

REVISED

COUNTING COMMITMENTS IN THE FOOD AID CONVENTION

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1. Introduction

The Food Aid Convention (FAC), first signed in 1967 as part of the International Grains Agreement, and renewed five times since then, is a component of the patchwork of institutions and agreements that govern international food aid flows.¹ Although food aid is necessarily only one element of an appropriately broad-based international response to food insecurity, it is an important element underpinned by formal international agreements, of which the FAC is perhaps the most prominent because of its status as a legal treaty. The objectives declared in Article I of the 1999 FAC are “to contribute to world food security and to improve the ability of the international community to respond to emergency food situations and other food needs of developing countries.” Despite its many limitations – on which, see Barrett and Maxwell (2005, 2006), Benson (2000) and Hoddinott and Cohen (2007) – under the Convention, signatories have a legal obligation to provide international development and humanitarian assistance. This obligation is expressed within the FAC in the form of commitments made by signatories. The FAC is administered by the Food Aid Committee comprised of FAC signatories, supported by the Secretariat of the International Grains Council (IGC). However, existing rules regarding commitments are opaque, inflexible and reflect the history of the Convention, the IGC and food aid more generally, as an instrument of grain surplus disposal and global cereals trade rather than as a tool in the struggle to achieve world food security, the FAC’s stated objective.

The current FAC, signed in 1999 and extended several times since, will again soon expire. While there are signals that signatories wish the Convention to continue, it is unclear when negotiations on a new FAC will commence. When this occurs, there will be a need to identify options for a new system of counting the donor commitments.² The purpose of this paper is to outline some possibilities. To do so, we begin with an explanation of how the current system operates, its strengths and its weaknesses. Next, we outline an alternative approach which we believe represents an improvement over the existing system. Lastly, we consider other alternatives and variations, explaining why we do not perceive them to be as appropriate as the approach we propose.

2. The current system of counting commitments

a. How it works

Members’ commitments are seemingly set out explicitly in Article III (“Quantities and quality”) of the Convention. Under this article, Members agree to provide food aid to developing countries or the cash equivalent; this promise is referred to as “the commitment”. The commitment is expressed in terms of either tonnes of wheat equivalent, the value of the wheat equivalent or in a combination of tonnage and

¹ For a more detailed discussion of the Convention, including its links to the Kennedy round of the GATT talks, see Barrett and Maxwell (2005) and Hoddinott and Cohen (2007).

² There are other issues that also require consideration, including the objectives of the FAC, monitoring and enforcement of commitments, and representation on the Food Aid Committee. On these, see Barrett and Maxwell (2005) and Hoddinott and Cohen (2007).

value. If a member expresses their commitment in value terms, they are required to also specify a guaranteed annual tonnage. Value can include transport and other operational costs associated with the provision of food aid, up to the acquisition cost of eligible products, except in the case of internationally recognized emergencies, in which case non-food costs are permitted to exceed the acquisition cost of the food commodities. Where commitments are expressed, partly or wholly, in tonnage, value terms, signatories can also declare an indicative value representing its total estimated cost (procurement, transport and other operational costs). Tonnage and value commitments are both binding, indicative values are not.

Table 1 lists the commitments of signatories to the 1999 Convention as stated under Article III(e) (IGC, 1999):

Table 1: Signatories’ commitments under the 1999 Food Aid Convention

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

Commitments can be fulfilled by providing any of the following products: (i) grains (wheat, barley, maize, millet, oats, rye, sorghum or triticale) or rice; (ii) grain and rice products of primary or secondary processing; and “other eligible products”, (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; (ix) and products which “are a component of the traditional diet of vulnerable groups”, or a component of supplementary feeding programmes. There are some restrictions within these categories: skimmed milk powder, sugar and seeds cannot collectively exceed 15% of a member’s commitments and no single one of these items can exceed 7%, of its commitment. Products that are components “traditional diet of vulnerable groups” cannot exceed 5% of commitments.

The Convention does not specify how quantities of other commodities are converted into wheat equivalents. The murky details of this are found in a separate document, with restricted circulation, called the Food Aid Convention’s Rules of Procedure. These rules, prepared by the IGC Secretariat, and approved by the Food Aid Committee, provide the conversion factors by which non-wheat food aid is converted to wheat equivalent. These rules differ by commodity.

