



Viewpoint, Policy Forum or Opinion

COVID-19 and International Food Assistance: Policy proposals to keep food flowing



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ABSTRACT

The COVID-19 pandemic is increasing the need for international food assistance, and disrupting the supply and delivery of food assistance. A series of unprecedented shocks is straining the capacity of food assistance organizations to reach vulnerable populations. We discuss how the COVID-19 pandemic is affecting the demand and the supply of international food assistance, and we propose three policy changes that can keep food flowing to those in need. First, donor countries can prioritize humanitarian spending in aid-allocation decisions. Second, governments can exempt food assistance from trade barriers that impede procurement (export restrictions) and delivery (import tariffs). Third, donor countries can allow flexibility for implementing agencies by untying food assistance from domestic procurement and shipping restrictions. All of these proposals are regulatory changes that can be made without requiring increased spending. These options are particularly relevant now because donor-country governments are entering economic recessions, and foreign aid budgets will be constrained.

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1. Introduction

The COVID-19 pandemic has disrupted markets, displaced workers, and interrupted food supply chains. These disruptions have important implications for international food assistance.¹ A large demand shock (increased need) is combining with unprecedented supply shocks (interruptions to supply chains) to generate a humanitarian crisis. The current situation is unique because it is global—all donor countries and recipient countries are affected. We describe how the pandemic is disrupting food assistance, and discuss policies that can mitigate the negative effects on recipients. The policies that we present can keep food assistance flowing, and would not impose additional costs on donor countries—an important consideration for donor-country governments that are facing economic recessions.

2. Increased need for food assistance

The need for food assistance is growing. In addition to the direct health effects of COVID-19, measures to contain the spread of the

coronavirus are creating recessionary economic conditions in almost every country. Formal and informal markets are closed, travel is restricted, and incomes are falling; the economies of most countries are in stasis. The economic hardships created by these conditions are most severe in developing countries. The large shares of workers in these countries who rely on income from the informal sector are disproportionately affected. Governments in many countries lack the capacity to provide temporary relief to those who have lost income.

The Global Report on Food Crises ([Food Security Information Network, 2020](#)) estimates that the number of people facing acute hunger could rise by 130 million in 2020 because of this pandemic. The severity of changes to food security is largely unknown, however, because travel restrictions are disrupting real-time monitoring. The World Food Programme (WFP) has appealed for US\$1.9 billion to cover expected costs over the next several months. More funding will be required to meet longer-term needs.

3. Constrained supply of food assistance

The COVID-19 pandemic is affecting the supply of international food assistance. Obstacles have emerged in donor countries, in recipient countries, and in third countries where the WFP buys food.

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¹ We use the phrase “food assistance” instead of “food aid” to reflect policy and modality changes over the past several years (e.g. increased use of cash transfers and vouchers).

3.1. Donor-country funding

Perhaps the most important supply-side factor is that donor countries are entering major economic recessions that will reduce government revenues. Donor-country aid effort declines during business-cycle downturns (Dabla-Norris, Minoiu, & Zanna, 2015; Pallage & Robe, 2001; Tingley, 2010), so we expect foreign aid funding to fall in 2020, and remain low in following years. Increased need for food assistance will strain donors' and funding agencies' budgets, and reduce capacity to respond to other emerging (non-COVID-19) events over the next few years.

A more-concerning possibility is that Official Development Assistance (ODA) funding may not return to historic levels, even after economies recover. There have been calls in donor countries to withdraw from international engagement in the wake of the pandemic (Gramer & Lynch, 2020); this could have implications for international trade and for foreign aid. We may observe a structural change in some governments' willingness to fund ODA.

Food assistance funding may be more resilient than funding for other forms of ODA, however, for two reasons. First, member countries of the Food Assistance Convention (FAC) commit to minimum funding levels each year. These minimum commitments are not binding for many donor countries, so some donors could cut funding without breaking their obligations. However, these commitments establish a floor for donor-country food-assistance funding.²

A second reason is that funding for emergency food assistance, and for humanitarian assistance more generally, has grown as a share of ODA (Fig. 1). Humanitarian aid is a small share of ODA, so there is room for donors to increase the share of ODA spent on humanitarian aid. Emergency food assistance may become a larger piece of a smaller pie.

