



***CAN FOOD AID BE A MORE EFFECTIVE
DEVELOPMENT TOOL?***

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C O N T E N T S

Moderator:

PETER TIMMER, Senior Fellow
Center for Global Development

Keynote Presentation:

ANDREW S. NATSIOS, Administrator
U.S. Agency for International Development

Panel Discussion:

JOHN HODDINOTT, Senior Research Fellow, Food Consumption and
Nutrition
International Food Policy Research Institute

PATRICK WEBB, Dean for Academic Affairs, Associate Professor
Friedman School of Nutrition Science and Policy; Director, Food Policy and
Applied Nutrition Program
Tufts University

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International Food and Agricultural Trade Policy Council

P R O C E E D I N G S

MR. TIMMER: [In progress] --forum on food aid as a more effective development tool. Thank you all for coming under at least uncertain circumstances, no longer inclement, but clearly a lot of decision making had to get done in the last several hours to figure out how we were going to make this work.

I am Peter Timmer. I am a Senior Fellow at the Center for Global Development. I will be the moderator this morning. My basic task is to introduce our speaker and our panelists and then try to deflect any rotten tomatoes that get thrown at us as we continue the discussion.

Our keynote speaker this morning, and I suspect much of the reason we have such a fantastic turnout, is Andrew Natsios, currently the Administrator of the U.S. Agency for International Development, and I'm sure everybody here knows that Andrew has announced his resignation in order to join Georgetown where he's going to start teaching the day after he leaves government. He didn't have the good sense to go take a vacation, so he's going to jump right into the frying pan in the classroom.

Andrew has been Administrator of USAID since the beginning of the Bush II administration but had significant experience in aid before that as the Special Coordinator, Bureau of Humanitarian Assistance, from 1989 to 2003, and that's actually where we met. He wasn't in a district where I got a chance to vote for him in Massachusetts, but we knew of each other. As most of you know, I've had a long-standing interest in food aid and food issues, food policy, and that's

where we originally got to talk to each other and we're continued that relationship since. If I read all of the material that I have here, Vice President of World Vision, the guy who actually fixed the Big Dig in Boston. I was up there 2 weeks ago and it's wonderful to see things and it's actually done, it's working and it's really quite a transformation for downtown Boston. Andrew has done a lot of different things in his career and, as I say, is moving on to an academic life which I suspect he's going to find just as challenging and interesting and where he will be just as a productive as he has been all along.

The format, I'll ask Andrew to take the podium and speak. We have three panelists that I will introduce in order. Two of them have some very brief PowerPoint slides to put up so we'll do it so that we're all sitting there and can watch that. Then we will, as soon as all the panelists have done their quick presentations, go up to the table, have a bit of interchange among ourselves and then we'll open it up for questions. We're going to go until noon or a few minutes after, so we should have lots of time for interchange with what I know is a very interesting, dedicated and engaged audience.

With that let me welcome Andrew Natsios to our forum.

[Applause.]

MR. NATSIOS: Thank you very much. It's nice to see you all this morning.

Let me start with a story, two stories about Fred Kune [ph]. Many of you know Fred. He's a famous figure in the disaster relief community, one of my mentors when I first started in 1989 in OFDA. I sent Fred into the center of the Tigrean food emergency of 1990 which actually didn't become a famine,

much of which Fred was responsible for preventing. We have him \$3 million in cash because he said there is surplus in part of Tigre and a deficit that's developing into a famine in another area and because the country is in the middle of the civil war we can't get food in. Bill Garbelink [ph] had actually done the calculations of how much food we could get in through Masawa [ph], Asab [ph], through the corridor that had been opened up from Port Sudan across the border. Mingistu had been bombing, the Ethiopian Air Force, bombing all of the shipments across the border every night.

In fact, I gave Fred the \$3 million. He converted it into burr [ph] at a bank in Jeddah [ph]. I could tell you a lot of stories about how this happened. But he said going across with the 3 million bucks in burr on the truck in his convoy, they bombed the convoy, blew up the truck and killed everyone in front of him and behind him. Fred disappeared for 6 months, and I said oh my God, maybe he was blown up and we weren't told about it. Where's the \$3 million and where's Fred?

He came out 6 months later and he said I bought 20,000 tons of sorghum, I moved it in alone. There were just two people working with him because he made a deal with the merchants, you deliver the food at this point, I'm going to inspect it. If it's okay, you get paid, if it isn't okay you're not going to get paid, I mean in the terms of the quality. And I'm going to auction it off in the villages because the price of food had skyrocketed and we wanted to stabilize prices so that more people could use the markets to survive on. Fred did come out and told me the stories and it was actually a great success. I think the Norwegian Aid Agency put some money into this program as well.

That was my first introduction to the local purchase of food in a war, and we didn't have any choice. We simply could not get the tonnage required into this area in the middle of a war zone. We could get one person in with some cash but we couldn't get 20,000 tons of food in.

We tried it a number of other times, and I won't go into all of the examples, but local purchase is not a new idea. The problem is, Fred said this to me when we started having these long conversations in the trips, there's a large literature on disaster relief by scholars and analysts and there's a huge gap between the literature and the practice because the accounts and the structure of foreign assistance is constrained by interest groups, by budgets in donor aid agencies, by congressional and parliamentary interests, and so everything is sort of frozen into stone and we can't take the lessons we've learned and transfer them into the field in changed practice. We've learned a lot about what works and what does not work and the tools we need.

I watched Fred who tests his theories and then he started quoting this guy named Amartya Sen, this was in 1990 and I started reading his books, the Theory of Entitlement which my students will have to be reading at Georgetown very shortly, two of his books, as a matter of fact, and we just had him at AID and gave him the George C. Marshall Award and he gave the George C. Marshall Lecture two nights ago at AID.

Of course, Sen and Alex Duwall [ph], Fred Kune and Simon Maxwell, all of whom are associates in this work, have reached a number of conclusions and the problem is they are not always transferred into practice in

the field. I said to Fred some day I might be in a position to change the structure of these accounts because I will be in a position of authority to do that.

I went to the President and to the OMB and the President's staff and I said we have a problem here. We need more tools because people die in famines who don't need to. The President told OMB, Who is going to be annoyed by this? I said you're going to annoy almost everybody. But it's the right thing to do ethically, and the President told OMB go ahead and put it in the budget. It's the right thing to do.

Food aid has been around AID for 45 to 50 years, and then before that in the AID predecessor program. Actually Food for Peace precedes the existence of AID as it's currently named. There has been a huge amount that's been accomplished by the program. I am an enthusiast. I ran the program when I was Assistant Administrator of the bureau of what was then called Humanitarian Assistance in the first Bush administration in the early 1990s, and I'm a very big supporter of it and have been for a long time. The argument is not whether food aid is a bad thing or good thing. All tools of development and humanitarian assistance have strengths and weaknesses. In order to have the optimum response to any emergency or any development problem, you have to have more tools that are more appropriate. It's not just in terms of food assistance, it's also in terms of our response to earthquakes. We're doing cash distributions. We did it in the tsunami, we're doing it in Pakistan right now on a large scale through the NGO community because the collapse of livelihoods is a major factor in suffering during emergencies.

What are the strengths of in-kind food aid? Consistent supply of high-quality food, variety that can meet cultural needs, and large quantities are available for a single transaction. What are the weaknesses of in-kind food aid? In-kind food aid can disrupt the market when food is available locally. For example, in 2002 we imported several hundred thousand tons of wheat into Afghanistan when we had just distributed a new wheat variety of seed to farmers. We had the best wheat crop in the history of Afghanistan, and the price collapsed down to about 20 percent of the normal price. And this was emergency food aid that we shipped in. It was not sold on the market, it was not monetized. But do you know what people do even in an emergency? They take some of the food they get and they go sell it to buy something else. To buy some beans or some lentils or a little meat maybe if they can or some soap which is very appropriate for people to do on their own. We don't want diversions for commercial purposes, but people do this. So some of that food got into the markets and it made the situation a little worse. If we had bought some of the food on the market, we could have prevented the price from collapsing.

The next year guess what happened. There was a dramatic increase in the production of poppies. Why? Because said I'm not going to go through this again. Some of the wheat crop rotted because no one harvested it because the price was so low that they can't even pay to harvest it. We could have had two good effects. We could have supported local wheat markets in our agriculture program, we could have reduced by 4 months the time it takes to ship the food, and we could have created a disincentive for farmers to move away from wheat production into poppy production, and so there are negatives.

There is also a problem of logistical complexity. If you read Amartya Sen's book *Hunger and Poverty* with John Dres [ph] and you can see sections of it where he refers to this. Fred Kune talks about it in his book that we found in his papers after he died in Chechnya, and World Vision and Oxfam published that book. John Hammock [ph] and I wrote the introduction to the book. We use it as a manual at AID for famine response. It's an excellent little piece of work that Fred did.

He talks about the fact that food frequently arrives in emergencies particularly when they are not understood to be taking place, when they're sort of secret famines which happens a lot, or they could be emergencies that are not related to drought where you have, like Darfur, massive displacement of population over a short period of time. The logistical complexities of moving food from the United States into Darfur, one of the remotest areas in the world, are enormous, so there are problems with logistical complexity and there are problems with time.

The other problem is the cost of transportation. Because the Chinese are leasing space on shipping across the world, shipping prices have gone up, we actually had situations last year where the cost of shipping was equal to the price of the commodities. That's a little unusual. Usually it's 30 to 40 percent, but 30 to 40 percent is still an enormous amount of money to be spent to transport something. So we can save that.

In the case for example of food aid in Afghanistan between 1999 and 2002, we spent \$156 million on commodities and \$111 million to ship it to Afghanistan. That's a lot of money. If we bought it locally, the shipping costs

would be much more minimal. In fact, what Fred used to do is just say, you deliver it, we'll buy it when you deliver it. It's your responsibility to the merchants to get it there.

We had a situation last year which really frightened me because the demand for shipping is so high, we did one tender for one Food for Peace shipment to an emergency, I think it was to Darfur, and no one bid from the shipping industry to transport it. That is not normal, but I said, so what are we supposed to do with the food? Not ship is because there's no one bidding on the tender? So there are lots of places in this long pipeline where things can get screwed up. You can get bombed over the border as Fred was along the Ethiopian-Sudanese border, you can have Hurricane Katrina disrupt the supply route, most of our shipping goes through New Orleans, and so there are serious problems.

