

**SUMMARY OF THE FSN FORUM DISCUSSION
LINKING FOOD AID AND PRO-POOR GROWTH
FROM 18TH SEPT. TO 04TH NOV. 2008**

Proceeding available at:

http://km.fao.org/fileadmin/user_upload/fsn/docs/PROCEEDINGS_FoodAidandProPoorGrowth.doc

I. ISSUES RAISED

- Hunger is very costly in terms of loss economic growth (Mahgoub, E. A.)
- The link between food aid and a better nutrition status is very debatable. In many districts of Ethiopia food aid provides a relief for a few months, but does not allow building on resources (Leonardi, F.).
- Food aid as a tool for development is an argument that has been negated by most of the donor community during the last 10 or 15 years (G.Simon)
- Economists have not been all that successful in demonstrating the connection between improved nutrition and economic growth (MacMillan, A.) Econometrics procedures only recover statistical relations but do not provide more useful information on the linkages between these variables. (Maghoub, E. A.). It is going to be very difficult to arrive at any robust conclusions on food assistance and pro-poor growth. (MacMillan, A.)

II. FOOD AID EFFECTS AND IMPLICATIONS FOR HUNGER REDUCTION

Food Aid effects on economic growth

- Food aid is part and parcel of the globalization process. It is being a political instrument to initiate economic and trade relations between donors and recipient countries. (Mahgoub, E. A.)
- Food aid has become more and more a tool for pro-poor growth; however it has a higher cost than a normal approach. Food aid costs are much higher than local market prices and moreover food aid destroys all normal community responsibility most of the time. (Leonardi. F)
- Food aid impacts on local markets (Mwasaa, W. M.):
 - Food aid has negative impacts on markets, production and other societal structures and processes, which eventually leads to a poorer community depending on outside assistance as most communities after a stint with food aid cannot go back to own production.
 - When food assistance suppresses production and local market systems, it also reduces labour and other income related opportunities for local populations. This in turn results in crime and lawlessness which then affects the development of other sectors.
 - When food aid becomes an institution, it transforms from humanitarian support to

systematized purchase, transport and distribution networks that lead to change in focus and the interests of individual merchants and politicians come to play.

- Food aid depresses national grain market prices, therefore it depresses the Agricultural GDP, and as the lowest wages are adjusted to agricultural prices, it even reduces the GDP in urban areas. (Leonardi, F.)

Food aid effects on nutrition and the implications for economic growth

- It is clear that better nutrition leads to better health and longevity and that cognitive abilities are impaired by undernourishment and malnutrition. When large numbers of people shift from a mal-nourished to an adequately nourished state, there will be a positive impact on economic growth. (MacMillan, A., Mahgoub, E. A.)
- Theoretical models provide guidance on possible transmission mechanisms between nutrition and growth, in particular, nutrition status is far from being exogenous, and **economic growth** has been widely documented to inflict **its positive impact on nutrition status**. (Mahgoub, E. A.)
- **Most food aid interventions do not take care of all the dietary nutrient needs**, which often lead to poor growth, and deteriorated mental and physical capacities for the affected populations. (Mwasaa, W. M.)
- After years of food aid in Ethiopia it doesn't seem to have impacted positively the global nutrition rate of the country but it has certainly saved many lives. (Leonardi, F.)
- Well nourished people are capable of being more productive than poorly nourished people, but that does not necessarily mean they will be more productive. People who are well fed may not be motivated to work hard. Especially when it comes to manual labour, no one works as hard or as cheap as people who are hungry. (Kent, G.)
- Hungry people working for low pay at producing inexpensive goods provide good bargains for people with higher incomes. Affluent countries might be able to consume intensive labour products for a lower price. (Kent, G., Leonardi, F.)
- According to Arcand (2001) inadequate nutrition is causing 0.23 to 4.7 percentage point loss in annual growth rate of GDP per capita worldwide, and 0.16 to 4.0 percentage points' loss for Sub-Saharan Africa in particular. (Maghoub, E. A.)

Food aid effects and implications for nutrition and economic growth in Ethiopia (Leonardi, F.)

