

***THEMATIC EVALUATION OF
FOOD-AID POLICY AND FOOD-AID
MANAGEMENT AND SPECIAL OPERATIONS
IN SUPPORT OF FOOD SECURITY***

Synthesis Report - Descriptive Report
Final Version

Volume 2

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Evaluation for the European Commission



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The opinions expressed in this document represent the authors' points of view, which are not necessarily shared by the European Commission or by the authorities of the countries concerned.

Final Report

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List of Acronyms

ALA	EC Development Assistance for Asia and Latin America (Council Regulation 443/92)
CAP	Common Agricultural Policy
CARDS	EC Development Assistance for Southern Balkan countries (Council Regulation 2666/2000)
CGIAR	Consultative Group on International Agricultural Research
CIS	Commonwealth of Independent States
CoA	Court of Auditors
CTP	Country Technical Paper
CSP	Country Strategy Paper
DPP	Disaster Preparedness
ECHO	European Commission Humanitarian Office (Council Regulation 1257/1996)
EDF	EC European Development Fund (Cotonou Agreement)
EMOP	Emergency Operations
FAO	Food and Agricultural Organisation
FS	Food Security
FSBL	Food Security Budgetline
FSU	Food Security Unit
GIEWS	Global Information and Early Warning System
ICRC	International Committee of the Red Cross
ISFS	Information System on Food Security
LDC	Least Developed Country
LRRD	Linking Relief, Rehabilitation and Development
MDG	Millennium Development Goals
MEDA	EC Mediterranean Development Assistance (Council Regulation 1488/96 and 2698/2000)
NARS	National Agricultural Research Systems
NGO	Non Governmental Organisation
PCM	Project Cycle Management
PRRO	Protracted Relief and Recovery Operations
PRSP	Poverty Reduction Strategy Paper
RESAL	Réseau Européen de Sécurité Alimentaire
SISA	Système d'Information de Sécurité Alimentaire
TA	Technical Assistance
TACIS	EC Technical Assistance for Newly Independent States (Council Regulation 99/2000)

ToR	Terms of Reference
UNDP	United Nations Development Programme
UNHCR	United Nations High Commission for Refugees
UNRWA	United Nations Relief and Works Agency
WFP	World Food Programme
WFS	World Food Summit

1. EXECUTIVE SUMMARY DESCRIPTIVE REPORT

European Commission Food Security Strategy

The concept of food security is typically applied at three levels of aggregation: national / regional, household and individual. In addition, food security is broken down into three core elements that are used to judge the degree of food security or insecurity in a given country, region, community or household: **food availability, food access, and food utilisation**. Good performance in all three categories is considered to be a prerequisite for achieving food security at the given level.

The EC believes that the best way to bring about food security is to pursue a broad based policy for sustainable development and poverty reduction at the national level. The policy assumes that promoting broad based growth and poverty reduction will in fact address the root causes of the food security problem by bringing the issues of food availability, access to food, responses to food shortages and nutritional problems to the centre of poverty reduction strategies. In addition, the EC believes that the political dimensions of food insecurity need to be tackled head on by giving greater attention to promoting good governance, preventing conflict and building peace.

European food-aid started in 1967 in the framework of the Wheat Trade Agreement and the Food Aid Convention, which laid down annual minimum commitments for industrialised countries¹. The main rationale was the disposal of European Community food surpluses rather than the promotion of development objectives. The concept of food aid has changed over time transforming it into an independent policy aimed at promoting development. In fact, food security has become a priority of poverty reduction initiatives. The Council of Ministers adopted a resolution on food security in 1994, underlining the importance of a long-term food security policy.

In 1996, a new Regulation on food aid and food security (1292/96) replaced five former separate Regulations. The new regulation integrated food aid into a broader food security strategy and broadened the range of instruments at the disposal of the Commission. It increased the flexibility with which funds could be directed towards operations in support of food security. While former Regulations focused on food aid, the EC programme could now finance almost any type of support for those sectors that were considered to be relevant for achieving food security. Following an external evaluation of the implementation of Council Regulation (EC) No 1292/96 the Commission adopted a communication in September 2001 to be submitted to the European Parliament and to the Council. This communication (COM(2001) 473) and the relevant Council conclusions (15390/ 01) were further steps to fully integrate food aid and food security objectives and instruments into the Commission's development policy and development cooperation.

Food Security Budget Line

The main objectives of the Regulation can be summarised as follows:

- (a) enhancing food security geared to alleviating poverty in the recipient countries;
- (b) reducing the recipient countries' dependence on food aid;
- (c) contributing to the countries' balanced economic and social development.

In order to focus its interventions on the most vulnerable countries, the Commission has selected 21 priority countries for structural interventions. An additional 11 countries and the territory of Palestine were selected for support based on their status as countries / territories

¹ For more information, please refer to the deconcentration guideline for food security, 2003.

in a crisis or post-crisis situation. The number of countries supported through the budget line may change if the situation in one of the targeted countries no longer justifies the continued support. As an example, the Commission is currently phasing out its support to Peru.

Regulation n°1292/96 distinguishes three types of operations:

- Food-aid Operations (Title I);
- Operations in Support of Food Security (Title II);
- Early Warning Systems and Storage Programs (Title III).

These operations can be executed by the public sector or by international, regional or non-governmental organizations. The operations have been translated into a number of instruments according to four categories:

1. Food aid-in-kind;
2. Foreign currency;
3. Operations to support food security;
4. Others- technical assistance and capacity building.

Regulation No. 1292/96 can be implemented by a number of agents including the government of the recipient country, the Commission, international organizations (such as UN agencies, etc.) and international and national non-governmental organizations). Aid managed by both the recipient country and the Commission is characterised as direct aid, while aid delivered through intermediaries such as UN agencies or NGOs is categorised as indirect aid.

Food Security relevant instruments

The analysis of various instruments (geographical instruments (EDF, MEDA, ALA, TACIS, CARDS)) or other important budget lines (ECHO, Rehabilitation, NGO-Cofinancing) has shown that most of them are financing FS actions. Given the variety of instruments dealing with food aid and food security, a core issue of this evaluation was the analysis of the added value of each instrument and its specific role for achieving food security.

The statistical analysis confirms the importance of food security in the various EC-instruments. The estimated sum of all food security commitments under the described budget lines (Food Aid/Food Security, ECHO, NGO Co-Financing, Rehabilitation and the Geographical Instruments) amounts to **13,13 Billion Euro**. The geographical budget lines provide the highest level of support with approximately 8,84 Billion Euro. This results from the high amount of commitments aiming at poverty reduction and similar food security relevant measures under these instruments.

Main relevant trends in EC cooperation

Some current trends and changes in the nature and focus of EC development cooperation are relevant for the EC food security operations. The EC focus on LRRD and DPP underlines the potential role for the FSBL. The increasing participation of non-state actors in EC development aid stresses the need for strengthening the partnership with these actors. The focus on poverty reduction, rural development and food security is placing food security practically at the heart of EC development policy. The deconcentration process is creating a new context for implementing projects and programmes under the FSBL. Finally, the increasing importance of budgetary support suggests that the use of the currency facility foreseen in Regulation 1292/96 will also increase in the future.

