing countries) as well as internationally (through the WTO). These changes, coupled with budgetary constraints, are creating a different environment within which food aid will be funded and organized. These institutional factors, over laid on the factors which already impact the need for food assistance--weak development, political strife, weather variability, environmental degradation, have created new challenges for the availability and use of food aid. More market oriented policies put a premium on identifying new food aid options--including options for emergency assistance--which incorporate a more sophisticated concept of risk management. Budget constraints also highlight the need to reexamine the relationship between food aid and the wider process of economic development in the most vulnerable low income, food deficit countries.

What this has meant is that, within the United States, we have moved from a situation in which there was a "hard" link between agricultural programs and food aid to one in which the link was "softer," both because of changing market realities and because of changing farm policies. The transition includes, of course, a shift from a surplus based to a budget-based food aid program. As

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[4] Marie-Cecile Thirion, "Synthesis 1: Food Aid, a Multifaceted Tool" in Markets and Institutions for Food Security, proceedings of an international seminar organized by the European Commission, December 10-12, 1997, pp. 1-2.

we discuss in more detail below, it also has meant a shift in strength and role of the agricultural community in the food aid coalition. Finally, the relative mix of policy options and mechanisms which are “optimal” for dealing with food aid remains quite sensitive to market conditions, as well as to the WTO agreements which now apply to international agricultural trade. Finding the right balance between market realities, food security objectives, domestic programs and WTO commitments, both politically and technically, is the major challenge facing the food aid community today.

Domestic US Policy Changes and Their Impact on Food Aid

Changes in the US 1996 Farm Act

Two dimensions of the 1996 Act’s impact will be examined in this section. The first deals very briefly with the major features of the 1996 Act, and their potential impact on the global environment in which food aid occurs. The second addresses the impact of the 1996 on Act food aid programs themselves, through explicit amendments to food aid programs contained in the legislation and implicit effects of terminating commodity price support programs, and hence, the accumulation of surplus CCC stocks.

The direct treatment of food aid in the 1996 Act did not constrain its ability to operate effectively. In fact, most of the changes made allowed greater flexibility, without removing previous possibilities. Indirect changes--stemming primarily from the elimination of government stocks--have had a greater impact. The decline in government stocks pushed the transition from a surplus based to a budget-based food aid program. In this context, the severe budget constraints faced by the US government during the last three years have had a significant impact on food aid, through reduced quantities of food aid provided and constraints on the overall development assistance program.

Features of the 1996 Farm Bill

In 1996, Congress passed the Federal Agriculture Improvement and Reform Act of 1996 (FAIR or Freedom to Farm). The 1996 Act is the culmination of a decade of changes increasing the market orientation of US farm policy. [5] While the 1985 and 1990 farm bill made incremental changes, the 1996 Act comprehensively redesigned U.S. farm programs. It fundamentally changed commodity programs by eliminating supply management provisions and changing income support mechanisms for producers of wheat, corn, grain sorghum, barley, oats, rice and upland cotton. It increased planting flexibility and significantly reduced the likelihood of government stockholding[6]

[5] The discussion draws heavily on C. Edwin Young and Paul C. Westcott, *The 1996 Farm Act Increases Market Orientation* (Washington D.C.: USDA/ERS), August, 1996, pp. 5-8.

[6] For a summary of the major features of the 1996 legislation, see C. Edwin Young and Paul C. Westcott, *The 1996 U.S. Farm Act Increases Market Orientation* (Washington D.C.: ERS, USDA), August, 1996. The discussion of program changes relies heavily on this publication.

Supply Management

The 1996 Act replaced the target price/deficiency payment program which had been in place since the early 1970's. Under the old program, price levels (target prices) were established for program commodities (wheat, corn, grain sorghum, barley, oats, rice and upland cotton). Farmers participating in commodity programs received deficiency payments based on the difference between the target price and the higher of the national market price during the specified time period or the loan rate. Farmers' payments, therefore, depended on their level of commodity production. Under the 1996 Act, participating farmers receive direct payments based on their past enrollment in commodity programs, not their present or future production decisions. Payments of a preestablished size are made over seven years, with the size of the annual payment declining steadily over time. Payments are independent of commodity prices or market conditions. Hence, while they do provide farm income support, they do not reduce risk associated with changing market conditions.

Planting Flexibility

Features of previous programs which limited farmers' choices in order to manage supply--such as the need to plant at least 85% of base acreage to a specific crop or idle land--were eliminated. Under previous programs, characterized by attempts to manage supply, farmers were required to plant a certain amount of their land to program commodities in order to qualify for payments. Under the 1996 Act, farmers have almost complete latitude in deciding which crops to plant, with the exception of some restrictions on vegetables and fruits.

This means that farmers can use market signals rather than previous base acreage to determine which crops they plant. Recent analysis suggests that farmers are using this greater flexibility to respond in novel ways to changing market prices.

Reduced Government Stockholding

The 1996 Act built on policies that began in 1985 to reduce government control and ownership of grain stocks.[7] The 1985 Farm Act significantly reduced government accumulation of grain stocks, and over the following decade, government stocks were virtually eliminated, except for the food security reserve (Figure 3).

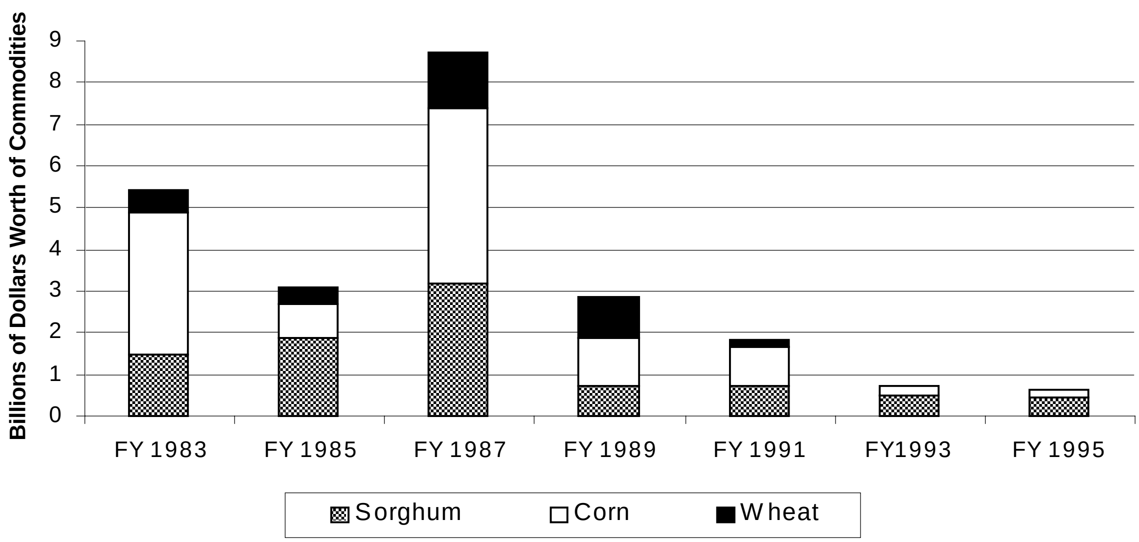
The 1985 Farm Act lowered crop loan rates, generally keeping rates below market prices. Marketing loan provisions, implemented for rice and cotton in 1985 and for wheat feed grains and soybeans in the 1990's, effectively ended accumulation of government-owned stocks. Marketing loans allowed farmers to repay crop loans (and redeem their crops) at lower rates when world prices fell below loan rates.

The 1996 Act further decreases the likelihood of stock accumulation. The Act suspends authority for the Farmer Owned Reserve (FOR). It preserves the 9-month price support loan program primarily to provide a source of short-term liquidity. Marketing loan provisions, combined

[7] Young and Westcott, op.cit.

with loan rates capped at levels below market prices minimize the likelihood of government stock accumulation through loan forfeitures.

Figure 3. Decline in U.S. Government-Held (Surplus) Commodities



Source: OMB International Affairs Division - Emergency Capacity Part 1, April 21, 1997.

The decline in government held stocks has been dramatic. In 1986 approximately 110 million tons of wheat and corn were either owned by the CCC or in the farmer owned reserve (FOR). Currently there are 2.5 million tons of wheat in the CCC-owned Food Security Reserve and no corn stocks. The Food Security Commodity Reserve can contain up to four million metric tons of grain (wheat, rice, corn, grain sorghum) to meet humanitarian food aid needs. However, the 1996 Act made this reserve more difficult because an advance appropriation is required to buy grain for it. The reserve can also be replenished from CCC inventories.

Under the 1996 Act, farmers and the private sector--not the government--have the primary responsibility for managing risk. Farmers will assume significantly more responsibility for managing price risk. While decoupled payments provide some income protection, because they are not tied to market conditions farmers will also assume greater responsibility of managing income variability. As a result, private stockholding and stocks held by other countries will assume a greater role in responding to market price variability. How these stocks are managed can have a significant impact on the volatility of world markets, and hence, on the environment within which food aid operates.

