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# COMMITTEE ON COMMODITY PROBLEMS

## Seventy-first Session

Rome, 4–6 October 2016

## REVIEW OF THE CONSULTATIVE SUB-COMMITTEE ON SURPLUS DISPOSAL (CSSD)

### Executive Summary

At its 70th Session in 2014, the Committee mandated “*the Bureau of the CCP through the creation of an Open-Ended Working Group to carry out the required work on the CSSD, including considering the option of its elimination, and to present its recommendations for consideration by the CCP at its 71st Session in 2016*”. This document presents the work of the Working Group and the recommendations that emanated from the review of the CSSD.

### Suggested action by the Committee

The Committee is invited to consider the following points for decision:

- Meeting of the CSSD
- Decision on the CSSD meetings
- Location of the CSSD secretariat
- Notification of food aid transactions
- Consolidation and dissemination of food aid data

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## I. Introduction

1. The Committee on Commodity Problems (CCP) discussed the role of the FAO Consultative Sub-Committee on Surplus Disposal (CSSD) at its 65th Session in 2005, when the Doha Round negotiations were in full swing and expected to lead to new disciplines on food aid. Concerns were expressed about the continuing relevance of the CSSD and its ability to meet its mandate. Its function of monitoring of food aid transactions was increasingly being compromised as major donors failed to make timely notifications.

2. A thorough review of the CSSD and the reasons for the difficulties it faced was therefore seen as appropriate<sup>1</sup>. Renewed concerns about the status of the reporting to the Sub-Committee were expressed at the 68th Session of the CCP in 2010 (the last report of the CSSD submitted to the CCP), including on the length and frequency of its meetings. The CSSD report suggested then to have “*less frequent meetings or to keep things open for ad hoc meetings if there are issues to be brought up*”<sup>2</sup>.

3. At its 69th Session in 2012, the CCP considered a recommendation by the Secretariat that “*the regular meeting cycle of the CSSD should be dropped in favour of meeting on an ad hoc basis as the need arises or that a formal review of the CSSD be undertaken to determine whether it should continue*”<sup>3</sup>. The CCP concurred that “*a formal review of the CSSD should be undertaken to determine what role it could play in the context of WTO commitments*”<sup>4</sup>.

4. At its 70th Session in 2014, the CCP, considering the findings of an independent study commissioned by the Secretariat<sup>5</sup>, mandated “*the Bureau of the CCP through the creation of an Open-Ended Working Group to carry out the required work on the CSSD, including considering the option of its elimination, and to present its recommendations for consideration by the CCP at its 71st Session in 2016*”<sup>6</sup>.

5. This document presents the recommendations of the CCP Working Group on the Consultative Sub-Committee on Surplus Disposal (CSSD) for consideration by the CCP.

## II. Overview of Trends in Food Aid Flows and Governance

6. The importance of food aid as a means of resource transfer has declined over the past two decades, falling from close to 17 million metric tonnes in 1993 to below 5 million metric tonnes in recent years. While in the absolute the largest share of food aid continues to be in-kind (direct transfers), there is a clear and welcome increase in the share of cash resources. For the majority of donors, providing cash to purchase food locally accounts for at least 50 percent of their food aid, and for several of them 100 percent.

7. There have also been major changes in the use made of food aid. Nearly three-quarters of total food aid in recent years has been for emergency operations which, together with food aid targeted to vulnerable segments of the population in recipient countries (project food aid), accounted for most of the total food aid provided. Only a small portion of food aid (about 3 percent of the total in recent

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<sup>1</sup> Para 31 of Report of the 65th Session of the CCP, 11-13 April 2005.

<sup>2</sup> Para 10 of CCP 10/Inf.7, 68th Session of the CCP, 14-16 June 2010.

<sup>3</sup> Para 8 of CCP 12/INF/11, 69th Session of the CCP, 28-30 May 2012.

<sup>4</sup> Para 27(f) of C 2013/23, Report of the 69th Session of the CCP, 28-30 May 2012.

<sup>5</sup> *Role of the Sub-Committee on Surplus disposal (CSSD) in the context of WTO commitments and the way forward*, CCP 14/10 Rev.1, August 2014.

<sup>6</sup> Para 29 of C 2015/22, Report of the 70th Session of the CCP, 7-9 October 2014.

years) constitutes in-kind ‘programme’ food aid, i.e. donations from government to government for sale to the domestic market of the recipient country.

8. These trends suggest that the realities of donor food aid practices and the use made of food aid are moving away from the two major concerns of the CSSD, i.e. market displacement and disincentives to domestic production. Less in-kind food aid and more triangular transactions and local purchases, combined with the substantially reduced overall volumes of food aid, would suggest that concerns over commercial displacement are reduced. At the same time, the use of food aid for emergencies to meet the needs of individuals with limited purchasing power would imply that this type of assistance should result in additional consumption (i.e. consumption that does not manifest itself in the market).