For milled white rice: The wheat equivalent is based on the price ratio between rice and wheat, specifically between United States dollars per tonne at prevailing exchange rates, of Thai white rice, 100% second grade, f.o.b. Bangkok and the international market price for wheat. Every March, the FAC Secretariat calculates this ratio, averaged over the previous five calendar years. This ratio is then used to calculate wheat equivalents of contributions made in the form of rice for the 12 month period beginning in July.

Processed wheat products: The wheat equivalent for processed products is higher than for unprocessed wheat. Different processed products have different equivalencies. For example, one tonne of:

Rolled rye is counted as 1.25 tonnes of wheat equivalent;

Wheat flour is counted as 1.37 tonnes of wheat equivalent;

Maize flour is counted as 1.69 tonnes of wheat equivalent;

Secondarily processed durum wheat is counted as 2.00 tonnes of wheat equivalent.

However, members are not bound by these equivalencies and can, if they choose, use different conversion rates

Other eligible products: The wheat equivalents of items (iii) to (ix) (pulses, edible oils etc) are calculated on the basis of ratios of the purchase price reported by these goods for these products to the price of wheat. These equivalencies cannot exceed 5 (ie the equivalent per tonne of the product does not exceed 5 tonnes of wheat).

Micronutrients: These are covered under Rule 6 of the Rules of Procedure. The wheat equivalent is the ratio of the price at which the micro-nutrients were purchased, as reported by the member concerned and the average export price of wheat. The wheat equivalent of a contribution of micro-nutrients supplied in conjunction with a product cannot be greater than 3% of the wheat equivalent of that product. Further, micro-nutrients cannot exceed 7 per cent of a members' commitment.

Wheat equivalent of cash contributions: Cash contributions used for the purchase of eligible products is based on the international market price of wheat calculated monthly by the FAC Secretariat based on *f.o.b.* prices in Australia, Canada and the United States.

b. What are the problems?

No set of commitment and accounting rules can be perfect. But the rules both reflect and help shape the conduct of food aid policy by signatory countries and, if designed appropriately, may thereby help encourage best practice by donors in employing scarce food aid resources to advance global food security objectives. The present rules have several problems in this regard.

Problem 1:

The use of prices to calculate equivalencies and the declaration of commitments in value terms undercuts the value of the FAC as a guarantee of a fixed *quantity* of food. It also creates perverse incentives. For example:

Commitments that are not fulfilled in a given year are carried over, without penalty, to the following year. When prices are high, especially of other eligible products, there is a financial incentive for donors to delay providing food under the Convention.

The Convention has an in-built bias to make food aid counter-cyclical with respect to prices, meaning that as prices increase, food aid volumes shrink. As a result, there is a financial incentive to mis-time the delivery of food aid.³ For example, suppose a signatory is providing emergency food aid through local procurement. It will be cheaper to delay purchases until after harvest time and thus less costly to meet FAC commitments, even though beneficiaries would have been much better off if deliveries had been made earlier! Incentives to mis-time deliveries run counter to the FAC's core stated objectives since access to food – one of the three pillars of food security – is compromised when food prices are high.

Equivalencies for other eligible products are based on prices paid when the product is procured. For this reason, the timing of procurement can matter. One donor, for example, sent two deliveries of maize seed in August and November, 2002 to neighbouring countries in southern Africa. One delivery, made in November 2002, had an equivalence of 2.1; a second, made in August 2002 had an equivalence of 4.8. The point is that conversion factors can be arbitrary and easily manipulated through subtle change in food aid management.

Problem 2:

Although some forms of processing (e.g., blending, fortification) to add essential micronutrients to commodities is often, equivalences for processed products are higher than for unprocessed product without tying these differences to nutritional differences between the products. This too creates a perverse incentive. Procuring processed food in one's own country means that some benefits of food aid flow to developed countries' millers and processors rather than processors in developing countries. This helps build political support for food aid programs. But it creates a subtle incentive to expend scarce resources on processing regardless of whether recipients' food security needs are best addressed through processing, especially if processing degrades other important criteria, such as timeliness, cultural suitability or food safety.