However, while the 1996 Act reduced the **likelihood** of accumulating, the **mechanism** for accumulating stocks does remain in place. If prices become too low in relation to both loan rates and marketing loan rates, farmers still have the option of forfeiting crops to the government. With wheat prices now at their lowest level in years, the CCC has, in fact, acquired 2.5 million bushels of wheat forfeited by farmers during the 1997 crop year.[8] There is the possibility for additional stock accumulations, as contracts expire and farmers must decide whether to repay their loans or to forfeit the grain. [9] In all, there is about 180 million bushels of wheat under loan this year, and wheat industry officials have expressed concern that more could be forfeited. Industry officials are urging an expansion of food donations to needy countries--rather than storage or sale on the open market--as their preferred option.[10]

Changes to Food Aid Under the 1996 Act

The basic elements of US food aid, as established in 1954, have remained in tact. The major authorities for grant and concessional credit food aid are the Agricultural Trade and Development and Assistance Act of 1954 (PL480), the Food for Progress Act of 1985, and Section 416 (b) of the Agricultural Act of 1949.

Food aid still has the same basic, multiple objectives: combating hunger and malnutrition; expanding international trade; developing and expanding US agricultural export markets; and fostering the development of private enterprise and democratic participation in developing countries. The objectives remain concentrated in different food aid programs (titles under PL480) and authority for food aid programs is still divided between USDA and USAID.

The 1996 Act made both direct and indirect changes to food aid programs. Direct changes were made by amending the basic authorities as part of the new farm legislation, and are described below. The largest indirect changes flow from the elimination of commodity programs, and hence the elimination of government stocks. The 1996 Act therefore accelerates the shift, which has been ongoing for years, from directly supplying commodities to providing funding which allow commodities to be purchased.

The direct changes are as follows.[11]

<u>PL480 Title I</u>, administered by USDA, focuses primarily on the objectives of expanding international trade and developing and expanding US agricultural export markets. Basic legislation authorized government to government sales of agricultural commodities to developing countries

[8] Data on stocks are regularly reported on the FSA homepage--http://www.fsa.usda.gov. The data cited are from circular 1506.9, June 9, 1998.

[9] The discussion of the forfeiture possibility comes from Knight-Ridder, story #14847, May 29, 1998.

[10] Jim Miller, vice president for governmental affairs, National Association of Wheat Growers in Knight-Ridder, story #14847, May 29, 1998.

[11] The changes made by the 1996 Act are taken from Karen Ackerman, "Title II: Agricultural Trade" in Frederick Nelson and Lyle Schertz (eds), *Provisions of the Federal Agricultural Improvement and Reform Act of 1996* (Washington D.C.: USDA/ERS), September, 1996, pp. 33-36.

under long-term credit arrangements. Repayment could be made in either local currency or US dollars. Loans could be repaid over a period as long as 30 years, including up to a 7-year grace period. Local currencies received could be, and in the past were, used to carry out a range of activities specified under section 104 of the 1954 legislation. Permitted activities included: developing new markets for US agricultural products on a mutually beneficial basis, paying US obligations, and supporting agricultural development or research. Currently the local currency provisions contained in section 104 are not being implemented for budgetary reasons.

Title I program modifications reflect the increased market orientation of the 1996 Act as a whole. The repayment terms of Title I sales were modified. The minimum repayment period of 10 years was eliminated, and the maximum grace period was reduced to five years from the previous seven years. The Act also shifted the priority among criteria for allocating assistance to countries. The priority for determining assistance had been the country's need for food, whether the country was taking needed steps to improve food security and promote economic development, and whether the country demonstrated the potential to become a commercial market for US agricultural products. The 1996 Act reorders the priorities to raise the importance of market development potential in allocating Title I funds.

The 1996 Act authorized Title I agreements with private entities, as well as with developing country governments. In the case of private agreements, it also permits US trade organizations to carry out a project or program in the country using funds derived from Title I sales if the organization has a market development plan approved by the Secretary. The process for purchasing commodities for Title I, as well as the CCC's oversight and funding role, is described clearly in a recent FAS release. [12]

PL480 Title II, administered by USAID, focuses primarily on the objectives of combating hunger and meeting humanitarian and emergency food needs. Under the basic legislation commodities could be provided to meet emergency needs under government to government agreements, through both public and private agencies. These agencies included international organizations (IOs) such as the World Food Program and other multilateral organizations. Non-emergency assistance can be provided through private voluntary organizations (PVOs) and cooperatives, as well as through international organizations.

Title II program modifications generally provide greater flexibility for the program. It increases the maximum level of funding which can be provided to defray overseas administrative costs from $13.5 million to $28.0 million, and allows IGOs such as the World Food Program, as well as PVOs and cooperatives, to receive such funding. It also raises the percentage of non-emergency commodities which can be sold on local markets to generate foreign currencies (monetized) from 10% to 15%. Foreign currencies can be used to pay for the transportation, storage or distribution of commodities, as well as for community development and health programs. The 1996 Act also allows PVOs and cooperatives to use the local currencies for development activities in other countries in the region in which the Title II commodities are sold.

[12]12. FAS, "Public Law 480 Sales Program: A Brief Explanation of Title I," January, 1998 available on the FAS homepage at fas.used.gov/export credits/PL480 brief/html.

Finally, the Act allows Title II programming in countries where USAID does not have missions since so many AID missions have closed in the past few years, especially in sub-Saharan African countries. The 1996 Act prohibits USAID from disapproving a proposed grant solely because it does not have a mission in that country or because the grant is not part of a USAID-administered development plan. The Act extended--but did not raise--the total minimum assistance levels under Title II. The levels are 2.025 million metric tons of agricultural commodities and 1.55 million tons of assistance.

Before the 1996 Act, commodities requested could be provided either from the Commodity Credit Corporation's (CCC) inventory acquired under price support programs or through purchase from private stocks. All commodities must now be purchased, since the CCC no longer has available stocks. The CCC also finances ocean transportation, and finances land transportation to ports of entry and to storage and distribution sites inland.

PL. 480 Title III, administered by USAID, focused primarily on the objective of promoting broad-based, equitable development. The US government provides commodities to recipient countries, and pays associated handling and transportation costs. Recipient countries can sell commodities on the local market and use the revenue generated to support development programs.

The 1996 Act expanded the range of local organizations which could administer Title III development projects to include all private organizations operating in the country, not only local or indigenous private organizations.

Section 416 (b), administered by USDA, provided for the overseas donations of surplus commodities owned by the CCC to carry out assistance programs in developing countries and friendly countries. Surplus commodities acquired by the CCC as a result of price support operations became available for foreign donation if they are not needed for domestic food assistance program and cannot be sold at competitive world prices.

Under the 1996 Act, Section 416 (b) was changed to provide more flexibility in the use of local currencies derived from the sale of commodities. It allowed local currencies to be used to cover overseas administrative costs for overseas donation programs and lengthens the time period over which the local currencies can be spent under development projects.

Since the 1996 Act, CCC acquisition of commodities has been limited to dairy products, and very recently, a small quantity of wheat. As a result (Figure 4), section 416 (b) has been essentially inactive except for a very small quantity of nonfat dried milk.

Food for Progress (FFP), administered by USDA, authorizes the CCC to finance the sale and export of agricultural commodities on either a credit or a grant basis to support developing countries and countries that are emerging democracies which have made commitments to introduce or expand free enterprise elements into their economies. Legislation in 1992 included the independent states of the former Soviet Union under this program. Commodities may also be provided under the authority of Title I or Section 416 (b). CCC has the authority to purchase commodities for use in FFP programs if they are not held in CCC stocks. CCC also pays transportation costs to the ports of entry or point of entry into landlocked countries.

Under the 1996 Act, Food for Progress, like other programs, was also made more flexible. The program began in 1985 as a government to government program, and was amended in the 1990 farm bill to permit FFP agreements with private voluntary organizations, nonprofit agricultural organizations and cooperatives. The 1996 Act extended this authority to include intergovernmental organizations as well. The Act maintains a cap of $30 million annually on transportation costs under the program. Up to $10 million per year are provided to cover a portion of the NGO's management and operational costs in recipient countries.

Other legislative changes reflect the changes in overall US agricultural policy, and a move toward greater flexibility. The 1996 Act eliminates the requirement that the Secretary of Agriculture determine prior to the beginning of the fiscal year the list of commodities and the quantity of those commodities available for PL480 programming. Now the Secretary must determine if a commodity is in short supply and not available for PL 480 programming.

