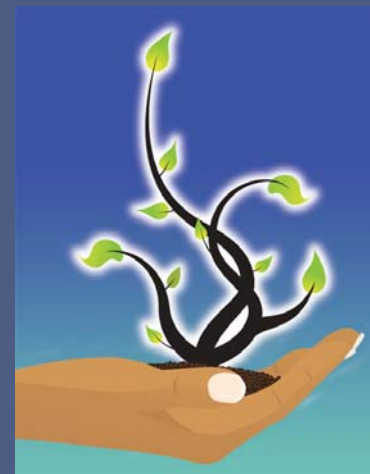


# RENEGOTIATING THE FOOD AID CONVENTION: WHAT IS ON THE TABLE?

Jennifer Clapp

Established in 1967, the Food Aid Convention (FAC) — an international agreement that outlines global rules for food aid — is currently up for renegotiation under Canada's chairmanship. Jennifer Clapp, CIGI Chair at the Balsillie School of International Affairs, analyzes the changing environment of food aid over the past decade and explains the two key issues: how donor commitments are counted, and the treaty's governance structure. "The need for a new agreement has become increasingly obvious since global food prices began their precipitous march upward in 2007-08, leading to a rise in the number of hungry people on the planet from around 850 million to between 925 million and 1 billion" she observes, but it is still uncertain whether donors are interested enough to keep the FAC as a global food assistance mechanism.

Créée en 1967, la Convention relative à l'aide alimentaire est un accord international dont l'ensemble des règles est actuellement en voie de renégociation sous la présidence du Canada. Jennifer Clapp, titulaire de la chaire CIGI à la Balsillie School of International Affairs, analyse ici comment a évolué cette aide depuis une dizaine d'années et fait ressortir deux de ses enjeux clés : la façon de mesurer l'engagement des donateurs et la structure de gouvernance de la Convention. « La nécessité d'un nouvel accord est devenue manifeste depuis que les prix alimentaires ont bondi en 2007-2008 et entraîné une augmentation de la population souffrant de la faim de 850 millions environ à un total de 925 millions à un milliard », observe-t-elle. Pour autant, rien n'assure que les donateurs soient suffisamment intéressés pour conserver la Convention en tant que mécanisme international de lutte contre la faim.



The Food Aid Convention (FAC) is an international agreement among eight donor countries (Australia, Argentina, Canada, European Union, Japan, Norway, Switzerland and the United States) that outlines global rules for food aid. It aims to ensure that donor countries provide food aid in ways that are helpful, and not disruptive, to recipients and other donors. As part of this broader goal, the convention requires donors to commit to provide a minimum amount of food aid each year, until now measured in tonnes of wheat equivalent, to meet the needs of the world's hungry. The agreement has been periodically updated since it was first put in place in 1967, and is currently up for renegotiation. Canada has played a leading role in the process of renegotiating the FAC by chairing the Food Aid Committee, the body that oversees the treaty, since discussions on the new treaty started in June 2010.

Negotiators aspire to have a revised FAC in place by the end of 2011, and have been working on drafting new rules

since late 2010. The last time the FAC was updated was 1999. That agreement expired in 2002, and FAC members have granted one-year extensions since that time, in the hopes that the World Trade Organization's Doha Round trade agreement, which includes provisions on food aid, would be concluded. With the WTO agreement nowhere near completion, members decided in 2010 to embark on revisions to the FAC. The need for a new agreement has become increasingly obvious since global food prices began their steady march upward in 2007-08, leading to a rise in the number of hungry people on the planet from around 850 million to between 925 million and 1 billion (see figure 1). This increase in hunger has meant that reaching the Millennium Development Goal of reducing world hunger by half by 2015, to a level of 425 million, has been put even further out of reach.

The food aid policy environment has changed a great deal since the 1999 FAC was signed, making the task of renegotiating the treaty an especially large one.

There are three major changes to the negotiating context since the treaty was last updated, each of which is likely have implications for the outcome of the new treaty.