What is the appropriate response? In some responses we need a large amount of food from the outside as an intervention. We should not do local purchase if the food crisis is regional, drought related or production related. I would call that a supply-driven famine. Then purchasing food in that area will only drive prices up further. It is an inappropriate response. The famine in Afghanistan that was beginning in the summer of 2001 prior to the terror attack in the United States--we had our DART teams in 4 months before the United States was attacked, we were launching a large-scale food emergency response in Afghanistan--there was no evidence of any rise in food prices. In fact, food commodities were find. The problem is people were so destitute from 5 years of drought, the animal herds had died, people had no money, so that was

a demand-driven famine and the appropriate response since there was plenty of food in the country, from neighboring countries and from some areas of Afghanistan, was to purchase the food locally.

We should not have only one automatic response on auto pilot to all emergencies which is ship food in, ship food in. Sometimes you should do cash distributions to support livelihoods, sometimes you should do cash for work, sometimes you should do local purchase, and sometimes you should ship food in from the United States. The proposal the President made for 2006 was not to destroy the food aid program in Title II. I would never support that. I ran the program. I'm a big supporter of it. So is the President. He's very, very proud of this.

One day we're having a debate because some people in some other countries were attacking us for not giving enough in foreign aid and disaster relief, and I said, Mr. President, 60 percent of the food from the World Food Program comes from the United States, from AID. He said, 60 percent? I didn't know that. He used to inject that into his speeches without the speech writers knowing it. I said that's a correct statistic [inaudible] that is the correct statistic. And he would actually bring this up with world leaders, and he was very proud of that. We're not trying to disrupt the food program. We want another tool, and we think about 25 percent which would be a cap. We wouldn't have to spend that much necessarily, depending on the year and the circumstances. If the emergencies in a particular year are all supply driven, not demand driven, and the emergency is huge. Let's say it's the entire Horn of Africa where production has collapsed. Then the appropriate thing is to use

American purchased food aid. But if it's a demand-driven famine or it's a localized famine and there's food in part of Ethiopia, why not purchase it in Ethiopia and move it to another part of Ethiopia where the emergency is? So we need a larger tool box in order to save people's lives.

Let me just finally say that very clearly. We are not talking here about a development program where if you make a mistake, you waste a little money, you might have a little failure, famine relief means if you succeed you save people's lives. If you fail, lots of people die. Lots of people die. I have been to famines before. I have watched mass burials in North Korea on the Tumin River [ph] with my friend the Venerable Pom Yong [ph] from South Korea and went up undercover in October and November of 1998 when I was at USIP writing my book on the North Korean famine, and we watched a mass burial on the other side of the river. We were in China and we had telescopes and they dumped 29 bodies in a big pit and they covered over the bodies. It was a famine, and a lot of people refused to recognize it at the time.

They are terrible events, only comparable in my view to genocide. One of the members of my family died in the Greek famine of 1942 to 1943, my great-uncle. My father talked about his death when I was a child often. A half a million Greeks died in that famine during the Nazi occupation, and Oxfam was created by a rabbi, an Anglican priest and a Methodist pastor to begin a food aid distribution program during the occupation in Greece to save people during this famine. So I am familiar with this personally, I am committed to it, the administration is committed to it. We simply want the flexibility of an additional tool in the tool box to save people's lives.

Let me just conclude by saying for anybody who thinks the debate is over because we didn't win this year, let me tell you something, the debate is not over, and I am not going to end my participation in this because I have left AID. I have to tell you the career staff and the political leadership within the administration and in AID are committed to this. We are going to eventually have the change. We can do this cooperatively, thoughtfully and intelligently, or we can have a big fight over it. One way or the other this issue is not going to go away because we need to take the lessons from the analysts and the scholars who review this and integrate them into our programming so we can save more people's lives and end famine in the world. Thank you.

[Applause.]

MR. TIMMER: Thank you, Andrew. That was perfectly clear.

[Laughter.]

MR. TIMMER: Our first panelist is John Hoddinott who joined IFRI across town a big as a Research Fellow in 1997. He is now a Senior Research Fellow in the Food Consumption and Nutrition Division. Like a number of us, his real interest is policies and programs that reduce poverty and malnutrition. John is a distinguished scholar and policy analyst. His D.Phil. is in economics from the University of Oxford. In the academic community he is well known. I won't run through all the things that he's published, but he's one of the people I am sure that will be on Andrew's reading list in the course at Georgetown.

John will speak from a couple of slides in PowerPoint. John, the floor is yours.

MR. HODDINOTT: I'm told that if I give this a second it will warm up. I can see it there, I can see it here, but you can't see it.

I'm going to speak this morning just for a few minutes on whether food aid can be used more effectively as a development tool.

The starting point in the comments I want to offer to you is the view that the objective of all international assistance is or certainly should be the elimination of poverty and hunger. As many of you in this room know, meeting those objectives requires a very large number of strategies or a large number of areas. Poverty requires amongst other things mitigating the malign impacts of adverse shocks, increasing the levels of productive assets held by the poor, increasing the returns on those assets, and providing transfers to those individuals and groups who do not benefit from these poverty-reduction mechanisms. In this context, our discussions this morning are not so much about food aid per se but, rather, what is the appropriate role of food aid in broader efforts to reduce poverty and hunger.

This in itself may seem somewhat anodyne, perhaps may even be seen as somewhat obvious, but I would like to suggest to you that in fact it's actually much more of a shift than it might first appear. The use of food aid historically, its antecedents and why it came about as a development tool, are tied up not only with important and humanitarian concerns, but in fact have been imbued over time with not only a policy dimension, but as it were, a political dimension, an interest group dimension, and also an emotional dimension. For those of you who grew up in North America and you look across the wheat fields and the corn fields of Iowa and Nebraska, in my case Saskatchewan in Alberta,

it's hard to imagine that you have all this food here, you have all these starving people over here, surely the world would be a better place if you moved it from here to there. The subtext of what I would offer to you this morning is that in order for food aid to be effective, we need to move away from that emotion and ask ourselves under what circumstances is the use of food aid most appropriate.

A starting point is to think about the role of food aid in shocks, and the provision of food aid addressed the blind event of such events. One way of thinking about this, perhaps adding some structure to Secretary Natsios's presentation, is to ask yourself the following questions. First of all, does the shock create a food crisis? Are there well-functioning food markets already in place? Are there local, regional or national social insurance or social protection mechanisms that already exist? If the answer to any of these questions is positive, I would argue that there is not a very strong case for actually providing food.

If the answer to those questions is negative, I'd suggest there may be an appropriate food response, but that doesn't necessarily mean it has to come from Iowa. We to ask ourselves, is it faster, is it more cost-effective, to purchase this food nationally or regionally? And as a part of that, also asking ourselves, what are the consequences of such purchases for food markets not only in areas where we're delivering food, but also in areas where we're purchasing it? What are the consequences for producers and consumers where this food is actually being purchased?

If the answers to that second set of questions suggests that local, national or regional sourcing is not appropriate, then there is a case for using

food aid sourced in developed countries, with the caveat as Secretary Natsios indicated, that the assistance will be most effective when its allocation is transparent both across and within countries, when commitments to actually deliver food aid are credible, and of course when delivery is timely.

What about outside emergencies? Is there a case for the continued provision of food? Can food aid cost-effectively contribute to other drivers of poverty reduction? I would argue that the general presumption here is negative. In many cases, cash will be preferable because it provides recipients with the greatest freedom of choice, it provides the least amount of market distortions, and indeed, in fact, by increasing purchasing power may actually strengthen markets. And lastly, is less likely to be costly to administer because you do not incur the costs associated with the physical distribution of food.

But even with those caveats there still may be cases where the provision of food aid is a cost-effective mechanism to reduce poverty and hunger. For example, we have evidence from some countries to suggest that recipients treat transfers of food differently from cash transfers. For example, there are parts of the world where food transfers are considered a part of women's income, and women in some places are more likely to purchase goods that we see as being socially desirable. In some cases, the provision of food can be means of effectively targeting particular vulnerable individuals of households. For example, with the provision of fortified complementary foods, some school feeding programs meet this criteria.

While those criteria set out possible cases where the provision of food in nonemergency cases may be appropriate, the sourcing of this food,

whether it be within country, regionally or externally, again will depend on whether it is most cost-effective and timely to source in those different places. Thank you.

[Applause.]

MR. TIMMER: Thank you, John. Our next panelist is Patrick Webb. Patrick is currently the Dean of Academic Affairs at the Friedman School of Nutrition Science and Policy at Tufts University, but he's just back from 3 years as serving as the Chief Nutrition Officer for the World Food Program in Rome. As part of his duties there, he attended a 2-day workshop that the World Food Program and the World Bank sponsored 2-1/2 years ago now on whether food aid could be made a more effective development tool. So this is not a brand-new topic for Patrick or for most of you.

Patrick has also worked at IFRI and has a lot of field experience early on with IFRI and was stationed in Niger and Ethiopia and the Gambia. So he brings both a field experience and institutional experience and an academic perspective to the question. Patrick also has a couple of slides on PowerPoint, so let me ask Patrick to come now. Thank you.

MR. WEBB: Thank you, Peter. The answer to that question 2-1/2 years ago was yes.

[Laughter.]

MR. WEBB: It's a great pleasure to be here. I have two logos, although you can't easily see them. The other is both Tufts and WFP, so I am trying to offer both kinds of perspectives here. I'm going to be strongly supportive of Andrew's comments. I fully agree with his points relating to the

gap between the literature and the practice. It's one that seriously needs challenging, and this meeting hopefully is contributing somewhat to that.

I agree very much with the nuanced message that there are differences between supply- and demand-driven crises and that the responses need to be tailored accordingly. But I would also add that effectiveness therefore has to be discussed not just in economic terms and certainly not just in political terms, but also in terms of what beneficiaries actually need in the context of those different kinds of disasters. A nutrition disaster as is currently unfolding in Niger is arguably different from other kinds of supply-driven disasters and may require different types of responses. I think practitioners and scholars know this a great deal. I think policy makers are lagging in this regard, and I agree with you.