2. INTRODUCTION

The Board of the EuropeAid Co-operation Office requested the Evaluation Unit to undertake an evaluation of Food-Aid policy and management as well as special operations in support of Food-Security under Regulation No.1292/96.² This evaluation was originally scheduled to take place in 2005 for the implementation of the 1996 Regulation to have progressed significantly after the previous evaluation of 2000.³ However, it was decided to bring it forward at the request of the Commission's services since, in its Communication on the evaluation and future of Regulation No.1292/96, the Commission took on board the recommendation put forward by the 2000 evaluation report⁴ that a second overall evaluation should be carried out in 2003-2004.⁵ This recommendation was then endorsed by the Council of Ministers in December 2001.⁶

Further to the 2000 evaluation report and the subsequent Communication of the Commission and Conclusions of the Council of Ministers on the future of Regulation No.1292/96, the Court of Auditors produced a special report⁷ in 2003. Whilst both the Commission and the Council considered that, although progress still remained to be achieved, there was no need to alter the content of Regulation No.1292/96, the Court of Auditors proposed to discontinue it in its present form and to integrate all food-aid and food-security development activities in a limited number of comprehensive Regulations.

These considerations have led in September 2003 to the launching of the Evaluation of Food Aid Policy and Food Aid Management and Special Operations in Support of Food Security. The main aims of the evaluation are:

- “(i) to identify key lessons from the Commission's past co-operation in Food-aid and Food-security policy, focusing on procedures and implementation issues and the way they affected the impact of specific actions against their objectives;
- (ii) to assess and judge the current programming of food-aid actions and operations in support of food-security at the light of the new policy framework (set out in particularly by the Communication of September 2001) and in the new administrative context (reform of RELEX services and deconcentration), in particular with regard to lessons learned from the 2000 evaluation report and the integration of food-security in the overall EC development co-operation framework.

² See *Evaluation Strategy (2002-2006) for the Relex Family* (p.3) as in annex to Commissioner Nielson's note of December 14, 2001, on www.europa.eu.int/comm/europeaid/evaluation/index.htm.

³ *Evaluation of EC Food-aid, Food- security, Food-aid management and programmes in support of Food-security (Regulation No.1292/96 of 27 June 1996)*, on www.europa.eu.int/comm/europeaid/evaluation/reports/sector/951569_en.pdf

⁴ The 2000 evaluation on Evaluation of EC Food Aid, Food Security Policy, Food Aid Management and Programmes in support of Food Security, Regulation No 1292/96 of June 27th 1996 couldn't assess the impact of the Regulation due to its short period of implementation.

⁵ Communication from the Commission to the European Parliament and the Council, *Evaluation and future orientation of Council Regulation (EC) No. 1292/96 on Food Aid Policy and Food Aid Management and Special Operations in Support of Food Security*, COM(2001) 473 final/2, p.5.

⁶ 2402nd meeting of “Agriculture” Council. Brussels, 19/12/01 – Approval of the list of “A” Items: Draft Council conclusions on the evaluation and future orientation of Council regulation (EC) No.1292/96 of 27 June 1996 on Food aid policy and food aid management and special operations in support of food security.

⁷ Special report No 2/2003 *the implementation of the food security policy in developing countries financed by the general budget of the European Union, together with the Commission's replies*. OJ C 93 of 17 April 2003.

- (iii) *to make recommendations.* At the time of the previous evaluation, the implementation of Regulation No.1292/96 had not progressed sufficiently for its impact to be assessed. As a result, the report should focus on the impact of those actions undertaken on the basis of the Regulation and that can now be measured. The assessment and judgement of the current EC approach should also take account of the extent to which lessons have been learned from the past (the 2000 evaluation report and diverse monitoring reports), the effect of the reform of the RELEX services and the emergence of a truly integrated approach of Food-aid and Food-security into the EC development co-operation framework.”⁸

Chapter 6.2 of the Terms of Reference, in turn, presents the main results of this evaluation as follows:

- “An *ex-post* evaluation of the impact of the EC strategy and actions over the period 1997-2002” (note: actions dealing with Regulation No.1292/96).
- An *assessment* of the coherence and complementarity of the EC’s strategy for Food-aid/Food-security, particularly in the light of the EC’s Communication on the *Future of the Regulation*. For instance, the report should inform on: the level of integration of food security and objectives of Regulation No.1292/96 into the Commission’s Development Co-operation Framework both at the overall policy level (EDF, ALA, MEDA, CARDS) and at the specific Country Strategy level (CSP’s); the link between food-security instruments and the long-term regional development instruments; the added-value (if any) of this Regulation and associated budget line in a more food-security integrated context; the role of Regulation No.1292/96 in the on-going efforts to bridge the gap between relief, rehabilitation and development.
- An *assessment* of the steps being taken by the Commission to improve the efficiency and quality management with regard to programming, targeting and handling of its Food-aid actions and operations in support of Food-security (within Brussels headquarters, at country level)”

It was agreed that the present study is a thematic evaluation of EC Food Aid/Security policy and as such is broader than an evaluation of Regulation N°1292/96 *stricto sensu*. In particular, the crucial interrogation on the future of this regulation requires an analysis of the added-value of the Food Aid/Security budget line compared to other instruments and other budget lines. Such a comparative analysis must be conducted both at the level of the documentary phase as well at the level of the field phase.

Moreover, although it is understood that the period to be covered by this evaluation study will be as planned (1997-2002), the Steering group expressed the view that the consultants should concentrate their efforts on the more recent period while referring more substantially to the previous documents for the period already covered by the previous evaluation.

The descriptive report is composed as follows:

Chapter 1 is the executive summary.

Chapter 2 introduces the main issues of the evaluation.

Chapter 3 presents the overall context of food insecurity as well as the three pillars of food security at national, regional, household and individual levels (food availability, food access, and food utilisation). A brief presentation of various strategies aiming at reducing food insecurity is made, focussing on the differences resulting from the global analysis each institution has made on the roots of food insecurity. Finally, the linkages between food Security and Trade are presented.

⁸ ToR for the Evaluation of Food Aid Policy and Food Aid Management and Special Operations in Support of Food Security; Evaluation Unit August 2003.

Chapter 4 presents a brief presentation of food security within the general EC strategy. It covers overall EC policy and strategy as regard to food aid and food security as well as a presentation of the regulation 1292/96. The analysis of the regulation presents the various components that can be financed as well as the various modalities of channelling food aid.

Chapter 5 presents the other instruments dealing with food aid and food security (EDF, ALA, MEDA, CARDS, TACIS, ECHO, rehabilitation and NGO cofinancing budgetlines).

