

IFIC Seminar Series

(95-5)

FOOD AID

Part I: Effectiveness and Problems of Food Aid

Part II: Practices and Effectiveness of the Food for Work Programme

November 14, 1995

JICA LIBRARY



J 1130529 [9]

INSTITUTE FOR INTERNATIONAL COOPERATION
JAPAN INTERNATIONAL COOPERATION AGENCY

000
813
IIC
LIBRARY

IIC
JR
95 - 61

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that proper record-keeping is essential for transparency and accountability, particularly in the context of public administration and government operations. The text highlights how detailed records can help identify inefficiencies, prevent fraud, and ensure that resources are used effectively.

2. The second part of the document focuses on the role of technology in modern record management. It explores how digital tools and software solutions can streamline the process of data collection, storage, and retrieval. The author notes that while technology offers significant advantages, it also presents challenges such as data security, privacy concerns, and the need for regular updates and maintenance. The text suggests that a balanced approach, combining traditional methods with modern technology, is often the most effective strategy.

3. The third part of the document addresses the human element of record management. It discusses the importance of training and education for staff involved in handling records. The author argues that well-trained personnel are crucial for ensuring the accuracy and integrity of the information being recorded. Additionally, the text touches upon the need for clear policies and procedures to guide staff in their daily tasks, as well as the importance of fostering a culture of responsibility and attention to detail.

4. The final part of the document provides a summary of the key points discussed and offers some concluding thoughts. It reiterates that effective record management is a continuous process that requires ongoing commitment and resources. The author encourages organizations to regularly review and improve their record-keeping practices to stay current with best practices and technological advancements. The text ends with a call to action, urging readers to take the steps necessary to implement these principles in their own organizations.

FOOD AID

Part I: Effectiveness and Problems of Food Aid
Part II: Practices and Effectiveness of the Food for Work Programme

November 14, 1995

INSTITUTE FOR INTERNATIONAL COOPERATION
JAPAN INTERNATIONAL COOPERATION AGENCY



1130529[9]

" IFIC Seminars "

'IFIC Seminar' is the abbreviation for seminars held at the Institute for International Cooperation, of the Japan International Cooperation Agency. These seminars are given by experienced scholars and people involved in international cooperation from both Japan and abroad. The primary purpose of these seminars is to provide useful information regarding the current situations, major issues and perspectives for development assistance, to those who are interested in Japan's international cooperation activities.

This publication reports the summary of the lectures with the consent of the speakers. All the editorial responsibilities lie with the Institute for International Cooperation.

Food Aid
Part I
Effectiveness and Problems of Food Aid

Sir Hans W. Singer

Moderator: Good afternoon, ladies and gentlemen. We are very happy today to have very distinguished resource persons from the Institute of Development Studies at the University of Sussex.

Sir Hans is an Emeritus Professor of the University of Sussex. He has written so many books, articles and papers, so I can't introduce all of them here. However, his very famous book, published in 1950 on the distribution of gains from international trade was very famous and gave a very big impact on development economics, and those people working in the international developmental cooperation. I shouldn't take much long time to introduce him. However, recently he is writing many, many papers and articles on food aid. Therefore, he is going to talk about the effectiveness and problems of food aid. Since JICA is very much concerned with increasing food production, and also food aid, his speech will be very, very useful to our job. Thank you.

Dr. Singer: Thank you very much. It is a pleasure to be here, to be able to meet you from what is now the largest aid program in the world.

My subject is effectiveness and problems of food aid. Well, as far as effectiveness is concerned, I don't think I have to produce any elaborate proof that food aid can be effective under certain circumstances. It can be highly effective. And it only reminds you that the Marshall Plan for Europe consisted to a considerable extent of food aid.

One of the chief criticisms of food aid is that it might have a disincentive effect on food production and food producers in the recipient countries because additional supplies of food may depress the price of food. Well, we can only say that in Europe it certainly doesn't seem to have had the effect of discouraging agricultural production. We have now our own surplus problems in Europe. And you could continue this story.

The biggest recipients of food aid historically in the post-war period were

countries like Korea after the Korean War, [which received] enormous amounts of American food aid, Israel, Greece. And then came India in the late 1950s. And in the 1960s, India was the largest recipient of American food aid. That has not prevented the green revolution in India in those years in the 1960s. Quite on the contrary, the food aid helped to finance the green revolution in India. The food was largely supplied under the U.S. public law for the needy as program food aid. In other words, it was supplied not for specific projects, but in bulk to the Indian government. The Indian government sold the food at low prices to the so-called fair price shops in the urban areas in Delhi, Calcutta, Bombay and other urban areas, theoretically to very poor people.

Now it didn't always quite work out that way. Sometimes the poorest people didn't get access to the food. It illustrates one of the problems of trying to target food aid to poor people so that it relieves malnutrition and reduces poverty. That is a tricky business, and the Indian case was not entirely successful. The really poor people, in order to get access to the fair price shop and get the food aid, [i.e.] the American food supplied under the food aid program at a very nominal price, you had to go to the police and get permission. You had to have a pass in order to be allowed to use this. Now the very poor people wouldn't have gone the police. The police might have expected a little bribe, which they couldn't afford. Anyway, if you are a very poor person sleeping in the street or an illegal squatter, the last thing in the world is you would go to the police to get the permit. You would keep away from the police as much as you can. And in fact, a good deal of the food did not reach the very poorest people. But it reached, it was absorbed, well, for instance policemen got their little share of the cheap food and so forth. They were also poor people, but they were not the poorest people for whom this was intended. So the targeting may not have been perfect.

But the big thing was the proceeds from the food aid were accumulated in counterpart funds. They were credited to the Indian government in the form of counterpart funds. And this provided the Indian government, [i.e.] the revenue that they received, channeled through the counterpart funds, was then targeted on rural public works which served a very important double purpose.

In the first place, they created a demand for local rural food so that any disincentive effect from the additional food arriving in the urban areas which might otherwise have preempted markets of the food producers in India, any adverse effect was canceled out, by the additional demand that came from the undertaking big public works in the rural areas.

But above all, this served as the finance for the very expensive infrastructure that was needed to produce the green revolution in India in the Punjab. When I say India, I am talking about the Indian subcontinent, not just the single country, India; India and Pakistan. Well, the green revolution which was essentially, of course, based on higher yielding varieties and technological progress in seed production, and seed selection, required very expensive infrastructure works. Irrigation was needed to utilize the new seeds. Transport was needed in the rural areas to carry the extra produce to market. Therefore, the green revolution was, through the counterpart funds from the receipt of food aid, financed by food aid. So again, food aid, far from discouraging local food production, served as an essential basis for financing the infrastructure investment that was needed to produce the green revolution and increase in food production.

Now again, this increase in food production may not have been ideally targeted on poor people. It may have been the larger farmers who benefitted in some ways more than the poorer farmers. But it is certainly a remarkable fact that India and Pakistan, which traditionally were the main source of famines and crises resulting from famines has not had a direct, heavy famine after the big Bengal Famine, as a result of the green revolution, which doubled food production within a decade, and then increased it further later on both sides of the border.

So the first thing I want to say is there are certainly plenty of historical examples to show that food aid, if properly used, if properly given, and if properly administered both on the donor side and on the recipient's side, can do a lot of good. Of that there is no doubt.

A study made for UNICEF for instance, shows that where food aid is targeted through projects, for instance, school feeding projects providing school

lunches for school children, you have the same problem there, in that it often does not reach the poorest children. The poorest children don't often go to school, and it's not easy to reach these very poorest children and their families. But it does reach poor children. Again, it is not perfectly targeted. It may not reach the children for whom it is intended because if the mother knows, or the family knows that this child will get a lunch at school, it may get less food at home, it may get no breakfast at home. But even in that case, not much harm has been done. The target has been missed. But the other children in the family who are not school children, perhaps, the youngest children not yet of school age, or perhaps the girls who are not being sent to school in some countries, they will benefit. There is more food available at home now, so you do reach them, even if the intended target is not reached. That doesn't mean that there has been a failure of achieving the purpose of the school lunch.

