

SHOULD THE U.S. END IN-KIND FOOD AID?  
ASSESSING THE CASE FOR CASH

Joel J. Toppen, Ph.D.  
Department of Political Science  
Hope College  
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ABSTRACT

Among the international aid community, a growing chorus of voices is calling for the United States government to join the movement away from in-kind food aid and toward providing cash that can be used to purchase food closer to areas in need. As the U.S. provides half or more of the world's food aid, much is at stake in this policy debate. This paper provides an analysis of the social science upon which the case for switching the U.S. to a cash-based food aid system is based. While critics of in-kind food aid claim to have the clear support of available social scientific evidence, careful analysis reveals that the empirical case in support of the advocated policy shift is limited, particularly when compared to alternative policy options. Of all the apparent advantages of cash over food, there is systematic empirical evidence, albeit with serious methodological limitations, to support only the prospect of resource transfer efficiency gains, making each food aid dollar go further. Because the proposed policy shift would likely result in significantly fewer food aid dollars due to a loss of political support, there is little if any reason to expect more hungry people to be fed and/or long-term food security to be enhanced. While local and regional purchase can often bring cost savings, the contention that a U.S. shift to cash-based food aid would actually increase the amount of resources transferred to food-insecure populations rests on wishful thinking, not sound social science.

## INTRODUCTION

A growing chorus of voices is calling for the United States to join with other donor countries in moving away from in-kind food aid and toward cash assistance that can then be used to purchase food nearer to the areas in need. Instead of providing direct food contributions, many donors have been, especially since the 1990s, providing some of their food aid in cash that is used to procure food in a recipient country (a practice called local purchase) or to procure food in a third country (a process referred to as regional purchase or triangular transaction). The United States stands apart from other major food aid donors not only in the size of its donations—it accounts for half or more of global food aid—but also in that virtually all of its contributions are given in kind and are domestically sourced, as is required by U.S. law. The law also requires that 75% of U.S. food aid be shipped on U.S.-flagged vessels and that 75% of certain non-emergency food aid commodities be processed, fortified, or packaged in the United States before shipment.

Critics of these buy- and ship-America provisions demand that U.S. food assistance be “freed from the ties to a relatively small number of U.S. interests that make today’s food aid a domestic boondoggle” (Murphy and McAfee 2005, 2; see also Timmer 2005, Reutlinger 1999). Several humanitarian non-governmental organizations (NGOs), including Bread for the World (2006), CARE-USA (2005), the Institute for Agricultural and Trade Policy (Murphy and McAfee 2005), and Oxfam (Kripke et al. 2005, Mayne et al. 2006), have recently come out with major statements calling for an end to in-kind, tied food aid. However, other NGOs, such as World Vision and the 14 other organizations that are members of the Alliance for Food Aid (AFA), note that local and regional purchase can be appropriate in some cases, but cannot possibly meet current and expected needs and they seek increased in-kind contributions (AFA 2006).

The Bush Administration’s fiscal year 2006 and 2007 budget requests have included a proposal to use 25 percent (about \$300 million) of P.L. 480 Title II (the main U.S. food for international relief and development budget) for overseas purchases for emergencies and to waive statutory requirements to provide commodities for non-emergency food security programs. In FY 2006, the proposal would have shifted those funds to USAID’s International Disaster and Famine Assistance account, which is administered separately from Title II. In FY 2007, the Administration offered a slightly different version of the proposal, allowing up to \$300 million of Title II funds to be used to purchase food locally or regionally for emergencies. Both proposals were rejected by Congress.

According to the Administration, the policy shift could save some 50,000 lives by providing additional assistance due to significant cost savings (Thurow and Kilman 2005). Edward Clay, a leading food aid researcher based in Great Britain and a powerful critic of the U.S. system, claims that, according to his research for the Organization for Economic Cooperation and Development (OECD), “Complete untying [of food aid] would release around US\$750 million a year through efficiency savings to provide other aid to the poorest countries” (Clay 2006a, 7). Despite the apparent advantages, however, the proposal has been opposed by relevant U.S. agricultural and commercial interests, as well as by certain U.S.-based non-governmental organizations (NGOs) involved in food aid programming (including World Vision, currently the largest non-governmental food

aid programmer). In what has become an unfortunately bitter divide within the NGO community—at a time of increasing global hunger—some have been accused of compromising principles and joining with powerful special interests in Washington for the sake of advancing agency welfare. The motives and morality of U.S. food aid NGOs that have opposed in-kind cuts have been repeatedly called into question (Barrett 2005, 2-3; Mayne et al. 2006, 9). Christopher Barrett and Daniel Maxwell, authors of a new book on food aid discussed later in this paper (2005a), were particularly scathing in a newspaper opinion-editorial entitled “They Profit While the Hungry Die” (Barrett and Maxwell 2005b), castigating NGOs for “putting an appealing humanitarian face on private profits.” Former USAID director Andrew Natsios has claimed that NGO opposition to the proposal to move toward some locally and regionally procured food aid is “morally indefensible” (Thurow and Kilman 2005).

At any rate, the rising call to shift the U.S. food aid system from food to cash has to this point been soundly rejected by the United States Congress. In response to President Bush’s FY 2006 request, the relevant Congressional conference report (H.Rpt. 109-255, October 26, 2005) addressed the issue in clear, albeit awkward, language: “The conferees...admonish the Executive Branch to refrain from proposals which place at risk a carefully balanced coalition of interests which have served the interests of international food assistance programs well for more than fifty years.”

The issue is also an important part of the currently stalled Doha Round trade negotiations at the World Trade Organization (WTO) as the European Union (EU), under heavy pressure to eliminate its agricultural export subsidies in order to give poor-country farmers a fair shot in a global market, has argued that U.S. in-kind food aid is a form of agricultural subsidy and should be eliminated. Untied U.S. food aid, which would include local and regional purchases, is one of the concessions sought by the EU (Clay 2006a). Also adding to the importance of the cash-vs.-food debate is the long-awaited and eventually upcoming rewriting of the U.S. Farm Bill, as well as expectations that negotiations for a new Food Aid Convention will begin soon (Hoddinott and Cohen 2006). According to Cornell University economist and leading food aid researcher Christopher Barrett (2005, 1), “Food aid stands at a crossroads today. Major decisions will be made...as to the direction food aid will follow for probably the next decade or more.” Another leading researcher and critic, Edward Clay, along with former British MP Tony Worthington, in addressing the shift to cash, contends “it is vital that the USA achieves this policy change” (Clay and Worthington 2006, 6). Daniel Maxwell (2006, 5), another leading voice calling for reform, claims, “Given the dominance of the US among food aid donors, the outcome of this process [moving from in-kind to cash] may be the single biggest factor affecting the future of food aid.” Meanwhile, the AFA observes that food aid needs are immense and not likely to decrease any time soon and contends that to address those needs, “In-kind food aid continues to be the most dependable and important source of food aid” (AFA 2006). Much is at stake in the struggle to bring the U.S. food aid system in line with a surging aid paradigm that privileges efficiency over less positive-sum factors like political power.

