

Joint Evaluation of European Union Programme Food Aid

Summary of Synthesis Report

October 1996

**A study commissioned by the Working Group of Heads of
Evaluation Services (Development) of the European Union
Member States and the European Commission.**



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by

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List of Acronyms

BoP	Balance of Payments
CPF	Counterpart Fund
CSD	Committee for Surplus Disposal (FAO)
DAC	Development Assistance Committee of the Organisation of Economic Co-operation and Development
EC	European Commission
EIT	Economies in Transition (Eastern Europe and former Soviet Republics)
EU	European Union
FAC	Food Aid Convention
FAO	Food and Agriculture Organisation (UN)
GATT	General Agreement on Tariffs and Trade
GTZ	Deutsche Gesellschaft für technische Zusammenarbeit (German Agency for Technical Co-operation)
ICEA	Ingénieurs Conseil et Economistes Associés (Paris)
IDS	Institute of Development Studies (Brighton, UK)
IFPRI	International Food Policy Research Institute (Washington DC)
IGC	International Grains Council
INDE	Intercooperação e Desenvolvimento (Lisbon)
INTERFAIS	International Food Aid Information System (WFP)
ITSH	Internal Transport, Storage and Handling Costs
NEI	Netherlands Economic Institute (Rotterdam)
NGO	Non-governmental Organisation
ODI	Overseas Development Institute (London)
QMW	Queen Mary and Westfield College (London)
SGC	Steering Group Committee
SMP	Skimmed Milk Powder
ToR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Programme
WFP	World Food Programme (UN)

1 Introduction

Scope and objectives of the study

1. This report summarises the findings of a study of European Union food aid to developing countries, covering the period 1989-94 and focusing on programme food aid including both national actions of Member States and Community Actions organised by the Commission on behalf of the Union. The study was undertaken for the Working Group of Heads of Evaluation Services (Development) of EU Member States and was supervised by a Steering Group Committee (SGC) of the same.

2. The study involved two stages. Stage One, begun in February 1993 and undertaken by the Overseas Development Institute (ODI), London, provided a policy profile and analysis of EU programme food aid through a desk-based review of documentation and statistical analysis. The report was accepted by the Working Group in July 1994.¹ Stage Two, launched in October 1994, involved a series of case studies in twelve recipient developing countries, financed by the following EU donors: Denmark, France, Germany, the UK and the European Commission. ODI, financed by the Netherlands Ministry of Foreign Affairs, acted as a core group with responsibility for overall co-ordination and organisation of the evaluation, and prepared a Synthesis Report, drawing together the main findings of both stages of the research.²

3. The **Terms of Reference (ToR)** for the whole study (Annex 1) provided for the examination of four main areas:

- the effects of programme food aid on food security in terms of availability and accessibility;
- its effectiveness and efficiency as a resource transfer;
- the effects and efficiency of counterpart funds; and
- co-ordination.

4. The ways in which these concepts are used in this evaluation are explained below (paras 5-13) prior to presentation of the findings (paras 14ff). It was expected that the study would enable lessons to be drawn for food aid policies and procedures which could be used by both donors and recipients. These 'lessons' are set out in the form of recommendations on EU Community Action and Member States' food aid in paras 78ff.

¹ *Joint Evaluation of EU Programme Food Aid: Stage One*, ODI, London, February 1994.

² *Joint Evaluation of EU Programme Food Aid: Stage Two. Synthesis Report*, ODI, London, October, 1996.

What is programme food aid?

5 The ToR do not explicitly define programme food aid, but indicate this by the coverage of issues:

- providing balance-of-payments support, either by replacing commercial imports or allowing additional imports;
- providing budgetary support from the proceeds of commodity sales, usually in the context of a food import gap or problem; and
- contributing to food security.

6 After reviewing the practices of food aid donors and discussions with officials, a definition was adopted for the purposes of this study which involves one *necessary* distinguishing characteristic, namely that:

- commodities are provided *directly* to a recipient government or its agent for sale on local markets, or according to more recent jargon 'monetised';

and two typical but *not* necessary characteristics, namely that:

- local currency generated from the sales may be used to establish a counterpart fund, with some form of agreement between the donor and recipient about its management and use; and
- some form of 'conditionality' or policy framework may be associated with the provision of aid on either an annual or multi-annual basis.

7 From this definition it follows that the study is not directly concerned with emergency food aid provided as relief or with project assistance provided indirectly through Non-Governmental Organisations (NGOs) or the United Nations' World Food Programme (WFP).³ So-called partially monetised food aid, where proceeds from sales finance internal transport, storage and handling (ITSH) or other non-commodity local costs of projects entailing direct distribution of food, is also excluded, as are commodity exchanges or swaps to support direct distribution projects.

Why a study of programme food aid?

8 **Subsidiarity in practice** Food aid is the only area of development co-operation where the EU Council agreed to divide up a collective EU responsibility, namely the minimum contribution to the Food Aid Convention (FAC), between what used to be called Community

³ Emergency aid and relief to refugees are typically provided for free distribution to beneficiaries. Project food aid is usually aimed at providing an income transfer to specific target groups or improving their nutritional status in a normal, non-emergency situation. The typical mechanism is a food-for-work or supplementary feeding activity. However, where all project commodities are provided to be sold (e.g. skimmed milk powder and butter oil to the dairy industry) so that the proceeds can be used for developmental purposes, this wholly monetised aid is included within the scope of this study.

Action organised by the Commission and national actions by the Member States. This Council decision in 1968 by the original 6 Member States has been reaffirmed following each renegotiation of the FAC. Each new Member State, even those that might appear unlikely food aid donors, has accepted a share of the overall EU contribution. As a consequence, there are now in effect 16 EU food aid programmes: that organised by the Commission is large, accounting for more than 20% of global and around 60% of EU expenditure on food aid in the early 1990s; the 15 other medium-sized and very small programmes together finance between 12% and 15% of global and 40% of EU expenditure. The review undertaken as part of this study has confirmed that FAC commitments continue to provide the baseline of expenditure commitments of most EU food aid programmes. Food aid therefore offers an opportunity to consider the consequences of subsidiarity in aid provision.

9 The drift from programme food aid Until the end of the 1980s, programme food aid was the major form of food aid provided by the EU and also globally. This is no longer the case, partly because of a deliberate policy decision on the part of some donors to give higher priority to relief and project food aid in order to promote food security and human resource development. It is also partly the consequence of the squeeze on programme food aid as donors feel obliged to respond to unanticipated humanitarian crises by reallocating already budgeted resources to emergency uses. This drift away from programme food aid is in marked contrast to the higher priority accorded more generally to giving programme support to developing countries in the form of balance-of-payments and budgetary support for stabilisation, adjustment and economic reform. The increasing attention accorded to food security, especially as part of a poverty alleviation strategy, also raises the question of whether programme food aid is an appropriate instrument for addressing these problems. There are, therefore, strong grounds for examining whether this movement away from programme food aid, which is only partly planned, is a justifiable reallocation of resources in terms of aid effectiveness and efficient resource use.

Food security: a complex concept

10 This evaluation is concerned with the effectiveness of food aid programmes primarily in improving food security. The many ways in which this concept is employed also necessitate a definition of food security for the purposes of the study. First, issues of *availability* and *access* are distinguished in terms of national and household food security.

- *National food security* is concerned with ensuring availability, that is, the *adequacy* and *stability* of supplies of food at the global and national level.
- *Household food security* is concerned with assuring or enhancing access to food for the poorest, most food-insecure households and groups.

Secondly, the dynamic aspect of food security is recognised by distinguishing between temporal dimensions of food insecurity.

- *Acute* food insecurity involves severe local or national short-term threats to availability, usually a crisis situation at national level, or severe threats to vulnerable groups' access, such as famine, destruction of livelihoods and displacements. The problem may be *transitory*, associated with an environmental shock or an economic shock such as weak commodity prices, or may persist as a so-called 'continuing emergency', especially in a conflict situation.

- *Chronic* food insecurity is a continuing, longer-term problem of the inability of vulnerable households, and often concentrations of vulnerable households in certain regions, to have access to adequate levels of food for normal bodily functioning and development. It is closely linked to poverty. There is also a longer-term aspect of national food insecurity in countries that face persistent difficulties in either ensuring adequate domestic production or financing imports.

Changing economic and policy context

11 The incidence of food insecurity Very few countries are now threatened by immediate famine, except in a conflict situation. However, there are a substantial number of low-income food-deficit countries, especially in Africa, that are still affected by shocks such as drought and other natural disasters which cause acute food insecurity. If the impacts are not effectively addressed they can lead to famine and social disorder. There is also widespread chronic food insecurity because of poverty-related lack of effective demand rather than the supply-related lack of availability that is numerically concentrated in South Asia. In recent years, it is the economies in transition (EITs) in Central and Eastern Europe and the former Soviet republics, at least for a period, that have faced a combination of economic problems and structural change similar in nature to those in which large-scale programme food aid was provided between the late 1940s and late 1980s.

