

Food aid and food security in a globalised world: building on the contribution of Hans Singer

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A Real World Idealist

For me also it is a pleasure and honour to participate in this meeting in which we commemorate Hans Singer by using his ideas to propose ways in which international development policy should and can be renewed. There are two important things that I gained from working closely with Hans over a number of years on food aid issues.

First there was his sense of **responsibility**, above all to those who are poor and vulnerable and to children, the future generation. Hans held to the fundamental nature of human rights from a Kantian perspective, always actively working for the rights of others. This position is robustly expressed by another Kantian, Onora O'Neill:

“What is meant to work for human rights is to build the institutions and the requirements that create the duties that realise those rights. It can be a mockery to tell someone that they have the right to food when there is nobody who has the duty to provide them with food.”ⁱⁱ

Second, and here surely he was influenced by his mentor, Keynes, Hans always considered a problem in its real world context, and asked how an economic analysis could both illuminate our understanding of that problem and lead to policy options. His work as an economist was firmly grounded in empirical reality. Hans's approach is illustrated by his scepticism in writing 20 years ago about the simplistic view that importing food aid automatically leads to producer disincentives:

“It can be stated generally, that the simple assumption that a lower price means less output, and a higher price more output, is an unduly simplified application of neo-classical textbook analysis (say, from Marshall's *Principles of Economics*) of a perfect capitalist market, quite likely not applicable to the much more complex case of the food marketing developing countries (only partly commercial and only partially market-orientated).”ⁱⁱⁱ

The challenge, I want to suggest, now is to combine this sense of responsibility with an economic analysis of 21st Century problems of hunger and malnutrition, as those now arise in crises and in association with chronic poverty. Markets alone will fail to solve these problem, so how should and can these problems be addressed through institutionalised forms of international action?

1947-1959

Hans came to the problem of hunger and food insecurity, as the lack of assurance of global availability and personal access to food, in a very different world. After World War II the US possessed gold reserves of \$20 billion out of almost two thirds of the world's total of \$33 billion, produced more than half of global manufactured goods and over a third of global GDP^{iv}. First, there was *reconstruction*. US bilateral action was the only practical response. Initially agricultural commodities accounted for almost half of the Marshall Plan. Then came the problems funding the process of economic development: most less developed countries faced with acquiring sufficient food to feed their rapidly growing populations and financing investment in growth.

Global food markets were highly administered and internally there was only partial commercialisation and extensive state intervention. Hans saw that the key to simultaneously addressing these problems lay at least in part in mobilising US food surpluses.

Hans was sympathetic to the idea of Boyd Orr, the first DG of FAO, for a World Food Board to manage and distribute food. But the US again preferred, at least initially, bilateral solutions. Its 1954 PL 480 food aid program emerged as a powerful instrument of foreign policy, a vent for domestic surpluses, an engine of trade promotion and a major development resource. But by the late 1950s the US had come to recognise the potential value of a multilateral food aid programme that would complement its bilateral actions, channelling food to development projects such as school feeding, which would not compete with commercial imports. A multilateral programme might also draw the other now prosperous OECD countries into burden sharing. The UN, through a working group headed by Hans, provided the model for the World Food Programme, importantly adding a crisis response role to its mandate. The WFP, launched in 1963, has emerged as a major humanitarian agency.^v

In 1967 the Food Aid Convention was ratified as part of a Tokyo Round deal to exclude agricultural subsidies from GATT scrutiny. The EEC, now beginning to generate structural surpluses, and other DAC members, plus Argentina, agreed to US proposals to make minimum contributions of cereals food aid, both absorbing some of the surpluses and as burden sharing. At least some food aid was assured in the 1972-74 world food crisis.

In the mid 1960s food aid accounted for around 25% of all official development assistance (ODA). Most of that food was US bilateral programme aid provided as budgetary and balance of payments support. If there were trade distorting effects, these were almost all amongst developed country exporters with perhaps only middle income Argentina also affected.^{vi}

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Twenty years ago Hans wrote his pragmatic and persuasive defence of food aid as both a challenge and opportunity^{vii}. There were changes afoot, especially the growing role of food aid in relief: Afghan refugees in Pakistan and Cambodians in Thailand. However, in some essential respects food aid had not dramatically altered. Around 80% of food aid was still categorised as developmental, and more than half was still programme aid. The WFP, now well established, provided around 20% of deliveries. Food still accounted for around 9% of ODA. Burden sharing had become a reality - during 1980-1982 the US funded 45% of total DAC food aid. An ambiguous mix of objectives was reflected in the list of recipients: Egypt as the largest recipient with Bangladesh coming second. There was major US support to client governments in conflict troubled Central America. Large scale drought relief in Sub-Saharan Africa saved lives; but, if too late arriving, that emergency aid could also disrupt fragile, thin markets and hamper recovery.