9. Reinforcing this state of affairs was the substantial progress that had been achieved in the governance of food aid at the World Trade Organization (WTO) and the Food Aid Convention (FAC). Strengthened disciplines on food aid at the WTO<sup>7</sup> took place during the negotiations on agriculture under the Doha Round. Convergence on a final text on food aid was reached at the 10th WTO Ministerial Conference, held in Nairobi from 15 to 18 December 2015<sup>8</sup>.

10. Under the new FAC, food aid is seen not as the single means of supporting food security in vulnerable countries, but as part of a broader context where commodity aid is merely one component of the food assistance effort and certainly not the most important one. Similarly, in bilateral food assistance programmes, food aid when provided as such is fully costed and stricter monitoring and evaluation mechanisms are in place to ensure that this is an efficient and effective form of transfer value, conferring benefits to target populations commensurate to the cost of such programmes in comparison to other possible types of interventions.

### III. Recent Activities of the CSSD

11. The origins of CSSD date back to the early 1950s, when the accumulation of agricultural surpluses in North America gave rise to the idea that these surpluses could be ‘disposed of’ to help countries in dealing with shortages. This led to the establishment of the FAO Principles of Surplus Disposal (referred to throughout this paper as 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 producers.” The CSSD was established in 1955, as a subsidiary body of FAO’s Committee on Commodity Problems to oversee adherence to these *Principles*.

12. Effectively, the main focus of the CSSD has been on monetized in-kind ‘programme’ food aid, which falls under the WTO disciplines on export competition and is subject to CSSD monitoring as regards adherence to the *Principles*.<sup>9</sup>

13. Compliance with the *Principles* involves prior consultation and formal notification of individual food aid transactions to the CSSD Secretariat. Such notifications are made on a “transaction by transaction” basis and generally in “real time” and include pertinent information on the commodity involved, how it is going to be supplied by the donor, and how it is going to be delivered and used in the recipient country. Normally this notification and review by the CSSD should take place prior to the shipment of the commodity.

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<sup>7</sup> Revised Draft Modalities for Agriculture, TN/AG/W/4/Rev.4, WTO, 6 December 2008.

<sup>8</sup> Export Competition – Ministerial Decision on Export Competition of 19 December 2015 - WT/MIN(15)/45 and WT/L/980 [https://www.wto.org/english/thewto\\_e/minist\\_e/mc10\\_e/nairobipackage\\_e.htm](https://www.wto.org/english/thewto_e/minist_e/mc10_e/nairobipackage_e.htm).

<sup>9</sup> In this connection, a direct link to the *FAO Principles* is made in Article 10.4(b) of the Uruguay Round Agreement on Agriculture (AoA) under the export competition pillar.

14. There has been limited activity in the Sub-Committee since 2000, and no activity at all since 2010 when the CSSD last met<sup>10</sup>. As described above, this seems to reflect the drastic reduction in the overall volume of food aid and the shift away from monetized in-kind 'programme' food aid, in part due to the imperative of responding to urgent emergency needs, but also the low level of notifications by donor countries.

#### IV. Consultative Process on the Future of the CSSD

15. The work of the Working Group on the CSSD (WG) was conducted under the leadership of the Chairperson of the CCP Bureau, Ambassador Maria Laura da Rocha of Brazil. The other Members of the CCP Bureau were core members of the Working Group: Gabon (Africa), Malaysia (Asia), Estonia (Europe), Jordan (Near East), USA (North America) and Australia (South West Pacific). Representatives of Argentina, Bangladesh, Canada, Chile, EU, Italy, New Zealand, Philippines, Sudan, Tanzania and Zambia participated in one or more of the WG meetings. WTO and the World Food Programme (WFP) also attended one or more meetings, as appropriate, to inform the WG of their respective activities.

16. The WG held six meetings between March 2015 and May 2016. At its first meeting, the Group discussed its terms of reference (ToRs) and work calendar, as well as its working arrangements. At the second meeting, the WG approved its ToRs and reviewed the role and relevance of the CSSD, as well as possible options for the way forward. At its third meeting, the WG received three presentations by experts from FAO/Global Information and Early Warning System (GIEWS), WFP/International Food Aid Information System (INTERFAIS) and WTO. At the fourth meeting, the WG discussed a background document prepared by the Secretariat, elaborating three possible scenarios for the future of the CSSD, and agreed on the following four broad principles:

- The need for a CSSD-like mechanism may arise in the future;
- The secretariat should be located in Rome;
- No additional costs should be envisaged;
- The mandate of the body should not be changed (e.g. not be conferred with a mandate on policy issues).

17. At its fifth meeting, the WG discussed a proposal elaborated by the Secretariat based on the above four principles of general consensus. At its sixth and last meeting, held on 27 May 2016, the WG agreed on the following recommendations to be submitted for consideration by the Committee at its 71st Session.

#### V. Recommendations for the future of the CSSD

18. In view of the above, the Working Group, under the overall leadership of the CCP Chairperson, H.E. Ambassador Maria Laura da Rocha of Brazil and the assistance of the CCP secretariat, has agreed on the following recommendations, for consideration by the Committee, as regards the future of the CSSD.

