1. Food Aid/Assistance - background

Categories
- Emergency
- Programme
- Project
1. Food Aid/Assistance - background

Procurement
- Direct transfer
- Local
- Triangular/regional

![Procurement Graph]

**Procurement source (%)**

- Direct transfer
- Local and regional

WFP
1. Food Aid/Assistance - background

Donors

Food aid (millions of mt)

- Australia
- Canada
- China
- European Community
- France
- Germany
- United Kingdom
- United States
- WFP
1. Food Aid/Assistance - background

Delivery

- In kind

- Cash transfers

- Vouchers

30% of WFP portfolio
1. Food Aid/Assistance - background

Governance

- Food Assistance Convention (1967)

1999 Food Aid Convention

<table>
<thead>
<tr>
<th>Member</th>
<th>Tonnage (wheat equivalent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>35,000</td>
</tr>
<tr>
<td>Australia</td>
<td>250,000</td>
</tr>
<tr>
<td>Canada</td>
<td>420,000</td>
</tr>
<tr>
<td>European Community and its member States</td>
<td>1,320,000</td>
</tr>
<tr>
<td>Japan</td>
<td>300,000</td>
</tr>
<tr>
<td>Norway</td>
<td>30,000</td>
</tr>
<tr>
<td>Switzerland</td>
<td>40,000</td>
</tr>
<tr>
<td>United States of America</td>
<td>2,500,000</td>
</tr>
</tbody>
</table>

FAC (1999)

- World Trade Organisation

2012 Food Assistance Convention

<table>
<thead>
<tr>
<th>Donor</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>A$80m.</td>
</tr>
<tr>
<td>Austria</td>
<td>€1,495m.</td>
</tr>
<tr>
<td>Canada</td>
<td>C$250m.</td>
</tr>
<tr>
<td>Denmark</td>
<td>DKK185m.</td>
</tr>
<tr>
<td>European Union</td>
<td>€350m.</td>
</tr>
<tr>
<td>Finland</td>
<td>€6m.</td>
</tr>
<tr>
<td>France</td>
<td>€33m.</td>
</tr>
<tr>
<td>Japan</td>
<td>JPY10bn.</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>€4m.</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>KRW46bn.</td>
</tr>
<tr>
<td>Russia</td>
<td>$15m.</td>
</tr>
<tr>
<td>Slovenia</td>
<td>€30,000</td>
</tr>
<tr>
<td>Spain</td>
<td>€10m.</td>
</tr>
<tr>
<td>Sweden</td>
<td>SEK200m.</td>
</tr>
<tr>
<td>Switzerland</td>
<td>CHF34m.</td>
</tr>
<tr>
<td>United States of America</td>
<td>$2.2bn.</td>
</tr>
</tbody>
</table>

FAC (2018)
2. Tied Aid

- Loans and grants (ODA) that require procurement of goods & services from a restricted number of countries (usually the donor)

- OECD Recommendation on Untying ODA (2001)
  - Make aid more efficient and effective
  - Untie aid to LDCs and HIPC
  - Untying food aid “…left up to Members…”

![Untied aid (ODA, % of total)](chart.png)
2. Tied Aid

Tying food aid to domestic procurement

• Cost
  1) uncompetitive procurement
  2) processing
  3) shipping (46% premium in US; Bageant, Barrett, & Lentz, 2010)

• Timeliness – 5 months for direct vs. 1.5 months for LRP (Schnepf, 2015)

• Cultural
  • “culturally appropriate” food
  • selling maize in Zairian (DRC) refugee camps (Reed & Habicht, 1998)

• Local market (“Schultzian”) effects

• Rent seeking

• Tinbergen rule (require \textbf{at least} one stone for each bird)
  • donor-country subsidies vs. humanitarian relief/development assistance
2. Tied Aid

Food assistance traditionally “tied” and linked to donor-country agricultural policies

1. US
   • Farm Bill
   • Historically sourced from government-held USDA stocks (surplus disposal)
   • “Iron triangle” (Barrett and Maxwell, 2005) of rent-seeking interest groups
     • Grain companies, shipping companies, NGOs

2. EU
   • Combination of ECHO and member-country bilateral programmes
   • Originally tied to domestic procurement, untied in 1996

3. Japan
   • Bilateral rice donations in response to 1995 WTO import commitments
3. Canadian Food Assistance Policy

- Colombo Plan (1951)

