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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

Food Facility: Interim report on Measures Taken

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1. INTRODUCTION

The dramatic rise in food prices in 2007 and 2008 demanded swift and decisive action from the international community to respond in the short-medium term to the effects of the crisis on the poor in developing countries. The EU responded rapidly by shifting and mobilizing resources within existing development and humanitarian instruments. Yet the scale of the problem required further action and additional resources. As a result, in December 2008 the European Parliament and the Council adopted a Regulation¹ establishing a facility for rapid response to soaring food prices in developing countries, proposed by the Commission.

This Regulation provides for the implementation of the €1 billion 'Food Facility', and constitutes the main EU response to this crisis, aiming to bridge the gap between emergency response and long-term development. In that sense, it complements the interventions of both the humanitarian instruments and of the longer-term development instruments such as the country-based development interventions and the Food Security Thematic Programme. The initiative is limited in time: the Regulation will expire on 31 December 2010, with activities ending by the end of December 2011. This very tight timeframe has made the planning, programming and implementation of the activities particularly challenging, both for the European Commission and for the implementing partners.

The primary objectives of the Food Facility are to (a) encourage a positive supply response from the agricultural sector in target countries and regions; (b) support activities to respond rapidly and directly to mitigate the negative effects of volatile food prices on local populations in line with global food security objectives, including UN standards for nutritional requirements; and (c) strengthen the productive capacities and the governance of the agricultural sector to enhance the sustainability of interventions. In line with these objectives, three categories of measures are eligible for financing under the Food Facility:

- (a) measures to improve access to agricultural inputs and services;
- (b) safety net measures; and
- (c) other small-scale measures aiming at increasing production based on country needs.

The reporting obligations of the European Commission are defined in Art. 11 of the Regulation, which foresees inter alia that *“In December 2009 the Commission shall provide the European Parliament and the Council with an initial interim report on the measures undertaken”*. This interim report is being submitted accordingly. It takes into account information up to the end of 2009. After providing a general context for the measures taken, the Report provides qualitative and quantitative information on the various steps taken thus

¹ EC/2008/1337, OJ L 354/62 of 31.12.2008

far to implement the Food Facility Regulation (programming, formulation, contracting, and implementation), as well as the accompanying administrative and support measures (staffing, studies). This Communication is accompanied by a document which provides more detail on measures taken²

This report has been delayed by a few weeks, related to the need to still conclude a large number of Food Facility contracts before the end of the year, and to the time needed for the compilation of all the necessary (financial) information over 2009. In line with the Regulation, a final report will be presented by the European Commission before the end of 2012.

2. FOOD FACILITY AND GLOBAL CONTEXT

Food Security has gained much attention on the international development agenda in recent years, mainly due to the food price hikes in 2007/2008 which have pushed many people further into poverty. Estimates by the Food and Agriculture Organisation (FAO) put the number of malnourished people worldwide at over 1 billion for 2009, compared to 915 million in 2008. This is the highest number since 1970, the earliest year for which comparable statistics are available and also represents a reversal of the trend towards reaching MDG1 (half the proportion of malnourished in the world by 2015). The problem is truly global in nature: the majority of the malnourished in the world live in Asia & the Pacific (642 million), followed by Sub-Saharan Africa (265 million), Latin America and the Caribbean (53 million), the Near East and North Africa (42 million) and in developed countries (15 million).

After the 2008 peaks, the relative decrease in food prices has done little to alleviate the problems in many developing countries. Prices remain high on many domestic markets, and the number of 'food-insecure' people remains on the rise. The global economic crisis has further exacerbated the problem and the effects of climate change, combined with global population growth, further threatens food security in many developing countries.

As a logical consequence, food security has remained high on the international agenda throughout 2008 and 2009. At the UN level, on top of the rapid and active mobilisation of the individual agencies, the Secretary-General established the UN High-Level Task Force (UNHLTF) on the Global Food Security Crisis. The UNHLTF prepared a Comprehensive Framework for Action, which provides a framework that sets out the joint position of HLTF members on proposed actions aiming at easing the immediate plight of vulnerable consumers and producers of food, and building resilience to similar price shocks in the future. This Comprehensive Framework for Action inspired the establishment of the EU Food Facility as a medium-term instrument, complementing other forms of assistance.