12 Economic liberalisation By the mid-1990s the liberalisation of world food trade and foreign-exchange regimes had made possible a wider range of sources and financing arrangements for food imports on a commercial basis. The ratification of the GATT Uruguay Round points to further development in this direction. At a national level, liberalisation of foreign-exchange regimes, reform of agricultural sector marketing in the context of structural adjustment and sectoral adjustment programmes have occurred in many developing countries.

13 A fully-costed resource There is competition for food aid resources now that these more clearly represent fully-costed aid resources competing budgetarily with other aid instruments, and not surplus resources for disposal. The requirements for emergency relief as well as longer-term project uses by the WFP and NGOs mean that the provision of programme food aid has to be more clearly justified in terms of effective and efficient resource use.

Information, evidence and method of analysis

14 Sources of evidence As the study focused on the years 1989-94 before Austria, Finland and Sweden joined the EU, their food aid programmes were not covered in this evaluation. The study period also precedes the recent draft EC regulation on the management of food aid, although this was noted as an important development.⁴ Stage One of the evaluation involved a desk-based review of documentation and an analysis of food aid flows, with

⁴ European Council. 1995. 'Draft Common Position (EC) adopted by the Council on Food Aid Policy and Food Aid Management and Special Operations in Support of Food Security.' Brussels: November.

questionnaires and follow-up interviews with officials of the European Commission, European Court of Auditors and of those Member States with substantial food aid programmes. In Stage Two, 12 developing countries were selected for evaluation to reflect the wide range of recipient country situations in terms of size of receipts, food import dependence, level of development and regional balance, enabling an examination of the diverse objectives of programme food aid. Studies were undertaken in Bangladesh, Cape Verde, China, Egypt, Ethiopia, Kenya, Mali, Mauritania, Mozambique, Nicaragua, Peru and Zambia. These were all amongst the 20 largest recipients of EU programme food aid (11 of the top 13) and together they accounted for around 73% of total EU programme food aid to developing countries during 1989-94.⁵ The evidence from these case studies provides the basis for the analysis of food security, cost-effectiveness, counterpart fund management and co-ordination issues. Five studies, of Bangladesh, Cape Verde, Egypt, Mozambique and Peru, involving more in-depth exploration of food security issues, were undertaken by larger study teams including local experts.

15 Aid effectiveness Effectiveness in terms of relating objectives to impacts and efficiency in implementation are the twin themes of this evaluation. There is an issue of *effectiveness* in the narrower sense of linking resources to stated goals and objectives. Do the aggregate consequences of Community Action managed by the Commission and the Member States' national actions have coherence in terms of the objective criteria agreed in Council Regulations on food aid policy? These effectiveness issues are investigated through a qualitative assessment of the evidence from the 12 case studies in relation to the findings of the wider literature (see paras 27-46).

16 Efficiency of commodity aid Secondly, there is the question of *efficiency*, which has two aspects. Does the actual process of organising food aid represent a well-ordered translation of intentions into actions, and did it represent an efficient use of developmental resources? These issues are considered first through a qualitative analysis of the case-study evidence on operational efficiency in providing food aid and managing counterpart funds. Second, there is a quantitative analysis of resource transfer efficiency using data collected on a standard basis for the 12 case-study countries. These financial efficiency (or cost-effectiveness) analyses cover both the supply of commodities and the generation of counterpart funds. For the purposes of comparison, it is assumed throughout that financial aid could have been provided for these same purposes (see paras 55-77).

17 Co-ordination As the Commission and the Member States have parallel competence for parts of the EU's FAC obligations, some form of co-ordination is unavoidable. There is also broad agreement within the EU and the wider development community that co-ordination at international and recipient country level is a necessary aspect of food aid: perishable commodities are being provided for the consumption needs of food-insecure people and there is a risk of negative impacts on recipient production and markets. This evaluation focuses on three broad aspects of co-operation between agencies:

- organised information-sharing;
- adopting common procedures; and
- active co-ordination to ensure consistent actions.

⁵ The terms of reference excluded a detailed analysis of EU programme food aid to the Economies in Transition (EIT) of Eastern Europe and the former Soviet republics, although these were noted as part of the review of total food aid flows (see Chapter 2 below).

2 Profile of EU Food Aid

18 Changing policy objectives A review of Commission and Member States' policies for food aid indicates a shift away from using food aid for promoting supply-side-focused agricultural strategies in recipient countries to supporting a range of food security, structural adjustment and economic reform objectives and in particular mitigating the social impacts of policy reform. There has been an increase in food aid used for a mixture of emergency, relief and food security objectives. The present evaluation therefore focused on programme food aid impacts during a period of rapid policy change.

19 EU's growing role as a donor Since the late 1960s EU food aid has grown progressively both in absolute terms and as a share of global food aid. The EU currently accounts for a third of global minimum contributions under the Food Aid Convention and of food aid expenditure reported by DAC members. During the period 1989-94 the EU as a whole exceeded its annual obligations under the FAC by more than 100%. Because of cuts in budgets by some other major donors the EU may increase still further its share within global food aid which has risen from around a fifth to a third since the late 1980s (Figure 1).

Figure 1 EU cereals aid 1970/71-1994/5 as percent of global cereals aid

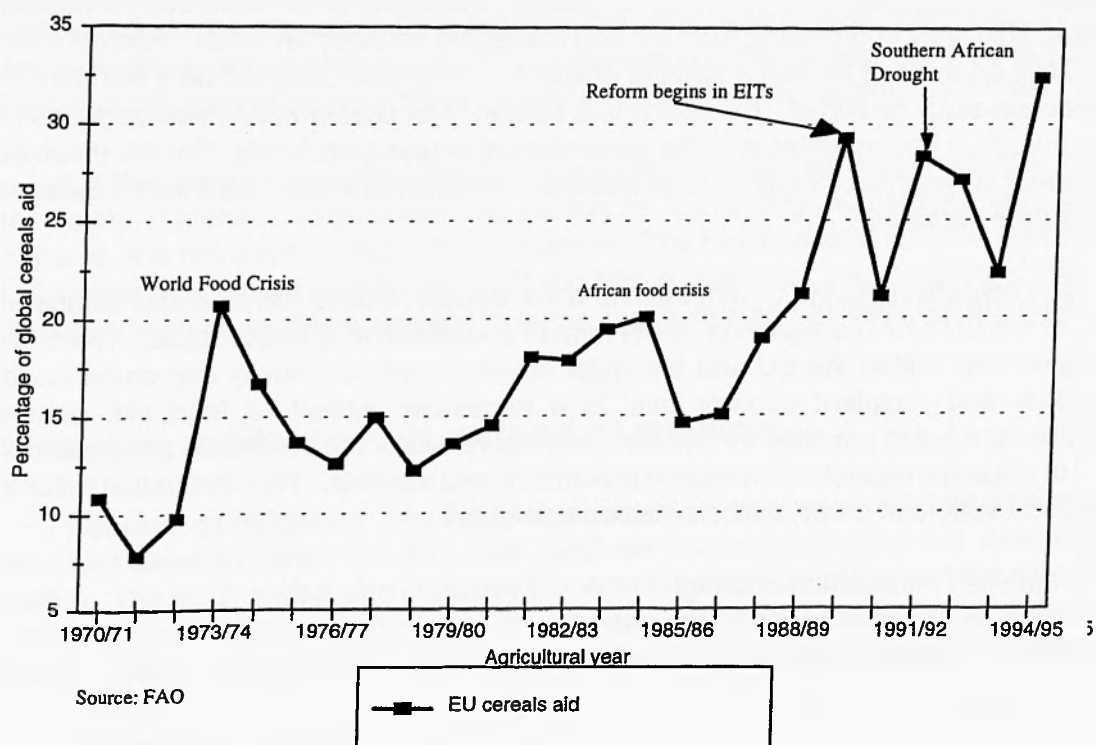


Table 1 EU cereals food aid, 1989-94 and food aid expenditure, 1991-92

Donor	Cereals food aid 1989-94 ^a		Food aid expenditure 1991-92	
	annual average 000 t	share of total %	annual average ECU mn	Share of total %
Community Action	2,330	68.6	742	58.4
Member States ^b	1,068	31.4	530	41.6
<i>of which:</i>				
Belgium	38 ^c	1.1	10	0.8
Denmark	31	0.9	37	2.9
France	213	6.3	43	3.4
Germany	268 ^c	7.8	135	10.6
Greece	2 ^c	...	1	...
Ireland	5	0.1	--	--
Italy	153	4.5	88	7.0
Luxembourg	1	...	1	0.1
Netherlands	143	4.2	113	8.9
Portugal	3	...	7	0.6
Spain	31	0.9	44	3.5
UK	180	5.3	51	4.0
EU Total	3,398	100.0	1,272	100.0