A lot of experience, and of course the improved feeding of children is one of the most important developmental inputs in the older days of development economics. Some of you may know the Harrod-Domar Formula, the famous original Keynesian formula of economic growth and development. Development was treated to be the result of physical investment largely. You had to increase the rate of savings, the rate of investment. Arthur Lewis, in his famous original statement said that, if you want to get development, you must increase the saving's rate from 5% to 12%. Then you get development.

Well, since then we've learned a lot through refined methods of analyses. We have a lot of additional data now since those days. And we know now that physical capital accumulation explains only a small part of economic growth. After you allowed for physical investment and calculated the capital output ratio, the profitability, or yield of new investment, you are left with an unexplained part. And that unexplained part has something to do, as Adam Smith knew this very well 200 years ago, with improved skills, somehow with a human factor; healthier, better educated labor force, more familiarity with up-to-date technology is obviously a lot more productive than the opposite, i.e. illiterate, unhealthy labor force. So the human factor in development is more and more emphasized as critical.

There are two criticisms of conventional early development economics. One is that we identified, in those earlier days, development too much with growth, growth of GNP. Nowadays, we are more sophisticated. We say the growth in GNP is only one means, perhaps not the important means, towards another end. The real purpose of development is not growth of GNP. It is reduction of poverty, better satisfaction of human needs. So we substitute the human factor into the objective of development. It becomes the objective to improve health, education, literacy, and so forth. Access to opportunities, employment opportunities. That becomes the objective. But even if your objective is growth of GNP, the human factor is also a very important input into that objective.

Now among those human factors, the nutrition of young children, especially preschool children, has been shown to be perhaps the most important single factor at work. In very young children, the malnourished child in early childhood will not have full brain development. In other words, the number of brain cells is reduced by malnutrition, both energy or protein and vitamin malnutrition. And that means that a lot of money that is later spent on education or training that particular child will be wasted because with a less-than-full development of its potential brain capacity, that child will be less capable of making use. It will also be more liable to illness, which means again loss days, and lack of education, lack of training.

So school feeding programs, although the impact even on economic growth, you could argue, never mind economic growth; to feed hungry children is a good objective in itself, the humanitarian objective. That is certainly true. But quite apart from that, even as a calculated import into economic development objectives, the feeding of young children, improving the nutrition of young children, is perhaps the most effective method we know for promoting subsequent development, for creating what is known as sustainable development.

So even if these programs do not precisely reach their intended target, which is often true, they are still one of the most effective contributions to economic development that we know. So there is no doubt that certain types of food aid, certain methods of food aid, have been shown by experience to

be very effective. Some bold economists have even tried to calculate quantitatively how much improved child nutrition contributes to subsequent development. They invariably come up with very large, very favorable cost-benefit ratios for these, for instance, school lunch projects. The same applies perhaps even more to food for hospitals, food for mother-child health clinics, rural health clinics in developing countries, and so forth. Therefore, the point I want to establish, although I don't have time to enlarge on this, is that food aid can be effective. There is no doubt about this.

I would also admit immediately that if food aid is badly administered, like all other aid, like all other investments, it can do more harm than good. If food of the kind that people don't even really want is indiscriminately thrown on the market, and the budget revenue that the government gets is not properly used, then food aid is wasted. It can even do harm by the disincentive effects. That's a point that we always watch.

If you take the case of Bangladesh today, Bangladesh together with Egypt, Egypt and Bangladesh are the two largest recipients of food aid today. You will, by the way, notice I'm only talking about developmental food aid now, I'm not talking about emergency food aid for places like Rwanda, or Somalia, or Bosnia which nowadays absorbs more food aid than developmental food aid.

I'm speaking of developmental food aid. Take the case of Bangladesh. Egypt and Bangladesh are the largest recipients. In the case of Bangladesh, the government of Bangladesh, until recently depended for a very hefty proportion of its revenue, say 25-30% of its revenue, on the sales proceeds of the food aid which they received, which was sold in the urban areas of Bangladesh, and the income from this formed a very important part of the revenue of the budget of Bangladesh. Now, that is a dangerous situation, obviously, for a government to depend for its revenue on the continuation of imported food aid. And there is always a possibility of a disincentive effect in the sense that the government may say, we don't have to make any effort to collect taxes, to improve our tax collection system, because we have a ready-made source of revenue yield which doesn't require any special administrative or fiscal effort on our part. So there are things there that have to be very,

very carefully watched.

I said already, but today a lot of the food aid, a good deal of the food aid, is used for emergency relief. Now that part of food aid is of course in one sense, controversial; not controversial. Even the people who criticize food aid; they are not worried about ineffectiveness or disincentive effects of food aid, or the fact that food aid may take the place of financial aid, or that it may displace commercial imports, all these are possible; what is about food aid that have been under discussion. Well, nobody applies that same criteria into emergency food aid.

When you have refugees from Rwanda sitting in the big camps in Zaire, and you see dreadful pictures on TV of starving children and refugees dying by the roadside, it is an accepted business of the international community to try to rush in food and other materials that may also be needed, whatever is needed, but especially food, to save human life. That becomes a priority object. You don't ask too much about effectiveness. The importance there is to act quickly, on time, to have the logistic capacity to know whether food is available, how it is quickly gotten there, what kind of food is needed, then have some kind of capacity to distribute it. The resources for this kind of food aid are more readily available than for developmental food aid because that has a humanitarian appeal and is accepted. And that is a slightly dangerous situation, that the food aid is so much more easily available for emergencies than for development purposes, because there is a risk that it is available as long the emergency is on TV screens, as long as it has a big appeal, and as soon as the immediate emergency is over, the food aid stops, when it may be even more needed in the subsequent rehabilitation period, for reconstruction. And it may also be more useful before the emergency breaks out.

Very often, the emergency is the result of food shortages. People start fighting each other, the Hutus and Tutsis in Rwanda are fighting each other because access to food is very short. The one way of getting food is to fight for it, to take it away from the other group by fighting the other group. If the food aid could have been gotten to Rwanda preventively before the

emergency became so great, it would have been much cheaper, also for the international community before the farmers leave their farms, before the cattle is being killed or sold. Many people, for instance, in the U.N., in the World Food Programme, nowadays are very worried. In the U.S., people are very worried that food aid is diverted away from its developmental purpose because it's now needed for emergencies, and nothing is left for developmental purposes. That is certainly the case nowadays.

Theoretically, emergency relief and development aid should go hand in hand. That is a famous continuum between relief and development, that we all want. Theoretically, they should go together. But in practice, of course, they compete with each other. The bag of food that goes to the refugee in the Goma camp in Zaire, that bag of food is not available to go to a school feeding program in the State of Bihar in India, or to a poor African country where is no conflict. In that sense, there is a conflict between the two.

But I myself am not too worried about this great increase, and the greater appeal of food aid for emergency, provided our concept of emergency is broad enough. The emergency exists before the actual fighting starts, before the people start killing each other, there is already an emergency, a chronic emergency. There is a continuing emergency later, the rehabilitation period. Food aid will be needed, for instance, as we discussed earlier today, food aid will be needed if you want to engage in peace-keeping operations by the U.N. Well, you have successfully stopped the fighting, let's assume this. Now, the next stage must be to get the soldiers to surrender their weapons so that the fighting doesn't start again. You must persuade the soldiers to stop the fighting and return to their home areas. There must be something waiting for them. If you want the farmers to go back from the refugee camps and restart production on their farms, they need at least enough food to carry over until the next harvest comes in. Food aid is very badly, even more urgently needed than during the actual fighting period, in the subsequent rehabilitation period and then in the reconstruction period, which requires a lot of labor intensive construction work to repair the damages of the war, to make up for the maintenance of essential services; water, gas, electricity, and so forth, that has

not been taken place during the fighting, during the war.

