



ANNUAL REPORT 2005/06

Contents

| | page |
|--|------|
| HIGHLIGHTS OF FAC ACTIVITIES IN 2005/06 | 2 |
| THE FOOD AID COMMITTEE IN 2005/06 | 3 |
| Future action | 3 |
| Improving food aid needs assessments | 4 |
| Fulfilment of obligations | 5 |
| Food situation in developing countries | 5 |
| Food aid policy developments | 5 |
| Chairman for 2006/07 | 5 |

Notes

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

HIGHLIGHTS OF FAC ACTIVITIES IN 2005/06

Food Aid Committee

- *Having noted the state of progress with **WTO** agricultural negotiations, in particular as they concern food aid, Committee agreed to **defer renegotiation of FAC** until the Doha negotiations produce a result.*
- *Committee discusses recipients' **needs assessments** and how these can be improved, noting progress with work being undertaken by FAO and WFP.*
- ***FAC food aid** supplied in 2005/06 amounts to around 9.1m. tons, compared with 8.9m. in the previous year, well in excess of members' combined annual commitments.*
- *Members exchange information on **food crises** in Sudan/Darfur region and other areas of special concern.*

THE FOOD AID COMMITTEE IN 2005/06

Chairman

Mr. F. Brand (Switzerland)

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 (FAC), 1999, an instrument of intergovernmental cooperation in food aid matters. Its membership consists of the thirty-three donors listed above. As constituent parts of the International Grains Agreement, 1995, the Food Aid Convention and the Grains Trade Convention are institutionally linked, and the Secretariat of the International Grains Council provides administrative services for the Food Aid Committee.

The objectives of the FAC are 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. Members have pledged to provide specified minimum annual amounts of grains and other eligible products to developing countries in need of food aid. The life of the 1999 Convention (which was originally due to expire in 2002) has been extended on successive occasions. In June 2005 the Committee agreed that it should be further extended until the end of the 2006/07 fiscal year, i.e. to 30 June 2007.

The Food Aid Committee held two sessions in 2005/06, both in London. The 93rd Session was on 17 January 2006 and the 94th on 15 June 2006. Each session was attended by donor members and observers from international organisations, while the Governments of India, Russia and South Africa also attended either or both sessions as observers.

By 30 June 2006 twenty-one members of the Committee had completed their procedures of ratification or accession to the FAC. At its June 2006 session, the Committee granted the other twelve extensions of time to 30 June 2007 in which to deposit their instruments.

Future action

The future evolution of the Food Aid Convention has been under discussion in the Food Aid Committee since 2003. Members have agreed in principle that the current FAC, 1999, useful as it is, should be replaced by a more effective instrument to provide food aid to those with identified needs. However, as food aid matters are included in the ongoing WTO negotiations on agriculture*, it was recognised that work on a possible new Convention would need to proceed in step with what was being done there. In January 2006 the Committee confirmed its position not to start renegotiating the FAC until the WTO negotiations produced a result upon which a new Convention could be based.

* Launched in November 2001 by the Doha Declaration of WTO Ministers, the formal negotiations were suspended in July 2006.

A written statement from the WTO Secretariat about the progress of the negotiations in Geneva was circulated at the Committee's session in June 2006. It made clear that many issues remained to be resolved, not only in agriculture but also in the other areas of the negotiations. Food aid had been one of the chief elements under discussion. In their Hong Kong Declaration in December 2005 WTO Ministers had:

- reconfirmed the commitment to maintain adequate levels of food aid;
- recognised that the disciplines developed in the WTO agriculture negotiations should not impede the provision of food aid during emergency situations, and
- agreed that the focus of the negotiations regarding non-emergency food aid is to eliminate commercial displacement through effective disciplines on in-kind food aid, monetisation and re-exports.

