



Promoting agricultural inputs under the Food Aid Convention to increase food production in emergency-prone developing countries

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FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

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ABBREVIATIONS AND ACRONYMS

AoA	Agreement on Agriculture
ASCM	Agreement on Subsidies and Countervailing Measures
CAP	Consolidated Appeals Process
CCP	Committee on Commodity Problems
CERF	United Nations Central Emergency Response Fund
CIDA	Canadian International Development Assistance
CSSD	Consultative Sub-Committee on Surplus Disposal
EU	European Union
FAC	Food Aid Convention
FAIS	Food Aid Information System
FAO	Food and Agriculture Organization of the United Nations
G-8	Group of Eight
GIEWS	Global Information and Early Warning System on Food and Agriculture
IDP	Internally displaced person
IEFR	International Emergency Food Reserve
IGA	International Grains Agreement
IMF	International Monetary Fund
LDC	Least-developed country
LIFDC	Low-income food-deficit country
NFIDC	Net food-importing developing country
NGO	Non-governmental organization
ODA	Official Development Assistance
SOFA	State of Food and Agriculture (FAO)
UMR	Usual Marketing Requirement
UN	United Nations
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
WFP	World Food Programme
WTC	Wheat Trade Convention

EXECUTIVE SUMMARY

Assistance needs for the rapidly increasing emergency situations require more judicious responses on the part of donors, including the provision of critical agricultural inputs such as seeds, fertilizers and farming implements for reconstruction and recovery of the agriculture sector.

The institutional framework governing food-related assistance has been at an impasse for some time, with the renegotiation of the Food Aid Convention (FAC) remaining in suspense, awaiting the conclusion of the uncertain Doha Round of negotiations, although there have been fresh efforts to move the FAC process forward.

The Food and Agriculture organization of the United Nations is the key agency within the multilateral system responsible for coordinating donor efforts in the rehabilitation of agriculture in the aftermath of emergencies. The Organization has a keen interest in seeing that the FAC process is concluded soon, taking on board the new realities on the ground, in particular assisting affected communities to resume agricultural activity and return to self-reliance.

An analysis of trends in natural and human-induced disasters over the last 30 years confirms the large increase in protracted emergency situations, whereby several countries experience a food emergency year after year. In addition, many of these countries suffer serious chronic food insecurity and these two problems (the transitory and the structural) cannot be addressed separately.

A stop-gap approach based on short-term food assistance is not sustainable in these situations. Interventions should also aim to break the cycle of long-term structural problems feeding into greater vulnerability in the short term. Increasing donor support in the form of agricultural inputs, together with meeting immediate food needs, is critical in expediting recovery and helping agricultural communities getting back on their feet.

Meeting immediate food emergency needs has become the main priority of donors with nearly 80 percent of total food aid now used for that purpose compared with well below 20 percent up to 1990. At the same time donors' funding arrangements have become more flexible with a large majority of donors providing cash resources to facilitate local purchases and triangular transactions, as well as funds for the purchase of agricultural inputs.

While support for the agriculture sector within the United Nations Consolidated Appeals Process has increased in recent years, agriculture remains heavily underfunded in relation to identified needs and other sectors, with only 41 percent of the sector's needs being met in recent years. Overall, FAO's efforts in rehabilitation and recovery of the agriculture sector have been compromised by a lack of adequate funding.

An analysis of a multitude of arrangements governing food-related assistance (the Consultative Sub-Committee on Surplus Disposal [CSSD], World Trade Organization [WTO] and FAC) shows that although they are guided by the legitimate objective of food aid doing more good and less harm, often for a variety of reasons they are not conducive to a coherent framework and may compromise the effectiveness of this assistance. Among them, the FAC is much broader than the CSSD and the WTO, both as regards its food security objective and the specific provisions contained therein.

Recognizing the importance of the FAC and expediting its negotiation to better meet its objectives has been the focus of attention by the international community for some time and recent intensified

efforts by the Food Aid Committee aim at launching formal negotiations. This would also respond to recent policy initiatives and strategies of donors whereby humanitarian food assistance is increasingly seen as an integral part of efforts to address the structural causes of chronic food insecurity. The FAC is no longer seen as simply having an 'instrument focus' (i.e. food aid) but also a 'problem focus' (i.e. food security), becoming a part of the broader processes of needs assessment and the related longer-term developmental responses.

This paper aims at making a contribution in the process of renegotiating the FAC, in particular as regards the recognition of the importance of agricultural inputs for the recovery and rehabilitation of the agriculture sector.

The proposals below deal with desirable amendments to the FAC to better respond to the 'realities of the 21st century' as regards emergency and other humanitarian needs, bearing fully in mind that this is an incremental process and thus any changes would have to take on board, *inter alia*, the substantial progress that has been made so far under the Doha Round negotiations on the role and modalities of providing food-related assistance.

Incorporating agricultural inputs fully into the FAC

The paper makes a strong case for broadening the scope of FAC by fully incorporating agricultural inputs as part of the legitimate contributions of donors under the Convention. This does not imply bringing into the FAC long-term development assistance to developing countries in general, but small quantities of inputs that are part and parcel of the emergency response to crisis-affected countries in order to expedite their recovery and thus avoid a continuing dependence on outside food assistance. However, the paper points out that to the extent that there is no certainty for allocations above the minimum FAC commitment, there is limited scope for diverting FAC resources on a regular basis to uses other than food products, without compromising resources for immediate food needs in emergency situations and those for other vulnerable groups.

Raising the FAC minimum commitment

The second imperative in the renegotiation of the FAC is to ensure that donor minimum commitments are raised to better match expected emergency and project needs. Food aid shipments and, by implication, needs have always exceeded FAC minimum levels and a greater degree of certainty to FAC resources would be highly desirable.

Broadening the FAC donor base

The new FAC should recognize the efforts made by several new donors (i.e. China, the Republic of Korea and Russian Federation), who have been providing increasing amounts of food aid in recent years. Thus, together with raising the minimum commitments of existing Members, efforts should be made to broaden the FAC donor base by bringing them formally into the FAC.

Earmarking and prioritizing FAC resources to emergency operations

Donations under the FAC should be earmarked exclusively for emergency operations and the needs of development and nutrition intervention projects, with first priority given to meeting immediate food needs and the remaining resources used in financing agricultural inputs and to address legitimate project needs.

Introducing flexibility in funding arrangement

The new FAC should allow more flexibility in annual donor contributions, recognizing the very nature of emergency requirements, being variable from year to year. This would necessitate amending Article VI of the 1999 FAC on carry-forward and carryover, to give donors a degree of flexibility in inter-year shifting of their contributions to better respond to variable needs.

Ensuring compatibility with WTO rules

Finally, although the related disciplines in WTO agreements are generally permissive as regards food-related assistance, there is scope for certain provisions of the FAC to be brought in line with existing rules and what may be eventually agreed under the Doha Round. These include: Article VII on *Eligible Recipients*, by streamlining FAC eligible recipient country categories with those established elsewhere and widely considered as legitimate targets of food related assistance; Article XIII on *Effectiveness and Impact*, where it would be desirable to take on board some well established principles as regards targeting and distribution of food related assistance, especially to resource poor farmers in developing countries, consistent with Article 6.2 of the Agreement on Agriculture; and Article IX on *Forms and Terms of Aid*, where it may be desirable to exclude programme food aid from being counted against donor commitments under the FAC.

I. INTRODUCTION

The institutional framework governing food aid and related food assistance has been at an impasse for some time. The main instrument on food aid, the Food Aid Convention (FAC), was last updated in 1999 and Members have extended it several times since then without any substantive modifications, awaiting the conclusion of the ongoing negotiations on agriculture at the World Trade Organization (WTO) under the Doha Round. Following the failure to reach an agreement under the Doha Round negotiations in July 2008 and the stalemate of the talks since then, the conclusion of the Round is uncertain and, by implication, the renegotiation of the FAC remains suspended.

Meanwhile, there have been important changes in the nature of food-related assistance needs, especially the substantial increase in protracted emergencies of different causes, as well as in the related donor food security and humanitarian assistance policies and strategies. Assistance needs for the growing emergency situations call for more judicious responses on the part of donors to address both the immediate needs of the affected populations and to provide the necessary assistance for reconstruction and recovery, particularly of the agriculture sector. The Food and Agriculture Organization of the United Nations (FAO) is the key agency within the multilateral system responsible for coordinating donor efforts in the rehabilitation of agriculture following emergencies and has been assisting affected countries with critical agricultural inputs such as seeds, fertilizers and farming implements, which help affected communities to resume agricultural activities and return to self-reliance.

In view of these new realities, there is disquiet among the donor community about the prolonging of existing food assistance institutional arrangements, some of which are considered unsatisfactory to fully address actual needs and thus compromise donors' humanitarian assistance efforts. There is a real risk that continuation of the status quo could be damaging the FAC as a unique instrument to food-related assistance.

The need for an overhaul of food assistance institutional arrangements has been expressed for some time, including at the FAC in 2004 for the renegotiation of the 1999 Convention. However, FAC Members decided this would need to await the outcome of the WTO negotiations. While that process has yet to be concluded, it is widely recognized that sufficient convergence exists regarding the envisaged disciplines on food aid contained in the *Draft Modalities for Agriculture*², which could be taken as a basis for renegotiating the FAC.

The paper makes the case that the renegotiation of the FAC should proceed without further delay. Moreover, it argues that the direction of the new FAC should explicitly recognize the interface between the humanitarian and development dimensions of food-related assistance in complex and protracted emergencies so that short-term responses form part of longer-term mitigation mechanisms, strengthening the resilience of emergency-prone countries. There are indications from donors that these two domains, hitherto with separate institutional, funding and staffing arrangements, as well as distinct aims and principles, are showing convergence.

There are also indications from donors of the need to renegotiate the FAC in view of pressing issues faced by them in rendering their food aid programmes more effective. A Working Group on the future of the FAC was set up, facilitated by the Chair of the Food Aid Committee, and commenced work on 15 March 2010, with a focus on what might be the guiding objectives of a new Convention

² *Revised Draft Modalities for Agriculture*, TN/AG/W/4/Rev.4, WTO, 6 December 2008.

and how its effectiveness could be improved. While this informal process is ongoing and has been intensified in recent months, there is no clarity as to its outcome, including in regard to a commitment for launching formal negotiations.

In view of these developments, this paper addresses some specific issues of importance to FAO, in particular as regards food-related assistance that would assist the Organization in its important role of helping countries rehabilitate their agriculture sectors following emergencies. The specific issue addressed in the paper is on the need to broaden the scope of food-related assistance by fully incorporating agricultural inputs as part of the legitimate contributions of donors under the Convention. Some recognition of such contributions is already accounted for in the existing Convention, but this needs to be expanded in quantity, types of inputs and modalities of contributions, to take on board the actual practices of several donors in this area and provide an incentive to other donors to channel greater resources for this purpose.

The paper is organized as follows: section II summarizes the changing profile of emergencies over the last three decades, reaffirming the predominance of protracted emergency situations, whereby affected countries are trapped in a cycle of transitory and structural food insecurity. Section III analyses food aid shipments and highlights important changes in recent years regarding the mode of delivery and the ever-increasing share to meet emergency needs. The role of FAO in emergency response is discussed in section IV, including the types of food-related assistance channelled through FAO to meet the rehabilitation needs of disaster-affected agriculture sectors, as well as the funding constraints in this area. Section V addresses in some detail the different institutional arrangements governing the provision of food assistance, recognizing limitations in view of their original mandates, and argues for bestowing primacy on the FAC. Finally, section VI, after reviewing recent changes in donors' food security strategies which, *inter alia*, call for a better integration of short-term humanitarian assistance into longer-term food security strategies, makes several proposals that may be considered in the eventual renegotiation of the FAC, including, in particular, options for expanding its scope to fully incorporate agricultural inputs among the eligible commodities and desirable changes in modalities of contributions to better respond to variable emergency needs.

II. TYPOLOGY OF EMERGENCIES AND COUNTRIES AFFECTED

Defining emergencies

Broadly speaking, definitions and typologies of emergencies try to capture two aspects: the source of the problem and the speed at which it manifests itself. Under this general framework, FAO's Global Information and Early Warning System on Food and Agriculture (GIEWS) distinguishes between three types of situations:

- (i) **natural disasters**, either slowly developing, such as drought, adverse weather, transboundary diseases, avian influenza, pests, etc. or sudden onset disasters such as floods, cyclones, hurricanes, earthquakes, volcanoes, locusts, etc.;
- (ii) **human-induced disasters**, either war-conflict type, such as war, civil strife, refugees, internally displaced persons (IDPs), etc. or socio-economic crises due to commodity price collapse, loss of export markets, currency problems, land tenure problems, HIV/AIDS health-related crises; and
- (iii) **combination** of natural and human-induced disasters.

The World Food Programme (WFP) has adopted a more descriptive definition, which combines not only the cause and speed but also elements of the impact of such situations, thus giving some operational guidance as to the type of response that may be appropriate. Thus, in 2005, WFP's Executive Board revised its existing 1970 definition as follows³:

"For purposes of WFP emergency projects, emergencies are defined as urgent situations in which there is clear evidence that an event or series of events has occurred which causes human suffering or imminently threatens human lives or livelihoods and which the government concerned has not the means to remedy; and it is a demonstrably abnormal event or series of events which produces dislocation in the life of a community on an exceptional scale. The event or series of events may comprise one or a combination of the following:

- a) sudden calamities such as earthquakes, floods, locust infestations and similar unforeseen disasters;
- b) human-made emergencies resulting in an influx of refugees or the internal displacement of populations or in the suffering of otherwise affected populations;
- c) food scarcity conditions owing to slow-onset events such as drought, crop failures, pests, and diseases that result in an erosion of communities and vulnerable populations' capacity to meet their food needs;
- d) severe food access or availability conditions resulting from sudden economic shocks, market failure, or economic collapse – and that result in an erosion of communities' and vulnerable populations' capacity to meet their food needs; and
- e) a complex emergency for which the Government of the affected country or the Secretary-General of the United Nations has requested the support of WFP."

