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MANAGING AGRICULTURAL
DEVELOPMENT IN AFRICA

FOOD AID IN SUB-SAHARAN AFRICA
A STUDY OF
FOR DONORS: USAID, CANADA, EEC AND WFP
AND FOR RECIPIENTS: KENYA, TANZANIA, SENEGAL AND CAMEROON

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FOOD AID IN SUB-SAHARAN AFRICA

A Study of
Four Donors: U.S.A., Canada, EEC & WFP
and Four Recipients: Kenya, Tanzania, Senegal & Cameroon

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NOTE

The following persons have assisted at different times, in carrying out this study: Emily Moore in Rome, Antonia Maioni in Ottawa, Tshikala Tshibaka in Cameroon, Neville Edirisinghe in Washington, Kenya and Tanzania, and Bonnie Folger in Washington. None of them bears any responsibility for the way the information collected by them has been used or for the views expressed in the report.

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I. INTRODUCTION

Food aid played an important role in India, Pakistan, Colombia and other Asian and Latin American countries in the 1950s and 1960s. The impact of this food aid on the economies of these countries and on their agricultural production was the subject of controversy at that time. These controversies have never been resolved, but their legacy still affects current thinking on food aid questions.

After falling sharply for some time, the volume of food aid has been rising steadily for some years now. It has also shown a significant change of direction towards Sub-Saharan Africa. The volume of food aid to this region has increased sharply from a little over half a million metric tons in 1970/71 to over 2.7 million metric tons in 1983/84 and to over 4.9 million metric tons in 1984/85 (FAO, Food Aid in Figures, 1985).

This sharp increase reflects the extremely difficult economic conditions which now face most of the countries of the region. These arise from a rapid growth of population, high rates of urbanization, severe pressures on the balance of payments resulting from efforts to push up rates of economic growth, and the relative stagnation in food production. These difficulties have been compounded by the repetitive occurrence of famines resulting from droughts and other natural disasters and by war and civil unrest. The newly independent countries of the region have often made things more difficult for themselves by taking on too many responsibilities in spite of their relatively weak administrative, research and educational systems.

The persistent world recession since the mid-1970s and the high price of imported oil have dampened the exports of these countries and have made it even more difficult for them to deal with their problems.

As a result, these countries find themselves unable to finance the imports needed to fill the gap between the demand for and domestic production of food. In addition, large sections of their populations do not have sufficient incomes to buy the food they need. There is an unfilled gap between their minimum food needs and their effective demand for food.

The increase in food aid to the region has taken place against this background. Substantial quantities of food aid have been provided to countries in the region to deal with disasters or emergencies such as those resulting from famine. Also, large quantities of food aid have been provided on a program basis to fill the gap between normal demand and supply, i.e. domestic production plus commercial imports. In addition, substantial assistance has been provided for feeding and developmental projects of various types.

There are many important differences between the economic, political and social conditions prevailing in the region and those found in Asia and Latin America on which the existing body of experience with food aid in particular and development in general is based. The climatic and soil conditions in Sub-Saharan Africa are different. Population densities are often much lower, though population growth rates are high, often much higher than those found in Asia and Latin America. Labor productivities on average are lower. The physical as well as the social and institutional infrastructure is much poorer. Packages of technology applicable to

the crops grown in the region are rarely available. The underlying research system is itself extremely weak.

In this situation, it is important to analyze the experience with food aid in the region and examine the role it has been playing and could play in it. With this objective, this study examines the role of food aid in four countries of Sub-Saharan Africa - Tanzania and Kenya in the east and Senegal and Cameroon in the west. In Tanzania, cereal food aid accounted for as much as 95 percent of cereal food imports in 1976-78 and 79 percent in 1981. Per capita food aid in Tanzania amounted to 11.36 kgs in 1981. In Kenya, cereal food aid accounted for 19.0 percent of cereal imports in 1976-78 and 32.0 percent in 1981, but per capita cereal food aid was still as high as 10.02 kgs in 1981. In Senegal, the proportion of cereal imports accounted for by cereal food aid was approximately the same as in Kenya - 17.0 percent in 1976-78 and 30.0 percent in 1981, but per capita cereal food aid in 1981 was much higher at 23.79 kgs. Cereal food aid to Cameroon was relatively small. It accounted for 4.0 percent of cereal imports in 1976-78 and 8.0 percent in 1981, with per capita cereal food aid amounting to only 0.98 kgs in 1981.

The policies and programs of food aid donors are extremely important for determining the impact of food aid. Although food aid originates in the existence of surpluses in developed countries, its effects depend on the uses to which it is put. The objectives of food aid donors are important in this respect and may help to ensure that food aid is used properly with the interests of the recipient country in mind. The actual effects of food aid may, however, be quite independent of donor rhetoric or even of the actual motives with which food aid is provided, however good or bad they may be.

This study therefore also examines four donor countries or agencies. The two individual countries covered are the United States and Canada. The study also covers the European Economic Community. This is an organization of selected countries, which has an independent food aid program of its own in addition to any food aid programs of its member countries. Finally, the study covers the World Food Programme, an international organization set up specifically to provide food aid and having both donors and recipients of food aid as its members.

Background information about the four food aid donors and four food aid recipients is provided in separate appendices. The main report deals with various food aid issues in terms of the comparative experience of the different donors or recipients.

II. NATURE AND PURPOSES OF FOOD AID

(a) FOOD AID AND SURPLUS DISPOSAL

Food aid to developing countries originates from the existence of food surpluses in developed countries. The surplus disposal objective of food aid is clearly recognized by the donor countries themselves. Thus, the United States specifies the objective of surplus disposal clearly in the very Preamble to PL480, the legislation which authorizes the provision of food aid. Various Canadian documents in which official policies on food aid are set out or developments in the food aid sphere are reviewed, specifically recognize that the motivating force behind food aid is the need for surplus disposal. The food aid program of the European Economic Community (EEC) originated from a concern with the growing food surpluses resulting from the Community's Common Agricultural Policy (CAP). When the World Food Programme (WFP) was established as an international food aid institution in 1963, it was specifically charged with the task of organizing the multilateral utilization of surplus food.

It is the surplus disposal nature of food aid that endows it with the quality of additionality. This is because there are domestic benefits including cost savings that result from such surplus disposal. Food aid tends to be additional to financial and other forms of aid in the sense that most donors will not substitute financial aid for food aid even if recipient countries express, for

whatever reason, a preference for the former. The additionality of food aid results in part from the fact that, in contrast to financial aid, it has a strong constituency in the developed countries. The use of food surpluses to provide food aid appeals to humanitarian instincts concerned about the existence of hunger in the developing world. It has the support of agriculturists and the agricultural input industries eager to reduce the overhang of accumulated food stocks. It has the support of budgetary authorities concerned about the growing costs of holding stocks or of holding down food production without antagonizing the agricultural community.

The additionality of food aid is most clear for the United States. It is also true for the World Food Programme in view of its institutional character and its dependence for its resources on food provided by its member countries. The EEC and Canada have shown some flexibility in this respect. The Council of the EEC adopted a regulation in June 1984 permitting the Commission to substitute financial and technical assistance for food aid. The regulation helps the EEC to continue to support developing countries which may no longer require food aid because of success in increasing domestic food production. However, in view of the pressures of food surpluses to which they are both subject, it seems doubtful whether this flexibility can be more than marginal even for them.

To the extent that food aid shows additionality, the debate on whether food aid is less efficient than financial aid is not really as critical as it appears to be. Even if it is inherently less efficient, it is still an additional resource which can be used by developing countries to promote important objectives. It has of course to be kept in mind that the use of food aid may involve the

use of other resources - financial, technological and managerial - that have alternative uses. However, it has also to be kept in mind that the opportunity costs associated with food aid are often those of the specific objectives of the programs or projects supported by food aid rather than of the food aid itself. Such costs would be incurred for those programs or projects even if they were supported by financial aid since they ultimately involve provision of additional food at specific points. Famine relief or efforts to raise nutrition levels in a remote poverty stricken area are cases in point. The other resources can be saved only by abandoning the objectives of the food aid programs or projects. Keeping this in mind, it is only if it can be shown that, on balance, food aid has adverse effects that it should be considered undesirable and unacceptable.

The effects of food aid are not, however, independent of the circumstances, purposes and mechanisms of its use. The management of food aid also affects the results produced. Therefore, while some food aid programs may appear to be inefficient, ineffective or even deleterious, other uses may still prove to be desirable. Besides, many objectives can only be served by food, whether this is provided as food aid or as financial aid used for the purchase of food.

(b) THE NEED FOR FOOD AID

The justification for food aid lies in the need for food in developing countries. This need for food is reflected in (a) the gap between aggregate food demand and supply, and (b) the additional gap

between minimum needs for food and effective demand for it among large sections of the population.

The demand for food in developing countries grows rapidly because of the growth of population (mainly because of falling death rates) and the growth of per capita incomes (mainly because of substantial investment). Initially, the domestic production of food does not increase as rapidly because of the combination of traditional technologies, fragile soils and a variety of other factors. This increases the food import gap but foreign exchange constraints limit commercial food purchases from abroad. In this situation, food aid either releases foreign exchange for developmental purposes or helps to fill the demand-supply gap and thus to prevent excessive increases in food prices as well as the resulting unequal distribution of inadequate food supplies.

This analytical picture of likely demand-supply relationships for food in developing countries is exhibited clearly, though to varying degrees, in the four countries of Sub-Saharan Africa under study. During the period 1980-2000, annual rates of growth of population are expected to be 3.9 percent in Kenya, 3.5 percent in Tanzania, 2.9 percent in Senegal, and 3.3 percent in Cameroon. Growth rates of per capita income over the period 1965-1984, were 2.1 percent in Kenya, 0.6 percent in Tanzania, -0.5 percent in Senegal and 2.9 percent in Cameroon. In comparison, rates of growth of agricultural production were 3.5 percent in Kenya, 2.8 percent in Tanzania, -0.2 percent in Senegal and 1.6 percent in Cameroon. Food production growth rates were actually lower than population growth rates in Kenya, Senegal and Cameroon, so that per capita food production fell in these countries. In Tanzania, the data suggest

that food production barely kept pace with population growth. As a result, average indices of per capita food production for the period 1982-84 were 66, 82, 83 and 100 for Senegal, Kenya, Cameroon and Tanzania as compared with the base period of 1974-1976 (World Bank World Development Report, 1986). The impact of the growth in per capita income on the import gap was additional for all four countries.

Food aid needs for the future have been estimated by projecting long-term trend rates of growth of per capita GNP and food production, accepting medium variant UN projections of population and FAO estimates of income elasticities, and projecting average commercial cereal imports for 1977-82 at the rate of growth of per capita GNP (Ezekiel, Hannan, Medium Term Estimates of Food Aid Needs, 1986). While these estimates do not take into account any special factors affecting these trends in individual countries, they do give an idea of what the demand-based food aid needs of these countries might be. The trend-based value of food aid for 1980 and the estimates at five-yearly intervals thereafter up to 2000 are given in Table 1.

The size of the additional gap between minimum food needs from the nutritional standpoint and the effective demand of the populations of the four countries has not been estimated so far. However, considerable poverty exists in all four countries and it may be surmised that many households do not have sufficient purchasing power to acquire minimum amounts of food. The additional food aid needed to meet this additional need-based food gap in these countries, could, therefore, be quite large. It must be recognized, however, that if efforts were made to provide such additional food aid,

TABLE 1 : FOOD AID REQUIREMENTS

	1980	1985	1990	1995	2000
	100,000 M E T R I C T O N S				
CAMEROON	2.06	3.05	4.29	5.94	8.03
KENYA	0.58	7.77	17.45	30.19	46.16
SENEGAL	0.00	0.78	3.48	6.71	10.54
TANZANIA	1.72	5.26	10.01	16.06	23.50

SOURCE : EZEKIEL, H., "MEDIUM TERM ESTIMATES OF FOOD AID NEEDS". IFPRI, 1986.

complex problems of targeting and of real income effects would have to be faced. Administration of such additional food aid would also be extremely difficult.

(c) EMERGENCY FOOD NEEDS

In addition to their normal food aid requirements, developing countries may face emergency situations from time to time in which they need special assistance. Shortfalls in food production may occur because of drought or floods. They may also result from war or civil strife. Incomes may also fall in affected areas. Relief operations become necessary in such situations. Food aid plays an important role in such operations as well as in the feeding of refugees. Donor countries have responded liberally to such needs. They make minimum annual contributions to the International Emergency Food Reserve. In addition, they usually provide food aid for emergency purposes on a bilateral basis as well as on a multilateral basis through WFP.

The primary purpose of emergency food aid is humanitarian. It saves lives and helps to protect the health of those affected by emergencies. It also serves to rehabilitate them after the emergency is over. In the longer run it helps to maintain labor productivity in particular and agricultural production in general. To some extent, it also prevents diversion of the recipient country's limited resources from developmental to relief purposes. It thus assists the country to maintain the pace of its development. This does not mean that emergency food aid has been free from defects. Many questions have been raised about its

effectiveness. Increasing attention is being paid now to the measures that need to be taken to prevent famine rather than to merely alleviate the suffering it causes. Attention is therefore now being paid to the issues that arise at the interface between famine and development. In the meantime, however, emergency food aid continues to play an important role in providing relief and rehabilitation.

The United States provides emergency food aid under Title II of PL480 through the International Emergency Food Reserve, through additional allocations to the WFP, through grants to Government and organizations in the affected countries and through American private voluntary organizations (PVOs). Canada provides emergency food aid through its contribution to IEFER as well as through WFP and various PVOs. Both the U.S. and Canada have special arrangements to ensure quick responses to requests for emergency assistance.

The EEC, until recently, did not have separate administrative arrangements for providing emergency assistance. However, in December 1984, the European Council meeting in Dublin launched a plan to aid famine victims in the eight worst-hit African countries, which did not include any of the study countries. The Dublin Plan aimed to supply Africa with a total of 1.20 million tons of cereal equivalent from Community and its member states to which 0.80 million tons would be added from the rest of the international community. By October 1, 1985, the Dublin Plan had been fully committed and the necessary operations had been almost completed. Various steps, such as the setting up of an emergency team, were taken to accelerate the response to requests for

emergency assistance and to improve planning and coordination of efforts by different donors. Following the Dublin Plan, which was essentially an ad hoc response to the crisis in Africa, there emerged the idea of making advance provision in the Community budget and in the annual food aid programs for a contingency food aid reserve that could be drawn upon to meet exceptional or large scale unforeseen emergency needs.

WFP administers the food aid available under IEFER and in addition when necessary, provides some emergency food aid from its normal resources. WFP has built up considerable experience in moving large quantities of food aid to needy areas at short notice and in handling its distribution. Many donor countries take advantage of WFP's experience in managing emergency food aid operations. WFP has also now built up an information system on emergency food needs (with FAO) and on movements of food aid from different sources. This facilitates all emergency food aid operations and helps to improve their effectiveness.

All the four countries from Sub-Saharan Africa under study have received emergency food aid at one time or another. Thus, Tanzania has had fifteen completed WFP emergency food aid operations at a cost of seven million dollars in addition to a current project. These have covered food aid for victims of drought, flood and war as well as assistance for refugees from Mozambique, Rwanda and the Congo. Tanzania has also received emergency food aid for drought victims from Canada, Australia and other countries. In Kenya, a widespread famine occurred in the Turkana district as a result of drought in 1980-81. Emergency food supplies were provided by WFP and other donors through the Turkana Rehabilitation Project

established to handle relief operations (and later given the responsibility of handling more directly developmental activities). Cameroon has received food aid for relief activities from WFP as well as through U.S. supported private voluntary organizations (PVOs). Senegal has received emergency assistance from WFP mainly for relief to drought-affected people in the north. It received assistance of this kind from Canada during the food crisis of 1980-81.

Emergency food aid is generally treated quite differently from other food aid. However, particularly when the emergencies are of the repetitive slowly-evolving kind such as those resulting from drought, they focus attention on the underlying weakness of the food production situation in the affected country or in the affected region of that country. This draws attention to the broader food aid needs of that country and the role that food surpluses in the developed countries can play in satisfying them.

The mere fact that food surpluses in developed countries coexist with food deficits in developing countries does not mean that they will necessarily be matched. Nor does it necessarily mean that, even when they are so matched, food aid will produce no undesirable effects. Much depends on the objectives of food aid donors and on the ways in which food aid is provided and used.

(d) DONOR OBJECTIVES

In addition to the central purpose of surplus disposal, individual country donors like the United States and Canada and

organizations of donors like the EEC, can be said to have four principal objectives or purposes:

- 1) market development,
- 2) the achievement of foreign policy objectives,
- 3) humanitarian relief,
- 4) economic development.

The World Food Programme, being an international organization covering both donors and recipients of food aid, formally subscribes only to the last two objectives. However, individual donors who channel their food aid through WFP may influence the use of their food resources to attain the first two objectives as well. The broader objective of market development that is served by increasing incomes and thus the demand for food is of course served as much by food aid made available by the World Food Programme as by other donors even if it is not a specific objective of WFP.

During the late 1950s and early 1960s, the principal purpose of U.S. food aid policies were those relating to trade and U.S. foreign policy. The amendment of PL480 by the Food for Peace Act in 1966 marked a major shift in emphasis to the objectives of combatting hunger and malnutrition and encouraging economic development. The amendment also emphasized the provision of assistance to countries determined to improve their own agricultural production. After the sharp increases in world cereal prices in 1974 and the holding of the first World Food Conference in 1975, steps were taken to increase the emphasis on humanitarian and development objectives through amendments of PL480 in 1975 and 1977. In 1975, minimum quantities of assistance were prescribed under Title II, which provides for grants. In 1977, it was

mandated that countries eligible for IDA assistance had to receive at least 75 percent of assistance under Title I, the minimum amount of grant aid under Title II was increased and a Food for Development program was added under a new Title III which provided for forgiveness of Title I loans under certain conditions and for multi-year commitments of U.S. food aid to a country. Further changes have been made by the 1985 Farm Act, which also extended PL480 through 1990.

