

# Food Aid and Small-holder Agriculture in Ethiopia: Options and Scenarios

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## Background: Food Aid in Ethiopia - Trend and Current Status

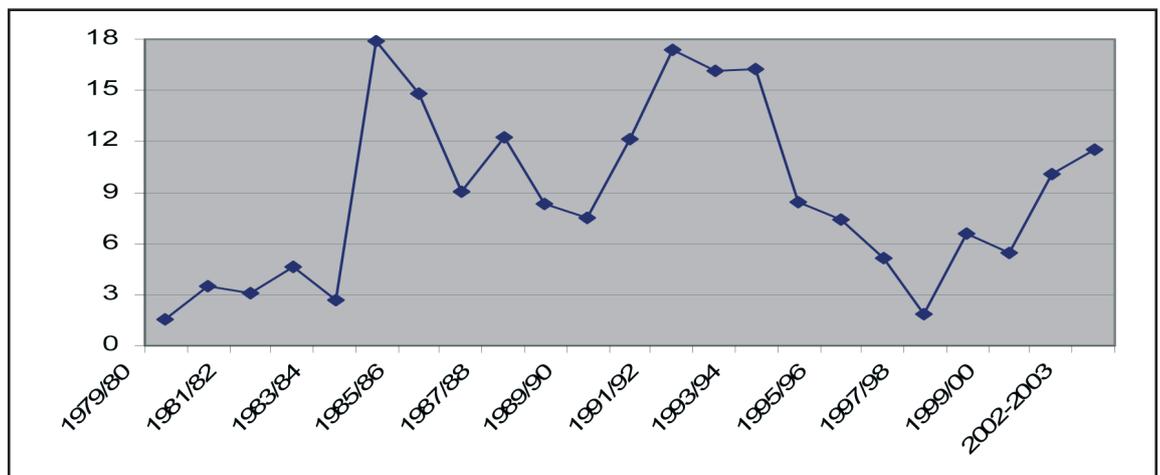
Ethiopia has been structurally in food deficit since at least 1980<sup>1</sup>. The contribution of agriculture to food security has declined as the growth in food production has failed to keep pace with population growth. The level of chronic food insecurity also increases as the distinction between transitory and chronic food insecurity has become increasingly blurred (Devereux, 2000). Ethiopia is the world's most food aid dependent country. Official statistics indicate that the country received 795 thousand metric tonnes of food aid annually between 1990 and 1999, which was about 10% of total domestic grain production. Food aid shipments increased to 997 thousand metric tonnes (equivalent to 11.5% of national production) between 2002 and 2003<sup>2</sup>.

Even though food aid has a long history in Ethiopia, it has become a permanent feature of the country since the 1973-74 famine in which more than one million people starved. This famine breaks new ground for food aid in the history of the country as the idea of utilizing relief resources for development purposes (environmental rehabilitation) was introduced. Food-for-work

programmes (different public works like soil conservation, afforestation and construction of feeder roads) have emerged as the centre-piece of development programmes in food insecure areas. Since then, the country continues to be a major recipient of food aid as its food insecurity level has worsened. The food-for-work programme which has been financed through relief resources has provided an excuse for Ethiopian governments, relief organizations and food donor countries to continue food aid programmes and institutionalize their activities. This does not necessarily imply that public works performed through the food-for-work programmes were worthless. However, the course of agriculture in Ethiopia would have been different if policy makers had taken a different approach to food aid from the 1970s.