After a brief review of the background of the current cash-food debate, this paper provides an analysis of the empirical research underlying the case for cash, focusing particularly on Clay, Riley, and Urey (2005) and Barrett and Maxwell (2005), the two systematic empirical studies most frequently cited by advocates of a move to a cash-

based food aid system. The purpose is to shed light on the open question of whether untying U.S. food aid would in fact lead to the feeding of more hungry people or the advancement of long-term food security objectives.

## THE CASE FOR CASH

The supposed advantages of local and regional purchase over in-kind food assistance are many: 1) increased cost efficiency, 2) improved timeliness, 3) more culturally appropriate food, 4) decreased trade distortion, and 5) developing-country stimulative effects, including increased agricultural production and market development. In recent years, there has been a major movement away from “tied” aid, in favor of providing more flexible cash. The idea of local and regional purchase was first proposed at the World Food Conference in 1974 (Tschirley 2006). Since the 1980s, European donor countries have been moving to partially untie food aid, allowing developing country purchases (Clay 2006a, 7). The European Union embrace of local and regional purchase was intensified in 1996, although most EU food aid still originates in EU countries. In 2001, the Development Assistance Committee of the OECD moved to recommend untying all kinds of official development assistance to the poorest countries. Sweden, the Netherlands, and Germany now provide nearly all of their food aid in the form of local purchases or triangular transactions. In 2004 and 2005, major food exporters Australia, Canada, Denmark, and France all moved to further untie their food aid. In September 2005, the Canadian government increased the share of its food aid open to local and regional purchases from 10% to 50%. As a result of these policy changes, of the 8.25 million tons of food aid delivered in 2005, 15% was purchased locally and 16% was delivered through triangular transactions. According to the World Food Programme (WFP), more than a quarter of global food aid is now procured in developing countries (WFP, Food Aid Monitor, 2006).

Following the European lead and convinced by the arguments against in-kind aid, several U.S. NGOs now advocate for a U.S. shift to cash-based food aid. CARE, which until recently was the largest non-governmental mover of U.S. food aid, now supports efforts to shift Title II funding into local and regional purchases (CARE-USA 2005, 3). The now-defunct Coalition for Food Aid (CFA), of which CARE was a member along with 15 other NGOs including World Vision, rejected such proposals because they call for what is in effect a cut in Title II food aid. The CFA and others supported the expansion of local and regional purchase, but not at the expense of in-kind food aid. According to this view, budgetary resources for cash-based food aid should be wholly additional to current allocations. CARE has decided to “drop this condition, offering its full support to local purchase” (CARE-USA 2005, 3). Peter Bell, while president and CEO of CARE-USA, summarized the major risk of such a position, “You could come out further behind if you lose political support” (Thurow and Kilman 2005). Bread for the World (2006, 13), an advocacy organization, comments approvingly of CARE’s decision in its recent policy paper: “Though recognizing that this policy will result in lost revenues for their programming activities, CARE USA concluded, based on careful consideration, that this was more compatible with and supportive of long-term food security objectives.”

According to Clay, Riley, and Urey (2005, 12), “Financial aid is in most circumstances the preferable option: that is an area of near-consensus in independent

reviews. This is almost always the most effective and efficient way of funding... direct distribution of food.” Similarly, the WFP, in a recent policy paper (2006, 16), contends, “All reviews of food procurement agree that when cash is in hand and can be used flexibly and without restriction, local and regional purchases are more cost-efficient and timelier than other sources of food aid.” Christopher Barrett (2005, 5) in a much-discussed address to NGO leaders in April 2005 called “Food Aid At a Crossroads,” claimed, “Many of us believe, based on rigorous empirical analysis, that food aid could be uncoupled from these other [non-humanitarian and domestic] objectives... in such a way that the developmental effectiveness of food aid could be improved markedly.” According to Barrett, untying U.S. food aid is a central element of reforming the system so that it can be more recipient oriented rather than donor oriented. As for the rigorous empirical analysis upon which the case is based, he cites Edward Clay, Barry Riley, and Ian Urey’s recent study for the OECD, “The Development Effectiveness of Food Aid: Does Tying Matter?” (2005), and Barrett and Maxwell’s *Food Aid After Fifty Years* (2005a), as well as an analysis of Denmark’s food aid reform of the 1990s (Colding and Pinstrup-Andersen, 1999).

Similarly, when advocates call for moving the U.S. system away from in-kind food and toward cash, they cite the studies by Clay, Riley, and Urey, and Barrett and Maxwell almost exclusively as providing the empirical support. The Institute for Agricultural and Trade Policy paper, “U.S. Food Aid: Time to Get it Right” (2005), cites only the Clay/OECD and Barrett and Maxwell studies in support of moving to cash. Despite its support for the Barrett and Maxwell research, CARE USA (2005) cites only the Clay/OECD study. Oxfam (Mayne et al. 2006) likewise cites only the Clay/OECD study. Bread for the World (2006) cites the two major studies—as well as two U.S. GAO reports (2003a, 2003b) that contend significant savings via local and regional purchase were available in U.S. food aid programs to Afghanistan and southern Africa. It is appropriate, therefore, that we take a closer look at the two studies that establish the inefficiency of in-kind food aid.

## THE EMPIRICAL EVIDENCE

Despite the seriousness of the international debate, there is precious little rigorous empirical evidence about the relative advantages and disadvantages of cash versus in-kind food aid. A recent position paper prepared for the UK Department for International Development (DFID) entitled “Policy implications arising from the development impact of local and regional procurement of food aid,” concluded, “The study confirmed earlier indications that this was an under-researched area” (Walker, Coulter, and Hodges 2005, 1). Of all the apparent advantages of cash over in-kind food aid, there is systematic empirical evidence to support only the promise of resource transfer efficiency gains, which would make each food aid dollar go further.