If you don't have a narrow concept of emergency, if you really realize that an emergency starts before the fighting, and exists during the fighting in very acute form, it exists in the rehabilitation period, it exists in the reconstruction period, and it exists in the subsequent development period because the development must be of a kind to prevent future emergencies. You realize I'm talking mainly now about fighting, manmade emergencies, not earthquakes, and the things you cannot easily prevent in that way.

Now let me conclude perhaps with one further item which I think must already be well-known to you, much under discussion, which is a worrying thought, one of the problems of food aid for the future.

In the past, food aid has been quite popular in many cases up to a few years ago. Food aid has been very popular because it has been fed from surpluses. The surpluses have been produced by our agricultural subsidy policies. In Europe, we have the common agricultural policy, in the U.S. and Canada you have corresponding policies, in Japan, you have similar policies in relation to rice farmers, and so forth. In other words, food aid was given and very often it was very effective and helpful, but food aid was often given for the wrong reasons, because our agricultural protectionist policies resulted in big surpluses, and therefore the food aid seemed to cost us nothing. We could give it from surpluses. In fact, we could save money by giving the food away as surpluses, and food aid was very popular among our farmers. When I say "our," I mean U.S., European, and I assume also Japanese farmers. Food aid is very popular because it's an additional outlet for food for their products. It helps to reduce surpluses, and therefore, raises the domestic price for food because the pressure of the accumulating overhanging surpluses is reduced. So food aid in the past was often given for the wrong reasons, the reasons being protectionist agricultural policies, which hurts the food exporters among the developing countries.

The kind of country who really paid for our food aid, were countries like Argentina, Brazil, also in Asia, Thailand, or Burma, Myanmar, countries that are natural exporters of food, natural food exporters because of our agricultural

subsidy policies which encouraged local production, their product was kept out. So now we have the GATT agreement, the final act of the GATT agreement, the WTO has been established. Under the GATT agreement, we have to reduce, "we" always means Europe, U.S., and I assume also Japan, we have to reduce our agricultural subsidies, and we have to reduce our subsidized exports. Yet this will have the result that international food prices will rise. This means that food aid will become more expensive for us, for donor countries, in the budgetary sense. It will cost more in terms of yen or dollars or pound sterling or mark or whatever, it will cost more to buy in the budgetary sense. It costs the ministry of finance more from the aid budget to supply food aid as a thing from financial aid than before. Therefore, there is a distinct danger that the willingness to give food aid will be reduced in the future. And at the same time, as you realize, the need for food aid is increased because as a result of higher international prices, it becomes more expensive and more impossible for very poor indebted countries with big foreign exchange shortages, like in Africa, the poorest African countries, which are often food importers. Africa is now a net food importer as a result of falling per capita food production. So at the same time as a willingness to give food aid is reduced, the need for food aid is increased. That creates now, at the same time a big challenge, but also a big opportunity for us. It creates an opportunity because we already give a lot of food aid in a hidden, indirect way through our subsidized exports. That is also a form of food aid. By subsidizing our exports and by having a low international price for food, that's a way of giving food aid. But that food aid is not targeted on poverty. It is given in an entirely random way. If we can convert what I call this grey area of food aid, subsidized exports, if you can convert this large volume of grey area of food into genuine food aid, and successfully target it on reduction of poverty, specifically perhaps on eliminating malnutrition among children. And of course, for the same reason also children and pregnant women would be the same nutritional argument about development of brain power applies. So if we could achieve that we would have gone a long way of making progress with a reduction of poverty, which is the real objective of development. Thank you

very much.

Moderator: Thank you very much, Sir Hans. Now we have another distinguished professor, Dr. John Shaw. He was associated with the United Nations World Food Programme for over 30 years until his retirement in 1994, last year. May I introduce Dr. Shaw.

Background

Sir Hans W. Singer

Current position:
Emeritus Professor, University of Sussex

Education:
1936 Ph. D. (Cambridge)

Related work experience:
1938-43 Manchester University
1947-69 United Nations
1969- Professorial Fellow, Institute of Development Studies
Professor of Economics, University of Sussex

Major publications:
Unemployment and the Unemployed (London: King, 1940)
Economic Development of Under-Developed Countries (In Portuguese; Rio de Janeiro: Vargas Foundation, 1950)
International Development, Growth and Change (New York: McGraw-Hill, 1964)
Technologies for Basic Needs (Geneva: ILO, 1977)
International Economy and Industrial Development (London: Wheat-sheaf Books, 1982)

Part II

Practices and Effectiveness of the Food for Work Programme

Dr. John Shaw

Dr. Shaw: Thank you very much. I welcome this opportunity to be with you today, and to talk to you about Food for Work programs, for poverty alleviation, and emergency relief. I don't have to tell you that we live at a time and in an age where this subject is becoming ever increasingly important. As far as poverty alleviation is concerned, I think you are aware that globally, we are talking about over one billion people in the developing world, over 20% of their entire populations living on less than one dollar a day. And when we look at emergency relief, there we are faced with the specter of a very rapidly rising tide of emergencies. The latest figures talk of something like 18 million refugees, and an even larger number, 24 million displaced people, 42 million people adrift in the developing world. And of course the sad specter of that is that when we now talk about emergency relief, we're not talking about natural disaster so much as manmade disasters. And within that, another interesting statistic. Of the recent wars that have taken place, something like 33 wars that have occurred in the recent past around the globe, 32 of them...well let me put it around the other way. Only one of those occurred between countries. The rest occurred within countries. Hence the fact that of course, the figure of displaced people, that means to say, people who are displaced within the boundaries of their own countries, is more than double those who are refugees who have crossed international borders. So we're really talking of a subject which is vitally important. And we're thinking of a model where we're bringing together the question of human resource development, and physical resource development, and a model of sustainable economic development.

Food for work, in fact, can, if properly designed and executed, address five major problems that are now confronting developing countries, and if it's done properly, almost simultaneously. So the multiplier effect can be quite considerable.

First of all, it could help to address hunger, and access to food by very poor people. The food for work mechanism, by providing food for work, you're accessing food to very poor people. Secondly, you're addressing another major problem in developing countries; the problem of unemployment, and under-employment, both in urban and in rural areas. So that's the second major factor that you can address in food for work programs. Thirdly, and notice how these things compound on each other, you're addressing the problem of inadequate physical infrastructure for economic and social development using food for work to build or to improve, or even reconstruct the physical infrastructure that's required for development. Fourthly, another major problem facing developing countries is the growing degradation of natural resources; the environment that has been degraded and how food for work can address that problem. And finally, overlaying it all, is how food for work can help to address the growing emergencies and disasters that are occurring around the world by man and by nature. And that within this new concept that has emerged in the United Nations, the continuum between relief and development; how food for work can be used in that whole spectrum from relief, reconstruction, rehabilitation leading onto development.

So you can see that if properly executed, food for work can be a major mechanism for addressing fundamental problems almost simultaneously.

Now, what's the rationale really behind food for work? What are we trying to do? What are we trying to get at here? The first major thing, of course, is that we're trying to reach the very poorest, the targeting question. How can we get through to the poorest? And this is one device that you can do that because of course only the very poor will work for food. So in many ways it's a self-targeting device. Secondly and fundamentally, and this goes back to one of the points Professor Singer was referring to, and one of the pieces of fundamental work that Professor Arthur Lewis did in development, was that we are using the poor people's most abundant resource. What is it that the poor have most to offer? Their own labor. They have very little else. So what we're trying to do then, is to bring into operation their most abundant resource, their own labor. But then, what do we want to do with

that? Create, of course, employment and income for them, and to build up assets and infrastructure which will help them and their nations. So there is another compounded effect.

