

SOCIOECONOMIC POLICIES AND FOOD SECURITY

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Summary

Food security policies aim specifically at ensuring that households have an adequate dietary intake and that the risk of households becoming food deficient is minimized. On the other hand, a wide spectrum of policies affects food security (by affecting poverty, food production, prices, foreign exchange availability, employment, wages, and so on), which are not necessarily food security policies. In this article, both sets of policies are being examined, i.e. those aiming directly at food security and nutrition and those that affect food security although they are primarily aimed at other targets.

The article begins with an examination of the importance of overall economic development for food security. In turn, it examines the effects on food security of policies that are necessary for economic growth. Given the essential role of agriculture in developing country economies, short-term policies and long-term strategies to get agriculture moving are examined along with their effects on poverty and food security. Finally, an economic analysis of policies (targeted and untargeted) specifically aimed at food security is presented.

1. Introduction

The generally accepted definition of food security is access of all people at all times to the food needed for a healthy life. It is estimated that 800 million people suffer from undernutrition due to insufficient energy and nutrient intake, leading to impaired development, poor health, and reduced activity levels. Reducing this number is a major challenge for policymakers.

Availability of food and access to food are the two essential determinants of food security. Availability however does not ensure access. Food may be available globally (i.e. it would be possible to provide an adequate diet for everyone if everyone had equitable access), but not all countries, households within countries, or individuals within households that need it have access to it.

At the national level, persistent food insecurity is the result of development failures. Food deficit countries do not have the necessary means for acquiring food in the international markets. Poverty is a major source of chronic food insecurity. The poor do not have adequate means to secure their access to food even when the food is available at the local or regional markets. Poverty, in turn, may be the result of development failures and/or skewed development patterns that exclude parts of the population. It has been noted by the World Bank that “it is common to have 20% to 30% of a country’s population consuming less than 80% of caloric requirements even though national-level food availability is at or greater than 100%.” Although poverty may also be found in developed nations, those nations possess the means to implement interventions that minimize the risk of people becoming undernourished. Thus development is critical for addressing effectively the problem of food insecurity.

At the household level, access to food (either by own production or through purchases), while a prerequisite of a proper dietary intake, is not the only determinant of the household’s nutritional status. Nutritional status results from a combination of other

determinants, which are clearly interrelated and vary according to the ecological and socioeconomic context, namely health and care:

- health determines the capacity of a given individual to utilize the nutrients (s)he consumes. A sick person will not be able to digest or even eat the food he/she needs. Health is in turn affected by the individual's nutritional status. This is often referred to as the malnutrition-infection circle. Health is also determined by people's environment (including access to water and sanitation and housing conditions), practices (in particular hygiene), and access to appropriate health services.
- care is needed to ensure health and appropriate food distribution to vulnerable individuals, such as infants, children, elderly people, the sick, and the handicapped. Care capacity is related to social organization, time availability, and knowledge.

Food security policies aim specifically at ensuring that households have an adequate dietary intake and that the risk of households becoming food deficient is minimized. On the other hand, a wide spectrum of policies affects food security (by affecting poverty, food production, prices, foreign exchange availability, employment, wages, and so on), which are not necessarily food security policies. In this article, both sets of policies are being examined, i.e. those aiming directly at food security and nutrition and those that affect food security, although their primary aim is at other targets.

The article begins with an examination of the importance of overall economic development for food security. In turn, it examines the effects on food security of policies that are necessary for economic growth. Given the essential role of agriculture in developing country economies, short-term policies and long term strategies to get agriculture moving are examined along with their effects on poverty and food security. Finally, an economic analysis of policies (targeted and untargeted) specifically aimed at food security is presented.

2. Food Security and Policy in a Changing World

As mentioned earlier, at the national level, food insecurity is primarily the result of growth failures. From the point of view of growth, the period since the 1974 World Food Conference has seen two drastically different economic environments for developing countries. There was a high growth period of the early and mid 1970s, and the crisis period that includes the late 1970s and the 1980s where, with the exception of South and East Asia (and the oil producing countries), developing regions experienced declines in per caput incomes. This negative growth environment was created by a mixture of adverse exogenous factors beyond the control of developing countries. These included the second oil shock, the world recession, and the drastic increase in world interest rates, but were also the result of ill-focused national policies that exacerbated the effects of exogenous shocks on economic growth.