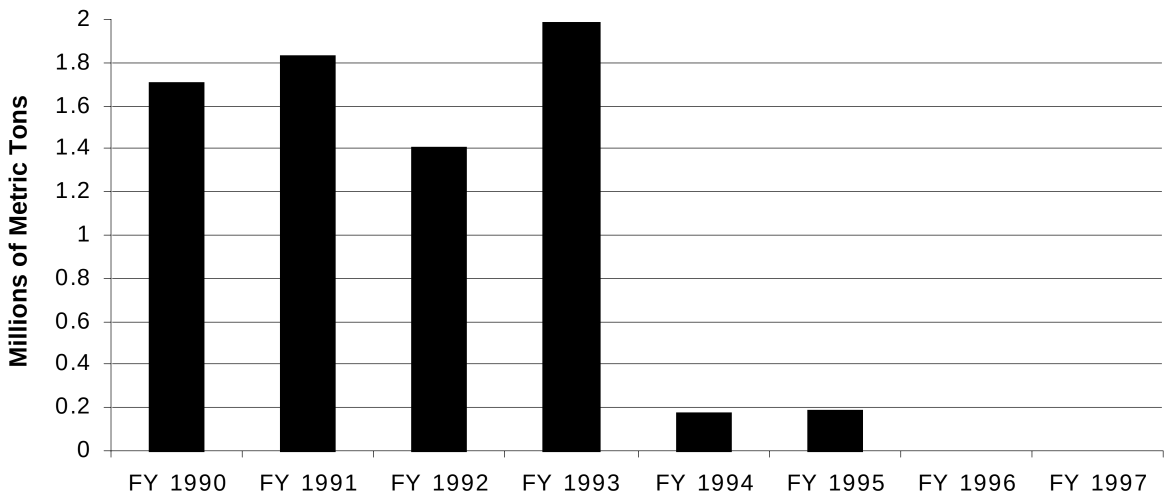
The Act also increases flexibility in the allocation of the PL 480 annual appropriation across titles, allowing up to 15% of the funds allocated for any title to be used to carry out any other title. In addition, up to 50% of Title III may be used to Title II. Finally, while USDA and USAID must continue to assure that PL480 food assistance does not have a disruptive effect on local farmers or the local economy, it no longer has to consult with IGOs and other donor organizations in making this determination.

<u>The Food Security Commodity Reserve</u>, which was originally authorized in the 1980 farm bill, was established as a reserve of up to four million tons of wheat which would be available to meet extraordinary needs for food aid. The Secretary of Agriculture has the authority to release commodities from the reserve if domestic supplies are not sufficient to meet the availability criteria of P.L. 480 or if there is an unanticipated need for food aid which cannot be met through normal programming channels. The 1996 Act expanded the commodities to be included in the reserve, adding grain sorghum, corn and rice. The size of the reserve remains at four million tons. The Secretary of Agriculture has the authority to replenish the reserve, either by designating CCC stocks for it or through additional purchases. However, funds for replenishment must have been approved in advance through an appropriation act. The 1996 Act removed the requirement that the reserve be replenished within 18 months of releases, and did not specify a new time by which the reserve would need to be replenished.

The Act also raised the amount of commodities which could be released for Title II donation programs without regard to domestic supply conditions from 300,000 to 500,000 tons, and allowed for the release of up to 500,000 additional tons of eligible commodities which could have been released in earlier years but were not. The Secretary can also continue to release stocks from the reserve when supplies are so limited that commodities cannot otherwise be made available for PL 480 programming.

The most immediate impact on the quantity of food aid provided now comes from the budgetary appropriation for food aid. PL480 programs require, and have always required, an annual budgetary appropriation. Other food aid mechanisms--Section 416 (b) and Food for Progress-- do not depend exclusively on annual appropriations. Section 416 (b) commodity and transportation costs are funded by CCC. Food for Progress could operate either from CCC funds or through the funding authority of Title I. Most of the cost of these programs is paid by CCC, with losses recovered by future year appropriations.

Figure 4. Decline in Sec. 416 Food Aid



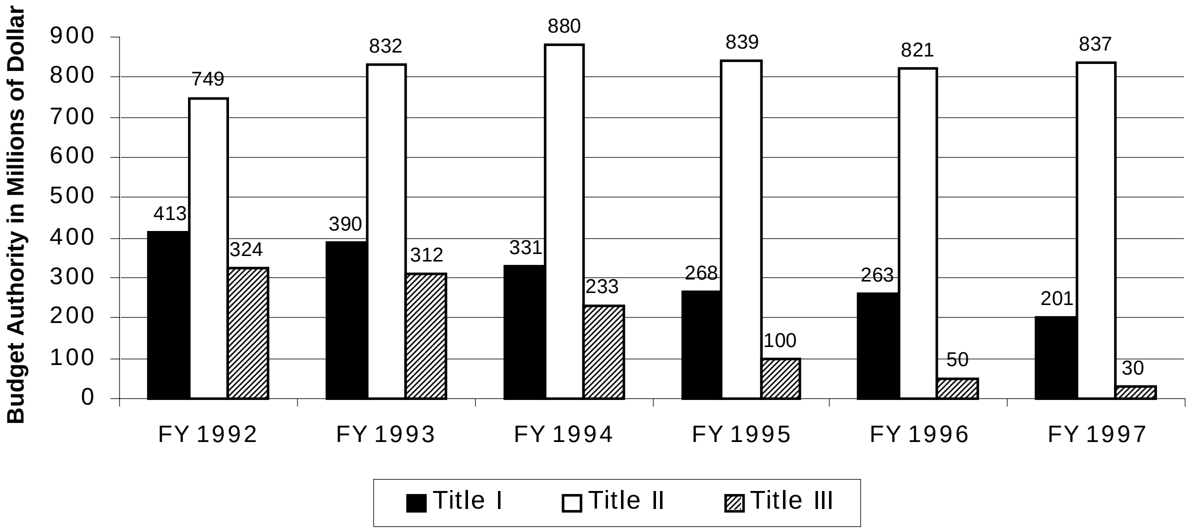
FY 1996 program is zero. No firm estimates available for FY 1997 but program is unlikely to exceed FY 1995 level.
Source: OMB International Affairs Division - Emergency Capacity Part 1, April 21, 1997.

Changes in Budgetary and Development Assistance Programs

By far the greatest impact on the availability of food aid came from the Administration's budget reduction program. Significant spending cuts occurred across virtually all government departments. Over the past few years, budgetary allocations for food aid decreased significantly. Overall funding for foreign affairs (the 150 account) fell significantly, and USAID was forced to close a number of missions and undertake a reduction in force (RIF) to live within its lower allocation. In response to budget pressures, the US unilaterally cut in half its commitment to provide food aid under the Food Aid Convention. Actions in other developed countries, reflecting their tightened budget constraints, reinforced rather than countered US reductions, leading to a significant overall fall in food aid resources.

The recent budget mark up for FY99 increased the program level for Title I by $10.9 million, and the subsidy level by $9.5 million (see Figure 5). Budget pressure, in general, remains strong, however, as the implementation of the long-term balanced budget agreement proceeds. The foreign affairs (150 account) appropriation for FY99 is $2 billion lower than the President's request and

Figure 5. P.L. 480 Funding Levels by Program, FY 1992-FY 1997



Source: OMB International Affairs Division - Emergency Capacity Part 1, April 21, 1997.

$200,000 million below the FY98 level. Secretary Albright indicated that "these cuts would require shutting down current programs which address poverty and hunger."[13]

Since the budgetary reforms of the early 1990's, food aid and local currency resources have been treated more directly as budgetary outlays which were under the discipline of budget agreements. The Credit Reform Act of 1992 required Congress to appropriate the cost of the subsidy associated with PL480 Title I and Title III programs. This means that an explicit request for budget authority must be included in the budget which goes to OMB, where it can be approved or denied. In an environment of budgetary discipline, this process forced a more explicit assessment of the value of programs which a significant subsidy component. Credit Reform also brought the use of accumulated local currencies under more budgetary discipline, and forced agencies intending to use them to obtain appropriations to do so. The net effect was to reduce the use of local currencies for associated development purposes.

The actual quantity of food aid provided depends not only on the appropriated outlay, but also on the price of commodities. When prices rise, as they did in 1993/4, a given food aid budget will translate into a smaller quantity of delivered commodities. When market prices are lower, as they currently are, the appropriation will buy more commodities. Hence, developing countries sometimes find that food aid is most available when it is least required, and least available in periods when it is most needed.

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[13] Washington Post, June 17, 1998, p.A6.

Food Aid and Development Assistance

Development assistance budgets have also been smaller, reflecting both general budget austerity and skepticism about the impact and effectiveness of development assistance. The cumulative impact of these budget-driven changes has been to reduce US food aid levels, create a sharper tradeoff between emergency assistance and development activities, and force a reexamination of the size and nature of the role food aid could pay in promoting economic development.

In addition to the budgetary impact discussed above, the management of food aid resources within USAID has been radically transformed in recent years.[14] The concept of food security is providing a framework for more effectively targeting food aid and increasing its impact. There is also heavy emphasis on being able to measure and report upon results, as required by the Government Performance Reform Act. (GRPA) All Title II projects designed after 1996 must obtain baseline information against which they can gauge success during midterm and final impact evaluations. USAID and cooperating sponsors are beginning to systematically conduct joint assessments of the food security and nutrition situation of target populations before implementing new programs.

Some PVO's have expressed concerns that the additional reporting requirements, and the emphasis on being able to demonstrate impact over a relatively short period of time can endanger some traditional uses of food aid--such as school feeding programs.[15] In a bill currently before Congress--Africa: Seeds of Hope (H.R. 3636) PVOs are asking for greater flexibility in the use of both food aid and development assistance to meet local needs in developing countries.