3.2. Border thickening

A number of food-exporting countries have imposed new export restrictions. For example, governments in Kazakhstan, Myanmar, Russia, and Vietnam have constrained cereal exports with bans, quotas, and licensing restrictions (Global Trade Alert, 2020); these countries are frequent sources for WFP cereal purchases. Existing disciplines on food export restrictions in the World Trade Organization (WTO) are not effective (Cardwell & Kerr, 2014), and the WFP reported difficulties sourcing food from countries that imposed export restrictions during the food crisis of 2008/2009 (Johnston, 2008). Some countries provide exemptions for WFP purchases, however the need to acquire waivers slows down procurement and delivery, and adds transaction costs (World Bank, 2016).

Nontariff import barriers in recipient countries also restrict the movement of food and supplies. For example, food assistance organizations are reporting significant delays in transporting supplies into countries that have mandatory coronavirus testing at border crossings.

3.3. Logistics

Measures to contain the spread of the coronavirus are complicating the logistics of distributing food. Many distribution centres are closed, and agencies are transitioning to alternative methods, including household delivery. Domestic travel restrictions are impeding the movement of food and local staff—for example, travel in and out of refugee camps is restricted, and trucking services switch drivers mid-route to comply with interregional travel

restrictions. Local workers have also had to acquire personal protective equipment and sanitizers. These factors increase the cost of providing food assistance.

3.4. Higher costs, slower delivery

Market and policy developments since the onset of COVID-19 are increasing costs and slowing down delivery of food assistance. Export restrictions will increase transaction costs, including compliance with new export barriers, and search and contracting costs if food has to be sourced from different countries. Shipping costs and delivery times could also increase if food has to be purchased in countries that are farther from recipients. Border delays and complications in the final stages of delivering food to recipients will also increase costs and slow down delivery. These obstacles will create new rent-seeking opportunities along the food-assistance supply chain.

All of these factors increase the costs of providing in-kind food relative to Cash-Based Transfers (CBTs), particularly for food that crosses international borders. Implementing agencies will be more inclined to buy food in recipient countries (instead of in donor countries or in third countries), and they will be incentivized to provide assistance as CBTs.

4. Policy responses

Responses to the COVID-19 pandemic among food assistance practitioners and donors have been *ad hoc* and reactionary. For example, the WFP has transitioned to take-home rations to replace school-lunch programs where schools are closed, and has scaled up CBTs where food is available (World Food Programme, 2020a). There have not, to our knowledge, been country-level policy changes to facilitate food assistance flows during this pandemic (though some policy changes, such as export restrictions, could impede operations). We propose three government policy responses that can lessen the adverse effects of this pandemic on food assistance flows. Our focus is on high-level policy changes that can allow implementing agencies to adapt their ground-level operations to distinct obstacles in different regions, and keep food flowing.

An important feature of our proposals is that they do not require donor-country governments to spend more money on food assistance. More funding for ODA, as helpful as it could be, may not be a realistic prospect in the short term.³

4.1. Prioritize humanitarian aid

Donor-country governments can stem the decline in food assistance by prioritizing humanitarian aid. Aid budgets are likely to contract in the near-term, however, so increased humanitarian spending may come at the expense of other forms of ODA. This could mean cuts to programs that target longer-term objectives (e.g. infrastructure and debt-relief programs).

Institutional features of donor countries' aid policies could hinder attempts to shift funds between aid sectors, particularly in the short term. Many aid-commitment decisions are made well in advance of disbursements, and some funding is not readily fungible across sectors. This is particularly the case in donor countries with less-flexible funding models (e.g. a large share of United States (US) food-assistance funding is appropriated through Farm Bills, which are passed as new legislation every four-to-five years).

² There are no penalties for donor countries that do not meet their commitments, and countries can update their commitments every year. Donor countries might reduce their commitments in coming years.

³ Addressing demand-side shocks by supporting food consumers' incomes is an important objective over the next months and years. We focus on policies specific to food assistance.