##### a) *CSSD meetings*

It is proposed that the CSSD continue to exist in a dormant information-gathering mode and only meet on a '*when-required*' basis. The need for close monitoring of food aid transactions continues to be relevant, as possibilities of oversupply in some countries cannot be completely ruled out in the future and food aid may become an outlet to dispose of for such surpluses.

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<sup>10</sup> The last Report of the CSSD was presented to the 68<sup>th</sup> Session of the CCP in 2010 <http://www.fao.org/docrep/meeting/018/K7806E.pdf>

It is also proposed that CSSD meetings be held in Rome (instead of Washington D.C.).

**b) *Decision on the CSSD meetings***

The CSSD is a subsidiary body of the CCP. Any Member or group of Members may request the CSSD to meet, based on a clear justification and an indication of the urgency of convening a meeting. Pursuant to Rule I(4) of the CCP Rules of Procedure, the CCP Bureau shall be charged with the responsibility of assessing whether the request is prima facie justified and making a recommendation to the Director-General, who shall take the final decision on whether to convene a meeting. In the affirmative, the meeting should be convened as expeditiously as possible.

**c) *Location of the CSSD secretariat***

It is proposed that the CSSD be serviced by GIEWS in FAO's Trade and Markets Division (EST), where the secretariats of the CCP and the Intergovernmental Commodity Groups (IGGs) are also located. Moving the CSSD secretariat to Rome would facilitate support to the Sub-Committee's functions by technical experts at no foreseen additional cost. This would also allow integration and access to the full range of information and analytical tools available in FAO.

GIEWS was established in the early 1970s in the wake of the world food crisis. It is the leading source of information on food production and food security of almost every country in the world. It provides policy makers and the international community with the most up-to-date and reliable information available. GIEWS keeps under constant watch the world food supply and demand situation, issues regular reports on the world food security situation and provides early warning of impending food crises in individual countries. For countries facing a serious food emergency, GIEWS experts, together with WFP, carry out joint Crop and Food Security Assessment Missions. The primary purpose of these missions is to provide timely and accurate information on the food security situation to inform and facilitate appropriate action.

**d) *Notifications of food aid transactions***

It is proposed that donors shall promptly notify their intentions to provide food aid as soon as decisions are made. Notifications of food aid shall be made to WFP's INTERFAIS<sup>11</sup> system and include adequate details on the commodities to be provided, the mode of donation (in-kind and/or cash) and expected use (emergency, project, programme). Current notification practices of donors to INTERFAIS may need to be reviewed as regards the format/template and regularity of reporting. Donors shall have no new legal or other obligation aside from providing information of their food aid activities in a timely and complete manner. Donors shall also provide ex-post data to WFP's INTERFAIS system on monetization of in-kind food aid, including the total value of the monetized food aid and the use of funds raised through monetization. This proposed arrangement is conditional on the continued functioning of WFP's INTERFAIS.

**e) *Consolidation and dissemination of food aid data***

FAO/GIEWS' Crop Prospects and Food Situation (CPFS) report (in addition to the INTERFAIS public website) shall become the information dissemination arm of the CSSD. The CPFS report shall provide donors with consolidated, systematic and timely information on food aid transactions. In addition, the overall information reported in the CPFS reports, which includes timely data on current food supply and demand balances in domestic markets of the recipient countries as well as other relevant statistics on regional and world food markets, would provide a good information base to members of the CCP that may have questions or concerns about possible market displacement and

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<sup>11</sup> As of the date of the write up of this report, the functionality of the INTERFAIS system was under review. WFP would ensure that FAO and the CCP secretariat are kept apprised of developments that may impact on the envisaged role and commitments of INTERFAIS.

disincentive effects of the food aid provided or to be provided. This proposed arrangement for the consolidation and dissemination of food aid data is conditional on the continued functioning of WFP's INTERFAIS and the timely provision of the required data and information to FAO/GIEWS.

## VI. Suggested Action by the Committee

19. The Committee is invited to consider the following recommendations concerning the future of the CSSD.

a) Meeting of the CSSD:

The meetings of the CSSD should be held in Rome on a '*when-required*' basis.

b) Decision on the CSSD meetings:

The CCP Bureau shall be mandated, pursuant to Rule I(4) of the CCP Rules of Procedure, to assess whether the request to convene the CSSD is prima facie justified and to make a recommendation to the Director-General. The final decision shall be made by the Director-General. In the affirmative, the meeting should be convened as expeditiously as possible.

c) Location of the CSSD secretariat:

The CSSD secretariat shall be based in Rome at GIEWS in FAO's Trade and Markets Division, home to the CCP secretariat and the secretariats of the IGGs.

d) Notification of food aid transactions:

Donors shall promptly notify WFP's INTERFAIS system about their intentions to provide food aid as soon as decisions are made, including details on the commodities to be provided, the mode of donation (in-kind and/or cash) and the expected use of the food aid (i.e. emergency, project, programme, etc.). Donors shall also provide ex-post data on monetization of in-kind food aid, including the total value of monetized food aid and the use of funds raised through monetization.

e) Consolidation and dissemination of food aid data:

The CPFS report by FAO's GIEWS, in addition to WFP's INTERFAIS website, shall become the information dissemination arm of the CSSD.