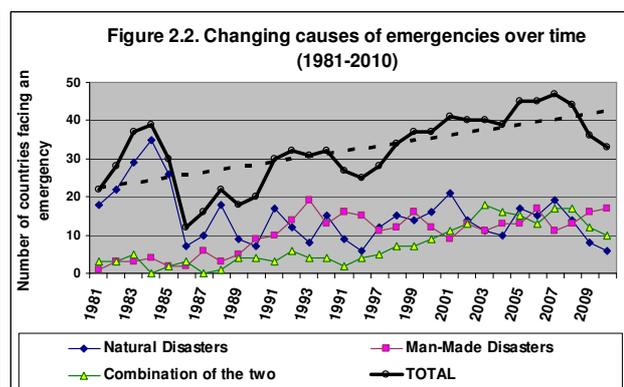
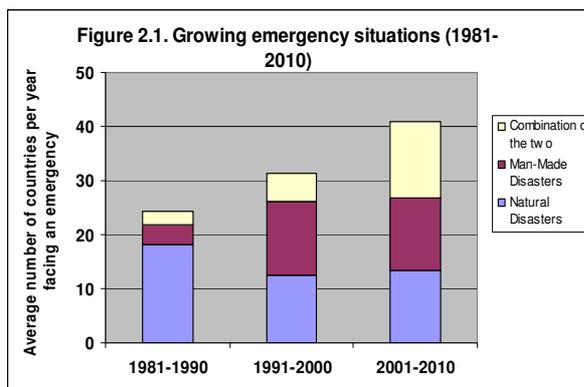
Other humanitarian assistance organizations and bilateral agencies use similar typologies of emergency situations, often qualifying further the exceptional nature of the disaster and the extraordinary response called for, overwhelming the normal coping capacities of the affected communities. Another common element is the recognition of what is termed as 'complex emergencies', which in addition to the complexity as regards the causes (often a combination of natural and human-induced factors) are long lasting and necessitate an array of short- and longer-term interventions.

³ *Definition of Emergencies*, WFP/EB.1/2005/4-A/Rev.1, February 2005.

Incidence of emergencies and countries affected

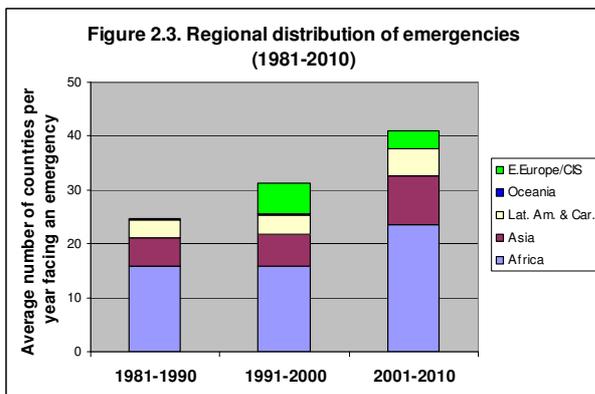
The quantitative analysis of emergency situations that follows is derived from the information compiled by FAO's GIEWS for the 30-year period 1981-2010 (**Annex 1**), based on the classification of emergencies under the three broad categories referred to above.

An initial observation is the considerable growth in the number of emergencies over time (**Figures 2.1** and **2.2**). On average, the number of countries experiencing an emergency during 1981-90 was 24 annually. This increased to 32 during 1991-2000 and further to 42 countries during 2001-10. While the number of countries affected by natural disasters declined during this period, those related to human-induced disasters and a combination of human-induced and natural causes has substantially increased, particularly during the 2001-10 decade.



Source: GIEWS

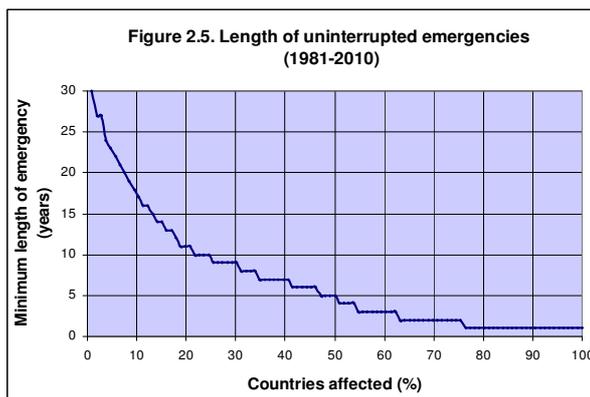
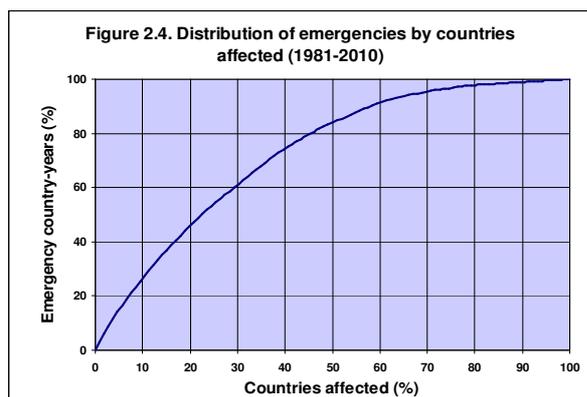
Africa has been consistently the region with the largest number of emergencies (**Figure 2.3**). On average, 16 African countries annually experienced an emergency during the 1980s and 1990s and this number jumped to 24 countries during 2001-10. A substantial relative increase in the number of emergencies was registered for Asia and Latin America; however, these were much less than that of the Africa region in terms of the number of countries affected. The economic transition that took place in Eastern Europe and the Commonwealth of Independent States during the 1990s also resulted in a large number of emergencies in that region, which, however, subsided considerably during the following decade.



Source: GIEWS

Irrespective of the causes leading to an emergency, another critical characteristic for determining appropriate responses is duration. Overall, some 106 different countries from all geographical regions experienced an emergency for at least one year during the last 30 years. However, the distribution of emergencies shows a relative concentration among the countries affected (**Figure 2.4**). Some 30 percent of the affected countries accounted for over 60 percent of the total

emergency-country-years⁴, and 60 percent of the countries accounted for nearly 95 percent of all emergency-country-years. This is the case because, while a large number of countries experience an emergency very infrequently, other countries are in an emergency situation year after year. This is evident from the distribution of uninterrupted emergencies (**Figure 2.5**). Thus, 4 percent of all emergency-prone countries have faced an emergency in at least 25 consecutive years out of the 30-year period (1981-2010). Similarly, 10 percent of all countries have faced emergencies that lasted for at least 17.5 consecutive years, while 50 percent of them were in an emergency lasting at least five consecutive years. This is simply a confirmation of the phenomenon of protracted emergency situations.



Source: Calculated by the author based on data from GIEWS

More visual evidence of this phenomenon can be seen in the detailed country information provided in Annex 1. It is also the case that the majority of the countries affected by emergencies experience chronic food insecurity (a high percentage of undernourished people)⁵.

The basic conclusion that emerges from the above analysis is that for a country that experiences a food emergency year after year and also suffers serious chronic food insecurity, these two problems (the transitory and the structural) cannot be addressed separately. To the extent that the main causes of protracted emergencies are not transitory (although these may aggravate the situation), the structural factors responsible have to be the main target of emergency response. A stop-gap approach based on short-term food assistance is not sustainable in these situations. Interventions should aim at breaking the cycle of long-term structural problems feeding into greater vulnerability in the short term.

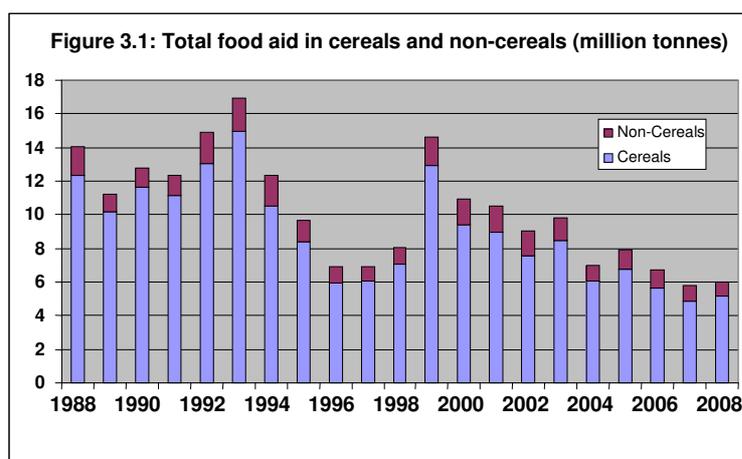
In short, the response to such emergency situations would need to have a longer-term horizon, be more comprehensive and address fundamental food insecurity issues, rather than simply meeting immediate humanitarian needs. Part of this comprehensive response should be measures to increase productivity through a greater use of agricultural inputs, support to upstream and downstream marketing channels, provision of basic production services, etc. We will return to this theme in section IV on FAO's role in emergency response.

⁴ An emergency-country-year is a year within the 1981-2010 period for which a given country experiences an emergency and is counted as 1. Thus, the maximum number of emergency-country-years for a country during this period is 30.

⁵ There is a positive and high correlation coefficient (0.60) between countries with the frequency of emergencies during the last 30 years and the percentage of undernourished people in these countries.

III. FOOD AID AS AN EMERGENCY RESPONSE

The importance of food aid as a mechanism for resource transfer has declined over the past two decades, falling from around 20 percent of total Official Development Assistance (ODA) in the 1960s to less than 5 percent in recent years⁶. Food aid is a small share of world cereal trade and much smaller share of total world cereal production (on average less than 0.5 percent). However, food aid is still an important source of supplies for several recipient countries, making up around 5-10 percent of the net food imports of countries that regularly receive food aid. In absolute quantities, food aid decreased from as much as 16.9 million tonnes in 1993 to just 6 million tonnes in 2008 (Figure 3.1).



Source: WFP, Food Aid Information System (FAIS) database

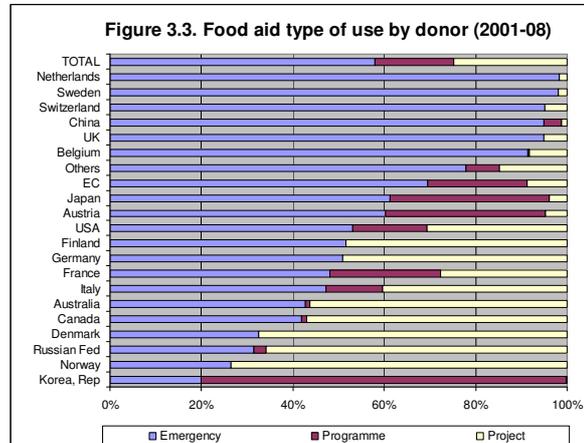
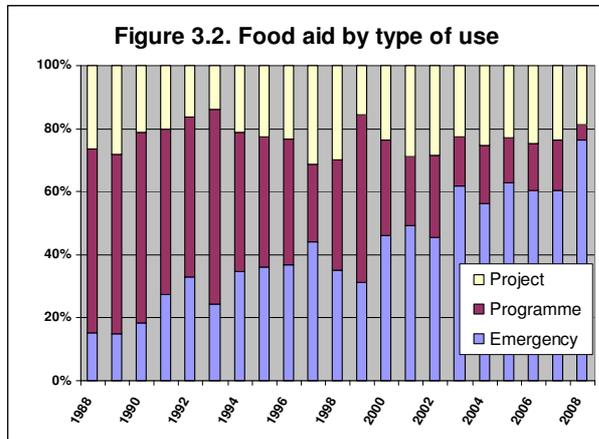
Overall, 150 different products have been provided as food aid, some of which irregularly, with cereals accounting for about 90 percent of total shipments. The United States, European Union (EU) and its Member States, Japan, Canada and Australia have traditionally been the largest donors, together accounting for well over 90 percent of total food aid (Annex 2). There are over 100 donor countries contributing small quantities, often sporadically, of which some have become important in recent years, particularly China and the Republic of Korea. There is considerable variability in shipments from year to year, with availability being high in times of low world prices and good harvests in the donor countries, and low in the opposite case.

Food aid is categorized according to the way it is provided by donors and the use made of it by the recipient countries. **Programme** food aid is transferred bilaterally on a government-to-government basis in fully grant form or sold to the recipient government at concessional prices or credit terms. **Project** food aid may be transferred bilaterally or through multilateral channels, and is often associated with activities intended to promote agricultural or broader economic development (such as food-for-work projects) and food security (e.g. school feeding projects). **Emergency** food aid is provided in times of crisis and is targeted to affected food-insecure populations.