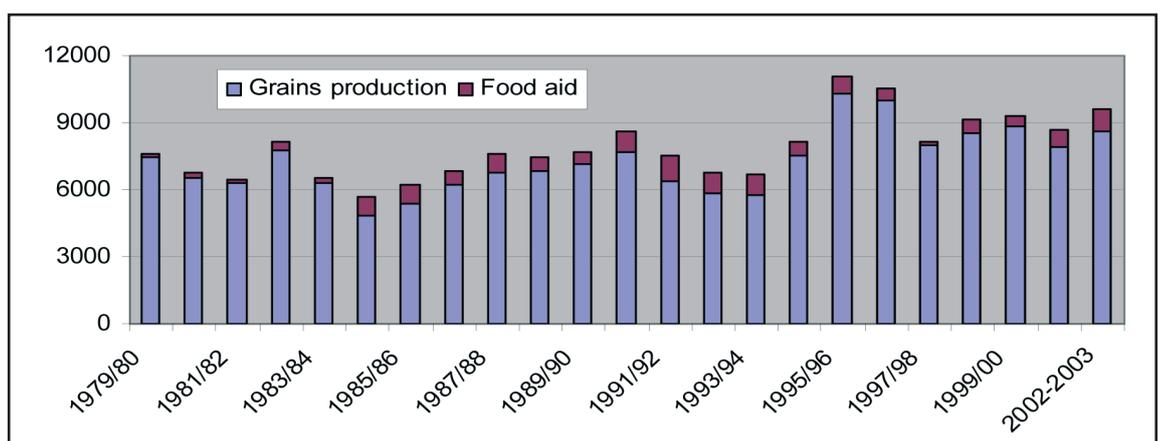
Although food aid is a standard response to transitory food insecurity (e.g. drought emergencies), in Ethiopia it has become an institutionalized response to chronic food insecurity as well. However, food aid is no solution to chronic food insecurity, as shown by the pattern of declining per capita food production since 1970. Nevertheless, Ethiopia remains ready to receive food aid every year, and the donors seem willing to continue providing food indefinitely (Devereux, 2000). As discussed by Samuel (2006b), Ethiopian low-input, low-output agriculture has suffered deep-rooted structural

Figure 1: Food aid shipment as percent of domestic grain production (%)



Source: Computed based on data obtained from Debebe (1997) and Abdulahi et al (2004)

Figure 2: Grain production and food aid over the past 25 years (thousand metric tonnes)



Source: Computed based on data obtained from Debebe (1997) and Abdulahi et al (2004)

problems. The non-stop supply of food aid, some argue, has side-tracked the attention of policy makers from the more fundamental problems. Chossudovsky (2000) has described this problem in his article 'Sowing the Seeds of Famine in Ethiopia' five years ago in this way:

"More than 8 million people in Ethiopia - representing 15% of the country's population - had been locked into "famine zones". Urban wages have collapsed and unemployed seasonal farm workers and landless peasants have been driven into abysmal poverty. The international relief agencies concur without further examination that climatic factors are the sole and inevitable cause of crop failure and the ensuing humanitarian disaster. What the media tabloids fails to disclose is that - despite the drought and the border war with Eritrea - several million people in the most prosperous agricultural regions have also been driven into starvation".

In Ethiopia, hunger and famine are increasingly caused by a multitude of factors and complex interrelationships among factors: underlying poverty, depleting coping capacity as a result of asset depletion, lack of savings from previous harvests, poor agricultural harvests, shortage of productive farm lands and increasing population. Moreover, the environmental degradation and persistent poverty has locked subsistence agriculture in some Ethiopian highland areas into a process of decay - of consuming its own assets - that includes the gradual conversion of productive lands into waste or barren lands. This paper explores different options and scenarios for the future of food aid in Ethiopia, especially its relation to smallholder agriculture. The paper asks: is food aid an appropriate solution to the complex, interacting factors causing chronic poverty or does it act to reinforce the problem? Or should food aid related interventions be reserved for particular drought-related emergencies, as part of drought cycle management? In sum: how in the context of the structurally food insecure setting of Ethiopia can food aid enhance the capacity of smallholder agriculture to provide sustainable livelihoods?

## Trends in Food Aid and Vulnerability

In Ethiopia, drought and crop failure or livestock death has been the major trigger factors for famine. But hunger is increasingly caused by extreme poverty. The scale of food aid activities and vulnerability to poverty and drought has increased through time, and as a result a geographical expansion of famine-prone areas has been observed. Towards the late 1950s drought and famine were phenomena concentrated in the two northern regions - Tigray and Eritrea (it was part of Ethiopia). The famine of 1972-73 was concentrated in Wollo province which suffered from a crop failure and a subsequent devastating famine. The Afar pastoral community areas were also affected. The 1973-75 famine extended to the eastern region and affected specifically the eastern part of Hararge province. In 1984, drought and famine affected most of Ethiopia, as did the famine of 1999/2000 (in Somali region) and 2003. During the latter, many areas known for their good agricultural performance were

affected by drought and famine. Examples include many areas of Arsi zone in the Oromiya region (Berhanu Adenew, 2003).

Statistical data indicates that only about 8% of the total number of currently existing woredas (districts) were affected by drought and famine of 1984. This share rose to 49%, 39% and 53% in 1994, 2000 and 2003, respectively. Currently there are 525 woredas in the country. Government data show that the number of woredas which needed food assistance was 210 in 2000 and 270 in 2001, close to half of the number of woredas in the country. In 2003, this number increased to 377 which is over two-third of the woredas in the country. Although not all people in any woreda necessarily need food assistance, the situation clearly indicates that the country's capacity to withstand drought is deteriorating (Berhanu Adenew, 2003).

