



ANNUAL REPORT 2004/05

Contents

	page
HIGHLIGHTS OF FAC ACTIVITIES IN 2004/05	2
THE FOOD AID COMMITTEE IN 2004/05	3
Fulfilment of obligations	3
Food situation in developing countries	4
Food aid policy and other developments	4
Needs assessments	5
Renegotiating the Food Aid Convention, 1999	5
Simplified reporting	5
Chairman for 2005/06	6
APPENDICES	
1. Food Aid Convention, 1999: Donor shipments in 2004/05	7

Notes

- *All figures in tons refer to metric tons.*
- *“m.” stands for “million”.*

HIGHLIGHTS OF FAC ACTIVITIES IN 2004/05

FAC

- *FAC food aid supplied in 2004/05 amounts to around 8.7 million tons, compared with 9.3m. in the previous year. This again significantly exceeds members' combined annual commitments under the Convention.*
- *Members detail their assistance to meet **food crisis in Sub-Saharan Africa**, including the Sudan/Darfur region, but WFP calls on donors to keep up the momentum of their pledges.*
- *FAC members **identify issues to be addressed in renegotiating the 1999 Convention** but decide to await the outcome of WTO agricultural negotiations, meanwhile keeping matters under review.*
- *Committee further discusses ways to **improve assessment of food aid needs** in recipient countries and notes discussion in WFP and FAO.*
- ***Simplified system of reporting** members' food aid transactions is introduced.*
- ***Food Aid Convention, 1999 extended** for two years, to 30 June 2007.*

THE FOOD AID COMMITTEE IN 2004/05

Chairman

Mr Frank van der Staaij
(Senior Policy Adviser, Ministry of Foreign Affairs,
The Hague, Netherlands)

Membership

Argentina	Japan
Australia	Norway
Canada	Switzerland
European Community and its twenty-five member States	United States of America

The Food Aid Committee administers the Food Aid Convention, 1999 (FAC) which aims to contribute to world food security and improve the ability of the international community to respond to emergency food situations and other food needs of developing countries. Under the FAC, donor members pledge to provide specified minimum annual amounts of grains and other eligible products to developing countries in need of food aid. As an instrument of intergovernmental cooperation in food aid matters, the FAC is a constituent part of the International Grains Agreement, 1995, and is institutionally linked to the Grains Trade Convention. The services of the IGC Secretariat are used to support the activities of the Food Aid Committee.

The Food Aid Committee held two sessions in 2004/05, both in London. The 91st Session was on 2 December 2004 and the 92nd on 13 June 2005. Each session was attended by donor members and invited observers from international organisations. The Governments of India and South Africa also attended the June 2005 session as observers.

By 30 June 2005, twenty-one members had completed their procedures of ratification or accession to the FAC 1999. At its June 2005 session, the Committee granted other members extensions of time to 30 June 2006 in which to deposit their instruments.

Fulfilment of obligations

At each session, members reviewed progress with the fulfilment of their annual FAC obligations. On the basis of provisional data provided, the total amount of food aid supplied under the Convention in **2004/05** reached around 8.7m. tons in wheat equivalent, close to the previous year's level of 9.3m. and much in excess of members' minimum annual commitments of some 5m. tons.

Nearly 60% of the total shipped in 2004/05 was sent to least-developed countries and 20% to other low-income countries. Over half of the aid was destined for Africa, including 1.0m. tons to Ethiopia (the largest recipient) and 0.8m. tons to Sudan. Eritrea, Uganda and Kenya also received substantial amounts, as did countries in Southern and West Africa. Other major recipients included Afghanistan, Bangladesh, Korea DR and Haiti. Donors provided aid predominantly in the form of grains and rice, including wheat and flour (2.9m. tons), rice

(0.8m. tons), maize (0.6m. tons) and sorghum (0.5m. tons). A variety of other eligible food products was shipped, including edible oils, pulses, powdered milk, root crops, sugar and fish.

Nearly all of the food aid (97%) was supplied as grants, while a total of approximately \$800m. was also provided by donors to cover transportation and other costs. More than half of members' food aid shipments was channelled multilaterally, chiefly through the World Food Programme (WFP). Some 1.8m. tons of food products, comprising over one-fifth of all aid under the Convention, were purchased locally in recipient countries, or were bought from other developing countries for supply to them. Some details of FAC shipments of food aid by destination, product and channel are shown in Appendix 6.

Food situation in developing countries

The Committee reviewed the food situation in developing countries with the assistance of grain market information provided by the IGC Secretariat, together with information from the FAO. Donor members also provided information on their emergency assistance, particularly to the Sudan/Darfur region and other countries in Sub-Saharan Africa.

At the June 2005 Session, the World Food Programme (WFP) referred to the unprecedented donor response to the tsunami disaster in South Asia in December 2004, but expressed concern about shortfalls in the aid available to meet other emergencies. This particularly included emergencies affecting Darfur (western Sudan), Chad, Eritrea, Niger, and other countries in central and southern Africa as well as Colombia, Haiti and North Korea. The WFP appealed to donors to keep up the momentum of their pledges. Organisational changes within WFP such as partnerships with private sector organisations would help to make its assistance more effective in future. Efforts were being made to reach out to potential new donors, bearing in mind that just four donors provided three-quarters of the WFP's total resources.

Food aid policy and other developments

FAC members shared information on their recent policy developments. In June 2005 Canada referred to the government's new policy statement on overseas assistance, which was directly related to the UN's millennium development goals. Canada's focus was on addressing hunger by improving nutrition and health among the most vulnerable and by providing assistance for agricultural production and resource management. The European Commission informed the Committee that the Council of the EU was developing new rules which would untie all EU assistance, irrespective of what other donors did. Only countries which also untied their aid would be eligible to bid for EU aid procurements. The United States referred to the emergency crises in sub-Saharan Africa and that the best ways to address the inter-related causes of poverty and drought were being re-examined. There was a compelling need to meet food-related life-saving needs in ways that reduced the high levels of risks faced by food producers throughout the region. Provision of specific food aid commodities, for example sorghum, could encourage and accelerate risk-reducing choices.