The third major rationale is another fundamental concept of economic development, the principle of additionality. By using food for work, what are we doing? We're extending the limits of 1) consumption, 2) employment, 3) income and 4) investment, beyond what would be possible without food for work. And we're doing that without creating inflation. So there is another major device that we can use in a poverty-orientated, people-centered approach to sustainable economic development.

When we talk about food for work, we can think of four types of food for work. First of all, there's labor intensive public works programs, perhaps that's what most people think about when they think about food for work, in which food is provided as part of the wage, often large scale infrastructure programs. Secondly, there are community development programs, in which food is provided as an incentive, that is to say, for communities to come together to build infrastructure not only required for the individual household but for the community at large. And by providing food, you're releasing labor because if you didn't provide that food, basically, those poor people would have to earn their daily bread. They would literally have to then, work for that, and so would have to use their labor for that. But you're releasing labor in the community which can be directed towards building up community infrastructure.

A third area for food for work is in agricultural settlement schemes where people are placed in settlement schemes, and of course before food is produced, before harvests can come in the new areas, food is used to tide them over that initial period until production is established.

And then finally, an area which, I think will be used more in the future, is in transforming traditional farming systems. In much of Africa, for example, you have monocultures, single crop farming systems. And of course, these are very vulnerable to pests and disease attacks, and so very vulnerable to the total collapse of household income. So the attempt there is to diversify the

farming system, to have instead of one crop, a series of crops in rotation. And perhaps too, have livestock, so you have a multicrop, multi-aspect farming arrangement. But that can't be done overnight. You can't press a button and suddenly transform a monoculture farming system into a multicrop, multi-enterprise farming system overnight. There is a transition period. In that period, you can use food aid to carry the farming population over that period.

So there you have four major ways of carrying out various types of food for work programs. Many of you have got this photocopy from the WFP annual report of last year, and if you were to look at the penultimate page, there is a table there, on page 28. There you'll see...this is an example from the World Food Programme. At the end of last year, the end of 1994, the World Food Programme was assisting 130 agricultural and rural development projects with an investment total of 1.5 billion dollars of food aid, in such schemes as land development and improvement, forestry, community development, dairy development and other agricultural and rural development programs.

Now, what might be some of the benefits that we can seek from these kinds of programs? The first that I've already mentioned is that we can set poor people to work to use the major resource that they have to provide, their own labor, but with greater productivity because of course, the labor force is better fed. They have a better nutritional status. They can sustain their labor more. So the first effect, of course, is augmenting increasing productivity. Secondly, and this will be especially important for the ladies with us today, is a major benefit for women. Why is this? Because when payment is in the form of food, it is far more likely that that will benefit women and their household than if it's paid in money, which is much more likely to go to the male folk of the household, and will not necessarily find its way into enhanced food security, or improved nutrition in the household. We have at last realized that women particularly in Africa and Asia, but especially in Africa, occupy a pivotal position in food for security. Or, putting it in other way, conquering food insecurity. Not only do they carry out their maternal tasks within the household, but they fulfil vitally important tasks outside the household,

particularly in food production, but other income earning employment outside the household. They also play a major role in masterminding, and I use that word advisedly, the scarce resources of the household, and particularly in directing them towards attacking and overcoming very acute food insecurity within the household. So at last we've woken up to the fact, that women are strategically placed in the attempt to overcome food insecurity. And this can be done, of course, through food for work programs as well.

Another major advantage is in this emergency development linkage because in that area, these various ways which you can have food for work can address what Professor Singer has brought out in this continuum; setting into action, prevention, and preparedness disaster programs, that is to say, trying to foresee and forestall emergencies, but then at the other end of the spectrum, in helping in rehabilitation and reconstruction after emergencies have struck.

Another benefit is in the area of structure and sector adjustment. You're aware that the Bretton-Woods institution, particularly the World Bank, has moved in a major way over recent years away from project lending into general structure adjustment lending, program lending. And within that, too, sector adjustment lending. Now, in bringing that about, there are winners and losers. And the analysis of these adjustment programs has shown, unfortunately in too many cases, it is the poor who bear the brunt of the adjustment process. So one way of both helping in the adjustment process, and protecting and preserving the poor in the adjustment process is through food for work. But not in a negative sense, not in a sense of safety netting, which is a kind of compensation, almost a booby prize for bearing with the adjustment process, no! But more positively, by having the economy growing rather than retracting, by using the major resource of the labor of the poor people to help in the adjustment process, help in the economic development of the nation, and in so doing, of course, help in their own economic development, and their own income generation and the building up of their own assets, which in turn, of course, would help in the sustaining or building up the coping mechanisms of their poorer households.

And then finally, the benefits of food for work can be seen in

environmental and preservation programs.

But like all potentially good things, they all potentially have some not so good things. And they have their own problems. One of the problems of food for work programs occurs in countries where the poor are dispersed over large areas as in much of Africa, so that these food for work programs tend to be relatively small and high cost. It's much easier, and more effective to carry out food for work programs in densely populated areas. That's why of course, you've had the tradition in Asia of food for work programs which you haven't had in Africa, or it's much more difficult in Africa.

There are other problems, too; that food for work raises complex political, social, and cultural issues. They're difficult to put into play in certain countries because they smack of the old colonial days when they were put into operation, or they create social tensions, or cultural issues that revolt against the idea of being paid in food for work.

But perhaps the most serious problem with food for work is a kind of paradox. Food for work has been used and used effectively as a major relief measure when the emergencies strike both to address the food problem of poor households, but also to provide income and employment for the poor. But in so doing, they've often been badly planned, or badly administered, or, and especially, they've been badly underfunded with capital, and certainly undersupported with technical assistance. And often they've been designed more to deliver food to them than to generate infrastructure build-up assets. They can be a very effective tool as a relief mechanism. But then, when perhaps an emergency passes, or you want to transfer these food for work relief programs into development programs, that often is extremely difficult. And it's sometimes difficult for political as well as economic reasons, because food for work programs can become a powerful political tool in a country. So for example, the ministry of relief wouldn't want to let them go, or the minister for relief wouldn't want them to be let go. So one has got to watch very carefully that one can convert the relief aspect of food for work into effective development programs.

And finally, another major problem, if they are not properly designed, is

that the work carried out by poor, abjectly poor people, the benefits of those works might not accrue to them. In other words, they would be provided with temporary labor and temporary income, but the longer term benefits in terms of the infrastructure that's developed won't accrue to them. So that is the another thing to watch.

If we want to gain lessons though quite vividly, here we have the lessons on our doorstep, both in Japan, which I'll come to in a short moment, but also to other countries in Asia, particularly China and India. I think you're aware that historically both China and India have executed food for work programs for centuries; well-established, massive food for work programs. And what have been the lessons that we can derive from those two countries, if we really want to execute food for work programs, both as relief devices, but also for development devices? There are four of them, if we are really serious about food for work as an effective device.