Similarly the number of people needing food aid has been increasing. Over a period of two and half decades, the proportion of the population deemed food insecure rose from 5% in the 1970s to over 20% in 2003. Analysis of historical data on people affected by drought shows that the number has been increasing at a rate of over 3% per annum during the past quarter century (Berhanu Adenew, 2003). The size of population currently suffering from chronic or permanent food insecurity is matched by the size of the population reported to be food insecure (largely suffering from temporary or transitory food insecurity) during the mid 1980s<sup>3</sup>. Currently, there are 5 to 6 million people in rural areas that need food aid on a non-stop basis, even in good agricultural years. On the other hand, there are about eight million people that could gradually join this group unless the processes that ruin their livelihoods are reversed through different kinds of interventions for protecting, improving and transforming livelihoods.

Food aid has also been increasing rapidly in pastoral areas. For instance, one million or more people in Somali region - more than a quarter of the population - have been declared in need of food aid in four of the last five years. But in the mid-1990s, the numbers receiving food aid was much smaller - just around 100,000 each year (Devereux, 2004). Even though these figures are officially reported by Federal Disaster Prevention and Preparedness Commission (DPPC), people like Devereux (2004) have questioned the sincerity or validity of these officially reported figures, as they indicate a 10x increase in vulnerability in less than a decade. The problem with this food aid pouring into regions like Somali is that it is excessive and poorly targeted that will further deepen the problem of Ethiopian agriculture. Local farmers or farmers in neighbouring regions can not compete against free food, even if they drop their prices, which many are being forced to do (Devereux, 2004). The case of Somali Region highlights the question of why food aid is being delivered to Ethiopia rather than cash or something else. Pastoralists are already market-dependent for their food staples, so safety net interventions should not undermine the market, as food aid does.

Whether rising food aid shipments to sub-Saharan Africa positively or negatively affect local agricultural development and poverty reduction turns largely on the effects of food aid on recipient country food production

and downstream processing and marketing patterns. These in turn depend to a large extent on how well donors and operational agencies manage food aid shipments in terms of targeting, timing, etc., and whether the domestic political, and institutional environment in recipient countries is conducive to efficient utilization of food aid as a development tool (Abdulai et al, 2004). But Ethiopia's three decades' experience of utilizing relief resources for development is largely a failure according to many commentators. For example, aid related development activities such as food-for-work programmes in chronically food insecure areas has failed to stop the process of environmental degradation and the rehabilitation of natural resources including agricultural lands, soil and forests which are the basis for sustainable agricultural system (Admassie, 2000).

There is also an argument that decades of food aid shipments to Ethiopia has interacted negatively with food production, agricultural marketing, and economic growth in highland Ethiopia, creating dependence and undermining incentives for production and trade in higher potential areas. Moreover, the question of the long-term impact of non-stop food aid on the economy and the growing weakness of the economy to manage any potential risks of a sudden end to food aid shipments by donor countries (for any reason) have been either wholly neglected or poorly addressed by the Ethiopian government and its food-aid donors, even though the latter has a partial responsibility.

"The New Coalition for Food Security Program in Ethiopia" that came out in November 2003 following the drought and famine of 2002/2003 had the intention of addressing these two problems, but the possibility that the programme joins the series of other failed grand programmes is increasing as each day passes. The following sections lay out some of the issues raised by the food aid issue in Ethiopia and particularly its relationship with smallholder agriculture. This leads to an assessment of different options and scenarios for the future.

## Food Aid and Smallholder Agriculture

### Creating dependencies

Relief assistance is a humanitarian operation aimed at preventing starvation and death caused by drought, floods, war and the like that are not recurrent phenomena. Therefore, food aid is and should not be a regular activity. But how in the Ethiopian setting with widespread poverty and structural food insecurity can food aid be delivered more effectively? Many argue that, despite the recognized problems, food aid is here to stay in Ethiopia, the challenge is to make it more effective and avoid disincentive effects. Such disincentive effects are widely recognized. There is one regrettable story that is widely known among many Ethiopians that clearly demonstrate the extent of damage that could be caused by non-stop relief activities and its power in destroying the incentives of Ethiopian farmers to change their situation. The story reads like this: a farmer during a survey in one area where relief operations have been carried out for a long period replied 'I pray for the good weather in Canada to continue' to a question 'how is the weather (rain) condition in your

village'. It is not only the Ethiopian people but also the successive Ethiopian governments that have become so accustomed to food aid and tried to make no one accountable and responsible but nature and bad weather for the growing problem of food insecurity and hunger.