Canadian food aid has shared the central surplus disposal objective and the four purposes of donor countries listed above. The historical evolution of purposes has been similar. By the 1970s, the objectives of Canadian food aid became predominantly humanitarian and developmental. While the need for surplus disposal has remained, the objectives of surplus disposal and market development have receded slowly into the background.

The EEC began to be involved in food aid with the coming into effect of the Food Aid Convention for cereals in 1968. The objectives of EEC food aid, like those of U.S. and Canadian food aid, have evolved over time from a concern with surplus disposal to strong humanitarian and developmental objectives. In recent years the EEC has emphasized a "food strategy" approach in which EEC food aid would be fitted into a coherent food strategy and agricultural development plan in the recipient country.

From the very beginning, WFP has had both humanitarian and developmental objectives. When it was established, it was instructed to provide emergency relief, deal with chronic malnutrition, assist in preschool and school feeding, and implement pilot projects aimed at economic and social development,

particularly when related to labor-intensive projects and rural welfare. In a number of decisions taken from time to time by the Committee on Food Aid - WFP's policy making body - the humanitarian and developmental objectives of WFP have been reiterated with varying emphasis. In principle, and to some extent in practice, the relative emphasis on developmental objectives has increased sharply.

WFP's humanitarian objective is of course directly served by the emergency assistance it provides - both with the resources of the International Emergency Food Reserve and with other resources. In addition, WFP has devoted substantial resources to feeding projects of various kinds. Even in its Food for Work projects, WFP has often tended to focus on the feeding aspect, seeing the employment provided perhaps as merely a valuable targeting device for ensuring that the assistance is provided only to those truly in need.

Even when the developmental aspect of WFP's Food for Work projects was not central to WFP's own thinking, these projects usually made a substantial contribution to long-term development through the creation of infrastructural and other assets capable of generating long-term increases in output, employment and income. However, it is now paying increasingly direct attention to the developmental aspects of such projects. Even in relation to famine, WFP has now started thinking of what can be done to ensure that famine relief measures themselves make some contribution to the strengthening of the affected economy. More generally, WFP has started considering how food aid can be used to prevent famine rather than merely to alleviate its effects.

(e) CONFLICTS BETWEEN OBJECTIVES

Food aid originates from the need for surplus disposal. This and the stated donor objectives of market development and achievement of foreign policy ends through food aid conflict with the humanitarian and developmental objectives that are also formally stated. It is important to consider how these conflicts affect the ways in which donors provide food aid.

The objective of market development has three features that are relevant in this connection. One, market development takes place when the market demand for food in the recipient country increases as a result of development which food aid could promote. Two, market development may be hampered by rapid growth of food production in the country receiving food aid. Three, market development may involve strengthening of trade relationships between the donor and recipient country so that the developing country's commercial imports are increasingly purchased from the specific donor rather than from other exporters.

The first feature of the market development objective results in a merger of this objective with the general developmental objective of food aid. The more effectively food aid is used to promote development in the recipient developing country, and the more effectively in particular that it is used to promote increases in the incomes of the poorer sections of the population, the better the objective of market development is served. In this connection, donors have recognized the important role of agricultural

development since large numbers of the poor in developing countries are to be found in rural areas.

The second feature of the market development objective could apparently work in the opposite direction. The interest of the donor country in market development could logically make it want to slow down the growth of domestic food production in the country receiving food aid. Concerns are often expressed in donor countries about the possible impact of increased food production in developing countries on the markets for developed country food exports. Legislators, officials, organizations of agriculturists and scholars are among those expressing such concerns. However, these views do not seem to have had a very large impact on actual food aid programs. This is in part because other critics of food aid programs have focussed on the danger of food aid creating a dependency on it in the recipient country. The dependency criticism is best countered by using food aid directly to promote increases in food production.

The combined impact of increased incomes, particularly among the poor, and increased food production which helps to bring about such increases in income may be quite favorable to the expansion of markets for the cereal exports of developed countries. This is dramatically illustrated by the fact that countries like Japan, Taiwan, Korea and Brazil, which were large recipients of food aid in the past, now provide large markets for U.S. cereal exports as well as for other agricultural exports from the developed world. Some developing countries which have shown rapid growth of food production have also increased their food imports rapidly. That this relationship is not a mechanical one is shown by recent

developments in India and China (and also in Zimbabwe) where food surpluses have developed even though large sections of the population are unable to satisfy their minimum nutritional needs. Clearly, there is need to pay specific attention to the demand side of the equation through efforts to accelerate growth in employment in countries in which the rate of growth of food production shows signs of picking up.

The full working out of this relationship between food imports and domestic food production has yet to occur in Africa. However, in general, as incomes in these countries have grown, their commercial cereal imports have also grown, though these increases have been dampened to some extent by the adverse conditions for developing country exports that have prevailed in the recent past. This relationship is reflected in data on the recent cereal imports of the four developing countries under examination (Table 2).

Whether for these or other reasons, food aid donors do not appear to have allowed their market development objectives to push them into hampering or even into not assisting the growth of food production in the countries receiving food aid. All the evidence is to the contrary. Food aid donors have in fact tended to exert continuous pressure on recipient countries to make greater efforts to increase their own food production. They have provided aid -- financial, technical and food - to strengthen the physical infrastructure needed for increased food production, to build up and improve the agricultural research system in these countries and to improve the quality of agricultural extension services. They have used the leverage provided by their food aid to urge recipient countries to invest more in the agricultural sector and to make

TABLE 2 : RECENT TOTAL IMPORTS AND FOOD AID -- TOTAL CEREALS

TOTAL IMPORTS			FOOD AID	
CAMEROON				
	QUANTITY '000 MT	VALUE MILLION US\$		'000 MT
1980	140.3	35.3	1980/81	10.2
1981	107.2	25.2	1981/82	10.5
1982	117.0	24.8	1982/83	5.6
1983	177.8	35.5	1983/84	1.2
1984	121.3	22.5	1984/85	11.7

KENYA				
	QUANTITY '000 MT	VALUE MILLION US\$	CROP YEARS	'000 MT
1980	386.6	85.8	1980/81	172.9
1981	148.8	31.4	1981/82	127.2
1982	275.0	64.9	1982/83	164.5
1983	160.9	37.7	1983/84	121.8
1984	560.1	125.6	1984/85	339.6

SENEGAL				
	QUANTITY '000 MT	VALUE MILLION US\$		'000 MT
1980	413.7	101.5	1980/81	152.7
1981	470.9	124.3	1981/82	82.7
1982	494.2	101.8	1982/83	91.0
1983	565.7	108.0	1983/84	150.5
1984	697.6	117.9	1984/85	130.4

Table 2 cont'd

TANZANIA				
	QUANTITY	VALUE		
	'000 MT	MILLION US\$		'000 MT
1980	417.2	112.9	1980/81	235.8
1981	266.1	75.1	1981/82	307.5
1982	324.5	91.4	1982/83	171.3
1983	231.7	68.4	1983/84	135.5
1984	363.8	93.0	1984/85	127.4

SOURCE : TOTAL IMPORT FIGURES -- FAO TRADE YEARBOOKS
1984, 1983, 1982.

FOOD AID FIGURES -- THE 1984/85 FIGURES ARE FROM "FOOD AID TO SUB-SAHARAN AFRICA : A BACKGROUND PAPER", PREPARED BY C. BENSON, RELIEF AND DEVELOPMENT INSTITUTE, LONDON, FOR THE WFP/ADB SEMINAR ON 'FOOD AID FOR DEVELOPMENT IN SUBSAHARAN AFRICA', HELD AT ABIDJAN IN SEPT. 1986. THE NUMBERS ARE PROVISIONAL AND OBTAINED FROM THE FAO AND THE INTERNATIONAL WHEAT COUNCIL. ALL THE OTHER FIGURES ARE FROM 'FOOD AID IN FIGURES, 1985 (NO.3)', FAO, 1986.

their framework of policies more favorable to agricultural development. The recent EEC initiative in asking developing countries to formulate food strategies into which aid can be fitted - and in providing technical assistance in carrying out this task - is an illustration of donor attitudes in this respect. The use of joint counterpart funds resulting from program food aid by several donors to support agricultural market reforms - first tried in Mali but now being implemented in one of the study countries, Senegal - is another illustration.

There is one further point that needs to be considered in connection with the market development objective of donor countries. Donors generally tend to emphasize the objective of self-reliance rather than the objective of self-sufficiency to which many developing countries are strongly committed. This does not mean donors do not want developing countries to increase their food production rapidly but that they would like them to try to make the most economic use of their resources so that their incomes - and their capacity to pay for needed imports - could grow even more rapidly. The case for developing countries trying to be self-reliant rather than self-sufficient has an independent validity and this choice of objective is therefore in the interests of developing countries themselves.

The fact that food aid helps to establish or strengthen commercial relationships between donor and recipient countries in relation to trade in food has been stressed by some donors, particularly when justifying food aid programs to their legislative and other constituencies. This appears to influence competition between developed country exporters but may have some adverse

effects on some developing country food exporters. It does not, however, have any adverse influence that is worth noting on the recipient country.

The foreign policy objectives of food aid have quite different features. They tend to have a direct influence on the allocations of food aid amongst recipient countries rather than the use to which it is put. The role of foreign policy objectives in U.S. food aid is brought out by the historical prominence of Egypt, Korea, Israel, Indonesia, Pakistan and Yugoslavia in such assistance. These countries are historically among the top ten recipients of U.S. food aid. Canadian food aid has tended to go to selected countries with which it has special relationships. EEC food aid has tended to go to ACP countries, many of which are former colonies of its members. Only WFP has been free from such a bias though its ability to provide food aid freely to any needy country may be constrained to some extent by the wishes of donor countries.

While foreign policy objectives mainly determine allocation of food aid between recipient countries rather than the way such food aid is used, some effects on the use of food aid may be produced particularly if excessive quantities of food aid are provided to particular recipient countries, which are favored for foreign policy reasons. The availability of large quantities of food aid to one country may result in its use to support an extensive system of untargeted subsidization, which may not necessarily be in the recipient country's best interests. It may also produce disincentive effects on domestic production and an undesirable dependence on food aid. There is little evidence that excessive

food aid has been provided for political reasons to the four countries under review.

Foreign policy objectives may also produce sharp changes in the volume of food aid provided to a recipient country. Such changes may also occur in other aid since political considerations cannot be excluded there either. A sudden cutting off of food aid may create serious difficulties for the recipient country, particularly if a safety net such as that provided by the IMF cereal import financing scheme cannot be entirely relied upon (Ezekiel, Hannan, 1985). In some cases, other donors may increase their food aid to the affected country but once again such a favorable outcome cannot be relied upon. Among the four recipient countries examined, there do not appear to have been any cases of the sudden cutting off of food aid for political reasons. New U.S. food aid to Tanzania was cut in 1984 but this was because under the Bellmon Amendment aid cannot be continued to a country in arrears on repayment. Canadian food aid to Tanzania for 1984/85 was reduced from \$4 million to \$3 million as a result of a mutual agreement to phase out Canadian food aid to Tanzania gradually. Neither of these cases can be ascribed to the foreign policy objectives of food aid.

The objective of surplus disposal needs separate examination. This is the primary objective of food aid. How it affects the impact of food aid depends, however, on how the surplus disposal is carried out, that is on how far the food that is available for surplus disposal is utilized to promote humanitarian and developmental objectives instead of being just dumped wherever possible.

Within this broad framework, the fact that food aid originates from donor needs to dispose of surpluses may have its most important impact on the commodity composition of food aid. Donors may push particular commodities of which they have surpluses irrespective of their usefulness to the recipient country. The range of the commodities which have been included in food aid from the United States, Canada and other donors reflects the influence of the surplus disposal motive. The importance of dairy products in EEC food aid provides another example of the role that available surpluses play in determining the composition of food aid.

In some cases, the inclusion of certain commodities in food aid packages may result in wastage not only of the food but of the other resources used in their transportation and distribution. An example of this is provided by the yellow maize given by the United States to Kenya some years ago. The people of Kenya prefer white maize and refused to consume the yellow maize, particularly when they learnt that this was often used as animal feed. There are many cases of course in which the commodities provided are fully consumed but may then produce longer term changes in the recipient country's consumption patterns. It is argued that this could have serious deleterious effects on the recipient country in the long run. The implications of this aspect of the commodity composition of food aid are discussed in Section III (g).

(f) THE DECISION-MAKING PROCESS

The preceding discussion of the changing emphasis of different donors on different objectives for their food aid programs and of

the apparent and actual conflicts between these objectives is based on the rhetoric to which these donors subscribe in their legislation, formal policy statements or program reviews. This rhetoric may differ from actual practice. Besides, the rhetoric itself is not consistent as shown by the conflicts that exist between the different objectives that are formally set out. It is important therefore to examine the mechanisms through which actual food aid programs are designed and the conflicts between objectives resolved. The institutional apparatus for donor decision-making is important in this connection.

In the United States, six government agencies are involved in the decision-making process on food aid. These are the US Agency for International Development (USAID), the Department of Agriculture (USDA), the Office of Management and Budgeting (OMB), the Treasury Department, the Department of Commerce and the Department of State. The different agencies serve different interests and therefore tend to have different objectives when examining food aid proposals.

USAID is concerned with the political, economic and social effects of PL480 on the recipient countries. It tends to champion the humanitarian and developmental objectives of food aid and therefore to support the interests of the recipient country. It shares the primary responsibility for the PL480 program with USDA. The interest of USDA in food aid is in the instrument it provides for the disposal of U.S. surplus commodities and for the development of markets for U.S. agricultural exports in the future. Commerce is interested primarily in market development for both food and non-food products as it has broad responsibility for the

promotion of U.S. exports. State is interested in the foreign policy implications of food aid and therefore in the use of PL480 as a political tool. OMB uses inputs from USAID, USDA and State to decide the budgetary fate of a program. Having the objective of preserving Presidential discretion in determining future expenditures, it has presented the most opposition to multi-year food aid commitments.

All the agencies are, however, bound by the legislation, which has increasingly tended to mandate minimum quantities of food aid or of food-aid-related financial resources for specific purposes. Congressional interest in food aid is strong. Committees of the Senate and the House of Representatives therefore interact strongly with the executive branch of government at the broad policy level and in relation to the assessment of how food aid policies are being implemented.

In Canada, where food aid is provided under budgetary authority approved by Parliament, the official government agency responsible for the management of food aid is the Canadian International Development Agency (CIDA). This agency reports to the Minister of External Affairs and handles all types of foreign aid. Within CIDA, the special unit responsible for the management of food aid is the Food Aid Coordination and Evaluation unit (FACE). However, a number of other agencies and bodies are also involved in food aid. These include the Department of External Affairs, the Treasury Board, the Department of Agriculture, the Department of Supply and Services, the Canadian Wheat Board, the Canadian Dairy Commission and the Fisheries Price Support Board. As in the U.S. case, each of these serves special interests or has special

objectives and brings these to bear on food aid policies and on programs of food aid.

The different objectives of the different agencies necessarily conflict, but they may not necessarily produce adverse effects. That depends on how the conflicts are resolved. While particular bodies may, for example, push for the inclusion of particular commodities in the food aid package, this need not cause much harm if CIDA takes care to program the use of those commodities properly. However, there is always the danger that such pressures may lead to ineffective or undesirable uses of different commodities in food aid packages.

The European Economic Community (EEC) falls into a median position between individual country donors on the one hand and WFP on the other. It is not a completely open international organization, consisting of both donors and recipients of food aid, like WFP. It is nevertheless an international organization, though only of selected countries in the interests of which it runs a food aid program. Closer to its constituents than the WFP, it faces many of the same pressures and constraints that an individual country donor faces. With a small number of members, the EEC has to pay greater attention to each member's interests and perspectives. Indeed, it has more sources of conflict than either an individual country or the WFP. Yet, it also has greater flexibility and wider room for manoeuvre.

The conflict between different interests is to some extent internalized within the Commission of the EEC because the EEC Directorate-General for Development has to formulate its proposals in consultation with the Directorate of Agriculture, with the two

directorates obviously serving different objectives. The authority for food aid appropriations in the EEC lies with the Council of the European Communities. The Council receives food aid proposals from the Commission of the EEC, obtains the opinion of the European Parliament and then decides on the quantities and terms for food aid programs. The influence of the European Parliament has been increasing in recent years. EEC food aid is financed by the European Agricultural Guidance and Guarantee Fund, which pays export restitutions and the Development Budget which actually buys the commodities from either Community stocks or the open market. Thus from the stage of formulation to approval and funding, various EEC institutions with differing objectives and interests influence the food aid process.

The World Food Programme is a U.N. organization. It has both donor and recipient countries as its members. It carries out its functions within the framework of broad guidelines laid down by the Committee on Food Aid, which is its governing body and also consists of both donor and recipient countries. It has adopted a project approach in providing food aid and therefore faces questions of a nature that do not arise in connection with program assistance. Individual projects are approved by a CFA Committee of the Whole, which operates within the CFA's guidelines. Although various departments of WFP are involved in the decision-making process, there is little conflict of interest since these departments do not serve different interests. In general, WFP does not have direct market development or foreign policy objectives. All the departments subscribe to the WFP's humanitarian and developmental objectives, though the recent shift of emphasis

towards the latter has not been equally recognized and accepted by all members of the staff. It has one great advantage because of its international character. It is able to operate freely in countries with quite different political and economic circumstances.

