

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

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The Committee on Development adopted a report drafted by Gay MITCHELL (EPP-ED, IE) and amended the proposal for a regulation of the European Parliament and of the Council establishing a facility for rapid response to soaring food prices in developing countries. The committee felt that the European Parliament must have the final say on expenditure.

The main amendments – adopted in the 1st reading of codecision procedure – are as follows:

Comitology: the committee introduced a comitology procedure for measures. These measures will be adopted in accordance with the **management procedure** with specially reduced deadlines allowing for rapid decision-making in 2008. In addition, where support is to be provided for measures implemented by International Organisations including Regional Organisations, such international organisations will be selected by the Commission in accordance with the management procedure. Members considered that this removes the requirement for implementation to pass exclusively through regional and global international organisations and ensures decisions on choices of any such organisations pass through the comitology procedure

Objectives: Members expanded and clarified the objectives. The primary objective of the assistance shall be to respond to soaring food prices in the short to medium term by: a) encouraging a positive supply response from the agricultural sector, including small-holder farmers, with a sustainable increase in agricultural productivity in target countries and regions in the context of their overall development in the medium term; b) supporting activities to respond rapidly and directly, and in the short term, to the food needs of local populations to mitigate the negative effects of high food prices in line with food security objectives and UN standards for nutritional requirements. The committee stated that this establishes the distinction between **short- and medium-term objectives**.

Involvement of civil society: regardless of which bodies are chosen under the management procedure to establish the financing facility for the food crisis - whether international and regional organisations or other institutions - it shall be absolutely essential that the action programmes on agricultural growth be drawn up together with farmers' organisations, producers' organisations and their NGO partners, and that those organisations are involved in monitoring and following up the implementation of these programmes. Wherever feasible, NGO involvement shall be guaranteed in the projects carried out by all international organisations.

Target countries: to optimise the utility and impact of the Regulation, resources shall be concentrated on a maximum of **35 high-priority target countries**. The Commission's proposal did not contain a specific number. Target countries shall be identified on the basis of the set of criteria laid down in the Annex, and in coordination with other donors, building on relevant needs-assessment made available by specialist and international organisations, such as those of the UN system, including the World Bank.

Existing programmes and projects shall be scrutinised in advance, on the assumption that only properly inspected, future-oriented projects that sustainably serve small farmers and rural structures will receive additional support, in which process the use of resources must be optimised and deadweight effects avoided. Priority access must be guaranteed for small-holder farmers.

Additionality and coordination: the committee deleted the provision in the Commission's proposal which had provided that notwithstanding Regulation (EC) No 1905/2006 and Regulation (EC) No 1717/2006 I, if the envisaged measures are in accordance with this Regulation, they shall be financed under this Regulation. Members felt that the text compromises the additionality of financing under the Regulation by preventing support from other instruments for measures in line with the objectives of this Regulation. A financial allocation of EUR 50 million has been programmed for similar measures in 2008 under the Food Security Thematic Programme of DCI and this should not be prejudiced by the entry into force of this Regulation. Measures supported under this Regulation must be coordinated with those supported under

other instruments, including Council Regulation (EC) No 1257/96 concerning humanitarian aid, Regulation (EC) No 1905/2006 establishing a financing instrument for development cooperation, and Regulation (EC) No 1717/2006 establishing an instrument for stability, and the ACP-EU Partnership Agreement.

Financing: before initiating the financing of this facility the Commission shall draw up a precise forward plan, detailing all the measures envisaged, together with quantified objectives, the share of financing allocated to each objective and the resources planned for administration of the facility.

Supporting measures: these must include measures to improve access in particular of small-scale and female farmers to locally adapted, sustainable agricultural inputs (tailored to the optimum use of local resources) and services (extension, vocational training), existing local markets and existing infrastructure, as well as preferential measures to activate and involve local, regional and supra-regional producers in the developing countries. Agricultural inputs and services must as far as possible be locally purchased, the negative impact of importing inputs and services on local producers and markets must be prevented and dumping excluded. Measures must also include micro-credit facilities for small agricultural producers to boost production. A new clause stated that assistance shall not be given to the production of raw materials for exotic or luxury goods (such as cocoa, tea, tobacco, coffee) or biofuels. Administrative support measures - including organising the involvement of farmers' organisations and NGOs - which meet the objectives of this Regulation may be financed up to a maximum of **2 %** (rather than 1% as stated in the proposal) of EUR 1 billion.

Scrutiny: both the Commission and the European Parliament will rigorously scrutinise the disbursement of funds to the International Organisations, and the financial outlays of these Organisations in target countries, to ensure efficient and effective use of the European Union's money.

Eligibility: the Commission had proposed that only International Organisations fulfilling the conditions laid down in Regulation (EC, Euratom) No 2342/2002 would be eligible for funding, but the committee expanded this considerably to include, inter alia, partner countries and regions, and their institutions and EU agencies, and local and regional grassroots organisations, such as farmers' associations and agricultural cooperatives/producer groups. Moreover, international organisations will be eligible for a maximum of **40 % of the total financial reference amount**. The committee wanted to widen the choice of bodies which may be selected by the Commission to implement measures under the Regulation, on the basis of the list already used for the Development Cooperation Instrument.

Types of financing: the committee inserted a new clause 4(a) setting out the types of forms that Community financing might take. These include projects and programmes; budget support, especially sectoral budget support; and funds made available to the European Investment Bank (EIB) or other financial intermediaries. The list of types of finance is drawn from DCI, but simplified to reflect the emergency nature of this Regulation.

Paris Declaration: the measures financed under the Regulation shall be in line with the Paris Declaration on Aid Effectiveness. The Commission's must pay particular attention to this requirement.

Monitoring and evaluation: the Commission shall monitor and review activities implemented under the Regulation, where appropriate by means of independent external evaluations, in order to ascertain whether the objectives have been met and enable it to formulate recommendations with a view to improving future operations. Proposals by the European Parliament or the Council for independent external evaluations will be taken into due account.

Reporting: the Commission's report on the main outcomes and impacts of the assistance must be ready no later than 31 December 2011. In September 2009 the Commission shall provide an initial interim report on the measures undertaken to allow the content of the financing facility for the food crisis to be adapted to its objectives, as appropriate.

Financial reference amount: the total financial reference amount will be EUR 1 billion. This reference amount shall be financed under Heading 4 of the Multiannual Financial Framework. The Commission had proposed the sum of EUR 750 for 2008 and EUR 250 for 2009, but the committee stated that the annual amount shall be decided in the context of the **annual budgetary procedure**. In order to cover the needs flowing from the proposed Regulation, the Multiannual Financial Framework shall be adjusted by all means provided for in the Interinstitutional Agreement of 17 May 2006. Should part or the entirety of the appropriations be used from the available margin of Heading 2 of the Multiannual Financial Framework, a

margin 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, shall be left, for each year, under this heading.

Annex: lastly, Members made some amendments to the list of criteria to select target countries and criteria for financial allocations per country.