

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

2008/0149(COD) - 04/12/2008 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted, by 561 votes to 24 with 34 abstentions, a legislative resolution amending the proposal for a proposal of the European Parliament and of the Council establishing a facility for rapid response to soaring food prices in developing countries.. The report had been tabled for consideration in plenary by Gay MITCHELL (EPP-ED, IE) on behalf of the Committee on Development. Parliament supported the Commission's proposal but considered that the reference amount indicated in the proposal was not compatible with the ceiling of heading 4 of the multi-annual financial framework without adjusting that ceiling. Parliament felt that the financing of this facility instrument should not jeopardise the financing of other priorities and current commitments of the European Union

The main amendments – adopted in the 1st reading of codecision procedure – are the result of a compromise between Parliament and Council. They are as follows:

Financing the facility: the total financial reference amount for the implementation of this Regulation over the period 2008-2010 is EUR 1 billion. This will be financed through a complex financial mechanism, agreed on 21 November between representatives of Parliament and the Council of Ministers, which also delivered an overall deal on the 2009 budget. The funds will come from three sources: the flexibility instrument, the emergency aid reserve and the redeployment of funds within the external relations head. Of the EUR 1 billion, EUR 760 million is "fresh money", including, in 2008, mobilisation of the Emergency Aid Reserve still available in this year's budget, amounting to EUR 22 million, and an additional sum of EUR 240 million – this raising of the funding ceiling of the Emergency Aid Reserve (EAR) in 2008 required unanimity in Council and an adjustment of the inter-institutional agreement. EUR 78 million will come from the 2009 EAR. The institutions also agreed on the use of the flexibility instrument for 2009 for EUR 420 million. (Please see [BUD/2008/2026](#)).

Scope: whenever feasible the action programmes implemented by entities eligible for funding must be drawn up in consultation with civil society organisations and implementation of projects funded through this financing facility must involve such organisations. To optimise the utility and impact of the 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, 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. Parliament did not follow the recommendation of its competent committee which had provided for a maximum of 35 high-priority target countries.

Comitology: Parliament introduced a comitology procedure for measures. These measures will be adopted in accordance with the management procedure. A joint statement by the European Parliament, the Council and the Commission states that the institutions declare that the decision-making procedure for the adoption of the implementing measures must be as simple and as fast as possible, for the period up to 30 April 2009, and describes shortened periods for scrutiny. In addition, implementing measures will be adopted in accordance with the management procedure. An overall plan for the use of this financing facility, including the list of target countries and the balance between eligible entities will be presented by the Commission and adopted in accordance with the management procedure, again with shortened time-limits.

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 .

Implementation: taking into account the specific country-level conditions, supporting measures that shall be eligible for implementation must include 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 in line with the Declaration on Aid Effectiveness adopted by the High Level Forum on Aid Effectiveness, held in Paris, on 2 March 2005 (the "Paris Declaration on Aid Effectiveness") and the Agenda for Action adopted by the High Level Forum on Aid Effectiveness, held in Accra, on 4 September 2008 (the "Accra Agenda for Action"). It 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.

Administrative support measures may be financed up to a **maximum of 2 %** of the total financial reference amount (EUR 1 billion.)

Eligibility: the Commission had proposed that only International Organisations fulfilling the conditions laid down in Regulation No 2342/2002 would be eligible for funding, but Parliament expanded this considerably to include, inter alia, partner countries and regions, and Community institutions and EU agencies, and certain specified entities and bodies of the Member States, partner countries and regions and any other third country 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 the Regulation. An appropriate balance shall be applied in the allocation of resources between these bodies and other eligible entities, but no figure was mentioned by Parliament in the text.

Types of financing: Parliament inserted a new clause 5 setting out the types of forms that Community financing might take. These include projects and programmes; budget support, especially sectoral budget support; contributions to international or regional organisations and international funds managed by such organisations; co-financing with entities eligible for funding and funds made available to the European Investment Bank (EIB) or other financial intermediaries.

Protecting the Community's financial interests: agreements shall expressly entitle the Commission and the Court of Auditors to perform audits, including document audits or on-the-spot audits of any contractor or subcontractor who has received Community funds. They shall also expressly authorise the Commission to carry out on-the-spot checks and inspections as provided for in Regulation No 2185/96. All contracts resulting from the implementation of assistance shall ensure the rights of the Commission and the Court of Auditors during and after the performance of the contracts.

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 relevant future development cooperation operations. Proposals by the European Parliament or the Council for independent external evaluations shall be taken into due account.

The Commission shall associate all relevant stakeholders, including non-State actors and local authorities, in the evaluation phase of the Community assistance provided under this Regulation.

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

Annex: lastly, Members made some amendments to the indicative criteria to select target countries and allocate financial resources. These now include: poverty levels and real needs of populations; food price developments and potential social and economic impact; macroeconomic effects of food price developments; agricultural production capacity; resilience to external shocks. Indicative financial allocations to countries will be based on the target country selection criteria and take into account the population size of the target country. Account will also be taken of other sources of financing available to the target country, at short term, from the donor community, to respond to the food price developments.