WTO members had generally accepted that all food aid should be needs-based, should not be tied directly or indirectly to commercial exports of agricultural products or of other goods and services, and should not be linked to market development objectives of donor members. There was not yet agreement, however, on the degree to which food aid should be provided in grant form. Another unresolved issue concerned how emergency situations (under which food aid would be exempt from certain disciplines) should be declared, and by whom. Limited progress had been made in respect of the mandate to eliminate commercial displacement, and there were also differences of opinion on the extent to which, and how, monetisation of food aid should be phased out. Although there was a convergence of views that commercial re-exports of in-kind food aid should be prohibited, while allowing transshipment of food aid in an emergency situation, different views remained on who should oversee such transshipments.

The Committee agreed that, to take account of the further progress of the WTO negotiations, its decision on the future of the FAC after 30 June 2007 should be deferred until the next session in December 2006.

Improving food aid needs assessments

Article VIII of the FAC, 1999 states, in paragraph (a), that "*Food aid should only be provided when it is the most effective and appropriate means of assistance*" and, in paragraph (b) that "*Food aid should be based on an evaluation of needs by the recipient and the members, within their own respective policies, and should be aimed at enhancing food security in recipient countries.*"

At the January 2006 session members of the Committee reported on their efforts to improve food aid needs assessments, in particular those which were being undertaken in collaboration with FAO and WFP. The representative of the European Community said that it had supported both the FAO and WFP in the improvement of their assessment capabilities and the refinement of their methodologies. While the improvement of food aid needs assessment was a slow process and many questions still remained outstanding, the position of the EC was that food aid should be based on needs, and therefore that credible needs assessments were crucial. The United States delegate said that the magnitude of food needs continued to challenge the international community's ability to respond, particularly in emergencies. He then elaborated the proposal his delegation had made at the previous session for a joint donor review, under the auspices of the FAC, of the credibility of food-related needs assessments. Senior representatives from relevant international organisations could be invited to give views on how well the needs-based principles of Article VIII of the Convention were being met. Members

welcomed the US initiative, but some believed that it would be best taken up in the context of the re-negotiation of the FAC.

In June 2006 the Chairman noted that the WTO negotiations had made no significant progress and that his consultations with members had shown that there was no change in their positions regarding the US proposal. The WFP and FAO representatives then brought the Committee up to date with the work on food aid needs assessment being undertaken in their organisations. The Committee noted that the process suggested by the US had in fact started, and that there was a convergence of interests between the FAC and the other international organisations. Members were encouraged to further develop this cooperation and synergy, for example through their membership of the WFP's Executive Board.

Fulfilment of obligations

At each session, members reviewed progress with the fulfilment of their obligations under the FAC. On the basis of information made available by donors, it is estimated that food aid deliveries in 2005/06 totalled about 8.9m. tons in wheat equivalent*. This is unchanged from 2004/05 and is again well above the total of members' annual FAC commitments.

Food situation in developing countries

The Committee reviewed the food situation in developing countries with the assistance of information provided by the IGC Secretariat and FAO. The representative of the World Food Programme gave details of the various programmes being undertaken by that organisation, including estimates of the amount of food aid which was needed in particular countries and regions but not covered by current pledges. Members provided information on the situation in areas of special concern, and their own governments' efforts to provide food assistance, notably to the Sudan/Darfur region, the Horn of Africa, parts of southern Africa, Pakistan (following the earthquake), Indonesia and North Korea.

Food aid policy developments

FAC members shared information on their recent policy developments. In January 2006 the representative of the European Community described new regulations recently adopted by the EC related to the untying of aid. All EC aid provided to least-developed countries, and channelled through UN organisations, and all emergency aid, was now untied. The regulations were intended to help partner countries become main players in their own development, both from a political and an operational point of view and to reinforce both regional integration and local market capacity. The Canadian representative said that restrictions on sourcing Canada's food aid had been eased. The upper limit on the share of food sourced from least-developed and other low-income countries had been raised from 10% to 50%. This would improve the timeliness of Canada's response to emergencies, increase marketing opportunities for agricultural producers in developing countries and enable more culturally appropriate food to be provided as aid.

Chairman for 2006/07

At its June 2006 session the Committee appointed Mr William Whelan (Senior Food Security Adviser, US Agency for International Development) to be its Chairman for 2006/07.

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* Estimates of FAC food aid shipments include a nominal wheat equivalent of commitments made in value, rather than tonnage, terms.