The side-effect of food aid in Ethiopia as mentioned earlier is mainly on the depression of the morale and stamina of the people to find a way to get out from the crisis they have been suffering (as illustrated by the saying read at the end of this paragraph). Traditionally, rural people in Ethiopia were linked to the government through tax collection and military obligations who were mobilized when the country's territory was invaded. In addition to that, during the last thirty years, state-peasant relationship took a pattern of aid dependency that was initially created due to vulnerability to famine but increasingly due to chronic poverty which has led people (and government officials especially at lower levels) to consider food aid as a right, rather than as relief assistance, which is undoubtedly a right, that is meant for only a short period. This dependency syndrome is now rooted in the culture of the rural people. The not long ago proud Ethiopians, who hardly sought credit let alone "aid" now began to account for food quota in the reciprocal traditional wedding statement, that is pronounced as *Habitish, Habite* (meaning, your property is my property) by supplementing it with *Erdatash, Erdataye* (meaning, your aid quota is my quota) (Samuel and Tesfaye, 2004).

Dependency is not only a problem at household level. Government dependence on the western world for aid has been increasing. Relief has not been only institutionalized but also the expectation of relief assistance has become entrenched in the federal government's budgetary planning. Lind and Jalleta (2005) quoted a senior UN official who remarked: '... the attention is on getting farmers off dependency but there is no attention on the government's dependency'. Decentralized level of government below the regional level are also accused of depending on food aid to divert aid resources for other purposes including subsidizing development projects that are under funded. It is alleged that they inflate actual food needs in order to increase the volume of food aid intended for such purposes. In most years, the number of those identified as in need for food is reduced at ascending levels on this assumption (Lind and Jalleta, 2005).

Considering the policies of donor agencies, implementing NGOs and the Ethiopian government in the 1990s, there is a greater intention to reduce dependency and shift from relief to development. The restructuring of the Relief and Rehabilitation Commission (RRC) in the early 1990s to the Disaster Preparedness and Prevention Commission (DPPC) was associated with a shift towards reducing vulnerability, linking relief and development and gradually bringing sustainable development that has a potential to cope with the effect of disasters at household or community level. But the change could be considered as more cosmetic than an attempt to address the real problem that perpetuation chronic poverty and hence dependency on external aid.

This rapid but largely ineffective change in policy and institutions that deepen the level of state intervention

in the rural economy has bred a deep and lasting distrust of government institutions in many parts of the country (Devereux, 2002). This is an important problem that might affect the development of the agricultural sector. Devereux (2002) highlights an important but usually unnoticed point: the question: “why Ethiopia becomes an experiment field for a number of different kinds of policies, institutions and development programs that lacks continuity?” The impression of politicians may be more important than hard evidence in the formulation of new policies and institutions. According to some international experts this poor and unpredictable succession of policies and institutions has undermined investment. For instance, Devereux (2002) noted that Ethiopia have confronted an extraordinary amount of radical change in the policy environment within a single generation, all of which has contributed to a climate of uncertainty that is arguably as severe – in terms of undermining incentives to invest in agriculture – as the climate of uncertainty that farmers face each year<sup>5</sup>.

### Impacts on Food Price

“In 2003, the UN donated 1.5 million tons of grain to Ethiopia, but the aid was more of a blessing to farmers in donor nations than to those in Ethiopia. Farmers in the Ethiopian highlands sold their grain only for 50% of their production cost, because free imports were destroying grain prices” (Wiedemann, 2005: PAGE 6).

Food aid can affect the price of food items in the recipient countries through its effect on food supply and demand. The addition of food aid to domestic food supply will tend to expand supply more than it stimulates demand. That is why food prices typically fall in response to food aid in-flows into developing countries (Gebremadhin et al, 2003; Abdulahi et al, 2004). Since increased food consumption is less than the volume of food aid received, there must be some commercial food sales displaced, whether from domestic producers and processors or commercial imports. The extent of displacement turns fundamentally on the efficacy of targeting. Because income elasticities of demand for food are highest among the poorest sub-populations, food aid distributed exclusively to poor recipients generates minimal food market distortions relative to untargeted or poorly targeted food aid monetized in an open market (Barrett 2003; Abdulahi et al, 2004).