... Less than 0.05%

-- Data not available, not included in EU total

- Notes:**
- a Shipments by calendar year including rice in wheat equivalent
 - b National actions excluding contributions to Community Action
 - c Possible incomplete reporting to WFP

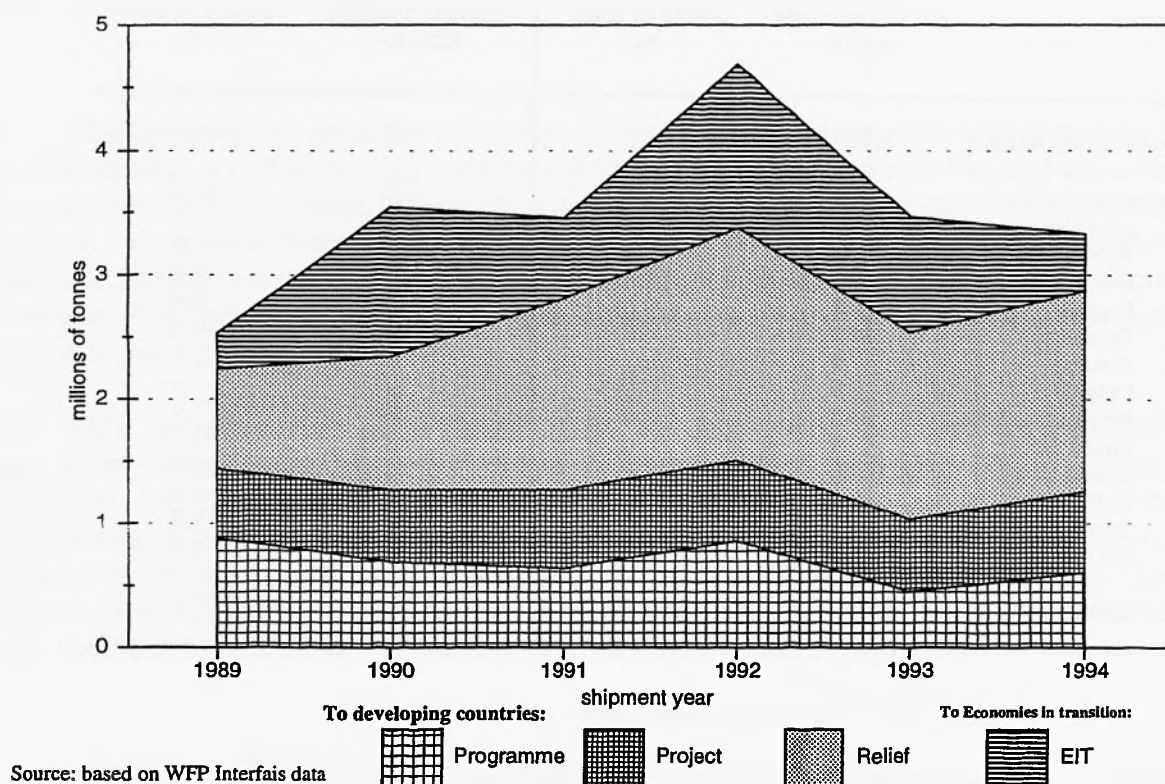
Source: Cereals aid: WFP Interfais and IGC.
Expenditure: European Commission and Member States. See main Synthesis Report Tables 2.1 and 2.3.

The increasing importance of Community Action

20. Within the EU total, Community Action, organised by the Commission, continues to grow in importance, rising steadily in volume from a fifth in the early 1970s to over two-thirds between 1989 and 1994, although accounting for around 60% of total EU food aid expenditure (Table 1). Community Actions tend to lead in responding to emergencies and in establishing new food aid initiatives such as the programmes to the EITs.

21. **Food aid expenditure** The share of food aid in EU total official development assistance (oda) has declined to around 5%, due partly to a decrease in the amount of food aid shipped by some donors and partly to the more rapid growth of financial oda from the EU and other donors. However, data provided by EU agencies suggest that DAC estimates may have underestimated total EU food aid-related expenditure by one third in 1991 and 1992. Food aid is increasingly regarded as competing budgetarily with other forms of assistance and less as a separately organised instrument involving agricultural ministries in the disposal of surpluses.

Figure 2 EU food aid to Developing Countries by category of use and to the Economies in Transition



22 Declining role of programme aid Programme food aid has declined in importance both globally and as a share of total EU food aid to developing countries (Figure 2), whilst accounting for most of the food aid to the EITs. During 1992-94 only a quarter of Community Actions and less than a fifth of combined Member States' actions to developing countries was programme food aid. Meanwhile, emergency and relief food aid for free distribution grew substantially between the late 1980s and the early 1990s in absolute terms and, by 1992-94, accounted for 57% of total EU food aid shipments to developing countries.

23 Institutional channels Community Action and Member States' actions are channelled in diverse ways, with some Member States providing food aid primarily through UN agencies as multilateral food aid and others preferring to maintain a largely bilateral programme either on a direct government-to-government basis or using NGOs as executing agencies. Community Action, France, Italy and Spain as well as Germany, because of the size of its overall programme, are responsible for the bulk of programme food aid shipments.

24 Commodities EU food aid as a whole and Community Actions in particular are increasingly dominated by cereals, especially wheat. In addition, there has been a shift to coarse grains, especially maize, as rules on sourcing within EU markets are relaxed and there is a corresponding growth in the acquisition of food aid commodities in developing countries (see below). The Community Action programme is becoming more diversified, with a decline in dairy products, which until the early 1980s dominated expenditure, and an increase in vegetable oil and pulses, the latter sourced in developing countries.

25 Developing country acquisitions There has been continuing growth in the acquisition of commodities in developing countries, either as local purchases within the recipient country or through triangular transactions in third countries, usually within the same geographical region. Some 19% of Community Actions and around 29% of Member States' shipments between 1992 and 1994 involved developing country purchases, which featured particularly heavily in a few Member States' programmes.

26 Geographical distribution The shift to relief is reflected in the concentration of food aid on sub-Saharan Africa and more specifically on those countries affected by conflict (for example, Ethiopia, Mozambique and Somalia). The geographical distribution of food aid in general, and programme food aid in particular, is characterised by a small number of large recipient countries (10 countries accounting for 61% of total EU food aid to developing countries and 6 countries (Egypt, Bangladesh, Mozambique, Ethiopia, Tunisia and Peru) for 58% of EU programme food aid between 1989 and 1994). Meanwhile, a large number of countries (over 100 since 1989) received relatively small and often intermittent amounts. This concentration of aid is reflected in the selection of countries for evaluation.

3 Effectiveness: Food Security

27 **Uncertain and modest impacts** Overall, the uncertain impact of EU programme food aid on food security is underlined by the case studies. This is partly a consequence of the modest scale of the resources provided to most recipient countries, but also reflects the fact that neither national nor household food security has been (at least until recently) the primary focus of assistance. A multiplicity of objectives has also implied trade-offs and in some cases a lack of focus. Programme food aid has played a relatively more effective role in supporting national food security as part of a wider set of complementary actions involving relief, project food aid and financial assistance in a situation of acute food insecurity. The other situation in which it had an obvious role - namely, where a combination of severe, chronic food insecurity and balance-of-payments problems prevented countries from covering minimal consumption needs with imports - is now less common. Except in a conflict situation, the threat of immediate famine has receded from most developing countries, as the case studies demonstrate.

28 **International food security** The EU has contributed to food security by assuring the availability of food aid supplies. It not only met its obligations under the Food Aid Convention but up to the early 1990s also responded to new major events with additional resources, instead of allowing levels of food aid to be dictated by changing supply-side constraints, in particular the effects of international cereal prices on donor costs. However, the effects of continuing price variability since early 1995, although outside the scope of this study, need to be carefully monitored.

29 **National food security** There is no close relationship between the amounts of total or programme food aid allocated by EU donors and their stated formal criteria for giving aid, such as food availability or the balance-of-payments situation in individual recipient countries. Instead, there has been an imprecise targeting of programme food aid on some of the more food import-dependent, lower-income economies. Apart from a few high priority countries, EU programme food aid has accounted for a negligible proportion of domestic food availability.