Food aid is not all the same, so I also urge that we keep the distinction between very targeted food aid which is the bulk of food aid these days versus market-driven or market-stabilization tools which used to be the principal of food aid and are no longer. There are many new kinds of products and protocols.

This, by the way, is food aid. These are fortified noodles made in North Korea made for distribution in North Korea. These are fortified biscuits made in Bangladesh. They are food aid before distribution to food recipients in Bangladesh and some in Afghanistan. This is food aid, a therapeutic spread that is currently used in Niger for treating severe malnutrition. This is also food aid. It's not just big tons, barges load or plane loads of grain. In fact, food aid protocols and products have evolved rapidly in the last 10 years, achieving much

greater success in saving lives and resolving malnutrition. However, it comes at greater cost. Some of these can be purchased locally, but not all, and we have to bear that in mind.

I agree, therefore, that there should be no single auto pilot response. That's quite clear. We have to have more nuanced responses. So the points I'm going to add now are adding to Andrew's message.

WFP is historically the single largest procurer of food aid in the world. That's why I think it's worth briefly assessing some of the lessons from their experience, accounting for 83 percent of all local, regional and triangular transactions globally, 83 percent, so WFP has some experience in this particular domain. WFP also accounts for about 50 percent of global food aid flows, so we have to bear that in mind, too.

The share of food procured by WFP has been growing particularly in the last few years. In the early 1980s, WFP was procuring annually about \$60 million worth of food annually in developing countries, \$60 million. Last year it was over \$600 million worth, a tenfold increase, and you can see in 2004 a large increase up to 3.5 million tons.

In these past few years the number of countries has been growing and, therefore, the amount of money going to developing countries, transfers, have been increasing. Over a quarter of a billion dollars' worth of transfers to the agricultural sector in developing countries is not negligible. These are quite big numbers. And we're up to 91 different countries from which food is purchased, 79 of those either developing or in transition. The bulk of the food

purchased in developing countries is coming from Asia and the Africa region, the rest coming from other parts of the world.

What kind of food? Yes, two-thirds of it is grain and pulses, beans and other kinds of food, but that means almost one-third of it is not grain and pulses, and that includes these kinds of products, fortified complementary feeding foods, fortified vegetable oil, fortified wheat flour, sometimes iodized salt and so on. Food aid is a much more nuanced basket of foods, if you like, than commonly understood.

Some countries benefit a lot more than others. Clearly, this is just a selected subset. You have eight developing countries where more than 100,000 tons were purchased last year. That's quite significant. Others, just small amounts, less than several hundred thousand or even tens of thousands of tons, not necessarily large amounts. It depends on what is available where, and most importantly, what nearby operations require food locally.

Taking one example, Uganda, Uganda has been a major recipient of WFP funds for procured food largely because of long-term ongoing emergencies in northern Uganda, Gulu [ph], and of course Sudan, and of course the Great Lakes operations in the mid-1990s. Last year, \$28 million worth of maize and beans were purchased. A recent study just confirmed that the WFP saved maybe \$12 million on maize and beans purchases versus had they brought those same products in from international delivery.

That said, some important caveats. It's not every product. Vegetable oil, for example, would have been more expensive purchased locally than had it been imported. There is monopolistic tendencies growing among the

suppliers. They're canny people. The middle-marketers, not just the farmers, but the middlemen and -women are very clever, and it takes a lot of effort to ensure that monopolies can't distort what's going on. Then of course, peace talks in Northern Uganda and Sudan could kill that market, and dependable large demand is one of the things that grows markets for local purchases. When that demand for WFP disappears, will there be other demand and, therefore, will the food be available?

From developed countries there are a bunch of different countries who benefit from cash purchases, developed, that is. Some of the procured food does come from developed countries, clearly, and some of the countries who give cash do benefit from having food procured from their countries. It's untied cash, but they do benefit. Interestingly, the U.S. is one of those, so despite not giving a great deal of cash, a lot of food is procured in the U.S. The donors giving cash are, not surprisingly, primarily European and also Japan in both the sense of local and regional purchases and triangular transactions which I'm not going to go into explaining.

That said, finally, there are challenges, and I would argue that accepting the value and the correctness of the theory of local purchases, we need to go into this with our eyes wide open based on years of experience from WFP, and the challenges are not negligible. They include quality control, aflatoxins being major issue in East Africa; ensuring that foods that are shared with particularly malnourished individuals, they need to be not just any old foods, they need to be the best foods, and food safety is an issue; moisture content, control very difficult in many locations where technology is limited. Finding

surpluses is an interesting one. Often surpluses appear on the books of countries, but when you go to a country, this happened in Mali in the mid-1990s to try and purchase that surplus, you find it's actually been eaten by the local people who were already eating too little, and the surplus was in fact simply a supply-side surplus and it didn't factor into how much additional demand locally might be accounting for it.

And of course technology and cost of local fortification where micronutrient deficiencies are a major issue, which is almost everywhere, and particularly important in emergencies. As I just said, the technology for creating blended foods, WFP does a great deal of this building local capacity so that it can be purchased locally in countries like Ethiopia. Blended foods for the immediate response to the Darfur crisis were flown in from Ethiopia. Now there's an irony, taking food from Ethiopia to Sudan, but it is a reflection of the capacity building and the more development oriented attention that food aid can derive.

Balanced food baskets is not just about one or two commodities. WFP typically delivers at least between six and twelve commodities, and to achieve the nutritional goals and the dietary diversity goals of a good humanitarian operation requires multiple commodities. Can you find them all and can you ensure that they all arrive simultaneously, not one after another with months in between, to ensure that that is the actual diet? Cost of transport, Andrew mentioned some of the difficulties there in terms of carrying cash, for example. Warehousing at the scale required for operations like Sudan, like North Korea, like the tsunami response. And of course, functional banking

systems. We don't want people carrying \$3 million in burr in trucks typically. It may have worked once or twice, but we don't necessarily want to make a habit of that.

[Laughter.]

MR. WEBB: And as I mentioned, transparency, the fact that the private sector is a very canny private sector wherever you find it in the world and we need to be able to work with them and not be manipulated by them. This is about where are the surpluses, where foreign markets are dysfunctional or collapsed which is the case where most emergencies or most chronic emergencies are happening, then figuring out effective price signals or interpreting the signals coming from markets is going to be a real challenge, and this remains a major area potentially for research.

Contracts. Yes, Fred was able to arrange, you deliver here and I'll pay you on the spot. When you're trying to develop a market for local production and it's going to have to be multiyear dependability, long-term ideas, you're going to have a functioning judiciary, banking and legal enforcement system to enforce contracts. Contracts is the key to local purchase. And predictably, supply in many areas.

In sum, yes, local purchases based on WFP's experience, yes, of course, it's a no-brainer. Yes, it can be done and it is being done on a very large scale by many different people, not just WFP. Many PDOs are already doing it. Most humanitarian agencies welcome of course the flexibility of untied cash. It's more challenging in reality than the theory might suggest, and we do need to bear that in mind, that it's not something you can switch over to immediately,

that doesn't that we shouldn't, but ultimately my final parting shot would be we need to keep the beneficiary needs at the core. Effectiveness needs to be measured in terms of what is needed to resolve a problem for individual communities and so on at the local level, and ensuring that the right resources, whatever they are, get to those people to meet those needs in a timely fashion from whatever sources. And ultimately we need more of the resources to support food aid whether it's from cash or food supplies, not either/or, and certainly not less. And I'll stop there. Thank you.

[Applause.]

MR. TIMMER: Thank you very much, Patrick. Samples are always welcome.

Our final panelist this morning is Ann Tutwiler. Ann is the President and Chief Executive of the International Food and Agricultural Trade Policy Council. She co-founded the IPC in 1987 and has been a fairly visible and effective advocate for an open global food and agricultural system well known here in Washington. Prior to working with the Council, she was a policy associate with the National Center for Food and Agricultural Policy. She was a presidential management intern at USDA's Economic Research Service. She's recently received the John Kuykendall Community Service Award from Davidson College for her work in agriculture and food policy. I can't resist saying Ann was one of my students at Harvard and I'm really proud of her. So Ann, the floor is yours.

MS. TUTWILER: Thank you, Peter. This is actually my more or less official last day as Chairman of the--as President of the IPC. As many of

you know, I will be moving over to work for the Hewlett Foundation in their Global Development program, and food aid effectiveness, aid effectiveness is one of the things that the Hewlett Foundation is going to be very interested in, not so much what I'll be focusing on, but I think I'm going to be learning a lot more about the food aid issue going forward from here.

I think I've been asked mainly to focus on food aid as it appears in the WTO context, and first just let me thank Andrew Natsios for his comments, because I think what he said effectively was where I was going to end, which is the point should be what works, not what the fights are about sometimes at the WTO level.

When food aid first got put on the agenda in the export competition pillar at the WTO, I told many of my European friends that I thought food aid was going to be one of the most difficult issues to resolve because if you would go to the briefings that USTR and USDA would hold, even in the early days of the food aid--the WTO debate, you would find in the front row the sugar lobby, and you would find behind them the dairy lobby, and right behind them was the food aid lobby, and I think we have seen that that level of concern and influence has certainly continued, and even to the point of I think defeating this \$100 million that aid had proposed--sorry--300 million that aid had proposed to switch over to cash.

For those of you who aren't following the WTO so deeply, let me just explain why food aid has even appeared in the debate. There has been a commitment by the European Union to eliminate export subsidies, direct export subsidies in this round of trade talks. As a condition for doing that, the EU

rightly wants to limit other ways that export markets can be disrupted by government actions, and that has meant also limiting export credit transactions and limiting the activities of state trading entities.

I think one of the concerns about food aid has been not only that the level of food aid fluctuates quite a lot with the amount of stocks that might be on the market, and that the level of monetization has been increasing, which may not in and of itself mean that food aid is more disruptive, but it certainly makes people question whether food aid is being more disruptive into markets. It's the fact that if you shut down these other areas that are being used to dispose of surpluses on world markets and you don't enact some sort of disciplines in the food aid arena, a lot of that excess will find its way into the food aid field, and create the kinds of disruptions that none of us want to see in terms of the ultimate goal, which is the effectiveness of these programs for the hungry and malnourished and the victims of famine.