Problem 3:

³ We consciously use the terms “delivery” and “deliveries” in lieu of “shipment” and “shipments”, respectively. Although the latter pair are central terminology in the FAC, these reflect a historical focus on donor surplus disposal. We favor language that (subtly) supports a shift toward emphasizing recipient needs. Toward that end, the reference date for recordation of actions that satisfy Members' commitments could likewise be changed from the shipment date from the donor country to the delivery date in the recipient country, thereby providing further incentive for timely delivery.

The restrictions on micro-nutrients make absolutely no sense in a world plagued by chronic micronutrient deficiencies. Nearly two billion individuals worldwide are iodine deficient and some estimates for iron deficiency are even higher. Approximately 140 million children under the age of 5 are Vitamin A deficient and zinc and folic acid deficiencies are also of significant concern (United Nations, 2004). Further, the provision of micro-nutrients has some of the highest benefit: cost ratios of a broad set of interventions designed to reduce hunger and malnutrition (Behrman, Alderman and Hoddinott, 2004). In other words, the current FAC limits cost-effective responses to micronutrient malnutrition, which is more widespread than protein energy malnutrition.

Problem 4:

The current system is remarkably inflexible on transport costs. Signatories can only pay for their own deliveries, not for commodities procured by others. This discourages flexible matching of contributions to facilitate timely delivery of, for example, commodities contributed by non-signatory developing countries. For example, if the Government of India offers surplus commodities from government-held stocks to respond to a nearby emergency in Bangladesh or Pakistan, a signatory country cannot count toward its FAC commitment its financial contribution toward the cost of transporting the food, even though this may be the most timely, cost-effective and culturally appropriate food aid response to the emergency. Rather, the signatory must ship or procure some of its own eligible commodities if its food aid contributions are to count toward its FAC commitment.

Problem 5:

The current system discourages the provision of food aid to remote or insecure localities and yet these are the places where food aid is often needed most. To see why, consider a country that has expressed its commitment in tonnage terms and plans to ship from its home port to two possible destinations: Country (A) has a port; Country (B) is landlocked and marred by civil strife and therefore transport costs are much higher. This donor has an incentive to ship to country (A) because it meets its tonnage commitment at lower cost. Moreover, even for countries that express commitments in value terms, the transport cost component counted toward the signatory's commitment cannot exceed the value of the commodities procured except in the case of an internationally recognized emergency. This cap can bind for delivery to remote or insecure locations of low value-to-weight commodities typically most appropriate in the early stages of emergencies or in response to chronic protein energy malnutrition.

Problem 6:

Commitments under the Convention and the accompanying Rules of Procedure have evolved over time in an ad hoc fashion. As a result, the system is overly complicated. Not only does it make reporting more costly, this complexity causes signatories to be late in their reporting. This complexity inhibits transparency and despite all these detailed rules, the conversions remain arbitrary.

Problem 7:

As outlined in Annex B of the Convention, eligible recipients of food aid include Developing Countries and Territories listed as aid recipients by the Development Assistance Committee (DAC) of the OECD, effective as of 1 January 1997, and countries included in the WTO list of Net Food-Importing Developing Countries, effective as of 1 March 1999. As a result, food shipped to countries such as China or Jamaica - where the most recent estimates of dietary energy supply (DES) per capita are 2940 and 2680 kcal per capita (FAO, 2006) - counts as much as food shipped to Burundi and Ethiopia – where DES are estimated to be 1640 and 1860 kcal per person respectively (FAO, 2006). Food aid as a supply supplement is most valuable where food availability is demonstrably insufficient, as in the latter cases, as distinct from cases where adequate food exists within the country but people go hungry because of poverty and dysfunctional or inequitable distribution systems, as in the former cases.