The first one, and perhaps the most important of all, is a political commitment at the highest level to use this device to both address poverty alleviation and emergencies. In both China and India, there is a political commitment at the highest echelon in the political structure, both at the federal or central level and in the states and the provinces, that these will be important devices. So there is a political commitment. The second is that there is a legal or legislative commitment, because in India, there is even a legally guaranteed provision for employment of the very poor when it is required, as well as in China. Thirdly, is a fiscal or financial provision which can be quickly brought into operation. In other words, both in India and in China when an emergency strikes, it's rather interesting that the local district commissioner can take off his district commissioner's hat, put on his emergency commissioner's hat, and immediately reach for a bag of money which he can draw from to put into execution relief works programs for abjectly poor people. And the fourth strategic element is that he has ready access to what we might call a shelf of well-designed, and well-formulated projects that can be quickly implemented. He is not sort of looking around, and saying now what can we do? There is a plan there that could be readily executed. So we have an experience here

that we should draw upon.

Finally, if you can bear with me, I want to refer to the Japanese experience, and then I want to end with what can JICA do, what can you do in order to put these programs effectively into operation.

First, the Japanese experience. Japan had a profound experience in food for work programs immediately after the second world war. It so happened that I was reading on the aeroplane coming here. I reached into my own library and pulled off the shelf a report by what was called ESCAF in those days, the Economic Commission for Asia and the

Far East, of 1958. And this was a note on the utilization of agricultural surpluses for economic development in Japan. As you might be aware, if you've read your history, Japan received a very considerable amount of food aid as part of its Marshall Plan. In fact, that food was sold in Japan, and generated funds amounting to over 39 billion yen, quite a sizable amount of money, even more in real terms in those days.

How was that used? That was used very much to revivicate the agricultural sector of Japan. It was used in two ways; one, to set into motion large food for work programs to regenerate the agricultural sector of Japan, and two, it was used to generate soft loans, low interest loans, much lower than the interest charged on other loans in Japan to get going irrigation projects, the purchase of agricultural machinery, a settlers fund financing special account for settling people back on the land, forestry development, the development of fishing ports, meat marketing and packing, silk centers. So you only have to reach back into your own history to show how Japan very effectively used food aid and food for work for the quick generation of your own agriculture. No one can say that food aid acted as a disincentive for Japan's agricultural development. And one of the reasons for that is that the food aid coming into Japan was planned not in isolation, but as an integral part of Japan's total agricultural imports.

Finally, if you can bear with me, what can JICA do? Well, first of all, of course, you do have your own food aid program. And if I can introduce a piece of personal publicity, I've written a book recently which has a chapter

on Japan's food aid programs. I hope I'm allowed to give some personal publicity. You might find that chapter of interest. In that chapter where it shows Japan has used quite effectively, triangular transactions as a major instrument in Japanese food aid programs, that is to say, you have used cash to buy rice in Pakistan, Burma, Thailand, which you then provide to countries in Africa, for example, as food aid; that triangular transaction device, you've used it quite effectively. But if I might be allowed to say so, the weakness is that your food aid program has been implemented in isolation. What it calls for, if you're serious now about, for example, food for work programs, that food aid should be allied with the other elements of your external assistance program. It should be much closer related to your financial assistance and to your technical assistance programs so that you can bring a package of financial, technical, and food aid into developing countries to assist in the implementation of food for work programs, because they don't only require food aid. They very much require capital and technical assistance.

Finally, there is one particular area where Japan has a comparative advantage which you should use and use as much as you can, and that is to help developing countries in the build up of their entry and access to the information super highway, links to remote sensing and satellite connections. That will be a major instrument to help us much more address emergencies and disasters. The more that we can have early warning of disasters, the more we can prepare for them, and the more we can address them effectively. But of course, matching early warning through the super highway, and we had a marvelous example of that, by the way, in addressing the Southern African drought last year, or the year before that, we need to have early response on the ground, and that's an area, too, that Japan can help. You can help by providing the technology. You can help by providing the training. And you can help by providing the technical assistance that will be required to build up this process.

I hope I haven't bored you too much, but I do think that this is an important area where JICA can play a very important role in the future. Thank you very much.

Moderator: Thank you very much Dr. Shaw. Well, Sir Hans talked on

effectiveness and problems of food aid and John Shaw talked on the practices and effectiveness of food for work. I think the people who are sitting may have many questions about. We can invite some questions and ideas from the audience.

Question: With great respect, I have studied at Oxford, and although I read PPE, Professor Hicks in those days never dealt with development, and Kaldor, the model of economic development was not yet emerging. It was in 1954 to 56. I was ambassador to Bangladesh being in the foreign service, and also it was interesting to know that Dr. Shaw went to Sudan. Because while I was in Bangladesh, I visited my Oxford, St. Johns friend, Prime Minister of Sudan, Al-Sadiq Al-Mahdi before he was toppled, went all the way to see Aswan Dam. So that Japanese aid also could build a huge dam in Bangladesh, which we have not yet done.

First of all, I have slight difference that food aid is organized by the foreign ministry. It is so, but then, we rely very much on JICA, and also food aid has to be combined within the Japanese aid. It's an integrated approach. There is a tension between the embassy and JICA office overseas and the headquarter. Because being a vertically oriented society, the Finance Ministry, Agricultural Ministry, Ministry of Trade and Industry all stick to their own prerogatives, and it is difficult to coordinate at the local level. And I used to envy UNDP or WFP, which had a greater power at the local level. In the Japanese system it's the headquarter, with the joint consultation of the ministries and JICA and OECF, which try to direct the operation at the local level. They don't give sufficient power to the ambassador. And therefore, I thought the U.N. system was better than the Japanese government system because they give kind of an integrated approach and authority to the local level of UNDP, for instance.

Having said that, you see, when I was in Bangladesh, I was often disturbed by this disincentive effect of food aid. In fact, as the speakers have pointed out, the disincentive effect of food aid should not be exaggerated, and in fact, both of the speakers have emphasized that there were much more positive effect, and disincentive effect was on the whole not proved by the history.

But right on the spot in Bangladesh, I have heard from some good people of very intelligent and with certain western education but intensively patriotic, were saying that the continuation of the huge surplus of wheat and rice, I mean Europe and United States, Thailand and Burma, and Japan having huge financial surplus in those days, our economy is on the verge of collapse now, but we used to have a very strong economy, five, six years ago. So a huge financial surplus was kind of guilty. You make too much money. And the huge agricultural surplus of the United States is guilty because they produce too much. And the two guilty parties of very well-off country by giving the huge food aid, would somehow mitigate that sense of guilt. And perhaps, that is so ethically.

But the problem is the Americans always like to sell the huge wheat, and the Japanese government would not export our own rice, but buy the American wheat surplus, and it would always please the senators or president of the United States. I see in between the lines, or sometimes it leaks to the Japanese newspaper how senator of Indiana or Vice President from Michigan is pleased that we bought huge wheat to channel to Bangladesh or Egypt. And then, Thailand and Burma, we must buy surplus rice from them.

But then, is there a kind of sense of gratitude? That is not what we should seek. But then, there is the whispering voice that this continuation of huge surplus of food aid coming to Bangladesh has caused long term disincentive for the farmers to produce their own agricultural production because the quality and the price is so good coming through the food aid that it does a real disincentive. I was surprised because when I went to Bangladesh for the first time, although I knew a lot of students from India and Pakistan in those days when I was at Oxford in the fifties, and they were all high level officials, or sometimes president rival, and so forth, in the very highest level, so I had very good access of information and attitude. But somehow, there was a whispering voice that it had caused disincentive for the farmers. And today, in fact, that was precisely what I came here for to hear from the two greatest authorities, the problem I was disturbed when I was ambassador of Bangladesh about disincentive. And I was so pleased to know that historically it is disproved.

But on the other hand, that's macro approach. What the farmers would appreciate is more increase of the production, like the seeds, fertilizer, agricultural implements, shallow well, deep well, you know these things. And not the cheap beautiful American wheat of best quality in the world, undoubtedly, and American senators feel all great about it. We, diplomatically, it's wise to make them feel great. But whether it is really something producing direct effect on the agricultural production, I mean, the miracle rice and miracle wheat...I was in the Philippines, too. I know Los Banos very well; three years there, in Manila. The miracle rice and miracle wheat produced by the Americans and the British or the agricultural scientists made tremendous contributions. I mean, that is the kind of thing. The production input or technologies, what would produce long term benefit.