It is worth noting, however, that USAID is not alone in promoting the baseline and impact assessment approach. The World Food Program, UNICEF and UNHCR follow similar assessment procedures when they program jointly.[16]

On the other hand, USAID's re-engineering process has provided both and recipient countries a more direct voice in the design of both specific food aid and overall program objectives. Discussions among key "stakeholders" are important in developing the strategic objectives (SOs) around which development assistance is organized within each country.

One of the most striking trends in food aid allocation has been the sharp growth in the requirements for emergency/humanitarian assistance between 1993-1995 and the continuing tradeoff between emergency assistance and other food aid objectives share of the overall food aid allocation going to cope with such emergencies. There are two central components of these requirements: responses to natural disasters, such as floods and droughts, and recently, the effects of El Nino; and

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[14] USAID, *U.S. International Food Assistance Report: 1997* (Washington D.C., January, 1998), p.16.

[15] David Beckman, president of Bread for the World, seminar on "Africa: Seeds of Hope Initiative," International Food Policy Research Institute, June, 1998.

[16] USAID, *International Food Assistance Report: 1997* (Washington CD: January, 1998), p. 16.

allocations to what are now called complex emergencies--those involving political and military conflict. Complex emergencies have accounted for much of the recent growth in the need for disaster assistance. While conflicts fluctuate in their intensity, their resolution can be very difficult, and relief assistance for civilian populations can be required for long periods. More than 50% of the assistance to complex emergencies goes to African countries.[17] Large populations in Angola, Bosnia, Liberia, Somalia, Rwanda, Burundi and Sudan continue to require assistance to survive.

The presence of such complex emergencies, overlaid with other humanitarian needs, has had a dramatic impact on the use of food aid in Sub-Saharan Africa. In its 1999 Congressional Presentation on Africa, USAID had a total of $127.3 million in food aid, $107.9 million (almost 85%) was for Title II. All food aid, including the small Title III programs, was being programmed under the Humanitarian Assistance Strategic objective (SO). This SO was about 14% of total development assistance for Africa.

Complex emergencies and emergency assistance focus attention on the catastrophic side of Sub-Saharan Africa. These are countries which, almost by definition, fail to meet the criteria set by USAID for a sustainable development country. Yet, it is also imperative from a humanitarian perspective to respond to such dramatic conditions, even while recognizing that in an era of tight budgets, they may pull resources away from more development-oriented investments, which will have larger long-run payoffs for food security. Such emergencies also make clear the linkages between events in a single countries and wider regional patterns, which can exacerbate or dampen instability.

USAID has attempted to respond to this dilemma by developing a strategy for explicitly linking relief and development.[18] The key principles and operating guidelines of the strategy are:

- o countries have primary responsibility for their transition from relief to development.
- o international partners are responsible for assuring positive impact of their program through effective strategic coordination and adherence to established principles.
- o relief programs should reinforce development objectives.
- o programs should be designed to help prevent or mitigate disasters.

USAID concretized some of these principles in its Greater Horn of Africa Initiative (GHAI). The GHAI was founded on the assumption that while drought and other natural disasters may be beyond control, whether or not they lead to famine is something we can influence. The initiative

[17] USAID, "International Disaster Assistance" on http://www.info.usaid.gov/hum_response/ida.htm.

[18] USAID, *U.S. International Food Assistance Report: 1997* (Washington D.C.: January, 1998), p. 17.

includes 15 countries, many of which have experienced civil war or domestic upheaval. It builds on an explicit recognition of the role regional organizations and markets can play in responding to complex emergencies, as well as in creating conditions which will support future economic growth. In addition to dealing with food security, it recognizes the key importance of conflict prevention, management and resolution. It also focuses on infrastructure development. Working with the Intergovernmental Authority on Development (IGAD), which includes Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan, and Uganda, GHAI has been able to address key regional issues such as the positioning of food stocks to minimize social disruptions caused by famine, particularly refugee movements, as well as developing regional approaches to crisis management.

On the other hand, however, it is clear that some African countries have made significant progress in their own policy reform processes, and that some of these are positioned to make major improvements in their development. In some countries, leaders with pragmatic, market-oriented views and an aversion to corruption are in place.[19] The President's recent trip highlighted some of these cases, and these are also other countries poised to benefit from the African Food Security Initiative, as well as the proposed African Growth and Opportunity Act. In a number of African countries, policy liberalization and improved ability for coordination is making regional food security initiatives viable. One instance of this is the operation of SADAC, and the role it played both in coordinating food assistance in the 1993 food emergency, as well as its proactive role in preparing for a potential El Nino impact. AID has fostered the development of more effective agricultural and trade links among Southern African countries through its Initiative for Southern Africa (ISA), and these countries are strong candidates for partnership in discussing improved regional food aid practices.

Countries which have made progress on domestic policy reform, both agricultural and general, are better positioned to address both development and security issues. As McCelland found in his review, improvements in the policy environment are often a precondition for the effective use of investments in agricultural research, technology transfer and infrastructure development.[20] Investments in agricultural development and agricultural research have a high payoff in this environment.[21] Accelerated investments of this type hold great potential for alleviating chronic food insecurity, which still accounts for the largest share of food insecurity in Sub-Saharan Africa and

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[19] Dan Connell and Frank Smyth, "Africa's New Bloc," Foreign Affairs, vol. 77, no.2 (March/April, 1998), pp. 80-95.

[20] Donald G.McCelland, *Investments in Agriculture: A Synthesis of the Evaluation Literature*, USAID Program and Operations Assessment Report No. 15, July, 1996.

[21] For a good discussion of the role of agricultural transformation in catalyzing economic growth, see John Staatz, "The Strategic Role of Food and Agricultural Systems in Fighting Hunger Through Fostering Sustainable Economic Growth," Michigan State University, prepared for the USAID Workshop on "The Silent Challenge of Hunger," June 28-29, 1994. For a food synthesis of many studies of return to agricultural research in sub-Saharan Africa, see James Oehmke, P. Anandajayasekeram and William Masters, *Agricultural Technology Development and Transfer in Africa*, Technical Paper No. 77, November, 1997.

other low income food deficit countries.[22] The development policy issue, then, is how to deal with the real danger that the immediate imperative to respond to emergencies puts at risk the investments in increasing productivity and agricultural transformation which over the longer term are the keys to improved food security. The African Food Security Initiative, now in its first year, is one step in this direction, but falls short of the resources needed to take advantage of the changing policy and economic climate to address chronic food insecurity through increased productivity and development.

Global Policy Impacts on Food Aid

There are several main global impacts on food aid. The first is the inclusion of agriculture in the WTO, and the interaction between the WTO reform and the process of policy reform in both developed and developing countries. This leads to a discussion of the role for, and instruments of, food aid in managing risk in this new global environment. The second is the emerging perspective of food security, reflected in the outcome of the recent World Food Summit, and its follow-on actions. This leads to the discussion of the interface between food aid and other instruments to promote improved food security. The third is the potential for changes in food aid implementation and guidelines, including the outcome of the new food aid convention. The fourth is improved donor collaboration on food security assistance.

The WTO agreement on agriculture and world markets

The Uruguay Round of multilateral trade negotiations, which concluded on April 15, 1994, brought agriculture into the global trade liberalization process which had previously occurred under the GATT (General Agreement on Tariffs and Trade). Some of the major provisions of the agreement are briefly summarized below.[23]

- o converting nontariff barriers to tariffs (tariffication), binding all tariffs and reducing them over six years by an average of 36%.

- o reducing domestic support (as measured by the total Aggregate Measure of Support) by 29% in equal installments over six years.

- o reducing budget expenditures for export subsidies by 36% and volume by 21% over six years.

- o developing countries are subject to only 2/3 cut in tariffs, domestic support and exports over a 10 year period.

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[22] ERS, *Food Security Assessment: Situation and Outlook Assessment* (Washington D.C., November, 1997).

[23] The discussion follows Praveen Dixit, "Agriculture and the WTO: The Road Ahead," *Agricultural Outlook*, December, 1996, pp. 18-23.

- o exempting least developed countries from all reductions but are requiring them to bind tariffs and domestic support.

The status of food aid was a major concern of developing countries during the Uruguay Round. Negotiators agreed to guarantee that the implementation of the round would not adversely affect food aid commitments to meet authentic food needs of developing countries.[24] At the same time, the agriculture agreement contains specific measures to prevent the evasion of commitments to reduce export subsidies (Article 10).[25] It stipulates that food aid cannot in any way substitute for commercial exports, and that as much as possible, should consist of donations. Adherence to these measures would be monitored by the Consultative Surplus Disposal Committee (CSD), which has in the past required notification of food aid operations and assurance that the transaction did not displace commercial sales. The process for monitoring adherence to this provision is essentially that already in place under the CSD.[26] The food aid provided under long-term credit arrangements, such as Title I, avoids restrictions on export subsidies, even though the stated objective of the program is to expand commercial markets. Negotiations are still on going, however, to define clear distinctions between food aid and trade.[27]

Developing countries expressed strong concern that reforming agricultural policies in exporting countries would damage their own food security. The Marrakesh agreements stipulate that donor countries must set the commitment levels for food aid high enough to meet the reasonable needs of developing countries during the reform process. The commitments must be made under the Food Aid Convention.