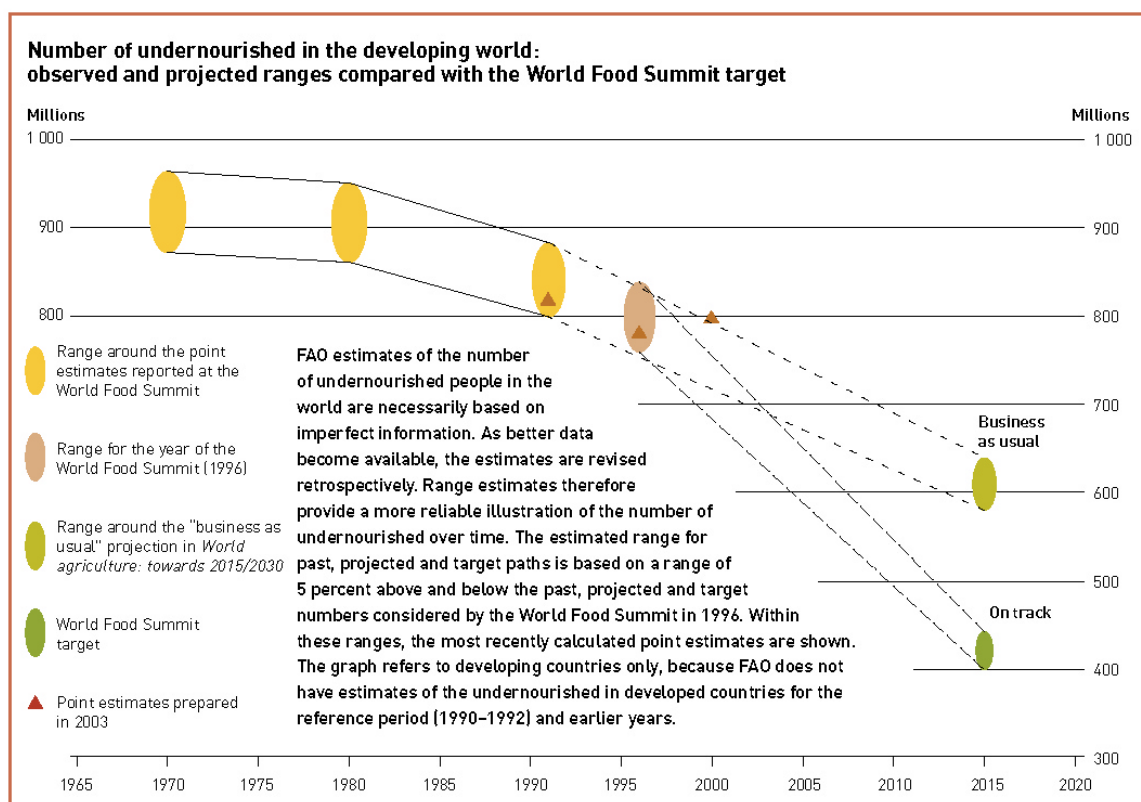
Chapter 6 presents the main trends relevant for assessing the future of the FSBL, including the LRRD process, NSA participation in EC development, focus on poverty reduction, increasing importance of budgetary support and deconcentration process.

3. OVERALL CONTEXT OF FOOD INSECURITY

3.1. The global food security situation

FAO's latest estimates show that a number of countries have reduced hunger steadily since the World Food Summit (WFS) baseline period of 1990–1992⁹. In 19 countries, the number of chronically hungry people declined by over 80 million between 1990–1992 and 1999–2001 (see Figure 1). The list of successful countries spans all developing regions, with one country in the Near East, five in Asia and the Pacific, six in Latin America and the Caribbean and seven in Sub-Saharan Africa. It includes both large and relatively prosperous countries like Brazil and China, where levels of undernourishment were moderate at the outset, and smaller countries where hunger was more widespread, such as Chad, Guinea, Namibia and Sri Lanka.

Figure 1: Number of undernourished in the developing world



Source: SOFI report 2003, FAO

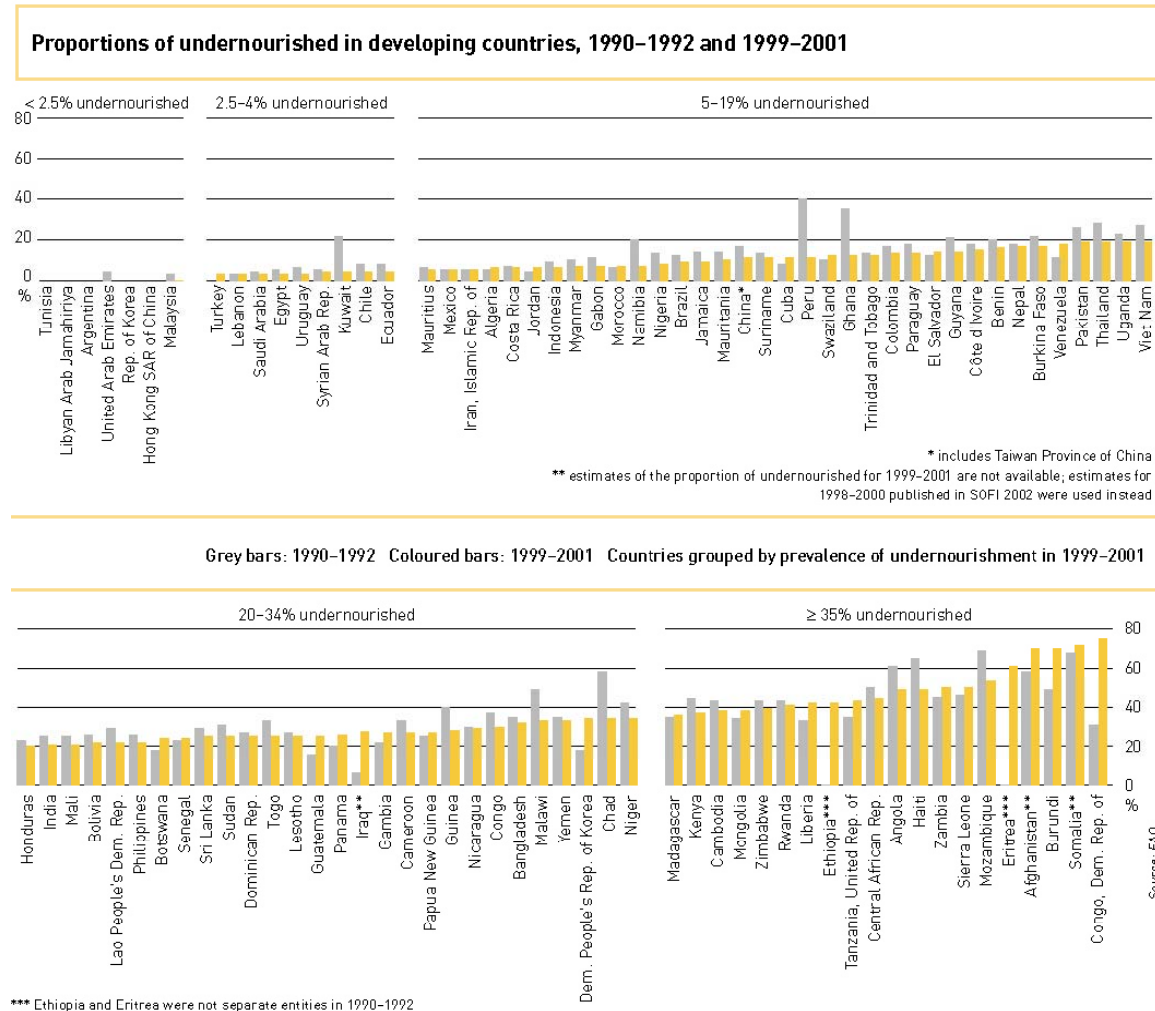
Unfortunately, this is not the situation in most other countries, which experience a setback in the war against hunger (see Figure 2). The number of chronically hungry people in developing countries declined by only 19 million between the World Food Summit (WFS) baseline period of 1990–1992 and 1999–2001. This means that the WFS goal of reducing the number of undernourished people by half by the year 2015 can now be reached only if annual reductions can be accelerated to 26 million per year, more than 12 times the pace of 2.1 million per year achieved to date.

