

# The SAARC Food Bank for food security in South Asia



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Krishna Prasad Pant

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## Acronyms and abbreviations

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CAP	Cover and Plinth
FCB	Food Corporation of Bhutan
FCI	Food Corporation of India
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
Kcal	Kilocalorie
Kg	Kilogram
LDC	Least Developed Country
MoCS	Ministry of Commerce and Supplies
NFC	Nepal Food Corporation
NMFB	National Medicines and Food Board
NWFP	North-West Frontier Province
OMS	Open Market Sales
PASSCO	Pakistan Agricultural Services and Supplies Corporation
PDS	Public Distribution System
PFDS	Public Food Distribution System
S&DT	Special and Differential Treatment
SAARC	South Asian Association for Regional Cooperation
SAC	SAARC Agriculture Centre
SAFTA	South Asian Free Trade Area
SAPTA	SAARC Preferential Trading Arrangement
Sq. Km.	Square Kilometres
TCARD	Technical Committee on Agriculture and Rural Development
WFP	World Food Programme

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## Executive summary

Integration of food markets among South Asian countries is necessary to ensure food security, and social and economic stability in South Asia. Cooperation among member countries of the South Asian Association for Regional Cooperation (SAARC) is necessary to achieve such an integration. The SAARC Food Bank, established in 2007 as a successor of the non-operational SAARC Food Reserve, can be hugely beneficial to address food insecurity in South Asia, but it is yet to be operationalized. The Bank is particularly important for those SAARC Member countries which are net food importers, and those with high risk of fluctuations in production owing to natural calamities.

The non-operationalization of the SAARC Food Bank is attributed to structural flaws, along with allocation of insufficient food and procedural difficulties. The structural flaws of the Food Bank include impractical triggers and ambiguous governance mechanism. The volume of food earmarked for the Food Bank is also insufficient to meet food requirements during food shortages and emergencies, especially for larger countries.

Procedural difficulties emerge mainly due to the absence of an established pricing mechanism, poor transportation system and inefficient distribution systems. Besides, lack of adequate information sharing and low mutual inter-dependence in trade are also the contributing factors that have impeded the functioning of the Food Bank. Successful operationalization of the SAARC Food Bank can

assist member countries in their struggle against food insecurity. In that context, below are some major recommendations that might be helpful in operationalizing the SAARC Food Bank.

First and foremost is increasing the size of the Food Bank. Also, members should keep the stock of food set aside for the SAARC Food Bank at locations closer to other members countries. This would help in quick delivery of food and in reduction of transportation costs.

Decision making and price setting processes should be simplified to minimize procedural difficulties. In addition, the SAARC Food Bank Board and Nodal Points in member countries should be strengthened by providing them with clear mandate and secretariat services. The Board needs to clearly define an emergency situation and the level of food deficit that would entail accessing food from the SAARC Food Bank. It needs to authorize the Nodal Points of the member countries to decide and use food grains from its own reserve when necessary, using a food check mechanism.

Public food distribution systems (PDS) in member countries should be strengthened for effective distribution of food to food-deficit, remote, rural and vulnerable areas. Moreover, built-in policy and institutional mechanisms are necessary to avail food from the Bank and distribute it to food-deficit remote, rural and vulnerable areas through the PDS using food voucher or any other instrument.

Considering the hurdles in the supply of food grains across South Asian countries, operationalization of the Food Bank is difficult in the absence of effective trade and transport facilitation within the region. Effective trade and transport facilitation will help in smooth transportation of food at a short notice during times of crises. Moreover, there should be a provision to exempt tariffs and other duties on food accessed from the Food Bank.

Another issue related to cross border movement of food is standards. To resolve problems associated with barriers to food transfers due to standards, members should have mutual recognition and equivalence agreements to assure food quality and meet sanitary and phytosanitary requirements for food.

The price of food to be accessed from the Food Bank should be 10 to 20 percent lower than that of commercial trading price for the same quality of food. In developing pre-established pricing mechanism, due care should be taken to ensure that no member can hike food price caused by inefficiency in production, storage and handling.

In case of the need for a member to use food grains from its own reserve, a clear provision regarding procedures for the same should be established. Besides, a mechanism should be devised to determine the price for other members, make institutional arrangements to support the Board, and establish conditions for replenishment of the reserve. Also, special priority should be given to the least-developed country members in food pricing, releasing and border-crossing.

The existing emergency trigger needs to be re-defined to include drought, flood, cyclone or domestic conflicts. The trigger condition of 8 percent shortfall for accessing food from the Food Bank needs to be reduced to 3 percent, and preliminary estimates of the shortfall should be taken into account for immediate withdrawal of food during times of need.

The SAARC Secretariat can also develop a regional food security policy to achieve synergies in the actions of individual members. Under this regional policy, a regional food security plan can be developed, incorporating regionally consolidated investment on agricultural research and human resource development. Under such policy and plan, the Secretariat can approach donor agencies for regional projects in generating and sharing technology for increasing food production. The SAARC Secretariat can empower the SAARC Food Bank Board to link the Food Bank with international institutions concerned with food security to secure funds for smooth and efficient operation of the Food Bank.

As replenishing food withdrawn from the Food Bank within the stipulated six months is difficult due to difference in production season and/or food shortage in the domestic market, the time to replenish food should be revised to at least one year. Also, the terms “emergencies” and “shortages” need to be clearly defined to include cases of severity.

Adoption and implementation of these recommendations would help make the SAARC Food Bank function effectively to ensure food security in South Asia.

# Introduction

South Asia—a region with high population density and rapidly growing population—is home to a large proportion of the world’s poor and is one of the most food-insecure regions in the world. Today, the issue of food security<sup>1</sup> is at the heart of global debates about poverty, environmental sustainability, social justice and democracy (Riches 2002), mainly since food security facilitates economic development by improving the overall quality of human capital. Moreover, food insecurity is a gender-sensitive issue since women often bear the brunt of food insecurity more than men. Worldwide, an estimated 60 percent of the undernourished people are women or girls (UNECOSOC 2007). In South Asia, limited mobility and livelihood options for women and children make them highly vulnerable to food insecurity.

Sufficient domestic food production could help ensure food availability in a country, but not all countries are able to produce enough for themselves. In the case of South Asia, only India and Pakistan currently produce enough food to meet their domestic consumption. Therefore, in the current globalized context, countries cannot rely on food “self-sufficiency” to ensure food security; rather they need to be “self-reliant”, which necessitates bilateral, regional as well as multilateral cooperation on food security.

Food insecurity in South Asia is also being exacerbated by climate change. With climate change gaining pace, it is likely that food insecurity will be even more

severe in South Asia in the years ahead, and national level efforts alone will not be sufficient to address the problem.

Realizing the importance of regional cooperation for food security, member countries of the South Asian Association for Regional Cooperation (SAARC) signed the “Agreement on Establishing the SAARC Food Security Reserve” in 1987, which came into force in 1988. But even after 20 years of its establishment, the Food Security Reserve remained non-operationalized owing to design flaws and procedural difficulties. For example, food from the Reserve was accessible only during special circumstances such as emergencies, and even for that the *modus operandi* was not clearly spelt out in the Agreement. Consequently, despite experiencing food shortages, South Asian countries did not access food from the Reserve since none of them faced balance of payment crisis or food emergencies since the Agreement was signed. Moreover, no institution was formed to support the operation of the Reserve and no provision was made to meet the costs involved. Likewise, there was no mechanism to monitor and follow up on what was agreed.

In order to overcome such difficulties and to improve the functioning of the SAARC Food Security Reserve, the idea of a Regional Food Bank was endorsed by the 12th SAARC Summit in Islamabad in January 2004, and an Agreement to that effect was signed at the 14th SAARC Summit in New Delhi in April 2007.

*To overcome the difficulties associated with effective functioning of the SAARC Food Security Reserve, the idea of a Regional Food Bank was endorsed by the 12th SAARC Summit.*

*Effective operationalization of the SAARC Food Bank may be a maiden step in building an efficient regional response mechanism to food price inflation in South Asia.*

A major improvement in the new Agreement is the extension of the scope of the Food Bank beyond emergencies, and including food shortages as an eligibility requirement for food withdrawal. The new Agreement has also provisioned for price negotiations among all countries involved in the withdrawal, and the Food Bank Board is authorized to develop guidelines for price determination. Likewise, the Board is authorized to administer the functioning of the Food Bank. At the national level, provision has been made to designate a Nodal Point as the national focal point to make request for food and also to receive requests from other member countries. Importantly, the new Agreement has clearly stated simplified procedures for withdrawal and release of foodgrains.

The Food Bank is expected to act as a regional food security reserve for SAARC Member countries during food emergencies and shortages. It is also expected to provide regional support to national food security efforts, foster inter-country partnerships and regional integration, and solve regional food shortages through collective actions. Effective operationalization of the Food Bank may be a maiden step in building an efficient regional response mechanism to food

price inflation in South Asia (Carrasco and Mukhopadhyay 2012). However, for a number of reasons, it is still not clear whether the SAARC Food Bank can be operationalized.

Despite renewed hopes from the Food Bank, almost six years have elapsed without its operationalization. Hence, it is high time to analyse critically the impediments to its non-operationalization and take concrete steps to address them. This paper attempts to do just that.