30 **Transitory food insecurity** Programme food aid is provided by EU donors in response to short-term transitory problems of food availability, but only to a few, especially least-developed disaster- and conflict-affected economies. Taking into account other donors, responses have been adequate in scale. However, effectiveness in terms of providing additional food imports was frequently reduced by slow implementation, inappropriate selection of commodities and lack of co-ordination (see below paras 48-50, 68-71). Donor finance for imports organised by the recipient country or triangular transactions were both more effective and more efficient than direct food aid.

31 **Chronic food insecurity** The greater part of EU programme food aid is provided in the context of chronic food insecurity. But donors have a range of objectives often linked only **indirectly** to household food security. In most cases, including major recipients which take a large share of EU programme food aid, the quantities of aid provided - in relation to food policy aggregates such as cereals supply and imports, or macroeconomic aggregates such as public

expenditure or the balance of payments - are likely to be marginal. Consequently food aid impacts are necessarily marginal and can only be assessed qualitatively.

32 Policy context - adjustment, sectoral reform and poverty alleviation Although most recipients are involved in structural adjustment and liberalisation of food sector markets and trade, programme food aid agreements rarely show any explicit linkage with public expenditure or sectoral reform, including social policy. The important long-standing exception is Mali. Instead, a changing balance of policy objectives reflects the evolving donor policy environment with a decline in the provision of programme aid for balance-of-payments (BoP) support, and the termination or reduction of some previously large country programmes, for example to Bangladesh, Egypt, Sri Lanka and Tunisia. Some EU donors are providing finance for local food purchases and to fund non-food or complementary food security investments. Some agencies, particularly the Commission, are giving increased attention to the use of counterpart funds (CPFs) as a resource for food security and anti-poverty programmes and agricultural development more generally.⁶

Direct impacts of commodity aid

33 Import substitution or additional food Until the mid-1990s programme aid was being provided with BoP support as a primary objective, especially to middle-income recipients. However, problems in implementation frequently reduced the actual (*ex-post*) levels of foreign-exchange savings and resulted in higher than intended imports.

34 Agricultural impacts Minor, short-term negative or non-positive interactions were common between food imports, including programme food aid, and local production. These negative impacts were more likely in a crisis situation, because of what were in retrospect excessive commitments. Delays in commitment and delivery, although operationally avoidable, also increased the likelihood of late arrivals of aid augmenting already improving supply. In most cases individual commodities were affected rather than overall agricultural growth performance which is explicable more in terms of a mix of exogenous factors such as weather and major policy changes.

35 Agricultural policy The now widespread process of economic liberalisation and agricultural sector reform is providing the context to which food aid is adapting, rather than vice versa. Programme food aid is still typically being sold on local markets under price regimes that involve consumer subsidies, but these are frequently being reduced under adjustment programmes. Subsequent inefficiencies in CPF value creation remain, however (see below, para 51). Programme food aid is also still supporting interventions that favour selected groups of consumers to the disadvantage of producers. With some important exceptions of highly import-dependent economies (e.g. Cape Verde and Ethiopia), and conflict-related acute food insecurity (e.g. Mozambique), the modest share of food aid in the overall food market now makes this a less significant factor in overall policy.

⁶ European Commission. 1996. 'Programme communautaire de sécurité et d'aide alimentaire.' Brussels: Directorate General for Development, Food Security and Food Aid Unit: April.

Macroeconomic and developmental impacts of CPFs

36 A poor informational base and the real methodological problems inherent in determining actual uses make it difficult to draw robust conclusions about the impacts of CPFs. Assessment of performance was severely limited by the lack of data available to donor agencies both at headquarters and recipient country level. The availability and quality of data are improving, however, reflecting a refinement of reporting procedures.

37 The country studies provided only limited additional evidence which largely confirmed the findings of a number of wide-ranging studies on CPFs reviewed in the Stage One report (*op. cit.*, Chapter 4). The continuing lack of transparency on macroeconomic and sectoral issues reflects the limited success of bilateral donors in genuinely engaging with public expenditure decisions in recipient countries. The following macroeconomic effects were indicated:

38 **Monetary effects** The monetary impact of CPFs is typically small, given their relative insignificance within the overall money supply. However, their rate of disbursement is important, with the release of any funds accumulated over an extended period tending to fuel inflation. There is little evidence of substantive exchange-rate effects.

39 **Budgetary significance** Food aid CPFs are typically a small part of the recipient government budget, rarely exceeding 5% of expenditure. There are, however, important exceptions, Mozambique (22% of government revenue in 1989) and Cape Verde (7% of total budgetary expenditure). The impact of CPFs proved difficult to assess owing to problems of fungibility and of establishing a counterfactual case in the absence of CPFs.

40 **On- and off-budget CPFs** There is a trend towards the increased use of CPFs on-budget, reflecting an emphasis on the budgetisation of aid and recipient country economic reforms. Donors supporting recipients undertaking structural reform tend to relax the bilateral aid conditions as the recipient is already subject to a high level of conditionality.

41 **Use of CPFs** EU donors currently favour a range of uses, reflecting wider individual donor priorities. There has been a shift of emphasis on the part of the Commission away from agricultural development towards more social concerns, in particular alleviation of the negative social dimensions of adjustment. Longer-term household food security is also now being emphasised.

42 **Support for agricultural and food strategies** The goal of using food aid, and in particular CPFs, in support of agricultural development or food strategies had limited success for the following reasons:

- most recipients lack coherent food security policies that provide an effective framework within which such resources could be effectively utilised;
- CPF arrangements rarely allow the individual donor to determine whether there is any additionality in agricultural sector investment and recurrent expenditure;
- these issues are highly commodity-specific, especially for dairy and vegetable oil aid.

43 **Lack of evidence - lack of transparency?** The actual effects of CPF arrangements on recipient government expenditure are mostly unclear. Typically there has been little attempt to

monitor and evaluate the activities to which CPFs have been assigned. The issue of fungibility complicates assessment of the level and composition of uses and the effectiveness of CPFs. The limited evidence available points to the effectiveness of projects being highly context-specific. Reporting and evaluation of support for broader programmes that was planned around explicit sectoral objectives, for example dairy development in China and poverty alleviation in Peru, tended to be more thorough.

Household food security

44 Consumption and nutrition impacts The direct consumption impacts derive from those policies which are supported by food aid. These continue in most cases to involve some form of subsidised sale to consumers or processors. Extensive political-economic analysis of food policy in low-income countries indicates that this frequently involves increased aggregate consumption. However, the income-distribution effects of subsidies are commonly regressive, favouring urban, middle-class and public sector groups. The choice of commodities may also increase the consumption of imported foods.

45 The country-specificity of impacts These underline the need to avoid oversimplified assumptions about appropriate strategies and commodities. The case studies demonstrate the highly country-specific nature of consumption impacts: contrasting examples of general subsidies are relatively weighted in favour of either the food-insecure and poor (Cape Verde and Egypt) or the urban and less poor consumer (Bangladesh and Mauritania). The self-targeting characteristics of commodities such as yellow maize or high general subsidies may benefit poorer consumers, but the subsidised sale of 'poor people foods' may also lead to diversion into other uses in the food chain. A focus on the use of CPFs to support additional employment-generating rural development activities that impact on poverty would, as in Cape Verde, also indirectly contribute to household food security.

46 Nutritional status of vulnerable groups There is little evidence of any strong positive impacts of food aid more generally or programme food aid specifically. The mostly modest positive impacts on household food security are limited by scale and the generalised nature of the impacts of untargeted subsidies. The complexity of pathways determining the nutritional status of vulnerable groups also makes it difficult to establish any scientifically satisfactory relationships between modest changes in household food security and nutritional status. The evidence of both the case studies and previous research reviewed in Stage One is mostly non-negative in its conclusions about the relationships between food imports, food aid and nutritional status.

4 Efficiency

47 As aid budgets become tighter and food aid is increasingly regarded as competing budgetarily with other types of assistance, the related issues of managerial or operational efficiency and resource transfer efficiency or cost-effectiveness have become more important. These issues were addressed in four ways:

- by a qualitative analysis using documentary and case-study evidence of procedures that have implications for efficiency in the procurement and delivery of food aid;
- by a review of procedures for managing and monitoring CPFs;
- by comparing the actual donor costs of providing programme food aid commodities to case-study countries with the costs of alternative commercial imports; and
- by a statistical analysis exploring the efficiency of CPFs generated in relation to the actual donor costs of programme food aid.

Donor procedures

48 **Restrictions in tendering procedures** for both procurement and transport of food aid commodities were found to reduce cost-effectiveness by raising donor costs. However, there has been a shift away from restrictive tendering within the EU and from the tying of food aid commodities to EU sources, although the bulk of programme food aid is still sourced within the EU.