2006

Today there is a very different reality. Humanitarian emergency aid is around 9-10% of all ODA, because of the numbers of displaced people affected by conflict and the growing impacts of natural disasters. If recovery and reconstruction costs were

included, then the disasters and crises share of aid would be even larger. But only a third of emergency aid is food aid. Food aid accounted for around 4% of ODA during 2002-2005, and continues in secular decline as a share of developing country imports and trade. The significance of food aid is that most is targeted on those affected by emergencies and what Simon Maxwell calls the 20% group of countries, heavily reliant on aid.^{viii} However, this humanitarian role is impeded by its complex 1950s-1960s institutional architecture and, many would argue, is compromised by donor country supplier interests.

Popular perceptions of food aid and reality have in fact come together. 60% more is categorised as humanitarian “emergency” aid and some of the rest is targeted to countries with continuing emergencies and chronic hunger. This aid is largely channelled multilaterally, but as directed by the bilateral donors, with a significant proportion through NGOs. Programme aid, around 10%, provided budgetary support to the likes of Uzbekistan and Pakistan. Food aid is also reverting to being a largely US aspect of international humanitarian and development co-operation. In 2003 the US funded 72% of total DAC food aid, virtually, “doubly tied”, in Hans’s phrase, to donor specified foods and domestic sources of supply.

Food aid has become an obstacle to an agreement in the Doha Development Round. Food aid as it is resourced and institutionally organised has become part of the problem and a source of tension within the international development community between the US and especially European members, and also some emerging developing country agricultural exporters within the WTO.^{ix} Food aid is also exempt (along with TC) at US insistence from the DAC agreement to untie aid to least developed countries. These tying practices increase food aid costs by up to half.^x There is a need to grasp the nettle and find space for institutional arrangements that address the emerging problems of the 21st Century.^{xi}

The Future: A Humanitarian Aid Convention (HAC)

I would like to conclude by arguing that what is needed is a wider Humanitarian Aid Convention absorbing the functions of the Food Aid Convention. Within such a Convention funds for all humanitarian assistance would be untied, because the moral imperative is to prevent deaths and protect all from the affects of disaster and conflict. Otherwise, all food aid should progressively conform to DAC rules on untying of aid to low income countries and, if tied, become within a specified time period, perhaps five years, subject to WTO disciplines on export subsidies.

In making a case for a more radical transformation of food aid I have encountered the argument of focusing too much on flaws or deformations in the supply side of the food aid system. Instead it is argued, we should give more consideration to the ‘demand side’, the self-evident needs of the hungry poor. This so-called demand for food aid is usually presented in terms of the very approximate FAO estimates of global hunger or undernutrition (c. 800 million people), more specific and growing food insecurity problems in Sub-Saharan Africa and the many emergency appeals that are only partly met by the donor community. In the course of the Doha Round important groups of African and least developed countries are revealing their preferences, and these are not simply for a continuation of the status quo.^{xii} The present food aid regime reflects an institutional history of many pragmatic compromises or political fixes that date back to the 1950s. So what is proposed and

agreed now for the next few years will have a considerable influence on the world of 2015-2020 and beyond.

It is desirable to take a longer term view of what is appropriate and not just focus, as some stakeholders are doing, on resource availability in the short term. Otherwise this preoccupation can obstruct the pathway to a better longer term solution. Of course, ways can be found to compensate genuine beneficiaries affected by the transition to a new regime. The presumption is that food aid will continue to have a significant but more limited role largely in humanitarian assistance and decreasingly in promoting food security. Therefore it should be properly located within a wider institutional framework for humanitarian assistance. The case for change is based on four arguments.

First, the range of country and within country situations in which international food aid is an appropriate aid modality will continue to shrink. This is because of internal market integration, the population transition from being predominantly rural to predominantly urban and peri-urban, and the international trade globalisation processes.^{xiii} This contraction is already apparent from the increasing focus on Sub-Saharan Africa in both emergency operations and development projects. Whatever the longer term uncertainties of global and regional food supply, these will be impacting on countries and people who are likely to be more fully integrated into monetised market economies for both their livelihoods and more narrowly as consumers.

Second, the balance of activities and costs within food operations is shifting from sourcing the food to non-food costs. Using food aid in responses to humanitarian crises is highlighting the problem that it is not just the volumes of food that are important but also ensuring that there are adequate funds for delivery assistance both internationally and within country.