In December 2004, the WTO observer reported on the food aid-related developments of the Doha agricultural negotiations. There had been broad agreement that future food aid disciplines should prevent the circumvention of export subsidy commitments and the displacement of commercial transactions. However, the WTO rules would not stand in the way of the provision of bona-fide food aid. Other topics being discussed related to the role of international

organisations in respect of food aid, whether there should be disciplines on monetization and food aid linked to surplus disposal; whether food aid should be only in fully grant form; how to ensure that food aid did not displace production in the recipient country; untying food aid from commercial transactions, and whether there should be a prohibition on re-exports of food aid. All these issues would require further consideration.

Switzerland drew attention to its proposal in the WTO negotiations that food aid for developmental purposes should be granted in the form of cash aid only, and that other in-kind food aid, including food aid for emergencies, should be entirely phased out over time. Further, all aid should be completely untied from any obligation to purchase food or services in the donor country.

The Committee took note of OECD's Development Assistance Committee study on the impact of tying food aid, following a detailed presentation.

Needs assessments

The Committee continued to discuss ways to improve assessments of food aid needs in developing countries. For its part, the WFP noted that needs assessments had to be credible if donors' responses were to be robust and appropriately targeted to protect people least able to access food. In December 2004 the US reported on relevant issues discussed at the Sea Island G-8 summit meeting held the previous June, where attention had been given to the importance of tying an improved identification of needs into a better system of responding to food emergencies. At the subsequent June 2005 session, the United States proposed a joint donor review, under the auspices of the FAC, of the credibility of food-related needs assessments.

Renegotiating the Food Aid Convention, 1999

In June 2004 the Committee had established a Working Group to undertake a renegotiation of the Food Aid Convention, 1999, with the aim of making it "a more effective instrument to provide food aid to those identified needs when food aid is the most appropriate response." The Working Group held two meetings under the FAC Chairman on 22 October and 29 November 2004. At the December 2004 session, the Chairman reported that the Group had identified the issues to be addressed, grouping them in terms of content or process.

The Group concluded that the links between the review process in the Food Aid Committee and the trade reform negotiations under way in the WTO were such that conclusive recommendations should await the outcome of the WTO negotiations. In this situation, the Committee agreed that the FAC renegotiations would be more effectively carried out in the light of developments in WTO. In the meantime, the Committee would keep matters under review.

In the light of these decisions, the Committee agreed that the 1999 FAC, which had been due to expire on 30 June 2005, should be extended for a further two years, until 30 June 2007.

Simplified reporting

The Committee agreed some improvements to the operation of the Food Aid Convention suggested by the Working Group, to come into effect under the current FAC. Certain amendments to the Rules of Procedure were agreed at the June 2005 session. Reporting

systems under the FAC would be simplified as members henceforth report their food aid transactions to the Secretariat on an annual basis, rather than every six months. The Secretariat would intensify its cooperation with the WFP in respect of the practical use of information on transactions already provided to the WFP and to make maximum use of the internet to share information, both between members and externally.

Chairman for 2005/06

At its June 2005 session the Committee agreed that Mr Friedrich Brand (Deputy Head of International Affairs Section, Swiss Federal Office for Agriculture) should be appointed its Chairman for 2005/06.

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Appendix 1

Food Aid Convention, 1999: Donor shipments in 2004/05 (July-June)*

BY DESTINATION			BY PRODUCT		
	2004/05	2003/04		2004/05	2003/04
N&C America	590	464	Grains	4,389	4,489
Guatemala	119	105	Maize	647	850
Haiti	149	115	Rice	796	884
Others	322	244	Wheat	2,473	2,379
South America	327	349	Sorghum	473	298
Bolivia	111	117	Other	1	77
Peru	134	206	Grain products	1,306	1,483
Others	83	26	Maize meal	229	344
Asia: Near East	403	808	Maize soya blend	355	334
Iraq	14	357	Wheat flour	439	496
Jordan	135	143	Other	284	309
Yemen	143	124	Legumes & pulses	668	988
Others	111	185	Vegetable oil	1,447	1,702
Asia: Far East	2,092	1,892	All other/unspec.	866	640
Afghanistan	398	251	TOTAL	8,677	9,302
Bangladesh	308	311			
India	244	163			
Indonesia	188	101			
Korea DR (North)	328	315			
Pakistan	67	137			
Philippines	111	192			
Others	446	423			
Africa	4,778	5,298			
Angola	154	264			
Eritrea	292	408			
Ethiopia	973	1,187			
Kenya	206	211			
Mozambique	104	171			
Sudan	813	269			
Tanzania	106	249			
Uganda	369	283			
Others	1,761	2,258			
CIS	399	347			
Europe	57	124			
Unspecified	30	18			
TOTAL	8,677	9,302			

BY CHANNEL		
	2004/05	2003/04
Multilateral	4,893	4,563
WFP	4,836	4,503
Other	57	60
Bilateral	3,784	4,739
Donation	3,538	4,417
Credit	246	322

* Some data on food aid shipments is provisional and is subject to correction.

NOTE:

This table shows amounts in "wheat equivalent", the measure used under the Food Aid Convention to assess members' contributions. Various rates (as specified in the FAC) are used to evaluate the wheat equivalent of any contributions not in the form of wheat. **The figures in this table do not, therefore, correspond to actual tonnages of the various commodities shipped.** For full explanations and more detail please refer to the annual "Food Aid Shipments" tables published by the International Grains Council.