First, a number of donors have “untied” their food aid since the 1990s. Early food aid programs were often “tied” to procurement of the food within the donor country

**FAC commitments were increased in 1980 only once donors knew they had surplus grain to draw on. Donors today are not in that situation. Rather, the opposite conditions prevail: there is continued uncertainty about the future world food supply, and aid budgets in donor countries are tight. Recent proposals to cut the food aid budget in the US, the world’s largest donor of food aid, are a sign that the most likely direction of overall food aid commitments is downward.**

because in large part food aid served a purpose of disposing of surplus food. Research has shown that tied food aid is not always the best response to hunger, however, especially in emergency situations. A shipment of tied food aid typically takes four to six months to reach recipients, compared to one month for locally or regionally obtained food aid. Tied food aid is also more expensive, typically costing 30 to 50 percent more than food aid purchased locally in the recipient country, or within the region.

The European Union was the first donor to untie its food aid, in the mid-1990s. The EU’s food aid is now provided in the form of financial resources that enable the purchase of food closer to the source of hunger. The 1999 FAC allowed the EU to spell out its food aid commitments within the agreement in cash terms, while still guaranteeing a minimum tonnage associated with it. Other donors kept their commitments in terms of tonnes of wheat equivalent. Australia partially untied its food aid in 2004, and fully untied it in 2006. Canada untied half of its food aid in 2005, and fully untied it in 2008. The US and Japan, on the other hand, have kept their food aid programs almost fully tied.

The Food Aid Convention currently does not prohibit donors from tying food aid to their own domestic production. But debates over rules regarding how commitments are counted, as discussed below, are influenced by whether donors give primarily tied or untied food aid. Donors that give financial resources, in other words, may not want to

commit to provide food aid in terms of tonnes of wheat equivalent.

A second major change in the negotiating context is that a higher proportion of food aid is now allocated to emergencies than was the case in the late 1990s. In 1999, around 31 percent of food aid was directed toward emergencies, with the remainder being allocated to longer-term and more development-oriented projects and programs. By 2009, some 76 percent of food aid was directed toward emergencies. Because of this rise in emergency aid, more food aid is now channelled through multilateral agencies, primarily the World Food Programme (WFP). When the FAC was last negotiated in 1999, only 27 percent of food aid was multilateral, but by 2009 that figure was 70 percent.

This significant shift reflects the growing number of natural and man-made disasters in the past decade. It also reflects a greater understanding that long-term food aid, because it can introduce perverse incentives and create dependencies over long periods of time, is not necessarily the best use of food resources. Differences among donors on the extent to which they should

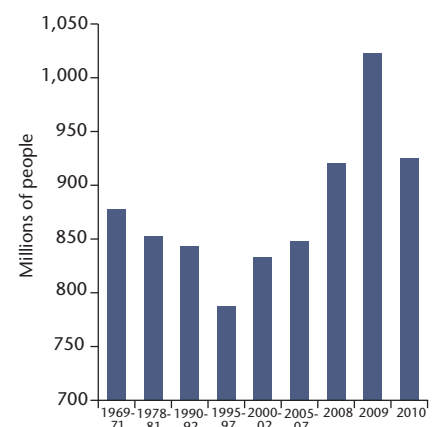
focus their aid exclusively on emergency response have influenced negotiations. The EU, for example, is more inclined to allocate its food aid budget primarily to emergencies, while the US still provides a significant amount of longer-term food aid programs in addition to aid for emergencies.

The third major difference today is rising and volatile food prices and an uncertain food supply, which make food aid provision more expensive and difficult to plan. Because donors budget for their donations in financial terms, higher food prices directly translate into fewer

tonnes of food aid. These new conditions have resulted in a dramatic drop in the volume of food aid since the late 1990s. In 1999 over 14 million metric tonnes of food aid was provided in total by donors. By 2009, the amount provided had dropped to only 5.7 million metric tonnes (see figure 2).