There are only a few empirical studies on the impact of food aid on food prices in Ethiopia. Levisohn and McMillan (2004) tried to estimate the impact of an increase in the price of wheat<sup>6</sup> that would likely result if there were no food aid. Using constant-elasticity demand and supply functions, they estimated supply and demand for wheat for 1999. They found that the price of wheat would be \$295 per metric ton in the absence of food aid compared with an average observed price of \$193 per metric ton. This magnitude of the price change is very high and deserves to be explored further, especially its impact on smallholder wheat producers (who could be net buyers or sellers of wheat), the urban consumer and its long-term impact on the Ethiopian economy<sup>7</sup>.

As Ethiopia is a net importer of food, food import at subsidized price or free of charge could improve welfare at national level, as a decline in food price (because of

food aid) leads to a net welfare gain, especially from the short- to medium-term perspective. However, this depends on many factors including timing and targeting of aid. For instance, the impact of food aid transferred during harvesting and lean (e.g. sowing time) seasons on price (and consequently, on production) is significantly different as the impact of relief transferred to a needy person and less deprived household (including aid diverted for other purposes). Moreover, the competence and willingness of policy makers in balancing the short-term benefit of aid (especially, non-emergency aid as the country increasingly received) and its long-term consequences is critical.

The impact of price changes on household food security is ambiguous. Normally, farmers prefer high prices and consumers prefer low prices for food, but of course many food insecure Ethiopians are both producers and consumers, who face low prices when they sell their produce at harvest time and high prices when they buy food back later in the year. The impact of food aid on prices and domestic production, therefore, needs to be disaggregated for different categories of people (net buyer, net seller, and whole buyer), locations/markets (urban, rural etc.) and seasons (harvesting, lean season). Recent studies (for instance, a study by Levinsohn and McMillan, 2004) also underlined the need for further study to understand better where the price effects of food aid are being felt and how the magnitude of these effects varies across locations, it will also be important to compare food aid deliveries to local production by region or wereda.

### Factor Markets and Smallholder Production

Food aid is often monetized by beneficiaries and on some occasions by aid agencies at times when local markets are supplied well (during harvest times when small producers supplied to market under cash pressure). Through a variety of mechanisms discussed below, food aid can affect local production by undermining the incentive to use modern farm inputs. This is because the effect of food aid on food producers’ incentives in recipient markets turns not only on induced changes (if any) on product prices, but also on factor market effects. Even if the producer price of a food falls, producers could expand production if input prices fall even more. There are several different mechanisms through which food aid can affect the shadow price of inputs and thereby affect agricultural productivity and rural incomes (Abdulahi et al, 2004).

Food aid could affect the value of labour and hence local production activities. Households received food aid in general and cash transfer in particular could shift their time from production to non-productive ‘leisure’ activities. This could reduce the supply of labour and affect production activities (Abdulahi et al, 2004). The possibility of maximizing the time of leisure at the expense of production is, however, the least probable scenario under Ethiopian conditions, as open and disguised unemployment in rural Ethiopia is very high, mainly due to shortage of productive land lack of alternative employment. Supply of labour is usually higher than its demand except in peak agricultural seasons like harvesting season and

in some cash crop (like coffee) growing areas where food aid is not common.

The second potential channel through which aid could affect labour markets is through its effect on relative wage rates between food-for-work activities (FFW) or the recent safety net programme which is financed through aid resources and non-FFW activities in rural areas (see below). For instance, ill-conceived FFW projects could distort local labour markets by attracting workers away from vital activities during the agricultural year, especially if the wages offered under FFW schemes are at or above the prevailing market wage rates. This is also a least possible scenario as labour shortage is a rare phenomenon especially in most parts of the country where food aid has been running.

Citing evidence from Teressa and Heidhues (1998), Devereux, (2000) reported a disincentive effect of food aid on agricultural production, exacerbated by food aid's "continuance during good harvest years and its distribution in non-emergency regions of the country"<sup>8</sup>. Part of the problem is the high volume of non-emergency food aid and food-for-work, which increases food supplies and depresses prices in local markets (Devereux, 2000), which could weaken smallholders' capacity to afford and utilize modern farm inputs.

### Relief and environmental rehabilitation

For several decades relief in Ethiopia has been linked to environmental rehabilitation, initially through massive soil conservation works, especially during the 1980s, and more recently as part of the building up of 'community assets' as part of a commitment to linking relief with development. The mainstream view remains that food aid can have a positive impact on environment in two ways. First, it fills the food gap of starving households and may reduce their necessity to earn their living from unsustainable exploitation of natural resources. Second, food aid resources distributed to needy people in return for their labour can be used for environmental rehabilitation programmes or other 'productive' public works like the construction of feeder roads.