As for the timeliness issue, there is anecdotal and some case study support for local and regional purchase being quicker than direct transfers, but not much in the way of social scientific support. It is obvious that allowing flexible commodity sourcing when meeting the needs of a food emergency could save valuable time, and therefore lives. However, improving timeliness is not an important issue for developmental food aid programs that are built around scheduled food deliveries over a period of time. The

promised savings in time for emergency food aid is one of the most emphasized reasons to support a move away from in-kind food aid. Barrett and Maxwell (2005a, 159) summarize, “The delays between procurement and delivery are typically thought to be much shorter for local purchases and triangular transactions than they are for transoceanic food aid shipments, although there is no systematic data with which to make direct comparisons, and the limited available evidence is somewhat mixed.” In an effort to measure the delivery lags in the current U.S. system, Barrett and Maxwell (2005a, 149-150) compare the call forward date (when a formal request for food aid is made) with the reported date that the commodity was actually delivered to the recipient-country port, for USAID emergency food shipments in 1999-2000. According to the available figures that Barrett and Maxwell analyze, there is a median lag of 139 days. Advocates for cash-based food aid often cite this five-month figure to suggest that children die unnecessarily in the meantime (Barrett and Maxwell 2005b; Thurow and Kilman 2005).<sup>1</sup> The U.S. call forward and port delivery date data used by Barrett and Maxwell represent “the only systematic source of information with which one can compute delivery lags, which makes direct comparisons among donors difficult.” As the authors explain, because the United States does not utilize local or triangular purchase, “one cannot strictly compare delays in these mechanisms against direct shipments sourced in donor countries. Any observed differences in delivery lags would not be due solely to differences in procurement venue, since one would necessarily also be comparing different donors’ administrative systems” (Barrett and Maxwell 2005a, 275).

In other words, we do not know how much, if any, time would be saved if the U.S. system were transformed toward local and regional purchase. While there clearly has been unnecessary—and even deadly—delay in delivering emergency aid, it is not at all clear how much of it is due to the use of in-kind food. Of the five months it takes to deliver U.S. food assistance, the necessity for transoceanic shipping accounts for about one month; the rest is due to bureaucratic processes. Beginning in January, 2007, the U.S. will streamline its commodity bidding procedures in such a way as to cut two weeks from the process. Other methods used to reduce delivery lags in food emergencies, such as pre-positioning of food and diverting non-emergency food already in transit, also need to be taken into consideration. In order to meet immediate emergency needs, for example, the U.S. system of food aid allows for the utilization of pre-positioned food in Dubai (with plans to develop additional pre-positioning centers in Asia and in Africa). Diversion of ships en route loaded with what would have been non-emergency food is often even quicker. These mechanisms are frequently utilized and more needs to be known about their effectiveness before we can, with confidence, have any idea of the likely timeliness benefits of a U.S. shift from an in-kind food aid system.

Even with local and regional purchase, quick delivery is not assured as it takes time to arrange procurement of commodities and to transport them to areas of need. For instance, the WFP points out in a recent policy paper (2006, 16) that, while increased flexibility allows for timelier food aid, significant delays in soliciting, securing, and confirming cash contributions from donors severely limit the potential gains from a cash-based system. According to Gregory Barrow, a WFP senior public affairs officer, “in an ideal world,” the WFP would prefer the flexibility of cash donations. “The practical world,” however, “is somewhat different. We have found in the past that even when there

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<sup>1</sup> Others put the figure at “up to four months” (Tschirley 2006).

has been a division in terms of donors—with those who give food aid in kind and those who give in cash—food aid has been quicker to arrive than cash.” He cites the 2005 food emergency in Darfur, Sudan as an example in which U.S. in-kind food arrived much faster than European cash donations. Indeed, many delays have nothing to do with sourcing but with donor interests. For example, most UN emergency appeals receive only 30% of the requested funds in the first month (Mayne et al. 2006, 6). The WFP is initiating a new payment system called the Advance Financing Facility that should reduce these delays. However, the delays suggest that even when donors utilize a cash-based system, food aid programs are not driven by recipient needs but remain based on donor interests and concerns.

Critics of in-kind food aid also contend that food aid procured locally is less trade distorting than in-kind assistance. If trade distortion is defined as potential interference with international commercial trade, then there is sound, and rather basic, economic theory to support this expectation. However, unlike local purchase, triangular transaction would not offer this potential advantage over direct transfer. However, as Barrett and Maxwell (2005a, 78-9) explain, “There do not appear to be any studies to date on the potentially differential trade effects of different food aid procurement modalities, such as local purchases versus triangular transactions versus direct shipments from the donor country.” Again, a major obstacle to such research is the limited availability of relevant data.

Another of the supposed benefits of local and regional purchase involves the potential stimulative effects for developing countries, in terms of agricultural production and market development. One potential problem with food aid is that when it is introduced into a market or distributed to people, it increases local supply and therefore tends to reduce local prices for similar agricultural commodities. When this happens, it can provide a disincentive for farmers to increase production. While the disincentive effect of external food aid is widely presumed, the most systematic study to date on the question found that food aid has no disincentive effect on food production (Abdulai, Barrett, and Hoddinott 2005).<sup>2</sup> Regardless, critics of in-kind food aid point out that the purchase of food aid commodities in a developing country can have stimulative effects as prices rise, encouraging farmers to produce more. When linked with technical assistance, the purchases can also help to develop market mechanisms for agricultural products. As Barrett and Maxwell (2005, 161) put it, “A widespread argument in favor of local purchase has been its potential to create an offsetting demand expansion in the recipient country—albeit typically in a different, food surplus region of the country, not precisely where food aid is to be distributed—that could improve local farmers’ incentives to grow food.” Bread for the World (2006, 19) also makes the case: “Local purchases and triangular transactions can help improve the effectiveness and efficiency of food aid and, when done well, can both encourage local agricultural production and promote the development of markets.” However, no systematic empirical evidence is provided to support these claims. According to Barrett and Maxwell (2005a, 161), “the actual impact of either local purchases or triangular transactions on market prices and producer incentives has not yet been established through careful empirical analysis” and so “it remains an open question as to what effect local purchases and triangular transactions have on farmgate prices” in developing countries. Clay et al. (2005, 59) agree that “there

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<sup>2</sup> On how potential disincentive effects of emergency food aid can be limited, see Donovan et al. (2006).

is insufficient evidence” to assess the effect of tying on local market development. But despite the lack of evidence, Clay et al. (2005, 14) make the claim that greater donor flexibility in sourcing “would clearly benefit agricultural development in many low-income developing countries.”

The WFP recently sponsored a number of case studies of local and regional purchase. According to a WFP summary (2006, 20), “The various case studies provide evidence that WFP’s local and triangular food procurement can and often does have a positive impact on markets, food processing industries and, in a few countries, local agricultural production.” But because emergency food aid is irregular and food aid providers like WFP tend “not to be a reliable buyer on local markets,” many of WFP’s interventions on local markets “are perceived as additional to regular demand and absorb the available surpluses held by traders, rather than stimulating investment in trade capacity... The fact that WFP is not a reliable buyer in many markets is a serious limitation on its ability to contribute to market development” (WFP 2006, 21). Clay et al. (2005, 60) also point out that local procurement “can stimulate local market development,” but if “local procurement volumes are not maintained or are only a very temporary feature this could lead to damaging investment loss.” As WFP is the largest purchaser of agricultural commodities in sub-Saharan Africa, another question that needs to be addressed is the long-term impact of these transactions on commercial market development in Africa and whether there is room for additional food aid purchases on a regular basis. Apart from cost-efficiency, the evidence for the advantages of cash for local and regional purchase over in-kind food aid is thin.