Third, one can go further and argue that the balance of humanitarian assistance is also shifting from food to a more complex basket of relief and to livelihood support, through cash transfers, micro-credit and insurance, as well as through seeds and other inputs.^{xiv}

Fourth, if food aid were part of a wider humanitarian compact with larger resource commitments, then the pro-cyclical effects of food prices on the availability of aid in-kind (i.e. availability declines as prices rise and vice versa) would be more easily accommodated.

No one has attempted so far to spell out more fully what a broader Humanitarian Aid Convention might look like, subsuming responsibilities implied in the Food Aid Convention. The context is the wider ranging discussions that are taking place now about international bodies and aid architecture. The recently established UN CERF (Central Emergency Relief Fund) and new modalities for disaster response of international and regional financial institutes suggest this is a moment to be more ambitious and for governments and civil society institutions to think outside the blinkered box of food aid, and its stakeholders and interest groups.

What of global food insecurity? There is the growing concern that rising energy prices and the use of grain for bio-fuel production will end the long 20th century

decline in the real price of cereals. That could become a serious problem for some food importing developing countries. But two events illustrate reasons for doubting that the answer lies in food aid. The failure of the US grains embargo on the USSR in 1979 showed that markets could be influenced, but were longer controlled. In 1995 when there was a cereal price spike, both the USA and Canada both unilaterally reduced their minimum commitments under the Food aid Convention. The import funding issue brought about by an international commodity price shock would also be very large compared to existing or likely food aid minimum commitments. The answer is a set of international financial mechanisms that ensure budgetary and BoP support to countries affected by such a shock. The implication is that humanitarian emergency and global food security issues should be uncoupled – as two problems that require complementary but separate measures.

I would like to think that were Hans coming fresh to these issues today, as he did in approaching the issues of development and food between 1948 and 1960, he would provide a penetrating analysis, arrive at a genuinely innovative solution and then use all his considerable persuasive skills to command overwhelming support for his proposals.

Notes and references:

ⁱ Contribution to “Development Horizons: Using the Ideas of Professor Sir Hans Singer to Help Reshape International Development Policy” An IDS, IIED and ODI Event, Portcullis House, London, 30th November, 2006.

ⁱⁱ Extract from transcript of Onora O’Neill’s response to a question following her Second Reith Lecture, BBC Radio 4, 10 April 2002.

ⁱⁱⁱ Hans Singer, John Wood and Tony Jennings, *Food aid: challenge and the opportunity*. Clarendon Press, Oxford, 1987.

^{iv} W. Ashworth, *A short history of the international economy since 1850*. London, 1975.

^v Edward Clay, 2003. ‘Responding to change: WFP and the global food aid system.’ (*Development Policy Review* 21(5): 697-709) provides an account of the evolution of WFP from being, as the US envisaged, primarily an development food aid programme into what is now overwhelmingly a humanitarian agency.

^{vi} This reality is reflected in the membership of the Sub-Committee on Surplus Disposal that was supposed to ensure that food aid did not displace normal trade or usual marketing requirements.

^{vii} Singer and others , op. cit.

^{viii} Simon Maxwell, “Prosperity and poverty in a globalised world.” Sir Hans Singer Memorial Lecture, Tropentag 2006, University of Bonn, 11 October 2006.

^{ix} . . .^x Food aid is exempt from both Uruguay Round disciplines on export subsidisation. The US wishes to maintain the status quo and all European members of the WTO favour untying. For a fuller explanation see Edward Clay, *Food Aid and the Doha Development Round: Building on the Positive*, ODI Background Paper February 2006. Overseas Development Institute, London.

^x OECD, 2005. *The Development Effectiveness of Food Aid: Does Tying Matter?* Paris, 27 Sep 2005 ISBN: 9264013474

^{xi} ODI. 2000. ‘Reforming food aid: time to grasp the nettle.’ *ODI Briefing Papers, 2000(1)*. London: Overseas Development Institute.

^{xii} Clay, Edward J. 2006 “The Post Hong Kong Challenge: Building on Developing Country Proposals for a Future Food Aid Regime” Background Paper No 2 London Overseas Development Institute.
http://www.odi.org.uk/wto_portal/post_wto/clay_background2.pdf

^{xiii} The structural change in food systems is illustrated by the experience of Bangladesh. At the time of the 1974 famine only a third of rice production was marketed. By the early 1990s the proportion was around 60% and by now is perhaps 75-80%. Additional crisis related food imports up to the late 1980s were food aid and government purchases. Following the 1998 floods commercial imports became main source of imported food.

^{xiv} For example Paul Harvey, *Cash and vouchers in emergencies*. HPG discussion Paper Overseas Development Institute, London February 2005; Renos Vakis, “Complementing natural disaster management: the role of social protection.” *SP Discussion Paper No 0543*, Social Protection Unit, World Bank, Washington, D.C..