The economic crisis caused collapse or near-collapse of the formal productive sectors, of markets and infrastructure, and thus deprived the poor and the food insecure from gainful employment opportunities. Thus, for many countries especially in sub-Saharan

Africa and Latin America, poverty increased during the 1980s, reversing the trends that had been achieved in the 1960s and the 1970s. Indicators of social performance, although continuing to improve for the developing countries as a whole, deteriorated for several countries especially in sub-Saharan Africa.

An examination of the proximate causes of economic decline in developing countries reveals that (a) unsustainable macroeconomic (fiscal and monetary) policies and (b) severe economic rigidities, prevented several developing countries from adjusting to the negative external shocks of the late 1970s and early 1980s.

It was to a large extent the disappointing performance of most developing countries during the late 1970s and early 1980s that prompted the abandonment of the dominant development paradigm and associated economic policies in favor of policies promoting macroeconomic equilibrium and market-determined resource allocation. Those elements were considered essential for the resumption of economic growth.

The economic policies of most developing countries are currently reflecting such a change in approach through the implementation of stabilization and structural adjustment policy reforms. Those reforms were either undertaken under the initiative of the countries themselves in the face of mounting economic problems, or imposed as conditions for the granting of loans by the Bretton Woods Institutions.

2.2. The Changing View of Development

The changed views on development, to the extent that they are translated into policies at the national level, affect food security interventions in several ways:

- (a) the focus on efficiency as a necessary condition for promoting economic growth entails preference for targeted nondistorting interventions as opposed to economy-wide price-distorting policies;
- (b) following reductions in the role of the public sector the state may now depend less on the institutional apparatus of the past (parastatals and other state distribution channels) and more on market and nongovernmental institutions;
- (c) as markets are liberalized and integrated, secondary market responses to food security policies may enhance or partly cancel their intended effects;
- (d) the choice of development strategies is dominated by efficiency considerations, and the surrogate role of the state (mainly in terms of public investment) is concentrated in those sectors that have a dynamic comparative advantage in promoting overall growth; such choices have implications for the ability to alleviate food security in the long run;
- (e) policies need to conform to constraints dictated by the need for developing countries to reduce macroeconomic disequilibria. Such tightness further accentuates the need for efficient use of funds earmarked for food security interventions.

Food security interventions at the national level are also conditioned by international events. At the international level the situation is characterized by tightness in the availability of development assistance to developing countries due *inter alia* to

increased effective demand for aid from East European countries. In addition the outlook on food aid will also be marked by the effects of the Uruguay Round agreement especially the Agreement on Agriculture. Although there is no reason to believe *a priori* that bona fide food aid will be adversely affected by the agreement, supply (surplus)-determined aid might be reduced.

The reduction in government price supports and other measures that reduce surpluses in certain developed country donors may have a negative impact on the latter type of food aid availability. The overall impact of the agreement on developing countries goes beyond its effects on food aid availability. Namely, the net impact of the agreement on developing countries (whether food aid recipients or not) will be affected by its effects on their exports, market access, compensating measures to counter higher world food prices, long-run effects of higher growth, and so on.

3. Macroeconomic Reforms, Structural Adjustment, and Food Security

Programs of macroeconomic stabilization and structural adjustment affect food security through their effects on incomes of the poor and the prices of items in their consumption bundles. The short-run effects of those programs on poverty and food security have been dominated by the effects of the stabilization phase. During that phase, the overall entitlements of the poor have been affected by cuts in public expenditures for health, education, food subsidies, and so on. A possible recession during that phase, and cuts in the size of the civil service, may have created a new class of poor and food insecure, especially in urban areas, and exacerbated further the position of those already in poverty. Devaluation, market liberalization, and streamlining of public enterprises have in most cases resulted in price increases for essential nonfood items (fuel, health services, transportation, education, and so on) and in reductions in the and food and other entitlements of the poor (see *Agriculture and Food Security: Implications for Short-Term Policies and Long-Term Strategies*).