## RESOURCE TRANSFER EFFICIENCY

The two systematic empirical studies upon which the case for cash is built (Clay et al. 2005; Barrett and Maxwell 2005a) are analyses of the relatively poor resource transfer efficiency of in-kind food aid.<sup>3</sup> In their recent and important book, *Food Aid After Fifty Years*, Chris Barrett and Dan Maxwell, among many other things, attempt to empirically assess the additional costs of U.S. food aid tying. While they acknowledge that nailing down the true costs of food aid is “exceedingly difficult,” they estimate that “more than half of the dollars appropriated for food aid in the United States leaks out in delivering food to poor and hungry people abroad” (166-7). According to the authors, their empirical analysis “implies that it costs 113 percent more to deliver food through U.S. food aid programs than it would cost to buy the same food in the recipient country market” (167). This study and its figures are widely cited in support of cash over food. Barrett and Maxwell utilize a sound research design and their methodological choices are reasonable. All research designs, however, have limitations. As the discussion below indicates, many of the methodological limitations of the study may serve to overestimate the benefits of moving to cash-based food aid.

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<sup>3</sup> Earlier studies of food aid resource transfer efficiency, with similar findings, include Schultz (1960) and Clay, Dhiri, and Benson (1996). Theoretical works that explain why tied food aid is likely to be more inefficient include Abbott and McCarthy (1982) and Barrett (2002). Tschirley (2006), an analysis of WFP local purchase in Kenya, Uganda, and Zambia over a five-year period, finds support for the conclusions of Clay et al. (2005).

Using USDA data, Barrett and Maxwell compute the costs per ton for procurement and freight of 84 separate Section 416(b) and Food for Progress shipments of corn and wheat in 1999 and 2000. Using other USDA data on the open market price for the same commodity in the same month and location that the food was procured, they estimate the additional commodity costs for food aid. As the authors explain, by comparing the open market procurement price with the price for the actual food aid contract, “we can estimate the average procurement premium accruing to U.S. grain suppliers” (Barrett and Maxwell 2005a, 166). Then, they use a similar technique to estimate the premium accruing to U.S. shippers, comparing the actual transport costs of the 84 shipments in their sample with USDA data on freight costs on foreign carriers moving the same commodity between the same ports in the same three-month period. In order to figure the percentage of total food aid costs attributable to these unnecessary costs, the authors use the open market prices for the same commodity in the destination port market, which they obtained from Foreign Agricultural Service attaché reports from U.S. embassies abroad and from price data provided by the International Food Policy Research Institute, Michigan State University, and the World Bank. According to Barrett and Maxwell (2005a, 167), “This local market price establishes the value of the delivered food aid, the price at which it could have been procured locally instead.” They add the source country procurement premium, the open market shipping costs, and the shipping premium, and then compare this figure to the destination market cost to estimate “how much money is generated for recipients per dollar spent on food aid” (2005a, 166). They conclude that the estimated value of delivered food aid is only 47% of the total cost, as just over 5% is attributable to the source country procurement premium, about 27% accounts for the costs of open market shipping, and 21% goes to the shipping premium associated with U.S. cargo preference laws.

There is surely no simple or perfect way to assess the costs of tying food aid to domestic sources, and so Barrett and Maxwell’s study—like any other, real or potential—comes with methodological limitations. First, Barrett and Maxwell make the methodological choice to consider all shipping costs to be additional and unnecessary costs. This effectively assumes that all food aid could be procured locally, which, as the authors acknowledge elsewhere, is not at all realistic. For example, if half of all U.S. food aid shipments could appropriately be procured locally, which likely is a high-end estimate, then the added costs that Barrett and Maxwell attribute to open market shipping would be roughly cut in half. Paying for shipping costs when local purchase is not appropriate—such as when supply is inadequate or when local markets are not well developed, which is frequently the case—cannot reasonably be considered a “leakage” of food aid dollars. Even if all tying requirements were lifted, significant amounts of food aid would still need to be sourced in the Americas and, obviously, require transoceanic shipping. So, the added costs that Barrett and Maxwell attribute to unnecessary shipping are surely inflated. A related methodological limitation stems from Barrett and Maxwell’s decision to use the open market commodity price in the destination country port market to represent the value of delivered food aid. In doing so, they are comparing current U.S. food aid practice against local purchase only, while ignoring triangular or regional procurement. If food is purchased in a third country, there will obviously be costs in transporting the commodity to the recipient country that are not figured in Barrett and Maxwell’s estimates. Indeed, it is possible that the transport costs from a third country

could be not much less than those from the donor country (Clay and Benson 1990, 38). Argentina, for instance, has been a source for WFP triangularly transacted food aid for East Africa. Because these costs are not factored in, the counterfactual comparison to actual U.S. food aid practice is seemingly an unrealistic best-case scenario.

Using the local market price as the value of delivered food aid also assumes that commodity costs would not be driven up by the local procurement program. This assumption contradicts the supposed stimulative effects for increased production. At any rate, it is not at all clear that major local purchase operations could consistently get the local open market price. Indeed, Barrett and Maxwell provide a prime example of how this operating assumption is broken: “In the 1996 local purchase program in Ethiopia sponsored by the European Union, fixed lot size tenders beyond the reach of most traders, segmentation of the tender/auction process by region, and potential collusion among the few large traders able to participate credibly in the bidding process drove up costs to the point that average procurement costs were, on average, only negligibly less than the landed import cost of comparable quality grain” (164). Looking at 2001-2005 data, Tschirley (2006) found the WFP paying about 10% over market rates in Uganda and Kenya (but not in Zambia). Another example is the WFP’s recent effort to purchase food locally for the Niger food crisis (WFP 2006, 18). Again, because Barrett and Maxwell compare actual U.S. food aid programs with a hypothetical local purchase scenario in which there are no unforeseen problems such as corruption, the relative advantages of the latter may be overestimated.