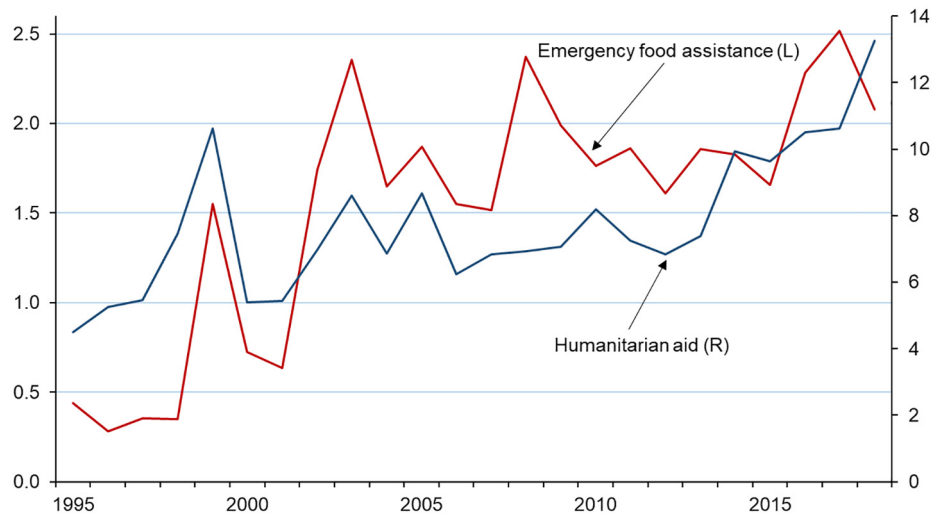


Fig. 1. Development Assistance Committee-country spending as percent of total ODA. Source: Authors' calculations based on Organisation for Economic Co-operation & Development, 2020 data.

Member countries of the FAC could also resolve to maintain their current commitments, and consider increasing them. It would not be surprising to see an increase in the US commitment if the US Department of Agriculture (USDA) uses food assistance as a vent to dispose of surplus commodities that are purchased to support US farm incomes.

4.2. Exempt food assistance from international trade barriers

Upward pressure on global cereal prices could be reduced if exporting countries commit to not impose new export restrictions. The WFP reports that commercial traders have responded to news of export restrictions by increasing the prices that they charge for commodities used as food assistance (World Food Programme, 2020b).

The agenda for the June 2020 WTO ministerial meeting included discussions on exempting WFP purchases from export restrictions (World Trade Organization, 2020a),⁴ but this meeting has been postponed. This means that formal disciplines on export restrictions are not forthcoming. The WTO could, however, play an important role in discouraging member countries from blocking exports of food assistance until the issue can be formally addressed at a future WTO meeting. Formalizing exemptions for food assistance within the WTO would eliminate the need to secure waivers on a case-by-case basis, thereby speeding up procurement and delivery.⁵

Member countries could also exempt food assistance from import tariffs, which are applied inconsistently across recipient countries.⁶ Exempting food assistance from import tariffs (or refunding tariffs paid) would reduce purchase prices for food-assistance agencies.

⁴ These exemptions could be extended to other food assistance agencies (e.g. International Federation of Red Cross and Red Crescent Societies, or other non-governmental humanitarian organizations of recognized standing).

⁵ A prohibition on all food export restrictions would go further in supporting food assistance agencies because restrictions in any large exporting country apply upward pressure on global food prices (IFPRI, 2020). This is not on the WTO negotiation agenda.

⁶ Exempting food assistance from tariffs is complicated in cases of locally-purchased food (in the recipient country) because commodities may have been imported by a commercial trader who paid tariffs before selling as food assistance. Some countries provide tariff rebates to implementing agencies in these cases.

4.3. Allow flexibility in procurement and delivery

Donor countries can provide implementing agencies with flexibility in sourcing and delivery so they can be nimble in the face of market disruptions. This includes the option to provide food assistance as CBTs instead of in-kind food. The increased need for food assistance during this pandemic is mostly the result of negative income shocks, not local supply shortfalls; CBTs are often the preferred modalities when market conditions can support local purchases.