3. An alternative approach

a. Principles

The focus or objective of the Convention plays a strong role in shaping the nature of commitments made by signatories. The 1967 FAC had an “instrument focus” – the conduct of a food aid program – in the context of concerns regarding the orderly disposal of grain surpluses and commitments within that agreement reflected this. Implicit in what we propose below is the view that the Convention should move towards a “problem focus”, seeing food aid as a contribution toward preventing famine, reducing hunger and malnutrition, and advancing food security by meeting food availability shortfalls on a context-specific basis. Further, because we see food aid as being most appropriate in certain emergency contexts, commitments should reflect the key dimensions of food emergency assistance: appropriate quantities of appropriate food (with high nutritional value) delivered in a timely fashion. Commitments should not create the perverse incentives described above.

The core principles around which we developed the method proposed below are as follows:

- Food aid should focus on addressing nutrient availability shortages in countries where there are significant food security problems, especially those arising out of food emergencies, rather than on reducing food surpluses in signatory countries.
- The FAC rules of procedure and the Convention itself should create incentives for signatories to employ global best practices in food aid programming.
- The FAC rules of procedure should allow for flexibility in accounting for different procurement modalities among donors and for different food needs among recipients.

- The FAC rules of procedure should facilitate international cooperation in responding to food insecurity, including matching contributions of different types among signatory and non-signatory donors.
- Member reporting to FAC should be simple, transparent and fully consistent with other reporting requirements such as those required by FAO's Consultative Subcommittee on Surplus Disposal (CSSD) and the Development Assistance Committee (DAC) of the OECD, so as to reduce donor administrative costs and to ensure consistency among different authorities' statistics.

b. A new method of counting commitments

Our proposed approach sets out to address the seven problems with current FAC accounting procedures following the five principles enumerated above.

To see how we propose to proceed, an analogy may be helpful. Think of commitments as promises to make deposits into a global food security bank. Just as is currently the case under FAC, this bank has two “windows”, or tellers, at which signatories can make deposits. Under our proposed approach, these two windows are: (1) an adjusted quantity window that rewards food aid deliveries that respond to hunger and penalizes deliveries of food into contexts in which surpluses already exist, and (2) a complementary cash resources window that allows for expenditures associated with transport, processing and storage associated with food deliveries, no matter who contributes the commodity; and expenditures on micro-nutrients.

i) Encouraging timely, targeted food aid

Food aid is most valuable when food is most scarce. This can be in response to an emergency (e.g., cyclone, drought, earthquake, flood, hurricane, tsunami, war), it can be seasonal, or it can be with respect to specific micronutrients that are in especially short supply. If the objective of the FAC is, as stated in Article I, “to contribute to world food security and to improve the ability of the international community to respond to emergency food situations and other food needs of developing countries,” then the valuation of contributions should reflect their value in meeting food security objectives. This has the added benefit of creating some incentive toward best practice programming.

Put another way, given the objective stated in Article I, not all food aid should count equally towards meeting FAC commitments. Specifically, we propose that:

- Only food aid to countries with prevalences of hunger above some threshold would be counted towards a signatories' commitment.⁴ For example, this threshold could be set so that only food aid to countries where 10 per cent or more of the population is considered hungry would count.⁵ (Appendix 1 lists which

⁴ There exist a number of sources of information on the location, prevalence and number of the world's hungry, such as the numbers reported in FAO's annual *State of Food Insecurity in the World* or Wiesmann's (2006) *Global Hunger Index*.

⁵ While this threshold is expressed at the country level, given the widespread availability of credible hunger prevalence estimates at that level of aggregation, in principle it would be possible to set these thresholds based on credible estimates of regional prevalences for countries where significant intra-country variations exist. That is, geographically targeted food aid deliveries to a specific region where the prevalence of hunger was clearly above 10 per cent would count even if the national prevalence level was lower. The

countries that would be included under this proposal and which current recipients would no longer be eligible.) Food aid to countries with a high proportion of the population considered to be hungry would be weighted more heavily. For example, food aid to countries where the proportion of people considered hungry exceeds 35 per cent would be marked up by 20 per cent.⁶