The most significant change that has taken place in recent years is the substantial increase in emergency food aid, reaching nearly 80 percent of total food aid in 2008 compared with well below 20 percent up to 1990 (Figure 3.2). The majority of donors channel nearly all their food aid to emergency operations and project use and only a minority continue to make large programme food

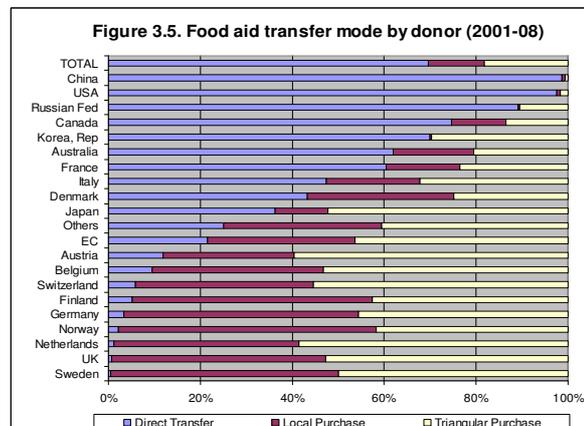
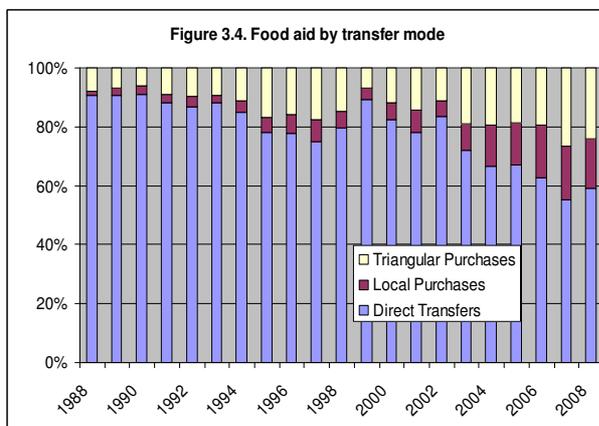
⁶ *State of Food and Agriculture (SOFA)*, FAO, 2006.

aid allocations (**Figure 3.3**). The large share of food aid going to emergency operations is understandable considering the rapid increase in needs for humanitarian relief and crisis-related emergency assistance as seen in the previous section.



Source: WFP, FAIS database

Another important trend in the provision of food aid has been the transfer mode chosen by the donors. While in the absolute most food aid continues to be provided in-kind, there is a clear and welcome increase in the share of cash resources used to support local purchases and triangular transactions (**Figure 3.4**). For the majority of donors, these latter modes account for at least 50 percent of the food aid they provide and for several of them nearly 100 percent (**Figure 3.5**).

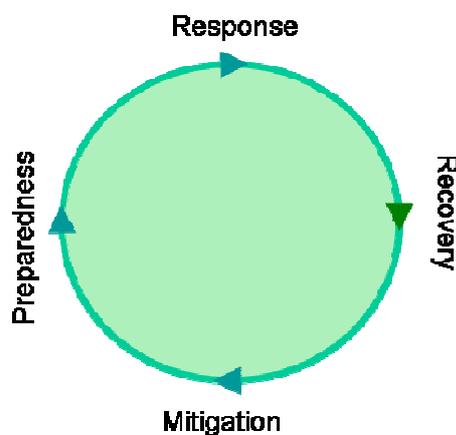


Source: WFP, FAIS database

IV. BEYOND RELIEF: ROLE OF FAO AND RESOURCE CONSTRAINTS

FAO's role from preparedness to mitigation

Within the (UN) system, FAO is the lead agency for agriculture, promoting sustainable approaches to agricultural development and food security. When a disaster strikes, agriculture and rural communities that depend on it for their livelihoods are invariably seriously affected. Supporting agriculture is therefore an integral part of overall humanitarian assistance. FAO's role in emergency response is to protect and rebuild agricultural livelihoods with the aim of restoring local food production and bolstering self-reliance. This approach provides an exit from food aid and other forms of costly stop-gap assistance and reduces the need to resort to destructive coping strategies such as selling production assets, migration and forced and/or abusive labour.



FAO's approach to emergency response recognizes the well-appreciated notion that management of disasters has to deal not only with the immediate consequences of such events but also with preparing for disasters before they occur, as well as supporting and rebuilding societies afterwards. In essence, disaster management is a continuous process involving the anticipation of adverse events, reducing the risk of them developing into full-blown emergencies and mitigating their impact when they are unavoidable. In general, the process of disaster management involves four phases: preparedness, response, recovery and mitigation.

The **preparedness** phase involves planning, i.e. the development of procedures and concrete plans of action for use when the disaster strikes. In the context of food emergencies, these plans may include ready teams to assess the situation on the ground, credible methods to be used for such assessments and an information network for the rapid dissemination of information to those that can take immediate action. Among FAO's programmes, GIEWS is perhaps the most relevant regarding the Organization's role in preparedness to food emergencies. The GIEWS monitoring of food supply balances worldwide provides the international community with timely, comprehensible and credible information on crop prospects globally and the food security situation on a regional and country basis. In the case of impending food emergencies, GIEWS dispatches rapid Crop and Food Supply Assessment Missions, often jointly with WFP. The findings of these missions are instrumental in prompting timely response by the international community to address immediate needs and minimize human suffering.

The **response** phase includes the timely mobilization of the necessary emergency services and vital resources to the disaster area. This phase normally commences with a rescue effort, but in all cases the focus quickly turns to catering for the affected population by meeting their basic humanitarian needs, such as medicine, food and shelter. This assistance invariably involves international organizations and non-governmental organizations (NGOs), in addition to national teams. Within the international humanitarian community, emergency response activities are coordinated by the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) and FAO is a key partner in this collective effort. Part of the coordinated initial effort is also to pave the way to the recovery phase and in this, FAO's other main role within the UNOCHA framework is to appraise the resources needed for emergency assistance in the agriculture, livestock and fisheries sectors, and formulate response strategies with the objective of expediting the transition from relief to recovery

and self-reliance and, thus, end the affected communities' prolonged dependence on external humanitarian assistance.

The **recovery** phase effectively starts after the threat to human life has subsided and concerns issues and decisions that must be made after immediate humanitarian needs have been addressed. Recovery efforts are primarily concerned with actions that involve rebuilding destroyed property and assets, as well as the repair of other essential infrastructure that is critical in re-establishing a degree of normality in people's lives. In the agriculture sector, the key focus of the recovery phase is to ensure that the affected communities are in a position to resume their agricultural activities and secure a harvest for the next season. FAO's emergency activities include, *inter alia*, the distribution of material assets, such as seeds and other inputs to production, fishing equipment, veterinary medicines, livestock and tools, as well as repair of vital agricultural infrastructure such as irrigation systems. Beyond this short-term goal, an important aspect of effective recovery efforts is to contribute to decreasing longer-term risks associated with the causes of the disaster.

Thus, an integral part of effective recovery is **mitigation**, comprising actions to prevent hazards from developing into disasters or to reduce the effects of disasters when they occur. Mitigation focuses on long-term measures for reducing or eliminating risk. Because the urgency for such measures is more evident while the effects of a disaster are still being felt, implementation of mitigation strategies is often initiated during an emergency response, although in many cases the underlying causes may relate to profound structural problems that should have been tackled within the longer-term development strategy of a country.

In agriculture, such structural problems in disaster-prone poor countries may relate, for example, to low levels of productivity of land due to an exclusive dependence on rainfed agriculture (subject to the vagaries of the weather) and limited use of improved technologies, including such essential inputs as higher yielding varieties, fertilizers and pest control⁷. Other structural problems of a somewhat different nature may relate to land tenure systems affecting land ownership and use, upstream and downstream marketing systems, access to basic safety nets such as crop insurance, government disincentive policies, etc. By and large, mitigation is the most cost-efficient approach for reducing the impact of disasters; however, in the urgency of catering for immediate needs, efforts and resources devoted to mitigation are often not commensurate with its importance.

The importance of highlighting the recovery and mitigation phases becomes more apparent when we consider the profile of emergency situations analyzed under **section II**. When emergency situations continue for years or decades, solutions cannot be sought by simply responding with food assistance to meet immediate needs. The main characteristic of most protracted crises is the high and growing levels of chronic food insecurity of the affected populations, making them even more vulnerable to the next likely disaster. This leads to even greater dependence on outside help because of loss of productive assets, deterioration of productive resources, breakdown of local institutions, and the collapse of marketing channels for essential inputs and services. It is well understood that breaking this cycle would require comprehensive, longer-term measures, whereby such structural causes are clearly recognized, appropriately accounted for and effectively addressed.

⁷ Such inputs can have a huge effect on the recovery process and the ability of affected communities to return to self-reliance. For example, the availability of 1 kg of seeds would yield 10-20 kg of cereals, 5 g of tomato seeds some 400 kg of tomatoes, etc. Vegetable crops are particularly suited for refugee/displacement situations when access to land and work force is often limited. Seeds and small implements are also easy to transport so that people can start small gardens wherever they may be.

However, response in protracted crises often consists of a series of short-term emergency interventions without giving adequate attention to longer-term needs, although experience has shown that, even in the midst of an emergency, affected communities are already acting for the long term and not merely waiting for the emergency to be over. Farmers and vulnerable groups often have a long-term vision and are capable of exploiting the ‘opportunities’ offered by crises, including radically changing farming systems and shifting livelihoods in order to better adapt to the changing situation. However, there is often little support for such adaptation strategies, either by national regulatory mechanisms or outside assistance provided by the international community⁸. For a variety of reasons, including funding rigidities, urgency in responding and policy gaps, donors and international agencies may not pay sufficient attention to analysing the underlying causes as a basis for integrating appropriate adaptation strategies. Often, too much attention is focused on the symptoms of emergencies.

Humanitarian response burden and under-funding of agriculture

While it is understandable that meeting short-term humanitarian needs is of high priority in funding decisions, in view of the urgency involved in such situations and the possible political cost of not acting expeditiously, it is also recognized that there is a lack of mechanisms and reference points for setting priorities to address critical food security concerns for the short and longer terms, especially in complex and protracted crisis situations⁹. Funding mechanisms and organizational and staffing structures for short-term humanitarian responses are normally separate from those for longer-term development assistance, and there is uncertainty about where the boundary between the two lies. As a result, activities which do not fall squarely in either category, aimed at supporting livelihoods and boosting resilience in food-insecure communities¹⁰, are poorly resourced.

The heavy burden of emergency situations (and protracted crises are responsible for the largest share of that burden) is evident from the donor resources devoted to meeting humanitarian assistance needs. During recent years, humanitarian aid has increased rapidly and the greater part of that assistance (over 90 percent in some years) is used to meet immediate emergency needs. Overall, since 2002 an average of 7.2 percent of ODA has been spent on humanitarian aid, compared with about half of that to assist development needs related to agriculture, forestry and fisheries in developing countries.

⁸ Alinovi, L., Hemrich, G., and Russo, L. *Addressing food insecurity in fragile states: Case studies from the Democratic Republic of the Congo, Somalia and Sudan*. FAO/Agricultural Development Economics Division (ESA) Working Paper 07-21, 2007. <<ftp://ftp.fao.org/docrep/fao/010/ai028e/ai028e00.pdf>>. The authors state that although civil society organizations have made important contributions in supporting the adaptive capacities of vulnerable groups and strengthening resilience, the opportunities they create are often ignored, if not undermined, by the international community.

⁹ International Workshop on Food security in complex emergencies: building policy frameworks to address longer-term programming challenges, Workshop Report, 23-25 September 2003, Tivoli, Italy.

¹⁰ These may include *inter alia* activities to protect and improve productive resources, rebuild local institutions, and assist communities in the timely acquisition of essential agricultural inputs and services.

Table 4.1: Humanitarian aid in relation to total ODA (USD million)

	2002	2003	2004	2005	2006	2007	2008	Total
TOTAL ODA	49 885	69 883	74 401	96 483	98 474	92 783	11 5858	597 768
Agriculture, forestry & fisheries aid	2 337	2 103	2 534	3 270	2 794	4 244	4 931	22 213
Share (%)	4.7	3.0	3.4	3.4	2.8	4.6	4.3	3.7
Humanitarian aid	2 941	4 425	5 339	7 973	6 662	6 997	8 953	43 290
Share (%)	5.9	6.3	7.2	8.3	6.8	7.5	7.7	7.2
of which:								
Emergency response	1 875	2 549	3 728	6 255	6 090	6 167	8 088	34 753
(% of humanitarian aid)	63.8	57.6	69.8	78.5	91.4	88.1	90.3	80.3

Source: Organisation for Economic Co-Operation and Development, Development Assistance Committee database

Assistance in agricultural inputs provided through FAO

FAO is supporting food production in emergency-affected countries by providing key inputs to agricultural production, such as seeds, tools and fertilizers, often in combination with timely training of farmers and/or extension services on better land and livestock management practices¹¹. FAO is also supporting seed multiplication, the introduction of improved seed varieties, home or school gardening, etc.¹². These are examples of FAO's emergency response that have a strong element of transition to recovery, and which, ultimately, reduce the need for continued food aid.

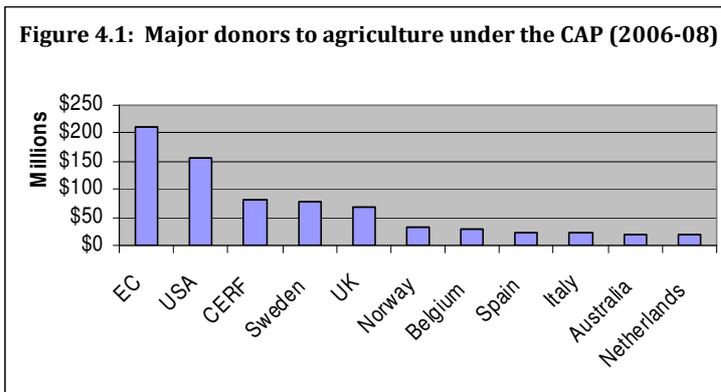
Agricultural inputs procured by FAO (seeds, fertilizers, etc.) are cleared by in-house technical specialists to ensure that they are appropriate for the local conditions/context where they would be distributed and used. The actual distribution to the beneficiaries is generally handled by local NGOs, community groups, or in some cases local government agencies. Targeting of beneficiaries usually involves a consultative process (between FAO, implementing partners, local community leaders, etc.), and is usually based on a set of criteria (i.e. percentage loss of production due to emergency, woman- or child-headed household, IDP, returnees, disabled, etc.). In general, this approach is effective in ensuring that inputs are made available within the necessary timeframe to allow beneficiaries to plant for the subsequent production season.