49 **Appropriateness of commodities** and of their packaging was important to both effectiveness and efficiency. In most cases appropriate commodities were provided. However, some problems were encountered with specific commodities, especially rice, where Community and Member State specifications were inappropriate for individual recipient countries. The provision of yellow rather than white maize also sometimes resulted in marketing difficulties and thus generated CPFs substantially below import parity prices or donor costs (see paras 51-54 below).

50 **Timeliness of delivery** Much programme food aid is late and its delivery date unpredictable. In most recipient countries this caused no major supply management problems because of the marginal scale of EU programme food aid relative to total cereals supply, consumption and imports. But untimely and unpredictable deliveries are more of a problem in food aid-dependent countries with a low capacity for replacing expected food aid deliveries with commercial imports: the delay of sometimes up to two years between the commitment and delivery of aid led to problems in the scheduling of commercial imports by some recipient countries, most notably Cape Verde.

CPF management and monitoring

51 **Valuation of commodities** Within the EU only the Commission has clearly defined and detailed policies governing the valuation of commodities. Member States negotiate terms on a

country-by-country basis, typically preferring valuation at the world market price at the date of delivery on a cif basis (that is, the import parity price). In practice a range of prices is used, reflecting donor and recipient objectives. Valuation is further complicated in some cases by recipient food subsidy programmes, leading to the possibility that the marketing agency will then sustain losses. In other cases the use of internal prices means that budgetary support is being partly used to subsidise both consumers and marketing organisations. Economic reform and liberalisation of food markets in recipient countries are reducing these problems, however, as domestic prices move more in line with import parity prices.

52 Constitution of CPFs Frequently this was delayed and did not accord with donor requirements. The delays reflect a number of factors including: institutional weaknesses, delayed sales of the commodities, reluctance to use credit facilities, ongoing market reforms or financial restructuring and economic or institutional instability. In addition, compliance with a CPF agreement is not necessarily a high priority for the recipient government. Measures have been undertaken, especially by the Commission, to introduce systems to reduce such problems. CPF accounts are typically separate and interest-bearing in accordance with donor requirements. Common CPFs have been established in several countries but these have not been entirely successful, owing to a lack of transparency over the use of the fund and inconsistencies in donor priorities.

53 Rates of disbursement of CPFs These are adversely influenced by factors such as: lack of prior agreement on use; over-restrictive limits on uses; complicated and lengthy approval procedures; and constraints in recipient absorptive capacity. There appears to be considerable scope for improvement in the preparation of agreements.

54 Monitoring and reporting requirements Donor requirements are commonly not met by recipient agencies. Procedures vary considerably in terms of both frequency of reporting and the information required. This lack of coherence places considerable administrative strain on recipient government institutions. Some donors, the Commission in particular, are placing increasing emphasis on adequate reporting and monitoring procedures, with at the same time an emphasis on simplification and standardisation to improve transparency. The realities of institutional weaknesses of host governments and the limited capacity of donor missions need to be taken into account in the requirements that donors make about CPF management.

Cost-effectiveness of supply

55 Donor efficiency There are large variations in the financial efficiency or cost-effectiveness of supply among donor agencies and the actions of individual donors, which in turn reflect modes of acquisition, commodity and destination (Table 2). Community Actions were on average relatively more cost-effective than those of the Member States but in the case of the latter the average covers a wide range of performance and in some cases very few actions. Member State programme aid costs were on average more than 70% higher than the alternative of commercial imports by the recipient which could have been aid-financed.

56 Sources and commodity selection Direct food aid actions involving commodities acquired on European markets are on the whole less likely to be cost-effective than commercial imports arranged by recipients or commodities acquired in developing countries.

Table 2 Cost-effectiveness of supply: EU programme food aid actions to 12 case-study countries by commodity and donor, 1989-94

Commodity	Supply-efficiency Ratio ^a (%)	Shipments covered in analysis ^b (%)
Cereals		
Wheat	126	93
Wheatflour	177	91
Maize	127	89
Rice	150	71
Non cereals		
SMP	97	100
Vegetable Oil	102	94
Butter Oil	100	96
Sugar	260	12
Beans	85	11
Community Action	110	92
Member states	171	82

Notes: a Mean of ratios of actual donor cost and cost of alternative commercial imports as a percentage (see main Synthesis Report, Box 7.1 for worked example).
b Surveyed shipments as a percentage of total tonnage, 1989-94

Source: See main Synthesis Report, Tables 7.1 and 7.2.

57 There is also considerable variation among commodities: wheat flour, rice and sugar actions were particularly inefficient. Direct food aid is less cost-effective than commercial imports by recipients to some destinations, especially Latin America, but developing country acquisition is also sometimes problematic, for example in West Africa.

58 These results suggest that substantial savings could be made, or more food aid could be transferred for a similar level of expenditure, if there were more flexibility in sourcing and choice of commodity or if some form of import support were provided instead of food aid. However, for some donors, food aid is considered as separate from and additional to other forms of aid, and is not interchangeable with other instruments.

Efficiency of CPF generation

59 **Reporting and monitoring standards** A quantitative analysis of the efficiency of providing local currency support through the sale of food aid was somewhat constrained by the lack of consistency and completeness in recipient reporting and donor monitoring.

Table 3 Efficiency of CPF generation: EU programme food aid to case-study countries, by recipient and donor, 1989-94

Case-study countries (ranked by CPF ratio)	CPF-efficiency ratio ^a (%)	Actions covered in analysis ^b (%)
Bangladesh	99	99
Kenya	95	67
Ethiopia	92	48
Egypt	78	94
Cape Verde	72	75
Mozambique	64 ^c	-
Nicaragua	61	67
China	59	57
Mali	57	65
Zambia	55	87
Peru	45	93
Mauritania	19	64
Total (11) case-study countries ^d	77	86
Community Action ^d	78	85
Member States ^d	75	86

Notes: a Mean of ratios of counterpart funds generated divided by donor costs of providing food aid in US dollars and expressed as a percentage. (See main Synthesis Report, Box 7.2 for worked example).
b Surveyed actions as percentage of total tonnage delivered 1989-94.
c Provisional estimated mean only for actions where CPFs deposited.
d Average (mean), 1989-94, excluding Mozambique for which data on a consistent basis was unobtainable.

Source: See main Synthesis Report, Table 7.5

60 Inefficiencies in creating counterpart values The use of food aid to provide local currency support, whether for the general development budget or more narrowly in support of food security, has involved high transaction costs. The value of CPFs generated was on average 23% lower than the financial cost to EU donors in the 86% of actions where funds were deposited (Table 3). The likely writing-off of some of the remaining 14% implies an even lower level of efficiency. Member States' actions in particular involved a relatively large proportion of smaller, less efficient actions with a few larger, more efficient operations. High transaction costs typically resulted from a combination of factors including:

- inefficiencies in the supply of commodities;
- undervaluation compared with import parity prices when commodities were sold;
- delays in the sale of commodities; and
- high internal distribution costs.

5 Co-ordination

Need for co-ordination

61 Programme food aid always provides some combination of balance-of-payments and budgetary support. Therefore, unless provided on an unconditional basis, this aid requires a policy and public expenditure framework consistent with that agreed not only with other food aid donors but also with providers of financial support. In addition, there are practical logistical and commodity selection issues where donor decisions interact. Consequently the co-ordination requirements for food aid, and programme aid in particular, are considerable. However, in reviewing issues of co-ordination, there is a sense emerging from the literature and from interviews with officials that co-ordination is important, but this is combined with a certain scepticism about what can be achieved in the light of the different balances of individual donors' priorities and the different practices determined by practical budgetary and legislative considerations. Even if there were universal agreement in principle in favour of greater co-ordination, a widespread sense of the many practical restraints would still remain.

Co-ordination within the EU

62 **Subsidiarity and information-sharing** Some degree of co-ordination is inevitable for the EU, since it has joint obligations under the Food Aid Convention. Taking a longer-term perspective, the EU has made substantial progress towards better co-ordination. However, the involvement in some Member States of several ministries and agencies, including those responsible for agriculture, in the financing and organisation of food aid complicates the sharing of information and the agreement of common procedures and active co-ordination of actions within the EU.

63 **EU Development Council** Member States have always played an active role in the determination of Community Action food aid through the Council. However, little effort has been made specifically to co-ordinate aid organised by the Commission and Member States' food aid.

64 **EU Food Aid Committee** This body's agenda has gradually broadened from almost exclusively approving Community Action allocations to considering wider EU emergency responses. Through this Committee Member States are informed about the Community Action food aid programme for each recipient country. But the Committee is used only occasionally as a forum for sharing information about the food aid actions of the Member States. The lack of consistent and regular information about Member State food aid was highlighted during this evaluation: the review of donor policies and programmes and several of the country studies were incomplete because of difficulties and delays in obtaining information on some Member States' actions.

