



ANNUAL REPORT 2006/07

Contents

	page
HIGHLIGHTS OF FAC ACTIVITIES IN 2006/07	2
FOOD AID COMMITTEE	3
Membership and meetings	3
Developments in 2006/07	4
Food situation in developing countries	4
Fulfilment of obligations	4
Food aid policy developments	5
Consultations with recipients	5
Food Aid Convention	5
Review of the Committee's emergency response function	5
Rules of Procedure – wheat equivalent	5
Future action	6
Items for consideration under a new Food Aid Convention	6
Administrative and other matters	7
FAC, 1999: Member actions	7
Chairman for 2007/08	7

Notes

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

HIGHLIGHTS OF FAC ACTIVITIES IN 2006/07

Food Aid Committee

- Committee notes impact of increases in international cereals prices and transport costs on developing countries' food import bills and food security.
- Members detail their responses to current food emergencies, especially in the Horn of Africa, Sudan, southern Africa, West Africa/Sahel and Near East Asia.
- Committee estimates food aid supplied under the FAC in 2006/07 at around 7.5m. tons, compared with 8.9m. in 2005/06.
- Members examine extent to which the FAC objectives are being achieved.
- Representative of the African Union describes strategies adopted by African governments to implement policies to improve agricultural development and food security.
- Committee discusses its emergency response function with a view to improving members' ability to respond appropriately to food aid needs.
- WTO reports on progress with Doha negotiations, including understandings already reached about international food aid. Pending completion of WTO process, Committee agrees to extend FAC for one year until 30 June 2008.

FOOD AID COMMITTEE

Membership and meetings

Chairman in 2006/07

Mr. W. Whelan
(Senior Food Security Adviser, US Agency for International Development)

Membership

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

The Food Aid Committee administers the Food Aid Convention (FAC), 1999, the latest in a long series of legal instruments providing for intergovernmental cooperation in food aid matters. The objective of the FAC is 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 (listed above) pledge to provide specified minimum annual amounts of grains and other eligible products (or their cash equivalent) to developing countries needing food aid. The current FAC particularly emphasises the importance of monitoring and evaluating the effectiveness of food aid operations in alleviating poverty and hunger among the most vulnerable groups.

The FAC, 1999 and the Grains Trade Convention, 1995 (which is administered by the International Grains Council) are institutionally linked as constituent parts of the International Grains Agreement, 1995. Administrative services for the Food Aid Committee are provided by the IGC Secretariat.

The Food Aid Committee held two sessions in 2006/07, both in London. The 95th Session was on 5 December 2006 and the 96th on 1 June 2007. Each session was attended by donor members and observers from international organisations, while the governments of India, Russia and South Africa were represented as observers.

At the 95th Session, the Committee agreed to restructure its meeting arrangements for that and the following session in June 2007. Primacy was given to a review of members' collective progress towards achieving the objectives of the FAC, and to questions relating to the assessment of food aid needs. Long-term food security concerns were also addressed. The aim was to concentrate on matters of key importance and open up new avenues for discussion, particularly with reference to the eventual renegotiation of the FAC. Each session was preceded by informal discussions between members. At the end of the 96th Session, the Committee agreed that the discussions had been fruitful.

Developments in 2006/07

Food situation in developing countries

At each session the Committee reviewed the food situation in developing countries in the light of up-to-date information on grain market developments provided by the IGC Secretariat and a statement by the FAO observer. The Committee noted that the steep increases in international cereals prices and ocean transport costs during 2006-07 were having a serious cumulative impact on the food import bills of many developing countries, and therefore on their food security. Concern was also expressed at their possible implications for donors' food aid commitments and shipments. The Committee noted that several organisations, including FAO, were researching the consequences for developing countries and vulnerable groups of longer-term concerns such as climate change and the increasing use of cereals to make biofuels. It was agreed that the organisations concerned should be invited to provide reports on this research to the Committee at future meetings.