The primary objective of the paper is to discuss the current status of food (in) security in South Asia, provide insights into the SAARC Food Bank, and subsequently identify steps that should be taken to make the Food Bank operational.

Chapter 2 covers the status of food (in) security in South Asia. Chapter 3 highlights regional efforts made thus far to address food insecurity in the region. In Chapter 4, the status of the SAARC Food Bank is discussed. Chapter 5 highlights country perspectives on reasons for the non-operationalization of the SAARC Food Bank. Finally, Chapter 6 concludes the paper with some recommendations to make the SAARC Food Bank operational and effective.

# Status of food (in)security in South Asia

This Chapter assesses the status of food (in)security in South Asia in relation to the region's population, food production, intra-regional trade and undernourishment<sup>2</sup>.

## 2.1 South Asia's population

Spread across five million sq. km, South Asia is a highly populated region. It is home to 1.6 billion people with an average population density of 311 persons per sq. km. The highest number of people—nearly three quarters of the total population in South Asia—live in India, followed by Pakistan, Bangladesh, Nepal, Afghanistan, Sri Lanka, Bhutan and the Maldives (Table 2.1). At the global level, while India is the second largest country in terms of population, Pakistan and Bangladesh, respectively, rank sixth and eighth.

In terms of population density, at the regional level, Bangladesh and the Maldives top the list with population den-

sities of 1,142 persons per sq. km and 1,047 persons per sq. km, respectively. On the other hand, Bhutan, with 15 persons per sq. km and Afghanistan, with 45 persons per sq. km, are the most sparsely populated countries in the region.

Given the regional sex ratio<sup>3</sup> of 105.63, male population is higher than female population in South Asia. At the country level, only Nepal and Sri Lanka have more female population than male population. Largest gender imbalances are seen in Bhutan and Afghanistan with sex ratios of 112.75 and 107.16, respectively.

In most countries, including in South Asia, men from food-insecure households often tend to migrate to food-secure areas and women are left behind at home with little livelihood options. Also, the social customs in most ethnicities impose that men get first access to food within a household, thus making women's access to food uncertain, specially during periods of famine and/or

*In most South Asian countries, men from food-insecure households often migrate to food-secure areas and women are left behind with little livelihood options.*

**Table 2.1** Population in SAARC countries

Country	Population (million)	Population (%)	Global population rank of the country	Area (1000 sq. km)	Population density (per sq. km)	Sex ratio
Afghanistan	29.12	1.82	42	647.50	44.97	107.16
Bangladesh	164.43	10.28	8	144.00	1,141.84	102.36
Bhutan	0.71	0.04	158	47.00	15.06	112.75
India	1,184.64	74.05	2	3,287.59	360.34	106.67
Maldives	0.31	0.02	170	0.30	1,046.67	101.24
Nepal	29.85	1.87	40	140.80	212.02	98.38
Pakistan	170.26	10.64	6	803.94	211.78	103.27
Sri Lanka	20.41	1.28	56	65.61	311.08	97.25
South Asia	1,599.73	100.00		5,136.74	311.43	105.63

Source: [www.worldatlas.com/atlas/populations](http://www.worldatlas.com/atlas/populations). Sex ratio was calculated from FAOSTAT (data for 2012).

food shortages. Therefore, the issue of food (in)security in South Asia is highly gender sensitive, and gender imbalance in most countries of the region is an issue of concern.

## 2.2 Food production in SAARC countries

Nearly 200 million hectares of arable land in South Asia produces over 383 million metric tons of cereals annually (Table 2.2). Notably, almost 79 percent of South Asia's arable land lies in India, which alone accounts for 73 percent of the region's annual production of cereals. Pakistan—the region's second largest economy—accounts for less than 10 percent of South Asia's total cereal production. Bangladesh, on the other hand, accounts for only 4 percent of the region's arable land but produces around 12 percent of the region's total cereal output. Thus, Bangladesh has the highest productivity in cereal production in the region, followed by Sri Lanka, which contributes nearly 2 percent to the region's total cereal production from less than 1 percent of the region's arable land.

Influenced largely by the growth of cereal production in India, cereal production in South Asia increased at an average rate of 2.49 percent per annum in the last five decades. The highest growth rate of 3.26 percent was achieved by

Pakistan, followed by Sri Lanka (2.65 percent). The Maldives, on the other hand, experienced negative growth. As Figure 2.1 (next page) demonstrates, India's share in South Asia's cereal production has historically remained disproportionately high.

## 2.3 Intra-SAARC food trade

Food products are normally high volume commodities. They are also perishable in nature. Moreover, theoretically, transportation costs in trade among countries within a region is lower than such costs among countries in different regions. Hence, intra-regional trade of food products should be preferred over inter-regional trade.

In South Asia, the Agreement on South Asian Free Trade Area (SAFTA) aims to promote intra-regional trade through, among others, elimination or reduction of tariff and non-tariff barriers to trade and facilitation of cross border movement of goods. Unfortunately, SAFTA has not been able to boost intra-regional trade, including of food products, due to several reasons. For example, a large number of items having prospects of trade within the region are placed in the sensitive lists<sup>4</sup> of member countries. There are also a host of non-tariff barriers, mainly related to sanitary and phytosanitary measures, affecting intra-regional trade of agriculture and food

*The issue of food (in) security in South Asia is highly gender sensitive, and gender imbalance in most countries of the region is an issue of concern.*

**Table 2.2** Cereal production in South Asian countries

Country	Arable land (1000 ha), 2009	Arable land (%)	Average cereal production (1000 tons), 2010–2012	Average cereal production (%)	Compound growth rate of cereal production (%)
Afghanistan	7,696	3.87	5,702	1.49	0.24
Bangladesh	8,344	4.20	47,258	12.32	2.50
Bhutan	123	0.06	171	0.04	0.62
India	157,876	79.41	280,733	73.17	2.46
Maldives	4	0.002	0	0.00	-1.80
Nepal	2,351	1.18	8,606	2.24	2.24
Pakistan	21,508	10.82	36,994	9.64	3.26
Sri Lanka	916	0.46	4,188	1.09	2.65
Total	198,817	100.00	383,652	100.00	2.49

Sources: Data on arable land from MHHDC (2012); production data from FAOSTAT.

products. Moreover, during times of crises, countries have resorted to banning exports of some products thereby making food items unavailable in importing member countries.

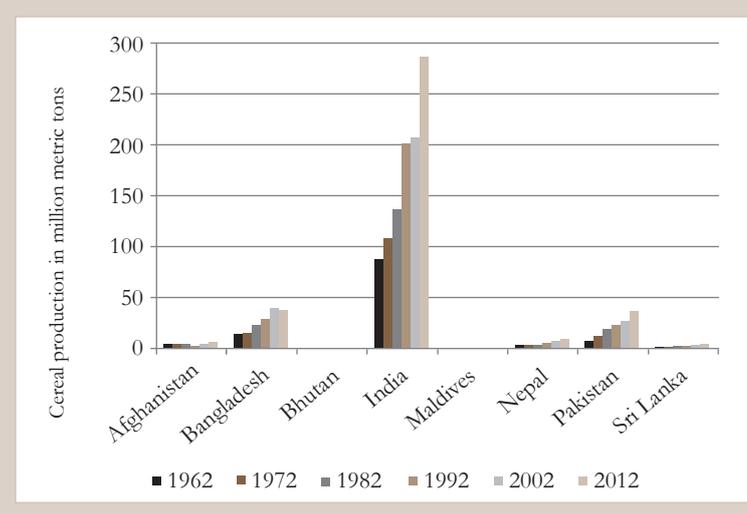
India and Pakistan are the only food-surplus countries in the region, and currently maintain nearly 44.8 million tons and 3.5 million tons of public food stocks, respectively. Other countries meet their needs through food imports, and also as food aid (Table 2.3). For example, in 2012, Afghanistan and Bangladesh received about 10 percent of their food import as food aid. Therefore, enhanced intra-regional trade of agriculture and food products is essential to ensure overall food security in all countries of South Asia.

## 2.4 Undernourishment in SAARC countries

Despite increasing food production, high food imports and food aid, undernourishment is still widespread in South Asia. Nearly 300 million people in the region are undernourished, the prevalence rate—the proportion of the population estimated to be at risk of caloric inadequacy—of which is over 17 percent (Table 2.4). Despite India and Pakistan maintaining significant public stockholding of food, the largest number of undernourished people live in these countries. Moreover, in all South Asian

countries except the Maldives, the lowest income quintile of the population spends over 65 percent of its total consumption expenditure on food; yet undernourishment exists in all these countries.

Figure 2.1 Cereal production in South Asian countries



Data source: FAOSTAT

Table 2.3 Food imports and stocks (1000 tons), 2012

Country	Commercial import	Food aid	Total
Afghanistan	2,037.5	212.9	2,250.4
Bangladesh	1,711.0	204.6	1,915.6
Bhutan	63.8	0	63.8
India	104.0	0.1	104.1
Maldives	NA	NA	NA
Nepal	477.3	24.5	501.8
Pakistan	NA	NA	NA
Sri Lanka	1,139.3	30.0	1,169.3

Source: FAO (2013a).

