

External assistance: facility for rapid response to soaring food prices in developing countries

2008/0149(COD) - 18/07/2008 - Legislative proposal

PURPOSE: to set up a facility for the provision of assistance developing countries affected by the food price crisis.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: rising food prices in 2007 and 2008 have had negative effects on many developing countries. Poverty for hundreds of millions of people has deepened and recent progress towards achieving the Millennium Development Goals is put at risk. Moreover, rising food prices have resulted in riots, unrest and instability in several countries, risking the gains of years of political, developmental and peacekeeping investments. However, rising prices could also provide a window of opportunity to stimulate a supply-response from farmers in developing countries. Higher prices offer new income-generating opportunities to bring rural communities out of poverty and could enhance the contribution of agriculture to economic growth by providing incentives for investments and productivity improvements.

The Commission wishes to launch a short term response (a "Facility") to the global recent soaring of food prices by using part of the margin in the Heading 2 of the Financial Framework in favour of those most affected developing countries.

On 22 May, the European Parliament adopted a [resolution](#) on rising food prices in the EU and the developing countries, urging the Council to ensure coherence of all food-related national and international policies aiming at implementing the right to food of populations.

EU Ministers also expressed their concern with the effects of the high food prices in developing countries. They committed themselves to finding a collective response to the food price challenge.

CONTENT: The facility proposed by the Commission would primarily support agriculture in developing countries hence enabling them to enhance production levels. It will also help those countries to rapidly mitigate the negative effects of the high food prices on the poorest. It will hence help them to reduce extreme poverty and hunger.

The response offered by the Facility: the total financial reference amount over the period 2008-2009 is set at EUR 1.0 billion. For **2008**, the reference amount is EUR 750 million and for **2009**, the maximum reference amount is EUR 250 million. The amount committed shall, for each year, leave a margin under heading 2 of the financial framework of at least EUR 600 million, based on the forecast of the most recent early warning system report as established in Regulation (EC) No 1290/2005. Should that not be the case for a particular year, the maximum amount which can be committed for that year will be reduced in order to restore such a margin under heading 2.

The amount indicated is based on EC's share of 10% in responding at short-term to the food price crisis, given that, on average, the Community finances 10% of worldwide development cooperation. This implies that the Community would finance about EUR 1.8 billion in 2008 and 2009. As the currently available EC instruments could contribute EUR 800 million in 2008-09, the remaining EUR 1 billion will be covered by the Facility. The Facility will be complementary to existing crisis-response and development cooperation instruments, both in its time-span (in-between emergency and long-term development cooperation), and in its specificity (directly related to measures that address soaring food prices).

Objectives of the Facility: the primary objective is to encourage a positive supply response of farmers in developing countries in the short to medium term. The Facility will also support activities to respond to mitigate the negative effects of high food prices in line with food security objectives. The expected results of the assistance are: (i) an increase in agricultural production and food security in assisted countries, (ii) reduced malnutrition rates, especially among vulnerable groups, and (iii) reduced food price inflation.

Targeting of the measures financed by the Facility: the Commission will adopt implementing measures, and finance global initiatives which are implemented through international organisations.

The measures will include a list of target countries identified on the basis of the set of indicative criteria laid down in the Annex to the Regulation and which include: reliance on food imports, food price inflation, and social and fiscal vulnerability. Other financing available to the country from the donor community will be taken into account, as well as the country's potential to increase agricultural production. The Facility also allows for regional-level programmes, covering all developing countries of that region. Global initiatives may equally be financed when implemented through a regional or international organisation.

Responding directly to the food crisis and taking into account the country-specific conditions,

the following operational measures may be supported through the Facility:

-measures to improve access to agricultural inputs and services, including fertilisers and seeds;

-safety net measures aiming at maintaining or improving the agricultural productive capacity, and at addressing the basic food needs of the most vulnerable populations.

A small part of the Facility, up to 1 %, will be used for support measures required for an effective implementation of the Regulation.

Types of financing and implementation modalities: short-term responses to the soaring food prices require quick mobilisation of finance in order to be able to provide post-emergency assistance and support for a supply response in the next agricultural seasons. The proposal allows for quick decision-making and disbursement procedures, by using Contribution Agreements with International Organisations, including Regional Organisations. The programming and the implementation will be made following the principles of the Paris Declaration on Aid Effectiveness, including by coordinating activities with Member States and with other donors, in order to ensure that no country is over supported or orphan. Lastly, the proposal contains an indicative time-line.