What I'm going to do is just briefly talk about what International Food and Ag Trade Policy Council has recommended to do on food aid, and I think in my capacity as President may vary a little bit of what we recommended because I think there's some nuances that the IPC maybe didn't take as much account of as we should have.

The first major recommendation that the IPC has on the food aid in terms of the WTO was that we should eliminate any market development programs from the food aid portfolio, and mainly this is the PL-480 Title I program that explicitly has market development in its mission, or that those

funds or that food should be counted towards the United States export subsidy commitments.

The other proposal by the IPC was to mandate higher and more consistent levels of food aid, either to the World Food Program or other emergency distribution channels, so that you remove some of this concern and some of the reality that food aid levels are fluctuating so much with what countries need to put out on the world market that it's really not being used in the case of true emergencies, and I think there's a case to be made that we could probably use a lot more food aid in true emergencies than is necessarily available on a year-to-year basis. This would, again, I think remove some of the distrust that some other countries have about how food aid is used.

The other point the IPC made was to prohibit the use of loans for food aid. The U.S. Government actually loans people to, quote, "purchase our food aid at very low interest rates," but again, this is an area that could be a place where food aid could go if it can't move through direct export subsidies, and again, a way to both limit that channel and also really, we shouldn't be loaning people money to purchase food aid at the end of the game.

The other thing I think is that--it was touched on by our last speaker and also by Mr. Natsios, was this whole issue of transparency. I think that there is a lot of mistrust about what happens to food aid, what happens in local markets, the impact it has on other exporters, because there's a lack of transparency, a lack of understanding. So I think a greater level of notifications, notifications have basically fallen off in the context of the WTO, and not just for food aid, I might add.

One of the things the IPC recommended was a greater enforcement of usual marketing requirements, and these are in large part being circumvented, whether deliberately or not, because so much of food aid is being declared emergency. But I think that's one area where I think there needs to be some refinement along the lines of what Mr. Natsios recommended in terms of how do you characterize the food aid need? Is it a supply driven need? Is it a demand driven need? How do we react to those different kinds of needs, and can we develop some usual requirements based on the needs of the recipients, not just on commercial displacement criteria, which is what the usual marketing requirements are based on?

And again, having a way to count any food aid that is deemed to be disruptive in the sense of an export subsidy if violations to those usual marketing requirements or usual distribution requirements do occur, so that countries who feel like their rights have been violated, have some recourse through the WTO.

I think the other point I would just add is I think that part of this package, part of this bargain needs to be decreasing the level of food aid that is required in U.S. law to be purchased in the United States and shipped on U.S. flag vessels.

I used to be a lobbyist here, the 10 years of my career Peter didn't mention, and I don't have any illusions that--he didn't really want to admit that.

[Laughter.]

MS. TUTWILER: I don't have any illusions that we're going to get rid of the Jones Act. I mean if we couldn't suspend the Jones Act during

Katrina, I can't imagine another issue that would create quite the crisis level, so I'm not under illusions that we're going to end that. But I think, again, in terms of reassuring other exporters in the world market about how U.S. food aid works, decreasing those levels so that there's not so much commitment on the behalf of the U.S. food aid that it be bought in the U.S. or shipped on U.S. flag vessels would be helpful.

I think, finally, there is a real crying need to replace this as an income stream for the PVOs. The fact that I think 30 percent--at least from the numbers that I read--of PVOs revenues come from this stream, really compromises their ability to ask the question: what's good ultimately for the people we are trying to serve? And I think it can fit in with the whole bargain that I think will be at the end of this WTO in the aid-for-trade arena, in that you want PVOs doing what they do best.

I just got on the board of a PVO that works in the area of soil fertility and fertilizers, and they're selling \$2 million of vegetable oil in Afghanistan, not exactly their strong suit. And why are they being asked to do that, to essentially finance their operations in terms of improving soil productivity? So I think those are just some comments in terms of how this relates to the WTO talks. And I know my colleague is here from the European Union. I think this whole issue of cash versus in kind has really become, you know, an either-or, black or white issue that has really sort of hijacked this whole discussion. There are clearly times when cash is preferred. There are clearly times when direct food aid from abroad is preferred, sometimes local market, sometimes locally purchased. And we need to get away from this point-

counterpoint argument to talking about what's really effective for the people we are trying to serve.

Thank you.

[Applause.]

MR. TIMMER: Thank you, Ann. Let me ask our panelists and speaker to come to the table, where I think it's fair to ask Andrew to respond if he has any thoughts off the top of his head, and then we'll just open the discussion and we'll hear--we have almost exactly an hour to engage with all of you folks. So if we can move to the front we'll continue.

We'll try to keep a little bit of structure to this. I think it will make sense if we take two or three questions at a time and then let the panel get into it. But before I take questions from the floor, let me ask if Andrew has any comments that he'd like to offer as further stimulus.

MR. NATSIOS: Well, I agree with almost everything. This is a little unusual for me.

[Laughter.]

MR. NATSIOS: You haven't had a fight yet today. I'm sure when we have the questions and answers we will, but I agree with virtually everything that everybody said on the panel.

The question is getting the political will to do this, and I have to say I have made some very provocative statements. Actually, they've been constrained compared to what I'm going to say on January 13th when I start at Georgetown. There will be no political constraints then.

[Laughter.]

MR. NATSIOS: I think the issue is not going to die, and we ought to have a discussion about it, and this is a moral issue. It's not just an economic issue. People's lives are at risk here, and I think we need to characterize it that way, and by fooling around with interest group politics when people's lives are at risk, I think it's a little troubling.

MR. TIMMER: Thank you. Let me indicate I think everybody was--Andrew was surprised that the panel more or less agreed with the initiative that he put on, and I know there are people here who don't agree. I know there certainly are representatives from the PVO community who don't agree, because they called me this week, and asked why wasn't there a representative from the NGO community or from the Hill on the panel. And I--it wasn't because we didn't try. So now this really is your opportunity to be heard. I didn't think when I invited the folks who were sitting here that this was stacked in any sense, but you have a variety of viewpoints all presumably on one side of this debate. I still think there's a variety.

But I really would now like to open up for questions to the panel. I understand the rules are such that there be people here who will want to make a statement. That's fine if it's really short and to the point. If it's long I'll cut you off. So, please, we've got microphones here in the front and at the middle, and if there are folks who would like to step forward and ask a question, now is the time.

MR. NATSIOS: Could we also ask people to identify themselves and the organization they're with for transparency purposes?

MR. TIMMER: Yes, transparency purposes and we are recording, so we just would like to be able to have a record of what we've said here.

Yes, please?

QUESTIONER: Thank you very much. Philippe DePonte (ph) from the Eurasia Group. My question is, I hadn't realized that Congress had fully rejected the local purchase concept for the '06 budget. I had expected something like a 10 percent compromise or some kind of a pilot program. What factors--perhaps for Mr. Natsios or somebody else--what factors, be it political, trade related, or otherwise, do you think would make Congress more likely to revisit this issue in future years so that this local purchase is a tool in the tool kit?

MR. NATSIOS: Properly, people argued at--I presented these arguments, by the way, at the annual meeting of the Food Aid Coalition or whatever it's called, a conference every year in Kansas City. The first four years I spoke I was very popular. I got one of the biggest rounds of applause, you know. Last year I presented these arguments, and I got polite response, as I was attacked on the way out--not physically, but people were quite upset at this conference.

I think the reality is that there are multiple groups involved in the coalition from different sectors of American society that want the system to stay as it is. And I realized unless we started breaking up the coalition--I used a more unkind word to describe it, which I will avoid using today unless someone baits me enough--

[Laughter.]

MR. NATSIOS: --we're going to have the same thing happen again. And the thing is that's disturbing to me is that I was in one of the largest NGOs in the world as its Vice President for five years, and we had debates about this. I used Fred Cuney's research, and Amartya Sen's research in my division, and I ran all the food programs in World Vision U.S. We had discussions about this. So I know there's a large number of people who are from the development community in the NGO community, who think the arguments that I made are precisely what we ought to be doing, and that debate was stimulated by the large sledgehammer I used.

By the way, we tried to negotiate this for 6 months, and I was asked by some powerful figures in the Congress, "We'll do this, Andrew. We'll have compromise as long as you don't say anything publicly." I said, "Okay, that's fine." I said 15 percent, 10 percent. We even got down to 5 percent. I was willing to accept 5 percent as a pilot. Absolutely not, no change whatsoever. That was the response in anything, no discussion.

I had 6 very powerful Republican Senators--I will not mention their names--who said they could do this. They would be willing to oppose the interest in their own states on a humanitarian basis, but when the NGO community came out so vociferously against this, they said, wait a second, this is really confusing us. How can I make this argument to the interests in my state if the people who are supposed to be on your side and the President's side on this issue are now opposing it?

So I really think the NGO community plays a critical role in dealing with the ethical issue that's involved here in creating the toolbox needed to save

people's lives. And I believe that debate is going on, and I believe there will be-- there is a shift of opinion going on in the community now, and I think we actually may have a successful discussion this next year, but we'll see.

MR. TIMMER: Yes?

QUESTIONER: Good morning. My name's Ina Schoenburg (ph). I'm the Director of Food Security Programs at Save the Children. And I'd just like to say that I've been pleasantly surprised at the balanced presentation that was provide this morning of the pros and cons of local purchase. I think Patrick Webb in particular, I think it was really helpful to have you lay out both very clearly what's positive and how we need to do things carefully, and I think, just speaking for our own organization, that that reflects very closely our position, that we very much support local purchase, we think that it's something that should definitely be funded, be explored, and be done properly.

I say that I was surprised because in the announcement for this meeting, the implication was that the PVOs are very much against local purchase, and I think some of these remarks still reflect that, and I think it is a little disappointing, because I think certainly speaking for ourselves, we're very supportive of exploring this approach and testing it on the ground. Many of our field programs are talking with WFP, advocating for the use of cash and some local purchase in a few specific countries. Indonesia is one of them. The dialogue's going on as we speak. So I think we just need to make that clear for the record.