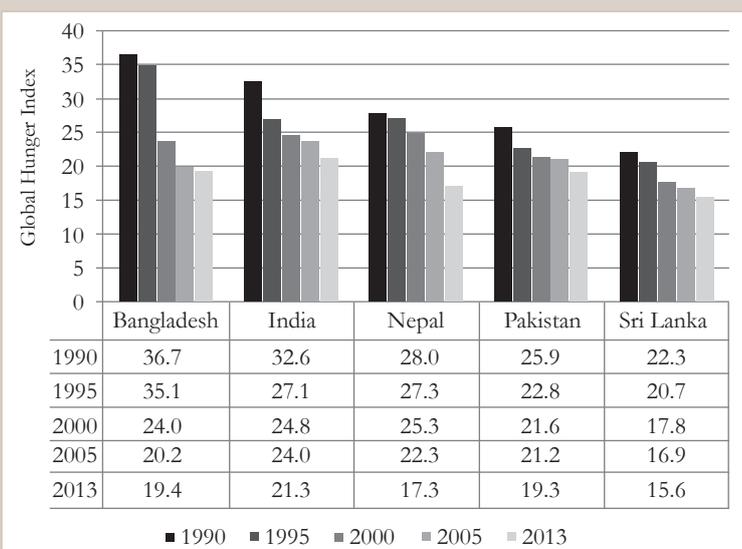
Table 2.4 Inadequate access to food and undernourishment in South Asia

Country	Prevalence of undernourishment (%)	Number of undernourished people (million)	Food expenditure of the poor (%)	Depth of food deficit (kcal per capita per day)	Prevalence of food inadequacy (%)
Afghanistan	NA	12	NA	NA	45.2
Bangladesh	16.8	25	65	115	26.8
Bhutan	NA	NA	NA	NA	NA
India	17.5	217	68	135	27.5
Maldives	5.6	NA	35	48	11.4
Nepal	18.0	5	72	139	25.9
Pakistan	19.9	35	75	157	27.7
Sri Lanka	24.0	5	NA	228	32.0
South Asia	17.6*	299	NA	135*	25.0*

\* Also includes Islamic Republic of Iran.

Source: FAO (2013b), and MHHDC (2012).

Figure 2.2 Hunger Index of South Asian countries



Source: IFPRI (2013).

In South Asia, on average, the undernourished population consumes 135 kilocalorie (kcal) less per day than what is necessary to lift them out of undernourishment. This difference is the highest in Sri Lanka with undernourished Sri Lankans consuming 228 kcal less per

day. Similarly, the prevalence of food inadequacy is the highest in Afghanistan (45 percent) followed by Sri Lanka (32 percent).

However, the global hunger index reveals that South Asian countries have made good progress in reducing hunger in the last two decades (Figure 2.2). Bangladesh, India and Nepal have made notable progress in tackling hunger and poverty. But the rate of decline of hunger index has slowed down in recent years, and therefore, further effort is necessary to reduce hunger and undernourishment in South Asia.

Since intra-household allocation of food is unfavourable towards women and girls in South Asia (ADB 2013), there is high possibility that it could have a direct impact on their families, including the next generation (Alderman et al. 2006). Hence, the gender dimension of hunger and undernourishment should be taken into consideration to effectively reduce food insecurity of present and future generations in South Asia.

# Regional efforts to address food insecurity

South Asia is a food-surplus region. The three year average of South Asian countries' trade in cereals for the period 2009–2011 shows that they exported 11.9 million metric tons of cereals and imported 9.06 million metric tons, thereby having a surplus of 2.84 million metric tons (Table 3.1). However, only two countries of the region, namely India and Pakistan, contributed to this surplus. India's and Pakistan's food exports were, respectively, 45 times and four times larger than their imports. The remaining six countries are net food importers. Among them, Bangladesh and Afghanistan are the largest importers. In the years under consideration, they imported nearly 4.2 million metric tons and 1.89 million metric tons of cereals, respectively. Considering that South Asia as a whole is a net exporter of cereals, but consists of six countries which are net importers, intra-regional food trade under SAFTA and other bilateral agreements between SAARC member countries, together with a functional SAARC Food Bank, could largely contribute to food security in the region.

The first formal regional effort to ensure food security in South Asia was the establishment of the SAARC Food Security Reserve in 1987. It was established based on the principle of collective self-reliance to ensure food security in the region. The next step, though not exclusively for regional food security, was the establishment of the SAARC Preferential Trading Arrangement (SAPTA) in 1995 with the aim of integrating the markets in the region. In 2004, SAP-

TA was replaced by the Agreement on South Asian Free Trade Area (SAFTA) (Mukherji 2011). Neither SAPTA nor SAFTA has any specific provision that directly relates to food security. They are also not related to the SAARC Food Security Reserve. Nonetheless, cooperation in trade and border procedures are important to address food security concerns in South Asia.

At the 14th SAARC Summit held in Islamabad in 2007, SAARC member countries established the SAARC Food Bank as a result of 20 years of bitter experience of the non-functional SAARC Food Security Reserve. Learning from the operational difficulties of the Reserve, member countries established the SAARC Food Bank to act as a regional food security reserve during food shortages and emergencies, as well as to provide regional support to national food security efforts, foster inter-country

*The SAARC Food Security Reserve was established in 1987 based on the principle of collective self-reliance to ensure food security in South Asia.*

**Table 3.1** Cereal trade (in tons), 2009–2011 average

Country	Export	Import	Export-import ratio
Afghanistan	54	1,886,583	0.000
Bangladesh	3,418	4,197,582	0.001
Bhutan	682	75,151	0.009
India	6,590,910	145,420	45.323
Maldives	0	48,959	0.000
Nepal	21,680	265,916	0.082
Pakistan	4,958,648	1,186,814	4.178
Sri Lanka	320,099	1,252,861	0.255
South Asia	11,895,492	9,059,286	1.313

Source: FAOSTAT.

partnerships and regional cooperation to solve food insecurity issues.

The Agreement on establishing the SAARC Food Bank is a testimony of the willingness of SAARC members to cooperate with each other to make South Asia a food secure region. The stated objectives of the SAARC Food Bank are: i) to act as a regional food security reserve for the SAARC countries during food shortages and emergencies; ii) to provide regional support to national food security efforts; iii) to foster inter-country partnerships and regional integration; and iv) to solve regional food shortages through collective action.

*The SAARC Food Bank Agreement is a testimony of the willingness of SAARC members to cooperate with each other to ensure food security in South Asia.*

Regrettably, the SAARC Food Bank is riddled with a number of problems, and has thus far remained non-operational. Member countries have frequently failed to meet their commitments for foodgrain reserves, and the vague definition of “emergency” has made it near impossible for members to access food from the Bank. Similarly, adequate mechanisms for regional support to national food security efforts are not clearly stated in the Agreement. However, the provision of managing food shortages even during normal times by drawing food from the Food Bank is a new mechanism agreed upon by member countries and stipulated in the Agreement establishing the SAARC Food Bank.

### 3.1 Role of the SAARC Food Bank

The SAARC Food Bank can help in the spatial and temporal distribution of food

in South Asia. Spatially, it can help transfer food from surplus areas to deficit areas within the region. Temporally, it can help store food in the surplus season and distribute in the lean season. Moreover, it can increase the availability and accessibility<sup>5</sup> of safe and nutritious food during emergencies and shortages, and thus help reduce hunger and poverty.

The SAARC Food Bank could also play a critical role in stabilizing food prices in the region. Purchasing food for the reserve during the glut season helps to maintain food prices, while releasing food from the Food Bank during shortages helps control food price inflation, thus reducing vulnerability, mainly of the poor. Moreover, in light of the growing concerns over the impact of climate change on agriculture and food security of the region, the Food Bank is essential to help South Asian countries cope with adverse impacts of climate change on regional food security. Besides increasing the availability and accessibility of food, the Food Bank can also contribute to the effective utilization of food—determined by food safety and quality, consumption and food digestion—by not providing low quality foodgrains from its reserves.

Importantly, the Bank can perform a key role in reducing vulnerability to food insecurity by storing foodgrains when there is surplus production and redistributing them when necessary. That will not only ensure availability of food for the poor, but also helps in reducing vulnerability<sup>6</sup> to various risks and hazards, mainly those induced by climate change.

# Status of the SAARC Food Bank

The SAARC Food Bank maintains reserves of rice and wheat in all SAARC member countries. Each member country needs to inform the SAARC Food Bank Board about the quantity of reserve along with the location of the godowns where the earmarked quantity of foodgrains are stored. Though the information is not publicly available, it is reported that most of the godowns are located in close proximity to the borders.

Schedule-I of the SAARC Food Bank Agreement specifies the amount of foodgrains to be stored as Food Bank reserve in each member country. Initially, it was agreed that a total of 243,000 metric tons of foodgrains would be stored in the Bank. Later, considering various factors such as rising population and emerging threat of climate change, the third meeting of the SAARC Food Bank Board held in Kabul in 2009 decided to almost double the stock to 485,600 metric tons (Table 4.1). India makes the largest contribution to the Food Bank, followed by Pakistan and Bangladesh.