Depending on the circumstances of the beneficiary population and the functioning of local markets, other distribution modalities may also be used, modelled around approaches that have been tried in national subsidization schemes. These so-called 'smart' interventions provide cash and/or vouchers to the beneficiaries for the purchase of specific inputs, as well as help in organizing trade fairs for agricultural inputs. The added value of these interventions is that they help the development of local agricultural input markets and enable farmers to choose the seeds/tools/fertilizer/services most suitable to their needs.

¹¹ Or, as stated by Dan Maxwell: 'For too long, we simply equated a food security problem with a food gap, and a food gap with a food aid response', *Improving food security analysis and response: Some brief reflections*, Keynote speech at the Integrated Food Security and Humanitarian Phase Classification Workshop, March 2007, Rome (quoted by Alinori, L.).

¹² FAO also offers more specialized assistance such as emergency seed multiplication, training of community animal health workers to save livestock and control diseases, educating AIDS-affected orphans in farming techniques and other initiatives to foster resilience and improve food security. These programmes build on the knowledge and skills of vulnerable people so that they are able to cope better with future shocks.

Within the rapidly increasing needs for emergency operations, donors have been supportive of FAO's activities in emergency response, underscoring the importance attached to sustaining agricultural livelihoods in order to minimize the risk of prolonged food insecurity and recurring hunger. However, despite promising trends in recent years, financing remains a limiting factor in the capacity of FAO to fully support rehabilitation and early recovery of the agriculture sector. The UN Consolidated Appeals Process (CAP), established in the 1990s, aims to address this issue by streamlining appeals for the funding of humanitarian relief operations. The CAP has added a degree of predictability in the system; however, there remain large gaps on the extent to which assessed emergency assistance needs are being met¹³. These gaps can vary considerably across different crises, various sectors and components within.



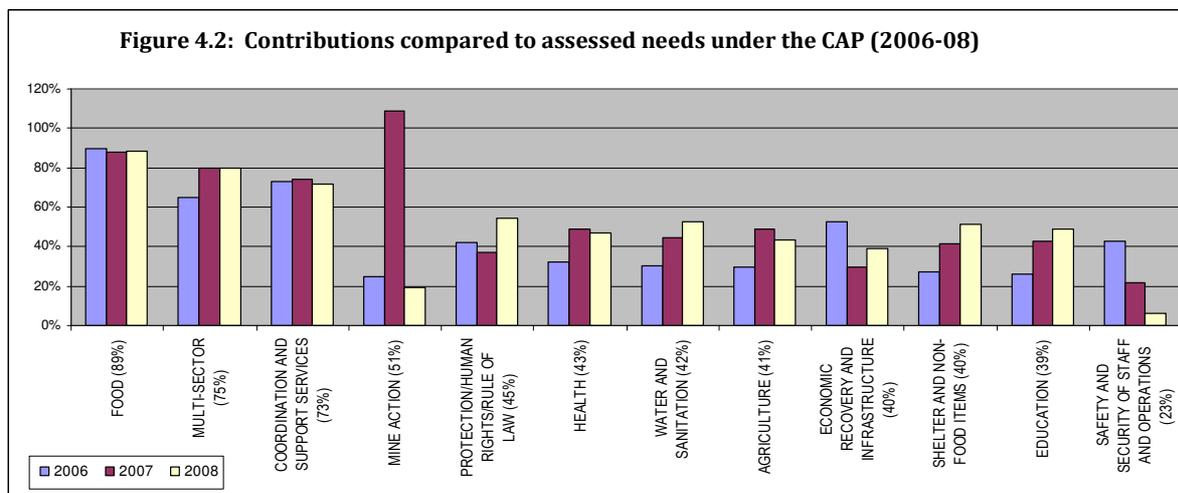
Source: FAO

The largest six donors to the agriculture sector between 2006 and 2008 were the EU, United States, the United Nations Central Emergency Response Fund (CERF), Sweden, the United Kingdom and Norway (**Figure 4.1**). Altogether some USD 410 million has been contributed to the agriculture sector (FAO and other implementing agencies¹⁴) under the CAP during the three-year period, out of total assessed needs for the sector of USD 1 000 million. This implies that the sector has been substantially underfunded. The agriculture sector ranks eighth out of the 12 sectors under the CAP in terms of the average percentage of requirements funded over this period. The striking contrast is between the funding of assessed needs for the agriculture sector and those of food needs. On average, some 90 percent of the latter were covered by contributions compared with 41 percent of the needs of agriculture (**Figure 4.2**). While this is understandable considering the urgency of immediate food needs, the implication is that key agricultural rehabilitation projects are either not implemented or partially so. This may limit the chances of populations affected by protracted crises regaining sustainable livelihoods.

¹³ SOFA, FAO, 2006.

¹⁴ Among the various agencies providing support to the agriculture sector following emergencies, FAO commands the majority (80 percent) of the total. The remaining is accounted for by numerous other agencies, with OXFAM, the United Nations Development Programme, *Premiere Urgence*, the Office of the United Nations High Commissioner for Refugees and World Vision among the major organizations.

FAO's efforts in the rehabilitation and recovery of the agriculture sector have been compromised by a lack of adequate funding. A recent example is FAO's support to the Government of Haiti in its reconstruction plan following the devastating earthquake in January 2010. FAO's main priority was to support the approaching planting season, beginning in March, which normally supplies 60 percent of national food consumption. However, funding to the Agriculture Cluster under the UN Consolidated Flash Appeal remained very low, while there were complaints, even by the Haitian authorities, of an oversupply of food aid in local markets. At the same time, the number of households in rural areas had doubled, and urgent funding was needed to deliver the necessary support to smallholders, rural communities and other stakeholders to help build back the agriculture sector¹⁵. Thus, the disincentive effects of excessive food aid, together with limited support to local agriculture at a critical time, could adversely affect national food production in the next season and lead to a further deterioration of food security in the country.



Source: FAO

¹⁵ Under the circumstances, FAO has been targeting 50 000 beneficiaries in rural areas, with plans to reach another 15 000 through the possible donation of seeds. However, given the lack of funding, FAO's target of reaching 200 000 households is far from being attained.

V. INSTITUTIONAL ARRANGEMENTS GOVERNING FOOD ASSISTANCE AND LIMITATIONS IN PROVIDING AGRICULTURAL INPUTS

This section briefly discusses the various institutional arrangements related to food assistance. It covers their origins and evolution, as well as the extent to which they pose any constraints to expanding assistance to emergency-prone developing countries in the form of agricultural inputs.

Defining food aid

A generally acceptable definition of food aid does not exist. This has escaped policy-makers and practitioners from the beginning of the food aid system. The original approach adopted by the FAO Consultative Sub-Committee on Surplus Disposal (CSSD) was to define a finite list of transactions that would be considered as food aid (see below). Moving from this descriptive definition to a more generic one has always presented difficulties as regards eligible commodities, the way they are provided by donors, and the way they are used in beneficiary countries. Partly because of this lack of a broadly accepted definition, food aid remains a controversial form of development assistance. Nevertheless, there have been genuine efforts to define food aid, recognizing that clarity in this area would enhance the contribution that this resource could make to world food security.

One narrow definition emphasizes the international nature of food aid: “food aid is the international sourcing of concessional resources in the form of or for the provision of food”¹⁶. This definition limits food aid to international assistance in the form of food, or for the procurement of food. Thus, it includes food sourced in the donor country itself – often called ‘in-kind’, ‘direct’ or ‘tied’ food aid – as well as cash resources used for the purchase of food in local, regional or international markets. Such food items may be donated in fully grant form or on concessional terms, channelled bilaterally or multilaterally (including NGOs), and targeted to vulnerable groups or resold on the domestic market. This definition does not include all types of assistance in non-edible commodities, which however have a direct impact on food security (such as inputs to food production), nor does it include national food security programmes based on domestic resources.

Another broader definition of food aid is that developed by a group of food aid experts in Berlin in 2003. Its basic premise is that what is considered food aid should include also the role of non-food resources brought to bear jointly with food to address key elements of hunger problems. As such, “food aid can be understood as all food supported interventions aimed at improving the food security of poor people in the short and long term, whether funded via international, national public and private resources”¹⁷. It is clear that the scope of this definition is wide as regards both sourcing of funding and eligible commodities extending to non-food resources used in combination with food for food security purposes. As such, the Berlin definition is similar to that of ‘food-based interventions’ which include food distribution, market intervention or financial transfers that are funded nationally or internationally, and which are intended to improve food security¹⁸.

¹⁶ Barrett, C. B. and D. G. Maxwell, *Food aid after fifty years: Recasting its role*, Routledge, London and New York, 2005.

¹⁷ *Berlin statement on food aid*, Policies against hunger II: defining the role of food aid, International Workshop on Food Aid – Contributions and risks to sustainable food security, Berlin, September 2003.

¹⁸ Clay, E. *The changing meaning and role of food aid*. Presented at the FAO Informal Expert Consultation on Impacts of Food Aid on International and Domestic Markets, 27–28, January 2005, FAO, Rome.

The FAO CSSD

The origins of food aid date back to the early 1950s, when the accumulation of food surpluses (mostly cereals) in North America gave rise to the idea that these surpluses could be 'disposed of' to help countries experiencing food shortages. This led to the establishment of the FAO Principles of Surplus Disposal (the *Principles*): "a code of international conduct adopted by the FAO Council in 1954 which encourages the constructive use of surplus agricultural commodities and at the same time safeguards the interest of commercial exporters and local producers¹⁹." The CSSD was established in 1955, as a subsidiary body of the FAO Committee on Commodity Problems (CCP), to oversee adherence to these *Principles*²⁰.

As several countries moved from a net importing position to an exporting position of basic foodstuffs in the early 1960s, some concerns about food aid transactions emerged, including in particular the scope and nature of 'grey area' transactions, i.e. concessional transactions with commercial features, and possible harmful interference of food aid with normal patterns of production and trade. In response, the CSSD established a list of transactions – the *Catalogue of Transactions*, later the *Register of Transactions* – that would be considered food aid. Procedures for notification and consultation on transactions were also put in place and the concept of the *Usual Marketing Requirements* (UMRs) was developed as a means to safeguard against market displacement. The UMR (based on the average commercial imports of the recipient country during the preceding three years) became the key operational instrument of the CSSD in monitoring adherence to the *Principles*, whereby commercial displacement was assumed not to take place to the extent that the recipient country undertook the obligation to import commercially the same commodity given as food aid (a quantity at least equal to its UMR)²¹.

WFP

Together with the qualifications introduced to the original surplus disposal arrangements under the CSSD, there was also a desire by the international community to broaden the donor basis by creating a multilateral mechanism to channel this form of assistance²². This effort culminated in the establishment of WFP in 1962, which marked the beginning of the multilateral food aid system. WFP was formed under the joint auspices of FAO and the United Nations, with resources pledged voluntarily by their member governments.

¹⁹ *Reporting procedures and consultative obligations under the FAO principles of surplus disposal: A guide to members of the FAO Consultative Subcommittee on Surplus Disposal*, FAO, Rome 2001.

²⁰ Some 41 countries have subscribed to the Principles and are members of the CSSD, including all major food aid donors and 15 recipient countries.

²¹ For a detailed discussion on issues involved in the functioning of the CSSD, see Konandreas, P., *Multilateral mechanisms governing food aid and the need for an enhanced role of the CSSD in the context of the new WTO disciplines on agriculture*, Background paper presented at the FAO Informal Expert Consultation on Food Aid, Rome, 27–28 January 2005.

²² UN General Assembly Resolution 1496 (XV); United Nations Economic and Social Council Resolution 832 (XXXII) requesting the UN and FAO to formulate more detailed proposals regarding procedures and arrangements for a multilateral programme; FAO/UN Joint Report on *Proposals Regarding Procedures and Arrangements for the Multilateral Utilization of Surplus Food* (FAO document C 61/18, Rome 1961); FAO Resolution No. 1/61 on Utilization of Food Surpluses - WFP and UN General Assembly Resolution 1714 (XVI) on a World Food Programme.

WFP's scope of operations and focus has evolved in line with the level of resources channelled through it and the needs for food aid; however, emergency response has always been central to its strategic objective. In addition, WFP aims to improve the nutritional status of vulnerable groups in cases of chronic food insecurity, as well as strengthen the capacity of countries to reduce hunger, particularly through labour-intensive work programmes²³. By and large, assistance through WFP is meant to be in the form of targeted food aid interventions and excludes programme food aid²⁴.

The FAC

A more formal sharing in the provision of food aid came into being in 1967 when the International Grains Agreement (IGA) was negotiated in the context of the General Agreement on Tariffs and Trade Kennedy Round. The IGA consisted of two legally separate but linked instruments: a Wheat Trade Convention (WTC) with substantive economic provisions and the first FAC²⁵.

The FAC involved a pledge by its members to provide a minimum annual food aid totalling 4.5 million tonnes of grain to developing countries²⁶. Commitments were expressed in tonnages, thus guaranteeing a minimum quantity of food aid even in years of high world grain prices. Donors were free to decide how to distribute their aid, but multilateral channelling was encouraged. Thus, food aid pledges through the FAC became an important resource for WFP's emergency response and nutritional intervention activities.

The first major change of the FAC was a **quantitative** one in 1980. The impetus was the world food crisis of 1973-74, when world grain stocks fell to exceptionally low levels and prices soared. There was increased concern by the international community about the ability of many net food-importing developing countries to meet their needs and the 1974 UN World Food Conference resolved that at least 10 million tonnes of grains should be provided annually as food aid. In addition, the Conference urged governments to discuss establishing grain reserves, located at strategic points. While there was little enthusiasm for the latter, donors agreed under the new FAC of 1980 to raise its minimum commitment to a total of 7.6 million tonnes of 'wheat equivalent', as part of a joint effort of the international community to meet the World Food Conference target. At the same time, rice was brought within the coverage of the Convention.