The arguments for allowing flexibility by untying food assistance are not new (e.g. Smith & Nabil, 2016), but there are additional benefits of untying in the face of new pandemic-related obstacles. Implementing agencies that encounter border delays could buy food in the recipient country or provide CBTs. Also, travel restrictions and social distancing requirements make CBTs appealing because they can often be distributed electronically, which reduces personal contact.⁷

Locally- and regionally-purchased food can be more cost effective than direct-transfer assistance (Lentz, Passarelli, & Barrett, 2013; Melito, 2009); these cost savings are particularly relevant as donor-country governments face pressure to cut budgets. Food that is purchased in, or near, recipient countries also reaches recipients faster than food shipped from donor countries (Cardwell & Ghazalian, 2020; Lentz, Passarelli, & Barrett, 2013). Untying food assistance allows donor countries to provide more food faster with the same, or even smaller, budgets (Cardwell & Ghazalian, 2020).

5. Donor country responses

Donor countries' responses to COVID-19 will vary. The US is the largest donor of international food assistance, and ties most donations to domestic procurement and shipping services. There is scope for the US to provide more food, faster, at lower cost, by untying. The US Congress has resisted previous calls to untie food assistance, but the current combination of tighter budgets plus increased need for food assistance could be a catalyst for relaxing tying restrictions. Recent developments in US agricultural policies could counteract untying efforts, however. Members of the US Congress are calling for the USDA to buy farm commodities to support

⁷ Travel restrictions have complicated the ground-level market analyses that implementing agencies undertake prior to deciding between in-kind food and CBTs.

incomes, and to use those commodities in international food assistance programs (Congress of the United States, 2020).

Most other major donor countries provide food assistance as untied cash, leaving less space for policy changes to increase efficiency. Responses from these donors will depend on how aid budgets react to economic recessions, and to increased need for aid.

Longer term, a retreat from global markets could affect food assistance, and foreign aid more generally, because commercial trading relationships are important determinants of bilateral aid flows (Berthélemy, 2006; Cardwell & Ghazalian, 2018). COVID-19-related disruptions to international trade and capital flows (Baldwin & Tomiura, 2020; United Nations Conference on Trade and Development, 2020; World Trade Organization, 2020b) may lead to a decrease in foreign aid.⁸ This effect could differ across donor countries because some donors are more responsive to their own interests (e.g. bilateral trade ties, foreign direct investment) in allocation decisions (Berthélemy, 2006); more-egoistic countries (e.g. US, Japan) may reduce aid flows relatively more than less-egoistic countries (e.g. Switzerland, Norway).

6. Conclusions

The COVID-19 pandemic is combining unprecedented supply shocks with demand shocks to produce an acute global food security crisis. Food-assistance agencies are encountering obstacles in delivering food to a growing number of food-insecure recipients. These obstacles are likely to last several months, and perhaps much longer. There will also be long-term effects of this pandemic on the supply of food assistance. Changes to trade patterns and policies, and to aid funding, could constrain the supply of food assistance. Furthermore, recessionary impacts on the incomes of food-insecure populations could exacerbate the need for food assistance.

We propose policies that can lessen the negative effects of this pandemic on food assistance. Donor countries could commit to maintain, or even increase, funding for emergency food assistance. Cuts to ODA funding in many donor countries are likely inevitable, but there are mechanisms (e.g. FAC commitments, diverting non-humanitarian aid funding to humanitarian projects) to reduce the impacts on food assistance.

Reducing the obstacles to acquiring and distributing food assistance will keep food flowing to those in need. Efforts should focus on formalizing rules on trade barriers, and granting implementing agencies flexibility to buy food locally or regionally, or to provide assistance as cash. The policy modifications required for these changes would not impose additional costs on donor countries.

The adverse effects of the COVID-19 pandemic will be most severe among food-insecure populations, but high-income countries can mitigate these effects with policies that keep food assistance flowing, without incurring additional costs.

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Declaration of Interests

None.

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⁸ Kerr (2020) describes a potential offsetting pattern where countries increase cooperation to strengthen post-COVID-19 international supply chains, and to be better prepared for future shocks. This could have the effect of increasing foreign aid.