In general, the effects of stabilization on the poor and the food insecure are a function of their sources of income and patterns of consumption. Factors such as the ownership of or access to productive resources by the poor, their relationship to the formal and informal labor markets, degree of access to government subsidies or programs, and so on, have been important elements influencing who and to what extent has lost from cuts in public expenditures. For instance, urban dwellers who meet the following criteria may fall below the poverty line and become food insecure as a result of reductions in the public payroll and cuts in subsidies:

- live close to the poverty line
- depend on the public sector for employment (directly or indirectly)
- buy all their food in the market
- receive government subsidies (food subsidies or subsidized government services)

For the rural poor the situation is more complex. Determining factors are important in determining the effects of adjustment programs on this category of the poor. These include:

- whether they are net producers or consumers of food
- whether they are producers of export crops
- the strength of rural labor and/or credit markets
- the degree of access to product and input markets

In the medium and long run, the effects of structural adjustment will be determined by the extent to which such programs will be able to halt the economic decline and contribute to the resumption of growth.

The multiplicity of factors that determine the effects of policy reforms on food security, lack of sufficient data, and the difficulty of separating out the effects of the reform programs from the delayed effects of the serious crisis that preceded reform, makes it impossible to draw generalized conclusions as to their precise effects on poverty and food security. It could be argued, though, that in countries where a deterioration of social indicators has been observed during adjustment, reform programs may have either caused such deterioration or were unable to prevent it.

Policy reforms were initiated as a response to an unsustainable economic situation, and to the extent that they are necessary for countries to resume growth, there is very little scope in changing their basic elements (fiscal austerity, restoration of right prices, market orientation, and so on). Experience has shown that reform programs applied half-heartedly or in an on-off manner as a result of pressures by the political process, failed to bear the expected fruits and resulted in a deterioration of conditions for the weaker parts of the population. On the other hand, it may take considerable time before such programs are successful in arresting economic decline and even more time before the fruits of eventual growth reach the poor and the food insecure. The policy implication is that close monitoring is needed of the sectors and the parts of the population at risk, with a view toward applying remedial interventions to alleviate their negative effects. Some of those interventions are discussed later in the article.

4. Economic Growth and Food Security: Tradeoffs and Complementarities

It is now widely accepted that economic growth is a necessary condition for a sustainable solution to poverty and food insecurity (see *Economic Development, Food, and Nutrition*). Growth will raise incomes and the ability of the poor to gain access to food, health, and care, and deal with adversities, but will also provide governments with the necessary means to undertake antipoverty policies and interventions that would make growth itself more equitable. Although the strength of the relationship between growth, poverty, and distribution varies both over time and across countries, the overall relationship that emerges is a positive one (see *Rural Resources and Feeding Folk Fully*).

Increasing incomes of households that have malnourished members may not only improve their access to food, but also their nutritional well-being, which is influenced by multiple factors, including the types and diversity of food consumed (Table 1). In general, increases in income, especially for poorer households, are associated with increases in caloric intake from staple foods and also an increase in nonstaple food consumption, especially meats.

In three case studies from Gambia, Guatemala, and Rwanda, a 10% increase in income, from a level of US\$100 per capita, resulted in a 3.5% to 4.9% increase in household food energy consumption, and a 1.1% to 2.5% increase in weight-for-age of children. Macro-level data from a number of developing countries suggest that a doubling of per capita income from US\$300 to US\$600 results in a reduction of about 40% in the prevalence of below standard weight-for-age of children.

Table 1. Income and weight-for-age of children

In addition to their current income flow, poor households build their *asset bases* out of incremental income. An expanded asset base reduces vulnerability of households to short-term downturns in their income; part of the asset base can be liquidated in times of adversity, an action that helps to maintain, or at least not further degrade, household-level food security.

At the same time, even in the best of circumstances, growth can never be fast or broad-based enough to make a serious dent in poverty and food insecurity within an acceptable time period. As a result, additional specific interventions have to be undertaken in favor of the poor and the food insecure. The question is what the effects of such policies and interventions are on economic growth. The experience of countries that have undertaken wide-ranging interventions to improve living standards in different time periods is rather mixed. Although several countries were able to improve social indicators through a number of programs, not all of them were successful in achieving sustainable improvements in food security and nutrition. Countries with low growth rates were unable to reduce poverty and sustain policies that raise standard-of-living indicators. Thus, the question is not whether there is a tradeoff between poverty reduction and economic growth but rather what types of poverty-reduction policies are compatible with growth promoting ones.