MR. NATSIOS: Could I just make one comment? There's a gap between the comments that's the CEOs from the--all of whom are good friends of

mine, I've known them for 15 years, respect them; some of them I used to socialize with--

[Laughter.]

MR. NATSIOS: --and the comments their lobbyists made on the Hill. And these were not just verbal comments. I have the e-mails that the lobbyists for the NGOs and the other elements of the coalition made, and they were inflammatory remarks attacking the administration on this proposal. And I said, "Wait a second. Who are you representing when you make these remarks?" And they said the NGO community.

Now, I think what needs to happen--this is just a suggestion--is some clarity, so the NGO, people who actually work for the NGOs, like you, make the comments for the NGO community, and don't have other people making these remarks for you because they're getting confused with other interests, and they're using language that's really confusing people in terms of the position of the community on this.

QUESTIONER: I can't speak to the specific remarks, obviously, because I don't have them in front of me. But I guess the other point that I think is worth making is the fact--and I think Patrick brought it up at the very end of his statement--that while local purchase is a critical tool to have in the toolbox--and I think that was a great way, Andrew, of your putting it--it has also distracted the public debate from the overall funding question, and that hasn't gotten enough play, and I think that that probably played into the mixed messages that you were hearing from the PVOs earlier this year.

MR. TIMMER: I think that's an important point. The term "additionality" hasn't come up yet this morning, but it's clearly there on the list of concerns that people have. If there's going to be a change in funding mechanisms for food aid, do we end up with less money for development if it doesn't get bought and shipped from the U.S. That additionality has been a longstanding concern in the development community, and it's not even just the development community, the whole food stamp debate in the United States through the '60s right through, well, even today, there's an additionality concern in that in terms of welfare programs.

Ann?

MS. TUTWILER: I just wanted to make two comments. One, I think the other reason this became so political, in addition to everything that's been discussed up till now, is the timing also came when this issue was being put forward in a very polarizing way at the WTO, and one of the more reasonable people in the food aid community interpreted this very much as capitulating to what they saw as the Europeans' extreme demand about cash only. I think that hardened the attitudes here in the NGO community beyond what they might have otherwise already been just because of the timing of those two debates going on.

The other thing too--and no surprise to anybody in this room who's been a lobbyist--but after 10 years as a lobbyist you find out that your main job is to prevent things from happening, not to make things happen.

[Laughter.]

MS. TUTWILER: And I think what you're also seeing from the lobbyists on the food aid community is it's just much easier to say no.

MR. TIMMER: Question?

QUESTIONER: Yeah. It's a little out of left field, perhaps.

MR. TIMMER: Name and organization?

QUESTIONER: Tom Marcione (ph), with the USAID, a Nutrition Adviser for--been around the food aid program for a long time.

I think I want to underscore something that I think was only touched upon a little bit by Patrick, and that is, what we have done is we delink food from nutrition. I mean this has happened over and over again, and I think what we see here, even in this debate, is this delinkage.

The nutrition practitioners on the ground are often starved to the complementary inputs to with food in order to get the nutritional outcomes they want to achieve because of this dominance of food in these emergency situations and even in the development situations. And if we consider that a development goal is in fact the improvement of nutrition, and there's a massive amount of malnutrition out there, chronic and acute.

We have to think in terms of raising additional funds that are fungible for these organizations and for countries in order to address that problem.

I'd like to shift gears on this, because not only have I worked in nutrition, but I also have an engineering background and worked a lot on food technology, and that is, the food aid program for 50 years has missed an enormous opportunity to development the processing industries in countries as part of the development package, and what Patrick has identified as challenges are precisely the areas we should have been working in for decades.

We forget how important the food industry is in the world and how important it was in the development of our own country. When we have neglected the opportunity to use this program, as now WFP is doing, to try to get processed foods made in countries, we wouldn't even export micronutrients so that there could be local--through this program--so there could be local fortification. That's been blocked time and time again over the couple of decades that I've worked with this.

MR. NATSIOS: Could I just?

MR. TIMMER: Please, and then Patrick and then John.

MR. NATSIOS: A couple of comments. One, I think we always talk, the NGO community and the aid community, as though we're talking about one sector and that sector has nothing to do with other sectors in terms of funding levels. There are tradeoffs. There's a fixed amount of money available. If I had \$300 million more, I would not put it into food aid. I would put it into food--agriculture programs in Africa. Why is that? The only region of the world where agricultural productivity has been in decline the last 15 years is Africa. Acute malnutrition rates have been rising, even as we pour more and more food in, and productivity has been in decline. All other regions of the world, things have been improving.

Why is that? Because we stopped investing in agriculture in Africa, and if you ask the Africans what they want, they don't want more food aid. They want more food grown in Africa so they don't have to be dependent on it. We keep pouring food into Ethiopia, and our agriculture program there--until I sort of rammed changes through in the system--was \$5 million. It was scandalous.

It's not exactly a good market economy, I recognize that. But we can't keep doing this every two years, which is what's happening. The famines now are every two years in Ethiopia.

So we have a whole effort with the Europeans, and the World Bank, and the Ethiopian Government, which unfortunately now may be endangered because of the political turmoil in the country, to end famine in Ethiopia, not through more food aid, but through more development in the agricultural sector. So it's a matter of tradeoffs. You have more money. The question is where you put that money. And in Africa, it needs to go into more agricultural programs, broadly defined, not just production, needs to be more rural roads so farmers can move their surpluses around, get their inputs in.

It needs more--there needs to be more food processing investments in Africa. Tom, you're absolutely right, that's a major deficiency. 20 percent of the food grown in Africa is wasted every year. It rots, or the rats eat it because it's not stored properly, it's not processed properly, it's not distributed properly. We need to deal with the larger issue, not just see this in the context of food assistance.

MR. TIMMER: Patrick and then John.

MR. WEBB: Finally, there's some disagreement.

[Laughter.]

MR. WEBB: I don't agree that it's necessarily a tradeoff. We need both even in Ethiopia.

MR. NATSIOS: I mean with a fixed amount of money, Patrick, that's what I'm arguing. If you have \$10 billion to spend on foreign aid, which is

how our congressional appropriations process works, how do you allocate that among the different accounts? That was the argument I was making.

MR. WEBB: Fair enough, but continuing, I would argue we need both, and that therefore requires closer interaction with the other donors to ensure that both happens if there's a fixed amount on the U.S. side.

And responding to Tom, the issue of malnutrition as opposed to food need is important. It has to be better recognized, if only because malnutrition cuts across conventional and artificial divisions between emergencies and development. Malnutrition is everywhere, and it's in an acute form on a large scale in famine situations, but something like 6 million children today are severely wasted--minus 3 standard deviations--in non-disaster situations, in countries that have not been affected by famines, conflicts, or any other form. That's in the context of development, and we've done a miserable job of making that well known, and an even more miserable job of addressing it.

Now, that's why I applaud raising that attention to it, because we can use malnutrition to embrace the divide, if you like, between the conventional programming envelopes between emergencies and development.

Now, I'm not in any way suggesting that food equals nutrition, and one has to always put that on the table. However, resolving severe malnutrition in contexts of severe food insecurity, without food, is very difficult. Duh.

[Laughter.]

MR. WEBB: And yet, that too has to be said. But it's, again, not just any foods, it's the right foods. And of course we need to engage in more

investments in agricultural productivity and roads and so on, absolutely. And I see John Mellor (ph) here, one of the earliest people arguing for that.

But let's not forget that agricultural productivity in parts of Ethiopia is not necessarily going to be in the same place where we have continuing sinkholes of severe malnutrition, and the two need to be addressed simultaneously as additional, additionality, not as substitutes.

And that brings me to the final point on technology, absolutely. And to use an example close to Andrew's heart, North Korea. Again, is North Korea an emergency or is it a development context? I mean there's an ongoing political issue on that regard. WFP in the last few years has set up--has established 19 factories in North Korean, four in Pyongyang, and the others in other parts of the country, in which the kinds of fortified blended foods are produced locally by North Koreans in North Korean factories with the technology, the spare parts and many of the inputs provided through food aid programs, which is actually quite a common thing.

And I've seen, I was there this time last year seeing Cuban sugar being mixed with U.S. wheat--

[Laughter.]

MR. WEBB: Britain side by side, and Canadian micronutrients and Australian vegetable oil and so on to produce those fortified noodles targeted to nutritionally vulnerable groups, particularly pregnant and lactating women. I think a lot more of that needs to be done, but that was done--to me that's development. To me, that's capacity building. It's ensuring skills and technological capabilities that are going to be necessary for the future

development, and yet those things were done in the context of a so-called emergency. So I think the divide between the two is increasingly artificial, and what is done for the beneficiary is the key here.

MR. TIMMER: John.

MR. HODDINOTT: I just want to speak to a disconnect which I've seen elsewhere and I see creeping into some of our discussions and interventions we had this morning, and the disconnect runs, I think, along the following lines.

One feature of the panel--and I go back over what Peter said, that we didn't actually collaborate in advance before we set up these presentations--is the feature I think that we've all said is that what should drive debates over the use of food aid, as in any other resources, is, what is the objective you're trying to attain? We phrased it in different ways, about meeting beneficiary needs, perhaps nutrition, hunger, poverty. But what is coming across our presentations, is this idea is that should be in some sense the starting point.

With that starting point, both either explicitly or implicitly, I think we've all suggested that you can have a toolbox, you can call it a portfolio responses, but I think in various ways we've taken the view that in fact we're not actually looking for a single response, but either the ability to use multiple responses as appropriate. So for example, Tom Marcione's point fits in that extremely well, for example, in circumstances where severe malnutrition is a major concern, we know malnutrition has multi causes. It would be ideal to have the flexibility to address those.

So on the one hand we have--I don't know if I want to call it consensus, but sort of general agreement upon these sorts of lines. When one

then takes that over to debates about food aid, there's a real, I think, genuine disconnect, and I think one which is highly problematic. The debate gets turned around into things like cash versus food, local purchase or purchase outside country, and not only does that bring it sort of vulnerable to some of the pressures that a number of you have spoken to already, in some sense it misses the larger point.