Another methodological choice that works to inflate the percentage of “leakage” is ignoring the internal transport, storage, handling, and delivery costs of food aid. The authors contend that theirs is a conservative estimate of leakage because they do not include these costs or any associated administrative costs (Barrett and Maxwell 2005a, 167-8). It seems reasonable to assume that these costs would be roughly the same regardless of where the commodities are sourced and so it makes sense to leave these costs out when comparing procurement modalities. The problem, however, is that omitting these costs lowers the overall cost of food aid in Barrett and Maxwell’s computations, which has the effect of inflating the percentage that is attributed to unnecessary leakage due to tying. For example, if these omitted recipient-country costs amounted to, say, ten percent of the overall cost of food aid, the amount of estimated leakage, which Barrett and Maxwell put at 53%, would fall to 48%. Buying food in the recipient country does not obviate the necessity of these costs. Moreover, the overall amount of food aid not spent on food is not as relevant to the question of untying as is a comparison between various procurement modalities, which, incidentally, is what the authors themselves highlight. Ignoring the administrative costs associated with local purchase is also potentially problematic. According to a 2004 NEPAD study, “often it is the management costs associated with local procurement in surplus-producing regions where there is little or no market infrastructure that is prohibitive, and not the cost of the food itself” (in WFP 2006, 18). The risk of contract default also increases when procuring from developing markets where commodity volumes are highly variable (Clay and Benson 1990, 28). A final methodological concern is the choice of U.S. food aid programs analyzed. Barrett and Maxwell primarily look at Section 416(b) shipments, which are in decline as a share of U.S. food aid and which the Bush Administration proposes to zero out. Current proposals for moving to cash for local and regional

purchase would apply to Title II programs and it is unfortunate that these food aid shipments could not make up Barrett and Maxwell's sample.

By pointing to these methodological limitations, it is by no means suggested that local and triangular procurement is in fact less efficient than in-kind donations, but that the benefits of the former as compared to the latter may be exaggerated and oversold. For example, Bread for the World's major policy paper on food aid (2006, 20-1) notes that Barrett and Maxwell's study found that "less than 50 cents of every dollar spent on food aid actually pays for the cost of the food." Then, in a *non sequitur*, Bread for the World concludes, "In other words, the same dollar amount could fund roughly twice the current quantity of assistance if policies were improved." This conclusion is completely misleading. No amount of policy improvement—including complete untying—could possibly eliminate all of the non-food costs associated with food aid.

The second major empirical study of food aid's resource transfer efficiency that is cited by advocates of a move toward cash was prepared for the Development Assistance Committee of the OECD by Edward Clay, Barry Riley, and Ian Urey (2005). The study examines the effects of tying by OECD countries by comparing relative costs of three procurement modalities: direct distribution, local purchase, and triangular transaction. "The overall results show," according to the authors (2005, 14), "that there are substantial cost inefficiencies associated with tying." In particular, "The actual costs of local purchases and triangular transactions, as reported by donors and operational agencies, were approximately 46% and 33% less [respectively] than those of tied direct aid" (65). As with the Barrett and Maxwell study (2005a), this study and its figures are widely cited as providing empirical support for moving away from in-kind assistance and toward cash-based food aid. And, as with the Barrett and Maxwell study, the methodological techniques adopted—as well as how the study is misleadingly summarized by advocates of cash—give us reason to be skeptical of the extent of the promised benefits of untying U.S. food aid.

The study adopts the methodology of a study Clay and other colleagues carried out in 1996 for the European Union. The earlier study found that the value of EU food aid was 23% less than the cost to EU donors (Clay et al. 1996). The methodology involves comparing the costs of actual food aid actions with the costs of a hypothetical alternative commercial transaction (ACT) in which national governments would import the same food on the open international market. The ACT cost is an estimate of what it would have cost "to import the same commodity volume at the same time by international commercial competitive tender." The three categories of food aid procurement (direct, local, and triangular) are each compared against the ACT, allowing Clay et al. to estimate the relative efficiency of each. The study examines 1,119 distinct food aid actions during 2002-3 for 15 recipient countries funded by 16 DAC donors. For each food aid action in the sample, a resource transfer efficiency (RTE) ratio is computed by dividing the actual costs by the ACT costs. The authors then compute the average RTE ratio for direct transfers (134%), triangular purchases (101%), and local purchases (88%). They compare the RTE ratio for local and triangular purchases to the RTE ratio for direct transfers to arrive at the figures of in-kind aid being "approximately 50%...more than local food purchases and 33% more costly than procurement of food in third countries" (2005, 13). Because the authors compare each procurement modality against hypothetical commercial transactions and not against each other, it is somewhat imprecise to say that

local and triangular purchases are a certain percentage less costly than direct deliveries. Given the research design, there is no way to know this. A more precise way of summarizing the data would be to say that while local purchases were on average 12% less costly than estimates of what could have been purchased on the open market, triangular purchases were about as costly as estimates of what could have been purchased on the open market, and direct deliveries were 34% more expensive than estimates of what could have been purchased on the open market.

Among the concerns with the Clay/OECD study's methodology, one of the most significant comes from the ambiguity about how the ACT is figured. The authors (2005, 45) tell us,

The ACT was computed after consultation with the International Grain Council (IGC), the WFP, EuronAid and some experts in the private sector, to identify the likely least-cost alternative source of supply, and took into account whether commodities could be shipped on low-cost charter or (higher-cost) liner terms, and in bulk or bagged form. A set of reference costs was then derived by using "quoted" commercial market prices and reported sales and procurement data for the same three-monthly period as the food aid action and the transport costs, plus a fixed mark-up to allow for insurance and inspection.

While any method of computing the costs of a hypothetical commercial transaction would be difficult, the methodology of the authors, at least as it is described, appears not to be systematic. Instead, computation of the ACT appears, from a scientific perspective, to be essentially arbitrary, albeit well informed. For instance, how were those consulted selected? Were the same consultants used for all of the cases? Were they informed of the purpose of the information they were providing? And, more significantly, who made final decisions on the ACT? Were they aware of the particular procurement modality for which they were computing an ACT? Did the estimated ACT tend to be higher, lower, or roughly the same depending on procurement modality? Were those computing the ACT aware of the type of procurement modality to which the hypothetical transaction was an alternative? Because these questions are not answered, the extent to which the study is systematic and could be replicated by others using the same methodology is in question.

Another methodological limitation of the study involves the selection of donor countries whose food aid transactions are observed. Clay and colleagues describe the sample as including food aid transactions from a "representative group of 16 donors to 15 purposively selected recipient countries." The latter, we are assured, "include the largest in terms of total tonnage and others representing a range of country situations" but the selection of these countries appears not to be systematic. A related methodological limitation comes from comparing transfers for 16 different donor countries, regardless of how they were selected. Unlike the Barrett and Maxwell study, which examines only U.S. transactions, the Clay/OECD study does not control for donor-country differences that would not be captured by a sourcing measure. In the sample, for example, the U.S. makes up 51% of all transactions with nearly all of them coming as a direct transfer. So, what looks like a tying effect, could actually be an unmeasured inefficiency in the U.S. system that is not due to tying.

An additional methodological weakness, one that the authors acknowledge, comes from their taking all direct transfers as a proxy for tied aid, whether they were in fact required to be sourced domestically or not (2005, 41). The effect of this methodological choice is that there is no way to know the extent to which the inefficiency costs attributed to tying were the result of the inappropriateness of local or regional purchase in specific cases. The authors imply that whenever food aid is sourced in the donor country that there are cost savings available, when in fact there may or may not be. From the analysis, we do not know the relative efficiency of direct transfers that are due to tying as compared to direct transfers that are due to the inappropriateness or impracticality of sourcing in a third country. All of the inefficiency of direct transfer is attributed to tying, when in fact untying would not obviate the need for some direct transfer.