Even after increasing the total stock, the food reserve maintained by the SAARC Food Bank is only a small fraction of the region's total food production. It is thus not adequate to expand food security coverage to all the communities at risk in the region.

## 4.1 Withdrawal, release and replenishment of foodgrains

Any member can withdraw foodgrains from its own food reserve on relatively

simple terms. In case of an emergency, foodgrains can be readily withdrawn from a member's own reserve, but in the case of a food shortage, a notice has to be issued three months in advance. It is not clear why three months' notice is required to withdraw foodgrains from the reserve within the country. After all, according to the Agreement, if the food reserve is utilized, the concerned member country is required to replenish the reserve within two years.

To withdraw foodgrains from the reserve(s) of other member(s), if a member meets the required conditions, the designated Nodal Point of the member country making the request has to notify other member(s) and the Board. The member(s) receiving the notification must take immediate steps to make necessary arrangements to ensure immediate and speedy release of required foodgrains.

*Foodgrain reserve maintained by the SAARC Food Bank is a small fraction of the region's total food production.*

**Table 4.1** Contributions to the SAARC Food Bank

Country	Initial food reserve (1000 tons)	Doubled food reserve (1000 tons)	Contribution (%)
Afghanistan	1.42	2.84	0.58
Bangladesh	40.00	80.00	16.47
Bhutan	0.18	0.36	0.07
India	153.20	306.00	63.01
Maldives	0.20	0.40	0.08
Nepal	4.00	8.00	1.65
Pakistan	40.00	80.00	16.47
Sri Lanka	4.00	8.00	1.65
Total	243.00	485.60	100.00

Source: SAARC Secretariat (2012).

Food released from the Food Bank reserve is to be replenished as soon as practicable, but, in any event, not later than one calendar year following the date on which the foodgrains were released from the reserve. Moreover, the Board should be informed about such release, terms and conditions of the release and the date of replenishment. However, since the Board is not a regular institution and lacks a secretariat to deal with such notifications, the purpose and the effectiveness of such notification requirements are questionable.

The Agreement also contains a provision of voluntary reserve, but no member has ever contributed to the voluntary reserve. As stipulated in the Agreement, foodgrains can be immediately withdrawn from the voluntary reserve in case of an emergency, but during food shortages, a month's notice is necessary. It is not clear what the other members and the Board would do during the one month period after receiving the notification. The stipulated notice period may have discouraged members from contributing to the voluntary reserve.

Since the establishment of the SAARC Food Bank, no member has withdrawn foodgrains from its reserve due to several problems. As per the Agreement, members can withdraw foodgrains from the reserve only in the event of a food emergency and/or during periods of severe food shortages. The Agreement defines food emergency as a state or condition in which a member country is unable to cope with it by using its national food reserve due to a severe and unexpected natural or man-made calamity. Similarly, food shortage has been defined as a state or condition in which there is a production and/or storage shortfall in a member country, provided that the production of foodgrains in the current year is lower than the average of the production of the past three years, by 8 percent.

One of the factors hindering the operationalization of the SAARC Food Bank

is the 8 percent trigger. While it is difficult to estimate the production shortfall during food crises, the trigger also requires a sharp fall in production as compared to the last three years. Given such a rigid condition for withdrawal of foodgrains from the Bank, no member has till date qualified to access food from the Bank. Moreover, a member with a gradual decline in food production is not qualified to withdraw from the reserve. Hence, contributing to the Food Bank is rather a burden for many members, with little to no benefit.

The Agreement has stipulated that the Food Bank Board can review the 8 percent trigger periodically, based on the experiences of operations of the Food Bank. However, since the Bank has not come into operation so far, the review has not taken place.

A disappointing fact about the SAARC Food Bank is that it was not made available when member countries were hit hard by calamities such as the wheat crisis in Pakistan in 2007/08, and floods and cyclones in Bangladesh in 2009. Bangladesh's attempt to access the food reserve in 2009 failed because there were no concrete modalities for triggering factors and repayments, and no institutional mechanism to oversee the process (Rahman and Iqbal 2012).

#### 4.2 Price determination of foodgrains

The SAARC Food Bank Agreement has stipulated that determining price of foodgrains in the reserve and the terms and conditions of payment would be the subject of direct negotiation between the concerned members. However, it should be based on the guidelines for price determination approved by the Food Bank Board. Moreover, the price should reflect domestic and international prices, and must be lower than the price quoted for non-members. Additionally, in case of an emergency, humanitarian aspects should be given due consideration while determining prices.

*Determining prices of foodgrains in the SAARC Food Bank reserve and the terms and conditions of payment would be the subject of direct negotiation between concerned members.*

The Agreement also states that while calculating costs related to storage, internal freight, interest, insurance, overhead charges and margin of losses, members should apply national treatment. Due to non-operationalization of the Food Bank, it is not clear how the pricing mechanism would work.

Moreover, private sector importers do not have direct access to the Food Bank. They need to apply to the designated Nodal Point, who then deals with other member(s) for all activities on their behalf. There is apprehension that the Nodal Point would inflate the operational costs, thereby discouraging the private sector from distributing foodgrains from the SAARC Food Bank.

Aimed at rationalizing and improving the provisions regarding procedures for withdrawal and release of foodgrains from the SAARC Food Bank, the Agreement establishing the Food Bank has entrusted the Food Bank Board with developing the operational modalities.

Accordingly, the fourth Board Meeting held in Dhaka in 2010 developed modalities for price determination, and included deferred payment as an acceptable condition. Additionally, in order to fulfill the Board's mandate to analyse the regional foodgrain scenario, including requirements, production and shortfalls, the Board has decided to work directly with respective government agencies in member countries to gather accurate data on production, foodgrain requirements and trade. Once collected, a data analysis may identify shortfalls in the production of foodgrains and the food price mechanism. Addressing such shortfalls may go a long way in making the Food Bank fully operational in the near future.

### 4.3 Institutional arrangement

The institutions involved in the SAARC Food Bank are the Nodal Points, SAARC Food Bank Board, SAARC Secretariat, Foreign Secretary level SAARC Stand-

ing Committee, Technical Committee on Agriculture and Rural Development (TCARD), and Council of Ministers.

Nodal Points are designated at the national level, whereas all other institutional structures are established at the regional level. A Nodal Point in each country is a single contact point for all Food Bank-related operations. The SAARC Food Bank Board, which was established in October 2008, takes all the administrative responsibilities of the Food Bank. The Board is currently located at the SAARC Secretariat in Kathmandu.

The Board can issue guidelines on quality control and related food storage methods that the members need to comply with. Five meetings of the SAARC Food Bank Board have been convened so far. The first and second meetings were held in Colombo in October 2008 and February 2009. Subsequently, the third meeting was held in Kabul in November 2009, while the fourth and fifth meetings were held in Dhaka in October 2010 and May 2012, respectively.

The second meeting held in Colombo entrusted the SAARC Agriculture Centre (SAC) to carry out periodic assessment of production patterns involving major foodgrains. Importantly, the fourth meeting in Dhaka prepared a price determination formula, separately for food exporting and non-exporting countries (Box 4.1, next page). Also, separate guidelines have been prepared for exporting and non-exporting countries.<sup>7</sup>

Considering that export price can be country specific since price differs according to destination, season, quantity and quality of food products, there is confusion regarding which price should be taken into consideration. Likewise, determination of the values of the coefficients ( $\alpha$ ,  $\beta$ ,  $\lambda$  and  $\eta$ ) demands further negotiations.

The Food Bank Board is fully authorized to undertake periodic reviews and assessments of the regional food situation

*The SAARC Food Bank Board can issue guidelines on quality control and related food storage methods that the members need to comply with.*

and prospects. Accordingly, the Board recommends policy actions necessary to ensure adequate supplies of foodgrains in the region. The Board also reviews implementation of the Agreement and issues guidelines for the maintenance of stocks, storage conditions, quality control and price for effective administration of the Food Bank.

In addition, the Board assesses demand for foodgrains and devises appropriate mechanisms to collect, compile, generate, analyse and disseminate information. It resolves any dispute or misunderstanding regarding the interpretation and application of the provisions of the Agreement and functioning of the Food Bank. The capacity of the Board

is, however, inadequate to efficiently and effectively perform all its functions. The tasks assigned to the Board, which has convened only five times in the past five years and has seen several different Board members, are clearly beyond its limited capacity.

Another regional institution, TCARD, takes decisions on agriculture-related technical matters such as production technology, irrigation, food production, and identification of critical knowledge gaps. Notably, TCARD provides recommendations to the SAARC Standing Committee comprising of Foreign Secretaries. The role of the Standing Committee is to conduct overall monitoring and coordination, determine priorities, mobilize resources, and approve projects and financing. It normally meets twice a year and submits its recommendations to the Council of Ministers.

The Council of Ministers is the supreme body overseeing the operation of the SAARC Food Bank, and comprises of the Foreign Ministers of member countries. The Council has the authority to amend the Agreement. Member country(ies) can propose to amend the Agreement to the SAARC Food Bank Board, which, after examining the proposed amendment, submits its recommendation(s) to the Council of Ministers for consideration.