(g) POLICIES OF RECIPIENT COUNTRIES

The results produced by food aid do not depend only on the objectives or even on the decisions of donor agencies. They depend also on the objectives and decisions of recipient countries. In making food aid allocations, donors often depend on recipient country initiatives. Official donor statements may even indicate that this is the desired mode of operation, though in practice donors often take an active role in program or project formulation. However, if recipient countries actually take the initiative in making proposals on food aid questions and exercise their authority to determine the uses of food aid, they are likely to be able to determine the outcome to a considerable extent.

The views of recipient countries on food aid uses are therefore extremely important in determining the impact of food aid. Unfortunately, many recipient countries do not see food aid as a resource that can be used to promote their own humanitarian and developmental objectives. While many of them have now formulated food strategies, few have worked out clear strategies for the use of food aid. The result is that food aid is ultimately used less effectively in promoting desired objectives than it could be.

Thus, the statement on National Food Policy published by Kenya in 1981 listed three objectives - to maintain broad self-sufficiency in food so as not to have to use foreign exchange for food imports, to achieve security in food supply in each region and to improve food distribution. However, food aid was not considered explicitly in this statement except for purposes of food security in a narrow sense. Thus the policy statement specifies that where food imports are needed, they should be sought as food aid. A preference is expressed for program food aid generating untied budgetary support, though project assistance is not discouraged. Though drought-alleviation projects are encouraged in times of drought, no clear priorities are otherwise set out for project assistance. This suggests that Kenya sees food aid primarily as an instrument for meeting emergency needs and perhaps for filling that part of the import gap not covered by commercial imports, i.e. program food aid. It does not thus formally recognize at the policy level that food aid is a resource which can be used to make a positive contribution to the achievement of broader food security and developmental objectives.

Tanzania adopted a National Food Strategy in 1983. However, food aid does not figure as such in this document. The government's position appears to be that this is so because the objective of that strategy is achieve food self-sufficiency. Since, however, food self-sufficiency means the ability to meet food demand from domestic food production, it is quite consistent with the existence of sections of the population being unable to satisfy their minimum nutritional needs because of lack of purchasing power. Food aid can help to raise the nutritional

standards of these sections of the population - or contribute to increases in their employment and income so that they can raise these standards. It can in general be used to promote more rapid and more employment-oriented development since it loosens the food constraint on development. Food aid can also make a contribution to the achievement of food self-sufficiency by promoting increases in food production. Tanzania recognizes that food aid saves foreign exchange that would otherwise be spent on food imports as long as food self-sufficiency has not been attained. Since the Tanzanian government takes the view that it would import whatever quantities of food are needed irrespective of the availability of food aid, the actual or potential saving in foreign exchange could be quite significant. However, it does not take a systematic approach to the use of such foreign exchange savings resulting from food aid apart from its general policy on the use of all domestic and foreign exchange resources at its disposal. Like other countries, Tanzania accepts emergency food aid whenever emergencies arise. It does not appear, however, to have taken a deliberate view of the possible use of food aid in particular affected areas for the longer term purpose of famine prevention in addition to its short-term purpose of famine relief.

In Senegal, a food strategy was first prepared in 1982. This was incorporated in a new agricultural policy statement in 1983. In April 1984, the government announced a new agricultural policy aimed at reducing government involvement in the agricultural sector in general and agricultural marketing in particular. Although Senegal has been a large recipient of food aid for a long time, the agricultural policy statement does not explicitly set out the

government's policy on food aid. Nor has it issued a separate policy statement on this subject. Unlike some other countries, however, Senegal does have a separate administrative apparatus for food aid. The primary responsibility for food aid including food aid for emergency distribution, is with the Commissariat pour la Securite Alimentaire (previously known as the Commissariat a l'Aide Alimentaire), which now also has other responsibilities. There are other institutions concerned with the handling of food aid. Thus, the Caisse de Perequation et de Stabilisation des Prix handles most of the food aid meant for sale. In addition, project food aid is supervised by different ministries.

Recently, a common counterpart fund has been created from the sale of food aid commodities from different donors. It is intended that it be used to finance agreed projects and programs. It is expected that initially this will consist primarily of an agricultural market reconstruction scheme similar to that being implemented in Mali. The creation of the common counterpart fund has forced some thinking about the proper use of the resources represented by food aid, but only in relation to food aid meant for sale, i.e. to cover that part of the import gap not covered by commercial imports. It is unclear how different types of food aid or the different institutions involved with food aid are integrated together. It remains true to say that there is still a lack of a coherent food aid policy, though some of the elements of such a policy are emerging slowly.

Cameroon appears to provide a contrast to these three countries in relation to food aid policy. Although the volume of food aid received by Cameroon has been relatively small, the Cameroon

government takes a systematic approach to the food aid it does receive. The government is explicitly interested in food aid for budgetary reasons. However, the budget for this purpose includes its entire development expenditure. Therefore, food aid is treated as providing a resource for development, which is external and additional to its other resources. Food aid is thus placed directly within the context of its development plans.

Specifically, the Cameroon government treats food aid as an external source of funding for government projects in the fields of agriculture, health, education and training, all of which have been given high priority in the fifth (1981-86) and sixth (1986-91) development plans.

It is apparent from this discussion that recipient countries, except Cameroon, seem to be loth to formulate explicit and well-defined policies for food aid. This can be explained as being due to three aspects of food aid - its unreliability, the odium that apparently attaches to receiving food - so vital to human existence - as assistance, and its assumed adverse effects.

Regarding the reliability of food aid, donors have admittedly been unwilling to make the longer term commitments of assistance that would enable recipient countries to plan the proper developmental use of food aid. There have also been arbitrary changes in the volume and forms of food aid by different food aid donors from time to time because these are affected by considerations internal to the donor. However, unreliability affects other forms of assistance as well as foreign exchange earnings from trade. Countries do not stop planning the use of these other resources because of uncertainties about their flows.

There is no reason why they should do so only in connection with food aid. Some flexibility could be built into plans for the use of food aid and there must be willingness to make adjustments when changes in food aid take place. The general fungibility of resources would facilitate such adjustments when they are needed. The food aid actually received is too valuable to be treated in an ad hoc and unsystematic manner when it could possibly make an important contribution to development.

The four countries covered in this study actually received increases in food aid during the mid-seventies when the total volume of food aid to all countries showed a rather sharp fall. Also, donor countries have usually followed the practice of approving projects for implementation over a period of years. They are also now moving towards multi-year commitments of food aid. This would certainly facilitate longer-term planning.

Regarding the odium that appears to attach to food aid, it is clear that it is similar to other assistance - such as technical assistance or financial assistance, particularly when this is tied to purchase of particular commodities or equipment. When developing countries take other commodities, equipment or even technical assistance they do so because (i) they need it and (ii) it is available in that form. The same reasoning applies to food aid, once it is treated as a resource. The best way to make food aid or any other aid unnecessary is to develop rapidly. And the way to look at food aid is to treat it as a resource which can make faster development possible. In any case, if there is odium attached to food aid, it is not increased by planning its use

carefully so long as it has to be taken. Such planning helps to hasten the day when it is no longer needed.

Finally, there is the argument that food aid may have adverse effects. If there are any such bad effects, these would flow from the receipt of food aid not from a proper planning of its use. If, as seems likely, food aid produces adverse effects under certain circumstances or when certain conditions are not satisfied, it makes sense to have a clear policy on food aid to ensure that those circumstances are avoided or those conditions satisfied.

Developing countries in general and the countries under study would thus gain from a clear and well-thought out policy on food aid based on the understanding that it is a valuable resource can make an important contribution to development if it is properly used. Under such a policy, a deliberate effort could be made to work out additional schemes and projects in which additional food aid could be used without producing adverse effects. By initiating proposals for food aid to support such schemes, any developing country would not only be able to make more effective use of the food aid it receives but would also perhaps be able to obtain a larger volume of food aid to promote faster development.

III. RECIPIENT AND DONOR RELATIONSHIPS

(a) FORMULATION OF PROPOSALS

All four of the donors require the recipient governments to take the initiative in the food aid process. This means that requests for food aid are formally generated by recipient governments. In practice, donors can and do exercise a considerable influence on the requests made and therefore on the nature of their final food aid programs for particular countries. Their role in the process is of course much greater in some countries than in others. The influence of donors in program formulation need not, however, always operate against the interests of recipients.

Donors like the United States maintain resident missions in countries in which they have large aid programs or have regional missions covering a number of countries in the same area. These missions deal with all forms of aid from the donor and often have officials who are both knowledgeable and sympathetic to that country's progress. Within the framework of their general mandate or of specific instructions received from headquarters they often tend to push for larger and more useful programs of assistance in general and food aid in particular. Many innovative schemes capable of accelerating economic development or strengthening nutrition or human development have originated from enthusiastic donor officials in the field.

Two caveats need to be entered on this point. One is that in many cases particularly when missions are small or have to cover many

countries, the attention that is paid to food aid may be small relative to its potential. The other is that officials responsible for food aid may, because of transfers after relatively short periods, often be new to food aid or to the country or countries for which they are responsible. They therefore, may not be able to do justice to their tasks or resist pressures from interests at headquarters that may be pushing objectives not consistent with the interests of the recipient country.

Donors who do not have a resident mission in a particular country may send visiting teams or missions to negotiate programs of food aid for one or more years or to discuss individual projects to be supported by food aid. Members of such teams are often extremely knowledgeable specialists in particular fields. Though they may perhaps be less sensitive to recipient country concerns or interests than the staff of resident missions, their specialized knowledge is generally greater. Like resident missions, such visiting teams have to work within the framework of general or specific instructions given to them by headquarters. The results of their work would thus depend on the approach and policies of the departments and agencies having responsibility for the administration of food aid as much as the work of resident missions.

There have been complaints by officials in the field that they are expected to push the donor country's interests in formulating proposals and negotiating agreements. Thus, some U.S. officials have complained that they are required to push PL480 aid in ways that meet USDA concerns, which are geared primarily to U.S. interests. USAID field officials have even complained that the "...the so-called 'negotiations' are very one-sided, with the U.S. imposing the

interest rates, life of the agreement, total funding, commodity mix and self-help conditions." (USAID, Tanzania, Non-CDSS; FY 83- FY 88, 1983. p.18). Similar complaints may exist about other donors, though they are rarely expressed so openly.

It is important to recognize that bureaucratic inertia and convenience may be more important in producing this effect than any deep, malevolent intentions. The effect does not become different for that reason. Yet, donors may be able to achieve their overall commodity-mix objectives without necessarily imposing commodity-mix requirements that are quite undesirable from the viewpoint of particular countries. They would, however, then have to pay much greater attention to the differences in conditions prevailing in different countries than perhaps they do now. Programming would become more difficult.

Innovative efforts to program aid so as to take care of these problems are not found to be wanting. Thus, wheat has been provided for sale in metropolitan or urban areas while beans or other commodities were then made available by the recipient country at the site of a particular project. Again, one commodity has been provided to one developing country where it was in deficit in exchange for another commodity needed by the recipient of aid.

Ultimately, however, some conflicts - real or apparent - seem likely to remain between donor and recipient interests. The greater the clarity in the recipient country about the role of food aid in its economy and about its position on the many issues that arise in connection with food aid, the greater the likelihood that it would be able to mould the food aid received by it so that it serves its own interests better. It would be able to do this by formulating

proposals for food aid programs and projects (including proposals for use of counterpart funds), to a much larger extent itself and doing so in a more systematic manner than is the case now. Experience in Asia has shown that preparing shelves of fully evaluated projects ready for financing helps to increase the volume and effectiveness of foreign assistance in any form.

(b) POLICY DIALOGUE

The issues relating to the volume, composition and uses of food aid examined above must be distinguished from those relating to the possible involvement of donors in the policies of recipient countries. The latter are concerned with the extent to which donors should or do engage in a policy dialogue with recipient countries or should or do impose policy conditions in relation to the food aid they provide. The issues of policy dialogue and policy conditionality are intimately connected with the question of possible food aid dependency and need to be examined in conjunction with it.

An important criticism of food aid has always been that it tends to create a food aid dependency in the recipient country. Such dependency could be reflected in inadequate attention to the investment needs of the agricultural sector and in the failure in general to adopt policies and programs conducive to agricultural development. The argument is that the availability of food aid helps to create a relaxed attitude towards the food problem and encourages the recipient country to concentrate more on other developmental and non-developmental objectives.

To what extent such dependency results from food aid needs separate discussion. However, the danger of food aid dependency does impose an important responsibility on the donor country. It must try, through the leverage it has in providing food aid to ensure that the food aid it provides does not produce, encourage or strengthen a dependency effect. It must to that extent engage in a policy dialogue with the recipient country. There are four ways in which donors can use policy dialogue to weaken food aid dependency in the recipient country. One, donors can carry on a general policy dialogue with the recipient country. Two, they can establish some broad correlation between a favorable policy response by the recipient country and the volume of assistance provided or the degree of flexibility allowed in specific resource uses, e.g. in relation to counterpart funds. Three, they can provide special support - either additional or within the existing resources such as accumulated counterpart funds - for schemes to alleviate some of the short-term adverse effects of desirable policy changes. Four, they can make assistance conditional on policy changes.

Most donors have carried on discussions with recipient countries about their policies towards agriculture in connection with food aid agreements. However, the degree of formality attached to such discussions has varied not only from donor to donor but also for the same donor with respect to different recipient countries and even at different times between the same donor-recipient partners. Such variations have been quite substantial for U.S. food aid, with the dialogue ranging from gentle hints of policy changes considered desirable to explicit conditionality. The requirement imposed by the 1966 PL480 amendment that self-help measures be incorporated into

Title I and Title III agreements would appear to reflect conditionality of this kind. Conditionality is also involved under Title III, which provides for forgiveness of debts incurred under Title I if certain conditions are satisfied, but these conditions relate mainly to the use of the funds rather than policy changes. Only six agreements of this kind have been made so far, of which one has been with Senegal. Title II provides for grants of food aid mainly through PVOs and the WFP. Section 206 of Title II is of special interest because it provides, subject to certain conditions, for nonemergency donations of food on a government to government basis for sale on the local markets. However, the conditions under this section, apart from a requirement of some self-help measures, are not policy conditions but relate to the use of the resulting counterpart funds for (1) alleviating the causes of the need for assistance and (2) improving the effectiveness of food distribution and increasing the availability of food to those in greatest need. More generally, the United States may vary interest rates, periods of repayment and requirements regarding use of counterpart funds (general budgetary support or specific development projects) resulting from Title I concessionary sales. It could presumably use such variations to obtain some policy changes without making the availability of the aid itself conditional on such changes. Little evidence is, however, available on the extent to which it has used these instruments for these purposes.

Until recently, the EEC did not have any formal requirements about the policies of recipient countries in connection with the provision of food aid, though the staff of the European Economic Commission's Development Directorate may have discussed recipient

government policies in determining recommended programs for different ACP countries. The EEC has recently taken the initiative in calling upon countries receiving food aid to formulate their own food strategies within the framework of which EEC food aid could be fitted. It has provided technical assistance for this purpose where necessary.

Canada has tended to interfere less with the policies of food aid recipients. However, whether consciously or otherwise, the allocations of nonemergency food aid and the purposes for which they were made were always influenced by the Canadian view of the appropriateness of those policies. This influence has probably been increasing in recent years. In a recent document, the Canadian food aid authorities gave explicit recognition to recipient government policies by classifying countries into those in a situation of balanced growth and the rest, these being those believed to need structural adjustment. For this purpose balanced growth countries are defined as those which have relatively sound macro-economic and development policies with special reference to agriculture. For balanced growth countries, Canadian food aid may be provided even in substitution for commercial purchases so as to release foreign exchange for general developmental purposes. Again, for such countries, in connection with the use of counterpart funds, a much more relaxed attitude may be adopted towards specific uses. In contrast, for countries needing structural adjustment, "policy dialogue to bring about key structural reforms in the recipient country is an indispensable proviso to any food aid assistance." It is also emphasized that in such situations, there is need for very

Careful selection and monitoring of projects supported by counterpart funds.

The WFP initially took the position that "...recipient countries - are sovereign in the matter of receiving food aid in accordance with their requests," (WFP, 1972, p.2) but has now taken the position that an important consideration in allocating food aid to eligible countries "... should be a strong commitment on the part of their governments to development policies for achieving self-reliance, reducing poverty and improving nutritional status, particularly in rural areas." (WFP, 1984 (a)). For a food-aided price stabilization project, WFP has a checklist for assessing suitability that includes an analysis of the usefulness of the government's overall food security policy. (WFP, 1984). This implies that WFP may not always be willing to provide food aid on request, but would want to satisfy itself that the requesting country is following policies of which it approves in general. Policy dialogue between WFP and the developing country on the policies which the latter must follow to be eligible for food aid must necessarily follow, though there is no evidence that the WFP has gone as far in imposing policy conditionality as the International Monetary Fund has done in connection with balance of payments assistance.

WFP has taken advantage of its special position as an international organization in the food aid field to play a very valuable role in strengthening the policy dialogue between food aid donors and recipients. In this connection, it has supported greater donor coordination and provided assistance for projects undertaken in conjunction with desired policy changes.

The market restructuring program undertaken first in Mali and more recently adopted in Senegal is of special interest because it provides an example of food aid being used to ameliorate the short-term adverse effects of desired policy changes. Under these programs, counterpart funds resulting from food sales have been used to smoothen the process of raising retail prices of cereals to consumers while desired changes in producer prices were being brought about quite sharply. The Mali and Senegal programs are also noteworthy because of the donor coordination they represented as many donors, including the U.S., Canada and the EEC agreed to pool counterpart funds resulting from sales of their food aid and use them to support the agreed common objective. The WFP played a more active role in Senegal than in Mali in framing the scheme and getting it accepted by food aid donors as well as the recipient country.