- Emergency food aid delivered within 30 days of a *bona fide* appeal (such as those produced by OCHA) would be marked up by 50 per cent; food aid delivered within 30-60 days of an appeal would be marked up by 20 per cent. The objective is to provide a modest incentive to rapid response where it demonstrably has high humanitarian and development impact.
- Countries that do not fulfill their commitments are penalized. A shortfall in one year is carried forward with a mark-up of 25 per cent. Members could also satisfy such shortfalls in bilateral food aid deliveries by replenishing procurements made under an “advanced financing facility” by operational agencies such as the World Food Programme (WFP) or the International Committee of the Red Cross (ICRC). Consistent with the principles of promoting global best practice and flexibility in procurement modalities, a Member’s contribution to reimburse advanced funds used for commodity procurement or delivery could be counted against the Member’s commitments in either the year in which the operational agency incurred the expenses or the year in which the Member disbursed funds to the agency.
- Only food aid provided in grant form could count towards meeting FAC commitments.⁷

ii) The adjusted quantity window

Members could fulfill commitments made under the adjusted tonnage window by providing food directly, regardless of where the food is procured (i.e., in kind contributions from the donor country or local, regional or triangular purchases). All such deliveries would be expressed in wheat equivalent tonnage, i.e., in a physical quantity of food transferred. However, we propose that equivalencies to wheat be based on relative caloric content, not price. The average caloric content of commodities is well-established and thus transparent and simple. Further, calorie equivalents eliminates the problem inherent to computing wheat equivalent tonnage of establishing the relevant price series, given marked variation in prices over space and time.

To see how this would work in conjunction with the weights described above, consider the following examples. There are four food aid deliveries each of 1000 units. Delivery A goes to a country where the prevalence of hunger is 6 per cent and there is no food emergency. Delivery B goes to a country where the prevalence of hunger is 15 per cent. Delivery C goes to a country where the prevalence of hunger is 42 per cent. Delivery D is

point is that food deliveries, as supply-side instruments for addressing food insecurity, should be targeted to areas of demonstrably insufficient supply.

⁶ We recognize that these weights are somewhat arbitrary. We are more concerned about the principle of weighting contributions than we are about the size of the weights themselves.

⁷ Currently, food aid provided in the form of concessional loans can be counted towards meeting FAC commitments.

delivered within 30 days of a food emergency being declared in a country where the prevalence of hunger is 38 per cent. Delivery A would not count towards meeting FAC commitments. Delivery B would count as 1000 units. Delivery C would count as 1200 units ($1000 \times 120\%$) and Delivery D would count as 1800 units ($1000 \times 150\% \times 120\%$).

This relatively simple, transparent set of adjustments to physical quantity commitments addresses problems 1, 2, 6, and 7 in the current FAC accounting procedures. Further, it allows for increased flexibility in donor commodity sourcing and greater transparency in accounting. It also creates appropriate incentives for signatories to program food aid in response to recipients' needs, and disincentives to food aid deliveries that are mis-timed or otherwise poorly targeted.

iii) The complementary cash resources window

Delivering scarce nutrients to those who need it when and where they need it requires significant spending on supporting logistics of transport, storage and processing once the commodity is landed, especially for deliveries into distant, landlocked or insecure areas. In some cases, the same donor is unable or unwilling to meet these expenses as well as to provide the food commodities, thus inter-donor cooperation becomes essential.

Commitments under a complementary cash resources window can be met through expenditures made in developing countries on transport, processing, or temporary storage services necessary to get food aid to intended recipients. This allows for inter-donor cooperation, with one signatory paying for necessary transport and processing costs for commodities provided by another donor (including non-member countries). It also eliminates the distortionary current restriction on transport expenses. Such expenditures would be valued at actual cost in the currency of commitment (when necessary, converted using period average exchange rates publicly reported by the International Monetary Fund). All complementary cash resource expenditures directly linked to a food aid delivery would count, regardless of which country donates the food. Note that expenditures undertaken within developed donor countries would not count towards complementary cash resources commitments.

Due to the inherent complementarity between supporting logistical services and food commodities in delivering scarce nutrients to food insecure populations, for the purpose of meeting FAC commitments, the same adjustments for severe shortfall and surplus would apply to complementary cash resource expenditures as to physical quantities delivered. Thus £1 million spent on in-country transport of food commodities in connection with delivery A (above) would not count as £1 million toward the signatory's commitment, while the same £1 million expense in connection with deliveries B or C would count for £1 and £1.2 million while £1 million in transport costs associated with delivery D would count for £1.8 million.