However, the effort to link relief activities with development programmes through food-for-work programmes was not as effective as it hoped for (Yerasswork, 2000). There are a whole gamut of disincentives that limit success in environmental rehabilitation and conservation. These include technology related issues, weak institutions, poor markets, population pressure, land tenure, poor access to education, environmental factors, lack of enabling policy environment (Stahl, 1990; Bekele, 1998; Holden and Bekele, 1999; Tesfaye, 2003).

Food-for-work investments aimed at stimulating on-farm or off-farm soil conservation activities and afforestation programmes largely failed because of lack of key preconditions required for the success of such long-term investments. These included a land policy that distorts property rights of investments, induces tenure uncertainty and makes it difficult to identify the economic agents that bear the benefit of investment or the cost of non-investment (see Samuel, 2006a). Moreover, a growing level of chronic poverty, a fast growing population and lack of non-farm employment have not only

reversed the gain achieved by environmental rehabilitation programmes sponsored through relief resources, but also served as an incentive for increased land degradation with the expectation of future food-for-work programmes. The dependency syndrome and recipient mentality, for example, in GTZ sponsored integrated food security project in South Gonder, challenges the sustainability of stone terraces constructed through food aid. Stone terraces constructed to halt soil erosion that are built during the day knocked down at night so they can be rebuilt the next day for pay. Under these conditions, help for self-help is impossible (Elliesen, 2002).

### Are Productive Safety Nets the answer?

Due to growing dependence on relief assistance and increased chronic poverty, many donors insist that something should be done to the current way of responding to the needs of the chronically food insecure. As an alternative to the annual appeals, donors favour multi-annual funding commitments, initially to a new government programme on 'productive safety nets' (PSNP) and, over time, to the public sector (Lind and Jalleta, 2005). The reason behind multi-annual funding commitments is to equip the government with resources to provide predictable resources to chronically food insecure households as a way of building up their productive assets.

The PSNP is a five year social protection scheme being implemented by the Federal Food Security Coordination Bureau (FFSCB) through regional and woreda level Food Security Coordination Offices. There are two main components to the PSNP. The first and the crux of the programme is intensive public works to build 'community assets' through using the labour of chronically food insecure households. A secondary component of the PSNP is direct support to the non-able-bodied. Another design feature of the programme is the 80/20 rule: 80% of the funds are for direct support to beneficiaries through food and cash transfers. The remaining 20% covers capital and administrative costs to run public works projects (Lind and Jalleta, 2005). Beneficiaries are expected to graduate or become self-sufficient at the end of the project year (a maximum of five consecutive years). Another important feature of the PSNP is that many transfers to the beneficiaries are made in the form of cash rather than food, which is intended to break the cycle of dependency on food aid, build incentives for farmers and traders rather than undermine incentives, and so on.

The PSNP could be seen as an institutional transformation of the aid system in Ethiopia for two reasons – its multi-annual nature that enhance predictability of resource flow, considering cash in addition to food as relief and opening a new bureau (FFSCB) to ensure the use of relief resources for development purposes. However, PSNP is not entirely new. Despite its problems like lack of predictability, its yearly nature, and food based relief, even the previous food-for-work and Employment Generation Scheme (EGS) programmes which were sponsored through relief resources were intended to reduce people's vulnerability by building up their productive asset base and protect their livelihood through discouraging them to sell their assets for food.

But other than the positive impact of cash injection into the local economy, it is not clear how the PSNP

program could reduce dependency among beneficiaries and enable them to become self-sufficient as the cause-effect relationship is not clearly and sufficiently established. Analysts, moreover, claim that the PSNP is inadequately planned and organized to address the basic problems that create chronic poverty and dependency in rural areas. Any relief related programme can not sustainably address the problem of dependency as long as the process that creates millions of chronically poor people through different ways, including the gradual erosion of farmers' productive assets, is either left unchecked or poorly addressed. Critics argue that the problem of chronic poverty in the Ethiopian highlands is deep-rooted and structural which can not be resolved through providing limited relief resources and constructing some public works whose sustainability and impact on local production is highly questionable. The programme thus, critics argue, can not be sufficient to improve or transform livelihood of aid beneficiaries as it has been primarily designed to tackle secondary problems but not the root problems that lead to the present crises.