WFP has also provided, through its Committee on Food Aid, an important forum for the discussion of broad policy issues in an atmosphere not as tense as it tends to be when specific programs of bilateral assistance are being negotiated between donor and recipient. It has also organized conferences and workshops on policy issues at which officials of donor and recipient countries as well as academics and others interested in food aid can discuss policy issues, including those relating to recipient policies. These help by creating the intellectual environment in which desired changes in recipient government policies - and indeed in the policies of donor governments and agencies - can be more freely and easily considered. Through its sector studies and country reviews - for both donors and recipients - its role in policy dialogue is likely to increase in the

future, particularly as the importance of appropriate food policies is gaining greater recognition.

In discussing the experience regarding policy dialogue, the basic issue of the validity or desirability of the policies pushed by donors has not been raised so far. Similar questions arise in connection with project formulation or the use of counterpart funds. Do donors necessarily know the policies that will be most beneficial to the rapid development of the aid receiving country and what projects should have the highest priority whether for direct food aid support or for support by the counterpart funds obtained by sale of food aid? The answer regarding food aid cannot be different from that obtained in relation to financial and technical aid. Donors as well as recipients of aid may be wrong in their judgements on what is needed. Both may base their judgements on inadequate knowledge and understanding of critical economic relationships. An important contribution that donors could make may be to build up the necessary body of knowledge of the behaviour of the economy. Even more important may be the building of domestic institutions needed for research into economic problems and for policy making. It is only then that policy dialogue can take place in an informed environment and can make a genuine contribution to the recipient country's development.

(c) COUNTERPART FUNDS

When food aid, whether provided in the form of grants or on concessional terms, is sold in the market, funds are generated in domestic currency. These are described as counterpart funds.

Various issues arise in connection with the use of such funds. Since the food aid has been provided in the form of food, recipient governments may take the position that the sales proceeds from such aid are entirely their concern and responsibility as is the repayment of the assistance when it is in loan form. However, it could be argued that while the food aid performs its primary task by increasing the domestic food supply and thus relieving hunger, such food aid really represents resources which the government of the recipient country ultimately receives in the form of domestic currency whenever the food aid is meant for sale in the domestic market.

Sales of food aid fall into two classes. In one class are sales whose proceeds are tied directly to the achievement of specific objectives. Examples of these are provided by sales of a small proportion of specific project aid aimed at generating some cash resources for better implementation of the relevant project. Dairy products aid intended to provide resources for promotion of domestic dairy development also falls into this class. The other class consists of a large proportion of program aid, which is provided primarily to fill the gap between existing demand and supply (including both domestic production and commercial imports). Sales of such program food aid usually generates a relatively large volume of domestic currency resources that are not automatically earmarked for specific purposes.

It is this latter class of food aid sales that result in the counterpart funds problem that is relevant here, though it should be noted that every market sale of project food for generating local currency for that project may reduce the quantity of program food aid

that is needed and therefore the size of the counterpart funds problem, narrowly defined.

Counterpart funds add to the general budgetary resources at the disposal of government. Allocation of these resources for particular purposes does not necessarily result in an equivalent net addition to expenditure for those particular purposes. This is because of the general fungibility of resources, including those represented by counterpart funds. Particularly over a period of time, any government could theoretically make adjustments in the allocation of its other expenditure so as to bring about whatever allocation of its total resources it desires. In practice, governments rarely act so consciously to offset the effects of any commitments of budgetary resources that they may make under donor pressure. Donor pressures to ensure more effective use of such resources may therefore tend to tilt total expenditures at least to some extent in the desired direction. If counterpart funds are large relative to the size of the budget, the fungibility of resources can in any case operate much less strongly.

In discussing the specific policies on counterpart funds of the donors covered here in relation to the recipient countries under examination, two points need to be made. One, the World Food Programme does not provide any program food aid but concentrates on project aid. Though some of the food provided by it may be sold, such sales are only intended to generate some cash resources for the projects concerned (or in the case of dairy aid, to finance dairy development). This does not create a counterpart funds problem as defined here. Two, Cameroon has not in general received any program aid. Except for some emergency food aid meant for free distribution,

the food aid it has received has been mainly for its WFP multi-purpose project. Neither WFP as a donor nor Cameroon as a recipient therefore needs to be covered here. However, as an international organization with a wider mandate in the food aid area than the direct provision of food aid, WFP does get involved in the issues that arise in connection with the use of counterpart funds and may exert an influence on developments in this field. Subject to this qualification, the treatment of counterpart funds is examined here for three recipient countries - Tanzania, Kenya and Senegal. For each of these, the discussion is basically limited to three donors - the United States, EEC and Canada.

(d) COUNTRY EXPERIENCE

In Tanzania, the United States has had the most strict programming procedures for counterpart funds. These procedures are laid down in food aid agreements drawn up for aid approved in each financial year. No agreements with Tanzania were signed in FY1984, FY1985 and FY1986 because of U.S. Government concerns about Tanzanian agricultural policy and performance and because of debt arrears from previous PL480 agreements. However, Tanzania has now come to an agreement with the International Monetary Fund and is expected to introduce policy reforms. As a result, U.S. aid operations in Tanzania will resume. However, the programming of counterpart funds generated under food aid agreements up to FY1983 has continued in subsequent years and the procedures are therefore current.

Under the food aid agreements, counterpart funds resulting from sales are required to be deposited in special accounts in Tanzania's

National Bank of Commerce and the Cooperative and Rural Development Bank. Programming of funds is carried out by the PL480 Joint Proceeds Committee, which is chaired by the Assistant Commissioner of Planning in the Ministry of Agriculture and Livestock Development and includes representatives from USAID's Program Office and the Tanzanian Office of Agriculture and Rural Development.

According to a USAID representative, this Committee functions quite well. The Committee meets four times a year. It discusses development projects put forward by different branches in the Agriculture Ministry. Each agency or department which receives funds after Committee approval has to report quarterly on the use of funds. Sometimes field visits are made by Committee members.

The funds are used to support USAID projects, or other development activities consistent with USAID or Government of Tanzania priorities. Self-help measures set forth in P.L.480 are financed, and programs in the agriculture and rural development category are emphasized. Funds have been used to finance storage facilities, rehabilitation of edible oil refineries, and construction of agricultural training facilities. Disbursement of funds has been approved to support small-scale industries in the Arusha region. P.L.480 generations have been approved to establish farm service centers intended to serve as private outlets for providing farm supplies to individual farmers. The last Title I agreement (FY 1983) allocated counterpart funds to village food production, food distribution, post-harvest losses, increased oil seed production, access roads and on-going self-help measures.

In FY 1984, P.L.480 local currency generations supported projects for crop storage, food crop production, agricultural

research, rural infrastructure, agricultural credit and agricultural training. Similar allocations were planned for fiscal years 1985, 1986, 1987. In addition, a category of private sector programs was planned for fiscal years 1985 and 1986. Activities within this category cover food production and processing, nutrition, rural training, rural infrastructure and emergency drought relief and rehabilitation.

Since 1985 the EEC has required that the counterpart funds from its food aid to Tanzania be sent to a special account at the Treasury. The procedures adopted for EEC funds are basically the same as those for P.L.480 funds. The funds are to be used for the financing of development projects in the agricultural and livestock sectors.

Canada has more lax requirements for counterpart funds use. It requires 20 percent of the funds to be spent on projects agreed to beforehand by the two governments. The other 80 percent is to be attributed to the development budget of the Government of Tanzania. However, the items of expenditure in the development budget are required to be identified on an annual basis. This requirement has not been met by the Government of Tanzania. The programmed portion of Canadian food aid counterpart funds has been used in support of the Canadian Wheat Project, the Spare Part Project and the Railway Programme, all aimed at achieving the Canadian objective of improving food production and distribution in Tanzania.

When proceeds are used for purposes other than those specifically agreed on, the alternative use is not necessarily undefined. A CIDA evaluation describes one such case thus :

"Agreement with Canada that proceeds from the sale of Canadian food

would be used to finance rural road construction was not honored by the Government of Tanzania. Instead, the funds were used by the consignee, a state corporation (the National Milling Corporation), to subsidize farmers to stimulate agricultural production. It would buy local products at a high price and sell it at a low price to consumers. The deficits were covered by sales proceeds of food aid." This may be a somewhat naive interpretation of the state corporation's use of sales proceeds (more often described as subsidization of inefficiency). It is not known whether the prices paid to the farmer were raised. Two positive effects of such use -- price stabilization and some incentive to production -- may, however, be accepted on a qualified basis.

In Kenya, since 1980, Kenyan shillings generated by U.S. program assistance have been designated for the government account. Between 1980 and 1982, the amounts designated for government development expenditures averaged around \$10 million annually from fertilizer and P.L.480 Title I imports. For the future, USAID proposes to limit the total going to the budget each year to no more than \$25 million (\$10 million from P.L.480 and \$15 million from general commodity imports). Shilling generations above the level of \$25 million equivalent will be allocated to costs of policy implementation, to special public investments or divestitures of public interests, and to nongovernmental activities. USAID will negotiate the use of additional currency generations, beyond those allocated to public programs, for two purposes -- a trust fund to finance USAID operating expenses, and a fund to finance growth and service-oriented private sector activities.

In Kenya, the EEC has stipulated that the counterpart funds from their food aid be deposited in a special account in the Central Bank. The EEC and the Treasury are to decide together on the projects to be financed with these funds.

In opposition to donor preferences, the Government of Kenya would prefer to have all counterpart funds go to the Exchequer. It claims a need for "budget rationalization" to ensure the allocation of limited resources to the highest priority projects. In addition, it emphasizes a policy to complete ongoing projects before embarking on new projects. In principle, all projects have to be prioritized and donors turned away from low priority projects. In actual fact all donors are accommodated, there is no clear prioritization of projects, and there are problems of coordination. There is an Aid Coordinating Committee chaired by the Permanent Secretary for Agriculture, which is expected to meet once a month. An EEC representative describes the meetings as ineffective and time-consuming. A case in point is the planned donor coordination for the reorganization of the agricultural research system. This initiative is still at the discussion stage. The large number of donors to Kenya is seen as a source of coordination and management problems.

In Senegal, in May 1985, a common fund was established for counterpart funds earned from sales of food aid. This agreement was a culmination, to a large extent, of WFP initiatives and efforts. It is an attempt to somewhat duplicate the success of donor coordination in Mali. The donors involved in this agreement include Canada, France, USA, the Netherlands, Belgium, the EEC, the Federal Republic of Germany, Italy, the World Bank and the WFP. The WFP acts as

secretary of the donor group and co-signer of the common fund on their behalf. The EEC has been a major contributor to the fund since its inception. The Lome III Indicative Programme has mentioned the restructuring of the cereals market as an activity that the EEC can support via the common fund.

U.S. Title I aid to Senegal has been programmed only recently and is intended to ease Senegal's budgetary difficulties and to stimulate policy dialogue. Under the common fund agreement of 1985, counterpart funds are to become part of the WFP-supervised common fund. The Title III rice program, signed in 1980, was to provide balance of payments and budgetary support to the Government of Senegal. As mentioned earlier, this program ran into serious problems. The Title III agreement identified policy measures to be implemented by the Government of Senegal. The agreement committed the Government of Senegal to (a) strengthen the role of Rural Development Agencies, (b) strengthen the role of farmer cooperatives, (c) review and revise its agricultural pricing and marketing policies, and (d) develop its natural resource base. Specific activities to be financed with sales proceeds were agricultural policy studies, local cooperative storage, decentralization of research, rural technical schools, reforestation and dune fixation, rural development fund and program management.

Until recently, counterpart funds from Canadian food aid had to be deposited in a joint Canada-Senegal account at Senegal's National Development Bank. A Canadian representative was usually one of the account's administrators. This mechanism was put into place due to the ineffective administration of counterpart funds previously. In

1985, this arrangement was superseded by the WFP-supervised joint fund.

In summary, government policies on the expenditure of counterpart funds are often controlled or attempted to be controlled by counterpart fund agreements. At least, an attempt is made to control them through such agreements. However, control is ambiguous both as an objective and as an achievement because of the fungibility of budgetary resources. The United States tends to be the most stringent of the three donors (U.S., Canada, EEC) in its counterpart fund requirements, though the others are also becoming strict. Kenya has been allowed more flexibility than Tanzania and Senegal. The common fund in Senegal is of interest since it leads to a large and unified resource that can be used to finance large projects. It also contributes to the objective of donor coordination. In most cases, counterpart fund agreements have directed expenditure towards rural and food sector development.

(e) FOOD AID DEPENDENCY

As has been indicated earlier, the main justification for a donor-recipient policy dialogue as well as for donor involvement in the programming of counterpart funds is the need for donor efforts to prevent food aid dependency by recipients. A continued need for food aid by a recipient country over a period of time does not by itself, however, constitute food aid dependency. Such a continued need may occur in spite of every effort on the part of the government, whereas food aid dependency refers to the level and nature of government efforts.

Total demand for food may grow at a rapid pace because of increases in population and in per capita income. Domestic food production may not be able to increase as rapidly for quite some time because of the existing traditional low-productivity agricultural practices, poor soils, inadequate infrastructure, a poor state of knowledge about the agricultural sector and the time needed to develop and introduce new technology. Foreign exchange earnings may not grow adequately over the period to enable the country to fill the gap with commercial imports. The continued existence of poverty and frequent shortfalls in production due to droughts and other reasons may necessitate additional food aid to meet nutritional and emergency needs that the country cannot itself afford.

Food aid dependency does not therefore refer to the mere continuation of food aid, but rather to official neglect of the agricultural sector and to the adoption or continuation of policies that inhibit the growth of agricultural production in general and food production in particular. Besides, for food aid dependency to exist, it is necessary to determine to what extent the availability of food aid has contributed to this official attitude. Poor agricultural and food sector policies are to be found in countries not receiving food aid while examples of countries receiving food aid whose food policies have been good also exist.

The governments of developing countries usually have multiple objectives in determining their overall policies, including those relating to the agricultural sector. The effects of different policies are not always clear. There can be genuine differences of opinion about the likely effects of certain policies, some of which may arise from different perceptions (and inadequate knowledge) about

the likely responses of the agricultural sector to certain economic changes. Short run and long run price elasticities of production in aggregate and for individual crops are not always known. Donors differ among themselves on the relative importance of prices, infrastructure, research and extension services as well as on many other policy issues.

Experience may show the adverse effects of certain policies but learning the lessons of experience may itself be a slow process in developing countries, particularly because accurate information is rarely available and entrenched interests may defend existing policies strongly. Ideological considerations may also prevent some desirable changes from being made or delay them considerably irrespective of the availability of food aid.

Food aid does appear to make it easier to avoid or postpone needed changes. It is available easily and as a grant or on highly concessionary terms. It has a favorable balance of payments impact and often provides substantial budgetary resources. It can be used to meet the requirements of urban areas, which are usually important political constituencies for political leaders and capable of creating political instability if their needs are not met. It is available in larger quantities when there are famines or other emergencies so that their frequency and intensity may cause less alarm than it might otherwise have done.

In spite of these features of food aid that might encourage food aid dependency, most developing countries including the study countries keep self-sufficiency as their main objective in the food sector. They are emotionally affected by the opprobrium that tends to attach to the taking of food aid. They or their rhetoric

therefore always aim at getting rid of food aid or even of food imports in general. It is this which appears to prevent them, even when they formulate food strategies, from developing a proper strategy for the use of food aid so long as it is needed. During recent years, many of them have made desirable changes in price and other policies and increased their investment in the agricultural sector while continuing to receive food aid. The effects of these changes are still to be clearly seen though some favorable results have been already noted.

Tanzania has received relatively large quantities of food aid, though some reduction in food aid from the United States and Canada has taken place in recent years for different reasons. While agreeing that food aid offers many advantages to the Tanzanian government, an official made two points in support of his view that Tanzania did not reflect a policy dependence on food aid. One was the clearly stated Tanzanian government objective of self-reliance. This, it was claimed, was not merely rhetorical but was reflected in efforts by the country for its achievement. Two was the non-repayment of loans related to PL480 Title I imports that led to the U.S. refusal under the Brooke Amendment to enter into new food aid agreements. It was argued that if food aid had been considered so important and valuable, the government would have made some arrangement to ensure due repayment and thus prevent the Brooke Amendment from becoming operational. On this view, the basic problem arose from the poor performance of the external sector. This created the need to depend on aid to finance essential imports needed for bare consumption and investment purposes.

The two points made appear to have some validity. It is difficult, however, to agree with the view that Tanzania's food problem should be ascribed entirely to the weakness of the external sector, though the Government of Tanzania seems itself to believe in this view. When food aid has decreased in the past, the deficit has been made up by commercial imports rather than local procurement. This does not, however, mean that these additional needs could not have been met from actual or potential domestic production.

Unfortunately, data weaknesses prevent an accurate assessment of the situation. There are, however, enough indications that the agricultural sector in general and the food sector in particular have not made adequate progress in meeting Tanzania's food needs. Foodgrains are in short supply in the major population centers. CIDA has estimated that the current effective demand for wheat exceeds supply by at least 50 percent and has suggested that these urban food deficits result "... not so much from insufficient production as from the Government of Tanzania's inefficient procurement, marketing and transport policies and systems." (CIDA, Food Aid Evaluation: Tanzania, August, 1985). A similar view has been expressed by the Australian Development Assistance Bureau (ADAB): "In conjunction with the poorly developed infrastructure and inefficiencies in the marketing and storage of grains, lack of incentives and the scarcity of necessary farm inputs have discouraged farmers from investing more in the production of food crops. Where food surpluses are produced, they often cannot be moved by the official marketing authorities to areas of food demand because of the high cost of transport and the weak transport network. This has resulted in the Government's

dependence on imports to meet urban needs." (ADAB 1984 -- Tanzania, p.60).