Many districts of Ethiopia have been benefiting from food distribution, they are still part of the poorest, and according to many analytical works even poorer than at the start for at least these two reasons:

- A **growing population pressure** on shrinking natural resources -livelihood survey conducted showed that the vulnerable segment of the population is growing in % -SCUK, FEWS. To be extreme, feeding people on a rock or in a desert doesn't create growth in the end. In Ethiopia, populations need to stay in the same place to benefit from Food Aid.
- **People targeted for food aid are supposed to be the most vulnerable**. Food aid may allow relative large scale farmers -3 ha- to pay less to their farm workers who receive food aid -therefore food aid results in a lower income for the poorest.

III. OPPORTUNITIES AND SUGGESTIONS

- **Opportunities for making food aid a tool for development**

- Well managed and planned food aid is important as for the following: (Mwasaa, W. M.)
 - a) Food aid should be a **stop-gap measure for reducing rapid on-set food deficits**. It should help communities and development agencies look beyond the short term with an aim of reducing the deficits.
 - b) As food aid aims to provide a quick response in a deficiency situation, different ways to utilize food addressing deficits and strengthening a community's resilience should be put in place.
 - c) Food aid addresses **access and availability** which are the key areas of food security. However, without proper and robust nutrition and health interventions to go with it, very little success will be recorded in achieving a food and nutrition secure community.
- With lower wages, **food aid allows a country to be more competitive on the world market** - long term potential effect - and that might be part of the global deal, as some countries might be able to consume intensive labour product for a lower price as hungry people work for low pay. (Leonardi. F.)
- The link between food aid and pro-poor growth is a new area in which agricultural, energy, and financial markets are increasingly interconnected, thereby demanding for a **nuanced understanding of global dynamics**, and to position interventions (including international aid, but not only) within those dynamics. (Gentilini, U.)
- Food aid is surely not one and it is necessary to distinguish **the different food aid type** they refer to (project, programme, emergency), not to mention the procurement mode (direct transfers versus local purchases and triangular operations) (G.Simon).

- **Suggestions for making food aid interventions more effective**

- Food aid should be seen as a supportive remedial action by: (Mwasaa, W. M.)
 - a) Allowing the survival of the affected community thereby achieving the necessary adjustments to get through a short term shock;
 - b) Gathering open-minded information prior to and during interventions on possible or emerging impacts.
 - c) Identifying the merchants and influential persons who stand to gain some benefits through food aid and clearly understanding their interests.
 - d) Putting at the center of the food aid process the beneficiary countries and communities. They should be made fully aware of what are the effects and issues associated with food aid and thus with a clear understanding accept it or look for other options.
 - e) Calling on governments and authorities supported by independent research to determine the exact place of food aid. Stringent regulations should be enacted on donors and aid agencies to ensure that maximum care is taken to reduce the negative impact of food aid on the target communities.
- For food aid to be active and contributing to the GDP growth: (Mahgoub, E. A.)
 - a) More research is needed on which data should be collected, and the analytical method for analysing the relationship between food aid, poverty and pro-poor growth.

- b) The population should be targeted regarding the most needed people, and this aid should be in kind in case of food grain and in cash for education, health and others services as such as water for irrigation, etc.
- Since there is lack of definitive evidence on how to get out of the dynamics of poverty traps (Gentilini, U.), further investigation on the role of food aid in promoting growth is mandatory (Mahgoub E. A.).

IV. REVIEW OF EMPIRICAL WORK ON NUTRITION-GROWTH LINKAGES AND PRO-POOR GROWTH

- Background of **Alderman's work** and the **Kakwani-Ravallion** and **Sachs-Easterly debates**:
 - Alderman argues that nutrition can be considered as an investment in growth because of its contribution to cognitive development, education attainments, and physical productivity, all positively correlated to higher future earnings (see references).
 - Sachs suggests a 'big-push' approach fostering savings, and thereby investments and growth (see his book Economics for a Crowded Planet, or the End of Poverty), while Easterly argues against this approach both philosophically and empirically (see his book The White Man's Burden, or Reinventing Foreign Aid).
- The **Martin Ravallion's paper** presented at the IFPRI conference in China in late 2007 provides a lucid overview of the key issues in the pro-poor growth realm and makes a convincing case for social protection (including aid) as a way to pursue growth promotion, poverty and inequality reduction.
- **WFP's paper "Cash and Food Transfers: A Primer"** and **ODI's paper "Cash-based responses in emergencies"** (see references) show, the appropriateness of food aid (and cash transfers) ultimately hinges on context-specific factors such as programme objectives (including neoclassical microeconomics implications, nutritional impact etc), markets, administrative capacities, and people's preferences.

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