65 **Common EU procedures** The EU has made only limited progress in establishing common procedures for food aid generally or programme food aid specifically. Where cereals

food aid involves expenditure of EU agricultural funds on restitution payments, Member State agencies are bound by EU procedures. The implementation of the single market is also resulting in Member State agencies moving to Community-wide open tendering procedures. But in terms of details of implementation there are still widely different practices.

66 Common procedures at recipient country level As indicated below, the Commission has had some influence in establishing standard principles for the use, constitution and financial monitoring of CPFs, with the Council Resolution and Principles of 1991.⁷ Nevertheless, there continue to be wide variations in procedures, which in turn reflect different policies within the EU on this and other aspects of food aid.

67 Active co-ordination The EU has actively sought to co-ordinate responses more closely in exceptional circumstances, such as national or regional crises. Sometimes the Commission and individual Member States collaborate in assessing recipient country needs and appropriate responses. But there has not so far been an attempt to actively co-ordinate Community and Member State programme food aid actions on a sustained basis.

Co-ordination at recipient country level

68 Information exchange Information flows typically involve the wider community of food aid donors rather than the EU as a distinct grouping. In most cases (8 out of the 12 studies) WFP has provided the secretariat or taken on the organising role in arranging information exchanges and donor meetings. Information exchange is most highly organised in countries where there is, or has been, a major emergency in which food aid is an important resource. A UNDP Round Table (Cape Verde) or a subcommittee of the local donor group sometimes provides a convenient framework for consultation. Overall, the involvement of both WFP and a government agency has sustained effective information exchanges through food policy cycles of crisis and complacency.

69 Procedural co-ordination There has been little progress within either the EU or the wider donor community in achieving standardised procedures that might reduce the administrative burden on recipient governments and contribute to general overall transparency. An important obstacle is the fact that each major donor has a distinct set of policy objectives and financial reporting requirements.

70 Active co-ordination There are a few well-known examples of successful food aid co-ordination (Bangladesh, Cape Verde and Mali) as well as other conspicuous examples of failure to co-ordinate effectively (Egypt, Mauritania). A comparison of these and other experiences indicates factors contributing to successful and sustained co-ordination:

- common objectives;
- a genuine interest on the part of the recipient government in working to co-ordinate with and accept co-ordination among donors;

⁷ European Council. 1991. 'Use of Counterpart Funds Generated by the Various Development Assistance Instruments - Council Resolution.' (Press release, 27.5.91). 6379/91 (Presse 73-G). Brussels.

- food aid as a sufficiently important resource, at least initially, to justify donor interest and commitment at both country and headquarters level;
- donor representation in-country;
- appropriate institutional arrangements;
- a policy framework which permits complementary provision of financial as well as food aid where annual food import requirements are variable; and
- a more limited, stable group of donors, in effect making multi-year commitments.

71 **Obstacles to effective co-ordination** These are, in most cases, the obverse of those factors already listed which facilitate successful joint efforts. Institutional arrangements *per se* are not the critical factor.

International co-ordination

72 **Institutional arrangements** Several international organisations are involved in providing and monitoring food aid. Some international institutional arrangements are also intended to provide a forum for donors and also recipients to discuss matters relating to food aid and, at least potentially, to improve co-ordination of their respective programmes, as detailed below. There are perhaps too many institutions and committees with partially overlapping responsibilities involving some aspects of food aid.

73 **The Development Assistance Committee (DAC)** of the OECD collects data (which are seriously incomplete for food aid) and is a forum for donor discussions. The **FAO Committee on Food Security** provides a forum on food security issues and the **FAO Committee on Surplus Disposal (CSD)** brings food exporter influences into the decisions on food aid allocation. The **Food Aid Committee**, with the International Grains Council acting as the Secretariat, monitors signatories' compliance with the Food Aid Convention.

74 **FAO Global Information and Early Warning System** reports are a basic source of information used by most donors and an important aspect of the co-ordination of food aid programming on both a normal and an emergency basis.

75 **The World Food Programme (WFP)** provides a forum for donor and recipient discussions through its governing body, the WFP Executive Board, formerly the Committee on Food Aid Policies and Programmes. Its INTERFAIS database has been an important source of data for the present study in its attempt to quantify, on a comparable basis, total and programme food aid flows of the European Union and Member States globally and for individual case-study countries. At a country level WFP plays a growing role, especially in the co-ordination of logistics and information in major emergencies.

76 **Links with financial aid** No arrangements have been established for linking food aid with international financial assistance.

77 **Crises and co-ordination** Attempts at active international co-ordination of food aid are mostly linked to specific crises such as the Southern African drought in 1992.

6 Recommendations

78 In making recommendations that would increase the effectiveness and improve the efficiency of the provision of European programme food aid, three specific considerations were paramount. First, it is essential to locate such suggestions in the wider international and specifically developing country context of the late 1990s. Second, recommendations should be clearly based on the findings of the study including the twelve country cases, whilst taking into account their consistency with previous evaluations. Finally, the focus should be on identifying opportunities for the effective and efficient use of programme food aid as well as other aid instruments available to the EU and its Member States.

Is programme food aid an appropriate aid instrument for the EU?

79 The combination of a modest performance in terms of effectiveness together with operational difficulties and high transaction costs raises serious questions about the overall usefulness of programme food aid as an aid instrument. The prime policy implication of the study is that the EU and the Member States should either stop providing assistance in the form of programme food aid or make radical changes to the procedures employed in order to increase effectiveness and reduce transaction costs to an acceptable level. The Commission has already embarked on a major restructuring of its food aid to make it a more effective instrument for supporting food security. A number of Member States, as well as other major food aid donors, have responded to the changing circumstances and mixed record of programme food aid by according relatively higher priority to emergency assistance and targeted project aid.

80 **Choice of aid instrument** The second major policy implication is that in most circumstances financial aid is preferable to commodity aid, whether in providing balance-of-payments or sectorally-targeted budgetary support for food security.

81 **Programme, project or emergency food aid** The study has focused on the relative efficiency of programme food aid as compared with financial support rather than on the relative advantages of different forms of food aid. Other recent evaluations have focused on other forms of food aid, indicating possibilities and problems of targeting assistance on highly food-insecure groups.⁸ The evidence of the present evaluation, particularly with regard to efficiency, is that Member States with relatively small minimum food aid commitments should consider carefully whether there is any longer scope for the effective use of programme food aid as an aid instrument.

⁸ For example, Chr. Michelsen Institute. 1993. *Evaluation of the World Food Programme. Final Report*. Bergen: December, and Eriksson, J. et al. 1996. *The International Response to Conflict and Genocide: Lessons from the Rwanda Experience*. Synthesis Report. Copenhagen: Steering Committee of the Joint Evaluation of Emergency Assistance to Rwanda, March.

Allocating programme food aid

82 For those donors continuing to provide programme food aid, the priority is to target limited resources on the small number of low-income, seriously food-deficit countries with either severe temporary acute or longer-term chronic problems of food insecurity and poverty. The evidence indicates that small, one-off allocations are unlikely to be either particularly effective in impact or an efficient resource transfer. The only possible exception is where individual donor actions are part of a well co-ordinated collective response to a specific crisis.

83 **Better division of responsibilities?** A more radical alternative would be to consider the advantages of leaving programme food aid in support of food security largely to Community Action. Meanwhile, Member States might provide complementary financial support and limit their food aid involvement to emergencies and supporting UN and NGO projects targeted on highly food-insecure groups. In the case of countries needing import support and which are major food aid recipients, it would also be useful to explore systematically the feasibility of gradually substituting financial assistance, especially in the context of programmes for economic liberalisation.

84 **Financial or commodity aid?** Consideration of the role of programme food aid should be set in the context of analyses of experience with different forms of assistance, particularly import support, and the mixed experience of Community Action and Member State projects and programmes in supporting food security. The actions of some Member States in already terminating programme food aid and the 1995 draft EU regulation (*op. cit.*) which allows alternative actions in the form of financial assistance to support food security are also factors to be taken into account.

85 **Integration with other instruments** Integration of programme food aid with other development assistance in a project is an alternative way of combining import support and local currency funds with complementary project assistance. But the action must still be efficient as a mechanism for providing balance-of-payments or budgetary support by generating counterpart value.