Since these documents were prepared, Tanzania's policies have started becoming more favorable to agricultural development. Its agreement with the IMF is expected to be followed by policy reforms favoring this sector. These changes, which may help to improve food production and distribution in the country, would imply a recognition in Tanzania that such policy changes had become necessary.

Kenya has been receiving food aid only since 1980, when it had a very poor crop due to unfavorable weather conditions. There was a poor crop again in 1984. However, the 1985 crop was a record one. Given the high rate of growth of population (around four percent per annum) together with steadily increasing per capita income, the long-term trend in the relationship between demand and domestic production may be somewhat more difficult than in the past. Land is becoming increasingly scarce and future growth in food production will depend much more than in the past on increasing productivity. Kenya already has a research system as well as a reasonably effective extension service and has been paying a great deal of attention to increasing the availability of inputs. In fact, Kenya's food strategy published in 1981 has been widely considered to be a "star strategy".

Food aid has been in operation for too short a period to draw any conclusion about food aid dependency. However, the increasing complexity of the food situation in the future increases the importance of looking carefully at some existing policies that could weaken Kenya's capacity to deal with it. In this connection, donors have focused attention on food prices and even more critically on public sector monopolies in food procurement and marketing. The

efficiency of the parastatal organization, the National Cereals and Produce Board, which holds the monopoly on the food trade, leaves something to be desired. This inefficiency may hamper needed increases in food production. However, NCPB operations do not depend on food aid. Any decision regarding NCPB's monopoly could certainly be made independently of food aid. Although improvement in food distribution is stated to be one of the objectives of the food strategy, basic changes in the system are yet to be made.

In Senegal, agricultural production has been affected by a number of factors ranging from environmental degradation to government policies. As in other countries, government policies have a multiplicity of objectives and are influenced by different factors and forces. It is not, therefore, possible to isolate the direct effects of food aid on policy or to ascribe changes or absence of changes in policies to the availability of food aid.

Donors do not appear to have any articulated feelings that Senegal has used food aid to bolster undesirable policies. Senegal's food strategy perhaps has not received as much praise from donors as that of Kenya but it has nevertheless been generally acceptable to them. Its method of computing its program food aid needs each year also does not suggest a policy dependency on food aid. Each year, the government calculates its additional needs on the basis of estimates of consumption requirements, domestic production and expected imports (including food aid allocated but not yet delivered). Food aid is thus viewed as being additional to rather than displacing estimated domestic production. It is implied that expected future domestic production would determine the volume of food aid rather than the other way about. Plans for increasing

domestic production to meet anticipated requirements in the long-run are therefore pushed in spite of the possible availability of food aid in the future. As in other cases, some of Senegal's food policies may be wrong, but this does not appear to be due to the availability of food aid as much as to the role of other factors, some of which have been mentioned above.

(f) DISINCENTIVE EFFECTS

The dependency issue examined above is concerned with the policy impact of food aid and the possible effects this could have on increases in food production in the medium to long run. The disincentive effect discussed below is concerned with the price impact of food aid and the possible adverse effects this could have on current or short run domestic food production.

Two points need to be made in this connection. One, program food aid is usually provided to meet the gap between demand and supply that arises in the development process when demand grows more rapidly than domestic production and commercial imports. Its negative effect on prices should therefore take the shape of preventing excessive increases in food prices which could impose heavy burdens on the poor during the development process. Two, food aid itself generally raises real income and the demand for food, though by less than the increase in food supply. Program food does this through the expenditure of counterpart funds, while project food aid does it directly. On the whole, therefore, food aid may not reduce prices even in an open market below the level that would have

prevailed in the absence of development activity financed from all sources.

To some extent, the discussion of the price effect of food aid may be academic because food grain prices at both retail and farm levels are often controlled. Price policy may, therefore, be more important than the availability of food aid in determining price levels affecting production decisions. Recent changes in price policies in many countries in Sub-Saharan Africa, including those covered in this study, show that food aid could be accompanied by prices that are above world levels. Such prices should act as incentives to food production and presumably do so. However, many other factors affect the profitability of farming operations, including the costs of inputs in the production process and transport and other costs of marketing the output. Besides, no matter how profitable farming operations may be, food production ultimately depends on the availability of technology and inputs and on low cost access to markets. Food aid may promote increased production of food rather than act as a disincentive to it by having favorable effects on all these elements in the system.

Given this analysis, it may still be useful to consider whether food aid has produced any direct disincentive effects on food production via prices. Unfortunately, the price effects are difficult to disentangle from the other effects and different models may yield different results even if adequate data are available. This happened for studies of India and other food aid recipients conducted during earlier periods. In Africa generally and certainly in the study countries, data availability is more limited and the available data are less dependable. It is therefore difficult to

draw any reasonably reliable conclusion on the disincentive question. More qualitative assessments are possible. A recent effort to do this for Senegal yielded the conclusion that there was inadequate evidence to support the hypothesis that food aid produced a disincentive effect on food production (Maxwell, S., Food Aid to Senegal: Disincentive Effects and Commercial Displacement, July 1986).

Food aid in specific commodities could produce some negative effects on the production of these commodities but only by causing farmers to produce other food or agricultural commodities. Thus, in the Baringo FFW project in Kenya, a study, discussed in more detail later, found that participants produced less maize because maize was provided as part of the wage but offset this by increasing the production of more labor-intensive and more profitable millet.

Faulty delivery timing or regional distribution of food aid may produce adverse price effects. Thus, the Court of Auditors of the European Communities found that, because of the slowness of EEC procedures, food aid deliveries were often not made on agreed dates. Sometimes, they reached during the rainy season when they became damaged or could not be delivered where they were needed. Sometimes, they reached after the harvest, when granaries were full. (EEC, Special Report 84/C224/04, p.9).

Senegal has complained that some Canadian shipments of food aid did not reach at the right time causing problems in terms of storage and marketing. This sometimes resulted in excess supplies in particular areas with adverse price effects.

(g) COMMODITY COMPOSITION AND IMPORT DEPENDENCY

The criticism has been noted earlier (Section II (e)) that deleterious effects may be produced on the economy of a developing country if the commodity composition of the food aid received by it produces long term changes in its consumption pattern that cannot be matched by changes in production. A specific issue has been raised with regard to the inclusion of wheat and rice as the major commodities provided as food aid to Africa. It is suggested that a serious problem could arise because many African countries, particularly those in West Africa, may not be able to increase their production of these commodities sufficiently even in the long-run though they may have the potential to increase their production of coarse grains more than adequately. Coarse grains form a large part of their current food consumption. However, as consumption patterns change, increases in coarse grains output that are possible may result in actual or potential surpluses, though imports of wheat and rice may continue to be needed to meet the specific demand for these commodities.

In West Africa, the pattern of food consumption among different commodities has changed significantly in favor of wheat and rice. (Delgado, C. and Miller, C., Changing Food Patterns in West Africa", Food Policy, February, 1985. p. 57). What the data show is the changed composition of food availability and not necessarily a changed pattern of taste, since total availability of cereals has in general been equal to or less than total demand. There is evidence to suggest that the relative price of wheat and rice have been lowered in these countries in order to increase the consumption of

these commodities to match their availability. (Ibid, p.58).

However, increased consumption of wheat and rice resulting from availability and price factors may induce changes in taste over the longer run.

It should be noted that changes in tastes in favour of wheat and rice may be occurring in these countries quite independently of the composition of food aid. Increases in real income, rapid urbanization, modernization of living patterns, the high opportunity cost of women's time and the convenience of wheat-based (and even rice-based) food as compared with food based on coarse grains are all tending to change consumption patterns in any case. The availability of wheat (and rice) in aid packages - as also in commercial imports even though developing countries have greater freedom of choice in such imports - may facilitate and accelerate this process but does not determine it.

Four factors could affect the way in which demand-supply relationships for different food commodities could develop in the future even if the production of coarse grains shows a tendency to rise at a rapid rate.

First, price policy could be used to bring about needed changes in the composition of demand. As noted above, reductions in the relative prices of wheat and rice were used in some African countries to ensure absorption of imported wheat and rice. If coarse grain availability increases sharply in the future, increases in the relative prices of wheat and rice could be used to shift demand towards coarse grains. This could bring about a better match between demand and domestic production.

Second, technological changes may bring about greater increases in wheat and rice production in these countries than is now considered possible. Technological changes may also increase the convenience of using coarse grains and thus increase the demand for them. More research in these directions is needed.

Third, demand for coarse grains may increase more than has been anticipated because of increased use of such grains in animal feed as domestic demand for animal products starts increasing with rising incomes. For this effect to be felt, it would be necessary for these countries to increase their domestic production of animal products to match rising domestic demand instead of meeting that increased demand by increasing animal product imports. Recent work at IFPRI has shown that in all developing country regions, including sub-Saharan Africa, the use of cereals for feed has increased faster than their direct consumption as food. (Sarma, J.S., Cereal Feed Use in the Third World: Past Trends and Proportions to 2000, IFPRI Research Report No. 57, Washington, D.C., 1987).

Fourth, if production of coarse grains tends to become excessive, land could be diverted from coarse grains to alternative uses. Special consideration could be given to crops which could earn or save foreign exchange and thus finance any wheat or rice that has to be imported. It is significant in this connection that the value of the sorghum and millet produced is extremely low relative to the area of land used. Thus, in Kenya, these crops are fourth in terms of area but seventeenth in terms of value of output (Sessional paper, p.64).

Fears about the possible adverse balance of payments effects of the increased consumption of wheat and rice may not be met by any one

of these factors operating alone. However, their combined impact may be sufficient to deal with the problem or at least to mitigate it considerably.

All the major donors are now aware of the problems that could arise because of the composition of food aid. The EEC has become particularly sensitive to this issue. In a recent EEC study of the cost effectiveness of food aid commodities, it was noted that "of the specific difficulties affecting the products to varying degrees ... the most serious continues to be the need to take account of a population's eating habits ..." (EEC Council of Ministers, 1985 p.9). When determining its food aid to Senegal in 1985 at 6,000 tons of wheat and 11,000 tons of maize, the Commission of the EEC specifically noted that it had reduced the proportion of wheat in the total to encourage a return to dietary habits more in line with local production.

The problem is, however, not merely one of wheat versus coarse grains and is not therefore resolved only by providing maize, a coarse grain, instead of wheat. It has been suggested in Kenya, that within the coarse grains group there has been a neglect of drought-resistant sorghum and millet in favor of maize, whose production tends to fall sharply in times of drought. However, this problem has not received adequate attention and is not explicitly discussed in the recent Kenyan document on food policy (Sessional Paper No.1 Economic Management for Renewed Growth, 1986).

Ultimately, there is a limit to the extent to which donors can adjust the composition of the food aid they provide. This limit is determined by the existence of surpluses in these commodities. Countries in Asia and Latin America were able to absorb large

quantities of wheat and some rice in food aid in the past. These commodities fitted relatively easily into their existing consumption patterns and even into their production possibilities. Existing consumption patterns and even production possibilities are clearly different in Sub-Saharan Africa, to which a large proportion of food aid has shifted in recent years. As the total quantity of food aid to this region increases, it will become increasingly difficult for donors to adjust the commodity composition of food aid to fit the existing consumption patterns of the recipient countries in Africa.

If it is argued that donors should not give much wheat or rice to these countries and if they are unable to give them larger quantities of coarse grains, particularly sorghum, millet, etc., because they do not have surpluses of these grains, recipient countries would have only two options. They could use their foreign exchange to import cereals or they could do without them. Given the world demand-supply situation for coarse grains, it seems unlikely that the countries of Sub-Saharan Africa would be able to buy large additional quantities of coarse grains other than corn in the international market. The absence of sufficient surpluses in these grains for them to be included to a larger extent in food aid packages is an indicator of this. If African countries simply do without these imported cereals, their total consumption, and particularly the consumption of the poor, would have to fall. Even, therefore, if the current receipt of wheat and rice in food aid packages could store up some problems for these countries for the future, it may be best to accept this possibility and try to deal with them in the ways described.

Table 3 lists the importance of different cereals in the four study countries' production, consumption, total imports and food aid. The importance of coarse grains in production and consumption is demonstrated for all of the four countries. However, wheat and rice are the dominant cereals in the imports and food aid of Cameroon, Kenya and Senegal. Only Tanzania has a predominance of coarse grains in its total imports and food aid.

Table 4 presents the proportions of wheat, rice and coarse grains in total cereals food aid received by the four countries.

Table 3 -- The Importance of Different Cereals in Recipient Country Production, Consumption, Imports and Food Aid.

For production, imports and food aid, crops are noted in order of importance by tonnage. For consumption, they are in order of importance by share in total calorie intake. Underlined crops are especially important.

Cameroon

Share of cereals in total calorie intake: 39 percent
 Consumption Coarse grains (millet, corn), Wheat, Rice
 Production Coarse grains (millet, corn), Rice, Wheat
 Imports Wheat, Coarse grains, Rice
 Food Aid Wheat

Kenya

Share of cereals in total calorie intake: 55 percent
 Consumption Coarse grains (corn), Wheat, Rice
 Production Coarse grains (corn, millet), Wheat, Rice
 Imports Wheat, Coarse grains, Rice
 Food Aid Wheat, Rice, Coarse grains

Senegal

Share of cereals in total calorie intake: 61 percent
 Consumption Coarse grains (millet), Rice, Wheat
 Production Coarse grains (millet/sorghum), Rice
 Imports Rice, Coarse grains, Wheat
 Food Aid Wheat, Coarse grains, Rice

Tanzania

Share of cereals in total calorie intake: 50 percent
 Consumption Coarse grains (corn, millet), Rice, Wheat
 Production Coarse grains (corn, millet), Rice, Wheat
 Imports Coarse grains, Rice, Wheat
 Food Aid Coarse grains, Rice, Wheat

Note: The ordering in this table is based on information provided by: FAO, Food Supply Situation and Crop Prospects in Sub-Saharan Africa (Special Report), Rome, Sept. 1986.

Table 4 -- Composition of Cereals Food Aid (percent)

	WHEAT				RICE			
	CAMEROON	KENYA	SENEGAL	TANZANIA	CAMEROON	KENYA	SENEGAL	TANZANIA
1970/71	48.61	76.00	1.90	28.41	0.00	0.00	0.00	0.00
71/72	30.43	100.00	10.19	16.07	0.00	0.00	0.00	0.00
72/73	91.67	78.57	14.51	22.92	0.00	0.00	0.00	0.00
73/74	3.33	8.33	22.01	11.93	0.00	0.00	2.96	0.00
74/75	31.43	4.55	37.31	65.40	0.00	0.00	7.46	10.29
75/76	5.13	71.26	9.94	19.50	0.00	3.45	0.00	5.15
76/77	27.78	85.54	45.31	25.06	0.00	0.00	0.97	13.23
77/78	5.88	83.18	32.69	47.34	0.00	0.00	2.16	6.69
78/79	8.97	72.34	17.20	57.65	25.64	0.00	13.02	38.06
79/80	72.22	72.57	23.19	44.23	8.33	9.03	11.51	54.65
80/81	18.63	44.48	21.74	23.03	24.51	6.25	24.03	21.25
81/82	0.00	60.22	29.14	23.02	0.00	5.35	26.84	21.53
82/83	0.00	93.13	41.21	0.93	5.36	6.87	30.88	26.62
83/84	0.00	81.03	27.97	34.76	0.00	18.88	23.79	25.02

COARSE GRAINS

	CAMEROON	KENYA	SENEGAL	TANZANIA
1970/71	51.39	24.00	98.10	71.59
71/72	69.57	0.00	89.81	83.93
72/73	8.33	21.43	85.49	77.08
73/74	96.67	91.67	75.02	88.07
74/75	68.57	95.45	55.22	24.31
75/76	94.87	25.29	90.06	75.34
76/77	72.22	14.46	53.72	61.71
77/78	94.12	16.82	65.15	45.96
78/79	65.38	27.66	69.62	4.29
79/80	19.44	18.40	65.13	1.12
80/81	56.86	49.28	54.16	55.73
81/82	100.00	34.43	44.01	0.55
82/83	94.64	0.00	27.91	72.50
83/84	91.67	0.08	48.24	40.22

SOURCE : Food and Agricultural Organization, Food Aid in Figures, 1984, 1985, 1986.

IV. FOOD AID AS A RESOURCE

(a) VOLUME OF FOOD AID

The quantities of food aid provided by different donors to the four recipient countries under study show wide differences. For cereals, over the period 1970-71 to 1984-85, Tanzania received the largest absolute quantity on average per annum - 109.9 thousand metric tons. Cameroon received the least aid, with an average of 5.6 thousand metric tons. Kenya and Senegal received on average 70.6 thousand metric tons and 77.4 thousand metric tons respectively. (Table 5). The Kenya average is strongly affected by the figure of 339.6 thousand metric tons for 1984/85, which must be due to the drought of 1984. If that year is excluded, the Kenyan average receipts of cereal food aid work out to 51.4 thousand metric tons.

Since the populations of these countries are quite different, a better measure of food aid received would be provided by the per capita figure. In 1981, the largest per capita cereal food aid received was by Senegal at 23.79 kgs. Tanzania and Kenya received 11.36 kgs and 10.02 kgs respectively, while the amount received by Cameroon was negligible at 0.98 kgs.