Analysis of more recent trends makes the prospects look even bleaker. From 1995–1997 to 1999–2001 the number of undernourished actually increased by 18 million. Worldwide, FAO estimates that 842 million people were undernourished in 1999–2001. This includes 10

⁹ This Chapter refers to the latest SOFI Report: The State of Food Insecurity in the World – 2003-monitoring progress to the World Food Summit and Millenium Development Goals, FAO 2003.

million in the industrialised countries, 34 million in countries in transition and 798 million in developing countries. At the regional level, the numbers of undernourished were reduced in Asia and the Pacific and in Latin America and the Caribbean. In contrast, the numbers continue to rise in Sub-Saharan Africa and in the Near East and North Africa.

Figure 2: Proportion of undernourished in developing countries, 1999-1992 and 1999-2001



Source: SOFI report 2003, FAO

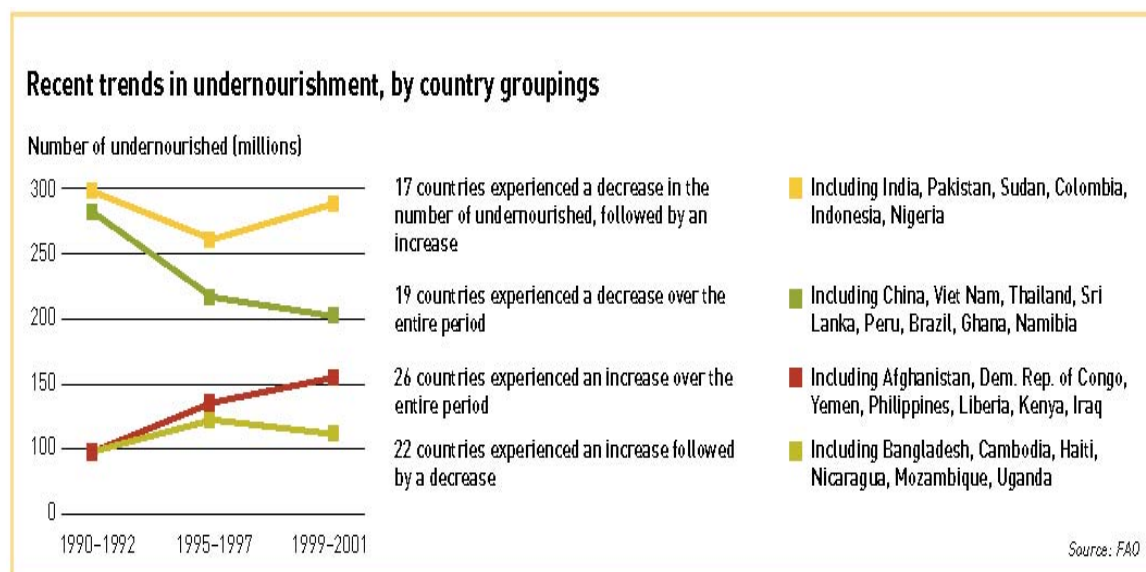
Ironically, almost three-quarters of poor and hungry people live in rural areas where food is grown. They include the landless, those living in poor nations, and those living in other nations in areas with low agricultural potential or with ecologically fragile environments. The remaining one-quarter of the poor and hungry are unemployed or underemployed urban dwellers who live on less than a dollar a day¹⁰. Both the absolute numbers and the proportion of poor people living in cities are expected to grow rapidly: by early in the next century, the number of urban poor will likely exceed the number of rural poor, as people continue to leave rural areas to pursue higher-paying urban and industrial jobs. These people will be at great risk of undernutrition and malnutrition unless food is abundant and affordable in their countries. But for now, poverty remains a predominantly rural issue.

The poor and hungry are distributed unequally across regions and countries of the world (see Figure 3). Most of them live in Asia and sub-Saharan Africa. Two-thirds of all undernourished people live in Asia, and the Indian subcontinent alone contains almost one-

¹⁰ Rural development, Agriculture and Food security, Mc Calla, World Bank

half of the world's hungry people. Africa, however, has the greatest proportion of people who are undernourished —currently about one-third of the total population—and their absolute numbers are growing. Countries at war are especially likely to have large numbers of poor and hungry people. Countries with large numbers of undernourished people often have low agricultural productivity. For example, grain output is low in sub-Saharan Africa—standing at about 138 kilograms per person, compared with a global average output of 360 kilograms per person. The output of grains is also below average in South Asia (where rice and wheat are the main crops), averaging about 225 kilograms per person. By contrast, North America and Australia produce about 1,250 kilograms of grain per person, and Europe and the countries of the former Soviet Union produce about 625 kilograms per person. Increasing the output of grains in the world's poorest countries would make a major contribution to reducing world hunger and improving food security. This is so because, despite extensive international trade in grain, 90 percent of the world's grain is consumed in the country where it is produced¹¹.

Figure 3: Recent trends in undernourishment, by country grouping



Source: SOFI report 2003, FAO

Preliminary analysis does not permit any definitive answers to the reasons for this situation (see Figure 3). Closer examination does identify several factors that differentiate the successful countries from those that suffered setbacks. In general, countries that succeeded in reducing hunger were characterised by more rapid economic growth and specifically by more rapid growth in their agricultural sectors. They also exhibited slower population growth, lower levels of HIV infection and higher ranking in the UNDP's Human Development Index.

These findings are consistent with previous analyses that helped shape the WFS Plan of Action and the anti-hunger initiative put forward by FAO at the time of the World Food Summit: five years later. They highlight the importance of a few key building blocks in the foundation for improving food security – rapid economic growth, better than average growth in the agricultural sector and effective social safety nets to ensure that those who cannot produce or buy adequate food still get enough to eat.

¹¹ Rural development, Agriculture and Food Security, Mc Calla, World Bank

3.2. The three pillars of food security

Food security is defined as a situation in which all households have both physical and economic access to adequate food for all members, and where households are not at risk of losing such access (FAO, World Food Summit 1996).

The concept of food security is frequently applied at three levels of aggregation: national, regional, household and individual. Within food security, there are three core determinants which can function at each of the three levels identified and help to determine the food secure or insecure status of a country, region, community or household: **food availability, food access, and food utilisation**. All three determinants or pillars are requisite to achieving food security.