Furthermore, the FAO High-Level Conference on World Food Security (June 2008) discussed the challenges that climate change, bio-energy and soaring food prices posed to world food security. Its final declaration called on the international community to increase assistance for developing countries, in particular the least developed countries and those that are most negatively affected by high food prices. This call was echoed by the G8+ Summit in Japan (July 2008), the Madrid Conference (January 2009), the G8/G20 meetings in L'Aquila (July 2009) and the FAO World Summit on Food Security (November 2009). Particularly relevant

² Commission Staff Document, SEC(2010)xx of xx.xx.2010

is the L'Aquila Food Security Initiative, which includes a \$ 20 billion pledge to tackle food insecurity, based on country-led strategically coordinated processes. The international commitment to fight world food insecurity was reconfirmed during the G20 meeting in Pittsburgh in September 2009.

Moreover, in the same international context proposals were made for the creation of a Global Partnership for Agriculture, Food Security and Nutrition (GPAFSN). This initiative has, amongst others, led to the reform of the Committee for World Food Security (CFS), launched in October 2009. The reform aims to make the CFS a central stakeholder platform of the evolving Global Partnership complementing the work of a High Level Panel of Experts (HLPE) and the UNHLTF.

The heightened activity at the international level makes the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action all the more relevant. At the same time, the fact that many of the most important initiatives derive from international forums gives a positive indication on the international community's willingness to discuss and plan together a common and coordinated response. The commitment to the Paris Agenda is reflected in the Food Facility Regulation, and has been a guiding principle in its implementation. This is evidenced by the fact that:

- most of the Food Facility projects and programmes that are implemented by International Organisations are based on joint assessments and proposals by UN agencies and the World Bank, coordinated by the UNHLTF;
- in 2009, several coordination meetings between the European Commission and the UNHLTF were held;
- where feasible within the timeframe and cooperation context, budget support has been chosen as implementation modality;
- in most target countries where the Call for Proposals was relevant, in-country workshops were organised to enhance coordination and guide the orientation of response proposals.

3. PROGRAMMING

The Food Facility Regulation provided that the Commission should present to Council and Parliament an overall plan that includes the list of target countries benefitting from the Facility, as well as the balance between the entities eligible for implementation. This overall plan was submitted in March 2009 and included an overview of indicative allocations to beneficiary countries, broken down according to the three main categories of eligible entities and modes of implementation: International Organisations through contribution agreements; non-governmental organisations, private sector and Member States' agencies through a Call for Proposals; and national governments through budget support. In the Overall Plan, most of the indicative allocations (€20 million) were destined for the country level, while €60 million was set aside for regional-level interventions in Africa. The final €20million was retained for administrative support for the implementation of the Food Facility Regulation (temporary staff, studies, audits, monitoring & evaluation).

Applying the indicative criteria provided in the Annex to the Regulation³, 50 target countries were selected. For each target country an indicative allocation was determined based on these criteria, and on a population size factor, while taking special circumstances into account wherever appropriate. The overview of indicative allocations, as provided in the overall plan and approved by the Council and the European Parliament, is given in section I of the accompanying document.

Subsequently, the €60 million regional level envelope for Africa was further defined as addressing three types of interventions, each of approximately €20 million. First, a programme on vaccine provision and improvement of vaccine production and distribution in order to reduce the impact in various parts of Africa of four targeted diseases (Newcastle Disease, Contagious Caprine Pleuropneumonia, Goat Plague, and Contagious Bovine Pleuropneumonia). The programme is to be implemented through AU-IBAR (Inter-African Bureau for Animal Resources). Second, a programme in Eastern and Southern Africa involving COMESA and focusing on three components: (i) harmonisation of seed regulations and standards with improvements in the quality and availability of seeds; (ii) strengthening the supply of agroinputs to smallholders and strengthening of agro-dealer networks; and (iii) capacity building on financial services for smallholders, including weather-index insurance. Third, a programme in the ECOWAS-region supporting strategic components from the regional agricultural programme ECOWAP, like rice, maize and millet production, and harmonisation of standards. The programme includes measures to strengthen ECOWAS' implementation capacity.