The SAARC Secretariat coordinates the activities undertaken by the Board and monitors all matters related to the release of foodgrains from the Food Bank reserve. Rather than engaging the SAARC Secretariat in such work related to the SAARC Food Bank, it might be better for the Board to request the Council of Ministers to establish a Permanent Headquarter of the Food Bank with dedicated staff.

#### 4.4 Present status of the SAARC Food Bank

The SAARC Food Bank has remained non-operational till date, despite the fact

### Box 4.1 Draft guidelines for price determination

#### A. Guideline for countries which normally do not export foodgrains or do not publish export prices

*Price per unit = Cost of maintaining reserve × (1+α),*

where α is the margin to be agreed, and which would be 2 to 3 percent; and

Cost of maintaining reserve = Collection price+ transportation cost+ storage cost + margin of losses.

Further, Collection price = yearly average price of foodgrains + β × (average in the preceding quarter – yearly average), where β would be agreed based on empirical figures;

Transportation cost = Cost of transporting foodgrains from collection point to godown/silo. Costs of transportation from the release point (silo/godown) to the port would have to be added based on national freight rates.

#### B. Guidelines for countries which export foodgrains and publish export prices

1. During emergency:

*Price per unit = Export price per unit × (1-λ),*

where λ is the percentage of preferential treatment to be agreed regionally (3 to 5 percent).

2. During normal time food shortage:

*Price per unit = Export price per unit × (1-λ) + η × (average export price per unit in the preceding season – yearly average export price per unit),* where the value of η is to be agreed regionally; and could be in the range of 0.3–0.5.

Source: Rahman and Khaled (2012).

that the region is highly vulnerable to and has suffered severe food shortages/crises in recent years. Since the signing of the Agreement, not much progress has been made. Most of the SAARC countries, many of which are net food importers, have faced extra burden to fulfill their respective obligations to contribute to the reserve's stock of 486,000 metric tons of foodgrains.

Given the increasing threat of climate change and growing food insecurity in the region, addressing the major drawbacks of the Bank to make it fully operational and effective needs urgent attention. Hence, getting country-specific perspectives on operationalization of the SAARC Food Bank is necessary to identify and implement possible measures to make the Bank operational.



# Non-operationalization of the Food Bank: Country perspectives

According to the SAARC Food Bank Agreement, every member country is required to allocate earmarked quantity of foodgrains (rice and/or wheat) to the Food Bank reserve and provide necessary storage facilities. Members are also required to inspect the foodgrains periodically, apply appropriate quality control measures and replace the foodgrains if it is not up to the standard specified in Schedule II of the Agreement.

If a member requests another member for access to foodgrains from the latter's reserve, the member receiving the request needs to take immediate steps to release the foodgrains from the Food Bank reserve located within its territory. As per the Agreement, expenditures relating to the functioning of the Food Bank shall be borne by the members proportionately as part of the SAARC Secretariat budget.

## 5.1 Problems in operationalization

The non-operationalization of the SAARC Food Bank is mainly attributed to the design and structural weaknesses of the Bank. They include impractical release triggers, unclear price setting mechanism, lack of clear linkage of the regional Food Bank with domestic food distribution, limited information exchange, and limited mutual interdependence on trade (Rahman and Khaled 2012).

The trigger required for the release of foodgrains from the SAARC Food Bank is that, for a member to request for ac-

cess to foodgrains from the reserve, it has to experience a state of food emergency—a condition in which the member becomes unable to provide food to its people by using its national food reserve due to severe and unexpected natural or human-induced calamity. So far, not a single member has declared food emergency that would make it eligible to access food from the reserve.

Realizing this fact, members added a provision in the Agreement which would enable them to withdraw food also in cases of food shortages due to production shortfall and/or storage shortfall. But, the necessary condition for this shortfall is that the production of foodgrains in the current year must be 8 percent lower than the average production of the preceeding three years.

Food production data of SAARC member countries for the last two decades shows that they have not had a production shortfall, as defined by the Agreement, in the past two decades. Although some countries experienced food shortages and production shortfalls in recent years, they could not avail foodgrains from the Food Bank reserve since the shortfall was less than 8 percent.

Surprisingly, the benchmark for production shortfall—8 percent lower than the average production of the previous three years—is such that even if a member faced a shortfall, the Food Bank's total reserve would not be even close to making up for the shortfall, thus rendering the Food Bank reserve ineffective in

*The non-operationalization of the SAARC Food Bank is mainly attributed to the design and structural weaknesses of the Bank.*

providing relief to the concerned member country. For example, an 8 percent decline in food production in India denotes a decline in food production by 17 million metric tons whereas the entire reserve of the Food Bank is only 0.48 million metric tons. Similarly, for Pakistan and Bangladesh, the 8 percent decline in production means a downfall by two million metric tons, which the Food Bank will not be able to fulfil.

Nonetheless, there is a provision in the Agreement, which, in specific cases, allows a member to initiate a request on a seasonal basis considering the impact of seasonal shortfall on annual production. This provides some leeway to members to draw foodgrains from the Food Bank reserve other than during emergencies and shortages.

*The SAARC Food Bank Agreement does not specify a time frame to revise production shortfall figures, and lacks accountability.*

Although the Food Bank Board has the authority to revise the shortfall percent as per the requirement, the SAARC Food Bank Agreement, like all other SAARC Agreements, does not specify a time frame to conduct such revision, and lacks accountability (IPS 2008). Moreover, since the decisions and recommendations of the Board are to be taken on the basis of unanimity, unless all the members agree to revise the conditions necessary for the operationalization of the Bank, it is not likely to be operational.

Also, while the conditions specified for the withdrawal of foodgrains from the Bank are difficult to meet, procedures for utilizing foodgrains from the reserve are very ambiguous. In the Agreement there has not been clear mention of food transportation mechanism, border formalities, and institutional mechanisms for prompt delivery of foodgrains.

The pricing mechanism is also not efficient. Members must negotiate the price and terms and conditions of payment for each request, thus losing valuable time needed to deliver foodgrains to the affected areas. The Agreement states that in the case of emergencies,

humanitarian aspects will be given due importance while determining prices. The overarching guideline for price determination states that the price should be lower for members than for non-members, but it should also represent market price (both domestic and international). Unfortunately, the guideline does not guarantee that the foodgrains from the Bank will be cheaper than those from the market since the price will be determined through negotiations. Also, the lengthy process of withdrawal and delivery of foodgrains, along with possible red-tapism and other inefficiencies of the Bank, will surely inflate the cost, thereby encouraging members to turn to the market for assistance.

Lack of proper incentives for the members to withdraw foodgrains from the Bank highly limits the probability of its operationalization. Besides, with easy availability of food aid as grants from donors around the world, and a host of problems plaguing the Food Bank, SAARC member countries receiving such food aid might not respond well to the Food Bank (*ibid*).

Considering the slow process of decision making in South Asia, direct negotiation at the time of emergency or shortage is not efficient. Likewise, lack of a transparent mechanism for price determination is also a significant issue that needs to be addressed to make the Food Bank operational.

Regrettably, while the Food Bank is fraught with inefficiencies, the private sector is barred from making transactions on foodgrains from the Bank. However, members are allowed to develop appropriate guidelines for involving the private sector, in conformity with national legislation, procedures and requirements.

Besides operational issues, the SAARC Food Bank is also plagued with structural difficulties, which include: i) limited regional transportation network for transporting foodgrains through

roadways, railways, airways and sea; ii) inefficient public distribution systems in member countries; iii) lack of institutional arrangements for periodic estimates of food demand and undertaking of measures to increase the storage capacity of members; iv) serious lack of political will and commitment; and v) lack of strategic community-centred action plans to deliver foodgrains to food insecure areas.

Considering the terms and conditions set for the withdrawal of foodgrains from the Food Bank, and the inadequacy of provisions for price setting, border facilitation, transactions and transportation, it is less likely that foodgrains from the Bank will be easily available when it is required. Moreover, the structural problems will affect timely and efficient delivery of foodgrains to vulnerable and crisis-stricken areas. Against this backdrop, understanding country perspectives will be important to garner political support at both national and regional levels.

## 5.2 Country perspectives

South Asia is a highly heterogeneous region in terms of geography and population. Nepal and Bhutan lie in the Himalayan region with relatively cold climatic

conditions and undulating topography, while a large part of Afghanistan is cold desert. Bangladesh, and major parts of India and Pakistan, are plain areas with farmlands. On the other hand, Sri Lanka and the Maldives are island nations.

Such topological variations result in climatic variations, which directly affect food production and consumption patterns. Wheat and maize are the major crops in the Himalayan region whereas rice is the major crop in the plain areas. In island nations, fishing dominates farming. Such diversity within the region provides the opportunity for pooling the risks of food insecurity.

The amount of foodgrains in the SAAARC Food Bank is merely 0.13 percent of the total food production in South Asia (Table 5.1). Moreover, the food reserve maintained by each member country for the Food Bank is not more than 0.22 percent of its domestic production, with an exception of the Maldives, which maintains reserve of more than double its national production. If the reserve maintained by each member country is equally divided among its population, the figure would be less than one kilogram (kg) of foodgrains per capita, with the exception of the Maldives.