This relatively simple, transparent set of adjustments to existing indicative value commitments under the FAC addresses problems 4 and 5 in the current accounting procedures. Further, it allows for increased flexibility in sourcing of commodities and complementary transport, processing and storage services and greater transparency in accounting.

Expenses associated with the provision of micro-nutrients could also be counted towards the complementary cash window, thus directly addressing problem 3. This would include the costs of fortifying the foods counted under the adjusted quantity window, thereby allowing for full market valuation of any micronutrients added to delivered commodities. However, because delivery of these micro-nutrients to some important target groups is not necessarily food based (for example, the provision of Vitamin A capsules to very young children), these would not have to be linked to food aid delivery in order to count.

c. Other alternatives

We considered as well a range of other options to the current, unsatisfactory status quo. Here, briefly, are some such options and the basic reasons we favor the approach outlined above.

- A) Move to pure value-based accounting. Under this approach, signatories would commit cash instead of tonnage. The fundamental problem with this approach is that it effectively transmits price risk to beneficiaries; food aid flows would fall when prices are high. Further, value-based accounting can get murky. A donor could argue that the costs of administering a food aid program from Ottawa, or Brussels, or Oslo or wherever could count as part of meeting the cash commitment.
- B) WFP is working on a nutritional measure of food aid flows. This interesting and timely exercise reflects growing, appropriate emphasis on the quality of food aid deliveries and especially the growing attention paid to micronutrient deficiencies. However, if all food aid actions were to be converted into a nutritional index measure, this would increase the reporting burden on signatory countries as the exact nutritional content of each delivery would have to be determined and reported. Further, such index numbers are necessarily opaque and harder to communicate to non-technical audiences than monetary values or physical tonnage. Finally, and most importantly, a fixed formula nutritional scoring system can create perverse incentives akin to those of the present FAC rules by rewarding low-cost, high-score nutrients regardless of whether these are in short supply in recipient countries. Induced expenditures on nutrients not in short supply and in over-processing should be avoided, especially given limited food aid budgets relative to the number of food insecure prospective recipients.
- C) Many donors and operational agencies have moved increasingly toward cash transfers in lieu of food aid distribution. One option mooted informally by a number of individuals would broaden the accounting under the Food Aid Convention to include such transfers on the principle that cash is in many circumstances the best instrument for advancing food security objectives. We do not disagree with that claim, but nonetheless think that accounting inclusive of non-food transfers opens a Pandora's Box.
 - 1. One needs to be careful about conflating the issue of whether one wants food aid or aid (maybe or maybe not for food) with the issue of how to account for food aid. Each is a very important topic. But within the confines of a Food Aid Convention, one must respect the three core characteristics that distinguish food aid from other forms of assistance: (1) the *international sourcing* (2) of

concessional resources (3) in the form of or for the provision of *food* (Barrett and Maxwell 2005). If the FAC were to account for all international concessional flows, irrespective of the third characteristic – that they be in the form of or for the provision of food – then the FAC will necessarily have to account not only for cash transfers to households (whether conditional and unconditional), regardless of their purpose (e.g., promoting school attendance, health clinic visits, etc.), but also for cash transfers to governments and non-governmental agencies that provide public goods (e.g., health clinics, schools, agricultural extension services, potable water sources, transport infrastructure, etc.) that advance food security objectives, microfinance schemes and lots of other programs that likewise can advance food security objectives without directly providing food. Indeed, if the concept at the heart of the accounting ceases to be food aid flows but instead food consumption growth (or flows that lead to food consumption growth), arguably all overseas development assistance (ODA) is relevant since the indirect effects of macro policies (including non-economic policies related to conflict, etc.) often trump the effects of micro interventions. If signatories wished to go in this direction, existing OECD-DAC accounting for ODA flows would suffice and the FAC and its accounting rules would become superfluous.