The reason we're talking about food aid is not because we think cash is a better thing or food is a better thing, although you'll encounter people who take those views, but in some sense we see it as a resource which may help us meet those objectives. And I would suggest that if those are the objectives we truly care about, that trying to recharacterize the debate in terms of these objectives, in terms of the notion of a portfolio of responses, might actually be a very helpful way of moving this debate forward.

MR. TIMMER: John Mellor's name was taken in vain, and then he put his hand up. So, John, did you want to weigh in here? The mic's going to come to you.

QUESTIONER: I wanted to raise a question with Patrick and Andrew, Patrick in terms of his experience at WFP, and Andrew maybe speaking as an outsider at USAID at this point, hopefully so.

MR. NATSIOS: Almost, John, almost.

QUESTIONER: And I'm sorry I'm going to be--both my points are somewhat complicated. The issue I want to raise is what is being done in these two organizations to see to it that food aid is used as more of a development tool by picking up on Patrick's comment that, no, they're not competitive. The

implication is they're complements. If they're complements, why aren't they being looked at together? Now, what's happened to WFP, the--

[End of CD1, begin CD2.]

--Afghanistan. What could WFP do? The local people came on board, picking up about 40 percent of the cost of a price support operation in--it turns out it wasn't necessary, that the private sector looked after it, but it was not certain that was going to happen at the time.

By the time the crisis was likely to have hit--fortunately, it didn't hit--WFP backed out of that because they said they didn't have approval from Rome for doing this. Now, for WFP to do this job on local purchase in Afghanistan is a very technically complex job. I don't think they had the people there. But WFP has them elsewhere, could have moved them into Afghanistan quickly, figured out how to do that operation, and move on it. The problem is that what is being done so well in East Africa has not been institutionalized in Rome, and, therefore, it isn't getting repeated elsewhere.

Sorry about the length of that.

MR. TIMMER: Thank you.

MR. NATSIOS: Well, let me just answer the comment about integrating the Food for Peace Program better into our development programming, and that does not just go for the quarter or 25 percent of Title 2 that's for development programming. It also goes for the emergency food aid, because emergency food aid can be used and has been used very successfully as a development tool.

I remember Save the Children had a wonderful project in Somalia in the middle of the chaos in 1992, which we funded, to use food aid to repair the irrigation system in the Lower Shabelle Valley that led to a huge increase in banana production and a few other crops because the irrigation ditches, because of all the chaos, had collapsed, you know, over a number of years. And they even extended the irrigation system far beyond where it had ever been before, but it was--there was some cash in it that we put in from OFD(?) but it was also Food for Work Programs that we used in 1992.

We have developed a food security strategy through the Food for Peace Office, which I have read and I think is a fine piece of work, and it is a food security strategy for the agency, but it is a food security strategy that will direct the Food for Peace Office strategic planning in the future. We are discussed with our partner organizations the different elements of that now to make sure that we have buy often--within the agency, within the community on it. I think it's an excellent piece of work, and I regret not--my tendency is when I like something, I kind of ram it through the AID, but there are people that, you know, would say, fine, he's going to be administrator for eight years and so we will just capitulate and agree to his changes. Of course, I have six weeks left. I can't quite do that. So we're trying to get a little bit more collaboration, be a little less authoritarian the way I sometimes am when I'm making changes.

The second issue is over the issue--which I think is one of our most serious problems. We have 248 earmarks and directives. There are 19 foreign aid accounts--you can't transfer money from one account to another account easily--all over AID. It has tied the agency up in knots. Half of what our

offices learn is how, without breaking the law, they can use parts of each of these accounts to fashion some kind of a program that's coherent.

We actually--it was an unbelievable meeting. We did not have the money readily available for the agricultural productivity program and livelihoods program in Ethiopia. So we pulled out money from, like, 15 different accounts from all over the agency. We had everybody in one room, we wrote the strategy, and we dragged money out. And I said, "Does anybody object to this? Because if you don't object to it, we're taking the money in your accounts and are going to stick it in this program and we're going to go ahead with this." But it was so complicated to do it. It took the administrator and our senior economist and food people, you know, to engage in this.

The system is too constipated. It is paralyzed with these earmarks and directives. It's ridiculous. Utterly--no other aid agency in Europe has to put up with this, and it is interest group driven. People want certainty as to where their funding sources are coming, so they run to the Congress--Congress doesn't do this on their own. Do you think they think up these--

[Laughter.]

MR. NATSIOS: --bizarre accounts? The people in this room, including employees at AID, don't want me to touch their program. They run to the Congress and say, "You better protect us. You know, Andrew might shift money out of my account, so I want it protected." They would never write that down, but they do that. I know they do it.

And so there's an issue, and the problem is we're letting domestic politics drive our development programs and our humanitarian assistance

program instead of the needs in the field and the requirements in the field. That's one of the greatest frustrations of the last five years, is to see this stuff. It's just--it's intolerable. It's intolerable.

Anyway, those are my comments, John.

[Applause.]

MR. WEBB: Ditto.

[Laughter.]

MR. WEBB: To be quite honest, WFP is a United Nations organization. It has an Executive Board of donor governments and national governments of developing countries that dictate what it can or cannot do, and we always forget that. WFP is an institution, but it's a UN institution, and the realities of the growth of emergencies over the last ten years is a large part of it, but the donors are very much also dictating where their resources go. And despite WFP being a multilateral institution, the earmarking of resources to such a multilateral institution by the donors has become--I have to pick my words carefully here--almost untenable. I would say it's less than 20 percent of WFP's resources are now unearmarked. Less than 20 percent, which simply means that most--by far, most of WFP's resources are given by donors for particular purposes in particular operations.

Now, that's a significant constraint. It doesn't give WFP a lot of flexibility. What's left in terms of flexibility comes from basically--guess where? The Scandinavian countries who are giving untied cash and a few other donors who excel.

Now, as a result of that, the politics, just as Andrew said, play a major role. That said, WFP is in the process of trying to institutionalize what's going on. I certainly don't want to suggest it's perfect. It's not. But five major country-level studies have just been completed--and Afghanistan was one of them--with a view to preparing a paper for the Executive Board to try and inform them what needs to be done and what the challenges are. So, yes, WFP is working on it. It's certainly not there yet.

However, you know, the practice, even in emergencies, by and large is good. I was in Banda Aceh during the tsunami response in January. Most of the initial response food were purchased in Indonesia, and second-round or second-wave foods, most of them came from the immediate region. And that's on a massive scale that we're talking about for that response.

Your other point, development issues. Well, I would argue--again, it depends what you call development. I would argue what I was talking about, capacity building for technology enhancement is development, even though it's done in the context of emergencies in two dozen countries now where WFP has set up local factories producing fortified blended foods. Nutrition education, behavior change towards improved understanding of how to deal with children, nutrition education is becoming a major thrust of WFP. It's already been there for quite a while.

Education in schools. Doug Coots (ph), who was country director in Bangladesh, is sitting right here and can talk your ear off about the value of education. Human capacity building.

De-worming, distribution of de-worming tablets in the context of schools, three million children already having been de-wormed. Okay, it's not food and that becomes a donor issue or an Executive Board issue: What on earth are you doing distributing pills, WFP? And the answer is, well, we'd rather have the child digest the food rather than the worms. Then the food is more useful. De-worming is an increasingly big program, and I'll finish on roads.

I went to Ethiopia ten years after a Food for Work Program, a relief-based Food for Work Program had been initiated in Ethiopia from the mid-eighties famine. The road was still there, by the way.

[Laughter.]

MR. WEBB: Prior to the road being built during that crisis, it was a three-day donkey ride from the village to the marketplace. Now it was a three-hour, extremely hair-raising, four-wheel-drive ride. However, in the meantime, because the road was there, what I found in this little village was a water mill that had been set up to use run-off from the Rift Valley. A banana plantation had been set up and cotton was being exported, all because the road now made it possible to generate value-added from the local agricultural sector. So in that sense, I agree with you.

MR. NATSIOS: Could I just do a little rebuttal, Patrick? Just for a little bit of transparency here, okay? WFP issues appeals and emergencies for specific countries for specific tonnage. We respond to them. And if we don't respond to them--you're not WFP now, so I--WFP are my friends, but they issue press releases all the time: "The donors are not responding to this appeal.

People are starving to death in Niger. This is outrageous. Why are the donors not responding?"

So we respond, and what is it? It's an earmark. It's your earmark-- not yours. It's WFP's earmark. They created the program. They make the demand. They issue the press release. They get it, what they ask for. We respond to the appeals of the--which is 90 percent of WFP's budget.

MR. WEBB: A clarification. Absolutely correct. What I meant was why has development disappeared.

MR. NATSIOS: Oh.

MR. WEBB: The development portfolio--

[Laughter.]

MR. WEBB: WFP is extremely grateful to the donors for their responses on the emergency side.

[Laughter.]

MR. WEBB: The development portfolio is driven by country programs that are agreed with the government, with all the other donors, with all the other partners in the developing countries, with five-year time horizons. They are presented to the Executive Board, approved, and then they sit there unfunded. That's what I meant.

MR. TIMMER: Now things are getting really interesting. Time is short. We have questions, three lined up there, and then Kim here. And I see some hands as well. But let's go ahead.

QUESTIONER: Good morning. My name is Mia Overall. I am a student at SAIS next door, but I previously worked for a short time as World

Food Program in Rome on an initiative to decrease the in-kind donations from U.S. and other donors. But my question this morning regards budgetary constraints facing Congress right now. We all know that Congress has been making every effort to reduce its earmarks, and I was wondering whether or not-- how this plays into passing an initiative to reduce the aid that is tied to domestic procurement. I think we all know that domestic procurement is much more expensive, and OECD DAC just issued a report called something like "Food Aid: Does Tying Matter?" that noted that food aid procured domestically is something like 50 percent more expensive, and so by reducing the tied aid, we can make it much, much cheaper.