Like the Barrett and Maxwell (2005a) study, the Clay/OECD study ignores all costs of food aid after it has reached the border of the recipient country. And, as with the Barrett and Maxwell study, because the claimed advantage of local and triangular purchase is reported as a percentage relative to in-kind aid, ignoring some of the costs that would come regardless of procurement modality has the effect of exaggerating the difference. This relates to the efficiency of local purchase as well as the inefficiency of direct transfer. If the necessary costs of internal transport, storage, and handling costs are included, the percentage savings from local purchase over a hypothetical commercial transaction would be lower, just as the percentage of extra costs due to donor-country sourcing would be higher. It is misleading to suggest that procuring locally would reduce costs by nearly half because the unavoidable internal costs could not be reduced.

The methodological critique provided above is not intended to discredit the study but rather to point out that, as with Barrett and Maxwell (2005a), the alleged benefits of untying may be exaggerated and oversold. Based on the presumed efficiency gains of local and triangular purchase, Edward Clay summarizes the findings of the study this way, "Complete untying would release around US\$750 million a year through efficiency savings to provide other aid to the poorest countries" (Clay 2006a, 7; see also Clay and Worthington 2006, 6). While there is evidence that tied food aid involves inefficiency costs, there is simply no evidence to suggest that an increase of \$750 million in aid would be the result of untying U.S. food aid and it is misleading to suggest that there is. Nevertheless, this figure and assumption is repeated by others. From the study itself, it is unclear how this \$750 million figure was calculated. An explanation is found in a footnote of another of Clay's publications (Clay 2006b, 10), where he conjectures, "If all donors who have not done so already were to become more flexible, then by say 2010 on average perhaps half of food aid might be sourced in developing countries. Then this could amount to around a further 2 million tonnes and another US\$750 million a year in extra expenditure directed to developing country farmers, processors, transporters and other services." It is not clear what additional assumptions, beyond the assumption that half of food aid would be sourced in developing countries, were made to reach this figure. For example, of the half of food aid that might be sourced outside the donor countries, how much is assumed to be purchased locally and how much in a third country?

**BOTTOM LINE: AID-DOLLAR EFFICIENCY?**

A broader methodological concern about the two studies that form the empirical basis for the case for cash is the matter of the dependent variable. It is, after all, the choice of dependent variable that indicates what really matters in any empirical study. What is it that is trying to be explained? In both major studies that make the case for cash, the dependent variable is aid-dollar efficiency, as both are studies of relative resource transfer efficiency. The principal independent variable is the method of food aid procurement. The authors of both studies emphasize the considerable efficiency gains in untying food aid and moving away from providing in-kind food. But is aid-dollar efficiency the appropriate bottom line in discussions about food aid? In defending its support for untying U.S. food aid, Bread for the World (2006, 25) claims, “Although U.S. shipping and agribusiness interests bolster political support for the current program, the first priority should always be to deliver the maximum possible food to the world’s hungry people.” It could well be the case that improving U.S. food aid-dollar efficiency would lead to an increase in the number of people in need who are assisted, but the opposite is also quite possible, and probably more likely. Unfortunately, this central question is beyond the scope of the studies themselves. The studies focus on the efficiency of tax dollars and not on the impact of those dollars on hungry and vulnerable people around the world. Will more people who are hungry be able to access and utilize food if the United States moves to a cash-based food aid system? Will food security be enhanced? Will the needs of more vulnerable people be met? Will their interests be advanced?

Certainly, the studies reviewed above are important in terms of addressing these questions. But, they are limited in that assumptions need to be made in order to connect aid-dollar efficiency to the problem of reducing hunger. The authors and those that use their studies to advocate against in-kind food apparently assume that increases in efficiency will result in improved impact. There is, however, no evidence that this would be the case. In fact, as will be discussed below, it may be that a policy shift that brings efficiency gains would also bring reductions in the size of food aid budgets, resulting in fewer human needs being met. While some advocates of cash over in-kind food aid make the claim that the empirical evidence implies that many additional lives would be saved, C. Peter Timmer (2005), a senior fellow at the Center for Global Development, is more precise in his support for moving to cash, emphasizing the potential benefits to U.S. taxpayers of an approach that “would significantly improve the development impact of a given dollar of food aid assistance.” Improving food aid dollar efficiency may be a worthy and important goal, but it is a different thing entirely than reducing hunger and food insecurity. Taken from the perspective of the poor and food insecure, one wonders how it is exactly that getting U.S. taxpayers “more bang for the buck” is going to improve the position of those around the world who are hungry.

Also, because these studies examine aid-dollar efficiency and not the impact of food aid on hunger (or food security, or livelihoods, or vulnerability), other factors are left out of the equation. For example, the potential downsides of local and regional purchase in terms of impact are ignored in the empirical analysis. One major concern is that cash-based systems are more easily corrupted than in-kind systems. Another likely, though untested, effect of local and regional purchases is to raise the price of food in the markets where it is purchased. These price increases would ideally stimulate increased agricultural production as the payoff for farmers would be increased. However, for

people who buy food—an increasing number throughout the developing world—the effect could be increased vulnerability and food insecurity. Even though they are unable to include such factors in their research design, Barrett and Maxwell (2005, 165) do acknowledge the potential negative effects of expanding local and regional purchase: “Since a large share of the farming population and all of the nonfarming population in low-income countries are net food buyers, local purchases and triangular transactions may exacerbate chronic food insecurity among the poor in source markets even while potentially providing more efficient transfers to reduce food insecurity in destination locations.”

Because of their limited scope, the studies reviewed above are unable to weigh the positive against the negative. Clearly, more research is required. CARE-USA (2005, 4), in its white paper calling for a shift to cash, acknowledges, “A greater understanding of local markets and potential risks and unintended consequences is necessary before engaging in local purchase on a significant scale.” Similarly, Barrett and Maxwell (2005a, 165) write, “We have seen no systematic empirical evidence on this question of the distributional effects of local purchases and triangular transactions. Such analysis will need to be done prior to any concerted expansion in use of these modalities, their considerable promise notwithstanding.” And, Bread for the World (2006, 25) argues, “At a minimum, Congress should provide funding for a pilot program that will give policymakers more information about the market impact, effectiveness and efficiency of cash assistance versus in-kind food aid.” It is to the credit of proponents of cash-based food aid that they call for more research on the potential downsides of their preferred policy, but it is curious that they are calling for a policy shift without waiting for the results to come in.