*If the food reserve maintained by each member as part of the SAARC Food Bank is equally divided among its population, the figure would be less than one kilogram per capita.*

**Table 5.1** Relative strength of the SAARC Food Bank to member countries

Country	Doubled food reserve (1000 tons)	Cereal production (1000 tons), 2012	National food reserve (% of cereal production)	National food reserve (kg/capita)	Food Bank (% of domestic production)	Food Bank (kg/capita)
Afghanistan	2.84	6,469	0.04	0.10	7.51	16.68
Bangladesh	80.00	37,283	0.21	0.49	1.30	2.95
Bhutan	0.36	183	0.20	0.51	265.57	683.94
India	306.00	286,500	0.11	0.26	0.17	0.41
Maldives	0.40	0.18	222.22	1.29	285,882.35	1,566.45
Nepal	8.00	9,448	0.08	0.27	5.14	16.27
Pakistan	80.00	36,981	0.22	0.47	1.31	2.85
Sri Lanka	8.00	4,076	0.20	0.39	11.92	23.79
Total	485.60	380,940	0.13	0.30	0.13	0.30

Source: SAARC Secretariat (2012).

Even when considered in totality, the reserve maintained by the SAARC Food Bank is only 0.17 percent of India's domestic production, and slightly over 1 percent of the domestic production of Bangladesh and Pakistan. For smaller countries like the Maldives and Bhutan, the size of the Food Bank reserve is significantly bigger than their national production. If the entire Food Bank reserve is divided among the population in South Asia, it would be equivalent to 0.3 kg per capita.

*Private food distribution systems do not have direct access to the SAARC Food Bank, and so it depends entirely on the public distribution system.*

Considering the varying size of member countries and the SAARC Food Bank reserve, each member has a different perspective of the Food Bank. For highly populous member countries like India, the Food Bank reserve amounts to 0.41 kg per capita, whereas for the Maldives, the reserve amounts to 1,566 kg per capita. Therefore, the SAARC Food Bank could be effective in addressing food insecurity in smaller countries and largely ineffective in the others. Thus, members with high population might have little to gain from operationalization of the SAARC Food Bank.

Fluctuation in cereal production is one measure that defines the susceptibility to vulnerability of a nation to food insecurity. Fluctuations in cereal production differ from country to country in South Asia. During the last two decades,

fluctuations in cereal production—measured by coefficient of variations—was minimum in India (10 percent), followed by Nepal (14 percent) and Pakistan (17 percent). Fluctuation in Bhutan, Sri Lanka and Bangladesh were higher than 20 percent, while that in Afghanistan and the Maldives were 32 percent and 50 percent, respectively (Figure 5.1).

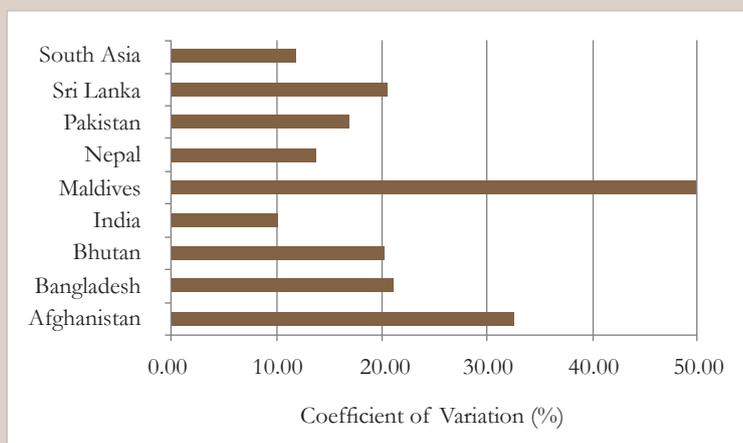
For countries with heterogeneous climatic conditions, risks of fluctuation in cereal production are pooled within the country. Diversity in climatic conditions helps in pooling production risks. However, for those countries with homogenous climatic conditions, risks of fluctuation in cereal production are high. Thus, those countries with greater degree of year-to-year fluctuations in cereal production are in greater need of the Food Bank. Therefore, perceptions regarding the significance of the SAARC Food Bank might vary among SAARC member countries. If any member cannot benefit from the Food Bank, it might be difficult to set conditions conducive for its operationalization.

### 5.3 Linkages of the Food Bank with national food distribution systems

Private food distribution systems do not have direct access to the SAARC Food Bank. It depends entirely on the Public Distribution System (PDS) of respective member countries for the delivery of foodgrains. PDS is put in place by almost all SAARC member countries to distribute basic food and non-food commodities, mainly wheat, rice, sugar, kerosene, etc. to the poor at subsidized prices.

Countries try to manage food scarcity through the distribution of foodgrains at affordable prices to the poor through the PDS. But the structure and the efficiency of PDS differs widely among members. While some member countries like Bangladesh, India and Pakistan have better structured and more efficient PDS, other member countries do not.

Figure 5.1 Coefficient of variation of cereal production



Data source: FAOSTAT.

Because the effectiveness of the Food Bank depends not only on the amount of food reserve and operational procedures, but also on the PDS of each member country, country-specific information on the PDS and their effective linkages with the SAARC Food Bank is critical to make the Food Bank operational and effective in addressing food insecurity. Thus, the following section discusses the food distribution system in each member country and the potential of linking them with the SAARC Food Bank.

### 5.3.1 Afghanistan

About 61 percent of Afghanistan's total population has poor food consumption and low dietary diversity. While 30 percent of the population does not have access to minimum food requirement and are food insecure, 20 percent of the population suffers from chronic food insecurity (GoA 2005). Only a few farmers in Afghanistan have received technical guidance to improve farming activities, and the rural people do not have enough employment opportunities to support their livelihood.

The country has the National Medicines and Food Board (NMFB) entrusted with the responsibility to coordinate food-related activities. It is authorized to oversee, coordinate and advise on matters related to medicines and food regulations. However, it has not been effective in carrying out its functions since, among other things, food security intervention is a challenging task due to the political and security situation of the country.

A major component of the international relief assistance to Afghanistan is food aid provided to save lives in areas identified by the World Food Programme. However, food distribution is impaired by problems in transport operations and inadequacy of institutional support. Therefore, linking the SAARC Food Bank with the country's food distribution system is a huge challenge in the case of Afghanistan.

### 5.3.2 Bangladesh

Bangladesh has a well-developed Public Food Distribution System (PFDS), which has two major objectives: i) building up adequate rice stock through procurement in order to support the distribution system; and ii) providing income support and price support to farmers and consumers (Rahman and Khaled 2012). It procures food from producers during the harvest season and supplies during the lean season through the Open Market Sales (OMS) programme introduced in 1978. The PFDS uses its food stock for monetized and non-monetized distribution to the poor and low-income people. So far, the PFDS has operated four monetized channels and five non-monetized channels for the distribution of food. The monetized channels included OMS, Essential Priorities, Other Priorities and Large Employers' Programmes while the non-monetized channels included Food for Work, Vulnerable Group Development, Vulnerable Group Feeding, Test Relief and Gratuitous Relief (*ibid*).

The PFDS, however, suffers from limited storage capacity, inadequate access of farmers to the procurement sites due to inadequate number of procurement centres, and the failure to collect from small and marginal farmers (Ahmed et al. 2011). In order to make PFDS effective in responding to emergencies, making targeted food distribution sustainable, and making effective market interventions, it is important to maintain adequate stock and manage it efficiently (Rahman and Khaled 2012). But this has not been possible mainly due to the huge cost involved in procuring, storing, managing, maintaining quality and distributing a large public stock. Nonetheless, the PFDS has enough capacity to access and distribute food from the SAARC Food Bank.

### 5.3.3 Bhutan

The Food Corporation of Bhutan (FCB) has established a centralized system of

*Effective linkage of the public distribution system in each SAARC country with the SAARC Food Bank is critical to make the Food Bank operational.*

food supply to ensure food security of its people.<sup>8</sup> It follows an organized form of procurement and an effective system of storage and distribution of essential food items.

Functions of the FCB include procurement and distribution of foodgrains and other essential commodities, trading agriculture and horticulture products, building up and maintaining stocks of essential food items for emergencies, and constructing and operating warehouses in different parts of the country to ensure better storage facilities. It also conducts market study for export promotion, administers and supervises Co-operative Marketing Societies, works as the focal point for the SAARC Food Security Reserve, provides logistic support to the World Food Programme (WFP) in Bhutan, maintains national and regional (SAARC) food security reserves for emergencies, and facilitates free and fair trading of cash crops. Moreover, it ensures price stabilization of essential food commodities through effective procurement, and development of a nation-wide distribution and sales network.

The FCB has a well-established mandate to receive food from the SAARC Food Bank and distribute it to the needy people. And it has the necessary infrastructure to efficiently carry out this function.

#### 5.3.4 India

The Government of India procures foodgrains through public agencies for two main reasons: i) to ensure that farmers get remunerative prices for their produce<sup>9</sup>; and ii) for its PDS and other welfare schemes so that the subsidized foodgrains can be supplied to the poor and needy.