This increased minimum commitment under the FAC remained virtually unchanged until the establishment of the WTO in 1995 when, because of market conditions and the expectation that the agreed provisions under the Agreement on Agriculture (AoA) would reduce the accumulation of government stocks, several major donors revised their minimum commitments downwards to an annual aggregate level of 5.35 million tonnes of 'wheat equivalent'. The basic objective of previous Conventions was maintained in the FAC of 1995, while making a few changes, notably bringing pulses within the products covered by the Convention.

²³ The *WFP Strategic Plan 2008-2011* elaborates on five strategic objectives that go well beyond the narrower framework of food assistance pursued in the past. The stated overarching goal of WFP is to reduce dependency and to support governmental and global efforts to ensure long-term solutions to the hunger challenge.

²⁴ In practice, this has not been always the case and WFP has been involved in the sale of food aid in the domestic market of recipient countries to raise funds for internal transport and other logistical needs associated with the delivery of project and emergency food aid. This practice has been abandoned in recent years as cash resources provided by donors covered such internal costs.

²⁵ The objective of the first FAC (as stipulated under Article I) was "to carry out a food aid program with the help of contributions for the benefit of developing countries" (*International grains arrangement 1967*, Australian Department of External Affairs, 1968. <<http://138.25.65.50/au/other/dfat/treaties/1968/14.html>>).

²⁶ Signatories to the first FAC were Argentina, Australia, Canada, Denmark, Finland, Japan, Norway, Sweden, Switzerland, the United Kingdom, the United States, and the European Economic Community and its Member States. Only countries that were signatories to the WTC could be signatories to the FAC (Article VI of the 1967 FAC).

The second major overhaul of the FAC was a **qualitative** one in 1999. Negotiations had begun in 1997 as a follow up to the Uruguay Round Marrakesh Decision (see below) and the related recommendations adopted by WTO Ministers at the Singapore WTO Conference in December 1996, as well as the Plan of Action adopted by the Rome World Food Summit in the same year. There was also a need to take on board a number of important changes in the food aid policies of several donor countries. The new Convention came into force in July 1999 and remains essentially the same today.

The objectives of the 1999 FAC are to²⁷:

- make “appropriate levels of food aid available on a predictable basis”;
- encourage “members to ensure that the food aid provided is aimed particularly at the alleviation of poverty and hunger of the most vulnerable groups, and is consistent with agricultural development in those countries”;
- maximize “the impact, the effectiveness and quality of the food aid provided as a tool in support of food security”; and
- provide a “framework for cooperation, coordination and information-sharing among members on food aid related matters to achieve greater efficiency in all aspects of food aid operations and better coherence between food aid and other policy instruments”.

The 1999 FAC is explicit about its role to “contribute to world food security and to improve the ability of the international community to respond to emergency food situations,” and that “the provision of food aid in emergency situations should take particular account of longer-term rehabilitation and development objectives in the recipient countries and should respect basic humanitarian principles”.

As regards its commodity coverage, eligible products were broadened, beyond the initial exclusive focus on grains, to include edible oil, skimmed milk powder, sugar and products that are a component of the traditional diet of vulnerable groups or of supplementary feeding programmes (e.g. micro-nutrients). Seeds were also included among the eligible commodities, in recognition of the growing emergency situations where agricultural inputs are essential part of the recovery effort. Specific food aid commitments were expressed either in tonnage, in value, or as a combination of both. Members’ total minimum annual commitment was set at 4 895 000 tonnes (wheat equivalent) plus EUR 130 million (**Table 5.1**).²⁸

Regarding eligible recipients, donors were encouraged to give priority in the allocation of food aid to least-developed countries (LDCs) and low-income countries. Other eligible recipients include lower middle-income countries and those on the WTO list of net food-importing developing countries (NFIDCs) when they were experiencing food emergencies or when food aid operations were targeted at vulnerable groups.

²⁷ *Food Aid Convention 1999*, International Grains Council <www.foodaidconvention.org/Pdf/convention/iga1995.pdf>

²⁸ Past FAC minimum commitments were: about 4.3 million tonnes from 1968 to 1980; about 7.6 million tonnes from 1981 to 1986; about 7.5 million tonnes from 1987 to 1995; and about 5.35 million tonnes from 1996 to 1999. These minimum commitments were exceeded, often by a considerable margin in all years, as evident from the actual shipments reported in Section III.

Table 5.1: Annual minimum contributions to the 1999 FAC

Member	Tonnage ⁽¹⁾ (wheat equivalent)	Value ⁽¹⁾ (millions)	Total indicative value (millions)
Argentina	35,000	-	
Australia	250,000	-	AS 90 ⁽²⁾
Canada	420,000	-	C\$ 150 ⁽²⁾
European Community and its member States	1,320,000	€ 130 ⁽²⁾	€ 422 ⁽²⁾
Japan	300,000	-	
Norway	30,000	-	NOK 59 ⁽²⁾
Switzerland	40,000	-	
United States of America	2,500,000	-	US\$ 900-1,000 ⁽²⁾

⁽¹⁾ Members shall report their food aid operations in line with the relevant Rules of Procedure
⁽²⁾ Includes transport and other operational costs

The 1999 FAC was originally due to expire in 2002, but members agreed to extend it through July 2007 in light of ongoing negotiations on agriculture at the WTO under the Doha Round, which had been launched in 2001. In June 2004, FAC members undertook a renegotiation of the 1999 Convention “to strengthen its capacity to meet identified needs when food aid is the appropriate response”. However, the Committee decided this would need to await the outcome of the WTO negotiations. While the latter continued, FAC members extended successively the existing Convention, most recently until 30 June 2010. Meanwhile, they arranged to discuss informally what might be the guiding objectives under a possible new Convention and how the effectiveness of the current FAC could be improved. Details of this process are discussed in Section VI.

The WTO AoA

The existing WTO disciplines on food aid came into force in 1995, under the export competition pillar of the AoA, following the conclusion of the Uruguay Round. They were intended to prevent food aid from being used to circumvent commitments on export subsidies. Specifically, the AoA states that food aid should not be tied to commercial exports, that all food aid transactions should be carried out in accordance with the FAO Principles of Surplus Disposal and Consultative Obligations, and that such aid should be provided to the extent possible in fully grant form or on terms no less concessional than those provided for in the 1986 FAC²⁹.

Another relevant provision agreed under the Uruguay Round is the **Marrakesh Decision** on *Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries*. The Decision recognizes that, during the process of liberalization of trade in agriculture, LDCs and NFIDCs may experience negative effects in terms of the availability of adequate supplies of basic foodstuffs from external sources on reasonable terms and conditions, including short-term difficulties in financing normal levels of commercial imports of basic foodstuffs. In turn, the Decision calls for donor assistance to LDCs and NFIDCs, which aside

²⁹ Also, it is important to note that under the domestic support provisions of the existing AoA, countries can also mitigate the effects of emergencies through policies such as *public stockholding for food security purposes* and *domestic food aid* (paragraphs 3 and 4 of Annex 2, respectively).

from additional food aid and drawing on the resources of international financial institutions (in particular the International Monetary Fund [IMF]), includes technical and financial assistance to improve their agricultural productivity and infrastructure.

Food aid is being discussed in the Doha Round in parallel with other aspects of export competition such as export subsidies, export credits and state trading enterprises, to safeguard against the possibility of using food aid as another form of export subsidization. Owing to the humanitarian nature of food aid, there has been general support by the entire WTO membership to preserve and enhance that important role, although not without differing views as to how that can be best achieved. At one side of the spectrum are those Members that consider that the maximum degree of flexibility should be allowed in the provision of food aid so that humanitarian considerations are not compromised. On the other side, those that advocate a reform of the present food aid regime are motivated by the same objective, i.e. that streamlining food aid disciplines in a way that minimizes its possible adverse market effects, both on world markets and on the market of the recipient countries, would actually enhance the humanitarian effectiveness of this type of assistance.

While the negotiations under the Doha Round have stalled for some time following the difficulties in reaching an agreement in July 2008, there is a high degree of convergence regarding the envisaged disciplines on food aid contained in the *Draft Modalities for Agriculture*³⁰. The general provisions to guide all food aid include: needs-driven; fully grant form; not tied directly or indirectly to commercial exports of agricultural products or of other goods and services; not linked to the market development objectives of donor Members; and not to be re-exported in any form.

A 'Safe Box' of food aid is envisaged under the new disciplines, "to ensure that there is no unintended impediment to the provision of food aid during an emergency situation". Food aid provided for emergencies (cash or in-kind) would be in the ambit of the 'Safe Box', provided that certain conditions are met in regard to the declaration of an emergency and that assessments of needs are coordinated under the auspices of internationally-recognized humanitarian bodies. While food aid may be provided as long as the emergency lasts, this is subject to an assessment of continued genuine needs, with the relevant multilateral agency being responsible for making such a determination.

For in-kind food aid in non-emergency situations (i.e. outside the 'Safe Box') the *Draft Modalities for Agriculture* make the provision of such assistance conditional to redressing food-deficit situations that give rise to chronic hunger and malnutrition and, accordingly, such food aid shall be targeted to meet the nutritional requirements of identified food-insecure groups (based on verifiable poverty and hunger data). The most contentious issue in the negotiations was the monetization of in-kind food aid. The *Draft Modalities for Agriculture* stipulate that monetization shall be prohibited except where, in addition to the above general provisions, it is necessary to fund the internal transportation and delivery of food aid to LDCs and NFIDCs, for the procurement of agricultural inputs to low-income or resource-poor producers and to meet direct nutritional requirements in those countries.

³⁰ Revised *Draft Modalities for Agriculture*, TN/AG/W/4/Rev.4, WTO, 6 December 2008.

Commodity coverage and limitations in donating agricultural inputs

CSSD: While the CSSD does not explicitly define the list of commodities that fall under its purview, the Principles refer indiscriminately to 'agricultural commodities', 'food and other agricultural commodities', and 'food aid'. In practice this has meant edible food products, although this has not been exclusively the case in the past. For example, before the AoA came into force, substantial quantities of cotton and even tobacco had been provided as commodity aid, and had been subject to the CSSD consultative process. Thus there is a precedent under the CSSD to go beyond the strict notion of food aid, however staying within the broader concept of agricultural commodities.

Another relevant aspect of the CSSD is its treatment of emergency food aid as well as project food aid channelled through WFP or charitable organizations. These types of food aid are exempt from prior notification and consultation procedures, although such shipments should be notified *ex post*. Such shipments are considered to cause little harm to commercial trade as they represent largely 'additional' consumption (i.e. consumption that would not take place in the absence of food aid). Also exempt from prior notification and obligation procedures are transactions of relatively small size (specific quantities defined for each commodity), as well as monetary grants used for purchasing a commodity from a low-income food-deficit country (LIFDC) or local producers in the recipient country.

Effectively, the main focus of the CSSD has been on bulk programme commodity aid, i.e. commodities provided in-kind from government to government for sale in the domestic market. As such these donations may displace commercial trade and fall strictly under the CSSD monitoring mechanism, including adherence to the UMR concept.

As regards the relevance of the CSSD to the provision of assistance in agricultural inputs, to the extent that such inputs are agricultural products (i.e. seeds), the CSSD principles apply and no major issues could be raised provided donations adhere to the *Principles*. Donations in other agricultural inputs that are not themselves agricultural commodities (e.g. fertilizers) do not fall strictly under the *Principles*. However, certain exemptions to the general CSSD rules referred to above, suggest that such donations may also be considered as falling under the spirit of the *Principles* to the extent that they involve small quantities, channelled multilaterally and given in the context of emergency operations.

WFP: There is nothing in the WFP strategic objectives that would constrain the channelling of agricultural inputs needed for the rehabilitation of agriculture following a calamity. In fact WFP, in collaboration with FAO, has been providing needed agricultural inputs and welcomes the opportunity to broaden the scope and increase the size of this type of assistance. Donors have increased the channelling of their food-related assistance through WFP, recognizing the role it plays in the identification of the affected population, its presence in the affected areas and its strong logistical capacity to transport and distribute commodity aid.

FAC: The FAC has a very clear definition of eligible commodities and, for some of them, quantitative limitations as well on how much can be counted against a donor's commitment under the FAC. Among agricultural inputs the only one specifically included is seeds and more precisely seeds for eligible products (Article IV [viii]). In turn, "eligible product" is defined as "a product, referred to in Article IV, which may be provided as food aid by a member as its contribution under this Convention"³¹. There is an unintentional circular aspect in this definition (i.e. seeds of seeds), however, what is excluded from the definition of seeds is clear, namely seeds of the commodities that are not explicitly listed in Article IV. Thus, it would appear that excluded from eligible products are, for example, seeds/seedlings of edible fruit trees and vegetables, as well as those of primarily cash crops, such as jute, tobacco, coffee, cocoa, etc., all of which may be critical in the recovery process following an emergency, to the extent they are the main livelihood crop in the affected areas.

A second limitation of the existing FAC rules as regards seeds is a quantitative one, whereby the amount of seeds (expressed in 'wheat equivalent' based on the relative costs of acquisition) that may be counted against a donor's commitment shall not exceed 7 percent of that commitment, excluding transport and other operational costs.

Beyond seeds (with the limitations referred to above), there are no other agricultural inputs that can be counted against donors' commitments under the FAC.

WTO: The first observation as regards the AoA is that its jurisdiction is for a specific list of agricultural commodities (listed in Annex 1 of the Agreement). For the commodities that are not in that list (non-agricultural commodities), other WTO rules apply. This implies clearly that only seeds could be considered as falling under the coverage of the AoA, but not fertilizers or other agricultural inputs.

Secondly, in the context of food aid, the relevant provisions of the AoA do not explicitly define the term nor the commodities included. However, the AoA calls for adherence to CSSD and FAC principles and one could infer that this also extends to the commodities covered under them. As already discussed, this includes seeds (under the FAC, with certain limitations), but not other agricultural inputs.