The overall plan foresees that changes affecting country allocations, eligible entities or modalities, up to a cumulative amount not exceeding 5% may be made in the light of changed circumstances provided these changes do not significantly alter the nature of the overall plan. In the course of 2009 a number of factors gave rise to changes to the overall plan:

- differences between the indicative and the final plans and budgets submitted by International Organisations;
- savings negotiated by the European Commission by contractually combining various activities of International Organisations and hence reducing overheads;
- political developments which affected cooperation and/or the foreseen mode of implementation: more specifically, the anticipated use of budget support had to be revised in a number of countries;
- the cumulative costs of the selected projects under the Call for Proposals usually deviated a few hundred thousand Euros from the indicative amount; and
- for a few countries, insufficient good quality proposals were submitted under the Call for Proposals to reach the indicative amount.

Nevertheless, as a whole the changes to the overall plan have been limited. At the end of December, the anticipated changes were 2.7% for country allocations and 3.0% for changes

³ Poverty levels and real needs of populations; food price developments and potential social and economic impact (reliance on food imports; social vulnerability and political stability; and macroeconomic effects of food price developments); and capacity of the country to respond and implement appropriate measures (agricultural production capacity, resilience to external shocks).

between eligible entities or modes of implementation. This results in an anticipated overall change of 4.97 %⁴. Annex 1 provides a comparison between the programming in the overall plan and the outlook as of December 2009.

4. FORMULATION AND CONTRACTING.

The specific character of the Food Facility required fast treatment of the proposed actions. A specific Task Force was instituted within the Commission to expedite project formulation, contracting and monitoring. Moreover, in preparing the Food Facility, the European Commission had already invited the UN agencies and World Bank, through the UN High Level Task Force, to propose actions that could easily be expanded. These proposals formed the first actions that were subject to detailed formulation, organised in two 'batches' for discussion and approval by the Budgetary Authorities.

The action fiches for the first 'batch' of projects were presented to the Quality Support Group (QSG) meeting which took place on 15 January 2009 and subsequently to the meeting of the Development Cooperation Instrument (DCI) Committee on 17 February 2009. A first Financing Decision was adopted on 30 March 2009 for a value of €13.9 million. The second "set of measures" was presented to the QSG on 19 and 20 February 2009 and to the DCI Committee on 23 March 2009. This Financing Decision was adopted on 29 April 2009 for a value of €93.8 million. The second 'batch' included a 'Call for Proposals' for a value of €200 million.

A third set of measures for a value of €121.95 million was presented to the Council and Parliament in early October. The Financing Decision was adopted by the European Commission on 9 December 2009. In the meantime, a separate Decision had been taken on a €7.75 million support programme for Tajikistan.

The speed of the approval process owes much to the flexibility shown by the European Parliament which accepted shortened periods for exercising its right of scrutiny of the proposed measures.

In general, the formulation of projects and programmes financed under the Food Facility, took into account the specific nature of the Regulation which required speed of implementation, a short-time span, coordination and a focus on one or more of the three types of eligible activities under the Facility. The formulation process differed according to the chosen method of implementation:

- Projects with International Organisations were based on proposals from these organisations and subject to a range of checks and reviews (both at Delegation and Headquarters' level);
- Projects deriving from the Call for Proposals were based on proposals from NGOs, private sector and Member States' development organisations and benefitted from information sessions organised in Brussels and in the relevant countries. Proposals were developed in two stages. First short concept notes were submitted, which formed the basis for an invitation to present full proposals out of which the final group of retained projects was selected.

⁴ The percentage changes in country allocations and in modalities/entities do not add up, as there are simultaneous shifts that should not be counted twice.

- Budget support programmes required dialogue with the recipient national Governments, with other development partners (including IMF and World Bank) and involved, in a few cases, a dedicated formulation mission.
- Support at the regional level in Africa involved specific formulation missions for the programmes in Western and Eastern/Southern Africa, while the African livestock vaccination programme was based on a formulation workshop.

