

RESPONSE TO WORLD FOOD PROGRAMME'S COMMENTS ON WORKING PAPER BY DR. WILLIAM EASTERLY AND TOBIAS PFUTZE

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We are grateful to WFP for preparing a response to our paper rating the WFP along with other official aid agencies. First, this shows some accountability to critics by WFP, which is a very positive sign. (We have heard from one of other the low-rated agencies, but other equally low-rated agencies have not responded, so WFP compares well to other similarly ranked agencies in this dimension.) Second, we are happy to have any and all comments and suggested corrections that we can use in improving our future research on the aid agencies.

Let us go through one by one our response to the factual issues raised by the WFP response about our paper.

The WFP response on our paper's discussion of WFP employment shows some misunderstanding. We did not say we could not find numbers on WFP employees (we report that we did find such numbers in Table A2 in the appendix). We did find employee data which shows that WFP employed a staff of 10,673 in 2005, close to the estimate in the WFP response of 10,000.

According to the OECD DAC database WFP delivered ODA worth US\$268 million in 2004, which given its total employment is strikingly low. Given our aim to use comparable figures, this is the number we used to calculate ODA per employee. It is certainly possible our ODA number for WFP was incorrect. If it is wrong, the problem seems to reside either in a mistake in reporting by the WFP to the OECD, or a mistake by the OECD in processing the information provided by WFP. We respectfully suggest that WFP try to resolve this issue with the OECD if this number is incorrect.

The WFP response gave a figure on total WFP budget, which is helpful but not sufficient for us to arrive at the correct ODA figure. This is because the budget number given does not separate administrative (including salary) budget from ODA disbursed. This is what we said we couldn't find -- separate numbers on administrative and salary expenses (for the WFP and a number of other agencies) and ODA, and that's what we say in the paper. On 01/23/2007 we sent an inquiry to [wfpinfo@wfp.org](mailto:wfpinfo@wfp.org), the contact email given on the WFP web site for queries about WFP operations. We did not receive a reply. Our query to WFP remains how the budget is broken down between ODA, administrative, and salary expenses.

The WFP response provides a number for combined ODA and administrative budget for WFP of \$2.9 billion, and calculates a "budget per employee" of \$290,000. Even if this budget were all ODA, this figure would still be one of the lowest ranked ODA per employee numbers amongst all aid agencies. It would move WFP's rank from 35<sup>th</sup> out of 35 agencies to 33<sup>rd</sup>. We would like to understand better why WFP has such a high ratio of

employees to aid (i.e. low aid per employee). At this point, it is one of the significant factors driving down WFP's position in the ranking.

The WFP response states that we gave WFP a low grade on transparency because we failed to access publicly available information. (Similarly, an earlier WFP response in the *The Wall Street Journal* blog on our paper says that we gave them a low grade because we “couldn't find stuff on their web site.”) Again there is some misunderstanding here with what our paper actually says. We actually gave WFP a relatively high mark on the part of the transparency index based on our own search of the web site and other public WFP reports (0.66 with only two bilateral and 3 multilateral agencies doing strictly better).

But at the same time, WFP received one of the lowest scores with regard to data availability on OECD Development Assistance Committee database, the primary international dataset for comparative analysis of aid agency performance. Along with the earlier possible error in OECD reporting of WFP ODA, here there is a problem of missing OECD information on WFP that is available for many other aid agencies. The problem that seems need of correction is the data reporting relationship between WFP and the OECD Development Assistance Committee.

Data reporting may seem like a low priority issue in aid, except that this is one of the few ways that outside evaluators and advocates for the poor can review each agency's performance. We imagine that WFP would likely agree that such outside review is essential for holding aid agencies accountable to the public in both rich and poor countries.

The WFP response suggests that our measure of poor performance by WFP on excessive fragmentation (aid divided into too many small pieces for too many recipients) misunderstands the WFP mandate to have its aid go to wherever they hear “the call of hunger.” We would certainly be sympathetic and try to make some appropriate correction if the nature of the WFP mandate distorted this statistic, leading us to make an unfair comparison of WFP to its comparator aid agencies. We took this possibility very seriously and we did additional work with the data available to us.

We calculated a rough estimate of the number of hunger victims in each country by multiplying “prevalence of undernourishment” rates by country population (both statistics from the World Bank). We found that WFP aid goes up by much less than one for one with the number of hunger victims as one moves from a country with fewer hunger victims to one with more hunger victims. WFP appears to be suffering from a bias very common among aid agencies – small country bias – which is also the primary culprit for explaining the problem of excessive fragmentation of aid among many tiny recipients. A group of 30 of the smallest countries, with total undernourished population of 26 million, gets the same sum of WFP aid (ODA) as a group of 9 of the largest countries, with a total undernourished population 22 times larger at 570 million (including DR Congo, Ethiopia, and Kenya). In other words, hungry people in large nations get much less WFP aid per person than those in small nations. A larger country that is 10 times

larger than a smaller country gets only one fourth of the WFP aid per hunger victim that the smaller country does, on average. The small country bias in aid is usually taken to reflect donor politics, such as the desire of donors to maximize visibility of their efforts. If our analysis is correct, it seems problematic that a hunger victim will be penalized because they are unlucky enough to be in a large country rather than a small country. Fragmentation is also inefficient and inflates overhead relative to aid delivered (and excessive overhead is one of the possible explanations for the high ratio of employees to aid in WFP). Based on the information available to us, we must stand by our conclusion that WFP suffers from excessive aid fragmentation not explained by need.

The WFP response suggests that we penalize WFP excessively for delivering food to corrupt countries. Again, there is some misunderstanding as to what our paper actually said. The paper shows that WFP did relatively well in the category of country selectivity. We say that distributing aid to the least developed and giving aid to the least corrupt countries are conflicting aims. The WFP achieved a relatively high rank in this category given its focus on least developed countries, despite its aid delivered to corrupt countries.

We also agree that each component of our index has to be interpreted in each agency's appropriate context, so the WFP response is probably right in pointing out the difference in food aid between bilateral agencies and the WFP. If the WFP response's statements on the role of cash contributions and locally purchased food give the full picture, we think this is all the more commendable. However, we feel we need some more information to verify the full picture.

The WFP response does not discuss the effect of in-kind food donations that WFP receives (as discussed on its Web site), which could cause some of the traditional problems that food aid creates when outside food is given out in kind, such as depressing producer prices for local farmers. If WFP in-kind outside food aid went entirely and temporarily to the most desperate people in refugee camps, this would be less of a concern. We would like to know from WFP to what extent some countries may receive a semi-permanent flow of outside in-kind food aid, in which case one *would* worry about the effect on local food producers. This may seem like a lesser issue at the moment because of high world food prices, but we presume WFP is concerned about long run sustainability of food production as well as with coping with the temporary tragic and acute crisis.

We are glad that our paper induced this discussion with WFP. We look forward to another round of discussion in which WFP discusses some of the above unresolved issues, because at this point we have not been convinced that our rating of WFP aid practices gave an unfair picture, for the reasons discussed above.

**Sincerely,**

**William Easterly and Tobias Pfutze**