3.2.1. Improving food availability

Adequate food availability is defined as sufficient food for all people through production or purchase (import). It is assured through policies and programs that remove impediments to an increased supply of food and requires investments in agriculture and distribution systems. Food collection, storage, and distribution systems should be evaluated and may need to be improved. Updated food processing technologies and systems may also contribute to increased food availability. Strengthened rural institutions such as agriculture extension services will support and enhance policy reforms. To increase food supply, resources must go to rural development schemes that support increased food productivity, as well as to investments in agricultural research and technology as:

- *Encouraging rapid technological change, which is essential for agricultural and income growth.* Investing in the research necessary to stimulate technological change in agriculture is a high priority. Each year, the international community lends and grants hundreds of millions Euros to national agricultural research institutes, in addition to contributing to the Consultative Group on International Agricultural Research (CGIAR). Some institutions (WB, FAO, etc) are supporting research on crops and processes that are of little interest to the private sector, but which could have a large impact on rural poverty and hunger; these include subsistence crops and crops that are staples in poor regions, such as maize, cassava, sweet potato, millet, and sorghum. It is necessary to ensure that the poorest communities in developing countries will be able to benefit from the breakthroughs in technology that are increasingly being generated and patented by the private sector.
- *Increasing the efficiency of irrigation, which accounts for 70 percent of the global consumption of fresh water.* Although it has contributed greatly to the production increases seen during the twentieth century, agriculture is increasingly competing for water with urban and industrial users. There will be sufficient water for all only if agriculture, along with other sectors greatly improves the efficiency of their water use. This will require improving incentives to water users to conserve and use water efficiently by establishing water markets, clarifying water rights, and pricing water to reflect its true value. It is necessary to assist these countries to improve the efficiency of irrigation systems as part of their comprehensive water resources planning.
- *Improving natural resource management, which is the first condition for a sustainable development.*

3.2.2. Improving access to food

Food access depends on adequate purchasing power and well-functioning markets. In the face of inadequate access to food, efforts need to focus on reducing poverty, increasing household income, and improving market infrastructure as:

- **Strengthening markets and agribusinesses.** The support of markets and the development of agribusiness have received insufficient attention in the international community. A good functioning market may efficiently allocate resources—and reduce price margins between consumers and farmers. Where the state either has withdrawn or is withdrawing from marketing and input supply—as in Eastern Europe and Central Asia, Africa, and Latin America—it is necessary to assist governments both to develop the legal, financial, and institutional frameworks that are necessary for competitive markets to work and to establish information systems for collecting and disseminating vital data.
- **Providing education and health services to both boys and girls.** Providing education and health services to both girls and boys is one of the key ways to reduce poverty and hunger. There is substantial evidence that the level of education of individuals is closely linked to their incomes and that improved education contributes to national economic growth. Education and health services are especially important for women, who have a major role to play in growing crops and in reducing hunger. Better-educated and healthier women are more productive and earn higher incomes. Since women often use their additional income for investments in family welfare, increases in their incomes are likely to have greater immediate and long-term impacts on poverty and hunger than equal increases in men's incomes. Some studies have shown that Education for girls also lowers fertility rates and improves environmental management.
- **Investing in infrastructure.** With the help of adequate communication networks, roads, storage facilities, and supplies of electricity, farmers can obtain the information they need to grow the most profitable crops, store them, move them to market, and receive the best price for them. Today, up to 15 percent of production is lost between farm gates and consumers owing to poor roads and storage facilities, reducing farmers' incomes and raising urban consumers' food costs. As cities grow, the need for infrastructure becomes all the more important.
- **Fostering broad participation.** Experience shows that development projects are much more likely to reflect the affected community's priorities, reach their goals, and be sustainable when they are designed and executed with a high degree of influence by local stakeholders. It is necessary to assist local communities and governments to find ways to finance infrastructure and services using their own revenues and fiscal-transfer mechanisms, develop their legal authority, strengthen their administrative and technical competence, and develop participatory mechanisms for assessing projects.

3.2.3. Improving food utilisation

Poor food utilisation can result from inadequate intra-household allocation of food and other resources and increased nutritional needs due to growth, disease, or poor nutrient absorption, or unsafe water used for cooking. Adequate food in the household will not ensure good nutrition outcomes if dietary habits, resources constraints such as the time available in the household to ensure adequate nutrition, or poor health status of household members negatively impact food availability. It is important to invest in complementary resources such as nutrition education, health care, safe water provision, and sanitation to strengthen food utilisation.

Increasing family income alone does not ensure that people will consume the right kind of nutrients in the right quantities at the right times to maintain their health and productivity. Today, most households could prevent child malnutrition if they used existing resources optimally, making small changes in their health and nutrition behaviour. Improving diets often

requires nutrition advice, prenatal nutrition services, and public health interventions. In some places, it also requires few investments to correct micronutrient deficiencies.

3.3. Strategies for achieving food security¹²

Strategies aiming at reducing food insecurity are resulting from the global analysis each institution has made on the roots of food insecurity.

For the World Bank, the focus is being put on macro-economic restructuring and liberalisation. Developing countries need to implement sound and stable macroeconomic and sector policies, because heavy government interference in the productive activities of their agricultural economies has inhibited agricultural growth and distorted the allocation of resources. Through analytical work, policy dialogue, and financial support, the World Bank is assisting countries in liberalising prices of farm commodities and inputs, reforming public enterprises, liberalising agricultural trade, and changing foreign exchange and taxation regimes that discriminate against agriculture.

For the FAO, the focus is put on the growth of national and global food supplies as well as on the support of a prosperous smallholder private agricultural economy in particular assuring food security. Future demand for food will be driven by population growth and rising incomes; the later increase the demand for meat, vegetables, fruits, and grains (for animal feed). The population of the world is expected to exceed 8 billion by 2025, an increase of 2 billion. In the future, agricultural growth must come primarily from rising biological yields rather than from expanding cultivated areas or intensifying agriculture through irrigation, because fertile land and water are becoming increasingly scarce. Most fertile lands are already under cultivation, and most areas suitable for irrigation have already been exploited. And with population growth and urban expansion, there is rising competition for water from urban and industrial users.

The EC strategy focuses on a broader approach of food insecurity, closely linked to poverty. The most important issue facing most people is inadequate access to food, which is fundamentally an outcome of poverty. Improved food security is an outcome of sustainable development at the national and, particularly, the household level. Food insecurity at the national level is a problem of faltering development and a weak trade position. At the household level, the problem is fundamentally one of poverty, where poverty is defined broadly to include factors other than just inadequate income. Consequently, long-term food security objectives are best met by integrating them into long-term poverty eradication policies providing a coherent framework for national and regional development strategies (see Chapter 3 for more information).

3.4. Food Security and Trade

Food availability in developing countries comes mostly from domestic production but there is a trend of increasing reliance on imports. Imports not only fill gaps in domestic production, but also increase the choices available to consumers by bringing in foods that cannot be grown in the country's climatic conditions. In the long run, as climate change shifts food production to the temperate zones while population growth remains concentrated in the tropical regions, the reliance on trade may increase further.

Proponents of agricultural trade liberalisation would argue that it will enhance food security by making available to consumers a wider variety of foods at more affordable prices. They would argue further that a country with a liberal trade regime will realise gains from specialisation and the resulting productivity increases will translate into higher rates of economic growth, higher incomes and relatively more affordable food bill. Finally, they would

¹² The strategies of the various important institutions dealing with food aid and food security will be more extensively elaborated in the Findings/Analytical part of the Synthesis study.

argue, that a viable world food market will serve as a buffer against occasional gaps resulting from bad crop years or natural disasters.

The political economy of agricultural trade liberalisation, however, is not as straightforward as the theoretical case for the gains from trade and specialisation. Developing countries are concerned that should they lower tariffs further, their markets will be inundated with cheaper imports from rich subsidising countries, forcing small local producers out of business into poverty. A further concern is the possibility that local producers might be induced to concentrate on high value cash crops for export, thus reducing availability of traditional staples for the poorer population.