Indicatively €200 million has been earmarked for the Call for Proposals. However, an assessment of the proposals at the concept note stage already indicated that the Call would generate more quality proposals than could be funded from the initial budgetary allocation. Subsequently, supplementary allocations of a total value of €13.5 million were made to be able to finance additional proposals.

Following the Call for Proposals, 800 concept notes were submitted. Subsequently, 275 pre-selected proposals were developed into full applications by 22 September 2009, out of which 131 have been awarded a grant following completion of the evaluation process in October 2009. Relevance of the actions to the objectives of the Food Facility, as well as country needs, has been given a high priority when assessing the proposals while their potential effectiveness, sustainability and feasibility within the allotted timeframe (in average 22 months) have also been criteria for assessment.

The contracting of the 131 selected proposals took place at the end of 2009, together with advance payments. Devolution of implementation to the relevant EU Delegations level will follow shortly afterwards in early 2010. The full list of selected proposals is provided in section III of the accompanying document.

As of 31 December 2009 a total amount of nearly €10 million had been contracted with International Organisations (see table below). The total contract value amount of the Food Facility at the end of 2009 was well over €700 million⁵. Payments at that date were €456 million, most payments having been made in relation to projects with International Organisations (€325.2 million), followed by projects originating from the Call for Proposals (€15 million).

Value of contracts concluded with International Organisations at 31 December 2009

Organisation	Contract Value (€)	Percentage
FAO	215 352 085	42.2
World Bank	100 950 00	19.8
WFP	83 864 476	16.4
IFAD	31 682 272	6.2
UNRWA	39 700 000	7.8
UNDP	13 193 139	2.6

⁵ Contracts at least signed by EC.

UNICEF	11 229 000	2.2
Others	14 000 000	2.8
Total	509 970 972	100.0

In terms of the three areas of eligible measures for support by the Food Facility, an approximation of the provisional distribution⁶ is as follows:

Eligible measures	Percentage of value of the International Organisation's projects
1 Measures to improve access to agricultural inputs and services	40.4%
2 Safety net measures	36.4%
3 Other small-scale measures aimed at increasing production (including microcredit, infrastructure, storage, vocational training)	23.2%
Total	100%

5. IMPLEMENTATION

Most projects implemented by International Organisations and approved under batches 1 and 2 are still in the early stages of implementation. Project teams and, where relevant, Steering Committees are being established, procurement plans developed and beneficiary targeting and selection being implemented. Information on the status of projects implemented by International Organisations is provided in section IV of the accompanying document. Other projects and programmes have been approved more recently (from the Call for Proposals and under batch 3) and hence have not yet led to effective implementation.

Some of the projects which have been under implementation in partnership with International Organisations since spring 2009 are starting to show results and concrete outputs. Seeds, fertilizers and agricultural tools have been distributed; safety net mechanisms are in operation, vulnerability assessments undertaken, national capacity building training delivered and coordinating mechanisms strengthened.

A number of projects are being implemented in conflict-torn countries where security is still a major issue, which may affect the progress of several projects (Somalia, Sri Lanka, and Pakistan). Challenges also exist in countries that have been hit by natural disasters (Philippines, Bangladesh, Horn of Africa, Guatemala, and Haiti).

⁶ Based on information of projects with the International Organisations

To the extent possible, projects are being integrated and aligned with existing donor coordination mechanisms at country level. Preparation of projects has benefitted from these mechanisms to realize synergy potentials with other partners. The Food Facility interventions have also strongly contributed to strengthening coordination among UN agencies and other national stakeholders.

The European Commission makes regular use of the Results-Oriented Monitoring (ROM) system to provide external, independent and objective feedback on the performance of cooperation projects. In the context of the Food Facility an international tender has been launched for Results Oriented Monitoring and quality assessment of approximately 120 projects. In addition, 12 projects will be monitored under the existing ROM-Thematic Programmes contract. In November 2009, teams were already monitoring projects with various international organisations in Liberia and in the Occupied Palestinian Territories.