Members gave information on their responses to current food emergencies, including in particular those in the Horn of Africa, Sudan, southern Africa, West Africa/Sahel and Near East Asia. The WFP observer made statements at each session on global food aid deliveries, and described the problems of maintaining the flow of food aid to needy people in certain countries. The Chairman, recalling the Committee's discussions on improving the assessment of food aid needs, asked the WFP to provide more information at future sessions about the links between its appeals for emergency food aid and needs assessments, and also to indicate the goals of each appeal.

Fulfilment of obligations

At each session, members reviewed progress with the fulfilment of their obligations under the Convention. In June 2007, the Committee noted that, on the basis of preliminary estimates, food aid supplied under the FAC in 2006/07 would be less than the 8.9m. tons shipped in 2005/06. Rising commodity and transport costs were, at least in part, responsible for the decline in shipments.

Total shipments of FAC aid in 2006/07 amounted to 7.5m. tons* (wheat equivalent). About 60% of all FAC aid shipped in 2006/07 was destined for 42 countries in Africa, the region's biggest single recipients being Sudan (787,000 tons), Ethiopia (784,000 tons), Kenya (444,000 tons), Uganda (366,000 tons), Malawi (222,000 tons), and Zimbabwe (195,000 tons). Over three-quarters of the African total was provided under emergency operations. Among the other major recipients of FAC aid were Afghanistan (398,000 tons), Palestinian Territories (210,000 tons) and Bangladesh (204,000 tons).

Over 80 different products or product mixes were shipped by FAC donors in 2006/07, with wheat and wheat products such as flour and bulgur accounting for 30% of the total. Maize and maize meal represented some 13%, sorghum 8% and rice 7%. Other important products were vegetable oils, beans, lentils, peas, soyabean meal, seeds, dried milk, sugar and various blended products, many of them formulated as components of recipients' traditional diets.

Nearly 2m. tons of food aid were purchased by donors in developing countries, either in triangular operations or purchased locally within the recipient country, mostly through WFP. Total expenditure by donors on transport and other operational costs connected with their FAC donations amounted to some \$750m.

* Preliminary

Food aid policy developments

At the December 2006 session, the European Community representative outlined recent changes in the EC's food aid policies. It was now recognised that food aid did not provide sustainable solutions for countries facing chronic insecurity. There was a new strategic focus on achieving food security through a variety of other means, including local production, local purchases and market-related interventions. A crucial step taken by the EC was to move away from using food aid as an instrument of surplus disposal towards providing cash to procure food on local and regional markets. The use of funds was now needs-based. A new development policy had been brought into effect with guidelines enabling the EC to respond rapidly and flexibly to food crises. New regulations on untying aid had made the provision of food aid more efficient.

In June 2007, the United States representative restated the priorities of US food aid policies. These were to deliver food aid quickly to places suffering sudden and protracted emergencies, to save lives, strengthen beneficiary impact, improve the predictability of non-emergency resources, increase the integration of food aid with other development programmes and focus food aid resources on those countries with most need. The US was currently reviewing its food aid policy and expected to approve changes in the near future. One possibility being considered was to allow a proportion of US aid funds to be used to purchase food in local and regional markets.

Consultations with recipients

A representative of the African Union made a presentation to the Committee at its June 2007 session. He described strategies being adopted by African governments to implement policies agreed by regional institutions to improve agricultural development and food security in the continent. Informal consultations were also held between members of the Food Aid Committee and the "Alliance for Food Aid", a group of private voluntary organisations.

Food aid Convention

Review of the Committee's emergency response function

A key provision of the FAC is that food aid should be allocated according to need. In practice, members find that determining and prioritising the needs of developing countries and vulnerable groups facing emergencies is difficult because of the lack of comprehensive up-to-date information. At the 95th Session, the Committee agreed that this required a continuous exchange of information between members on these critical points, also making more use of the members' website. At the June 2007 Session, the Committee agreed that further steps were required to enhance members' ability to respond appropriately to the needs of particular countries or groups. These should lead to concrete, practical and useful benefits for members and recipients but not duplicate the reporting systems being established by WFP and other organisations.