Thirdly, within the scope of the AoA, another potential means of providing food-related assistance is through its export subsidy provisions. However, such subsidies were allowed to continue under the existing AoA to the extent that specific commodities were subsidized in the past and had been explicitly included in the donors' schedules. None of the WTO Members had included seeds (a product covered by the AoA) in their schedules and thus their subsidization would violate export subsidy commitments under the AoA. As regards the future of export subsidies in general, to the extent that what is contained in the *Draft Modalities for Agriculture* is agreed when the Doha Round is concluded, they are set to be eliminated altogether.

³¹ Article IV of the FAC states that the following products are eligible to be supplied under this Convention, subject to the specifications set out in the relevant Rules of Procedure: (i) grains (wheat, barley, maize, millet, oats, rye, sorghum or triticale) or rice; (ii) grain and rice products of primary or secondary processing; (iii) pulses; (iv) edible oil; (v) root crops (cassava, round potatoes, sweet potatoes, yams, or taro), where these are supplied in triangular transactions or in local purchases; (vi) skimmed milk powder; (vii) sugar; (viii) seed for eligible products; and, (ix) products which are a component of the traditional diet of vulnerable groups, or a component of supplementary feeding programmes, and which meet the requirements set out in Article III (j) of this Convention.

For commodities that are not covered by the AoA, i.e. non-agricultural products, the relevant rules as regards subsidization are those of the Agreement on Subsidies and Countervailing Measures (ASCM). As a general rule and except as provided in the AoA, export subsidization may violate WTO rules, depending on the specific circumstances of such transactions.

One concern that has been raised in the past is how emergency trade-financing made available by developed countries in times of crisis on concessionary terms might be treated under WTO rules, and particularly the ASCM. In clarifying the scale of this concern, the WTO Secretariat noted³² that the prohibitions contained in the ASCM are rather limited in scope, and nothing in the Agreement would prohibit other WTO Members from intervening to ensure the availability of trade-financing for imports in periods of crisis so long as no contingency on export performance was involved³³.

More importantly, it is stated that many WTO Members appeared to be of the view that development aid provided by multilateral development institutions lay outside the scope of ASCM disciplines, or in any event that it would not be proper to take action under the Agreement in this context³⁴. To-date, no Member has challenged multilateral development assistance as a subsidy in WTO dispute settlement proceedings. In this regard, a highly relevant provision is also paragraph 8 of Annex 2 ('Green Box') of the AoA dealing with support to farmers in the form of relief from natural disasters, which could provide the legal cover for all assistance in agricultural inputs provided through FAO during emergencies (as described in section III).

Irrespective of the above legal interpretations³⁵, it is instructive to clarify the nature of concerns that may be raised when commodity assistance is provided, whether that is food aid or an agricultural input. In particular, when donor country A provides commodity assistance to country B why should this be of concern to exporting country C? Likely questions include: (i) the terms under which the assistance is provided; (ii) to which countries this assistance is given; and (iii) how the donated commodities are used by the recipient country.

There are basically three modes that country A may use in providing commodity assistance (say, fertilizer) to country B: (i) in-kind, procured from suppliers in donor country A and donated to country B; (ii) in financial assistance given to country B for the procurement of fertilizer exclusively from suppliers in donor country A; and (iii) in financial assistance for the procurement of fertilizer from the world market at large, including in principle countries A and C. The first two types of transactions are tied aid, and country C may feel threatened by possible commercial displacement (directly or indirectly) and market penetration by donor country A to the market of country B. This apprehension on the part of country C is more likely in cases where the fertilizer is donated under a semi-commercial transaction (degree of concessionality less than 100 percent) and less so in cases of full grant donations.

³² WTO, Expert Group Meeting on Trade Financing: Note by the Secretariat, WT/GC/W/527, 16 March 2004.

³³ Emergency trade-financing has also been addressed in the context of the Doha negotiations under the export credit provisions of the *Draft Modalities for Agriculture* (Annex J), whereby LDCs and NFIDCs facing *exceptional circumstances* which preclude financing normal levels of commercial imports of basic foodstuffs and/or in accessing loans granted by multilateral and/or regional financial institutions, shall be accorded differential and more favourable treatment.

³⁴ In general the ASCM is meant to address situations where a WTO Member is subsidizing the production or sale of its own goods, and it is not entirely clear whether or not the Agreement applies where the subsidizing entity is not within the territory of the Member whose goods are allegedly being subsidized (WT/GC/W/527).

³⁵ Based on the 2004 note (WT/GC/W/527), which was prepared under WTO Secretariat's own responsibility and without prejudice to the positions of Members and to their rights and obligations under the WTO.

Turning to the second possible question, concerning the beneficiary country, the international development community has developed clear categories of countries for prioritizing development assistance. The LDC classification is well-recognized and provides a guideline to donors for all types of development assistance. Another specific category largely overlapping that of LDCs is the LIFDCs, which has been used by FAO and other food-related agencies to prioritize assistance to the development of the agriculture sector, as well as in the allocation of food aid. A third recognized category is the NFIDCs, which was created in the context of the Marrakesh Decision. These groups of countries have food insecurity as a common thread and it is less likely that third countries would raise serious concerns if these groups of food-insecure developing countries are the target of assistance specifically to increase food production.

Finally, turning to the third question, as regards the use made of the donated commodity, to the extent that it is sold by the recipient government in the domestic market, it displaces directly commercial imports to the detriment of other countries exporting the same or substitute commodities. On the other hand, if it is distributed free of charge to resource-poor farmers in country B, who do not have the means to purchase these inputs in the market, commercial displacement is minimal. This would also be consistent with the logic in the existing AoA whereby, under Article 6.2, input subsidies provided to resource-poor farmers in developing countries are not subject to the rules applied to the same subsidies provided to farmers at large.

The provision of technical and financial assistance to improve agricultural productivity and infrastructure under the Marrakesh Decision is also highly relevant as regards the legality of assistance in the form of agricultural inputs to food-insecure developing countries. This is because improving agricultural productivity entails, *inter alia*, the use of yield-increasing agricultural inputs, and several donors have already been providing related assistance such as seeds and fertilizers under the Decision, as reported to the WTO Committee on Agriculture. Moreover, there is specificity in the Decision on targeting recognized groups of eligible countries for the purpose of addressing a problem for which there is wide support by the international community. Focusing on this particular provision in the implementation of the Decision is likely to receive wider support than has been the case so far, when the focus has been exclusively on compensatory financing schemes under the IMF; however, without much success.

Differing scopes of food-related assistance agreements and the primacy of the FAC

Although the motives for providing food-related assistance have a strong humanitarian objective, historically other considerations have also been important, including political influence and commercial interests such as market penetration and market creation. It is largely because of this multi-objective nature of food assistance that a multitude of instruments and arrangements have been put in place, each with its own scope and rationale. Inevitably, however, they are characterized by overlapping mandates, differing degrees of authority and legitimacy, varied levels of transparency in decision-making, and varying representation of the major stakeholders. They have often been described as “dysfunctional and outdated”³⁶. Although, going back to their origins, it is understandable how these arrangements came into being and evolved, their differences are often not conducive to a coherent framework for the provision of food-related assistance and this compromises its effectiveness. Also, this lack of clarity in the institutional framework has not helped to elucidate the important role of food-related assistance in improving food security.

³⁶ Barrett, C. B., and D. G. Maxwell, *Food aid after fifty years: Recasting its role*, Routledge, London and New York, 2005.

By and large, international agreements and understandings applicable to food-related assistance have two objectives. The first is about **doing more good**. This includes, *inter alia*, the requisite for a firm commitment on the part of donors to ensure that a minimum amount of food aid is made available every year to meet pressing needs, promoting donations in fully grant form, ensuring suitability of foods in line with local diets, combining assistance with other incentive measures such as school attendance or health services, etc. All of these maximize the beneficial impact of the donated commodities to the recipient countries.

The second general objective embedded in related international agreements and understandings is about **doing less harm**. This includes rules and procedures that govern the conduct of donors to ensure that in the provision of food-related assistance the interests of third countries are not adversely affected, such as displacement of commercial trade, for example. In addition, there are rules and procedures to avoid undesirable effects to the country receiving assistance, such as disincentives to domestic production when donated commodities are sold in the market at heavily subsidized prices or delivery is badly timed in relation to locally harvested crops, or when inappropriate commodities are provided not in line with consumption habits.

All the existing agreements have elements of both of these but emphasize specific issues depending on their origin. Given the specificity of both the CSSD and the WTO agreements in safeguarding commercial concerns of countries, their scope is relatively narrow. The CSSD is meant to deal explicitly with surplus disposal and its main focus has been on avoiding market displacement³⁷. Similarly, the WTO disciplines have also an exclusively trade focus. Specifically, they are meant to ensure that food aid is not provided and used in a way that would circumvent export subsidy reduction commitments agreed by countries under the export competition pillar of the AoA.

The FAC, on the other hand, is much broader than the CSSD and the WTO, both as regards its objective and the specific provisions that would support its attainment. Thus the FAC contains an obligation for a minimum quantity of food aid to be provided annually, guidelines about the commodities to be provided, the desirability of grant donations and multilateral channelling, the types of food needs to be targeted focusing in particular on emergencies, the prioritization of food aid allocations to the poorest countries, timeliness of delivery and how food aid is to be used in the recipient country to enhance its effectiveness. It is this humanitarian orientation of the FAC that has been the focus of attention by the international community to see that it is retained and strengthened to better meet its objectives.

³⁷ The creation of the CSSD also recognized that the disposal of surpluses amounted to an additional resource for food deficit countries with limited means to meet their food needs. However, no quantitative target as such was stipulated, nor specific provisions as regards a balanced commodity basket needed for nutritional interventions.

VI. RENEGOTIATION OF THE FAC: AN OPPORTUNITY TO INCORPORATE AGRICULTURAL INPUTS TO BOOST EMERGENCY RECOVERY

This section briefly reviews recent food security initiatives of major donor countries, which highlight the need for a better integration of short-term responses to emergencies into the longer-term food security strategies of crisis-affected countries. Food-related assistance is part of this process and the FAC is the main instrument governing this type of assistance. Issues related to its renegotiation are discussed and specific proposals are made about the desirability of broadening its commodity coverage to fully incorporate agricultural inputs, as well as changes in its funding arrangements to increase flexibility for donors to respond effectively to emergency needs.

Recent food security initiatives and implications for renegotiating the FAC

Over the last four to five years there has been extensive debate in various fora about the scope of international cooperation in addressing global food insecurity, partly prompted by the recent food crisis of 2007/08. Considerable advances have been made by practitioners in the field, including understanding the nature and causes of emergencies, and how best to meet the urgent needs of the most vulnerable populations, efficiently and effectively. In terms of concrete international cooperation, several notable recent initiatives included, in particular, the joint Group of Eight (G-8) statement on global food security of the L'Aquila summit, the reform of FAO's Committee on World Food Security and the World Food Summit convened by FAO in November 2009.

Many donors responded substantively to the target of USD 20 billion pledged at the G-8 summit in L'Aquila³⁸ and reaffirmed their commitment to prioritizing food security in their development assistance plans, in line with the principles agreed at the summit. On the policy front, donors have consciously been adopting comprehensive approaches to food security, whereby short-term efforts to provide humanitarian food assistance increasingly form part of longer-term strategies aiming at sustainable livelihoods based on agriculture-led economic growth.

Among the donor countries, the most recent thinking of the US on principles and approaches to food security is contained in a comprehensive Consultation Document based on a broad ongoing consultative process and collaboration with different partners, including international institutions, civil society organizations, the private sector, and small-scale farmers³⁹. The US is committed to increasing investment in agricultural development while maintaining its support for humanitarian food assistance. Within the comprehensive approaches to address the underlying causes of food insecurity, the Consultation Document identifies gains in productivity, *inter alia* through increasing access to inputs such as seed, feed, fertilizer, machinery, and irrigation systems at the right time, the right price, and in the right amounts.

³⁸ The US doubled to more than USD 1 billion its financial support for international agricultural development cooperation in 2010 and pledged USD 3.5 billion to the USD 20 billion target of the G-8 summit in L'Aquila. For its part, the EU committed some USD 4 billion against the L'Aquila target. Among other donors, Canada pledged to provide a further USD 600 million over three years to address global food security. Other donors also made sizeable additional contributions towards the USD 20 billion target.

³⁹ *Global Hunger and Food Security Initiative: Consultation Document*, Bureau of Public Affairs, US Department of State, 28 September 2009. <<http://www.state.gov/s/globalfoodsecurity/129952.htm>>.

Regarding humanitarian responses, it recognizes that maximizing the effectiveness of humanitarian assistance, and ensuring it contributes to long-term development solutions, is a key part of the comprehensive approach to reducing hunger. Humanitarian response is not only saving lives, but also protecting agricultural livelihoods, assets, and investments which would otherwise be lost. The Consultation Document also breaks new ground on the mode of delivery of humanitarian food assistance by recognizing that, while in-kind food aid will remain a critical food assistance tool, local and regional procurement and other mechanisms like food vouchers will be used when they make fiscal and development sense⁴⁰. Thus, it recognizes that when emergency food needs are localized, and adequate food supplies exist in the country or region, the ability to purchase food assistance locally or provide vouchers to households so that they can purchase their own food can have significant benefits.

The most recent reformulation of the EU's food security strategy, also based on a wide consultation process launched in November 2009⁴¹, reiterates its support for internationally recognized principles of the 2009 Declaration of the World Summit on Food Security and those of the 1996 World Food Summit⁴². The EU's food security policy framework focuses on sustainable agricultural development while ensuring adequate emergency food assistance and crisis prevention.

