

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

2008/0149(COD) - 16/12/2008 - Final act

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

LEGISLATIVE ACT: Regulation (EC) No 1337/2008 of European Parliament and of the Council establishing a facility for rapid response to soaring food prices in developing countries.

CONTENT: the volatility of food prices has put numerous developing countries and their populations in a dramatic situation. This food crisis, accompanied by a financial and energy crisis and environmental deterioration, risks putting additional hundreds of millions of people in extreme poverty, and in circumstances of hunger and malnutrition and calls for increased solidarity with those populations.

As a complement to the European Union's current development policy instruments and to combat this situation, the European Parliament and the Council adopted, following an agreement reached at first reading, a new instrument aimed at supporting a rapid and direct response to the volatile food prices in developing countries, addressing primarily the period between emergency aid and medium- to long-term development cooperation.

Scope: this food facility has an endowment of **EUR 1 billion for the period 2008 to 2010** and is intended to encourage an increase in supply in the agricultural sector in the countries and regions targeted, reducing the negative effects of food price volatility on the local population and reinforcing production capacity. It shall primarily address the period between emergency aid and medium- to long-term development cooperation. Whenever feasible the action programmes shall be drawn up in consultation with civil society organisations and implementation of projects funded through this financing facility shall involve such organisations.

To optimise the utility and impact of this Regulation, resources shall be concentrated on a **limited list of high-priority target countries**, identified on the basis of the set of criteria laid down in the Annex (such as poverty levels, real needs of populations, food price developments, reliance on food imports, etc), and in coordination with other donors and other development partners through relevant needs-assessments made available by specialised and international organisations such as those of the UN system, in consultation with partner countries.

Priority objectives: the primary objectives of the assistance and cooperation under this Regulation shall be 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;
- c) strengthen the productive capacities and the governance of the agricultural sector to enhance the sustainability of interventions. Measures supported under this Regulation shall be coordinated with those supported under other instruments, such as the ACP-EC Partnership Agreement.

A differentiated approach depending on development contexts and the impact of volatile food prices shall be pursued so that target countries or regions and their populations are provided with targeted, tailor-made and well adapted support, based on their own needs, strategies, priorities and response capacities. Coherence and continuity must be ensured between short-term measures aimed at providing relief to the populations most directly and seriously affected by the soaring and/or volatile food prices, and more structural measures intended to prevent the recurrence of the current food crisis.

Implementation: taking into account the specific country-level conditions, supporting measures that shall be eligible for implementation are: (i) measures to improve access to agricultural inputs and services including fertilisers and seeds, paying special attention to local facilities and availability; (ii) **safety net** measures aiming at maintaining or improving

the agricultural productive capacity, and at addressing the basic food needs of the most vulnerable populations, including **children**; (iii) other small-scale measures aiming at increasing production based on country needs: microcredit, investment, equipment, infrastructure and storage; as well as vocational training and support to professional groups in the agriculture sector. The implementation of these supporting measures shall be focused on small and medium-sized farms for family and food-producing agriculture, particularly those run by women, and poor populations most affected by the food crisis, avoiding any kind of distortion of local markets and production; agricultural inputs and services shall as far as possible be locally purchased.

Eligibility: the entities eligible for funding shall be partner countries and regions, and their institutions; decentralised bodies in the partner countries, such as municipalities, provinces, departments and regions; joint bodies set up by the partner countries and regions with

the Community; international organisations, including regional organisations, UN bodies, departments and missions, international and regional financial institutions and development banks; Community institutions and bodies, but only for the purposes of implementing the support measures; EU agencies; as well as all bodies complying with the rules on access to the Community's external assistance set out in [Regulation \(EC\) No 1905/2006](#), insofar as they help to achieve the objectives of this Regulation.

Types of financing: Community financing may take the following forms: projects and programmes; budget support, especially sectoral budget support, if the partner country's management of public spending is sufficiently transparent, reliable and effective; contributions to international or regional organisations and international funds managed by such organisations; contributions to national funds set up by partner countries and regions to attract joint financing from a number of donors; co-financing with entities eligible for funding. The EIB may also receive funds to support investment in and development of the private sector, risk capital (in the form of subordinated or conditional loans) or other temporary minority holdings in business capital to the extent that the financial risk of the

Community is limited to these funds.

Financing procedures: Community assistance and cooperation shall be implemented through a set of decisions to finance supporting measures. An overall plan for the use of this financing facility, including the list of target countries shall be presented by the Commission. This overall plan shall receive the opinion of the committee before 1 May 2009. Budget commitments shall be made on the basis of decisions taken by the Commission.

Visibility of the European Union aid: contracts shall include specific provisions that ensure the appropriate visibility of the European Union in all activities undertaken on the basis of those contracts.

Protection and evaluation: any financial agreement resulting from the implementation of this Regulation shall contain provisions ensuring the protection of the Community's financial interests, in

particular with respect to irregularities, fraud, corruption and any other illegal activity. The Commission shall monitor and review activities implemented under this Regulation, where appropriate by means of independent external evaluations, in order to ascertain whether the objectives have been met and enable it to formulate recommendation with a view to improving relevant future development cooperation operations. Proposals by the European Parliament or the Council for independent external evaluations shall be taken into due account.

Reporting: the Commission shall provide the European Parliament and the Council with a report on the implementation of the measures, including, as far as possible, on the main outcomes and impacts of the assistance provided under this Regulation, no later than 31 December 2012. In December 2009, the Commission shall provide the European Parliament and the Council with an initial interim report on the measures undertaken and it shall pay particular attention to the requirements of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

ENTRY INTO FORCE: 1 January 2009.