Rules of Procedure – wheat equivalent

Under the Food Aid Convention, the contributions which some donors make in the form of cash are evaluated in wheat equivalent at the "prevailing market price of wheat". This is defined with reference to the International Grain Council's published wheat price index, and Rule 7(a) of the Rules of Procedure lists the wheats which make up that index. During 2006

the IGC decided to make its index more representative of the pattern of world wheat trade by adding export prices of Argentine and EU (French) wheats to the seven Australian, Canadian and US wheats already included. At its December 2006 session, the Food Aid Committee approved the necessary amendment to Rule 7(a) to bring it into line with the revised composition of the IGC index.

Future action

Since the first Food Aid Convention was negotiated in 1967, the FAC's scope and aims have progressively evolved as donors sought to keep pace with the international community's changing appreciation of the problems of, and feasible solutions to, hunger and malnutrition in developing countries. In 2003, the Committee reviewed the FAC, 1999 and agreed that a more effective instrument was required to provide appropriate food aid to those with identified needs. However, members accepted that they could not begin detailed drafting until completion of the ongoing Round of WTO negotiations (the "Doha Development Agenda"), which covered several aspects of food aid. Meanwhile, the Committee agreed to continue its discussions of desirable changes to the Convention.

The commitment to renegotiate the FAC as soon as appropriate was re-emphasised at the Committee's December 2006 session. This meeting marked a considerable intensification of the pace of formal and informal discussions between members, both about the way that the 1999 Convention was working and on the new elements that should be included in its successor. Some of the topics raised are referred to under separate headings in this Report. At the June 2007 session, several members referred to the international Conference on food aid¹ held in Berlin which they had attended the previous month. They considered the Conference to have been a productive start to the dialogue which the Committee needed to have about renegotiating the FAC.

Progress in the WTO negotiations was monitored at each Committee Session. In June 2007 the WTO Secretariat, in a written communication, summarised the broad understandings about international food aid already reached in the WTO Committee on Agriculture. Negotiators were agreed that international food aid should be so conducted as to eliminate commercial displacement and minimise disincentives to local production, while ensuring that there was no unintended impediment to dealing with emergency situations. The general view was that food aid should be provided in fully grant form. Other areas of broad agreement covered the definition of emergencies, disciplines concerning the provision of in-kind food aid in emergency situations, approaches to the question of monetisation of aid, and the need for improved monitoring, both *ex ante* and *ex post*, of food aid actions.

As the WTO process was not yet completed, the Committee agreed to extend the FAC, which had been due to expire on 30 June 2007, for one year until 30 June 2008.

Items for consideration under a new Food Aid Convention

At the June 2007 Session, the Committee discussed "twinning" – a practice typically involving matching in-kind contributions by developing countries with cash contributions from donors to cover associated costs such as transport and handling. Members noted that twinning schemes could offer multiple benefits, including burden-sharing by non-traditional donors. However, at present, participation in twinning arrangements could not be counted by members towards fulfilment of their obligations under the Convention. The Committee agreed that formal recognition of the practice should be considered when the Food Aid Convention was renegotiated.

¹ "Food Aid: Exploring the Challenges". The Conference was organised by the German Federal Ministry for Economic Cooperation and Development.

At the same session, the Committee considered the question of micronutrients. It was agreed that providing micronutrients to beneficiaries could be an effective way of improving the quality of food aid and of reducing malnutrition. Micronutrients were especially relevant to the needs of women and young children. However, existing provisions of the FAC made it difficult to supply them as part of members' contributions. It was agreed that the importance of micronutrients should be reflected when the Food Aid Convention was renegotiated.

Administrative and other matters

FAC 1999: member actions

By 30 June 2007 twenty-three of the thirty five members of the Food Aid Committee had completed their formal procedures of ratification or accession to the FAC, 1999. In June 2007 the Committee granted the other twelve countries extensions of time to 30 June 2008 in which to deposit their instruments.

Chairman for 2007/08

At its June 2007 session the Committee appointed Dr Hedwig Wögerbauer (Head of Division for FAO, OECD, Food Aid and Food Security, Federal Ministry of Agriculture, Forestry, Environment and Water Management, Austria) Chairman of the Food Aid Committee for 2007/08.