A potential solution to these problems would be dismantling the domestic supports in rich countries, something most developing countries have been insisting upon. While trade will definitely be fairer as a result and the terms of trade may shift in favour of developing countries, at least for some crops, this will result in an overall increase in food prices on the world market as well as potential volatility in prices of commodities. This is a major concern of net food importing countries, and especially those among them that are already burdened by high levels of debt.

There seems to be a consensus of research that further tariff reduction world-wide, lower domestic support in OECD countries and lower export subsidies in the EU will have a positive (albeit small) effect on reducing food gaps and food insecurity¹³.

It is necessary, however, to avoid a situation where free trade results in increased food availability but the food is no longer affordable to some parts of the population. Ensuring equitable distribution of the welfare gains and proper compensation measures for the short-term losers (both at the household level and at the international level) is critical. Elimination of policy biases, especially those affecting the agricultural sector in developing countries may also enable them to capture the gains from trade liberalisation.

¹³ The Institute of Agriculture and Trade Policy, London

4. BRIEF PRESENTATION OF FOOD SECURITY WITHIN THE EC

4.1. Community development policy

4.1.1. Introduction

In 2000, the European Community defined new development co-operation policy guidelines based on the principle of sustainable, fair and participatory human development. The promotion of human rights, democracy, the rule of law and transparency in public affairs is an essential part.

The global objective to fight poverty

The objective of the European Commission development policy is to reduce poverty with a view to its final eradication. Poverty is not defined merely by lack of income and financial resources. Apart from access to food, poverty is also defined in terms of vulnerability or of a lack of access to factors such as: education, health care, natural resources and drinking water, land, employment, credit, information, political participation, services and public infrastructures, etc.

The EC believes that the best way to bring about food security is to pursue a broad based policy for sustainable development and poverty reduction at the national level. The policy assumes that promoting broad based growth and poverty reduction will in fact address the root causes of the food security problem by bringing the issues of food availability, access to food, responses to food shortages and nutritional problems to the centre of poverty reduction strategies. In addition, the political dimensions of food insecurity need to be tackled head on by giving greater attention to promoting good governance, preventing conflict and building peace.

Therefore the EC development policy supports the poverty reduction strategies involved in a wide range of issues. These include: consolidation of democratic processes, peace and conflict prevention, development of social policies, inclusion of social and environmental objectives in macroeconomic reform programs, gender equality, reforming or establishing a suitable institutional framework, skill enhancement among public and private players, and preparedness for natural disaster. So the EC's various means of action are to be used coherently to support poverty reduction strategies, and include the economic and commercial, political and institutional, social, cultural and environmental aspects of development.

From assistance to ownership: the EC development policy

Ownership of the aid initiatives by the stakeholders within the recipient country (government, private sector, civil society) is undeniably a factor of success for development policies. The European Commission attributes a high importance to the quality of the dialogue with partner countries. This dialogue is intended to ensure consistency between the policies implemented by the country in question and EC interventions. It must also intended to create the pre-conditions for satisfactory co-operation, aiming in particular at the reinforcement of institutional capacities and of good governance in order to ensure a transparent and responsible management of public expenditures dedicated to development.

These parameters must be taken into account in the distribution of development aid so that it can be allocated where it has the greatest chance of reducing poverty in an effective and sustainable manner.

Focus for intervention

To increase their impact, EC activities are concentrated within a limited number of areas chosen as a function of their contribution to poverty reduction. They are all areas where the EC expects being able to offer added value. The six focal sectors are the following:

1. The link between trade and development,
2. Support for regional integration and co-operation,
3. Support for macroeconomic policies,
4. Transportation,
5. Food security and sustainable rural development,
6. Enhancement of institutional capacities.

Article 177 of the EU Treaty sets out the three (3) broad objectives for Community development co-operation. These are:

- The fostering of sustainable economic and social development;
- The smooth and gradual integration of the developing countries into the world economy and;
- The campaign against poverty.

Furthermore, Community policy should also contribute to the general objective of developing and consolidating democracy and the rule of law, and encouraging the respect of human rights and fundamental freedoms.

Beyond these overarching Treaty objectives, regulations and international agreements based on geographical regions (ACP, ALA, MED, TACIS, CARDS) determine the specific EU/EC cooperation objectives. Clearly, different weights are given to different elements in each geographical program depending on the specific political and economic relationships the EU has with the different countries and regions concerned. Nonetheless, strategy documents such as CSP's and / or PRSP's are important tools in focusing these regional cooperation frameworks:

- Relations between the countries of Africa, the Caribbean and the Pacific (ACP) and the EC are set out in the comprehensive trade and development framework of the Lomé convention. Since 2002, the Cotonou agreement provides the framework for the development of Country Support Strategies by the EC and each ACP State, on the basis of the country's own medium term development strategy.
- In Asia and Latin America (ALA) countries, the emphasis is on strengthening the co-operation framework and on making an effective contribution, through institutional dialogue, economic and financial co-operation, to sustainable development, security, stability and democracy. The ALA regulation (443/92) stipulates that indicative multi-annual guidelines should apply to the main partner countries and accordingly the EC introduced CSP's for the ALA recipient countries after 1992.
- With the Mediterranean (MED) countries, emphasis is on the establishment of a zone of peace, stability and prosperity, on supporting reform and transition with the aim of creating an EU-MED free trade zone, and on contributing to the Middle East Peace process. The MEDA regulation (1488/96) stipulates the preparation of "Indicative programs for three year periods." The Commission services use CSP's to form the basis for the preparation of these indicative programs.
- In TACIS countries, the main objective is to promote the transition to a market economy and to reinforce democracy and the rule of law in the partner States. The assistance shall be applied in the framework of national, multi-country and other

programmes. Indicative programmes covering three to four year periods shall be established in accordance with the procedure referred to in Article 13.

- In CARD Countries, the Community assistance supports the recipient countries in the stabilization and association process. A main issue is the importance of the strategic frameworks ('country strategic paper'), for the period 2000 to 2006, which shall serve to set long-term objectives for assistance and priority fields of action in recipient countries

4.1.2. The Country Strategy Paper: a more consistent framework of intervention

Defining a program for each country is a crucial management tool for increasing the effectiveness of the Community's aid, fostering its strategic orientation vis-à-vis the recipient country, defining a coherent approach between its various components and increasing cooperation and complementarity with the member States and the other donors. This programming is based on the Country Strategy Paper (CSP) drawn up jointly by the European Community, the Member-States, other donors and the partner country in a participatory process involving civil society. Country Strategy Papers (CSP's) are an instrument for guiding, managing and reviewing EC assistance programs. The purpose of CSP's is to provide a framework for EU assistance programs based on EU/EC objectives, the Partner Country government policy agenda, an analysis of the partner country's situation, and the activities of other major partners. The CSP's point to where Community assistance should be directed and how it integrates with what other donors are doing. The partner country plays a leading role in the search for complementarity on the basis of the development strategy it has itself defined and which serves as a starting point for this paper. The CSP's will thus contribute to the better planning of co-operation activities, improved donor co-ordination/complementarity, and to the overall coherence of external assistance policy with other EU policies. It is an instrument of political dialogue between the EC and the partner countries and, where possible, forms part of a wider framework, such as the Poverty Reduction Strategy Papers (PRSP's) strategies. The CSP's outline an operating strategy in the form of programs, which are subject to regular review, enabling them to be adjusted to changes in the situation.