Is the objective in untying some aid to reduce the amount of money that we spend on aid and increase the effectiveness? Or is it to preserve it at an amount similar to what it is now and increase the effectiveness even more? And part of why I raise this is I very much enjoyed your note, Mr. Timmer, "Food aid, doing well by doing good." "In the last section where you make policy recommendations as to what we could do to assuage the fears of NGOs that they may lose some of their funding, you suggest separating the money that goes to U.S. flags for shipping from the money spent on aid and a promise by Congress to maintain the current levels of aid at 90 percent of what they are now for the next few years. I think that's a great idea, but if we were to tease out the money spend on shipping, wouldn't that ultimately increase the amount that we spend on this?

Thank you.

MR. TIMMER: In the interest of both efficiency and equity, I'm going to let a couple other people get their questions on the floor, and then we'll take this. Okay?

QUESTIONER: Sorry, I was standing in line, but all this discussion of food--

MR. TIMMER: You got tired, okay. That's fine.

QUESTIONER: --got me very tired. Katherine Daniels from Oxfam. I'm a policy advisor on our Make Trade Fair campaign, which we launched about three years ago, and the premise being that we believe that global trade can contribute to growth and poverty reduction. That put us in an unusual camp with our fellow NGOs, so it's a space we're very comfortable being in. We've grown into that space over the past three years, and we find ourselves there again around this issue of food aid. And so I just wanted to get up and underscore the comments that the colleague from Save the Children made earlier that we're not all the same. The NGO community is quite different. There are differences of opinion, and I think that was emphasized quite clearly by the ad run in the Washington Post earlier this week by several NGOs, a lot of what we believe are mischaracterizations about the U.S. proposal at the WTO threatening to kill millions of people--thousands of people.

So I guess I'm just standing up here to advertise that there are other NGOs who are willing to move forward next year. We hope that there is a strong proposal in the President's '07 budget similar to what we saw in the '06 budget, and I'm advertising that we would like to work with others to drum up support. We were a little late in the game and it was a weak attempt to support that

proposal, and so we fully admit that we need to start earlier on and strengthen our resources and our resolve to support any proposal that does come out in the '07 budget.

So I just wanted to underscore that point.

MR. NATSIOS: Thank you. It will be in the '07 budget.

MR. TIMMER: Yes, please.

QUESTIONER: Jane Thomasee (ph) with the National Peace Corps Association, campaign coordinator for our agricultural trade campaign. I first just want to thank all the panelists for your remarks, and particularly Mr. Natsios for your leadership on this important issue.

I wanted to go back to what we were discussing earlier, the questions about why there has been--why Congress has not been willing to push this through, and I wanted to step back from that and broaden the discussion a little bit. A lot has been said about PVOs [unintelligible] and I want to make sure that we broaden the debate and don't point a finger at PVOs because everyone here is obviously working for common concerns about international development, and we're obviously all looking for funding where we can get that funding.

So perhaps we need to look back and broaden our topic to look at agricultural policy internationally, look at our domestic agricultural policy. Why is it that there is a need for--why is it that there is a surplus of agricultural commodities here in the United States that are being marketed to PVOs, are being marketed looking for international markets? OSC has shown that the years of highest food aid from the U.S. come when food prices are lowest here in the

United States. Farmers in the United States are struggling to get by, just as there are farmers in other countries struggling to get by, and they continue to overproduce because our commodities--agricultural policy for commodities encourages that overproduction.

So I just want to bring up the question of where does our domestic agricultural policy fit into this, and in looking at agricultural policy in other countries, at what point do we also broaden the debate to bring in coalitions working for reform of domestic agricultural policy to pull all of us in line on this?

MR. TIMMER: Thank you.

One there, and then Kim will be next, and then the last person I see.

QUESTIONER: I'm Joan (?) . I'm at George Washington University School of Public Policy now and also Thunderbird Graduate School, but I also worked for USAID on food aid and represented the U.S. before the World Food Program. So I stayed as quiet as I could for as long as I could because I was just coming here to learn, but I couldn't stand it anymore, because I sent some of my students here.

One of the things about coming to these meetings is that the generation gets younger as you get to the back of the room, and, Andrew, the first thing I'm going to say to you is that, whether you know it or not now, when you get to Georgetown, one of your jobs is going to be to remember and make sure others who don't remember or who are too young to remember know what you know. It was quite shocking to me my first class, when I was teaching at Georgetown, I mentioned the world food crisis, and all of a sudden I saw these

blank stares, and I realized that none of my students had been born in 1970. So that was a shock.

[Laughter.]

QUESTIONER: I just have three or four comments. USAID has tried to make food a development resource. It was one of my first assignments in the 1970s in USAID. It's not an easy thing, and I think in the early '90s when PL-480 got switched, the management of it got switched with Title 1 and Title 2 being split off and part of it going strictly to USDA, that was a really sad day. I thought, gee, all the work that I did, you know, has sort of gone down the drain.

Who's sitting behind me? I know Mary's going to object. What can I do? Okay.

But it was very hard to program food as a development resource, and I had responsibility for Bangladesh where we tried to do that.

PL-480, Title 3, food for development, is not being implemented anymore, and that was really sort of a flagship--sorry. So we need to remember these things.

For WFP in the '80s, when I was working on WFP--well, let me start--in the '70s, it was very hard to convince NGOs that food was a development resource. They were used to doing emergencies. So we sort of got them off that, and it wasn't easy, and the next thing you know, by the time the '80s come along, you have WFP's resources being exactly switched. So 25 percent used to be emergencies. Now it's 75--and 75 development and now it's exactly the opposite. So I think the question of what has happened to

development is also a question of what's happened to the total available for food aid.

The other thing I sort of want to support is what Andrew said. One of the things I tell my students that was unforgettable was an argument in the middle of the night in the mid-'70s at dinner with CARE. There were two pieces of CARE. Both of them were working in Bangladesh. One was doing food aid, building roads. The other was doing development, ag credit. They couldn't agree between themselves whether food aid was relief or development, and I sort of gave up and went to bed. I don't think they ever--it was like, well, ours is better because we're doing development. Oh, you're not--you know, the food aid people thought they were doing development, but the other piece of CARE that was doing ag credit would not even give them credit for doing development. They said, oh, no, that's relief.

So I really wanted to support your point about that division in the thinking of the NGOs.

MR. TIMMER: Thank you.

Kim Elliott is next, and then in the back.

QUESTIONER: Kim Elliott, both with the Center and with the Institute for International Economics, and I just wanted to ask Ann to clarify a little bit on the WTO negotiations and maybe Professor Natsios would like to comment on the politics.

MR. NATSIOS: That has a nice ring to it, doesn't it?

[Laughter.]

QUESTIONER: I think so.

I just wanted to clarify what you were saying on the EU position on the cash versus in-kind, and I think what I'm taking away from the panel today-- and I just want to again echo those who have congratulated the panel; it was really excellent, highly informative, and I've learned a lot. But I think what I'm taking away is that it's not an either/or. You have all said that. We need more flexibility, so some cash but some in-kind, probably. So it sort of strikes me that the EU position is clearly too far in one direction. And I was just--but I wasn't clear from your comments whether you were suggesting that we focus on these principles, like no loans and transparency and so forth, and not deal with the cash/in-kind issue at all, or--and this is where the politics come in, I mean, what I'm hearing about the U.S. politics is that it may not be possible to reform, at least in the short run, U.S. programs without some external pressure. So is there an intermediate place on the in-kind/cash issue at the WTO or should that just--should that be addressed elsewhere and do the hard slog and the WTO really can't deal with that in a reasonable way?

MR. TIMMER: I'm going to take one more question, and then we're going to start with Andrew and just work right down the panel. The last question.

QUESTIONER: I'm more of a commenter, I think, than a questioner, although I think they'll get responses. My name is Ellen Levinson, and I'm the Executive Director of the Coalition for Food Aid. And that's comprised of 16 PVOs, and they all conduct food aid programs, some with USDA funding and some with AID money, and some with both. And over the past, I'd say, 20 years that we've existed, we've had to deal with a lot of changes, not only

in food aid but in the world. And so food aid has been adjusting as you see changes in the world. You know, as more countries have open trade policies, have open market economies, as you've seen changes from parastatals to countries that are struggling to some form of democracy and economic reform, we've also adjusted our programs that way, as well as how you use food aid. And I don't mean we in the PVO community, but I think the U.S. Government, and refocusing, as somebody was saying before, on targeting more rather than structural adjustment, just stabilization, economic stabilization. So I think food aid has become more targeted.

But one of the things that we've learned over the years is that change does not come easily in anything. And Andrew was referring to--and you have a summary of a wonderful strategy that the Food for Peace Office at AID developed, and in partnership with its PVO partners. And it is a wonderful strategy looking toward the future of how to use food aid to help vulnerable populations.

And in this discussion today, I know a lot of it focused on emergency, but really if you read the law behind PL-480, it wasn't meant to be just an emergency response program. It was meant to help the under--you know, really address the underlying causes of hunger, and that was something that for the PVO community since the mid-'80s we focused on. The last speaker I got a real kick out of because the food aid as a tool for development was sort of our motto in the '80s, and, you know, we focused on two issues that we thought were going to be very hard to achieve in the 1990 farm bill. One of them was to have food as a tool for development better understood and emphasized. And then the

second--and, really, in response to the needs based on local assessments and working with local populations and building into that capacity building, and then the second thing--because this is more intricate than just saying move food. And then the second thing that was really hard is we as PVOs had to face it and say, look, we really need cash to support our programs and we asked for cash out of the budget, and for the first time Congress provided it, and in 1996 increased it.

But we thought that would be very hard for issues that I think Andrew was referring to, which is, well, what about the agriculture community or those that have vested interests in the commodity side, would they be supportive? And, actually, what we found is if you work with these, you know, groups, that you shouldn't look at them as negative. They're part of our country. I guess, yes, they're vested interests, but what is wrong with that? That's part of America. I mean, I'm not against that. But the point is, is that if you work with people, they can understand if you take the time to talk. What you're doing today is fantastic, and I just think that the presentations were wonderful and I want to say how much I appreciate it.

