

DRAFT STATEMENT BY THE DIRECTOR-GENERAL

on the occasion of the Launch of SOFA 2006 – 24 January 2007

Ladies and gentlemen, welcome to FAO and to the launch of *The State of Food and Agriculture 2006*. This year's report examines food aid. You may wonder why we chose to address this subject. The reasons are clear:

(i) Thirty-nine countries in the world currently require emergency food assistance, twice the number of two decades ago.

(ii) 820 million people in developing countries are undernourished, a number that has hardly changed since 1990, despite our pledges to reduce it by half by 2015.

(iii) Food aid is one of the main instruments we have in the fight against hunger. Indeed, it is often the only resource we have in responding to crises.

These facts raise the obvious question: How effective is food aid in addressing hunger?

I want to make one thing very clear: food aid saves lives. It is often the only thing standing between vulnerable people and death. The people who donate food aid and those who deliver it – often in the world's most dangerous places – should be highly regarded. Our colleagues in the World Food Programme, in particular, have my utmost respect and admiration for the essential work they do.

But many people have serious doubts about food aid. They argue that it does more harm than good by flooding markets in poor countries with cheap food commodities. Critics say that food aid undercuts local farmers and traders and makes people dependent on hand-outs. Others say that food aid is really just a disguised export subsidy, and that it ought to be banned except in emergency situations.

The State of Food and Agriculture 2006 takes a hard look at the evidence on all of these questions and controversies.

Based on past studies, the report finds that food aid can have negative secondary impacts on local markets and trade, especially if it arrives at the wrong time – when local crops are being harvested – or when it reaches people who don't really need it.

Two common food aid practices practically guarantee that food aid often arrives at the wrong time and reaches the wrong people.

(i) Most food aid is donated on condition that it be purchased and processed in, and shipped from, donor countries, even when adequate food supplies are available in the region where it is needed. Such 'tied' aid is expensive and slow. It costs about one-third more than necessary, and often takes 6 months or longer to reach its destination.

(ii) About one-quarter of all food aid is sold on the open market in recipient countries, with no attempt to target needy people. This depresses and destabilizes local prices, and results in wasted resources.

The State of Food and Agriculture argues that changing these practices would have two clear benefits. It would save scarce aid resources and it would minimize the potential for negative consequences in recipient countries. Better targeting, timing and management of food aid deliveries are the keys to reducing harmful consequences.

A more fundamental problem with food aid is that it is often asked to do too much. Food aid tends to dominate food security programmes and emergency response, even when food supplies are plentiful. Food aid is often used because it is the only available resource – not necessarily because it is the best tool for the job. For example, when adequate supplies of food are available in an area and the problem is people's access to it, giving those vulnerable people cash or food coupons would be more effective and less harmful than giving them food. In the long-run, the focus should be on building the resilience of local food systems – i.e. local producers and traders upon whom sustainable food security depends.

Food aid is often essential in responding to humanitarian emergencies, but it can have harmful secondary effects, especially if it is poorly timed or targeted. Better food aid management and more innovative interventions are required to address the problem of food security more effectively and efficiently, while minimizing the risk of harm. This is the central message of *The State of Food and Agriculture 2006*.

Thank you for your attention.