My view of food aid is, it should be...Bangladeshis appreciate it when there is disaster and relief, and then, suddenly, they don't say about this disincentiveness. Suddenly, they rush for food aid. When we sent them, they feel relieved. When the disaster is there, suddenly there's no complaint. When the disaster goes, there is complaint. And yet, you're saying that this relief aid should be more systematically channeled into the reconstruction and development, which does require good skill and collaboration. But, I think you have given a very broad, balanced view of the problem, which I appreciate. But I still have my latent doubt about the problem of disincentive of long term, or continuous food aid given, which is causing, seems to be causing, some disincentives to their agriculture farming. Thank you, Dr. Shaw: Just a quick reply. You would be interested to know, Mr. Ambassador, that since you were last in Bangladesh, Bangladesh has reached a stage of selfsufficiency in food, that it has never had in the past. There has been a major, but major increase in agricultural food production. This has been brought about in three ways. First of all, in your day when there was quite massive food aid, that helped to generate up to between 30 and 40% of the government budget, and that was then invested very largely in the agricultural sector, so rather like in India, where the program of food aid from the United States generated funds which went into the green revolution. The second area is, I think you're aware

of a very massive food for work program, one of the largest in this world, and the effect of that over time has been to improve their irrigation system, control flooding much more than ever in the past, build rural roads, and develop the tube wells and tanks. The third area is in the area of women and women in development. In the early days, the World Food Programme had to support the largest mother and child supplementary feeding program, perhaps in the world. That has gradually been transformed into a women in development program, whereby the most abjectly poor women, these are poor women heads of household, four or five children, literacy rates of less than 10 percent, no land. In a program of a package of assistance, including credit, by the way, they're now being taught small scale businesses, poultry production, silk production, and the like. They have access to small loans for the first time ever in their lives. And you might be interested to know that the payment back rate is 100%.

So, I think, Mr. Ambassador, you will appreciate having been to Bangladesh, that another thing we've learned in this development process is that it takes time, and it takes a much longer time than we would like it to take. You need a sustained, persevering approach over many years. And now, we're beginning to see the fruits of that sustained approach, which I think if you went back to Bangladesh now, you would be very pleased to see. Question: Just one point. I saw great merit of this local counterpart fund generation. But again, it's true that Bangladesh government has become more and more heavily dependent on that for infrastructure or other...you know...It is definitely a budget support. It has become an inherent continuous budget support, whether it should be so. But being there, I said we should continue many more years to come. But some of the European countries said that we are going to stop.

Dr. Singer: I would certainly never wish to minimize the worry about disincentive effects. I think whatever you do with food aid, the risk of a disincentive effect has to be there in the mind of the donor and of the recipient, too. All the time. It has to be checked, all the time. In the nature of things, these things are very difficult to prove or to disprove. Would the government

of Bangladesh have given more attention to their own agricultural development, higher priority to agricultural development, if the food aid had not been so readily available in the past, is a difficult question. This is what is known as countereffectual evidence. We can neither prove that they would have done it nor disprove that they would have done it. This is a matter of judgment. I would say, this now fits in with just the last point, that normally developing countries are very jealous of their sovereignty. They are weak countries to be depending on aid, any kind of aid, whether financial aid, food aid, even technical assistance.

In the first place, it is risky, and in the second place it limits your political mobility. You cannot afford to quarrel with the aid donors, otherwise the aid will be cut off, and you'll be punished, you'll be penalized for taking independent positions. Developing countries are very keen of their sovereignty. That's why they prefer the U.N. to the IMF and World Bank, of course. In the U.N., each country has one vote however small, or however poor. Each country has one vote. In the IMF and World Bank, the developing countries have no say at all because the voting is according to financial contributions. So one can to some extent assume that developing countries will not wish to rely on food aid if this could be avoided. But I would come back to the point that, yes I take the disincentive effect very seriously.

But if I might make a comment on what John Shaw just said, the risk of a disincentive effect must also be watched and kept in mind all the time. In food for work projects, you must be very careful, food for work takes place not in harvest season, let's say, where it competes with agricultural production, and so forth, that it doesn't drive up the supply price of agricultural labor, which makes food production. But the risk of some adverse effect somewhere is always present. Often it has to be weighed against the benefits.

Coming back to my first point, perhaps the government of Bangladesh would have reached that desirable state of greater self-sufficiency earlier if the food aid had not been available. It would have given higher priority to agricultural production. But then again, you have to look at the other side of the balance sheet. If they had done that, there would have been less resources

available for industrial development. Perhaps even less resources available for protection against floods, for the extensive works needed in Bangladesh. So when you say that perhaps the government would have given greater priority to food production if the food aid had not been available, this is not necessarily an argument against food aid. Perhaps it was defensible to give priority to other aspects of economic development.

It's not a very satisfactory situation, but it shows to my mind that each situation requires very careful analysis, and it requires a lot of knowledge of the domestic politics of the donor countries. In fact, this is one of the reasons why some of us are very critical, shall we say of the World Bank and IMF stocks adjustment programs. You have three-week missions from officials in Washington who impose major reforms that have a deep effect on the economic life and politics also, of the social relations in the country. You have to know a great deal about a given country in order to make sure that if any disincentive effects are present, they are overcompensated by the benefits. So I fully agree that this is a very serious problem, this food aid.

Question: I am in charge of food aid in grant aid division of the foreign ministry, so today, has been very instructive to me. Now, actually I, as well as other members here, have so many questions to ask, and probably we don't have enough time. So, the first question which I would like to ask you is what is your e-mail number? (laughter)

Dr. Shaw: We'll give you the fax numbers.

Question: That'll be very great, that'll be helpful. I think I should limit my questions to one for each professor. The first question I'd like to ask to Professor Singer, is again related to the question asked before; how to avoid disincentive effect. Now concerning that, you have explained to us successful examples which have avoided the disincentive effect. In those examples, you have introduced the effective use of counterpart funds to finance public work, which would be beneficial for infrastructure to the agricultural development and to the development itself.

But concerning the point, in order for us to have enough cash in the counterpart fund, that means that the recipient government has to sell the food

at the comparatively high price so that they can earn enough money to put enough cash into the counterpart fund, which will be helpful to improve its infrastructure necessary for the development. Now, that doesn't seem to go with your targeting theory. I agree with you when you said we should target on the poorest, I mean the weakest people, and that should be one of the conditionalities which we can put on the developing countries when we extend food aid. And yet, if we would ask, we would request the recipient country to target on the poorest people, and then, eventually, they have to sell that food at a very low price, or give it for free, which would give them no or little cash to put in the counterpart fund, which would be beneficial for the infrastructure development, which you have explained to us, as very helpful as the connector between food aid and the green revolution.

So my first question is how we can be so wise and shrewd to utilize the conditionality as well as this targeting of food aid, in this regard? That is my first question to Professor Singer.

Dr. Singer: Well, again, I can only agree with you. You point out a dilemma, that is very much in the mind of many people who have dealt with food aid matters. For instance, from the point of view of recipient countries, the counterpart funds impose a double burden. In other words, from the donor point of view, the counterpart funds technique is very acceptable, or very appealing because it gives a double opportunity to impose conditionality to check the use of the aid funds. You can first talk about use of the food aid when it is given, then again, you can talk about the use of the counterpart fund that has resulted from the food aid. In other words, it gives the donor a double handle, you might say. In the best possible case where the donor has good relations with the recipient governments, where there is not much quarrel, it is simply a double opportunity for discussion. You discuss common problems, you agree on something. But from the point of view of the recipient countries, it can be a double burden. And one of the discussions about the counterpart funds has been that when these counterpart funds are released, if you can trust the government, if you have general agreement that the government pursues a kind of policy that you as an aid donor would generally

agree with, then there is no need to earmark the counterpart funds for specific public works or irrigation infrastructure or anything. You release the counterpart funds to the general budget, because you trust the government to do the necessary things to promote their own food production through infrastructure work. In that case you don't need a lot of specific earmarking.