In the literature on poverty and famines, a broad distinction has been made between a strategy of growth-mediated security and one of support-led security. The first approach is “to promote economic growth and take the best possible advantage of the potentialities released by greater general affluence, including not only an expansion of private incomes but also an improved basis for public support.” The second approach, one of targeted programs, is “to resort *directly* to wide-ranging public support in domains such as employment provision, income redistribution, health care, education, and social assistance in order to remove destitution without waiting for a transformation in the level of general affluence.” The following discussion shows that the two may not be necessarily mutually exclusive.

4.3. Economic Growth and Poverty Reduction

One way of looking at this issue is that of focusing on the redistribution of wealth that may accompany economic growth. Two stylized competing strategies are sometimes referred to in the literature as trickle-down theory versus growth-with-redistribution. The former implies reliance on the idea that economic growth per se will eventually eliminate poverty and vulnerability to food insecurity by providing better income

opportunities for the poor. The major objection to such a strategy (i.e. that it would be extremely slow in achieving such goals, while not reducing the potential exposure of the poor and food insecure to external shocks in the short term) can be partly mitigated if this strategy is accompanied by public actions to stabilize food markets and target assistance to the vulnerable (the Indian experience). The greater the inequality within an economy, the lower the expected benefits that such a strategy can bear for the poorest groups of the population.

The latter strategy aims at a faster reduction in poverty and vulnerability to hunger, by pursuing a redistributive growth path along which the poor gain in relation to the rich. This can be achieved mainly through a development strategy that emphasizes the role of small farmers and the rural sector as a whole, by raising its productivity and income (see *Women and Food Security: Roles, Constraints, and Missed Opportunities*). The problem with this strategy is that it needs consistent price incentives to the rural sector (not to cause macroeconomic imbalances), that in turn may require actions to protect poor food consumers from the possible adverse effects of high food prices in the short term (the food price dilemma). It also needs investments in infrastructure, education, and research to support the development of the rural sector.

Unfortunately, economic growth is not a policy instrument. The experience of countries that managed to grow is too wide to permit the isolation of a few policies or characteristics having universal validity. We may know more about what retards or inhibits growth. The experience with growth declines and collapses especially of the late 1970s and early 1980s points to unsustainable macroeconomic equilibria and severe economic distortions at the root of the economic crises.

The implication then for policies aiming at poverty reduction is that they should not aggravate macroeconomic disequilibria and should avoid market distortions. In that sense, policies that improve the human capital of the poor (such as in Malaysia and Colombia), or which remove obstacles to increasing labor productivity (such as in Colombia) are more growth oriented than policies that improve living standards through wide-ranging subsidization (such as in Sri Lanka).

But not all policies that would simultaneously promote growth and reduce poverty and food insecurity are applicable to all countries at all times. In some cases the nature of the political process, or information and managerial-administrative constraints of governments may render such policies inapplicable. In others, the urgency of the problem may restrict the choice of policies and interventions that can be undertaken.

Thus countries facing large pockets of poverty, destitution, and food insecurity may have to take public policy measures that yield results in short time periods, but which have secondary implications that compromise growth. For instance, schemes involving large transfers and/or subsidies may be necessary in the short run to face those problems. Such programs require either raising funds through taxation which in turn reduces savings and investment, or diversion of funds from other public activities that would have had higher long-term growth potentials (see *Economic Development, Food and Nutrition and Rural resources and Feeding Folk Fully*).

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Biographical Sketches

Kostas G. Stamoulis, Ph.D., is a Service Chief in the ESA division of FAO. He has a M.S. in Agricultural Economics (University of Georgia) and a Ph.D. in Agricultural and Resource Economics (University of California, Berkeley). Before he joined FAO in 1989 he had worked as a postdoctoral fellow at UC Berkeley and as an Assistant Professor of Agricultural Economics at the University of Illinois at Urbana-Champaign, US, on issues of the interrelationship between agricultural-commodity markets and macroeconomic policy. As an economist at FAO he has worked on an array of issues related to the policy environment of agriculture in developing countries, food security, rural development through promotion of linkages between agriculture and the rural economy, and the adjustment of agriculture in transition economies.

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