Moreover, inefficiencies in aid utilization seem to continue. Despite some temporary resource transfer to fill some gaps in food needs, no effective mechanism was instituted to stop the process that has eroded local coping mechanisms, resilience to withstand temporary shocks and peasants' incentives to pave ways for a sustainable development from within. More emphasis, critics argue, need to be given to build up effective local institutions, innovative initiatives and means to restrain the down-turn of farm labour productivity and environmental degradation that have eroded the food security of the rural people, and indirectly of the urban population, through price rises.

More commitment and responsibility backed with accountability is required from policy makers and officials. This will also improve the level of willingness and determination of donors to commit long-term and adequate financial resources. Despite these problems, there is also some emerging evidence that indicates that the (PSNP) programme has not proceeded as it was planned for various reasons including political and institutional instability, weak management and poor institutional organization, and slow response from donor countries, mainly due to inefficiencies caused by the first two factors. However, it is premature to provide a full answer to the success of the new initiative, both as the time is too short as well as there is some chance for policy makers to address the problems mentioned above.

## **Options and scenarios: the future of food aid and small-holder agriculture?**

The experience of food aid in Ethiopia has, however, been mixed. The impact of food aid of course need not be entirely negative. It could improve local production or prevent the deterioration of current production capacity. A well-timed, well-targeted effort could protect the erosion of household productive assets, and hence protect the level of production investment. The income transfer component of well-timed and well-targeted food

aid can obviate binding liquidity constraints, stimulating smallholder productivity, as has been demonstrated in Kenya (Beyuneh et al, 1988; Barrett et al, 2001; cited by Abdulahi et al, 2004). The effect may be subtle, appearing not as increased investment, but rather as reduced disinvestment, whether of valuable natural capital through erosion-inducing deforestation or sale of high return assets, such as livestock, to meet short-term cash requirements for food, medicines or school fees (see Abdulahi et al, 2004). Attempts to address some of these issues, as well as broader administrative and financing concerns, as part of the Productive Safety Nets Programme, is, some maintain, a step in the right direction.

However, as others argue, overall three decades of experience of food aid has created many problems, and solved few, beyond the obvious and necessary humanitarian relief function. Case of dependency, distortion of incentives, externalizing responsibility, poor results of investment in environmental and other assets abound. It is possible to argue that decades of food aid in drought prone areas has negatively interacted with farmers' incentives to fight chronic poverty and government responsibility of ensuring national food security. Government and donor efforts – as part of the ADLI programme or the National Food Security Strategy - to support smallholder farming livelihoods may end in nothing as long as the international community remains willing to sink its food surpluses into Ethiopia. For their part, the primary concern of the donors is to prevent famine, which reduces their food security strategy for Ethiopia into a food aid strategy (Devereux, 2000).

A number of future options or scenarios emerge from this debate. Three stylised alternatives are outlined here:

### **1. Food aid is here to stay, we just need to do it better.**

For the foreseeable future Ethiopia will remain structurally food insecure, and the provision of food aid will remain part of international aid obligations. It is an efficient solution to use cheap food produced elsewhere as part of aid support to Ethiopia, and as a component of international humanitarian commitments. In Ethiopia, food aid plays a major role in feeding the poor, so preventing severe food insecurity and saving lives when emergencies do arise. Its delivery is justified by the view that it is a valuable macro-economic resource filling the gap between demand and local supply and to assist balance of payments and budgetary support. If well-managed and properly utilized, relief resources (both food and cash) can be used to stimulate local agricultural production and stop environmental degradation, as the country will continue to suffer from some structural food deficit and the problem of land degradation for some time to come. Carefully designed food-for-work activities have great potential to improve opportunities for trade, market integration and drought resilience (Devereux, 2000). Food aid could also avert short-term social crises, provide productive employment and minimize the need for foreign currency to import food. By providing extremely poor people enough to eat, this is unlikely to result in major disincentive effects, although issues of targeting and timing need to be addressed. Improved delivery systems and institutional back-up are clearly required, but if this is accepted as a permanent feature,

then it will be possible to invest in these rather than being in the continuous disaster response cycle.