The EU adopted a Communication on Humanitarian Food Assistance in March 2010⁴³, laying out a new policy framework for humanitarian action, including rehabilitation of livelihoods of crisis-affected populations and enhancing their resilience against ongoing or forecast humanitarian food crises⁴⁴. The policy framework envisages, whenever possible, a rapid handover to structural food security mechanisms and strengthening of the productive capacity and governance of the agriculture sector to enhance the sustainability of interventions, thus preventing, as far as possible, further food insecurity situations⁴⁵. This refocusing of the EU's humanitarian food assistance follows the EU's response to the soaring food prices in 2007/08, when an additional EUR 1 billion 'Food Facility'⁴⁶ was put in place as a temporary measure to support those developing countries worst affected. The implementation of the Food Facility involves several partners, of which FAO has the major responsibility in projects to increase access to agricultural inputs, such as seeds and fertilizers.

⁴⁰ The last US Farm Bill had authorized a pilot Local and Regional Purchase Programme and regulations are now in place giving guidance for the conduct of such purchases, including on the expertise necessary to ensure that negative impacts would be avoided.

⁴¹ Summaries of contributions to the Public Consultation on: Towards an EU policy framework to assist developing countries addressing agriculture and food security challenges, EC, February 2010. <http://ec.europa.eu/development/icenter/repository/FS_issues_paper_overall_summary_contributions_en.pdf>, and Communication from the Commission to the Council and the European Parliament, *An EU policy framework to assist developing countries in addressing food security challenges*, EC, SEC (2010) 379, 31.3.2010. <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0127:FIN:EN:DOC>>.

⁴² *Declaration on World Food Security and World Food Summit Plan of Action*, FAO, 1996.

⁴³ <http://ec.europa.eu/echo/files/policies/sectoral/Food_Assistance_Comm.pdf>.

⁴⁴ "Even in a crisis, there can be more effective ways of helping people other than through simple food hand-outs. For example, we can provide seeds and tools to help disaster affected farmers get back on their feet," Kristalina Georgieva, EU Commissioner for Humanitarian Aid < <http://www.eph.org/a/3873> >.

⁴⁵ Commission decision implementing the facility for rapid response to soaring food prices in developing countries, EC, March 2009.

<http://ec.europa.eu/europeaid/how/finance/documents/eidhr/food_facility_overall_plan_300309_en.pdf>.

⁴⁶ COM (2010)81 for progress report.

Food security is a foreign policy priority for Canada and one of the three thematic areas of focus for Canada's international development assistance. The objective of the new food security strategy of the Canadian International Development Agency (CIDA) unveiled October 2009⁴⁷ is to support sustainable food security initiatives ensuring a balance between short- and longer-term responses to developing country needs. In particular, CIDA's strategy is designed to empower the poorest and most disadvantaged by reducing their vulnerability to various factors that impact their food security, including constraints to agricultural productivity. It includes short-, medium-, and long-term measures to promote agricultural development and increase the effectiveness of food assistance.

Among other donors, Japan is also fully committed to recent food security initiatives, including the joint G-8 statement of the L'Aquila Summit. While Japan has always contributed to meeting emergency needs, it believes strongly that increasing domestic food production through productivity-increasing investments is the only viable solution for sustainable food security⁴⁸. Australia's emergency food aid is channelled primarily multilaterally through WFP under a multi-year funding partnership agreement. As in the case of other donors, Australia's overall policy on humanitarian assistance also includes capacity building, vulnerability reduction, the promotion of disaster and emergency prevention and preparedness measures⁴⁹.

Besides the initiatives of individual donor countries, there are broader efforts to reform global food security and development architecture, including the UN reform process and the One-UN initiative in the field. In particular, as in other sectors, food assistance should link to other forms of development cooperation and development strategies at the country level, in keeping also with the Paris Declaration on Aid Effectiveness of 2005.

The above summary of recent policy initiatives and donors' reflections on their individual food security programmes reveals a fundamental departure from ad hoc and partial approaches followed in the past. Addressing food security concerns in a comprehensive manner emerges as the overriding principle. There is a much clearer recognition in donor strategies of the relationship between protracted emergency situations and chronic food insecurity which call for a better integration of short-term responses into longer-term food security strategies of the affected countries. Implicitly this acknowledges the desirability of humanitarian food assistance becoming increasingly an integral part of efforts to address the structural causes of chronic food insecurity.

It is a welcome coincidence that this rethinking of donor food security strategies takes place at a time when key international institutional mechanisms and instruments related to food assistance (notably the FAC and the AoA under the Doha Round) are in the process of negotiation. Although these negotiations are driven by their own procedural arrangements and political imperatives, it is recognized that the whole institutional framework governing food assistance would have to be streamlined in tandem in order to avoid incompatibilities between the different agreements making the system unworkable (i.e. when an FAC provision is at odds with WTO rules). In order to avoid such possible conflicts, the renegotiation of the FAC has been postponed, awaiting a conclusion of the Doha negotiations, although many have questioned the rationale of this judgment.

⁴⁷ CIDA's Food Security Strategy at a Glance, Backgrounder,
<[http://www.acdi-](http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/news_releases/$file/Food_Security_Strategy_Backgrounder-eng.pdf)

[cida.gc.ca/INET/IMAGES.NSF/vLUIImages/news_releases/\\$file/Food_Security_Strategy_Backgrounder-eng.pdf](http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/news_releases/$file/Food_Security_Strategy_Backgrounder-eng.pdf)>.

⁴⁸ *The world must learn to live and farm food sustainably*, Taro Aso, Prime Minister of Japan, contributed article to Financial Times, 6 July 2009. <http://www.mofa.go.jp/policy/economy/fishery/food_sec0907.html>.

⁴⁹ *Humanitarian Action Policy*, AusAid, January 2005.

<http://www.ausaid.gov.au/publications/pdf/humanitarian_policy.pdf>

Yet the importance of the WTO process cannot be overlooked. Among international undertakings and commitments, few have the legal status of those negotiated at the WTO. Thus, it is absolutely essential to ensure that the new FAC is in line with WTO disciplines on food aid, bearing in mind that possible misalignment could be due to the sequencing of the respective negotiations rather than to substantive divergences. In this respect it is fortunate that the related food aid disciplines contained in the *Draft Modalities for Agriculture* have reached an advanced stage of convergence and it is safe to assume that they would be the basis of what is finally agreed under the Doha Round, when negotiations resume. Thus, to the extent that these disciplines are taken fully into account in the new FAC, the renegotiation of the latter can move forward and be concluded without having to wait for the conclusion of the Doha Round. Being an incremental process, with one instrument improving upon what has already been agreed by the other, the provisions of the new FAC would then have to be incorporated and 'legalized' under the eventual Doha Round agreement.

Informal discussions for a new FAC and its possible orientation

Although the renegotiation of the FAC has been delayed in view of the impasse at the WTO, several FAC members have urged the restart of its renegotiation without delay. As yet, there is no consensus on commencing formal negotiations. However, some progress is taking place informally, whereby, the Food Aid Committee agreed to set up a Working Group on the future of the FAC, which commenced work on 15 March 2010, with a focus on⁵⁰:

- rationale and governing principles of a new Convention;
- its overall objectives and scope in relation to the global food security architecture;
- role and types of commitments and reporting; and
- role of the Food Aid Committee.

The informal discussions so far have been encouraging both as regards the prospects of renegotiation of the FAC in the near future as well as the direction the new Convention would likely take. In line with the rethinking of their overall assistance programmes in support of food security in developing countries, donors are looking for more flexibility in their food security strategies to match the "realities of the 21st century"⁵¹ as discussed above. In this regard, they recognize that, although international food aid institutions and mechanisms, including the FAC, have evolved considerably in recent years, they have not kept pace with the deepening understanding of problems on the ground and the efficacy of possible interventions.

⁵⁰ It is understood that donors engage in these informal discussions without prejudice as regards future formal negotiations. For the short term, the likely outcome would be for the FAC to be extended unchanged to June 2011, while in the meantime formalizing discussions and negotiations at the Committee with the expectation to have a new Convention by that date.

⁵¹ Summary Record, 101st Session of the Food Aid Committee (9 December 2009), London, FA/101/7, 9 February 2010.

Donors have been moving towards more judicious food assistance policies and consider that there are opportunities to improve what is already in the FAC based on a better understanding of the situation on the ground and, given the limited available resources, of how to address more effectively short-term humanitarian needs within longer-term food security priorities and imperatives. They also feel that it is important to link what is done in the Food Aid Committee with the international food security architecture and streamline the functioning of the FAC and improve its effectiveness.

It is relevant in this context to note that donors had already incorporated the notion of food security in the 1999 Convention, as well as specific provisions of Article VIII (on “Needs”), whereby *inter alia* “food aid should only be provided when it is the most effective and appropriate means of assistance” and that “the provision of food aid in emergency situations should take particular account of longer-term rehabilitation and development objectives in the recipient countries”. These considerations represent a leap forward for the FAC, whereby it is no longer seen as simply having an ‘instrument focus’ (i.e. food aid) but also a ‘problem focus’ (i.e. food security), being linked to the broader processes of needs assessment and the longer-term developmental objectives of this type of assistance.

This evolving orientation of the FAC also raises questions about what corresponding role may emerge for the Food Aid Committee in the future, an issue listed among those for discussion under the Working Group. It would appear that the Committee is unlikely to remain merely a forum limited to an exchange of information on donor food aid activities. Perhaps a more engaged role is likely to be desirable, including monitoring donor compliance to commitments made, as well as assessing the effectiveness of food assistance in relation to stated objectives⁵². Of course this possible role of the Committee would depend on what arrangements are built into the new FAC for substantive technical collaboration with specialized agencies such as the WTO, FAO and WFP⁵³. It can be noted that institutionally the FAO Committee on Food Security and the WFP Committee on Food Aid Policies and Programmes have been the main fora on food aid issues.

Some specific considerations and issues in the renegotiation of the FAC

Incorporating agricultural inputs fully into the FAC

As argued in previous sections, there are good reasons for increasing assistance in agricultural inputs, especially in support of post-emergency recovery efforts to rehabilitate adversely-affected agriculture sectors. Genuine assistance in agricultural inputs such as seeds, basic tools and fertilizers is not constrained by existing international institutional arrangements and nothing prevents donors from increasing such assistance, to the extent this is targeted to food-insecure developing countries and to specific beneficiaries within these countries, especially in periods of crisis. Moreover, it is understood that development aid provided by multilateral development institutions, such as FAO, lies outside the scope of the relevant WTO disciplines.

However, although there are no legal or other institutional constraints to providing assistance in agricultural inputs especially in cases of emergencies, certain donors are of the view that such

⁵² An even wider role and responsibility for a new Convention has been suggested elsewhere, whereby it turns into a Food Aid Compact (*Berlin Statement: Defining the Role of Food Aid*, Berlin, 2-4 September 2003), becomes part of a *Humanitarian Aid Convention* or a *Food Security Convention*.

⁵³ For example, collaboration with the WTO may involve confirmation by the latter about the non-trade distorting effect of donated commodities, whereby in the case of the opposite, donations may not be counted against donors’ obligation under the FAC. Collaboration with FAO and WFP may involve confirmation of legitimacy of groups being the target of assistance (food and agricultural inputs) and assessing its effectiveness.

assistance should be provided in the context of the broader food-related assistance under the FAC and additionally be counted against their minimum FAC commitments. As we have seen in the previous section, under the present rules and procedures of the FAC only food products and limited quantities of seeds of edible commodities may be counted against donors' minimum FAC commitments. For some donors, who normally provide food assistance well above their minimum commitment, this may not be of concern, as after satisfying their FAC commitment, they could allocate resources to other commodity assistance, including agricultural inputs.

This may not be an option for those donors whose actual food aid shipments correspond closely to their commitment levels. These latter donors are constrained by the FAC limitations on eligible commodities, to the extent that they wish to diversify their food-related assistance beyond edible food products, either because they have strong views about possible disincentive effects of food aid above emergency needs or because they prefer a better balance between supporting immediate food needs and rehabilitation of the damaged agriculture sector. In the absence of this option, these donors may not be willing to provide food aid up to their present FAC commitment and thus may opt for scaling it down to a level they consider appropriate to be provided strictly in the form of edible food products⁵⁴.

The general issue of broadening the list of eligible products under the FAC has been the subject of the Food Aid Committee for some time in the context of improving the effectiveness of the present Convention. For example, the Committee has discussed on several occasions the eligibility of micronutrients in particular, and in this connection iodised salt has been included under eligible products in consideration of paragraph (c) of Article IV of the FAC⁵⁵. In addition to micronutrients, some Members supported the inclusion of other items such as nutritional bars and paste considered as important products for addressing beneficiaries' nutritional needs. Some believed that food commodities and other items included in the 'food basket' of organizations providing food assistance should be included under the FAC. This argument augurs well for consideration of agricultural inputs under the FAC as these commodities are already included in the food-related assistance basket of organizations such as FAO.

However, other Members, while in principle not opposed to broadening the commodity coverage of the FAC, have argued that it was inappropriate to amend the present FAC in 'bits and pieces', by opening the list of eligible products, until more progress had been made towards renegotiating the FAC. Others questioned how much progress the Committee needed to make before Members felt able to broaden the list of products, while some were of the understanding that it was always open to the Committee to change its Rules of Procedure if it so wished⁵⁶. In view of these differing views, the discussion on further eligible products has been deferred to a future session.

Bringing agricultural inputs (seeds⁵⁷, fertilizers and farm tools) fully into the FAC would be a welcome development. This does not imply bringing into the FAC long-term development

⁵⁴ In this regard, it is important to note that in practice, some FAC members are indeed in this borderline situation and have been able to fulfill their FAC commitments in recent years only because micronutrients had been considered among the eligible products.

⁵⁵ The Committee's decision to include iodised salt as an eligible commodity was based on the fact that iodine was critically important to human health and salt was the main form of its delivery.