Another measure is provided by the proportion of cereal imports met by food aid. Tanzania led in this category with 95 percent of total imports in 1976-78 and 79 percent in 1981 being covered by food aid. For Kenya, the corresponding figures were 19.0 percent in 1976-78 and 32.0 percent in 1981. Senegal had somewhat similar figures -

Table 5 -- Food Aid (Total Cereals)

	TOTAL CEREALS ('000 METRIC TONS)			
	CAMEROON	KENYA	SENEGAL	TANZANIA
1970/71	7.2	2.5	15.8	8.8
71/72	4.6	1.6	37.3	5.6
72/73	1.2	1.4	37.9	9.6
73/74	3.0	1.2	101.3	10.9
74/75	3.5	2.2	26.8	147.7
75/76	3.9	8.7	16.1	108.7
76/77	5.4	8.3	30.9	134.5
77/78	5.1	10.7	166.7	101.6
78/79	7.8	9.4	59.9	53.6
79/80	3.6	86.4	60.8	89.3
80/81	10.2	172.9	152.7	235.8
81/82	10.5	127.2	82.7	307.5
82/83	5.6	164.5	91.0	171.3
83/84	1.2	121.8	150.5	135.5
84/85	11.7	339.6	130.4	127.4

SOURCE : Food and Agricultural Organization, Food Aid in Figures, 1984, 1985, 1986.

The 1984/85 figures are taken from "Food Aid to Sub-Saharan Africa : A Background Paper", prepared by Ms. C. Benson, Relief and Development Institute, London, for a WFP/ADB Seminar held at Abidjan in September, 1986.

17.0 percent in 1976-78 and 30.0 percent in 1981. The proportions of cereal imports met by food aid were much lower for Cameroon, being only 4.0 percent in 1976-78 and 8.0 percent in 1981.

The absolute quantities of cereal food aid received by the four countries showed a considerable amount of variability from year to year, with differences between maxima and minima being large and standard deviations often exceeding the mean. These reflect increasing trends in cereal food aid over the period in addition to variations around the trend.

The sharp variations from year to year are the result in part of emergency food aid being provided in large quantities in certain years. The rising trends reflect the overall worsening of the food situation over the period as indicated by the fall in per capita domestic production over the period in all of them, excepting Tanzania. This would suggest that the volume of cereal food aid received by these countries was in general responsive to variations in need (i.e. to their greater need in emergencies) and to the general increase in need over time. It has been noted earlier that cereal food aid to the study countries increased in the mid-seventies when there was a sharp fall in aggregate aid. The fall in aid provided to other countries over those years was therefore sharper. It seems possible that this result was obtained because aid agencies reassessed the needs of all recipient countries for food aid more carefully when they were faced with cuts in the overall quantities available. They did not cut food aid indiscriminately but even increased the aid provided to some countries. The fact that program food aid to countries like India where it had been larger earlier was no longer needed because of food production and balance of payments

improvements around this time must have helped this process considerably.

The data cannot be used to draw any substantive conclusion regarding the dependability of food aid in terms of the relationship between food aid needed (or requested) and food aid received. However, as indicated earlier, there is no evidence that any of the four countries under study faced arbitrary cuts in their food aid for political or foreign policy reasons.

Wheat and coarse grains have been the major cereals provided under food aid arrangements to all four countries. However, Senegal and Tanzania have received fair quantities of rice. The coarse grains provided have been mainly yellow maize, though white maize is generally preferred in Africa.

In addition to cereals, other commodities that have been provided under food aid arrangements include vegetable oil and various dairy products (Table 6). All four countries have received vegetable oil, but Kenya and Tanzania have dominated with more than a thousand metric tons received on average by each of them during the period 1977-84.

Among dairy products, all four countries have received skimmed milk powder, with Tanzania receiving the largest quantity on average over the period 1977-84. Butteroil has been provided mainly to Tanzania and Kenya, while other dairy products, mainly cheese, have been provided mainly to Senegal and Tanzania. Some of the dairy products have been provided as part of emergency aid or for feeding projects. In Kenya and Tanzania, however, skimmed milk powder and butter oil have been provided in support of dairy development schemes.

Table 6 -- Food Aid (Non-Cereals)

	SKIMMED MILK POWDER (METRIC TONS)				BUTTEROIL (MT)			
	CAMEROON	KENYA	SENEGAL	TANZANIA	CAMEROON	KENYA	SENEGAL	TANZANIA
1977	323	293	569	6695	-	-	-	980
1978	393	80	3230	2578	-	24	200	29
1979	540	300	1174	3728	-	14	-	338
1980	791	3296	3847	7534	1	1	-	1104
1981	1092	7409	2159	5186	-	500	200	472
1982	990	3488	2046	6230	100	287	-	1060
1983	477	3876	419	2153	-	-	-	303
1984	131	4670	9670	7154	-	1400	-	660

	OTHER DAIRY PRODUCTS (MT)				VEGETABLE OIL (MT)			
	CAMEROON	KENYA	SENEGAL	TANZANIA	CAMEROON	KENYA	SENEGAL	TANZANIA
1977	32	224	241	399	202	891	177	350
1978	67	188	777	307	591	1011	1067	961
1979	3	239	1538	148	338	499	195	768
1980	64	8	1079	1648	318	2005	370	1377
1981	3	370	1065	818	946	2912	260	941
1982	2	7	498	918	378	1730	521	1160
1983	19	41	1065	109	371	1201	1562	214
1984	8	71	34	141	170	2353	1531	3742

"-" DENOTES NEGLIGIBLE OR NO QUANTITY

SOURCE : Food and Agricultural Organization, Food Aid in Figures, 1984, 1985, 1986.

(b) BALANCE OF PAYMENTS SUPPORT

Food aid can be looked upon as foreign assistance or balance of payments support tied stringently to the purchase of food commodities. In this respect, it does not differ from other forms of tied aid.

Estimates have been made of the balance of payments support provided through food aid in cereals to the four countries covered. To make these estimates comparable, they are presented as proportions of total exports and total imports (Table 7). These proportions show wide differences not only between countries but also between different years for each country. It is clear that Cameroon has received relatively little balance of payments support compared to the other three countries.

It can be noticed that the proportions rise sharply in certain years. This is generally due to emergency food aid provided to meet famine conditions. Developing countries rarely have sufficient foreign exchange resources or access to such resources to deal with the sharply higher needs that they face during famine years, and are therefore extremely vulnerable at such times. The additional foreign exchange support that food aid provided during these years was therefore particularly valuable to them.

Food aid in non-cereal commodities like dairy products or vegetable oil provide balance of payments support in addition to that estimated for cereals. Values of these commodities are higher than those of cereals. Kenya and Tanzania have received larger quantities of dairy products as aid than the other two countries.

Table 7 -- The Value of Cereals Food Aid as a Proportion of Total Exports and of Total Imports (percent)

CROP YEAR	FOOD AID/ EXPORTS	IMPORTS	CALENDAR YEAR	CROP YEAR	FOOD AID/ EXPORTS	IMPORTS	CALENDAR YEAR
CAMEROON				KENYA			
75/76	0.08	0.07	1976	75/76	0.13	0.11	1976
76/77	0.08	0.07	1977	76/77	0.08	0.07	1977
77/78	0.07	0.05	1978	77/78	0.12	0.07	1978
78/79	0.12	0.11	1979	78/79	0.11	0.08	1979
79/80	0.05	0.04	1980	79/80	1.09	0.59	1980
80/81	0.18	0.14	1981	80/81	2.19	1.26	1981
81/82	0.11	0.10	1982	81/82	1.64	1.03	1982
82/83	0.07	0.06	1983	82/83	2.22	1.60	1983
83/84	0.02	0.01	1984	83/84	1.77	1.24	1984
SENEGAL				TANZANIA			
75/76	0.37	0.28	1976	75/76	2.98	2.05	1976
76/77	0.53	0.43	1977	76/77	3.37	2.30	1977
77/78	4.12	2.46	1978	77/78	2.62	1.09	1978
78/79	1.67	0.96	1979	78/79	2.29	1.03	1979
79/80	2.05	0.93	1980	79/80	4.95	2.01	1980
80/81	5.84	2.72	1981	80/81	8.50	4.11	1981
81/82	2.70	1.49	1982	81/82	11.83	4.67	1982
82/83	2.78	1.45	1983	82/83	7.05	3.29	1983
83/84	4.40	2.35	1984	83/84	5.24	2.33	1984

Notes : Food aid data was obtained from Food Aid in Figures, No.3 (FAO, 1986).

Trade data was obtained from International Financial Statistics Yearbook, 1986 (IMF, 1986).

The proportions are calculated by dividing the food aid value for a crop year by the relevant trade variable value for the calendar year coincident with the second part of the crop year in question.

Food aid may result in additional imports of food or may substitute for food that would otherwise have been imported commercially. The balance of payments effects are quite different even though the food aid provides balance of payments support in both cases. When the food aid results in additional food imports, the real impact is the same as the intended impact, which is to make additional food imports possible. However, when the food aid substitutes for food that would otherwise have been commercially imported, the real effect is to provide free foreign exchange to the recipient country even though in form the resources are tied to food imports.

Since the object of donors in providing food aid is surplus disposal, which should be looked at from the viewpoint not merely of the particular food aid donor concerned but of all food exporters, food aid should not substitute at any time for food that would otherwise have been imported. To ensure this, food aid is required to be subject to what are called Usual Marketing Requirements (UMR). A country receiving food aid is expected to maintain its commercial imports at the level determined by its UMR so that the food aid provided to it may be treated as additional rather than as a substitute for what it would have imported in any case.

The UMR work satisfactorily to achieve this result, however, only in the first year in which food aid is provided. This is because the normal commercial imports in that year can perhaps be established with reasonable certainty. As food aid continues to be provided over a period of time, however, it becomes increasingly difficult to determine what commercial imports would have been in the absence of food aid. The UMR would probably remain quite low. Even,

therefore, when recipient countries satisfy UMR, it seems likely that some part of food received by them is in substitution of commercial food imports and results in the release to them of free foreign exchange.

In the case of Kenya, bilateral donors have generally provided program food aid to deal with shortfalls in food supplies plus emergency food aid to cover drastic declines in domestic food production caused by periodic droughts. Food aid has thus helped to meet growing food import gaps as well as the additional food requirements of bad years and could therefore be treated as providing tied balance of payments support in reality as well as in form. However, it is likely that Kenya would have increased its commercial food imports in such bad years. To the extent that food aid made such additional commercial imports unnecessary, food aid to Kenya released some free foreign exchange to it (or more accurately made it unnecessary to shift foreign exchange from other important imports to imports of food).

Senegal has faced a decline in domestic food production while its consumption requirements have grown rapidly. Food aid has helped to fill the burgeoning import gap in relation to which its UMR had become increasingly irrelevant. In the absence of food aid, Senegal would undoubtedly have increased its commercial imports to some extent, though it is difficult to say how much. Like Kenya, therefore, but in a somewhat different way, Senegal probably benefited to a considerable extent from release of free foreign exchange, as well as from some foreign exchange genuinely tied to additional food imports.

Cameroon has received very little program food aid. It has received some emergency food aid. In both cases, some additional food might have been commercially imported if the food aid had not been received, but the foreign exchange involved was probably negligible. Most of the food aid received by Cameroon has been project food aid, where it can be generally assumed that equivalent increases in food consumption and therefore in food imports resulted from the food aid. Such project food aid thus largely provided tied foreign exchange to Cameroon.

Tanzania offers a special case. Tanzania has taken the position that it would have imported all its food needs commercially if food aid had not been available. There are two reasons, however, why this would have been extremely difficult.

One, Tanzania's food import requirements have been high and have risen sharply in the late 1970s and early 1980s. Food aid has constituted from one-fourth to one-third of total availability of cereals (wheat, maize and rice) between 1974-75 and 1985-86 according to figures supplied by the National Milling Corporation, the parastatal responsible for handling all domestic and foreign supplies of cereals. Wheat aid has represented about 60 percent of Tanzania's total marketed supplies of this commodity from 1979-80 to 1984-85 (CIDA, 1985 - Tanzania). Two, Tanzania's foreign exchange position has worsened sharply since 1978.

The combined effect of these two factors is seen in the foreign exchange impact of food aid. If the food aid received by Tanzania in 1981-82 had actually been purchased by it commercially, the total cost would have absorbed 30 percent of its aggregate non-oil foreign exchange budget and been equal to the combined value of that year's

exports of sisal and cotton (ADAB, 1984 - Tanzania). Even so, it would appear that some of the food aid really provided Tanzania with free foreign exchange.

Tanzania added to this real free foreign exchange component of food aid by not fully satisfying its commitments to UMR. Canadian food aid to Tanzania was halted in 1982-83 due to UMR violations. It was resumed in 1983-84 without settling the issue, but Tanzania again did not meet its UMR commitments in that year. An official Canadian document was constrained to remark that, "For Tanzania, the agreement to a UMR is at best a declaration of intent, the execution of which depends on the availability of foreign exchange." (CIDA, 1985 - Tanzania, p.59).

(c) BUDGETARY SUPPORT

Whatever the role that food aid plays in balance of payment terms, that is whether the foreign exchange it provides is really tied or in fact releases free foreign exchange for other uses, it ultimately provides budgetary support in the broadest sense of the term. This is true whether the food aid provided is emergency food aid, program food aid or project food aid. In the case of program food aid, this holds whether the counterpart funds are committed in advance to specific purposes as in the case of dairy aid for dairy development, have to be used to finance projects agreed to in consultation with the donor, or are available to the government to finance general developmental or other budgetary expenditure.

The reason for treating food aid in all these cases without exception as budgetary support in the broad sense of the term is that

in all these cases it supports activities that the government would otherwise have financed itself, or would have liked to have financed itself. Even when the food aid is for projects that the government would not have considered in the absence of food aid, that activity perforce becomes a part of its approved activities once it is accepted. Many reasons lead to acceptance of activities to finance and food aid should be considered one of them.

Estimates of the budgetary support received by the four countries from food aid in cereals are presented as proportions of total revenue and of tax revenue (Table 8). Considerable variation is found between the four countries. Cameroon received much less budgetary support from cereals food aid than the other three countries. Sharp variations in support are also found between different years in the same country. These are primarily due to additional quantities of cereals provided during famines, though these are not generally sold in the market and therefore do not result in the generation of counterpart funds actually passing through the budget. The results are likely to be different if non-cereal food aid is included, and will depend on the values of the different commodities included in the food aid package differ sharply. This is particularly true for dairy products, whose per ton values are much higher than those of cereals. Tanzania, which has received the largest average quantities of cereals as well as large quantities of dairy products, has probably been the largest receiver of budgetary support in this sense among the four countries. Kenya received somewhat smaller quantities of cereals on average than Senegal but received larger quantities of dairy products, largely to

Table 8 -- The Value of Cereals Food Aid as a Proportion of Total Revenue and of Tax Revenue (percent)

CROP YEAR	FOOD AID/ TOT. REV.	TAX REV.	FISCAL YEAR	CROP YEAR	FOOD AID/ TOT. REV.	TAX REV.	FISCAL YEAR
CAMEROON				KENYA			
75/76	0.10	0.10	1976	75/76	0.18	0.20	1976
76/77	0.11	0.11	1977	76/77	0.12	0.14	1977
77/78	0.07	0.07	1978	77/78	0.10	0.12	1978
78/79	0.13	0.19	1979	78/79	0.10	0.11	1979
79/80	0.06	0.06	1980	79/80	0.95	1.09	1980
80/81	0.17	0.19	1981	80/81	1.71	1.91	1981
81/82	0.10	0.11	1982	81/82	1.26	1.39	1982
82/83	0.04	0.04	1983	82/83	1.79	2.06	1983
83/84	0.01	0.01	1984	83/84	1.54	1.72	1984
SENEGAL				TANZANIA			
75/76	N.A.	0.53	1976	75/76	2.80	3.22	1976
76/77	0.93	0.97	1977	76/77	2.68	3.17	1977
77/78	4.26	4.33	1978	77/78	1.58	1.76	1978
78/79	1.77	1.75	1979	78/79	1.50	1.60	1979
79/80	1.34	1.56	1980	79/80	2.85	3.04	1980
80/81	5.26	6.16	1981	80/81	4.84	4.97	1981
81/82	2.85	3.34	1982	81/82	N.A.	5.34	1982
82/83	3.15	3.43	1983	82/83	N.A.	2.68	1983
83/84	N.A.	N.A.	1984	83/84	N.A.	2.24	1984

Notes : Food aid data was obtained from Food Aid in Figures, No.3 (FAO, 1986).

Budgetary data was obtained from Government Finance Statistics Yearbook, Vol. X (IMF, 1986).

In Senegal and Cameroon, the fiscal year is the same as the calendar year. The proportions are calculated by dividing the food aid value for a crop year by the relevant budgetary variable value for the fiscal year coincident with the second part of the crop year in question. In Kenya and Tanzania, the fiscal year is the same as the generalized crop year used for the food aid data.

N.A. Not Available

support its dairy development projects. In broad terms Kenya and Senegal have both received significant budgetary support. Cameroon has received the least such support among the four countries.

In the narrower sense, food aid represents budgetary resources only when program food aid put at the disposal of government is sold in the market, resulting in local currency counterpart funds forming part of government resources. As discussed in the previous chapter, these may then be used to finance local currency expenditure on agreed projects, unspecified development projects at the choice of the recipient government or its general developmental or other expenditure.

The proportion of the broad budgetary support provided by food aid that is represented by counterpart funds varies considerably in different countries, depending mainly on the proportion of program food aid to total food aid in value terms. To the extent that counterpart funds are not required to be committed to specific projects, they represent free budgetary resources available to finance general developmental and other expenditure. They can, therefore, be extremely valuable to the governments receiving them. Variations in these free budgetary resources that could result from variations in food aid sales could, therefore, be a matter of deep concern to these governments, with the exception of Cameroon where such free budgetary resources are negligible.