Throughout the trade liberalization process, there have been concerns that freer trade and reduced domestic levels of support to agriculture would result in lower stock levels, increased price variability and a reduced incentive on the part of exporters to provide food aid.[28] Recently several scholars have argued that world cereal markets are entering a new era as a result of the WTO

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[24] Ackerman, op.cit, p.33.

[25] Marie-Cecile Thirion, "Synthesis 1: Food Aid, a Multifaceted Tool" in *Markets and Institutions for Food Security*, proceedings of an international seminar organized by the European Commission, December 10-12, 1997, p. 3.

[26] The requirements to assure that commercial exports are not displaced include a prohibition on the export of the product (or similar products) received by the recipient country, the calculation of a usual marketing requirement (UMR) indicating the quantity of commercial purchases the recipient country must make, and the possibility for review and challenge of notifications by other exporting countries.

[27] Marie Cecile Thirion, "Synthesis 1," p.3.

[28] See Nicole Ballenger and Carl Mabbs-Zeno, "Treating food security and food aid issues at the GATT," *Food Policy*, August, 1992, pp. 264-276.

agreement.[29] The thrust toward more open markets, and the restrictions on the magnitude and type of interventions allowed, they suggest, will fundamentally change the nature of the global agricultural regime. While some scholars argue that more open regimes will be inherently stabilizing, allowing for improved price transmission and supply response across countries, other believe that lower levels of stockholding can increase price variability, especially if price signals are effectively transmitted to farmers who are able to respond to them.

Empirical analysis suggests that world markets respond quickly to price shocks, and tend to adjust rather quickly to them.[30] It also found no increase in inter-year or intra-year cereal price variability in recent years.[31] The recent experience with higher prices in 1995-96 and the vigorous response to them is consistent with these analyses. Nevertheless, low income food deficit countries are particularly vulnerable to more variable markets, since they face more serious income constraints and must deal with the reality that food aid becomes less available in periods of high prices. Regardless of whether or not markets become more volatile, it seems clear that the responsibility for managing production variability and stocks will shift substantially to private actors (farmers and private companies) as well as to a wider range countries. The implications this has for food aid and food security is discussed below.

However, production variability is only one factor affecting global agricultural markets. Analysis of the 1970-84 period found that macroeconomic shocks and other exogenous shocks accounted for 50% of price shocks, agricultural policy shocks about 25% and the rest due to unexplained factors such as weather.[32] This is certainly the case for current global markets, where economic downturns and political upheaval in Asia have played an important role in dampening global demand and reducing world market prices for grain. Demand shocks have traditionally been absorbed primarily through government programs, although analysis is being done on managing income risk for U.S. farmers. The reaccumulation of some levels of surplus stocks in the US appears a possibility. Some implications of this situation for food aid and food security are also discussed below.

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Many developing countries have been concerned that the WTO process would hurt, rather than benefit them. This has been a particular concern in sub-Saharan Africa, where studies suggest

[29] Alexander Sarris, "World Cereal Market Instability and Developing Country Response" in *Markets and Institutions for Food Security*, Proceedings of a conference held by the European Commission, December 10-12, 1997, Brussels, p.1.

[30] Alexander Sarris, 'The Evolving Nature of International Prices in Cereal Markets," paper prepared for FAO, March, 1997; J. Leon and R.Soto, "Structural Breaks and Long Run Trends in Commodity Prices," World Bank Policy Research Working Paper No. 1406, January, 1995.

[31] Sarris, op.cit.

[32] D.O. Mitchell, "Prices Affecting Grain Prices 1970-84," World Bank International Commodities Working Paper No. 1987-10, November, 1987.

that the continent appears to suffer small losses under trade liberalization.[33] The Hertel et al. analysis, however, finds that the losses directly related to Uruguay Round trade changes are smaller than the efficiency losses countries incur by not reforming their economies. It also found that the estimated losses would be far outweighed by the potential gains from catching up with other developing countries in agricultural productivity and transportation costs.

The World Food Summit

The World Food Summit, held in Rome in November 13-17, 1996, focused world attention on the problems of chronic food insecurity, which plagues some 860 million people. The Summit Declaration set the goal of reducing by half the number of hungry people in the world by 2015.[34] It also identified seven broad actions which would be instrumental in achieving this objective:

- ensuring an enabling political, social and economic environment designed to create the best conditions for eradicating poverty.

- implementing policies aimed at eradicating poverty and inequality and improving economic and physical access to food.

- pursuing participatory and sustainable policies and practices which are essential to adequate and reliable food supplies.

- striving to ensure that food, agricultural and overall trade policies are conducive to fostering food security through a fair and market oriented world trade system.

- promoting the optimal allocation and use of public and private investment to foster human resources, sustainable food, agricultural, fisheries and forestry systems, and rural development.

- implementing and monitoring the Plan of Action.[35]

The Summit was a vehicle for refocusing global attention on chronic food insecurity, which the Summit clearly recognized as rooted in poverty and inequitable access to physical and monetary resources. While not ignoring emergency needs, the Summit set them in the context of the need to work more effectively to lessen the chance of such emergencies by promoting economic and political development. It also stressed the need to more effectively integrate emergency assistance into the longer process of economic development. While the Summit affirmed the principle that food security

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[33] Thomas Hertel, William Masters and Aziz Albehri, "The Uruguay Round and Africa: A Global, General Equilibrium Analysis" forthcoming in *Journal of African Economies*, vol.7, no.2 (1998).

[34] "Rome Declaration on World Food Security and World Food Summit Plan of Action," WFS 96/3, November, 1996.

[35] "Rome Declaration on World Food Security and World Food Summit Plan of Action," WFS, 96/3, November, 1996.

is primarily secured at the national level, it recognized the importance of globally coordinated action to achieve the Summit goal of halving the number of food insecure people by 2015.

The World Food Summit encouraged donors to focus their food aid on the most chronically food insecure countries and regions, to provide an appropriate volume of food aid on the basis of need, to establish incentives to encourage the best use of food aid, and to strive to ensure that food aid reaches women, who often have the most responsibility for household food security. (Note--this came from the draft US plan of action.)

Within the US government, preparing for and following up on the Summit has created a process both for coordinating across US government agencies and involving wider civil society. A high level Interagency Working Group, composed of representatives from a broad range of government institutions, including USDA, USAID, OMB, Commerce, USTR, CIA, Treasury, State Department, Health and Human Services, dealt in an integrated way with both the US position for the Summit and the development of the follow on US Plan of Action. Both the US position paper and the process of drafting the Plan of Action involved open meetings in which representatives of civil society participated. [36] The result of this process has been a broad-based dialogue on food security, both domestic and international, with a wider constituency than has previously been formally involved.

How significant this process will prove to be in shaping food aid remains unclear. Several things are worth noting, however. First, the Working Group is continuing to be active in preparing the U.S. Plan of Action as the follow on to the WFS. In this context, it is reviewing actions which the US might undertake in the areas of economic security and the policy environment, trade and investment, research and education, sustainable agriculture and the environment, food security safety net, information and mapping, food and water safety and human rights. Second, there appears to be a firm consensus that the US should work to integrate food aid programs more effectively into the food security strategy. Third, while the Plan of Action has not been finalized, there are some concrete steps being taken to make food aid more "food security friendly." The US Government will give priority in its PL 480 programs to the most food insecure countries, as well as those that promote market economy and desirable food security policies. Legislation (HR3636) has been introduced to modify sources of funding for the Food Security Commodity Reserve. The US Government will also procure and pre-position small quantities of US commodities to improve response to sudden overseas emergencies. The Administration will seek authority to use uncommitted PL 480 funds to purchase commodities, as appropriate, to replenish the reserve. In addition, it will seek authority to expand

[36] The development of the US position paper included a forum on food security, held in several locations within the country, to obtain comments and views from civil society. The forum's discussions were summarized and published in USDA, *U.S. Forum for the World Food Summit Summary Report*, June, 1996. A similar forum was conducted during the development of the regional (US-Canada) paper. The discussions were summarized and published in USDA, *U.S. Canadian Forum for the World Food Summit Summary Report*, August, 1998. The final US position was published in USDA, *The U.S. Contribution to World Food Security: The U.S. Position Paper Prepared for the World Food Summit*. July, 1996.

the grant food aid provisions to cover inland transportation for countries in transition from crisis to development, as well as for the least developed net food importing countries.

The dialog with civil society has surfaced some differences, and in at least one instance, has catalyzed an independent movement toward increased funding for food security.[37] An expanded commission of the BIFAD (get proper citation) was established to more effectively add representatives of civil society into the process.

The Food Aid Convention

The international Food Aid Convention (also called the London Convention) lays down the minimum volume of food aid commitments by donors.[38] When it was signed in 1967, the agreement covered cereals, although since 1997, pluses (up to 10% of total volume) have been included. At present the Food Aid Convention is the only international legal agreement covering food aid, and there is no provision under the WTO to create a new, or alternate, body. The Food Aid Convention itself was scheduled for renegotiation in 1997, but this process was deferred until 1998. While the convention can serve as a means of limiting drastic cuts in aid, the commitments themselves can change as circumstances change.