- Food aid budget used as tool to dispose of domestic surplus wheat stocks

- Rent seekers emerge…AAFC/Treasury Board dictated composition of food aid basket
  - dried egg powder, skim-milk powder, tinned fish, “Canadian Beef Loaf”

- Food aid must contribute to “…surplus disposal and increased value added…” (CIDA, 1978)
  - must be purchased from CWB, CDC, Fisheries Prices Support Board
  - forced CIDA into a defensive position (Charlton, 1992)

- Millers convicted in 1990 of conspiracy to lessen competition and fix prices
  - not an (legal) issue for wheat, dairy, or fish (only one seller)

- Restricted number of sellers (usually only one) → higher prices
  - CDC “overcharged” by ~$5m from 1979-1982 (AG, 1984)
3. Canadian Food Assistance Policy

Rigged flour prices alleged

Manitoba millers among accused

Eight Canadian millers, including two in Manitoba, have been charged with rigging prices on $30 million worth of wheat and flour sold to a federal agency providing aid to Third World countries.

The mills, including Sun Lion Mills Ltd. of Winnipeg and B. P. Kent Flour Mills Ltd. of Virden, have all been charged by federal competition bureau officers with two offenses of conspiring to lessen competition, and bid-rigging in the supply of wheat to the Canadian International Development Agency.

William Kent, president of B. P. Kent Flour Mills, said from Virden that he had not yet been served with the charges. The management of Maple Leaf Mills, purchased by Winlad Holding PLC of London after the offenses were alleged to have occurred, is very upset about the charges, said company president Norman Fox.

Other companies could not be reached for comment.

Investigators allege the price-fixing occurred for 12 years on more than $40 million of flour, including emergency wheat shipments to countries in famine such as Ethiopia, Italian and Chad.

The companies lied to buyers that the wheat was Sea coasters between Oct. 15, 1983, and Aug. 5, 1997. The largest producer of flour in Canada has been made an agent by the agency in countries including Colombia, Vietnam, Romania, the Philippines, and other countries in Africa, Asia and the Caribbean.

Also charged last week in Toronto were Maple Leaf Mills Ltd., Bubl Food Mills Inc. and Parrish &amp; Hepplewhite Ltd., all of Toronto; Ogilvy Pape Mills Ltd. of Montreal; Dover Industries Ltd. of Burlington, Ont.; and Briggs Foods Ltd. of Armstrong, B.C.

The Competition Act charges filed in provincial court say they are in response to tender bids or requests from the government, the companies "were unlawfully parties to bid-rigging" and "tenders were fixed at agreed-upon prices."

The charges do not specify how much extra the government paid for the wheat because of the alleged price-fixing.
3. Canadian Food Assistance Policy

Reform

- 2004 Indian Ocean tsunami
  - Canadian Foodgrains Bank led lobbying effort
  - industry lobby groups divided: NFU, Pulse Canada – WCWGA, CFA – CWB

- WTO negotiations over export competition (EU v. US)
  - Tying rate reduced to 50% (2005)

- 2007 Food Crisis
  - WFP appeals
  - budget constraints
  - Tying requirements eliminated (2008)

- Cash to WFP and CFGB
4. Modeling the effects of untying food assistance

- Research question…
  How did untying affect (the quantity of) Canadian food assistance shipments?

Canadian emergency food aid shipments (cereals, mt)

Observed

Tied

Untied

50% Untied

Treatment effect

Unobservable counterfactual
4. Modeling the effects of untying food assistance

Empirical modeling considerations

\[ FA_{i,t} = \Lambda_{i,t} \exp(X_{i,t}) \eta_{i,t} \]

- Programme and project aid

- Commodity composition of food aid basket \((P_r > P_w > P_m)\)
4. Modeling the effects of untying food assistance