Counterpart funds - and therefore the free budgetary resources at the disposal of governments because of food aid - could fall off or disappear in years in which food deficits become small or nil because of good harvests. This could upset the budgets of recipient governments quite sharply. The EEC has recognized the problems that

this could create and has offered to substitute financial for food aid in such years. Given the nature of food aid, it is to be seen whether the EEC would be able to carry out such substitution on a large scale if that became necessary. If countries now receiving food aid achieve long-term self-sufficiency, which many claim as their objective, this could create even more acute budgetary problems. The study countries have not yet faced this situation - short-term or long-term.

Within the total availability of counterpart funds, the volume of free resources available to recipient governments depends on the extent to which counterpart funds are required to be committed to specific activities. Donor governments are tending to become somewhat stricter in this respect than they used to be in the past. Recent efforts at donor coordination in determining the use of counterpart funds, whatever their other merits may be, could reduce or even eliminate the free funds available to finance general developmental or other expenditure. The success of the experiment in coordinated use of counterpart funds to support the restructuring of the cereals market in Mali has led to its recent extension to one of the study countries, Senegal. The impact of this change on Senegal's budget is yet to be seen. Kenya and Tanzania may face a similar effort by food aid donors in the future. As already indicated Cameroon will not face this situation because it does not have free counterpart funds.

(d) CONSUMPTION AND NUTRITION

In any given year, food aid is either additional to imports that would have been otherwise purchased in the open market or replaces such imports. The effect of additional food aid is necessarily to increase total food consumption in the country but the exact distribution of the benefits of such increased consumption depends upon the nature of the food aid provided.

Emergency food aid helps directly to prevent starvation in the affected areas. However, if it is assumed that in the absence of food aid, the country would have made some attempt to mobilize food internally to feed the starving in affected areas, food aid can be said to provide considerable benefits to those in other areas of the affected country as well. As discussed elsewhere, all four countries have received food aid for meeting emergencies. A high proportion of the aid to Kenya and some of the food aid to the three other countries has been for this purpose. The immediate nutritional impact of such aid is clear. However, it has also a favorable effect on food production, income and nutrition in the immediately following year because it helps to maintain the health and productivity of the affected population.

Feeding projects are aimed at increasing the food consumption and thus improving the nutrition of vulnerable groups in normal times. Pregnant women, lactating mothers, infants and young children belonging to the poorer classes do not receive adequate food even when they are not faced by specific emergency conditions. While these are the particularly vulnerable groups among the poor, other members of the poor families to which they belong also do not receive

adequate food. Feeding projects may be targeted to particularly vulnerable members of poor families or to poor families in general. Feeding projects have been supported in all four countries by WFP and by other donors (often acting in such cases through private voluntary organizations). In general, experience has shown that when specific members of families are targeted for nutrition interventions, intra-family adjustments take place that tend to defeat the object of such targeting to some extent. Therefore, broader targeting of low income families is being increasingly undertaken as the best means of achieving the desired objective.

Such targeting of low income families with the object of increasing their consumption levels can be equally well achieved through developmental projects providing employment and income to the poor. Development projects supported by food aid have generally been labor intensive projects for creation of rural infrastructure. The work involved is largely unskilled labor and the wages provided are generally low, so that only the poor are attracted to such projects, except in times of emergency when the purposes for which the food aid is provided are well served even if those with somewhat higher income levels are fed. In general, therefore, such projects - often called Food For Work (FFW) projects because food may be provided as a part of the wage - raise the consumption levels of the needy by increasing their real incomes and making food available to them. Various developmental projects of this kind have been undertaken in the study countries. Some of these are outlined in the next section. While such projects absorb small proportions of the food aid provided to Kenya, Tanzania and Senegal, they represent virtually all the non-emergency food aid received by Cameroon.

Program food aid is meant to be sold in the open market. By adding to market supplies and keeping food prices down, such food aid helps to increase the consumption of the poor. Food aid in such cases may be used to subsidize food consumption either in general or for targeted groups. In the former case, some of those who do not really need help may benefit to some extent but the poor also do so. In the latter case, a special effort is needed to target the poor. This can often be achieved by selecting the areas in which the subsidized food is to be made available or by choosing qualities of food for subsidization that are generally consumed only by the poor.

Program food aid has generally been provided to Tanzania and Senegal, though Kenya has also received some food aid of this type. On the whole, Cameroon has not received program food aid. Program food in the recipient countries is generally sold to residents of urban areas and most often only in the main metropolitan concentration of population in the country. Program food aid thus increases the access of the urban poor to food, though ultimately their low incomes may prevent them from obtaining adequate nutrition in spite of the easier availability and lower prices that food aid usually makes possible.

It has been argued that reasons connected with political stability would have ensured adequate food supplies to the urban areas even if food aid had not been available. This of course depends to some extent on the magnitudes involved. However, to maintain adequate food supplies in urban areas in the absence of food aid, it would obviously have been necessary to extract the needed food supplies from the rural areas. This would have reduced food availability in those areas considerably, thus sharply accentuating

rural-urban tensions and creating farmer resistance to efforts to increase their food production above their own requirements. This would have made it exceedingly difficult for the rural poor, particularly those not producing their own food, to obtain their minimum food requirements. Therefore, although program food aid is generally sold in urban areas, its real contribution in Tanzania and Senegal may have been to protect the nutritional requirements of the rural poor in general and poor rural non-food producers in particular.

If the food aid provided by donors is not additional to the quantities of food that recipient countries would otherwise have imported on commercial terms, total consumption in the recipient country in that particular year would by definition remain unchanged. However, changes could be expected to take place in the distribution of that food in the country. The nature and extent of these changes would depend on the uses to which the food aid would be put as compared with the uses that would have been made of commercial food imports. Besides, even in this case, food aid would have longer term favorable effects on consumption through the release of foreign exchange for developmental and other purposes.

(e) DEVELOPMENT PROJECTS

In developmental or income generating projects, food aid may be used to cover that part of the wage that is normally spent on food. The food may be given directly as part of the wage or may be made available in the market for purchases by workers to whom money wages are paid. The former are described as Food for Work projects but the

latter are fundamentally similar in their impact while often being more efficient by eliminating some of the transaction costs that arise as families adjust their food supplies to their requirements. Even when project food aid is sold in the market in support of such projects, therefore, it should be clearly distinguished from program food aid in which, as indicated earlier, the market sales are expected to fill the gap between existing demand and available supply (domestic production plus commercial imports). It should also be distinguished from market sales of food aid to generate local currency for the non-food or even non-wage components of the expenditure on specific projects. Though the revenue from such sales is committed to specific projects, such sales add to the aggregate supply of food that meets existing demand and should therefore be treated as program sales with advance commitment of the resulting counterpart funds to specific projects.

A special case of sales of food aid is represented by dairy development projects. In these projects, sale of milk from donated dairy products is expected to perform two functions. It is expected to help to develop a regular and organized market for good quality milk by drawing upon the potential demand for it that already exists in urban areas. At the same time, it is expected to generate local currency resources which can be used to promote domestic dairy development to create the local supplies of milk needed in due course to meet the demand thus created.

Developmental project food aid by its very nature can function most effectively when it is used for labor intensive projects. These may be various types of infrastructure projects including those for roads, irrigation facilities, afforestation or land settlement.

However, food aid can be used innovatively for other purposes, such as the support of agricultural field research or for the education and technical training of workers in rural areas. In all such projects, there are immediate effects on employment and income, which can be expected to last only as long as the project is being implemented. Two types of longer term effects are, however, also produced. One type consists of the effects of the savings and investment changes that occur as a result of the income generated by the project. The other type consists of the increases in output, employment and income that are produced in subsequent years by the assets created by the project.

Food aid has been used to support a wide variety of developmental projects in the four countries under study. In each case, success or failure may have been due to the way in which the project was formulated and implemented rather than to the fact that it was supported by food aid. Even when the food aid can be said to have had an impact on the relative success or failure of the project, this could have been due to the efficiency or inefficiency with which the food aid provided was managed rather than any characteristics of the food as such. This is particularly true if the specific purposes of the project are kept in mind in evaluating the project and the role of food aid in it. Thus, food aid may involve high transport costs if it has to be moved to a remote area to deal with poverty and hunger there. However, even if purely financial resources had been used to generate employment and income in that area, it would still have been necessary to move food to that area at high cost to meet the demand thus created. The high costs can only be avoided by

abandoning the effort to deal with the poverty and hunger in that area.

In spite of these limitations of project reviews, an examination of some food aid supported developmental projects in the study countries may be useful. This could help by throwing light on the role that food aid can play as a resource promoting equity and developmental objectives through a project approach. The notes below discuss a few projects of this kind. Unfortunately, the only information for most projects is provided by project and evaluation reports, which tend to concentrate on use of inputs such as labor or food and on the production of outputs such as miles of roads built, number of trees planted or the area irrigated. The economic impact in terms of income, savings, investment and other variables has been studied for only one of these projects - the Food For Work project in the Baringo district of Kenya. This is examined below.

In Kenya, the Baringo FFW project, which is supported by WFP, forms part of the Baringo Pilot Semi-Arid Project (BPSAP), and integrated rural development project, sponsored by the Government of Kenya and the World Bank. Food For Work under the project began in 1981 and was designed to utilize 800 workers per month within the BPSAP. WFP provides the food and the Kenyan Government implements the project by providing necessary management personnel and financial inputs including storage and transport. The food items provided by WFP are maize, beans and vegetable oil. All participants are adults and most of them work from 8.00 a.m. to 1.00 p.m. for twenty days a month. Participants are employed on a first come first serve basis on the assumption that FFW will attract only the very poor, a

residual labor force not engaged in either own-production activities or other wage-earning activities at the time of participation.

A study of the impact of this project showed that the project augmented farm output by contributing to minimum nutritional requirements, eased the capital constraint in the second year of participation, increased the marketable surplus from both own-crop and livestock production, increased the employment of hired labor in farm production, caused a shift from maize to more labor-intensive and higher priced millet (because maize was provided as a part of the wage) and increased savings. Participation in FFW fell slightly in the second year primarily because the easing of the capital constraint increased the benefit flowing from own-farm working and because of the increased employment of hired labor. As a result of all these changes, the net income of FFW households was found to be 55 percent higher than those of non-participating households.¹

The study also found a major favorable impact on income distribution. The major beneficiaries from the project were those in the lowest income groups. In fact, within the two-year period, most of the low income participant families escaped from the lowest income

¹Bezuneh, M., Deaton, B.J., and Norton, G.W., Farm Level Impacts of Food for Work in Kenya, Department of Agricultural Economics, Virginia Polytechnic Institute and State University, Blacksburg, Virginia, November 1981.

group. Even those who remained in that group increased their income significantly.²

The study showed that the FFW project in Baringo did lead to longer term growth by facilitating greater on-farm investment. It did not, however, examine the longer term impact of the improvements in physical infrastructure and in nutrition and human capital on production and income. It also did not study in detail the linkage effects of the increased employment and income resulting from the FFW activities on the employment and income of those not participating in FFW particularly in the long-run.³ These effects could be expected to be large and positive. If these effects were to be taken into account, the FFW project in Baringo could perhaps be seen as initiating a process of development that could develop its own momentum.

A second project in Kenya is intended to assist the Government to develop the Turkana district and to help the Turkana people attain self-reliance in food. The project is particularly interesting in that it grew out of relief operations and in that it functions in the context of a number of development programs in the area. The drought

²Deaton, Brady J., and Bezuneh, Mesfin, Food for Work and Income Distribution in a Semi-Arid Region of Rural Kenya: An Empirical Assessment, Department of Agricultural Economics, Virginia Polytechnic Institute and State University, Virginia, November 1981

³Bezuneh, M., Deaton, B.J., and Norton, G.W., Food Aid Impacts in Rural Kenya, Department of Agricultural Economics, Virginia Polytechnic Institute and State University, Blacksburg, Virginia, undated.

in 1980-81 seriously affected the district. There was widespread famine, with outbreaks of cholera and measles. Emergency food supplies were provided by the WFP and other donors, and distributed by the Turkana Rehabilitation Project (TRP), which was established to deal with the relief operations. While the famine was brought under control, evidence remained of a continuing serious food deficit in the area. The TRP began phasing out its relief operations and instead began coordinating and implementing district level development activities, many of which required food aid. Recently, the TRP has been criticized for its insensitivity to the pastoral and nomadic nature of a large part of the Turkana population.

A third Kenyan project to be outlined here is a school feeding project which was approved in 1979, but in which actual distribution started in 1981. The short term objective of the project is to provide a nutritious midday meal to pre-school and primary school children at a low cost. The long term objectives are (a) to help improve the health and nutritional status of future generations by encouraging good eating habits at an early age, and (b) to improve the learning ability of primary school children so that they can make effective use of educational facilities.

The project's coverage was expanded to cover schools in districts which even though not permanently arid are nevertheless prone to severe food shortages as a result of periodic droughts -- in this case, the drought of 1984. Thus, in addition to the 14 arid and semi-arid districts covered, it was decided to include drought victims in marginal areas of the districts of Embu, Kitui, Machakos and Meru. This more than doubled the number of beneficiaries within a period of 15 months from 150,829 children registered in December 1983

to 345,108 children registered in March 1985 (for the 14 original and four new districts put together).

In Senegal, the project reviewed here consists of the phases of a forestry project. The original phase was evaluated in 1980. The project's impact on desertification was found to be limited because of shortage of logistic facilities, staff and funds. Commodities arrived late at worksites, and work brigade heads kept buffer stocks in store, slowing distribution. By 1982, the pace of implementation was still at about 70 percent on the basis of workdays used as compared with the number planned. Some operations e.g., control of bush fires, opening of fire breaks and plantation of wind breaks, had not been executed in accordance with the plan, while other objectives were achieved well ahead of schedule - for example 365 percent of the number of intended hectares of acacia albida plantings, and 514 percent of hectares intended for village woodlots. The exceptional success of the woodlots should be noted. In the first expansion phase, experimental fish culture was introduced, with a remarkable rate of success and a very limited labor force - less than half the projected number of workdays used to dig 15 ponds. The work in general exceeded expectations. Some logistic problems were overcome. Appointment of a full-time director and a WFP contribution to distribution costs furthered solution of storage and transportation problems.

A second evaluation was conducted in 1984. This stressed the importance of the forestry sector in Senegal and of popular participation. Half of the country is covered by natural forest, providing the main energy source, construction material, revenue from wood, fruit and gum, and fodder for grazing animals (and thus major

support for the nomadic population). A major achievement - more difficult to quantify than number of trees planted and hectares maintained - was the strengthened positive relationship between the population and the forestry service.

This evaluation paved the way for a second expansion of the project. This was approved by the CFA in the spring of 1984 and was aimed at further strengthening of relations between the population and the forestry service, leading to an improved knowledge of forest problems and betterment of the rural population's living conditions. The emphasis on popular participation is part of a strategy to reduce dependence on external assistance. Specifically, the expansion will encompass conservation measures (bush fire control; rational organization and economic management of forestry resources against overexploitation, overclearing, and overgrazing; more efficient use of wood through better charcoal processing, improved stoves and cooking methods etc.; promotion of energy source substitutes such as biogas, solar energy, etc.); development of natural forest cover (planting fast-growing species); and strengthening of the Forestry Department's capacity for planning, training, research, and monitoring.

Food aid is used in support of activities in several ways: as an incentive to voluntary laborers; as a supplement to wages of temporary forestry workers who often are paid with long delays; as part payment to permanent forestry laborers against a cash contribution to a forestry investment fund; and as an incentive wage supplement and substitute for the subsistence allowance to mobile fire fighters away from home for long periods.

The Cameroon project examined here began as multi-purpose assistance under the Third Five-Year Plan. The multi-purpose approach was designed to bring about savings in administration and transportation and to make operations more flexible. Sub-projects ranged across rural training, health, railway construction, cereals market stabilization, primary education and resettlement. In 1976, a progress report stated that some sub-projects had attained or even exceeded their objectives. This applied to the sub-projects for hospitals and health centers, agricultural schools and primary boarding schools, and Operation Mamfe. However, the project as a whole was behind schedule. An interim evaluation was conducted in 1977. In the field of rural development, only the works undertaken under sub-project 8 at Ombessa had been reasonably successful. The objective of this sub-project had been to change the method of cultivation in the area by introducing draft animals.

In its second phase, the project followed the fourth five-year plan and incorporated some new sub-projects. The project was evaluated again in 1984. Some achievements were listed. Since 1976, about 24,000 village families had been settled under the Benoue project. WFP assistance had tided them over the initial phase of settlement until they could harvest their first crops. More than one million people living in semi-arid rural areas had benefitted from a program to supply rural areas with drinking water. The productivity of the workers engaged in this scheme had been maintained at a reasonable level with the WFP food aid. Similarly, the productivity of 1500 workers engaged in the construction of the Lagdo Dam had been maintained with the food aid.

In the sphere of dairy development, two WFP projects, in Kenya and Tanzania respectively, are outlined here. In the Kenya project, sales proceeds of WFP commodities were to be used to support dairy development. This project suffered initial setbacks due to delayed shipment of the donated dairy products and due to the unexpected cutting back of a school milk program that had been expected to generate demand. Funds have been generated but there has been a delay in setting up the required accounts and the proper institutional mechanisms for disbursement. Following negotiations between the WFP and the Government, the Plan of Operations has been amended to make the necessary provisions for the management and utilization of the generated funds.