While it would be premature to judge the outcome on the renegotiation of the Food Aid Convention, it seems likely that discussions will entail efforts to expand both the number of countries willing to be food aid donors, as well as the list of products which can be donated as food aid. Other issues could include approaches to assuring reliable supplies for net food importers, the possibility of improved donor coordination in recipient countries; and the possibility for changes in the levels and nature of food aid commitments.

New Bilateral Coordination Efforts

The two largest food aid donors--the US and the EU--developed a Food Security Coordination Program in 1995.[39] They affirmed the importance of using food aid to address the root causes of food security, and committed to mutually reinforce food security policy. They agreed to promote increased coordination among agencies involved in implementing food aid programs in both entities. Finally, they developed a joint plan for coordination including:

- promoting the formulation of national food security strategies and action plans in Angola, Bolivia, Eritrea, Ethiopia, Malawi, Haiti and Bangladesh.

- periodically convene food aid donor forums involving major food aid donors.

[37] Beckman, op.cit., Bread for the World, Seeds of Hope.

[38] The discussion of the Food Aid Convention follows Marie-Cecile Thirion, "Synthesis 1," p.3.

[39] USAID, *U.S. International Food Assistance Report 1997* (Washington D.C.: January, 1998), p.18.

- o better information exchange.

- o developing a strategy to increase involvement by the US and EU in national crop assessments.

- o joint periodic review of the World Food Program's development project portfolio with the aim of strengthening food security objectives.

Greater coordination under the Transatlantic Agenda is likely in the area of food security. In addition to engaging in program coordination, the US, EU and other donors have participated in two broadly-based seminars on issues related to food security. The first, in April 1996, dealt with the issue of long-term food security prospects. The second, held December 10-12 in Brussels, focused on the issue of markets and institutions for food security. Ongoing exchange of research and issue discussions will be important to expanding future coordination on food security issues.

Coalitions

The policy environment is generally shaped not only by programs, which have been discussed primarily to this point, but also by the actors who participate in shaping the environment in which programs are developed and implemented. There have been significant shifts in actors which are likely to shape the development of future policies. The grand coalition which undergirded the original food aid program-- farm interests, the foreign policy establishment, the development assistance establishment and humanitarian interests-- has been replaced with a narrower, and far more conditional, collection of interests.

US agriculture now has a major financial stake in the global trading environment. Not only does more of its product move through commercial channels, but a higher portion of production is exported. This has made the farm lobby more intensely interested in issues of both trade and development. Some measure of the importance of this new shift can be found in the results of a recent commission, composed of representatives of the agricultural industry as well as universities and PVOs, which came out in support of both enhanced trade, more investment in international agricultural research and increased development assistance.[40] Changes in international markets--such as the financial crises in Asia--have a direct and immediate impact on the pocketbook of US farmers. So, however, does the enhanced growth of developing countries which use their increased purchasing power to buy American products.

The US agricultural community's level of interest in food aid depends strongly on market conditions. If markets remain soft, and even more so if CCC begins to accumulate stocks, support for additional food assistance is likely to grow within the US farm constituency. Soft markets, in the context of WTO disciplines on export programs, could also have the effect of catalyzing support for additional food assistance. In this case, however, the uses of food aid would need to conform to

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[40] National Center for Food and Agricultural Policy (NCPAP), *US Interests in Economic Growth, Trade and Stability in the Developing World* (Washington D.C.: February, 1997).

WTO guidelines. This suggests, in practice, an emphasis on donations--rather than sales--and a more careful targeting to low income countries and low income people. Movement in this direction, however, is very consonant with the objectives of the World Food Summit, and could serve as an effective means to reduce global food insecurity.

US commercial farm organizations may be ready to join a wider coalition to support increased foreign assistance, over and above food aid, IF they continue to see it as effective in promoting their commercial interests. The research underpinnings for such a possibility were clearly laid out in an IFPRI study demonstrating the "win/win" nature of foreign assistance, showing that $1 in development assistance for agricultural research led to a $0.29 increase in total imports and a $0.07 increase in agricultural imports.[41] The possibility of a real coalition became evident in the outcome of the Commission on Trade and Research in which representatives of farmers and commercial agriculture came out with statements, press releases and subsequently follow on activities to promote increased foreign assistance and enhanced investments in international agricultural research.[42] How far such support could go would depend critically on the ability of such assistance to demonstrate a real impact on growth, which could translate relatively quickly into an increased ability to participate in global markets.

Humanitarian organizations--especially PVOs–have become permanent advocates of both foreign assistance and food aid. With the increasing importance of as delivers and implementers of US food aid programs, they have become the strongest, most durable supporters of food assistance. The same is increasingly true of development assistance, where PVOs are a prominent "stakeholder" and important participants in the design, as well as the implementation, of development assistance activities. Budget constraints, as well as the decline in the availability of food aid resources, has made stronger advocates of some of these groups. On the other hand, US land grant universities, historically implementers and advocates for agricultural development, has become more disaffected from the AID process as funding in these areas has fallen.

One expression of the enduring humanitarian interest in both food aid and agricultural development is the Africa: Seeds of Hope legislation (H.R. 3636) currently before Congress. Orchestrated by Bread for the World, it has the support of some 170 other organizations. It supports resources for agricultural and rural development; increased agricultural research and extension; more flexibility in the use of food aid and development assistance; and a new Bill Emerson Humanitarian Trust that amends the Food Security Commodity Reserve Act of 1996 to allow replenishment of the reserve when commodity prices are low.[43]

With the end of the Cold War, foreign policy making has become more diffuse. Efforts to focus on economic issues have come primarily through the promotion of a more liberal trade regime,

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[41] Per Pinstrup-Andersen, Mattias Lundberg and James Garrett, *Foreign Assistance to Agriculture: A Win-Win Proposition, IFPRI* (Washington D.C., July, 1995).

[42] NCFAP. op.cit.

[43] Bread for the World, "Africa: Seeds of Hope H.R. 3636 Summary Sheet" (mimeo), May, 1998.

reduced impediments to investment and trade, and not through an increased focus on development assistance.[44]

Recently, however, there has been somewhat more diplomatic attention to the issue of complex emergencies, and a recognition that there is a strategic interest in preventing, as well as containing, such crises. The State Department has established an inter-agency working group on complex emergencies, and USAID is focused on using food aid and development assistance to cope with such crises. This has not, to date, translated into a policy vision which includes a significantly different role for food aid, however. The State Department has orchestrated the international follow up to the World Food Summit, but the US Plan of Action is still being developed.

Former defense secretary William Perry has argued that preventive defense--working to prevent threats from emerging--should be a key element in America's post cold-war strategy.[45] In many parts of Africa, resource scarcity, poverty and hunger are powerful forces exacerbating or even causing conflict. To the extent that the United States hopes to move from responding to complex emergencies to a more proactive, preventive defense against them, food security could play a more significant role in future diplomacy.

It is also clear that there is now a changing perspective on sub-Saharan Africa within the foreign policy community. A more differentiated view of the continent has emerged--a view in which it is possible to see genuine opportunities for market-based growth, trade expansion and even investment opportunities. This perspective is reflected legislatively and programmatically in the African Food Security Initiative and the Africa Growth and Opportunity Act. Both programs are intended for countries which have made it "over the hump" in the economic reform process, and are willing and able to continue. The perspective is reflected politically in the President's recent trip to Africa--the first ever by a sitting President--and his stated intention to promote a new relationship with the continent. His announced Partnership for Economic Growth and Opportunity in Africa was an initial step in this direction. Finally, the perspective is reflected publicly in a Time magazine article which stated "This story is not about the Africa you think you know" and talked of an emerging, though fragile, African Renaissance.[46]

It appears that there is a nascent coalition of interest supporting food aid. It also, however, is probably not about the "food aid you think you know." This coalition will be narrower and more tentative than the original food aid coalition. Market conditions will be important in shaping the strength and direction of participation of agricultural interests. This will be reflected in differing levels of support for expanding food aid programs (higher support in weaker markets).

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[44] For a discussion of some of the tensions currently characterizing this approach, see Jeffrey E. Garten, "Business and Foreign Policy," Foreign Affairs, vol.76, no.3 (May/June, 1997), pp. 67-79.

[45] William Perry, "Defense in an Age of Hope," Foreign Affairs, vol.75, no.6 (November/December, 1996), pp. 64-79.

[46] Johanna McGeary and Marguerite Michaels, "Africa," Time, March 30, 1998, pp. 37-46.

Issues

The changes just discussed--in policies, institutional arrangements and constituencies--give rise to two issues which will be discussed briefly in this section. The first is the inadequacy of resources to deal with food security if movement toward a reduction of the number of food insecure people is, in fact, a priority for the US. The second is the need, created by the movement to more market-oriented policies, to develop better mechanisms for handling production risk and potential market instability.

Moving Toward Food Security: What Role for Food Aid?