Although the FAC is supposed to assure at least a minimum level of assistance in the face of food crises, the amounts provided by donors during the recent period of high food prices was very low. The WFP had to scramble throughout 2008 and 2009

FIGURE 1. GLOBAL HUNGER LEVELS, 1969-2010



Source: Food and Agriculture Organization.

to secure additional donations to maintain the level of food aid it has historically provided. The low level of assistance provided by donors is one of the reasons the FAC was not particularly visible as a global governance response to the 2008 global food crisis.

Negotiators are considering changes to the way that donors count their commitments under the FAC. Until now, donor pledges have been counted in tonnes of wheat

**Canada has won the respect of the donor-members of the FAC as it has led the negotiations, and indeed the treaty's members voted in May to extend its chairmanship of the Food Aid Committee until negotiations are completed this coming December. As facilitator of the negotiations, Canada has thus far taken a middle position.**

equivalent, reflecting the treaty's early days when most of the food aid donations were in fact wheat. Over the years the convention rules have changed to allow donors to commit other food commodities — such as cooking oil, rice, pulses and skim milk powder — and conversion formulas have been put in place to translate donations into wheat equivalent units. These formulas are typically based on the prevailing prices of wheat and other commodities on international markets, but are different for each commodity.

Measuring food aid in tonnes of wheat equivalent is widely seen as an outdated and clumsy way to measure food aid. Such a metric is especially complex for donors that have untied their food aid and must convert their cash resources into equivalent tonnes of wheat for it to count as part of their FAC commitment. The benefit of wheat equivalence is that it keeps the focus on the physical nature of food. But at the same time it may not be the best indicator to evaluate whether food aid actually helps to alleviate hunger. The EU, for example, would like to allow some nonfood items to

count, like expenditures on agricultural inputs such as seeds and seedlings, which ultimately helps to improve food security. The US and Canada would like to see the focus remain on food items, but they are not insisting on keeping the wheat equivalent metric.

Proposals have been put forward to measure FAC commitments in terms of the cash value of the donation. Because a larger number of donors have now untied their food aid, and because all donors budget

their food aid in value terms in any case, this option is attractive. Cash is easier to measure, enables donors to plan ahead and is easier to use in emergencies, when purchasing food closer to the source of the crisis might mean faster response times as well as lower costs.

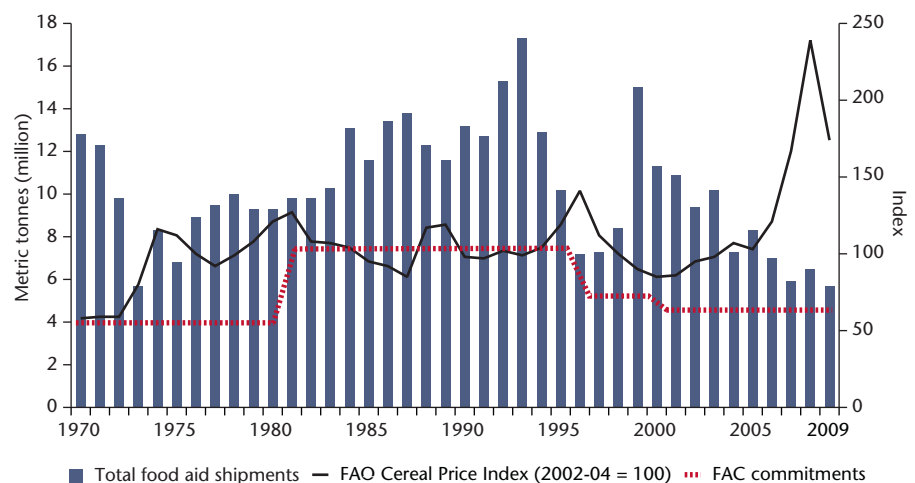
The downside of measuring donor commitments in cash terms, is that it would transfer the risk of

fluctuating food prices onto recipients. Such a move is likely to only reinforce the already pro-cyclical nature of food aid: that is, when food prices are high and supply is tight, the actual amount of food provided as aid tends to decline — at exactly the time when it is needed the most. With high and volatile food prices projected for at least the next decade, negotiators must consider whether measuring commitments in cash terms is the right approach. Some of the price risk for recipients might be mitigated if donors agree to adjust the cash amount provided each year according to a food price index. Donors may not be enthusiastic about this idea because it would undermine their desire to

know in advance what their food aid budget will be.