In Tanzania, funds generated from the sale of commodities donated by WFP were to be placed in a special bank account under the supervision of an inter-ministerial board, chaired by a representative from the Ministry of Agriculture. This board would allocate the funds to activities for developing the dairy and milk industry. Such activities would include the establishment and expansion of large dairy farms and village dairy units; improvement of milk collection, processing and distribution services; and training of dairy development officers and staff, as well as establishment and development of other dairy and extension services.

The project was evaluated in 1982. Although the utilization of WFP-supplied and other commodity aid had enabled the milk plants to reach and maintain a reasonable level of operation, the basic purpose of the project had not been achieved due to serious delays in the allocation of funds. Shortage of foreign exchange impeded the import of essential equipment and services and was thus a serious

constraint. The evaluation mission considered that continued WFP assistance would contribute to furthering dairy development in Tanzania as long as appropriate emphasis was placed by the Government on the utilization of generated funds for projects which would provide an incentive for traditional cattle keepers and smallholders to produce a surplus of milk for sale to dairy plants. The Government indicated to the mission that the use of WFP funds in the expansion phase would be geared towards this aim. An expansion was approved in 1983.

The experience of these two projects demonstrates that even if sales proceeds of food aid are strictly committed to specific purposes, this does not necessarily ensure successful or productive expenditure. Specifically, in connection with dairy development, the experience shows that replication of India's Operation Flood in Africa, though it might be desirable, is not likely to take place as smoothly because of differences in the social and economic environment and of weaknesses in administration and management. This indicates the need for greater attention being paid to project design and to management issues in implementation.

(f) DEVELOPMENTAL IMPACT

Food aid which supports developmental projects has a directly developmental impact. It helps to create assets which increase production, employment and income on a long-term basis. Roads built with the help of food aid (and other resources) also help to reduce costs of production and marketing. They thus improve the

profitability of farming operations without any increases in retail market prices.

Emergency food aid and feeding projects also contribute to income growth by maintaining or increasing productivity. Increasing attention is being devoted to how famine relief can be used to prevent famine and promote development in general. Similarly, attention is being increasingly devoted to how food for work type of projects can be used to promote long-term income development while increasing food consumption immediately. The results of the Baringo FFW project presented above and evidence of the favorable impact from FFW projects in Bangladesh show how valuable such projects can be when they are properly formulated and managed.

Even when food aid does not directly support development projects but is used for feeding projects, it plays a useful role in the development process by providing a way of achieving some equity while the difficult long-term process of development is under way.

It has been shown above that program food aid puts substantial resources at the disposal of recipient governments. They may use these resources to subsidize consumption or for various other purposes, all of which do make it easier to bear the burdens that the development process imposes. The counterpart funds resulting from program food aid can be used to finance local currency developmental expenditure.

Thus, in various ways, food aid can make a powerful contribution to the recipient country's development. The extent of that contribution depends, as in the case of other resources, on the volume of such resources and the ways in which these resources are used. Care has to be taken in the use of all types of resources

since they can have adverse effects if badly used. More care than for the other resources may be necessary for food aid because of some of its special features and dangers. However, it is a valuable resource that can be used to accelerate development.

The beneficial or adverse effects of food aid are to some extent independent of the motives and interests of donors or recipients. Even though recipient countries have not paid adequate attention to the benefits that could flow from its proper use, the food aid received by the four study countries has produced some favorable effects on the development process. It is difficult, however, to measure these effects, or to draw any conclusion even in qualitative terms about how important these have been. It is clear, however, that a conscious effort to treat food aid as a valuable resource and use it in the most effective manner possible could result in even stronger favorable effects.

V. FOOD AID AND DEVELOPMENT STRATEGY

Food aid to developing countries originates from the existence of food surpluses in developed countries. This is what makes food aid additional to assistance in other forms. Large food surpluses are of special concern at this time. However, using these to provide food aid is justified only if it can be used to promote humanitarian and developmental objectives in the recipient countries. Such use of food aid is possible because developing countries have a need for food that food aid can meet.

Developing countries need food to deal with emergencies such as those that arise from drought. However, they also need food on a non-emergency or trend basis. As indicated earlier, this trend need for food comes from two sources. First, there may be a gap between the aggregate effective demand for food and the aggregate supply of food at some reasonable level of prices. Second, there may be an additional gap between the minimum needs of the poorer sections of the population and the quantities of food that they are able to buy with their incomes at those prices.

The effective demand for food in developing countries grows because of the growth of population and of per capita incomes. Since the poor spend a large portion of additional income on food, the impact of increases in per capita income, particularly if income distribution becomes more equitable, tends to be quite strong in developing countries. Given their traditional technologies, fragile

soils and other characteristics, developing countries may not be able to increase their production of food at a sufficiently rapid pace to meet their growing effective demand for food. Capacity to bring in commercial imports to fill this gap may also be limited.

Food aid helps to fill the remaining gap, releases foreign exchange for other important purposes and helps to prevent increases in domestic food prices. It thus provides an important resource to promote development or equity. These relationships are found to hold in most developing countries.

In a study of eighty-seven developing countries, future demand-based food aid requirements have been estimated by projecting long-term trend rates of growth of per capita GNP and food production, accepting medium-variant UN projections of population and FAO estimates of income elasticities of the demand for food and projecting average commercial cereal imports for a base period (1977-82) at the rate of growth of per capita GNP (Ezekiel, Hannan, Medium Term Estimates of Food Aid Needs, 1986). These estimates are subject to differences in the reliability of the underlying data in different countries and uncertainty about the extent to which past trends are likely to continue into the future. The results presented here, (Table 9 and Chart 1), for the four countries covered in this food aid study, are instructive.

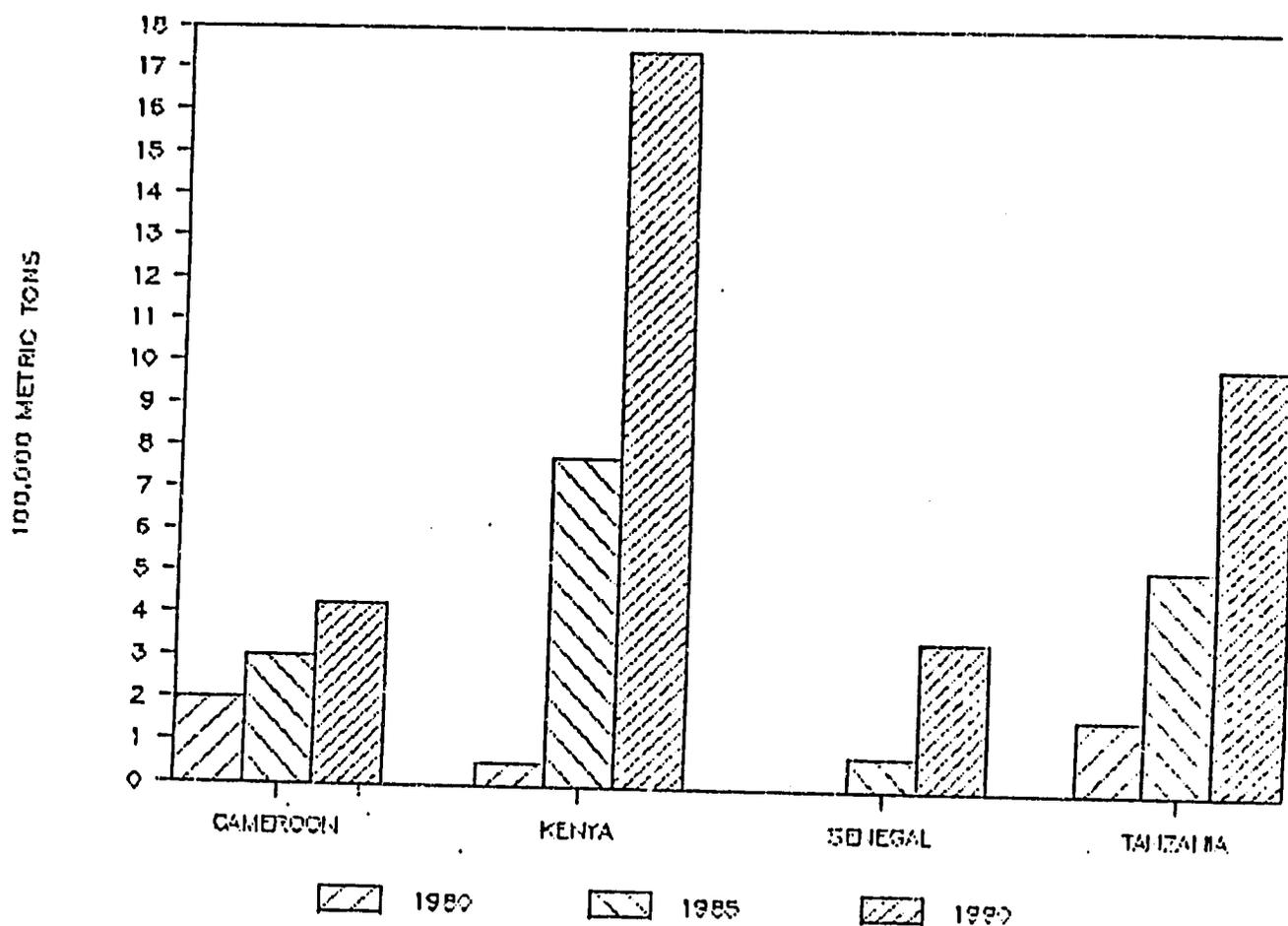
The estimated growth in Kenya's food aid requirements from 58 thousand tons in 1980 to 1.75 million tons in 1990 is faster than that of Tanzania, where these requirements increase from 172 thousand tons to 1.00 million tons. This is primarily due to differences between the growth rates of population and of per capita income in

TABLE 9 -- FOOD AID REQUIREMENTS (FAR)

	1980	1985	1990	
CAMEROON				
FAR	2.06	3.05	4.29	100,000 METRIC TONS
POPULATION	8554	9714	11063	('000)
FAR/CAPITA	24.03	31.43	38.78	KGS.
GNP/N	621.3	701.4	791.8	US\$
KENYA				
FAR	0.58	7.77	17.45	100,000 METRIC TONS
POPULATION	16766	20600	25413	('000)
FAR/CAPITA	3.45	37.72	68.67	KGS.
GNP/N	386.2	444.1	510.6	US\$
SENEGAL				
FAR	0.00	0.78	3.48	100,000 METRIC TONS
POPULATION	5708	6520	7501	('000)
FAR/CAPITA	0.00	11.93	46.39	KGS.
GNP/N	277.1	310.1	347.1	US\$
TANZANIA				
FAR	1.72	5.26	10.01	100,000 METRIC TONS
POPULATION	18867	22499	26998	('000)
FAR/CAPITA	9.14	23.39	37.07	KGS.
GNP/N	474.7	486.7	499.0	US\$

SOURCE : EZEKIEL, HANNAN, MEDIUM TERM ESTIMATES OF FOOD AID NEEDS, IFPRI, APRIL 10, 1986.

CHART 1 : FOOD AID REQUIREMENTS



SOURCE : EZEKIEL, HANNAN, MEDIUM TERM ESTIMATES OF FOOD AID NEEDS, IFPRI, APRIL 10, 1986.

the two countries (Table 10). The projected population growth rate of 4.25 percent per annum for Kenya is 16 percent higher than that for Tanzania -- 3.65 percent. The rate of growth of per capita GNP of 2.1 percent for Kenya is 3.5 times Tanzania's rate of 0.6 percent. Kenya's faster growth of estimated demand-based food aid requirements thus reflects its success in achieving a much higher rate of income growth in spite of a higher population growth rate and therefore in creating a much higher demand for food than that of Tanzania. This demand is then also much higher than its own food production.

This analysis has some interesting implications for development strategy. In countries with rapid population growth and a large proportion of the population dependent on agriculture, an agriculture-oriented and employment-oriented development strategy is needed to increase per capita incomes at a reasonable pace. Since the poor spend a large part of any additional income on food, the demand for food is likely to rise rapidly with such a strategy. Even if domestic food production also increases rapidly, the import gap and the volume of food aid for market sale that could be used to fill it would both tend to be large. Macro policies, the administrative system and the institutional structure should all be favorable to the broad-based rural development that such a strategy would involve. However, if the large volume of food aid needed for it does not become available, the pace of development could be adversely affected.

The food aid estimates for Kenya suggest that developments along these lines are already occurring there and could be pushed even further if additional food aid could become available. In this sense, Kenya would have the absorptive capacity to use these

TABLE 10 -- GROWTH RATES
(PERCENT PER ANNUM)

	CAMEROON	KENYA	SENEGAL	TANZANIA
POPULATION GROWTH RATE (1980-90)	2.61	4.25	2.77	3.65
GNP/N GROWTH RATE (1965-84)	2.90	2.10	-0.50	0.60
MFC PRODUCTION GROWTH RATE (1980-90) (a)	2.50	1.81	0.00	2.42

(a) MFC -- MAJOR FOOD CROPS

SOURCES : EZEKIEL, HANNAN, MEDIUM TERM ESTIMATES OF FOOD AID
NEEDS, IFPRI, APRIL 10, 1986.
WORLD BANK, WORLD DEVELOPMENT REPORT, 1986.

quantities of food aid if they became available. Tanzania's slower growth would result in a slower growth of demand for food. It would therefore not be able to absorb as much food aid through the market as Kenya.

The estimates of food aid requirements discussed above are demand-based. They do not cover additional need-based requirements for which no estimates are available. As the more rapid rise in demand-based requirements in Kenya than in Tanzania is due primarily to a much higher rate of growth of per capita income in Kenya, it would be reasonable to assume that the additional food requirements to meet the minimum nutritional requirements of the poor are likely to be relatively smaller in Kenya than in Tanzania. More feeding and income transfer projects will thus be needed in Tanzania than in Kenya if minimum nutritional requirements are to be met.

Feeding projects are difficult to organize and target. When these projects try to target individual family members considered to be particularly vulnerable, intra-family adjustments often occur in consumption that defeat the purpose of targeting. This suggests that what is needed is some way of increasing the real incomes of poor families. In general, this can be best achieved by employment programs because these tend to be self-targeting in nature. Only the poor would be willing to work at unskilled labor -- usually on construction projects -- for relatively low wages.

Employment-oriented projects aimed at providing immediate increases in real income to poor families can be used to create assets which can also raise levels of employment and income in the long run or add to long-term social welfare. It is this reasoning which justifies the adoption of an employment-oriented rural

infrastructure program supported by food aid. Food aid could cover the additional consumption of workers resulting from the additional income they earn in such projects. Workers do need to buy other things and other expenses have to be incurred on such projects if they are to play a useful long-term role in the economy. A survey of a small selection of World Food Programme projects in Senegal and Tanzania showed food costs ranging from 12 to 34 percent of the total costs of the project. Other sources of finance must be found to cover the remaining costs.

One possible source of finance for this purpose could be the funds generated from the sale of the food aid provided to meet demand-based requirements. Tanzania, with smaller demand-based food aid requirements would be able to generate less funds than Kenya, though its need for employment-oriented projects and the urgency of the need for infrastructure are both likely to be greater.

Implementation of feeding programs and rural infrastructure projects requires a strong administrative and institutional structure. The fact that Tanzania has not been able to organize itself to achieve a rate of growth of per capita GNP higher than 0.6 percent per annum under conditions that were generally more favorable than those in Kenya suggests weaknesses in its administrative and institutional structure as well as in its macro policies and overall development strategy. It has been pointed out that "Tanzania pursued policies aimed at dismantling its historical institutional base, and experimented with many new institutional arrangements, which greatly destabilized the environment for smallholder production." (Lele and Meyers). It thus appears that greater need for feeding and rural employment-oriented infrastructure projects tends to coincide with

the existence of greater weaknesses in a country's capacity to implement them. However, it would be wrong to assume that such capacity would remain unchanged in the future. It can be strengthened and enlarged in the process of implementing an appropriate program of such projects, particularly if efforts to do this form part of a wider effort to accelerate the process of economic development.

Rural infrastructure has a crucial role to play in increasing agricultural output, employment, and income. Its role in reducing costs of agricultural production is particularly important in a context in which prices of imported food have fallen sharply and may remain low for some time. By supporting a program of this kind and helping to build the necessary institutional structure and administrative apparatus for this purpose, food aid can play an important role in promoting development.

If food aid needed to meet demand-based requirements at any particular growth rate is not made fully available to a developing country, its development could slow down. Also, a developing country could raise its pace of development through an employment-oriented strategy and improvements in macro policies, administration and institutions if it could obtain the additional food aid that it would then need. Suitable food aid supported rural infrastructure projects could be used to support such a strategy and bring about urgently needed improvements in nutrition among particularly vulnerable sections of the population while helping to promote further increases in income growth rates.

Donors can promote the interests of recipient countries by using their food surpluses for program food aid to support an employment-

oriented strategy for promoting rapid increases in employment and income. While such a strategy would also tend to accelerate food production, donors must recognize that demand-based program food aid requirements would tend to increase rapidly with this approach. In addition, donors must be willing to provide project food aid to support (a) labor-intensive rural infrastructure projects and (b) feeding projects for the poor, particularly those sections that are vulnerable. The faster the growth of per capita incomes that results from such a strategy, the less will be the need for such special employment and feeding projects.

Developing countries on their part must recognize that food aid is a valuable resource, which can make a powerful contribution to their development if it is properly used. They must formulate a clear strategy regarding the use of food aid and fit this firmly into an equitable strategy of development aimed at fostering rapid income growth. They will have to gear their institutional apparatus and macro-policy framework to achieve rapid growth under such a strategy. They must also formulate a deliberate policy for the most effective developmental use of the counterpart funds generated by the sale of program food aid as well as of any foreign exchange released by such aid. In addition, they must frame suitable labor-intensive rural infrastructure and feeding projects to complement the overall development strategy.

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