The looming mismatch between food aid and food security needs will remain--despite the very positive steps being taken to in our development assistance program and our follow on to the world food summit. This will be true for both chronic food needs and emergency requirements. The most recent ERS Food Security Report estimates the quantity of food needed to maintain consumption will increase from 8.5 million in 1997 to 18 million tons by 2007, with quantity needed to meet nutritional needs increasing from 15 million to 24 million tons. The greatest increase is in sub-Saharan Africa, where the gap for current consumption would increase from 3.7 million to five million tons, and the nutrition gap would rise from nine million to almost 16 million tons.[47]

This knowledge puts a high premium on acting now to equip ourselves to cope with the present food security problem, while making every effort to alter the underlying trends which give rise to the dire future just described. Changes in the level and use of food aid can play an important role in doing this.

The confluence, however short lived, of the emphasis on food security flowing from the World Food Summit and relatively soft world market conditions, provides a window of opportunity for actions to reverse the recent declines in the quantity of US food aid. These actions could follow a different path, depending primarily on market conditions. If grain prices continue to fall, and the US accumulates significant stocks, these stocks could be used directly to replenish the food security reserve or to increase food assistance through section 416 (b) and Food For Progress.

By June 7, CCC had acquired 2.5 million bushels of wheat in forfeitures. This quantity is small in relation to the 54 million bushels (1.5 metric tons) which would be required to replenish the food security reserve. CCC inventories may continue to grow. USDA's latest estimate is that less than 10 million bushels of wheat will be forfeited, however. This quantity of grain could easily flow into the food security reserve. Some trade sources, however, believe that the number could be considerably higher.

Stocks in excess of 54 million bushels could not be absorbed into the food security reserve. Anything above this level would have to be sold on the market or put into a donation program--such as section 416(b). Under the 1996 Act there is no provision for holding stocks in excess of those in

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[47] USDA, ERS, *Food Security Assessment* (Washington D.C., November, 1997), pp. 3,15.

the food security reserve, so presumedly forfeited grain would have to be moved relatively quickly through donation programs.

Given the structure of the 1996 Act, it seems unlikely that the US would acquire large stocks or maintain them for a prolonged period. Farmers both in the US and abroad have significant planting flexibility, and would likely reduce acreage in crops where conditions were unfavorable enough to make forfeiture a real option. However, if world markets were to experience a downward shift in demand, linked for example to a prolonged economic crisis in Asia, market conditions would put considerable stress on US farmers, and adjustment options could narrow significantly.

If markets remained soft, but prices were strong enough to avoid forfeiture, additional funding could be sought to replenish the Food Security Reserve. This would require an advance appropriation, and would therefore come as part of a budget initiative. An alternative mechanism for accumulating stocks through purchase--the trust concept contained in the Africa: Seeds of Hope bill, would allow for purchases on a market price trigger, which would be a more flexible option for responding to soft market targets of opportunity than the appropriations route.

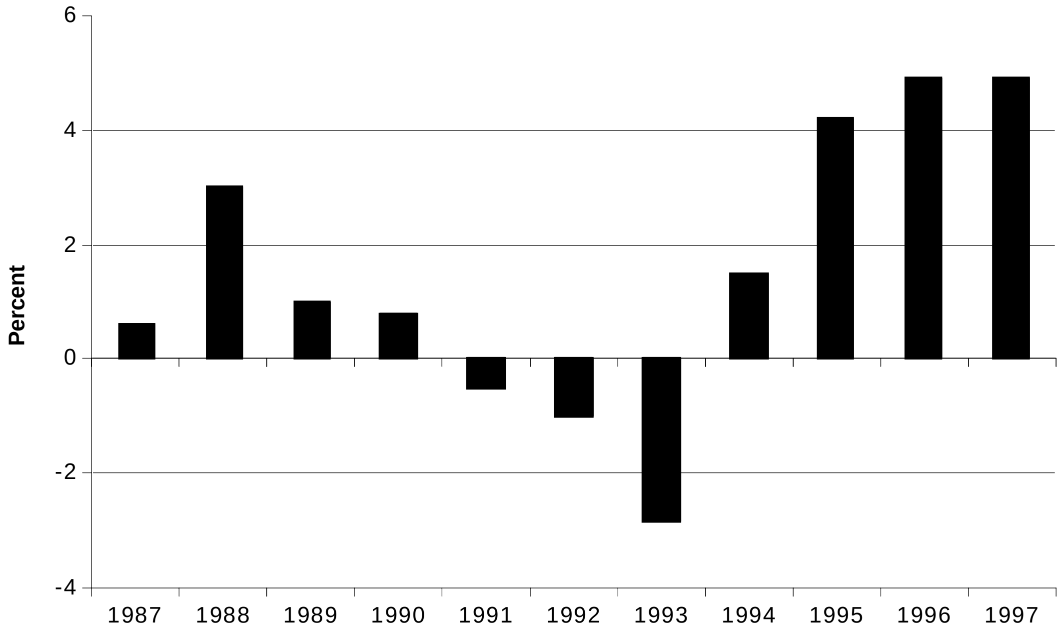
In either of these cases, support would be likely to come from a coalition similar to that which underlay the original food aid program: farmers, PVOs, and development interests.

This range of options for food aid has some serious constraints, however. It runs the risk of institutionally reinforcing the past trend toward more food being used for emergency purposes. There is little opportunity under either of these mechanisms to use food aid to address the projected growth in chronic food insecurity, which is the driving force behind the projected increase in food insecurity in sub-Saharan Africa. Additional appropriations for food aid would be needed to allow it to provide additional leverage on chronic hunger.

However, a much wider range of actions--depending more heavily on economic development, investment, trade and poverty reduction--are required to change the dynamics underlying these negative projections. The mix of actions will undoubtedly vary from country to country, and region to region. However, Sub-Saharan Africa, as a region, must focus on increasing aggregate growth and aggregate agricultural productivity in order to have a chance at coping with food security. If trends established over the past 15 years in agricultural production and export performance continue over the next decade, two thirds of sub-Saharan Africa's population will be undernourished in 2007. This is such a large proportion of the population that ONLY a significant increase in aggregate growth will work. Because much of the food insecure population is still engaged in agriculture, increasing agricultural productivity is the most efficient and equitable strategy for jump-starting growth in most countries.

Despite the very real perils sub-Saharan Africa faces in a "trend based" future, there are promising indications that some of these trends can be, and are being, altered (Figure 6). After years of low or negative growth, GDP increased significantly in 1995-97, providing three years of

Figure 6. Annual Growth Rate of Real Gross Domestic Product in Sub-Saharan Africa, 1987-97



Source: United Nations, World Economic and Social Survey 1997 (New York, 1997).
Note: 1996 = preliminary, 1997 = forecast. Data do not include Nigeria or South Africa.

consecutive increases in per capita GDP for the first time in many years.[48] The economic recovery is widely shared, with 20 countries achieving a GDP growth rate of 5% or better in 1996.

Agricultural growth was a major contributor. While some of the growth in agriculture reflects good weather and favorable export prices, other factors such as an improved macroeconomic policy environment and agricultural policy reform played an important part.[49] So did improvements

[48] The discussion follows Per Pinstrup-Andersen, Rajul Pandya-Lorch and Mark Rosegrant, *The World Food Situation: Recent Developments, Emerging Issues, and Long-term Prospects*, IFPRI, December, 1977

[49] For a summary of major policy changes in East and Southern Africa, see Nehemiah Ngeno, *Comparative Analysis of Economic Reform and Structural Adjustment Programs in Eastern Africa*, USAID/SD/Africa Bureau, Technical Paper No. 19 (Washington D.C.: June, 1996) and George Abalu et al., *Comparative Analysis of Structural Adjustment Programs in Southern Africa*, USAID/SD/Africa Bureau, Technical Paper No. 23 (Washington D.C.: June, 1996).

in agricultural productivity as a result agricultural research and the dissemination and adoption of improved technologies.[50]

There are powerful synergies between markets, technology adoption, and wider economic growth.[51] In countries where policy reform has created a more enabling economic and political environment, significant gains in food security can be made through a concerted effort to raise agricultural productivity. Five such countries are currently targeted under the African Food Security Initiative, but the number could easily expand if additional funding were available. Such countries are also poised to be better candidates for investment, and would likely be beneficiaries of the Africa Trade and Investment Policy if it is enacted into law. Nurturing the forces capable of shifting the historical trends is critical. Per capita incomes in sub-Saharan Africa have fallen so far that even at 5% annual GDP growth, it would still take at least a decade to recover to the level of 1980.[52]

Food aid could be a constructive part of a growth-promoting, agriculturally oriented strategy for reducing food insecurity in Africa. It can provide support for countries undertaking policy reforms. It can also be an effective tool for reaching poor, nutritionally vulnerable groups--including poor mothers and children--who may not benefit quickly or evenly from growth. Food aid can be an important part of the transition from relief to development, as it was in Mozambique.[53] Finally, it can provide a vehicle for working in countries where food insecurity prevails, where the US lacks a development presence, either through US PVO's or the wider international organizational community (e.g. WFP).