Some have proposed that donors should commit to feed a certain number of people under the FAC, rather than simply provide cash or tonnes of wheat equivalent. Such a metric could more accurately measure the impact of food aid, not just in terms of calories provided, but also in terms of nutrition and

FIGURE 2. FOOD AID DELIVERIES, FAC COMMITMENTS AND FOOD PRICE INDEX, 1970-2009



Source: Food and Agriculture Organization (FAO), WFP and Food Aid Convention.

access. The Transatlantic Food Assistance Dialogue (TAFAD), a non-profit coalition of food-aid-providing organizations, has suggested, for example, that the target be 30 million people fed. In its view, this would roughly reflect current levels of commitments but would be a more appropriate measure. TAFAD maintains that it is probably not any more complex to count numbers of people fed than it is to count wheat equivalents. Moreover, this approach would leave the price risk where it belongs — with the donor. But it would mean that donor budget planning would still be uncertain. Ultimately, however, the donors are more able to bear that risk than recipients, especially in the current context of rising hunger. This is something the donors should keep in mind when they are negotiating. So far, FAC members have not agreed on a common metric for counting their commitments.

Another aspect of the talks on donor commitments within the FAC is the overall amount provided collectively by donors. At the time of the 1970s food crisis, when prices rose sharply, food aid donations fell dramatically, as they have in recent years. The 1974 World Food Conference made a plea to donors to raise food aid levels to 10 million tonnes per year. The 1980 FAC renegotiation saw a rise to 7.6 million metric tonnes committed — not the full 10 requested, but a significant increase in the base amount to be provided by donors.

The collective FAC commitment was reduced again in the 1995 and 1999 FAC agreements. The sharp reduction in 1995 from 7.6 million tonnes to 5.4 million tonnes was a response to higher grain prices experienced in 1995, which prompted the US to reduce its commitments by 2 million tonnes, a 44 percent

decrease. The total combined commitment of 5.4 million tonnes was maintained in the 1999 FAC, even though grain prices had fallen substantially compared with their level in the mid-1990s. The fluctuations in the amount of aid provided even above that level, however, have been numerous, rising and falling according to grain prices. This pattern has led many to argue that the minimum amount of aid guaranteed by the FAC donors is too low to be meaningful for recipients.

Are donors likely to increase their collective commitments at this time? FAC commitments were increased in 1980 only once donors knew they had surplus grain to draw

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on. Donors today are not in that situation. Rather, the opposite conditions prevail: there is continued uncertainty about the future world food supply, and aid budgets in donor countries are tight. Recent proposals to cut the food aid budget in the US, the world's largest donor of food aid, are a sign that the most likely direction of overall food aid commitments is downward. Moreover, if donors cannot agree on a common metric for counting their commitments, it may not even be possible for them to agree on a collective level of donations.

The problem of fluctuating levels of food aid from year to year exposes yet another weakness with

the way commitments are counted in the convention. There are no sanctions against donors that do not meet their food aid commitments in any given year. Donors are required to make up shortfalls in subsequent years, but this only exacerbates the fluctuations in donations, since the rules encourage donors to under-provide food aid in high-price years, and make up any shortfalls when prices are low. This happened in the mid-1990s when the US failed to meet its commitments for several years, and in the early 2000s when Canada was in a similar position.

The FAC's governance arrangements have been criticized as being especially weak for an international treaty, and these weaknesses in turn have had a negative effect on its ability to fulfill its mission.

Two big issues linked to the FAC's governance have been raised: how to improve the performance of the governance functions it carries out and how it can best fit into the broader global food security institutional framework. Tackling the governance aspects of the treaty is important, but perhaps seen as less urgent by negotiators who are putting their main efforts into the commitment structure. Whether there will be any changes to this aspect of the convention under the new agreement is uncertain.

