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**FOOD FOR PEACE
INFORMATION BULLETIN (FFPIB)**

FFPIB 09-02

DATE: November 26, 2008

TO: USAID/Washington and Overseas Distribution Lists and FFP Cooperating Sponsors

FROM: DCHA/FFP, Jeff Borns, Director

SUBJECT: New Procedure to Determine Compliance of P.L. 480 Title II Food Aid Program Proposals with the Conditions of the Bellmon Amendment

I. Purpose

The purpose of this FFPIB is to describe the new approach USAID intends to take for fiscal year (FY) 2009 to help USAID Missions fulfill their responsibility and legal obligation to make a formal declaration that a proposed P.L. 480 Title II food aid program is or is not compliant with the Bellmon Amendment. Food for Peace (FFP) has established a three-year pilot program to conduct independent market analyses. The pilot program is referred to as the Bellmon Estimation for Title II (BEST) Project.

II. Review and Comment Period

Upon completion of the FY09 Multi-Year Assistance Program (MYAP) cycle, FFP will, in collaboration with the Missions and the FFP Cooperating Sponsors (CSs), identify adjustments that could improve or streamline this new approach. As part of its review of the new approach, FFP will take into consideration all written comments received by February 15, 2009. Comments should be sent to: ffpdocs@amexdc.com

III. Authorizing Legislation

Prior to the approval of proposed food aid levels for monetization and distribution programs, P.L. 480 Title II (Section 403(A) A-D of P.L. 480, as amended) requires that the United States Government (USG) make a positive Bellmon Determination. The

positive Bellmon Determination would indicate that, for the proposed call forward, the following conditions would be satisfied:

- A. No agricultural commodity shall be made available under this act unless it is determined that:
 - 1. Adequate storage facilities will be available in the recipient country at the time of the arrival of the commodities to prevent the spoilage or waste of the commodity; and
 - 2. The distribution of the commodity in the recipient country will not result in a substantial disincentive or interference with the domestic production or marketing in that country; and
- B. Impact on the local farmers and economy: The Secretary or the Administrator, as appropriate, shall ensure that the importation of the United States agricultural commodities will not have a disruptive impact on the farmers or the local economy of the recipient country.

The USAID Mission is responsible for the Bellmon Determination as part of its approval of a Title II proposal before it goes to FFP/Washington for final approval in all respects. Comments from the USAID Mission must specifically include a statement that the principal officer of the USAID Mission or the U.S. Diplomatic Post, if there is no USAID Mission, has determined that the proposed shipment is in compliance with the Bellmon Amendment or, alternatively, a statement that the principal officer is unable to make that determination and why.

The Bellmon Determination is based on available information on the local, national and regional markets. This includes, among other things, consultation with market and development experts, market reports and a Bellmon Analysis. In prior years, the Bellmon Analysis was a report prepared by or for the CSs and was included as part of a food aid proposal submission as per the FFP annual guidelines. The current guidelines state that the CSs are no longer required to submit a Bellmon Analysis with the MYAP proposals.

IV. Pilot Program

To assist the USAID Mission in meeting its legal obligation, as of FY09, FFP has established a three-year pilot program to conduct independent market analyses. The pilot program is referred to as the Bellmon Estimation for Title II (BEST) Project. The private

firm FINTRAC has been contracted for this work. Standard methodological approaches will be designed and applied for assessing the potential impacts of distributed and monetized food aid. The information collected by the BEST Project will be used to develop a database to inform subsequent analysis. As a result, the CSs will not be asked to include a specific Bellmon Analysis in their food aid proposal submission.

V. Implications for the Cooperating Sponsors

The BEST Project process will complement, but not substitute for, the CSs' ongoing market analyses and surveillance. To design sound development activities as well as to effectively implement their monetization and distribution programs, CSs must continue to stay abreast of the conditions of the markets in which they monetize and distribute food aid. To be responsible stewards of the FFP resources, the CSs will need to maintain their vigilance of the relevant markets in which they propose to monetize or conduct distribution activities.