But food aid can also weaken a growth-oriented strategy if it delivers commodities at the wrong time, disrupts operations in reforming markets, undercuts the operations of new private actors or serves as a disincentive for local production. One of the dangers in the new food aid environment is that the incentive to deliver more food aid is strongest when world markets are weakest. As more developing countries are themselves tied into world markets, it becomes more difficult to insulate them from these negative effects unless food aid resources are carefully targeted and monitored.

A major challenge for those designing food aid programs for sub-Saharan Africa over the next decade will be to develop the ability to work at both ends of two continuums: the soft/tight world

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[50] There is now an impressive body of evidence on returns from agricultural research and technology transfer in Africa. For a summary of much of this work, see James F. Oehmke, P. Anandajayasekeram and William Masters, *Agricultural Technology Development and Transfer in Africa: Impacts Achieved and Lessons Learned,* USAID, SD Technical Paper No.77, November, 1997.

[51] For evidence on the importance of markets to technology adoption, see Cheryl Christensen, *Agricultural Research in Africa: A Review of USAID Strategies and Experience*, USAID, SD Technical Paper No. 3.

[52] Anderson, Pandya-Lorch and Rosegrant, op.cit., p.22.

[53] For a description of the food aid experience in Mozambique, see USAID, *U.S. International Food Assistance Report 1997*, pp.55-58.

market continuum and the crisis/progress continue among sub-Saharan African countries. Intellectually, this means considering new ways to operate food aid programs in ways which can absorb commodity resources in weak markets, and use them over a longer time frame to effectively to reduce hunger without overhanging future, stronger markets. It also means finding ways to integrate food aid into more market-based risk management strategies, which must play a more important role in global markets in the absence of large government stocks. It means actively looking for new, creative ways to support the relief to development transition, as well as devising new linkages with growth in promising countries who will still have large numbers of food insecure people.

Managing Risk in the New Environment

More market-oriented policies--domestic and international--put a premium on developing more market-based instruments to deal with some of the risks which in the past were mitigated by large government stocks and larger food aid supplies. Even if actions are taken to restore, or increase, food aid levels the changed policy environment suggests the need to develop complementary market-based mechanisms for handling production and price risk. This is particularly important for poor food deficit importing countries of sub-Saharan Africa.

Countries in sub-Saharan Africa face two major sources of risk. One comes from the variability of production in countries dominated by rainfed agriculture.[54] In principle, production variability could be handled by imports. In practice, sub-Saharan remains the only region of the world where production variability still translates into famine. It does so in part because countries lack purchasing power to import, in part because infrastructure constrains the transportation of food to vulnerable populations, and in part because conflicts and domestic instability complicate both commercial transactions and relief. When countries do import, they face another source of risk--price volatility and particularly, sudden increases in grain prices. Not only do rising prices increase the country's own cost of importing food, but they also reduce the quantity of food which donors can purchase and deliver within a fixed food aid budget.

A number of mechanisms have recently been suggested for managing risk, including compensatory financing funds, national risk management programs such as crop or income insurance, buffer funds, buffer stocks, and the use of futures markets.[55] Sarris has proposed creating a futures-market based international fund to help low income developing countries manage import price risk. The international fund which would essentially act as an international food import insurance agency whose premiums would be subsidized by the international community. Under his proposal, the fund would examine world markets before the beginning of the country's crop year and decide the premiums at which it would make purchase contracts available to the country and the period over

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[54] For historical data and national coefficients of variation, see USDA, ERS, *Food Aid Needs Assessments* (Washington D.C.: November, 1996), 84-85.

[55] Alexander Sarris, "World Cereal Market Instability and Developing Country Response" in Markets and Institutions for Food Security, proceedings of a seminar organized by the EU Commission, December 10-12, 1997 pp. 6-8.

which the contract would extend. The country could contract with the fund for this "call option like" contract. If it purchased the contract, and later needed to buy grain from the world market, and the market price was higher than the contract's strike price, the country could purchase at the lower (strike) price. If world market prices were lower than the contract price, the country would simply buy on the market at the lower price and forfeit the premium.[56] Such a program would achieve economies of scale in its operation, provide developing countries flexibility in accessing markets, and take advantage of well-established market instruments. The cost, or organizational complexity, associated with such a program has not been studies, however.

ERS recently explored two possible options for managing risk in Southern Africa: a strategic regional grain reserve, a regional food import insurance option, and identified a third--freer regional trade.[57] The regional strategic reserve would deal primarily with production risk. Analysis found that a regional reserve with quantity-based rules for acquiring and releasing stocks could potentially smooth aggregate consumption significantly. Using the rule that stocks are acquired when supply is greater than 120% over trend supply (including trend imports) and released when they are less than 80% of trend supply, a counter-factual study of the 1962-95 period found that consumption was smoothed considerably. Additional analysis, incorporating a more complex relationship between where stocks and trade, and looking at cost and cost sharing, is underway. The food import insurance option, on the other hand, dealt primarily with import price risk, and is basically a financial program. Using the rule that individual countries receive reimbursement for imports over one standard deviation above trend and pay into the fund when imports were more than one standard deviation below trend, the counter factual historical analysis found that every country would have saved on its imports, although some more than others. Exporting countries like South Africa and Zimbabwe gained the most, although Mozambique, Tanzania and Zambia were also big beneficiaries. The region as a whole would have saved $665.8 million over the 1962-95 period.

Conclusions

The policy environment for food aid has changed. The "hard" link to US farm programs--built on surpluses and an important role for food aid in bolstering farmers' income--has been replaced with a "soft" link, mediated by markets, budgetary constraints and changing institutional roles. This has, however, been a gradual process, beginning with the significant expansion of commercial export markets in the early 1980's, continuing with the more market-oriented farm bills of 1985 and 1990, and culminating in the 1996 Act and more budget-driven food aid programs.

The reality now is that food aid is not a "free good." It has to compete with other priorities in a tight budgetary environment. This means both increased program competition, as well as project

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[56] Alexander Sarris, "World Cereal Market Instability and Developing Country Response" in Markets and Institutions for Food Security, proceedings of a seminar organized by the EU Commission, December 10-12, 1997, p.7.

[57] Mike Trueblood, "Can Regional Policy Initiatives Help Achieve Food Security in Souther Africa?" in USDA/ERS, *Food Security Assessment* (Washington D.C., November, 1997), pp. 30-35.

competition within the food aid budget. The weaker linkage of food aid to domestic programs also means that non-agricultural interest groups have become more powerful in shaping, and supporting, food aid programs. Smaller resources, in the face of growing needs and multiple objectives, will make it more difficult to show a positive, global impact, and increase the need for food aid managers to choose among competing needs.

Food aid programs have themselves changed. Government to government arrangements have been overshadowed by PVO and NGO implementation, and a rising role for multilateral food aid programs going through international organizations. The 1996 Act extended the scope for non-governmental actors even further by permitting private companies to handle Title I food aid.

Non-governmental organizations handling food aid face a different implementation environment. GPRA concerns with impact and effectiveness have led to new requirements for collecting baseline data and monitoring and quantifying impact which some find burdensome and inflexible. On the other hand, the reengineering of USAID has given "stakeholders" in both the PVO community and recipient governments a much greater opportunity for involvement in the formulation of programs, and a greater ability to relate them to local needs. The 1996 Act went further than any other farm bill in recognizing, and funding, the costs non-governmental organizations incur in carrying out food aid programs overseas.

Markets matter more--both nationally and internationally. International markets are now very critical to the well-being of American farmers and the agricultural sector. Commercial exports are much more important than government export programs, which are in turn more important than food aid. With the successful conclusion of the Uruguay Round, agriculture is for the first time part of the trade liberalization process which has transformed global commerce over the past thirty years. Disciplines on national policies which are trade distorting, as well as some commitments on the availability and appropriate uses of food aid, will continue to affect future programs. How and how much they affect them will, once again, depend a great deal on international market conditions, as well as on whether the reform and liberalization process begun under the Uruguay Round continue. Whether markets become more volatile, with lower stock levels, or more stable, with better price transmission and increased supply response, remains to be seen.

Food aid, most clearly that handled through USAID, is increasingly oriented toward improving food security. The conclusion of the World Food Summit, and the global commitment to reduce by half the number of food insecure people by 2015, could affect both food aid levels and their use if making food on the WFS pledge becomes an important US policy objective.

Sub-Saharan Africa has a serious food security problem, which will grow to catastrophic proportions if the trends of the past 15 years continue. It has been home to some of the worst complex emergencies. It is also, however, a continent which is showing new signs of promise and growth, particularly among countries which made critical policy reforms and have performance oriented leaders. Investments in increasing agricultural productivity, fostering trade and attracting investments will be especially important to accelerating growth in these countries.

Food aid has an important role to play in sub-Saharan Africa. How well it performs depends in part on the ability to design programs which deal effectively with both soft and tight international markets, and can be smoothly interfaced with other strategies for managing risk in a market environment. It also depends on the ability to develop new approaches for supporting the transition from relief to development, as well as for operating effectively in growing countries which will still have a high proportion of food insecure people.