Of course, this specific earmarking is also very burdensome for the administration of the recipient countries. Negotiating capacity is small, perhaps not in Bangladesh, which is a relatively large and sophisticated country. But if you deal with small or very poor African countries, or if you deal with countries which are involved in conflict where there is no government; where is the government of Afghanistan today? Where is the government of Somalia or Rwanda? There is nobody to negotiate with. Double negotiation becomes very burdensome, especially if each individual aid donor insists on having his own counterpart funds. There is certainly a very strong case for aid donors through the aid consortium in each country to have at least a common counterpart fund, which then serves as a common fund. If each donor has a separate fund, but..

Dr. Shaw: Common counterpart funds were joined into one common fund.

Dr. Singer: In other words, if Bangladesh gets food aid from the U.S., and from the World Food Programme, and from the EU, Canada, and Australia, it would be a better arrangement for each of these donors, to have its own counterpart fund, to have its own ideas of how this counterpart fund should be used, and then try to negotiate with the Bangladesh government about this. At least it should be a common endeavor of aid donors. They should have enough common strategy, perhaps agreeing that the UNDP resident representative should negotiate on their behalf of all the use of counterpart funds.

But the other dilemma that you pointed out, is there. If it is really targeted to the poorest people, it cannot be sold, it must given away or sold for very a nominal sum. Well, then there will be no sizable counterpart fund. That is probably true. But even in that case, you could argue with the Bangladesh government, if you stick with Bangladesh. Well, Bangladesh somehow is

entered into the center of the discussion. Well, it's an important country. Well, even if the food is given away to very poor people, therefore, no counterpart funds, you can still say to the Bangladesh government, look here, you saved that much money through not having to import this food, which you distribute to your poor. Now, let's talk about how these savings in foreign exchange should be used, either within your general budget or for specific purposes. So the counterpart fund does not necessarily have to be directly fed from the sales policy of the food aid. There are other ways of creating a notion of counterpart funds.

Question: Just one point, please. Unlike the lady at the foreign ministry who is in charge now, I was there six years ago so my memory is fading. Back then I had a very competent officer who was always concerned about the use of the counterpart fund. Every year he wanted to report to the foreign ministry, and use as a pressure that we have to report to Tokyo and we want [to know] how the counterpart fund is used. It takes a long time. And often, it is not very clear. My first secretary rings the foreign ministry, and foreign ministry said have you not got the data yet, and so forth. But in the case of Bangladesh, of course they are not having huge armament or suppressing East Timor, or producing nuclear weapons, like China. So they are not to be too concerned with, but if the general support used for armament or for other purposes, that is something the foreign ministry has to really...say that that should not be done. If it is done, we should stop the aid. It's not the food aid, we should stop the aid. That's my opinion. I'm a private scholar now. Thank you.

Dr. Shaw: If I might say so, a major weakness in the Japanese food aid program where program aid was provided to generate funds, was that in your negotiation, you paid very little attention to what was done with the counterpart funds.

Question: That's not true. When I was ambassador, every year my first secretary was always concerned, there was pressure from her grant division, who was pressurized by the government account office and the budget bureau of the finance ministry. But then they were very resistant, or inefficient in producing. It was a headache.

Dr. Shaw: Perhaps it was different in the approach used in Africa, where in fact, you were quite satisfied, if you had a slip of paper which said that so many yen equivalent have been generated, but then, what was to be done with that was, unfortunately, not quite followed through. You do really need to negotiate the entire package including of course, accountability. But I'd like to come back to the point that Professor Singer has brought out that, take a country like Kenya. Not so long ago, they had 28 counterpart fund accounts to address. The administrative process alone was formidable. But we have managed in some countries to establish this principle of a common counterpart fund, which has at least two major benefits. One of course, is that you can deploy a much larger amount onto the second point, a common problem. The third one of course is that it reduces the burden of accountability very appreciably. It does require, of course, the give and take of donors, and how they come together as a consortium. But that is certainly an approach we should follow through much more in the future.

Dr. Singer: Perhaps as a footnote to his story, I should mention that the counterpart funds from the Marshall plan for Europe shortly after the war in the late 40s and early 50s, were used by common agreement to finance the institutions which lead to the formation of the European Union. In other words, by agreement between the Americans and the Europeans, they were used to promote regional cooperation within Europe. And some of us think that the large counterpart funds that now exist in Africa might possibly be used for similar purposes.

Regional cooperation in Africa is very badly needed. To give you only one example, which emerged from a recent conference in Nairobi that I attended, the African countries, and this relates also, largely to their food imports, the African countries being very small, being very unimportant in the world market, usually each individual country having little purchasing experience, little commercial expertise, little connection with trading, pay about 20% over and above the international going price for their imports, because they don't know where to shop for their imports in the best place. If they form a joint regional African import procurement agency, including for their

food imports, [i.e.] for their commercial food imports, assisting from food aid, they could probably get much better bargains for their imports. They could save, according to those figures, up to 20% on their import bill. This would make a tremendous difference to the position of African countries. Well, if the counterpart funds could be used on the European pattern...well I agree, things are not the same; Africa is not Europe, and Europe is not Africa. But if the counterpart funds could be not only common but be used to some agreed, major, macroeconomic purpose, like promoting better regional cooperation within a certain region, it could have a very good effect.

Dr. Shaw: That could also have a major benefit for the donor country, or the suppliers, because you can then be dealing in bulk. You could be using charter ships. You can be developing common delivery systems, channels. And you can build into that, by the way, a program of assistance which would help to build up the infrastructure, including the food supply systems of African countries. So there could be mutual benefits here.

Moderator: Any other questions? I'd like to have a simple question. I have little knowledge about the food aid of Japan. Do you have any practice of Japanese food aid in combination with technical assistance? Do you practice that? Because you said it's isolated. But I thought isolated is a strong word.

Question: I'm not an organizer at this point, but we don't have any coordination between food aid and technical assistance per se. We do understand that food aid alone should not be the only solution for the food problem in the world. That's why the government of Japan has been extending at the second KR, so-called. This aid includes food production, which is executed by JICA to motivate and help the efforts of developing countries to increase their food production. The Japanese government's idea is not that much sending food per se, but we want to help the developing countries to produce more so that eventually they can feed themselves.

But we do understand that there are certain occasions like emergency food shortages that we have to cover. That's why we are extending aid through WFB and UNDRO and other international organizations. Now what we have sometimes difficulty to really understand the necessity is to extend the food

aid for non-emergency situations like some African countries or Asian countries which are not sufficient in food. Our budgetary people, in Okura-sho, do have difficulty to really understand the necessity to even increase the amount of food aid to those countries, and that's why I think we have been asking so many questions today. And that's why [we are] always so keen to know not only examples but also the background and really the theory of how we can avoid disincentive effect. Because we have witnessed some countries including Mongolia which was criticized by other people that we have given disincentives to those countries to produce more food by extending so much food aid. So that's why we would like to continue to know about that. In fact, concerning the question which was asked right now, I'd like to know in your opinion, what are the successful examples of donor countries who can really connect their financial or technical assistance and food aid. Which are the desirable, successful examples, which are those successful donors who are really coordinating those multilateral aspects of aid?