We need to acknowledge the danger that our perception of the wisdom of shifting U.S. food aid toward cash is disproportionately shaped by the relative methodological feasibility of some empirical questions over others. We are able to conduct systematic empirical studies of aid-dollar efficiency, but we are not able to similarly study the likely impact of reforming U.S. food aid on food-insecure and otherwise vulnerable populations—or at least the former is far easier. The work of management pioneer Edwards Deming indicates that what organizations measure and evaluate, easily becomes what they value. The bottom line, then, can be shaped by the available data. Perhaps, however, the international aid community should resist a methods-driven determination of values. The problem is not unique to food aid but common throughout the social sciences, where it is often referred to as the “quantitative fallacy,” which is that things are important in proportion to their susceptibility to quantification. Clearly, improving aid-dollar efficiency is a worthy and important goal. But, it is secondary, though clearly related, to the impact that aid has on people in need. What can be counted should not determine what counts.

#### FEWER FOOD AID DOLLARS?

A central question in the cash-food debate is what will happen to U.S. food aid budgets if a policy shift is adopted to move away from tied, in-kind food aid. Indeed, how could such a policy shift be responsibly advocated before evaluating this question? We can never, in the social sciences, predict with any certainty what will happen in the

future. But, there are patterns of behavior that allow us to assess the likelihood of various outcomes. The Barrett and Maxwell and Clay/OECD studies are attempts to assess what would be more efficient, but do not at all attempt to assess what would happen if the changes they suggest were adopted. However, Clay, Riley, and Urey (2005, 49) contend that food aid donors could as a result of untying “substantially increase their food aid without extra costs because of potentially large efficiency savings.” But, would they?

One key question is the extent to which in-kind food aid displaces other foreign assistance spending, or whether in-kind food aid is additional to the foreign assistance budget.<sup>4</sup> If food aid is additional to other foreign aid, reductions in in-kind food aid would result in a decrease in overall resource transfers to poor countries. “Hence, it is argued that although the recipients get less development impact per dollar received in food aid compared to other development instruments, their development in the end is more adequately supported because the total volume of economic assistance is higher” (in Colding and Pinstrup-Andersen 1999, 95).<sup>5</sup> Clay, Riley, and Urey (2005, 46) are up front about making the questionable additionality assumption in their study: “the individual food transaction is assumed not to be additional to the donor’s overall aid budget, so the funds used to provide this food aid would otherwise have been available for an alternative untied food aid action.” The authors acknowledge (2005, 47) that this assumption, for some donors, is problematic. While the non-additionality of food aid may be an appropriate assumption for studies of particular donors, for example Denmark (Colding and Pinstrup-Andersen, 1999), and it may even be reasonable for a study of all donor countries (Clay, Riley, and Urey 2005), it seems an unreasonable assumption to make for the United States, a country with one of the lowest foreign aid budgets per economic output among developed countries, but one whose contribution to the global food aid budget is around 50 percent. The U.S. food aid budget, as a portion of the global whole, is on par with its military budget, not with its foreign aid budget.

In light of this, while the case for the efficiency of local and regional purchase over in-kind assistance is based on some systematic empirical evidence, the contention that a shift to cash would actually increase the amount of resources transferred to food-insecure populations appears based on a great deal of wishful thinking. To argue in favor of less food and more cash is to assume that the U.S. commitment to fight hunger will be strong enough to maintain sufficient, or at least comparable, funding levels. Bread for the World (2006, 26), for example, makes the claim, without citing any evidence, that “the political commitment” in the United States “to ending world hunger and poverty is stronger than it was five or ten years ago.” According to Bread, “The stage is set for both the expansion *and* the reform of U.S. food aid.” Christopher Barrett (2006, 17) is also optimistic, making the extraordinary claim that “the food aid NGO community...need only make a clear strong case for food security programming in order to enjoy growth in resources.” He contends that NGO opposition to in-kind cuts is “unnecessarily fatalistic” (2005, 3) and insists that reform “would enhance, not constrain, the resource base for fighting poverty” (2005, 9). According to studies of American public opinion relating to international affairs, however, Americans are becoming more isolationist and less interested in addressing problems abroad (Pew 2005).

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<sup>4</sup> Barrett and Maxwell (2005a, 254) refer to “additionality” in a quite different way, defining it as “the extent to which food provided to a recipient adds to total consumption.”

<sup>5</sup> This point is made by Barrett elsewhere (Abdulai, Barrett, and Hoddinott 2005, 1702).

Apart from 2005, food aid budgets have been in decline, both globally and, though to a lesser extent, in the U.S. Barrett (2005, 1) himself notes, “Food aid volumes have fallen to levels seen only twice previously in the past half century,” culminating in “a true funding crisis for non-emergency programs heavily dependent on food aid resources.” This is particularly significant in terms of the Bush administration proposal to allow some of the food aid budget to be used for local and regional purchase because the proposal would allow cash for emergencies, while essentially cutting the food aid budget available for non-emergency development projects.

Europe is held up as an example for the U.S. to emulate as it considers a reform of its food aid system (Barrett and Maxwell 2005a, 161). It makes sense, then, to look at what happened to European food aid budgets upon moving to cash. The office of the U.S. Trade Representative put out a statement, as the WTO debate heated up, arguing, “Experience clearly shows that switching from in-kind food aid to cash results in a net decline in food assistance. Both the OECD and the WFP indicate that overall EU food aid in cash and in kind declined after the Commission and member states moved to ‘cash only’ food aid in 1996.” “According to the OECD, the EU and its member states normally provided 2 to 5 million tons of cereal food aid between 1970 and 1996. EU food aid rarely exceeded 2 million tons after 1996, and in 2002, EU food aid was approximately 1 million tons.” But, Edward Clay (2006a, 7) maintains that the “decline is not directly attributable to the untying of food aid” and points out that Australia and Canada experienced food aid budget declines for decades while continuing to tie nearly all of their aid. It is clear, however, that European countries did not suddenly become “recipient oriented” when they moved from food to cash. While they may vary from case to case, there is little reason to think that donor interests are in any significant way secondary. Barrett (2005, 3-4) concedes that “food aid remains driven primarily by donor country political economy considerations.” In food aid, as in all development assistance, it seems the real “ownership” problem is that rich countries are not really committed to the well being of those in poor countries. Improved resource transfer efficiency is unlikely to do much about this.

More to the point, however, are some basic numbers: in recent years the United States has accounted for half or more of global food aid deliveries as food aid has fluctuated between 10-15% of total U.S. official development assistance (ODA). In 2004, the European Commission and its members’ food aid contributions, by contrast, amounted to less than 3% of EC and member-state ODA (Clay 2006a, 3). How is one to explain the disproportionate size of the U.S. food aid budget when compared to other donors? It is likely due in large part to U.S. tying requirements—and their support from the “iron triangle” of agricultural, maritime, and food-programming NGO interests that draws the ire of critics. If the tying requirements were removed, it seems reasonable to expect that the U.S. food aid budget would fall more in line with that of other major donors as powerful actors in Washington withdraw their support for food aid spending. The implications, when putting the cash-food debate in these terms, are huge.