Procurement of foodgrains aims at building up buffer stocks to ensure food security. The PDS is governed jointly by the Central and State Governments. The Central Government, through a government entity—Food Corporation of India (FCI)—has assumed the

responsibility of procurement, storage, transportation and bulk allocation of foodgrains to the State Governments. The State Governments' responsibility is to allocate the food within the State, identify families below the poverty line, issue ration cards and supervise the functioning of fair price shops. Wheat, rice, sugar and kerosene are allocated to the States for distribution under the PDS. The FCI manages the PDS. It has a storage capacity of 37 million metric tons of foodgrains—covered silo for 34 million metric tons, scientific Cover and Plinth (CAP) for over 2 million metric tons and non-scientific CAP for half a million metric tons.<sup>10</sup>

The FCI maintains a portion of procured foodgrains as buffer stock to guard against scarcity conditions and to intervene to stabilize prices during times of excessive rise in the market price. The government subsidizes the FCI for the buffer stock in terms of freight, storage, interest and carrying costs. However, according to studies, the FCI suffers from management shortcomings such as inappropriate timing of procurement, poor forecasting capacity, inadequate logistics, cost inefficiencies, poor quality foodgrains and exclusion of a large number of poor from the system (Jenkins and Goetz 2002).

Nevertheless, India's PDS is well established, and has the capacity to access food from the SAARC Food Bank and distribute it to the needy people at times of emergencies and shortages. But there is no specific mechanism to link it with the SAARC Food Bank despite the fact that a Joint Secretary of the Department of Food and Public Distribution is a member of the SAARC Food Bank Board.

#### 5.3.5 Nepal

In Nepal, the Nepal Food Corporation (NFC), established in 1974, is entrusted with the task of handling the PDS. It maintains buffer stock, distributes foodgrains and handles food aid.

*India's public distribution system has the capacity to access food from the SAARC Food Bank and distribute it during emergencies and shortages.*

Currently, it maintains a buffer stock of 25,000 metric tons of foodgrains through procurement (Pant 2012). It procures foodgrains during the harvest season either directly from farmers or from traders in the production areas at its own procurement price.

The NFC distributes foodgrains in food deficit areas of the country, which are mainly in hilly and mountain districts. But it also sells a significant portion of the foodgrains from its stock in the Kathmandu valley. As per the Foodgrain Buffer Stock Programme Operation Procedure 2006, approved by the Government of Nepal, the NFC delivers foodgrains to the districts or regions specified by the Ministry of Commerce and Supplies, which is the focal ministry for the NFC. As per the provisions laid out in the Operation Procedure, the NFC must replenish the stock immediately after use. To transport foodgrains to crisis stricken areas, the government provides subsidy to the NFC.

The NFC also handles food aid received from donor agencies, and implements the government's food safety-net programme by supplying foodgrains to food-deficit districts. In addition, when necessary, the NFC provides food to consumers at fair price to stabilize market prices. Importantly, it also maintains 8,000 metric tons of rice as SAARC Food Reserve.

Despite the existence of the NFC, Nepal does not have a well-developed PDS. The PDS operated by NFC involves huge cost, high risk, large number of human resource and massive infrastructure. The operational cost of PDS is disproportionately higher than that of a private food distribution system.

Compared to other SAARC countries, PDS in Nepal is ineffective, mainly due to expensive internal transport, storage and handling costs (Pyakuryal et al. 2005). The distribution of foodgrains by the NFC to remote areas has not been very effective despite a heavy financial burden on the government (*ibid*). None-

theless, the NFC seems capable of distributing foodgrains from the SAARC Food Bank.

### 5.3.6 Pakistan

Food procurement, handling, marketing, storage and distribution in Pakistan are handled by the Pakistan Agricultural Services and Supplies Corporation (PASSCO), which was established in 1973. PASSCO procures wheat and other agriculture commodities, implements price support programme for wheat, paddy, gram, potato, onion and other agriculture commodities, stores wheat and releases it to deficit regions and defense forces, maintains strategic reserves to stabilize price, undertakes food imports and exports, and collaborates with agrobusiness agencies in the country.<sup>11</sup> It also maintains wheat stocks for the SAARC Food Bank.

The Ministry of National Food Security and Research helps PASSCO coordinate with four provincial food departments, namely the Punjab Food Department, Sindh Food Department, North-West Frontier Province (NWFP) Food Department and Balochistan Food Department. These four departments together have a food storage capacity of 4.34 million tons, of which 56 percent is possessed by the Punjab Food Department alone. With PASSCO keeping stock of foodgrains at the national level, for the SAARC Food Bank at the regional level, and coordinating with the provincial food departments, it seems well placed to play an effective role in distributing foodgrains from the SAARC Food Bank.

### 5.3.7 Sri Lanka

Almost two-third of the population in Sri Lanka is food insecure (Vhurumuku et al. 2012). Therefore, the Government of Sri Lanka has been implementing three major food-based welfare programmes, namely Samurdhi Programme, Thripasha Programme and mid-day school meal programme, targeting the poor (Mittal and Sethi 2009). It also pro-

*Compared to other SAARC countries, public distribution system in Nepal is ineffective, mainly due to expensive internal transport, storage and handling costs.*

vides food to people during emergencies and disasters such as floods.

The government has given the authority to make policies and programmes that suit local conditions to Provincial Councils. In the case of food, provinces can establish their own methods of food supply and distribution to cater to the needs of the underprivileged population living in the province. They are also given the responsibility to maintain adequate food stocks by collaborating with the government (LST 2013).

However, there does not exist a well-established and permanent mechanism of public food distribution at the central level in Sri Lanka. Therefore, the linkage between the PDS in Sri Lanka and the SAARC Food Bank is not clear.

There is no doubt that operationalization of the SAARC Food Bank would

help stabilize price of foodgrains, reduce distribution and transportation costs as the food reserves would be located close to the borders, and allow the flexibility of deferred payments for foodgrains, especially during emergencies. However, operational modalities are still not clear due to undefined linkages between the SAARC Food Bank and national PDS institutions.

The discussions above clearly indicate that no specific mechanism has yet been developed for linking the SAARC Food Bank to the PDS in member countries. This is one of the main reasons for the non-operationalization of the SAARC Food Bank. However, since the national food buffer stock for PDS and regional food reserve for the SAARC Food Bank are maintained by the same agency in member countries, merely a strategy is needed to link the national PDS with the SAARC Food Bank.

# Conclusion and recommendations

The SAARC Food Bank can be instrumental in ensuring food security, particularly of net food importing member countries, and especially during food emergencies and shortages. The Bank is of paramount importance mainly to members with high risks of agriculture production fluctuations. Therefore, operationalization of the SAARC Food Bank can significantly improve the ability of SAARC member countries in addressing food insecurity and safeguarding the interests of the poor and vulnerable people of the region.

When the SAARC Food Bank was established in 2007, the conditions of its operationalization were improved compared to those of the earlier SAARC Food Reserve. However, a mechanism to access food promptly from the Bank during emergencies and shortages was not put in place. A SAARC Food Bank Board has been formed to establish the mechanism, but it has not been able to do so yet. Rather, the Board has retained all the rights related to the operationalization of the Food Bank in itself, according to which food can be accessed from the Bank only if the Board members agree to it unanimously. This is a difficult task, especially during emergencies. Moreover, the Agreement on the SAARC Food Bank has no special and differential treatment (S&DT) provision for LDC members.

Non-operationalization of the Food Bank till date can be attributed to structural flaws of the Bank, inadequate food reserve and procedural difficulties. Pro-

cedural difficulties arise from unsettled pricing mechanisms, unclear transportation mechanisms, ineffective food distribution systems in member countries, limited information sharing, and limited intra-regional trade. Structural flaws such as impractical triggers and ambiguous governance mechanism have made timely withdrawal of foodgrains from the Food Bank for distribution during emergencies and shortages almost impossible. Moreover, the size of the Food Bank reserve is largely inadequate to hedge against food shortages and emergencies.

## 6.1 Way forward

There is no doubt that the SAARC Food Bank can play an effective role in addressing food insecurity in South Asia. Therefore, there is a need to make the Food Bank operational, for which it is necessary to bring about changes at different levels. The sections below provide some recommendations in that respect.

### 6.1.1 At national levels

The first and most important task to undertake at the national level is to strengthen the Nodal Points for the SAARC Food Bank in each member country. This is important to bolster cooperation between the SAARC Food Bank Board and the national PDS. Importantly, national food policies should clearly link the SAARC Food Bank to national PDS so that people can have better access to safe food during times of emergencies and shortages. Also, inter-governmental

*Non-operationalization of the SAARC Food Bank can be attributed to structural flaws of the Bank, inadequate food reserve and procedural difficulties.*

contact procedures should be simplified for quick movement of foodgrains from the Food Bank reserve of a member country to the member making the request.

National PDS of members need to be improved, empowered and strengthened for timely delivery and distribution of foodgrains from the Food Bank. For efficient distribution of foodgrains, the PDS should be linked to local level institutions such as local governments, cooperatives and local charity organizations. Such decentralization is necessary also to reduce handling costs.