**2. Food aid can be a useful way to boost agricultural productivity and kick-start the rural economy, if seen as part of a long term productive safety net approach.**

Recognising the deep-seated problems of the agricultural economy in chronically poor areas, there are ways of targeting food aid in ways that it generates productive safety nets. By including a process of graduation from any programme, there are ways of ensuring long-term disincentive/dependency effects do not arise, but external inputs may allow people to invest in productive options at community and household levels which allow themselves out of a low equilibrium poverty trap. Such efforts would have to go beyond the grand scale and largely failed programmes of food/cash for work in the past which focused on productive investments and environmental rehabilitation to more targeted efforts that follow a holistic approach, in addition to what is proposed by the PSNP. The problem of the PSNP, as its predecessor, the food-for-work program, could be its excessive focus on technical and administrative issues and neglect policy related (e.g. like the issue of land, non-farm employment and migration) and problems related to institutions and governance which affect the effectiveness of technical inputs, financial resources and the sustainability of program outcomes.

**3. Continuous food aid needs to be ceased, and reserved for only extreme humanitarian emergencies.**

Relief programmes are typically expected to assist communities that suffer from transitory food insecurity problems which affect households occasionally and temporarily. Even in such communities, relief programmes should not have economic disincentive effects such as encouraging an “aid dependency syndrome”, depressing local food prices and discouraging local production and development programmes and institutions, and must be cut off as soon as the immediate crisis is over. No matter how careful the targeting and timing and how much effort is spent on encouraging ‘productive’ efforts as part of food/cash for work programmes, the disincentives at household and institutional levels will continue to undermine moves to major structural reform in the rural economy. By maintaining people in areas where livelihoods are unviable, such programmes are doing none benefit in the longer term. Processes of land consolidation, commercialisation, boosting of the off-farm economy and out-migration from overpopulated highland areas must be part of the longer term solution. Long term food aid – in whatever form, as direct relief or as part of safety net programmes – is not going to solve the problem. Indeed it will encourage people and government officials to externalize responsibility/accountability and, consequently, delay the seeking of solutions, while more and more people suffer.

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Clearly these stylised alternatives are not mutually exclusive. One may be more appropriate in one area than another, and combinations of elements of each may be the more optimal solution. But this paper argues that

the time has come to have a serious debate about food aid and its relationship with smallholder agriculture, and stop pretending that strategies and policies aimed at improving growth and production in the smallholder sector can always and easily go hand in hand with long-term and continuing food aid dependence. The habit of addressing one or another drawback of the three decades old ongoing relief program to justify its continuity in one or another form may not help; even it could further complicate the problem and takeaway the hope and energy of the people.

## End Notes

<sup>1</sup> The food gap rose from 0.75 million tons in 1979/80 to 5 million tons in 1993/94, falling back to 2.6 million tons in 1995/96 despite a record harvest (Befekadu and Berhanu 2000:176, see Devereux, 2000).

<sup>2</sup> The share of food aid was less than 4% before the 1984/85 famine.

<sup>3</sup> On average 6.8 million or more population are affected by drought every year since 1997/98.

<sup>4</sup> It is devised by the government and donors and planned to be implemented in 3 to 5 years to improve the food security of 15 million people (5 million chronically food insecure and another 10 million vulnerable) at a cost of close to 26 billion birr (3.02 billion USD).

<sup>5</sup> As quoted by Devereux (2002), the former president of the Addis Abeba Chamber of Commerce, Ato Kibour also believes that high economic freedom and less government interference could reverse the present growing poverty.

<sup>6</sup> All imported cereals food aid is wheat.

<sup>7</sup> Even though Levnsohn and McMillan (2004) tried to compute the impact on producers and consumers of wheat, their analysis could not capture the effect of location and time which is important to explain the impact on wheat producers who are geographically located in specific areas and operated in highly fragmented market environment that exposed them to low price and a high seasonal price fluctuations.

<sup>8</sup> There are also some authors who provide some evidence on the negative impact of food aid in Ethiopia. For instance, Levnsohn and McMillan (2004) find that the price increase that would arise if without food aid would lead to an increase in producer surplus of around 125 million US dollars and a reduction in consumer surplus of around 159 million US dollars. Overall, the increase in the price of wheat leads to a net welfare loss of approximately 34 million US dollars. There were roughly 12 million households in Ethiopia in 1999 of which 4.3 million reported spending money on wheat and 0.8 million reported earning income from wheat. Therefore, on average, the loss in consumer surplus works out to roughly 37 US dollars per household per year for households that consume wheat and the gain in producer surplus works out to roughly 157 US dollars per household per year for households that sell wheat. In Ethiopia, where the poverty line is roughly \$132, these effects are quite large. However, they also found that the average household in every income group benefits from food aid and that – somewhat surprisingly – the benefits go disproportionately to the poorest households.

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