86 **Responding to acute and crisis situations** There is a continuing opportunity for the use of programme food aid as part of a response to sustain food availability in relation to effective demand and to address a temporary foreign-exchange gap. In the organisation of assessment and response, the need for co-ordination and the opportunities for co-operation are considerable. Individual country circumstances should determine the relative amounts of financial assistance for import support, programme food aid and relief. Programme food aid is only likely to be effective if both commitments and deliveries can be made speedily. The degree of flexibility associated with instruments should also be taken into account, in particular the need for reassessment and, if necessary, modification of arrangements as a food crisis situation changes rapidly. Confronted with a crisis, contingency planning to avoid the worst possible outcome of famine or social disorder is unavoidable. However, if the situation rapidly improves or is found to be less severe than originally thought, it is important to have built-in opportunities for reassessment and rapidly changing or suspending commitments. Because of the uncertainties of a crisis response, it will usually be inappropriate to be too specific about the uses of CPFs. Directing local currency to a crisis management programme or replenishing an emergency reserve fund is more likely to be successful than tying CPFs to specific projects.

87 Responding to chronic food insecurity and structural poverty Programme food aid provided by the European Commission and the Member States should be an integral part of overall development assistance. It should support the efforts of the recipient countries to achieve household as well as national food security objectives, improving the nutritional status of the population. Unless there are clear food security objectives, the rationale for providing programme food aid rather than a more general form of import support in the context of economic liberalisation is unclear.

88 Priority recipients From the perspective of a recipient country, programme food aid typically appears as an additional resource. This is partly because of the lack of integration of food aid programming with other development assistance. Also the case of some donors implies that there has been some genuine element of additionality. As already noted, priority in the provision of programme food aid should be given to countries with clear needs in terms of food security problems, where there is a structural food deficit and where per capita income or other measures of development indicate a high priority. The FAO list of 31 low-income and severe food-deficit countries might be a useful starting point for establishing a priority list of countries.⁹ That 79 countries were in receipt of EU programme food aid, 64 as Community Action and 66 from Member States, between 1989 and 1994 suggests a failure to target resources in an effective and efficient way.

Effectiveness: recipient country context

89 Recipient conditions for success The relatively more successful case studies had the following in common:

- a clear need for import support;
- a suitable food marketing system ;
- an adequate information system;
- more adequate planning, both on the recipient and donor side;
- sustained support with aid and technical co-operation; and
- donor co-ordination at both recipient country and donor headquarters level.

90 Transitory food insecurity A clear appraisal of the recipient country situation is of critical importance in order to provide an appropriate response to problems of food insecurity. When there is a crisis, the choice of aid instrument, financial import support, programme food aid or emergency relief, and of the channel, either directly via the government or indirectly through the UN or NGOs, should be based on a rapid but systematic assessment of capacities within the affected country or region. That emergency commercial imports arranged by the governments of Zambia and Zimbabwe in response to the 1991/2 drought had already begun to arrive by the time the EU finalised its commitments of programme and relief food aid in response to the crisis illustrates the challenge.

⁹ FAO. 1995. *The State of Food and Agriculture 1995*. Rome.

91 **Chronic food insecurity** A coherent national food strategy is identified as a necessary condition for the effectiveness of programme aid provided in the context of chronic food insecurity. The absence of such a strategy was in turn identified as a reason for both unsatisfactory impacts and associated operational inefficiencies in a number of countries. Clearly, a strategy is needed which realistically reflects the extent and speed of any transition to a more liberal foreign-exchange and sectoral marketing regime.

92 **Country-specific strategies** Overall, the case studies underline the highly country-specific nature of impacts on both national and household food security and the need to avoid oversimplified assumptions about an appropriate strategy and appropriate commodities. It should also be recognised that recipient governments and agencies may have become accustomed to making the best use of what happens to be available. The onus is therefore on the aid provider to assess carefully the consumption and implied income-distributional implications of the commodities provided.

Effectiveness: CPF management

93 **CPFs** The focus of aid is shifting from the balance of payments to the budget and appropriate procedures are therefore required for valuation, constitution and disbursement of the local currencies generated by sales of food aid. The country studies point to the need for realism about recipient country capacities as well as donor administrative constraints in terms of establishing practicable, transparent procedures. CPF management is not, however, solely an EU matter or an issue concerning just food aid, but involves the wider donor community at the recipient country level. In many cases, there is clearly scope for common donor action to achieve either consistent procedures or, possibly, common CPFs. In the area of food aid, the European Commission has attempted initiatives in a number of countries where it has capacity. Where programmes have been relatively more effective, the need for these to be institutionalised and put under local control - to be owned by the recipient country - is highlighted. The balance of evidence is that CPFs should be on-budget as part of the recipient government's macroeconomic planning and within a framework of structural and sectoral policy agreements.

94 **Institutional capacity** The case studies indicate the need for adequate capacity and procedures on the part of both donors and the recipient government as regards selection, planning, appraisal, implementation, monitoring and evaluation. Sufficient and effective institutional capacities have to be ensured for co-ordinating, guiding and monitoring this process. Often it will be necessary and justifiable to strengthen such institutional capacities specifically through technical assistance measures.

95 **Uses of CPFs** Clear criteria are required for the inclusion of particular activities in terms of poverty targeting, as well as the sectoral, spatial and functional composition of activities to be supported. A potentially wide variety of agricultural and rural-based activities could be included in a programme oriented to supporting food security or poverty alleviation. Explicit criteria for discriminating between activities such as regional or socio-economic targeting are therefore essential.

96. **Food security information system** A high priority might be accorded to strengthening the food security information system including market and stock intelligence, production and vulnerability early warning as well as CPF monitoring.

97. **Rationalising reporting requirements** Harmonisation of reporting procedures with the government's own budgeting procedures would also help relieve the administrative burden, as would multi-donor CPFs and closer co-operation between donor and recipient in the design phase of the programme food aid action.

Increasing the efficiency of programme food aid actions

98. **Mobilisation practices** The highly variable performance demonstrated by the evaluation indicates that donors need to examine closely the efficiency of their procurement and delivery practices. Donors should consider whether a cost-effectiveness analysis ought to be part of the initial assessment for every programme aid action. This would involve comparing the anticipated costs of alternative modalities of resource transfer. The potential options include food as commodity aid, finance for commercial food imports, or more general import support. Where support for the budget is envisaged, the efficiency of arrangements for generating local currencies through monetisation should be part of the initial assessment.

99. **Options for rationalising assistance to food security** Is there scope for the rationalisation of assistance to involve fewer larger food aid donors or jointly funded actions? A useful starting point for co-ordinated assistance could be joint assessment in cases of acute food security, as attempted, for example, by the Commission and the Netherlands in 1995 for Zambia.

100. **Mode of supply** Triangular transactions and financial support for commercial food imports organised by the private sector should automatically be considered as options in every programme food aid action as well as direct aid. Some recipient government agencies appear to be better able to make cost-effective import arrangements for their own specific local requirements than most of the donor agencies.

101. **Contracting and operational management** Management, procurement, delivery and monitoring of all programme food aid, not just individual actions, should be assigned to bodies without responsibilities for internal EU market management. Many of the more cost-effective actions appear to have involved such bodies, for example, GTZ, WFP Bilateral Services, and the UK Crown Agents.

102. **Building operational efficiency into aid agreements** The evaluation findings point to the need for food aid agreements to be carefully and comprehensively designed and concluded *before* the arrival of the commodities. This should minimise potential administrative difficulties and performance problems after arrival. Agreement should cover all aspects relating to the successful procurement, delivery (including responsibilities for demurrage, unloading costs, etc.) and monetisation of the intended action, as well as the constitution, management and uses of CPFs.

Co-ordination among donors

103 Co-operation and co-ordination Agencies working in isolation are unlikely to make a significant contribution to food security in most countries. There is therefore a need for closer co-operation and co-ordination among donors at both headquarters and country level. In practice, the delegation of more responsibilities in programme design and implementation to the country level is an important precondition for improving the effectiveness of co-ordination among donors. The benefits of co-operation and the consequences of ineffective co-ordination are both well documented in the case-study countries. The countries where there was relatively more effective action involving food aid (not just programme food aid) are those where there is co-operation among donors and relatively better integration of food aid and other forms of assistance. In seeking to improve co-operation and co-ordination on food aid within the EU the following steps would be constructive:

104 Strengthening information exchange Whilst all donors make formal commitments to co-operation, the experience of this evaluation and the findings of the case studies underlined this as an area of weakness. The exchange of information on a consistent, regular and comprehensive basis is required including both the Commission and the Member States, through the Food Aid Committee and the Working Group on food aid as well as wider fora involving non-EU donors.

105 Common procedures There is considerable scope for working out common procedures particularly at the recipient country level. The EU has taken steps towards agreeing procedures, for example in the case of CPFs. Nevertheless, the case studies indicate the importance of donors agreeing with the recipient government and its relevant agencies on details of common procedures at a country level which take account of local circumstances.