The FAC suffers from a distinct lack of transparency in its decision-making processes, a problem that is exacerbated by the very limited participation of stakeholders. Meetings and negotiations of the FAC are largely held in secret. It is, in short, primarily a donors-only club. Recipient governments are rarely invited to attend the Food Aid Committee meetings, meaning they are unable to ensure appropriate food aid inter-

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**\$2.95 Billion**

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**1.3 Million km<sup>2</sup>**

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**99%**

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ventions or verify their needs. Representatives from international organizations, such as WFP, WTO, the United Nations Food and Agriculture Organization (FAO), and the Organisation for Economic Co-operation and Development (OECD), all of which are important for coordinating efforts, are sometimes invited to attend parts of Food Aid Committee meetings, but are not fully integrat-

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ed. Civil society has almost no access to the FAC's deliberations. The closed nature of the FAC with respect to participation makes it very different from other UN-based treaties, where observers and consultations are welcome.

The relative lack of participation by food aid stakeholders means that the convention remains donor-oriented in focus and process, which only contributes to its lack of transparency. Another example of its closed nature is the lack of open monitoring and external evaluation processes. All of the oversight of donor country implementation and compliance, as well as the treaty's overall performance, is completed in-house through self-reporting, leading to questions about the validity of the data it presents.

In the wake of the 2007-08 food price hikes, and as food price volatility continues in global markets, there has been much talk about the need to reorganize global governance arrangements to promote food security. The place of the FAC within this broader architecture remains an open question.

The FAC secretariat is currently housed in the International Grains Council (IGC) in London. This arrangement is a result of the FAC's early history, whereby the original

treaty was agreed alongside the Wheat Trade Convention in 1967 as part of a broader International Grains Arrangement under the Kennedy Round of the General Agreement on Tariffs and Trade. The two agreements are linked in this sense, and both were deeply entrenched in the trade concerns of their members.

With food aid adopting more of a humanitarian function over the

past decade, whether the secretariat of FAC still belongs in the more trade-oriented IGC is being questioned by NGO critics. The lack of proximity of the FAC secretariat to the WFP and FAO, which are based in Rome, and the Paris-based Development Assistance Committee of the OECD further complicates the coordination issue. But moving the secretariat would be costly, and it is not clear where it would best fit. Donors are wary of such change, which likely would require more openness and external evaluation.

Changes in the operating environment of food aid over the past decade have highlighted serious challenges for the FAC with respect to the commitment structure and the treaty's governance arrangements. At the broadest level, many have argued that the FAC should be restructured so it is more needs-based rather than driven by the availability of donor resources. This would require changes to its commitment structure and its governance. Indeed, structuring the rules of the treaty around what hungry people in recipient countries need, rather than what donor countries are willing to provide, would likely improve the transparency of the agreement as well as its effectiveness.

There remains the possibility, however, that the discussions will not lead to a new agreement. Talks are already stalled by six months beyond the original plans, and there is still some uncertainty about whether donors are interested enough to keep the FAC as a global food assistance mechanism.

The US has indicated it is willing to support a renegotiated agreement, although it is unclear whether there is support broadly for extensive reforms or only minimal ones. The European Union has made clear that it would prefer to see major reform over minor tinkering. It has expressed support for reworking the FAC to become a Food Assistance Convention, with a broader scope and with stronger ties to the broader governance architecture for both food security and humanitarian assistance. If the treaty does not go in this direction, however, the EU has warned that it may withdraw its support.

Canada has won the respect of the donor-members of the FAC as it has led the negotiations, and indeed the treaty's members voted in May to extend Canada's chairmanship of the Food Aid Committee until negotiations are completed this coming December. As facilitator of the negotiations, Canada has thus far taken a middle position: Like the EU it can see the utility of a cash-based commitment, but like the US it is wary of broadening the treaty beyond direct food expenditures. The member states have not yet reached agreement on how to address the thorny issues that are still on the table, and the outcome is as yet uncertain.

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