6. SUPPORT MEASURES

A maximum of 2% of the Food Facility (i.e. a maximum of €20 million) can be used for support measures: staff to manage contracting, monitoring, audit and evaluation; consultancies and studies to support implementation. This was the basis for the recruitment of part of the staff of the Food Facility Task Force in Brussels.

In order to reinforce the capacity of certain EU Delegations with understaffed or non-existing the Food Security sections support staff positions are being financed in 21 EU Delegations. The role of the additional staff is to follow the Food Facility projects (contract management for projects under the Call for Proposals, monitoring, etc.). For six of those Delegations local agents have been or are being recruited. In other cases contract agents are being recruited, most of whom have already started working in the Delegations.

Furthermore, a series of supportive consultancies have been financed through the administrative credits of the Food Facility. There are three kinds of such consultancies. First, independent experienced experts have been recruited for the assessment of the concept notes and the full proposals for the Call for Proposals, as this is a condition of objectivity for the quality of the selected projects. Secondly, some Delegations which were understaffed or handling several projects (Liberia, Nepal, Tajikistan) have been granted support (external experts financed from the administrative credits) for dealing with the Food Facility projects and/or "bridging" the period until the arrival of the contract agent Third, the formulation missions for Budget Support in Togo and Bolivia, as well as the formulation missions for the regional projects in Africa were also financed.

Finally a number of studies have been and will be commissioned to support Food Facility implementation. These studies include: Institutional Responses by the UN System to the Global Food Price Crisis and the EU Food Facility, a study on input supply subsidies, a beneficiary assessment study, a study on safety net interventions and one on the supply response from the agricultural sector to food price increases.

7. CONCLUSION

The adoption of the Food Facility Regulation demonstrated the EU's ability to react rapidly and substantially to food security problems in developing countries caused by the food price volatility of 2007/08. Thus far, the €1 billion Food Facility is the most significant additional

global contribution to stimulate agricultural development and fight hunger since the G8 leaders pledged their support in this respect in Tokyo in July 2008. The Food Facility has therefore both given the EU international credibility and enhanced its influence in the discussions on the framing of global governance for food security. Moreover, the specific manner in which the Facility is being implemented, by involving a range of UN agencies but also other actors, and by building on national needs and plans, has given a positive contribution to aid effectiveness.

After the entry into force of the Food Facility Regulation on 1 January 2009, the European Commission has organised its implementation with speed and efficiency. The programming for the use of the funds, in the form of an ‘overall plan’, was submitted in February and received a favourable opinion from Council and Parliament in April. Although some relatively minor changes were subsequently made, the plan has remained valid as a guiding document for the implementation of the Facility. Supported by a dedicated task force within the Commission, Financing Decisions were prepared for a value of €707.7 million within the first four months of 2009. Along with Financing Decisions taken later in the year, a total value of Financing Decisions of €837.2 million was reached (compared to the target of €820 million), while disbursements reached €456 million. All in all, by the end of the year, about 150 contracts had been concluded with International Organisations, national governments and non-governmental organisations, and preparations were well advanced for the submission of the final ‘batch’ of Financing Decisions, for a value of €145.3 million, in early 2010. Implementation of the Food Facility Regulation is thus fully on track with the original planning and with the budgetary provisions.

Implementation in the first target countries commenced in mid-2009, while in the final countries assistance will only be effective in early 2010. Therefore it is too early to assess the effects of the assistance. In the meantime, the groundwork has been laid for an extensive monitoring and evaluation framework that will allow lessons to be learned and impacts to be assessed in the next few years.

The measures taken thus far show that the implementation of the Food Facility is advancing well. Nevertheless a number of challenges exist that may affect the further effectiveness of implementation. These challenges include difficulties of a political and/or security nature in a number of target countries, as well as the very tight implementation period for the projects and programmes, requiring all implementing partners to strictly keep to the required completion dates of activities, foreseen for the second half of 2011.

In line with the Regulation, a final report will be presented by the Commission before the end of 2012.