While a Bellmon Analysis is not required in a MYAP proposal submission, the CS will continue to be required to provide considerable information in its proposal related to the local, national and regional markets, especially for those markets that could be affected by the proposed monetization and distribution programs. CSs need to understand their operating environment in order to formulate appropriate program activities using food aid distributions and to assure a reasonable, practical monetization plan (if included in the proposal). FFP's development of an independent market analysis would benefit from consultations with the CSs.

VI. Analysis Process

With the goal of ensuring that the BEST Project team and CSs clearly understand their responsibilities and the expected contents and timing of deliverables, as well as to establish a positive and productive working relationship among the various actors, this FFPIB lays out the anticipated process of the independent market analysis.

The analysis has been divided into three steps, each identified with a resulting document: BEST Project Baseline Market Report; Cooperating Sponsor's Project Proposal; and the Bellmon Determination. These are described as follows:

A. BEST Project's Baseline Report

Based on a schedule established through consultation with FFP/Washington, the Mission and FINTRAC will conduct an initial country situational study to develop a market report (Report). The Report will include the following information:

1. Market and production system profile summary
2. Historical overview of the food aid program, covering USAID, USDA, WFP and other development, emergency and monetization food aid programs (in tabular form)
3. Distribution/logistics/storage profile
4. Policy issues relevant to agriculture, markets and trade
5. Product selection and analysis for key food security crops

This report, as well as supporting data and other documents, will be made available to the CSs through the FFP Web site:

http://www.usaid.gov/our_work/humanitarian_assistance/ffp/

The report will also provide general information and initial commodity recommendations. Additionally, it will indicate those commodities and transaction modalities that appear to be appropriate for Bellmon-compliant distribution and monetization, as well as the food availability and market situation in the country.

B. Cooperating Sponsors' Project Proposal

According to MYAP guidelines, proposal submissions should contain the essential distribution and monetization parameters that will inform the BEST Project team's analysis. For any proposed food distribution program, submissions should also describe the following: the socio-economic characteristics of the target area and population; the beneficiary selection criteria and targeting measures; the commodities to be distributed; justification for ration composition; market value of any rations (and in the case of food for work, relationship to the relevant wage rate); distribution timing and methods; the approximate annual levels and description of other food aid; and other resource transfer programs in the target area. Regarding monetization, the CS should estimate the level of program costs to be covered with revenues generated from monetization, broken out on an annualized basis.

C. USAID Mission's Bellmon Determination – Positive or Negative

For each proposal under review, the relevant USG staff in the field and Washington will assess information available from all sources, including information provided in the report, to reach consensus on the Bellmon Determination. The information in the BEST analysis is intended to be an aid in that decision-making process. The final Bellmon Determination is the responsibility of the USAID Mission Director or the delegated USG official and is made at his/her discretion.

VII. Bellmon Updates

FFP/Washington will arrange for the preparation of updates of market analyses, as needed. Updates will no longer be required annually, but will be required when there is compelling reason to question the validity of the findings of the prevailing Bellmon Determination. When a CS, the USAID Mission or FFP/Washington deems an update to be necessary, the CS, USAID Mission or FFP/Washington should convey those concerns, in writing, along with the justifications and a suggested timeline, to their FFP in-country counterpart.

This request should include: (i) date of the last Bellmon Determination; (ii) a copy of the last Bellmon-type Analysis; (iii) a description of the performance of the monetization and distribution programs, indicating any potential Bellmon issues; and (iv) an explanation for calling into question the validity of the current Bellmon Determination, including specific references to changed market and programmatic conditions as well as issues related to the previous analysis. The USAID Mission will then transmit this message to FFP/Washington. All requests for updates will be reviewed and evaluated by FFP/Washington as the work plan for the BEST Project team is developed. FFP/Washington will inform those Missions requesting updates from the BEST Project team of the decisions regarding the request. In addition to those countries for which an update has been requested, updates may be conducted in countries for which FFP/Washington considers an update essential.

Preparation for the BEST updates will follow the same steps as those taken for the BEST Project Report on Bellmon-Compliant Distribution and Monetization Options.