The PDS can also be linked to self-help groups or local institutions working on food security issues. It should implement targeted programmes aimed at identifying food insecure regions and groups. The PDS can use food coupons and subsidies to immediately meet the food needs of the poor. Establishment and/or strengthening of fair price shops and food depots could be useful in distributing foodgrains from the Food Bank.

To safeguard the local food distribution system from possible malpractices, relevant central level institutions should put in place regular monitoring systems involving the beneficiaries. Local communities should be empowered to follow-up the activities of the PDS. Importantly, every effort should be made to avoid the leaking of subsidized food in order to ensure that the distribution of foodgrains from the reserve does not have trade distorting effects.

Considering the annual fluctuations in food production, members should maintain their national food reserve accordingly. For smaller countries, easy access to the SAARC Food Bank reserve when required can be helpful in reducing the quantity of food to be kept in the national food reserve, thus reducing costs and risks of food insecurity.

Members should ensure that the earmarked stock of food in the SAARC

Food Bank is stored in close proximity to country borders for quick release and delivery of foodgrains to any member that qualifies to withdraw the food. Also, all members and the Food Bank Board need to be notified of the location of storage facilities. Moreover, members need to undertake all necessary steps to ensure that the storage methods and quality control criteria are in conformity with those adopted by the SAARC Food Bank Board.

Considering various problems in transport connectivity and trade facilitation in South Asia, effective operationalization of the Food Bank is difficult unless significant reforms are made to address them. Smooth transport connectivity and effective trade facilitation are essential for prompt and reliable transportation of foodgrains from the food reserves located in member countries, mainly because foodgrains from the reserves need to be released at short notice, especially during emergencies and food shortages. Another important issue to consider is that imports of foodgrains from the SAARC Food Bank reserve should be exempted from all customs duties and charges.

Similarly, for the Bank to be operational, it should supply foodgrains at a price 10 to 20 percent lower than the commercial trading price, at least initially. Currently, it does not ensure that the foodgrains can be accessed at a competitive price, thus discouraging members from accessing foodgrains from the Food Bank during emergencies and shortages.

Member countries should also enhance regional cooperation in exchanging quality agriculture inputs, particularly good quality seeds, and sharing efficient and applicable farm technologies so as to increase and stabilize agriculture production.

### 6.1.2 SAARC Food Bank Board

The SAARC Food Bank Board has the authority to develop procedures for the

*Effective operationalization of the SAARC Food Bank is difficult in the absence of significant reforms in trade and transport facilitation in South Asia.*

operationalization of the SAARC Food Bank. But its tardy mechanism to convene meetings and take decisions has rendered it futile.

For effective operationalization of the SAARC Food Bank, the Board should develop transparent procedures for withdrawal of foodgrains by a member country from its own reserve set aside for the SAARC Food Bank and maintained within its own territory. Similarly, procedures for the determination of price of foodgrains in the reserve, institutional arrangements supporting the Board, and conditions for replenishment of the reserve need to be made transparent.

The Board also needs to clearly define what constitutes food emergency and food shortfall. Moreover, the Board needs to authorize the Nodal Points in member countries to draw foodgrains from their own reserve using a food cheque system.

In the case of request from another member for the release of foodgrains, the member receiving the request should immediately release the foodgrains after proper quality checks. Hence, the capacity of the Nodal Point officials needs to be strengthened. Moreover, the Nodal Points in all member countries should be given full authority to request other Nodal Points to release foodgrains from their reserves when needed. They also need authority to accept food cheques from other members and immediately dispatch food to the needy members.

According to Article IX of the Agreement on Establishing the SAARC Food Bank, determining prices of foodgrains to be accessed from another member's reserve necessitates direct negotiation between the two members. For getting immediate access to the Food Bank reserve of another member country, the conditions for price setting should be agreed in advance so that there is no need to negotiate price at the time of food shortage or emergency. Hence, the

Board needs to set up a pre-established mechanism for price determination, and release, cross-border transportation and distribution of foodgrains, with S&DT provision for the LDC members. In determining pre-established prices of foodgrains, members should refrain from increasing food prices by incorporating their inefficiencies in production, storage, handling and transportation of foodgrains.

The SAARC Food Bank Board also has a mandate to develop a common response under a joint initiative among member countries to collectively combat food shortfall in a member country. In developing such a common response, the Board needs to take into consideration all concerns and limitations of member countries, especially those of least-developed members, such as low level of food production technology, less developed infrastructure and low affordability of poor people. It needs to simplify the conditions for replenishing foodgrains in order to maintain the level of foodgrain stock.

It is also necessary for the Board to study the effects of releasing food from the Food Bank on local food market, food trade and production, among others. Accordingly, the Board needs to obtain technical assistance from relevant experts. Including representatives of food-related ministries of member countries on the Board would add value to it.

Continuity of members in the Board is also necessary for the effective functioning of the SAARC Food Bank. Therefore, member countries should nominate Board members for a fixed term in such a way that not more than two members would be new in each Board meeting. One way of ensuring this could be initially appointing Board members for varying years so that their terms end at different times.

Also, the size of the Food Bank reserve is not large enough in addressing food security concerns of all member coun-

*The Food Bank Board needs to clearly define food “emergency” and “shortfall”, and authorize the Nodal Points to withdraw food from their own reserves using a food cheque system.*

tries. Therefore, the Board should consider revising the size of the reserve.

The trigger condition of 8 percent shortfall for accessing the Food Bank reserve must also be reduced to 3 percent, for example, and preliminary estimate of the shortfall should be taken into account for immediate withdrawal of foodgrains in times of severe food crisis. Similarly, “emergency” needs to be redefined to include drought, flood, cyclone and domestic conflict.

The Board can also establish a fund that any SAARC member in need can access to get foodgrains from the Food Bank reserve. A mechanism needs to be put in place for the member using the fund to repay it within a certain time period.

*The SAARC Secretariat can develop a regional food security policy for achieving synergies in national actions for food security.*

### 6.1.3 SAARC Secretariat

The SAARC Secretariat can help establish a dedicated Secretariat of the SAARC Food Bank Board. It can also empower the Board to link the Food Bank with international institutions working on food security issues, such as the International Food Policy Research Institute (IFPRI) and International Fund for Agricultural Development (IFAD). This could enable the Food Bank to secure funds for its smooth and efficient operation.

The Secretariat can also develop a regional food security policy for achieving synergies in national actions for food security. Under this policy, a regional food security plan can be developed for regionally consolidated investment on agricultural research and human resource development.

Sharing experiences among the members is also essential to assure that good practices are followed in food production and distribution, and in reducing and managing disaster risks. Thus, the regional policy on food security should facilitate the sharing and transfer of knowledge and technologies among member countries. The Secretariat should give authority to the Food Bank Board to request for official development assistance, if necessary, to increase food stock in the region.

The SAARC Secretariat should also convince member countries to revise the SAARC Food Bank Agreement and coordinate for the same. The Agreement needs to be revised to introduce S&DT provisions for LDC members, particularly in food supply and pricing. For instance, they should be provided more flexibility in making monetary payments for accessing foodgrains from SAARC Food Bank reserves, or allowed to add equal amount of foodgrains in their own reserves in the next harvesting season.

The time period for replenishing the stock should also be revised. The existing provision of six months should be revised to at least one year because a member that has recently faced severe food security threats may not be able to replenish the stock within six months. Similarly, the terms “emergencies” and “shortages” should be redefined to include cases of severity relating to food shortages and famine, among others.

The Secretariat can entrust the SAC to maintain regional food security data. It should also maintain country level data on food production, trade, price, distribution, among others.

# Endnotes

- <sup>1</sup> As defined by the World Food Summit (1996), food security is a situation that exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life.
- <sup>2</sup> According to the Food and Agriculture Organization of the United Nations, undernourishment or hunger exists when caloric intake is below the minimum dietary energy requirement (MDER) for light activity and to maintain a minimum acceptable weight for attained height.
- <sup>3</sup> The proportion of males to females in a given population expressed as the number of males per 100 females.
- <sup>4</sup> Despite committing to liberalize trade within South Asia under SAFTA, SAARC countries have prepared lists of certain products, which they consider to be sensitive for the domestic economy for various reasons. These products are not subject to the trade liberalization rules of SAFTA.
- <sup>5</sup> Accessibility of food refers to a household's ability to get food either through market purchase, transfers, gifts or public distribution system. Accessibility depends largely on household's purchasing power, which varies in relation to the level of food price.
- <sup>6</sup> Vulnerability arises from risks of exposure and sensitivity to livelihood shocks and limited resiliency, while the degree of vulnerability depends on the nature of the risk and households' resilience to those risks. Resiliency refers to how well a household or community can self-organize after exposure to the hazards (heat wave, cold wave, drought, flood and cyclone accentuated by climate change) to maintain an acceptable level of functioning and structure.
- <sup>7</sup> All members, except the Maldives, are exporters of foodgrains. India and Pakistan are the only net exporters of foodgrains.
- <sup>8</sup> <http://fcb-bhutan.com/policy-objective.html>.
- <sup>9</sup> <http://dfpd.nic.in>.
- <sup>10</sup> [www.pdsportal.nic.in](http://www.pdsportal.nic.in).
- <sup>11</sup> [www.passco.gov.pk](http://www.passco.gov.pk).



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