Dr. Singer: First of all, I can give you a negative example where certainly that coordination has not been achieved and that is the case of the U.N., of multilateral aid. In the case of the U.N., financial aid is in one department in Washington, World Bank, food aid is in a separate system administered by the U.N. and FAO in the World Food Programme. That was a political compromise that was reached in the days of Kennedy, the Kennedy compromise, when it was finally decided that there should be a multilateral aid program within the U.N. because the World Bank originally had not been permitted to give aid, only loans on commercial terms for specific projects. So in the U.N. system, you have no precedent. We have the same problem of isolation. There have been lots of discussion in which both of us participated over the years to bring the World Bank and the WFP together. It has never come to anything.

But let me also give you another quite different example of the disincentive effect just to show how seriously one must take this, from the case of emergencies. This was emphasized by John Shaw when he made mention of the masses of refugees in refugee camps. They are being supplied with food

and blankets and medical help, and tents, to help them to survive. This was obviously right, nobody wants to change it. And then the thought is very obvious that especially when people are for long term in the refugee camps, why shouldn't they grow their own food there. They can at least have kitchen gardens, or they can provide their own food. You can then at the same time, combine this with some training; supply tools, and perhaps even technical assistance.

Well, it's not all that easy. If you do that, you give them the incentive to stay in the refugee camps.

Gradually, the refugee camps become like regular villages. People produce their own food, and successful organization is set up there. There are clinics in the refugee camps, and even schools for the children. It becomes part of normal life which gives disincentives to the refugees to go back home. It becomes then, very unpopular with the host countries, who don't want the refugees permanently on their soil. They want them to go back, and even the government where the refugees come from wants the refugees back. So you have tremendous conflicts. On the one hand, it makes sense not just to supply food, but to make the food aid more effective by combining it with assistance to people to grow their own food, or at least supplement the food rations with the kitchen gardens and other ways. But immediately you come up against a complex problem of incentives and disincentives. So in real life, the question of disincentives is there in many different forms. It's there all the time. Anyone who has to make any decision on any food aid project is bound to come up against this problem. It's become a very delicate matter of judgment.

To come back to your first question. In some donor countries, like for instance the UK, food aid and financial aid comes out of the same budget. There is one budget line, an aid budget line. If you use that for food aid, there is that much less available for financial aid. If you use it for financial aid, there's much less available for food aid. Therefore, the two are in a compensative relationship. But on the other hand, the common aid budget administered by one ministry, in the UK, the Ministry of Overseas Development, does make it possible where the question arises, to see the two in relation

to each other.

But in the U.S. which is still the largest food aid donor, and still the second largest financial aid donor, or in some calculations, still the largest financial aid donor depending whether you value the yen according to official exchange rates or to purchasing power parities. In the U.S. you have completely different budget lines for financial aid and food aid, different budgetary provisions. That has the disadvantage of isolation, of lack of coordination between the two. But it has the advantage that you can be pretty certain the food aid that is been given is additional to financial aid. It doesn't interfere with the giving of financial aid. The two are not antagonistic to each other at least.

Dr. Shaw: If I can supplement what Professor Singer has said, first of all, I want to bring back an important point he made in his address about expanding the concept of emergency aid. If Japan can only agree to give emergency food aid, not only when the emergency strikes, but also on the one end of the scale, for preparedness and for prevention, and then on the other end of the scale, for rehabilitation and reconstruction, you will already be making a major contribution in the so called continuum.

Secondly, I have to tell you that I find it very difficult to find an example of any donor that has successfully integrated its food aid program with its financial and technical program. In most, if not all of them, and I did have the privilege of over 30 years to look at every one of them, they have been set up, institutionalized, different procedures, different legislation, even different buildings, and set apart. But there is only one slight variant. And interestingly, in the Economic Commission in Europe, the European Commission in Brussels, there they were able to enact, what they call a substitution provision. That meant that they provide food aid to a country X, but if that country X turns from a deficit food situation into a surplus food aid, it is then able to turn off the tap of food aid and turn on the tap of financial aid. And conversely, when the food situation worsens, turn the taps the other way. No other donor country has that ability, and the result has been of course, a kind of stop-go cycle. You provide the food aid, but then, when it's no longer required, you turn

that off, but no turning on of the tap of financial aid.

The final point is about what Professor Singer said about entrenched, what we call, protracted refugee situations. Now the World Food Programme in concert with the UNHCR, the United Nations High Commissioner for Refugees, has recognized that something must be done in what we call protracted refugee situations, defined, by the way, as situations lasting more than one year. The sad fact of the matter is that we have in many places around the world now, large to very large refugee populations, that have been in place as much as 10 years. There is little prospect of them ever returning to their homes. What we did in that situation was to set up a subset of a financing program, not from the emergency relief funds, not from the IEFER, the International Emergency Food Reserve, but from a subset of WFP's development resources. What was said was that we must recognize that in such situations, as well as having to contend with keeping people alive, literally, because these people rely entirely on food aid, we have to do something about their capabilities or their capacities, deal with them as persons, and deal with their nutritional status, their educational status, and their training, so that they become viable people, hoping that of course that either one day they will return home, or that there will be a decision that they will be integrated into the host country.

We also try to do another most difficult thing, and that is to generate work programs for infrastructure within the host country, in order to support that, but also to build up incomes so that these people can have money to buy other essentials that they require.

Now, as Professor Singer has said, this is a most delicate, a kind of a double-edged sword. It so happens that very often, these refugees are better off than the indigenous population that are not entitled to these. So what we've tried to develop there is an area-based development approach, where you take the entire population of an area, meaning refugees, displaced people, and the indigenous people, and the entire resources of the area, meaning the indigenous resources, the government resources and the aid resources in relief and development terms, and use those, as the Indians did very successfully, in an area-based development strategy so that everybody's problem is addressed and

hopefully everybody can benefit in an extended development approach. But it is not easy.

Moderator: Thank you very much. We liked the lectures from two distinguished professors. The lectures were very interesting and informative. I think these lectures today will be certainly useful to think of our future aid programs.

Just to mention some points, although there are lots of interesting points, maybe I can point out several. First, among the Japanese aid administrators, there are some suspicions about food aid, particularly disincentives. Of course, for the emergency relief type of program has no debate or discussion. But when it comes to the transitional period of rehabilitation, reconstruction and development process, dependency and disincentives certainly make food aid more problematic. There is certain doubt among the Japanese. Therefore, Professor Singer mentioned that we should endeavor to minimize the disincentives of food aid. The second point is that it is important to have targeting the food aid to the poorest people. The third point, may be that integrating food aid with other aid programs would be more useful and effective to make the food aid in developing countries. The last point is, as Dr. Shaw mentioned, that maybe it's good to utilize Japanese experiences of food aid, such as counterpart fund be utilized very effectively, work for food or even soft loan type of assistance, particularly to strengthen the agricultural sector. This is not a very good summary, but there were certain lessons we could get.

Thank you very much indeed for the wonderful lecture, Professor Singer and Dr. Shaw. Thank you very much, indeed.

Background

Dr. D. John Shaw

Current position:

Former Head of Policy Affairs Service, UN World Food Programme

Education:

Postgraduate Fellow in Agricultural Economics, University of Oxford
Senior Lecturer in Rural Economy, University of Khartoum, Sudan
Fellow in Agricultural Economics of the Institute of Development Studies,
University of Sussex

Related work experience:

- 1994 United Nations World Food Programme
Senior Evaluation Officer, Senior Economist and
Head of the Policy Unit in the Office of the Executive Director,
Economic Adviser, and Head of the Policy Affairs Service

Major publications:

Poverty, Development and Food (London: Macmillan, 1987)
Food Aid: Experiences of Recipients and Donors (London: James Currey, 1993)

JICA