If the U.S. food aid budget as a proportion of its total ODA were to fall to 3%, just above the figure for the EC and its member states, the size of the global food aid budget would decline drastically. In 2004, for instance, ODA for the United States amounted to \$19.70 billion while its food aid budget amounted to more than 10% of that total at \$2.03 billion (Hanrahan 2006). Had its food aid budget been 3% of ODA, the

result would have been *1.44 billion fewer food aid dollars*, a decline of over 70 percent. Given that the U.S. accounted for 56% of global food aid in 2004, this in effect would have amounted to a reduction in the global food aid budget of approximately 40%. Even if the promised efficiency gains of a cash-based system are fully realized, which is highly unlikely, they would not come close to making up for such a loss. Some may argue that the projection of a huge decrease in global food aid as a result of ending U.S. tying requirements is based on an unreasonable assumption, but it seems no more unreasonable than Edward Clay's contention that untying would mean an additional \$750 million in assistance for poor countries. For instance, research by David Lumsdaine (1993) identifies a relationship among donors between concern with domestic poverty and the amount of foreign aid contributed. Accordingly, the U.S. aid effort has been weaker relative to that of other donors with greater domestic anti-poverty government programs. What would lead us to think that the United States would defy the pattern?

## DISCUSSION AND CONCLUSION

In summarizing the food aid literature in a 1999 article, Bjorg Colding and Per Pinstrup-Andersen identified two basic points of consensus that hold seven years later: "It is generally agreed that untied financial aid would be more cost effective than food aid, if comparable amounts were available, and that commercial, economic, and political interests of the donors rather than the needs of the recipients have been the driving forces of food aid deliveries." When considering major policy alternatives, it is vitally important to recognize that improvement regarding the former will not in and of itself change the structural reality of the latter. Trying to move the system from being donor to recipient driven is, of course, the right idea, but it could be that cutting in-kind food aid is unlikely to achieve much except a decline in the global food aid budget (and a short-term break for the U.S. taxpayer). It is not at all clear that it would advance the interests of hungry and otherwise vulnerable people. This is the lesson of the European experience. Despite urgent and growing needs, it appears that Europe, is not doing more in the fight against hunger since it switched to cash.

Professor Barrett (2006, 10) himself recognizes, "The big challenge facing the operational agencies handling food aid today is that available resources do not come close to meeting the demands they face." It is curious, then, to explain why critics would, in the midst of such crisis, choose to divide the small number of those in Washington who are motivated by concerns of global hunger. The chosen strategy surely comes with important opportunity costs. While some make charged suggestions about the morality and the motivations of participants in the debate, it seems more sensible to assume—at least for the sake of the empirical question at hand—that all sides are motivated by a desire to improve the welfare of fellow human beings. What, then, accounts for the directly opposing conclusions that are drawn? Part of an explanation may lie in what are clearly divergent operative theories of political economy. Theories of political economy that privilege markets over politics tend to view political economy as a positive-sum, as opposed to zero-sum, phenomenon in which a more efficient system is good for all. Critics of in-kind food aid are looking for an efficient system and "the optimal policy." Their concern is that the use of food aid in the service of donor objectives causes food aid

to “under-perform” (Barrett 2005, 5). The Clay/OECD paper (2005, 42) explicitly privileges looking at food aid “from a pure efficiency point of view.”

If one is going to advocate for policy change, why not advocate for maintaining current levels of in-kind aid while adding significant complimentary cash? If empowerment of the poor is the bottom line for aid resources, it seems hard to argue that more of the latter would mean less of the former. At least, there is no empirical evidence to support the idea that equal levels of in-kind food aid plus some cash for local and regional purchase would be worse—in terms of programming that engages the poor—than reduced levels of food plus some cash. Food may be—and it is not exactly clear—an inefficient food programming resource in comparison to cash, but it is still a resource. It is one thing to argue for increased flexibility in addressing hunger, but why advocate for less programming utilizing this resource? No matter where food aid commodities are sourced, precautions must be taken to avoid negative market impacts and program implementation plans should focus on humanitarian and development objectives. Notably, in the current debate, opponents of in-kind food aid are not criticizing the effectiveness of NGO programs using food aid, which have shown positive results in terms of reduced under nutrition and increased household food security in poor communities (Bonnard, et al. 2002).

Economists tend to want to increase efficiency first. But what would happen if we instead assumed that the distribution of political power is the key issue? We might then ask, How will moving toward cash-based food assistance empower the poor? The assumption of cash advocates seems to be that a more efficient system will inevitably advance the interests of the poor. It could be the case that while a perfectly efficient system would work to the poor’s advantage, incremental changes toward efficiency are unlikely to have a neutral effect. The powerful will respond to the changes effectively, and the poor may or may not benefit. Those who tend to assume that the market is neutral exhibit an under-theorized view of politics. For example, in a recent article, Professor Barrett (2006, 13) declares that among a number of required changes in U.S. food aid programs, “First and foremost, it requires an explicit statement in the next Farm Bill that the *sole* objective of U.S. food aid programs is to advance short-term humanitarian and long-term development goals in low-income countries. The rest of the impending and necessary changes to U.S. food aid programs follow naturally from that recasting of the goal for food aid.” Besides suspending food aid from the political realities inherent in the U.S. system of democracy, Barrett assumes that if Congress wipes the slate clean, his proposed changes would “naturally” be accepted. In another example, one of the supposed myths of food aid that Barrett and Maxwell (2005a, 2, 169) claim to “explode” is, “A dollar spent on food aid is a dollar consumed by hungry people.” It is difficult to think that any reasonable person at all familiar with government programs in the United States, or anywhere else for that matter, would actually accept this “myth.”

The goal of the advocates of cash is commendable: how best to allocate scarce donor resources to improve food insecure households’ welfare. However, even if food aid is purchased locally or in another developing country, the policy is still donor and not recipient driven. If empowerment of the poor and meeting humanitarian needs is the bottom line for aid resources, it seems the battle over where food aid is derived is a distraction from the more urgent matter of increasing resources to effectively address what are unquestionably enormous needs. If advocates for the world’s poor and hungry

wish to secure the requisite assistance, they cannot afford to ignore the political context of U.S. foreign aid. Those who attack U.S. in-kind food aid have failed to explain—or even to seriously analyze—the political logic that would lead us to expect decreases in in-kind food aid to be replaced with offsetting amounts of cash. Without this analysis, it seems the case for cash in place of food is a risky proposition based on wishful thinking.

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