4.1.3. PRSP's: aiming at development aid ownership and getting involved in a coherent framework

The European Commission welcomed the initiative of the Bretton Woods institutions to link the conditions for debt relief for heavily-indebted poor countries with the development of a poverty reduction strategy paper (PRSP) guaranteeing that funds made available by debt relief are directed as a matter of priority towards the fight against poverty. The poverty reduction strategy places poverty reduction at the centre of the discussion on the allocation of national resources. The Commission supports the drawing-up of such strategies in the countries where it operates. The processes of elaboration of PRSP's correspond to the European Community's wish to strengthen, first, the ownership of development aid by the recipient countries, and, second, the coherence and complementarity of the donors' interventions.

As part of the monitoring of the process of drawing up the PRSP's, the European Commission attributes particular importance to a number of key issues:

- Genuine involvement of civil society as a whole,
- Clear link between the objectives of poverty reduction and macroeconomic stabilisation,
- Fair distribution of the benefits of growth, particularly through a reformed tax system,

- Consistency between the poverty reduction strategy and the prospects for regional integration,
- Whether the objectives and the performance indicators laid down in the poverty reduction strategy paper are realistic, the strengthening of the institutional capacity is important in order to ensure better macroeconomic stabilisation and improve budget management control.

4.2. EC policy on Food aid and food security

European food-aid started in 1967 in the framework of the Wheat Trade Agreement and the Food Aid Convention, which laid down annual minimum commitments for industrialised countries¹⁴. The main argument was the need to dispose of European Community food surpluses rather than development objectives. Subsequently DG Agriculture managed the implementation in conformity with the rules of the Common Agricultural Policy, while DG Development was responsible for the allocations and for the negotiations with the beneficiaries.

Food aid, which was dominantly aid in-kind, was provided on a grant basis. Three forms could be distinguished: aid for projects in the field of food security, emergency aid and programme aid. The latter was to be sold on the local markets. The revenues from the sales formed counterpart funds that were used for financing of projects, initially projects for agricultural development¹⁵.

The limitations of such an offer-based development policy became rapidly evident since this type of aid is so dependent on the management of Community agricultural stocks. New food security instruments were reinforced or created to implement this policy orientation: finding substitutions to the delivery of food-aid (1984), local and triangular purchasing (1978, reinforced in 1986), support activities for emergency stocks and the information systems (1987), food-aid sold at local markets, supporting actions to make local products more competitive, support for market integration, priority given to Least Developed Countries.

The concept of food aid has also changed over time transforming it into an independent policy aimed at development objectives. This transformation started with a Council Decision in 1982, which oriented food aid towards balanced economic and social development. In 1986 food aid was formally dissociated from the Common Agricultural Policy and more possibilities were opened for triangular transactions and local purchases. In 1987 DG Development also became responsible for the execution of the aid, although the responsibility for initiating the mobilisation remained with DG Agriculture. In the meantime several decisions had been taken on co-financing operations with NGO's, on alternative operations replacing food aid by financial and technical assistance, on the creation of storage schemes and the financing of early warning systems and on the substitution of food aid by direct money transfers.

After the food crises of 1991-92, the Commission carried out an external evaluation of its policies and instruments. The evaluation shed light on the limits of food-aid (high costs, short term benefits), and the need to give greater attention to the structural causes of food insecurity.

In fact, food security became a priority of poverty reduction initiatives. The Council of Ministers adopted a resolution in 1994 on food security, proving the importance of a long-term food security policy.

In 1996, a new Regulation (1292/96) replaced five former separate Regulations. It integrated food aid into a broader food security strategy. This Regulation broadened the

¹⁴ For more information, please refer to the deconcentration guideline for food security, 2003.

¹⁵ Since 1992 projects and programmes outside this sector have also been included.

range of instruments at the disposal of the Commission. It increased the flexibility with which funds could be directed towards operations in support of food security. While former Regulations focused on food aid, under the 1996 Regulation, the EC programme could then finance almost any type of support for those sectors that concern food security.

Following an external evaluation of the implementation of Council Regulation (EC) No 1292/96 the Commission in September 2001 adopted a communication to be submitted to the European Parliament and to the Council. This communication (COM(2001) 473) and the relevant Council conclusions (15390/ 01) were further steps to fully integrate food aid and food security objectives and instruments into the Commission's development policy and cooperation.

4.2.1. The Food-aid Convention (The London Convention)

The International Food-Aid Convention was renegotiated in 1999 and approved by Council Decision EC/2021 of 13 June 2000. This convention, which was to end at the end of June 2002, was firstly extended for one year. In June 2003, the decision was made to renew it until June 2004. However, each member is free not to renew his commitment or to withdraw from the convention during the year by providing a notification. The signatories are: Argentina, Australia, Canada, Japan, Norway, Switzerland, The United States, The European Commission ¹⁶ and its Member States.

Since it was renegotiated in 1999, the Convention has better integrated food-aid into the framework of food security support. This means giving priority to the least developed countries and those with low income, limiting the perverse effects of food-aid, giving priority to local buying. The aim was to avoid certain pitfalls of in-kind food-aid: disrupting local markets and eating habits, the beneficiaries not feeling responsible for the aid, low economic efficiency, etc. Furthermore, by concentrating on local buying it provides indirect support to local agricultural production.

Other changes have also been made: diversifying eligible products (with the opportunity of including traditional food products that correspond to local habits), enhancing financial commitments, limiting debt-aid to 20% of commitments, taking into consideration the cost of shipment, operational costs and the cost of purchasing tools and basic inputs. The cost of purchasing tools and operational costs must not be greater than half the cost of purchasing foodstuffs.

The convention sets the minimum yearly food-aid commitments for signatories. Since 1999, these commitments have been expressed in tons, in values or in a combination of both. Article 21 of the 1292/96 regulation was modified in 2001 in order to take this aspect of food-aid into account. Monetary contributions can now be used to meet commitments of the convention by reporting data on the monetary equivalent of the basic food imports.

The European Union (EC and Member States) has made a commitment to provide an annual equivalent of 1 320 000 tons of wheat and 130 Million Euros. At the European Commission level annual convention commitments are 990 000 tons wheat equivalent. Counting the aid provided by the Commission in tons, guarantees that the minimum food-aid will be delivered in case international market prices rise.

Besides the commitments contained in this convention, EC food-aid purchasing must conform to rule 25191/97 on mobilising food-aid. This regulation is being evaluated and is not being covered.

² Lead agency : DG Agri/ Unit A12 with thematic support from DG Dev / Unit B4 and operational support from EuropeAid / Unit F5.

4.3. The Regulation 1292/96¹⁷

As mentioned above, the Council Regulation No 1292/96 replaced five former separate Regulations and integrated food aid into a broader food security strategy. The main objectives of the Regulation can be summarised as follows:

- (d) enhancing food security geared to alleviating poverty in the recipient countries;
- (e) reducing the recipient countries' dependence on food aid;
- (f) contributing to the countries' balanced economic and social development.