WFP INTERFAIS - discontinued

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food aid (mt in G.E.)</td>
<td>627.95</td>
<td>4,344.64</td>
<td>0</td>
<td>114,180.30</td>
</tr>
<tr>
<td>Humanitarian budget (millions US$)</td>
<td>181.08</td>
<td>167.16</td>
<td>27.95</td>
<td>558.90</td>
</tr>
<tr>
<td>GDPC (US$)</td>
<td>7,827.00</td>
<td>12,871.59</td>
<td>64.81</td>
<td>112,028.60</td>
</tr>
<tr>
<td>Violence</td>
<td>0.17</td>
<td>0.38</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Intensity</td>
<td>0.22</td>
<td>0.51</td>
<td>0</td>
<td>2</td>
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<tr>
<td>Disaster</td>
<td>0.59</td>
<td>0.49</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Affected (mil.)</td>
<td>1.21</td>
<td>12.90</td>
<td>0</td>
<td>342.00</td>
</tr>
<tr>
<td>Exports (millions US$)</td>
<td>1,520.00</td>
<td>17,400.00</td>
<td>0</td>
<td>355,000.00</td>
</tr>
<tr>
<td>Donor distance (km)</td>
<td>9,139.43</td>
<td>3,170.84</td>
<td>2,079.30</td>
<td>15,483.10</td>
</tr>
<tr>
<td>Weighted price (US$)*</td>
<td>168.66</td>
<td>73.10</td>
<td>72.00</td>
<td>370.00</td>
</tr>
<tr>
<td>Weighted origin distance (km)*</td>
<td>5,679.81</td>
<td>4,785.03</td>
<td>36.45</td>
<td>15,507.14</td>
</tr>
<tr>
<td>&lt; 2006</td>
<td>7,374.63</td>
<td>4,669.55</td>
<td>36.45</td>
<td>15,507.14</td>
</tr>
<tr>
<td>2006 – 2008</td>
<td>3,173.90</td>
<td>3,799.36</td>
<td>72.12</td>
<td>13,528.31</td>
</tr>
<tr>
<td>&gt; 2008</td>
<td>2,477.05</td>
<td>3,065.79</td>
<td>42.31</td>
<td>14,125.52</td>
</tr>
<tr>
<td>Untie 2005-2008</td>
<td>0.12</td>
<td>0.33</td>
<td>0</td>
<td>1</td>
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<tr>
<td>Untie 2008</td>
<td>0.16</td>
<td>0.37</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

* conditional on food aid > 0
5. Results

Two-part PPML (cereals, emergency)

<table>
<thead>
<tr>
<th></th>
<th>Logit, ME $P(FA_{i,t} &gt; 0)$</th>
<th>Model A $FA_{i,t}$</th>
<th>Model B $FA_{i,t}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ln(\text{aid budget})$</td>
<td>0.357a (0.006)</td>
<td>-0.356b (0.163)</td>
<td>-0.335b (0.144)</td>
</tr>
<tr>
<td>$ln(\text{GDPC})$</td>
<td>-0.046a (0.003)</td>
<td>-1.055a (0.129)</td>
<td>-0.895a (0.108)</td>
</tr>
<tr>
<td>Violence (indicator)</td>
<td>0.035a (0.008)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Violence (intensity)</td>
<td></td>
<td>0.604a (0.119)</td>
<td>0.586a (0.023)</td>
</tr>
<tr>
<td>Natural disaster (indicator)</td>
<td>0.022a (0.006)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural disaster (# affected)</td>
<td></td>
<td>-0.005 (0.025)</td>
<td>-0.005 (0.022)</td>
</tr>
<tr>
<td>$ln(\text{exports})$</td>
<td>0.008a (0.001)</td>
<td>0.390a (0.070)</td>
<td>0.376a (0.062)</td>
</tr>
<tr>
<td>$ln(\text{donor distance})$</td>
<td>0.011 (0.008)</td>
<td>0.033 (0.193)</td>
<td>0.259 (0.182)</td>
</tr>
<tr>
<td>Weighted price</td>
<td></td>
<td></td>
<td>-0.715b (0.377)</td>
</tr>
<tr>
<td>$ln(\text{weighted origin distance})$</td>
<td></td>
<td></td>
<td>0.499a (0.079)</td>
</tr>
<tr>
<td>Untied 2005-2008</td>
<td>-0.000 (0.011)</td>
<td>0.459 (0.382)</td>
<td>1.080a (0.364)</td>
</tr>
<tr>
<td>Untied 2008</td>
<td>0.008 (0.012)</td>
<td>0.856c (0.454)</td>
<td>2.008a (0.554)</td>
</tr>
</tbody>
</table>
5. Results

Simulation

Canadian emergency food aid shipments (cereals, mt)

Tied

50% Untied

Untied

Observed

Counterfactual (50% tied)

Counterfactual (partially, then fully untied)

WFP, authors’ calculations
5. Discussion

- Untying (*causally*) increased Canadian food assistance volumes

- (+) effects on recipients likely understated due to cash transfers and vouchers

- Can results inform food assistance policy debate in US?

- Are results relevant to other forms of ODA?