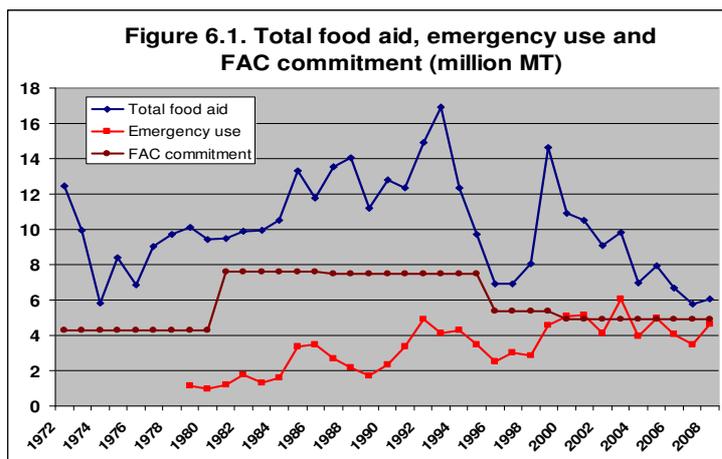
⁵⁶ In fact, the Food Aid Committee had amended several of its rules in recent years, i.e. Rules 4, 9 and 10 at its Ninety-second Session in June 2005, Rule 7 at its Ninety-fifth Session in December 2006, and Rule 6 at its One Hundredth Session in June 2009.

⁵⁷ It is important that seeds include not only those of edible products, but also seeds/seedlings of other location-specific crops that may be critical in the recovery of livelihoods of affected farming populations.

assistance to developing countries in general, but small quantities of inputs that are part and parcel of the emergency response to crisis-affected countries in order to expedite their recovery and thus avoid a continuing dependence on outside food assistance. In this regard, some related issues include, *inter alia*: (i) the degree to which existing FAC commitment levels and funding arrangements can accommodate an increase in assistance in agricultural inputs without compromising immediate food needs under emergency situations; (ii) desirable changes in funding arrangements of the FAC to add a degree of certainty to the provision of agricultural inputs; and (iii) additional provisions in the allocation and use of food-related assistance in line with progress made in this area under the negotiations on agriculture at the WTO, so that the new FAC is closely aligned/compatible with an eventual Doha Round agreement.

Potential for financing agricultural inputs under the present FAC

As discussed in section III, there has been a downward trend of total food aid shipments since the 1990s and much more so during the last decade. At the same time, following the WTO agreement in 1995, the minimum commitment under the FAC has been adjusted downwards by over 2 million tonnes and now stands at some 4.895 million tonnes. Meanwhile the demand for emergency food aid has increased considerably, standing at an average of 4.55 million tonnes during the period 2001-08 (Figure 6.1). Therefore, on average, there is a small positive margin between average aggregate minimum FAC commitments and average aggregate emergency needs (345 thousand tonnes during 2001-08).



Expressed in monetary terms this margin would be worth USD 138 million⁵⁸, inadvertently quite close to the actual average allocations to agriculture under the CAP in recent years of USD 135 million annually (see section IV). It follows that to the extent that all commitments under the FAC were for the exclusive use of emergency operations, these resources would just about suffice, although this average margin could not to be counted upon all the time. As shown in Figure 6.1, in at least three of the last eight years, emergency needs for food aid alone were above the aggregate minimum commitment under the FAC.

But there are also other legitimate needs in addition to emergencies. Ignoring programme food aid, which is declining rapidly and enjoys little support for a variety of reasons, there are genuine needs

⁵⁸ This is based on a very rudimentary calculation, assuming an average total cost for emergency assistance of USD 400/tonne.

for development projects and those of vulnerable groups in food-insecure developing countries, averaging 1.35 million tonnes during 2001-08. As these involve multi-year projects and address the needs of chronically food-insecure people, it would be highly undesirable to reduce resources allocated to them in order to cover emergency needs in years when aggregate volumes of food aid fall below the combined requirements of emergencies and projects.

It follows that, based on present FAC commitments and genuine emergency and project food aid needs, there is little flexibility to allow a permanent and inconsequential diversion of resources from FAC minimum commitments to finance agricultural inputs for recovery and rehabilitation, the requirements for which go nearly hand in hand with emergency food needs. To the extent that there is no certainty for food aid allocations above the minimum FAC commitment, it would not be prudent to allocate FAC resources to uses other than edible food products. Doing so under the present modalities of the FAC, may compromise the timely availability of resources needed for meeting the immediate food needs in emergency situations and those of vulnerable groups under nutrition intervention projects.

The conclusion is that the present minimum commitment under the FAC does not provide a degree of certainty in meeting genuine emergency and project requirements of strictly food commodities and offers little room for increasing the provision of agricultural inputs for recovery and rehabilitation. It follows that serious consideration should be given in the renegotiation of the FAC to raising its aggregate minimum commitment.

Raising the FAC minimum commitment

Based on actual trends, the needs of emergency situations are likely to continue and may increase further. Adequate funding for the FAC in relation to the situation on the ground is not only defensible from the humanitarian point of view but makes good economic sense compared with the alternative of having to resort to ad hoc and expensive last minute emergency operations because of an inability to plan ahead.

Therefore the second imperative in the renegotiation of the FAC is to ensure that donor minimum commitments are raised to better match expected emergency and project needs. Food aid shipments and, by implication needs, have always exceeded FAC minimum levels and a greater degree of certainty to FAC resources would be highly desirable.

Broadening the FAC donor base

In recent years, several new donors have emerged, which have provided increasing quantities of food aid. These include in particular China, the Republic of Korea and the Russian Federation (Annex 2). These are not among the 'traditional' food aid donors and are not Members of the FAC; however, their contributions to global food assistance efforts should be formally recognized. Thus, together with raising the minimum commitments of existing Members, efforts should be made to broaden the FAC donor base by bringing into the FAC these new donor countries.

Earmarking and prioritizing FAC resources to emergency operations

Another important change in the new FAC, especially if a substantial increase in the minimum commitment does not materialize, is to stipulate that donations under the FAC are earmarked exclusively for emergency operations and the needs of development and nutrition intervention

projects⁵⁹. Within this exclusive use of FAC resources, the first priority should be to meet immediate food needs, with the remaining resources to be used in financing agricultural inputs to facilitate recovery of the agriculture sector and address legitimate project needs. Such an earmarking of donations under the FAC would parallel the 'Safe Box' concept for emergency food aid, introduced under the negotiations on food aid at the WTO. The operational value of the 'Safe Box' is to exempt emergency food aid from additional disciplines, thus ensuring that such non-distorting assistance is dispatched expeditiously. However, a 'Safe Box' without resources backing it could remain an empty box. Hence, in essence, the prioritization of resources under the FAC to emergency situations would ensure a financial backing of the 'Safe Box', adding substance to this legal provision.

Introducing flexibility in funding arrangements

The nature of emergency requirements, both for immediate food needs and for agricultural inputs, is that they are variable from year-to-year. It follows that more flexibility in donor funding would be a desirable change in the new FAC so that resources are not only adequate on average but also in terms of being able to respond to the year-to-year fluctuations of such needs. Thus, an additional funding arrangement under the FAC should be to allow the carry-forward/carryover of donors' contributions in years when actual genuine needs are below/above minimum FAC contributions. Implementation of this arrangement involves simply introducing administrative flexibility in donors' funding allocations, whereby earmarked contributions under the FAC could be shifted between successive budgeting years depending on assessed needs for such assistance. Besides facilitating a better response to emergency needs, such an arrangement would also avoid waste and misuse of resources which is often unavoidable under rigid budgeting cycles.

Although the 1999 FAC has a provision for carry-forward and carryover, its intention is not for facilitating inter-year flexibility in allocations to match variable needs. In fact, the relevant provision of the 1999 FAC (Article VI) goes against what is desirable. It stipulates as a general obligation that "each member shall ensure that operations in respect of its commitment for one year are made to the maximum extent possible within that year." It would appear that the flexibility given with this provision is meant for those donors who have difficulties in meeting their obligation within a given year and not as a response to variable emergency needs. The focus of this provision would need to change along the lines suggested above, variable needs being the criterion for carry-forward and carryover.

Another possible option to increase the capacity to respond to variable emergency needs could be to create an international fund for emergency response whereby extra resources over and above actual annual needs are placed in this fund to be drawn upon in years of excessive demands for such assistance. This arrangement could be modelled after the International Emergency Food Reserve (IEFR) that was established in 1976 under the auspices of WFP to strengthen its capacity to deal with food crises in developing countries⁶⁰. Cash contributions, which increasingly become

⁵⁹ Programme food aid, subject to the eventual disciplines at the WTO, may continue as a resource transfer mechanism and notified to the FAC; however, it is not to be counted against a donor's minimum commitment. This is in consideration of the scarcity of food aid to meet even genuine emergency and project needs, as well as in consideration of problems associated with programme food aid related *inter alia* to lack of targeting and compliance with WTO rules.

⁶⁰ The IEFR had a target of not less than 500 000 tonnes of cereals, plus small quantities of other appropriate foodstuffs. The IEFR was seen as a continuing reserve with yearly replenishments determined by WFP's governing body. The reserve was originally regarded as a multilateral standby arrangement to provide WFP with an initial, quick-response capability. It did not involve WFP holding food stocks as such. Instead, donors were required to announce their contributions to the reserve one year in advance. Contributors were expected to ensure that their food donations would be shipped in the most expeditious manner. They were also required to assume responsibility for meeting transport and other related costs. Intensive discussion took place in WFP's governing body between 1980 and 1982, to convert the

more common among donors are now more amenable to such an arrangement than 30 years ago when contributions were largely in the form of actual commodities. In view of the broadened role of such a revamped IEFR, its management could be the joint responsibility of WFP and FAO.

Ensuring compatibility with WTO rules

As discussed under section V, there are certain derogations from the general WTO rules in regard to food-related assistance to food-insecure developing countries, which in general provide ample flexibility in the provision of this assistance. Some of these are already contained in general terms in the 1999 FAC but would need to be reaffirmed and strengthened further under a new FAC to better reflect well-established principles and best practices on commodity assistance based on the experience gained over the years.

In this regard, eligible recipient countries under Article VII of the 1999 FAC (*Eligible Recipients*) would need to be streamlined with up-to-date established categories of countries that are the targets of food-related assistance, including those referred to in the WTO context (LDCs and NFIDCs under the Marrakesh Decision) as well as the FAO category of LIFDCs. Compatibility with WTO principles is further reinforced to the extent that food-related assistance is closely linked to emergency situations in these generally-accepted food-insecure countries, as well as helping countries to increase agricultural productivity.

As regards Article XIII of the 1999 FAC (*Effectiveness and Impact*), under broadened commodity coverage, the new FAC would need to take on board some well-established principles for targeting and distribution of agricultural inputs. In the context of the WTO rules, Article 6.2 of the AoA, which exempts from the generally applicable rules resource-poor farmers in developing countries, is highly relevant. Assistance in agricultural inputs specifically targeting this group *inter alia* through 'smart subsidies' such as market-based vouchers could be explicitly stipulated under the new FAC.

Finally, Article IX of the 1999 FAC (*Forms and Terms of Aid*) would need to be amended to better reflect the general disciplines for food aid contained in the *Draft Modalities for Agriculture*, whereby all such assistance should, *inter alia*, be needs-driven, in fully grant form, not tied directly or indirectly to commercial exports, and not linked to the market development objectives of donors. In this context, consideration should be given to excluding from Article IX the types of transactions that amount to programme food aid. This is in view of the increasing scarcity of food aid to meet even emergency and project needs, as well as problems associated with programme food aid related *inter alia* to the lack of targeting and compliance with WTO rules. Programme food aid, subject to the eventual disciplines to be agreed at the WTO, may continue as a resource transfer mechanism and be notified to the FAC; however, may not be counted against a donor's minimum commitment.

IEFR into a 'legally binding convention' and to strengthen its operations by increasing its target to 2 million tonnes of food commodities. These proposals were not approved. (*World Food Security: A History since 1945*, D. John Shaw, Palgrave Macmillan, 2007).

ANNEX 2: Total food aid delivery types and transfer modes by donor (average 2001-08)

Donor	Donor share in total food aid (%)	Food aid type (%)			Transfer mode (%)		
		Emergency	Project	Programme	Direct transfer	Local purchase	Triangular purchase
USA	53.9	53.1	30.6	16.4	97.4	0.9	1.7
EC	9.3	69.6	8.7	21.8	21.5	32.1	46.4
Japan	5.5	61.4	3.9	34.8	36.2	11.5	52.3
Korea, Rep	4.2	20.0	0.1	79.9	70.0	0.3	29.7
China	3.4	95.0	1.1	3.9	98.6	0.8	0.6
Canada	2.9	41.9	56.9	1.2	74.6	11.8	13.6
Germany	2.1	51.0	49.0	0.0	3.4	51.0	45.6
Australia	1.9	42.8	56.3	0.9	61.9	17.5	20.5
UK	1.7	95.0	5.0	0.0	0.6	46.6	52.7
Netherlands	1.5	98.3	1.6	0.1	1.2	40.2	58.6
Italy	1.2	47.2	40.4	12.4	47.4	20.3	32.3
Sweden	1.2	98.2	1.8	0.0	0.5	49.6	50.0
France	1.1	48.1	27.7	24.2	60.4	16.0	23.6
Norway	1.0	26.5	73.5	0.0	2.1	56.2	41.7
Denmark	0.7	32.6	67.4	0.0	43.2	31.9	24.8
Russian Fed.	0.5	31.5	2.8	65.7	89.2	0.3	10.5
Switzerland	0.5	95.1	4.9	0.0	5.8	38.9	55.4
Finland	0.4	51.6	48.4	0.0	5.2	52.2	42.6
Belgium	0.3	91.4	8.2	0.4	9.6	37.3	53.2
Austria	0.1	60.3	4.7	34.9	11.9	28.6	59.5
Others	6.7	77.8	14.7	7.4	25.0	34.4	40.6
Total	100	58.0	24.8	17.2	69.7	12.1	18.2

Source: WFP, FAIS database