So we worked together and we had that support. When a \$300 million--you know, taking \$300 million out of Title 2 was requested in the budget this year, it was a bit of a bombshell, and particularly because we needed so much more money to supplement the Title 2 budget for emergencies, and we are not doing very much on the development side, which we are very sad about, and cannot implement the USAID strategy without the money to do it for food aid, the new strategy.

So that was the problem. Since I have 16 members and you say there's diversity, there's a great deal of diversity among my members. And that was the internal debate. We got to go for money because if we don't get the money, in the end we're going to all suffer and we're going to see emergencies and what's going to happen in '06? We supported a pilot program, but we didn't want to take it out of the existing budget for food aid for Title 2. It's very difficult, though. By that point there had been a polarization where I think a lot of the domestic agriculture and transportation groups felt that they had been put--sort of pushed to the back.

So we hope that as we move forward and go toward the farm bill we can work on this cash component, local purchase in a reasonable, and in a way to build understanding and then build it into the program through an authorization, as well as, as somebody else was saying--I think, Ann, you said it--the need for additional cash to support programs where monetization isn't the appropriate answer.

So thank you.

MR. TIMMER: Thank you very much.

We'll start with--let the panel respond to the sequence of questions, briefly, of course, and Professor Natsios gets to start.

MR. NATSIOS: Let me just make a comment about the WTO negotiations since I'm leaving this weekend for Hong Kong.

The reason I think the Europeans are taking such an unreasonable position on food aid--and I might add the development ministers in Europe were not consulted about the EU position. In fact, all of them are disturbed by it, but

I'm not going to quote them individually because, you know, they have pressures in their own government.

The European Union took that position as a way of putting the United States on the defensive because they do not want to deal with the issue of a liberalized food system in the world, which is what the U.S. proposal is. We're proposing the elimination of all barriers. There are several countries in Europe that are stonewalling that proposal, and instead of dealing with it, what they're doing is proposing a red herring, which is that all food aid from the United States should be local purchase, which is in my view unreasonable. The Europeans went to local purchase, and their food aid is declining. And there's ample evidence that as a result of this complete shift, it has actually made the pressure on us greater, because, you know, when I was in Food for Peace, you know, running the bureau that Food for Peace was in in the first Bush administration, Bush 41, I think we were 30--about 40 percent--35 to 40 percent of WFP's total food income each year. It's 60 percent now regularly, if you add everything together. It didn't increase because we decided to increase to 60 percent. We did it because the European contribution, which used to be equal to ours, has declined. And I think it's declined--they went to a completely local purchase option. And the reason they're pressing it so aggressively from my perspective and from what I can see with my development minister friends is not because of food aid, and it's not even because--it's not an export subsidy to give people who are starving in an emergency food. It is because they do not want to address the American proposal on liberalized trade regime in terms of food and agriculture worldwide--which, by the way, if we adopted it, would reduce hunger

in the world, would produce more food, and would be better for everybody--well, it wouldn't be better for everybody because if it were, then no one--everybody would be supporting it. They're not.

And I might just--a comment was made that we're all here with the same views and the same interests. We're not. I mean, the aid business--it is a business--has nuanced differences, including nonprofits, I might add. We should not assume all of us here take a purely developmental view from the perspective of the people in the field. Some of us like to say we do, but the reality is if you uncover the kinds of things people do in Congress and amendments to the budget and the stuff we do, there are a lot of parochial interests involved in this that I don't think are particularly helpful to our aid program. And I think that's the reason, by the way, that there's increasing criticism of aid.

And I really think it's--we need to fix our own--put our own house in order in order to go back to the critics and say, you know, we fixed the deficiencies and the inefficiencies and the dysfunctions in the aid system, because the dysfunctions are not because of stupidity. They're because of conflicting interests.

MR. TIMMER: Thank you.

John?

MR. HODDINOTT: Yes, I wanted to pick up on the points made by a couple of interventions on the tensions between relief and development that are sometimes raised, between emergency and development. And the fundamental point I want to make is that I take the view that, in fact, ultimately this

distinction is not helpful. It's not helpful for a lot of the work that many people in this room try and do.

Another speaker made this comment about being old and sort of thinking about older literature, and to a certain extent that reminded me that one literature which has been reinvented in the last four to five years in the context of development is the issue of poverty traps. The notion of a poverty trap is either an individual or a locality or a region, it's an area in which it's enormously difficult for individuals to escape poverty. The core feature of a poverty trap is our sort of standard notion of kind of development interventions are highly likely to fail in those contexts.

Now, in fact, this is a very old idea. It's been around for 40, 50 years. In some sense, it has come back in the last four or five. And it's come back in a number of ways. It's come back in development. It comes back a lot in nutrition. And there appears to be a lot of empirical bite and empirical reality to this.

One question which then arises is, well, where do poverty traps come from? And they can come from a number of sources, but one of which are these adverse shocks, these emergencies that the households in certain areas experience--earthquakes, tsunamis, repeated droughts. They cause children to be malnourished, from which they don't recover; cause households to sell off assets, from which they can never re-accumulate.

If you take this line of argument--and I would take the view that the empirical evidence underlying it is compelling--then what is the role of what

would be described as emergency assistance? It's not emergency assistance just by itself. It's a very core component of development.

I agree, agricultural technology, roads, all the interventions people are talking about are important. They're not going to benefit people who are really poor and caught in these traps. And one way of actually ensuring people do not fall into these irreversibilities is having good systems in place to actually deal with these shocks. And in that context, there's no longer this artificial distinction between emergency assistance over here and the development assistance over here. What we described as emergency or relief assistance is, in fact, core to development.

MR. TIMMER: Right. Vulnerability. Ann?

MS. TUTWILER: I wanted to respond first to the young woman from the Peace Corps who talked about the domestic policy issues, and we could have a whole debate about the U.S. farm bill. That's another seminar. But I think, you know, one of the reasons that the WTO is dealing with domestic subsidy policy is because in agriculture it was completely inadequate to only deal with border measures, tariffs and export subsidies, because those were merely the outgrowth of domestic policies. And hopefully what we will be achieving in this round of negotiations is at a minimum some constraints on domestic policy that will make it more difficult for countries to create distortions at the border through surplus disposal or through market access barriers in order to allow the functioning of distorted domestic policy.

So I think, you know, hopefully what we achieve is an agreement at the end of this that moves us forward on all the three pillars, as it's called, and

get some of that negative interreaction between domestic subsidies, domestic policies, and what's going on in the food aid area and other export competition issues.

On Kim's direct question, you know, I don't want to go into what Andrew mentioned about, you know, whether the EU is throwing red herrings or not, but I do think that the WTO is probably not the place to deal with some of these kinds of issues which go to really, you know, what is the most effective way to deliver food aid. I think what the WTO needs to do, like it is doing in the domestic support area but is much less developed intellectually in the food aid area, is to try to limit the areas where food aid can be a distortion on the world market. And as I mentioned, when you shut down the very obvious ways that surpluses can enter onto the world market, that makes it more important that you try to fix the food aid as well.

So I don't think this cash versus in-kind is even something maybe the WTO should be dealing with, except to the extent, as I mentioned, I think there probably does need to be some development of guidelines--and maybe WFP has already done this--around this notion of, you know, how do we know what's effective in given situations. And maybe you can't always have, you know, problem A and solution B, but, you know, we seem to know more than we're practicing, and maybe that could be a helpful thing that the World Food Program can do that WTO doesn't have the expertise or the capacity to do.

The issue I didn't mention, the IPC was pretty adamant in our first set of recommendations--and I left some documents out--about eliminating monetization in the program, government-to-government food aid, because of the

concern that those transfers tend to be large, they tend to be more disruptive than perhaps smaller PVO monetization efforts.

At our last meeting, I have to say there was a sentiment around the table that monetization should just be ended completely, whether it was from PVOs or government-to-government. I think probably that may be more extreme than is necessary, but I think the sentiment, again, going back to what I said, is that, you know, if PVOs are using this to raise money to do other operations, that's not what we should be doing with our food aid. Sometimes monetization may be the right thing to do in terms of the effectiveness, but it shouldn't be the way that PVOs are financing themselves.

MR. TIMMER: Patrick? Quickly.

MR. WEBB: Yes, quickly. Thanks. You just made me think, last time I was in Denmark I was forced to eat lots of red herrings.

[Laughter.]

MS. TUTWILER: Are they really red?

MR. WEBB: It doesn't sit well.

Just to correct, actually, WFP's resources on emergencies are no longer 75 percent. They're about 93 percent. WFP has become, by far, the largest humanitarian agency in the world.

I just wanted to end on, you know, okay, a slightly provocative note. Emergencies in my mind de facto reflect failures of development. They don't just happen. They are the endpoint of a long series of failed policies, ineffective investments, ineffective development programs. And I would argue we may need

to ask ourselves whether the development community needs to look at little more closely at itself, not just at the emergency community and what they're doing.

Food aid globally is less than 0.5 percent of total overseas development assistance--0.5 percent of total ODA. That suggests that 99.5 percent is supporting development. Well, with all the crises going on these days, I would argue maybe it's not doing such a great job, is it? Particularly in the places of most insecurity, repeat, year-after-year crises, the places where--as both Andrew and John have said, the places where the risks remain extremely high, the risks of investing into the future, into greater productivity are extremely high, and where the shocks keep coming back. That's where the greatest investments in development ultimately are needed to resolve those risks, and yet it's where you find the least of those investments. And there are very few agencies and very little true development resources going into the places within countries that are most at risk and most vulnerable. And they're the ones that keep falling through the cracks and have to be picked up again.

Thank you.

MR. TIMMER: Andrew and panel, thank you all very much.

As most of you know, this is the first venture into the food aid debate for the Center for Global Development. We are searching for our future role in this debate. We love convening panels of this quality. This is great fun. And we like to think that it has an impact.

I appreciate all the input, in particular from the audience, on what the agenda items are, the need to keep this kind of transparent dialogue going. We can't just stop it here. It's not going to stop. But can we provide quality

input into the debate? The Center would like to think that we can be a continual player in this role.

So with that, let me thank the audience for coming out. Despite a snow emergency early on, it's beautiful out there now. I thank Andrew and thank the panel very much for a stimulating morning. Thanks.

[Applause.]

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