- D) A final option that holds conceptual appeal is to weight food aid deliveries not on the basis of hunger prevalence – because hunger results from a range of processes, many of which food aid is ill-suited to address – but instead based on sufficiency of nutrient supplies in the recipient country. This would allow differential weighting of food aid deliveries according to how well they address the particular micro- or macro-nutrient shortfalls prevailing in a given context. Specifically, it would allow for seasonal variation or for differences among commodity types in, for example, addressing shortfalls of key micronutrients. The problem with this approach is that it is impractical for the foreseeable future as essential food balance sheet data simply are not available in sufficiently timely and universal fashion to be provide the necessary identification of nutrient-specific shortfalls. Further, while there is variation in calorie content within a given commodity type, variation in micronutrient content is typically far greater and thus would require greater reporting detail (e.g., procurement specifications for each micronutrient) and/or testing of deliveries. Despite the conceptual appeal of this approach, it would not be implementable any time in the reasonable future.

4. Summary

The existing system of counting commitments under the Food Aid Convention is opaque, inflexible and problematic on many grounds. The use of prices to calculate equivalencies undercuts the value of the FAC as a guarantee of a fixed quantity of food and creates an incentive to make food aid counter-cyclical with respect to prices. Equivalences for processed products are higher than for unprocessed product, although these differences are not tied to nutritional differences between the products. The restrictions on micro-nutrients make absolutely no sense. The current system is remarkably inflexible on transport costs and discourages the provision of food aid to remote or insecure localities and yet these are the places where food aid is often needed most. There is no incentive to provide food to countries most in need. Finally, the system of reporting is overly complicated.

In this paper, we have outlined an alternative approach to counting commitments. It has two components: an adjusted quantity window that rewards food aid deliveries that respond to hunger and penalizes deliveries that deliver food into contexts in which hunger is relatively uncommon, and (2) a complementary cash resources window that allows for expenditures in developing countries associated with transport, processing and storage associated with food deliveries, no matter who contributes the commodity; and expenditures on micro-nutrients. This approach encourages the targeting of food aid in countries where there are significant food security problems, especially those arising out of food emergencies, rather than on reducing food surpluses in signatory countries. It creates incentives for signatories to employ global best practices in food aid programming. It allows for flexibility in accounting for different procurement modalities among donors and for different food needs among recipients while facilitating international cooperation in responding to food emergencies. Finally, it is simpler than the current system.

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Appendix 1

Countries eligible to receive “FAC-able” food aid under the 1999 Convention and who would remain eligible for national scale programming under this proposal:

Afghanistan, Angola, Armenia, Azerbaijan, Bangladesh, Benin, Bolivia, Botswana, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, China, Colombia, Congo (Democratic Republic), Congo (Republic), Dominican Republic, El Salvador, Eritrea, Ethiopia, Gambia, Georgia, Ghana, Guatemala, Guinea, Haiti, Honduras, India, Iraq, Jamaica, Kenya, Korea (Democratic People’s Republic), Laos, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Moldova, Mongolia, Mozambique, Namibia, Nepal, Nicaragua, Niger, Pakistan, Panama, Paraguay, Peru, Philippines, Rwanda, Senegal, Sierra Leone, Somalia, Sri Lanka, Sudan, Suriname, Swaziland, Tajikistan, Tanzania, Thailand, Togo, Venezuela, Viet Nam, Yemen, Zambia and Zimbabwe.

Countries no longer eligible to receive “FAC-able” food aid for national scale programming under this proposal:

Albania, Algeria, Bosnia, Costa Rica, Cuba, Cote d’Ivoire, Ecuador, Egypt, Guyana, Indonesia, Iran, Jordan, Kazakhstan, Kyrgyzstan, Lebanon, Macedonia, Mauritius, Morocco, Myanmar, Nigeria, Syria, Tunisia, Turkey, and Turkmenistan.

In addition, we note that there are a number of countries – all very small in terms of population who are currently FAC-able but for whom estimates of the population considered hungry are not available. These are:

Barbados, Belize, Bhutan, Cape Verde, Djibouti, Dominica, Equatorial Guinea, Fiji, Grenada, Guinea Bissau, Kiribati, Maldives, Marshall islands, Micronesia, Papua New Guinea, Palestine, Sao Tome and Principe, Solomon Islands, St Lucia, St Vincent, Timor-Leste, Tokelau, Tonga, Tuvulu, Vanuatu, Wallis and Futuna and Western Samoa.