106 Links to structural adjustment Structural and sectoral adjustment programmes commonly provide the context within which programme food aid is committed. However, in all but a few cases the conditionalities associated with programme food aid are not clearly integrated with those attached to support for national economic reform and structural adjustment programmes. Recognising the importance of sectoral goals, particularly support for food security, it would be desirable to explore on a country-by-country basis the scope for more effectively tying food aid into wider support for reform and structural adjustment, including mitigating the short-term social costs of adjustment. This should be a high priority of all major recipient countries.

107 Flexibility and country-specific circumstances The Mali experience has been frequently cited since its launch in 1981 as an example of successful food aid co-ordination in support of food security. The replication of aspects of this 'model' has been attempted with limited success elsewhere especially in West Africa. The fundamental characteristics of this joint experiment are that the basic elements of the programme were put together in-country in relation to local circumstances and that this involved both international financial institutions and food aid donors working together and with the Malian government.

108 Agreements on common procedures and a policy framework for food aid that is integrated with a wider national economic programme will require a greater degree of within-country responsibility for programming and management than has been typical of food aid

organised either by the Commission or by the Member States. Apart from short-term humanitarian crises, EU programme food aid, and indeed food aid overall, now has a *major* food security or wider developmental role in only a small number, at most 15, lower-income, food-deficit countries. This fact makes it more realistic than in the past to envisage donors working together with government to produce country-specific strategies, with co-ordinated arrangements for the provision, monetisation and distribution of food aid that are appropriate to local circumstances and integrated within a national economic strategy.

The role of evaluation

109 This first joint evaluation of an aspect of EU food aid has highlighted ways in which the role and process of evaluation could be strengthened.

110 **Strengthening information exchange** Evaluation provides a useful vehicle for mutual exploration of issues but also underlines the need for a better basis of shared information. Both the Stage One Report and the Synthesis Report contain incomplete information on the food aid expenditure and activities of several Member States.

111 **Country-level co-operation** The concept of joint evaluation is not yet readily understood either by recipient governments or Member State Missions and EC Delegations at the country level. It is therefore important to invest time in information collection and in visiting the EC Delegations, representatives of the EU Presidency and Member States, focusing on issues of common concern. For reasons of continuity, contacts at a recipient country level should be organised through the Delegation. Co-operation is facilitated at a country level where the Member States' agencies and the Commission advise their country representatives about forthcoming activities and encourage their active co-operation.

112 **Design and management of joint evaluations** Some areas for special attention are:

- preparatory work on methodology including definition of terms;
- use of a common data set, for example on expenditure, prices, etc., to permit inter-country and inter-agency comparisons;
- preparation of common methodology for country studies to ensure consistent review of issues and evidence;
- realistic timetables of activities. For example, the review of reports where this involves several agencies at both headquarters and at country level is likely to require up to twice the time needed for an evaluation on behalf of a single agency;
- budgeting human resources to allow for higher costs of liaison with a large number of donor agencies at headquarters and country level than is necessary in evaluations on behalf of only one agency.

Annex 1 Terms of Reference for the Study

Overall Terms of Reference

Scope of the study For analytical purposes food aid is usually grouped into three categories - programme aid, project aid, project food aid and emergency food aid.

The focal point of this study will be programme food aid. The emphasis will be put on the supply of programme food aid over the period 1989-94. (Originally 1989 - 1992 for the Stage One Report).

Objectives The study will examine four main areas:

1. The effects of programme food aid on food security in terms of the availability of food (including local agricultural production) as well as the accessibility of food (including food consumption level).
2. The effectiveness and efficiency of programme food aid as a resource transfer to developing countries.
3. The effects and efficiency of counterpart funds.
4. Co-ordination with respect to programme food aid.

Lessons will be drawn for the policies and procedures of food aid used by donors and recipients.

Issues

1. Effects on food security

- (a) To explain the rationale, justification and effect of EC and Member States' programme food aid on structural adjustment and national policies. Background analysis will be provided on the proportions of programme food aid with respect to total food aid of the Community and the Member States, to overall commercial food exports and imports and to overall food consumption of recipient countries.
- (b) Additionality of food aid to local production and commercial imports, effects and long-term implications for agricultural production and farmers' and household incomes (Analysis of a.o. CSD rules in this context).
- (c) Effects on local market prices in relation to the effects of government policies.
- (d) Availabilities of food commodities at household level for different income groups, as a result of programme food aid.

2. Effectiveness and efficiency of programme food aid as a resource transfer

- (a) The allocation of programme food aid (countries and volumes) in comparison with donor criteria.
- (b) The costs and efficiency of procurement, administration and shipping.
- (c) The costs and efficiency of marketing in the recipient country (from port to point of consumption).
- (d) The alternative costs of supply of equivalent food from third countries either in the region or elsewhere, or from local sources.
- (e) The overall costs and efficiency taking account of the above issues.

3. The effects and efficiency of counterpart funds

- (a) The creation and management of counterpart funds in terms of the criteria and the decision making process.
- (b) The actual uses of counterpart funds; the relations to the overall budget and economic policy.
- (c) The development effects of use.
- (d) The overall costs and efficiency taking account of the above issues.

4. Co-ordination with respect to programme food aid

- (a) Mechanisms in the Community at headquarters and field levels.
- (b) Mechanisms at international levels.

Method The evaluation will be carried out in two stages:

- 1. A desk study to review documents made available by Member States and the Commission.
- 2. Several country studies to examine recent programme food aid operations in depth and draw conclusions of general relevance.

Stage 1 will produce a comprehensive review of the current state of knowledge on programme food aid, based on published sources and internal planning documents, evaluations, reviews and reports of food aid donors. The report on Stage 1 will draw conclusions on the need for further examination of these issues. Stage 1 will also produce a detailed proposal for Stage 2. This proposal will cover specification of the data required, country choice, the method of data collection and analysis. A decision on the scope of content of Stage 2 will be decided by the Steering Committee according to the conclusions of the report on Stage 1.

Annex 2 List of Joint Evaluation Papers

- SR-01** Clay, E.J., Dhiri, S., and Benson, C., '**Joint Evaluation of European Union Programme Food Aid: Stage Two. Synthesis Report.**' London: ODI, October 1996. (Funded by the Netherlands Ministry of Foreign Affairs).
- BP-01** Clay, E.J., Benson, C., and Dhiri, S. '**Joint Evaluation of European Union Programme Food Aid Stage One**'. London: ODI, February, 1994. (Funded by the European Commission).
- BP-02** Ahmed, A.U., Puetz, D., Zohir, S. and Hassan, N. '**Bangladesh: an Extended Study**'. London: ODI, March 1996. (Jointly funded by Denmark and the European Commission).
- BP-03** Ahmed, A.U. and Huang, J. '**China: a Rapid Evaluation**'. London: ODI, April 1996. (Funded by Denmark).
- BP-04** Ferreira Duarte, R. and Metz, M. '**Cape Verde: an Extended Study**'. London: ODI, April 1996. (Jointly funded by UK and Germany).
- BP-05** Bonnevie, H., Hannover, W., Mohieldin, Y., Nærra, T., Weingärtner, L. and Zaki, M. '**Egypt: An Extended Study**'. London: ODI, February 1996. (Jointly funded by Germany and Denmark).
- BP-06** Chisholm, N. and Metz, M. '**Ethiopia: a Rapid Evaluation**'. London: ODI, September 1995. (Jointly funded by UK and Germany).
- BP-07** Hannover, W., Larsen, B and Nærra, T. '**Kenya; a Rapid Evaluation**'. London: ODI, February 1996. (Jointly funded by Germany and Denmark).
- BP-08** Lanser, P. and Delefosse, O. '**République du Mali: Evaluation Rapide**'. London: ODI, September 1996. (Jointly funded by the European Commission and France).
- BP-09** Lanser, P. and Delefosse, O. '**République Islamique de Mauritanie: Evaluation Rapide**'. London: ODI, September 1995. (Jointly funded by the European Commission and France).
- BP-10** Légal, P-Y., Duby, M., Hallam, A. and de Forgellinis, L. with contributions by Varela, R., Santos, A.P. and Benifica, R. '**Mozambique: Etude Approfondie**'. London: ODI, October 1995. (Jointly funded by France and UK).
- BP-11** Weersma-Haworth, T. and Hopkins, R. '**Nicaragua: a Rapid Evaluation**'. London: ODI, February 1996. (Funded by the European Commission).
- BP-12** Hopkins, R. and Grenier, P. with Cuentas, M. and Vattuone, M.E. '**Peru: an Extended Rapid Evaluation**'. London: ODI, November 1995. (Jointly funded by the European Commission and France).
- BP-13** Légal, P-Y. and Chisholm, N. '**Zambia: a Rapid Evaluation**'. London: ODI, February 1996. (Jointly funded by France and UK).



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