To focus its interventions on the most vulnerable countries, prior to implementation, the Commission has selected 21 priority countries for structural interventions and a further 11 countries and the territory of Palestine which are regarded as being in a crisis or post-crisis situation. The number of countries may change depending on the situation faced by the countries (for example phasing out in Peru).

4.3.1. The objectives

The objectives of the food-aid operations and operations in support of food security, including the foreign currency facility, are stated in Article 1.3 of the Council Regulation 1292/96. These objectives are:

- to promote food security geared to alleviating poverty, to help the population of developing countries and regions at household, local, national and regional levels;
- to raise the standard of nutrition of the recipient population and help it obtain a balanced diet;
- to take account of the concern to ensure the supply of drinking water to the population;
- to promote the availability and accessibility of foodstuffs to the public;
- to contribute towards the balanced economic and social development of the recipient countries in the rural and urban environment, by paying special attention to the respective roles of women and men in the household economy and in the social structure. The ultimate objective of Community aid operations shall be to make the recipients into agents of their own development;
- to reduce dependence on food aid ;
- to encourage them to be independent in food, either by increasing production, or by enhancing and increasing purchasing power;

The granting of food aid shall, where necessary, be conditional on the implementation of short-term multi-annual development programs, and as a priority those who promote sustainable long-term food production and food security in the recipient country within the framework of food security and strategy. The operations in support of food security must help to improve the standards of the poorest people.

Increased focus on LRRD

The LRRD approach will be presented in more details in Chapter 7. The Commission recalls in communication (2000), 212 the importance of taking the LRRD's into consideration in order to effectively fight poverty. This aspect of efforts to combat poverty is also underscored by the Council¹⁸ and Parliament¹⁹. The Commission deems that taking LRRD's into account is

¹⁷ For more information, refer to the deconcentration guideline on food security, which provides detailed information on the various types of operations.

¹⁸ « Linking relief, rehabilitation and development », Council Conclusions 9989/01, 25/06/2001.

more a question of approach than the need to develop new instruments. Using an LRRD approach means that the activities put into place in an emergency situation must encompass issues of long-term development and that development activities must include questions of prevention and crisis preparation.

The role of the food security budget line (FSBL) in the LRRD is underscored in Communication 2001 (153), Communication (2001) 473, and the Report of the Court of Accounts. This role encompasses the prevention of **short term** degradation of the vulnerable populations, the support to the populations in the **medium term** to guarantee their own food security and the **long term** support to governments and civil society to prevent crises.

4.3.2. The Titles under Regulation 1292/96

Regulation n°1292/96 on food-aid policy and food-aid management, and special operations in support of food security, distinguishes three types of operations which are discussed further below:

- Food-aid Operations (Title I);
- Operations in Support of Food Security (Title II);
- Early Warning Systems and Storage Programs (Title III).

These operations can be executed by the public sector or by international, regional or non-governmental organizations.

4.3.2.1. Food-aid operations (Title I)

Allocations to Food Aid Operations can be both in-kind and in-cash. Aid in-kind can consist of a range of products. In addition to the products, delivery costs (especially transport) may also be funded. Food commodities can be mobilised from within the European Community, in the recipient country (local purchase) or from one of the developing countries listed in the Annex of Regulation n°1292/96 (triangular purchase).

Food Aid Operations in-cash take the form of a cash-for-food distribution to the beneficiaries or a foreign currency facility. In this case, aid is used to purchase food items identified from a list of eligible products and countries. Food Aid Operations, in-kind or in-cash, are used in countries with a partially or totally liberalised market in order to prevent distortion of private trade development.

In 2003 food aid remains an essential element of safety net strategies for certain vulnerable sections of the population in situations of food shortages and in the transition between relief, rehabilitation and long term development. The provision of food aid must conform to the guidelines of the Code of Conduct for food aid, and should be targeted at vulnerable groups while respecting their nutritional requirements and habits.

Currently, food aid in-kind is restricted to situations where it is the most appropriate means to solve the underlying problems. It is provided either directly through government programs or indirectly through mainly WFP program and NGO's for the following situations.

- In complementarity with ECHO's emergency work, to provide relief in cases of protracted crisis;
- As a contribution to strategic reserves and safety nets;
- as a support to operations linking relief, rehabilitation and development.

¹⁹ Report of the Development and Cooperation Commission to European Parliament on the Commission Communication (2001), 153.

4.3.2.2. Operations in Support of Food Security (Title II)

The Commission is able to provide financial and technical assistance to operations in support of food security. These operations should be consistent with, and complementary to, the objectives and operations financed by other Community development-aid instruments. These operations link food-aid with other development-aid projects and programs and thus reinforce the integration of food-aid and food-security under a general development policy. Title II of Regulation n°1292/96, allows the Commission to finance a range of activities in the fields of production, storage, processing, transport and distribution, as well as training programs. Although Regulation n°1292/96, clearly distinguishes between food-aid operations and operations in support of food security, by the use of two different Titles, in practice they overlap as the same commodities and services can be supplied under both. This is especially true with the supply of seeds, fertilisers, tools, other inputs and financial assistance, and training schemes.

Currently, food security interventions aim at tackling the underlying structural causes of food insecurity, and this, related to the following three levels:

- Inadequate food availability at the national level;
- Poverty resulting in insufficient access to food at the household level;
- Food use and nutritional adequacy at individual level.

4.3.2.3. Early-warning systems, storage and support to agricultural research programs (Title III)

Title III of Regulation n°1292/96, allows the Community to support and help to strengthen existing national and international early-warning systems. In exceptional cases, it may even operate such systems itself. Additionally, the Community may cover the cost of the implementation of storage programs.

Allocations reported under this Title are by far the smallest. Commitments for early-warning systems amounted to ca 25,9 million Euros in 2002 (5,7% of the budget). In previous years the amounts even were lower. Allocations for storage are even smaller. However these programs can be financed through counterpart funds or by financial support as part of food security operations.

These modest levels registered under Title III do not necessarily reflect the importance attached to these kinds of activities. First, there is a duplication in the allocation of activities by Title. Storage and early warning systems activities can be financed under both the other Titles as well. Secondly, financing may come from other programmes and instruments, such as EDF. This is the case for early warning systems, which often contain multi-annual activities.

4.3.3. The operations under the Council Regulation 1292/96

The operations have been translated into a number of instruments according to four categories

1. Food aid-in-kind;
2. Foreign currency;
3. Operations to support food security;
4. Others- technical assistance and capacity building.

Under the classifications in use by the Commission, early warning systems and storage programs have been included under the category of food security. The instruments can be

used in different combinations adapted to the situation of the recipient country or organization and to the nature of the problems identified.

4.3.3.1. Food aid in kind

Food aid-in-kind is given to a number of countries that may receive products selected from a positive list. These products may be mobilised on the Community market, in the recipient country, or in one of the developing countries (Art. 11 of the Regulation). Besides food products this instrument also finances related costs, of which transportation is by far the most important.

Food commodities can either be distributed free of charge or sold to the final beneficiaries. In the latter case, revenues from sales are placed in a counterpart fund. These funds are, in turn, used for purposes agreed upon by the Commission and the recipient country in support of development projects, sectoral operations and development programs, which promote long-term food production and food security within the framework of a food policy and strategy. Where countries are implementing a structural adjustment program, counterpart funds may be used for general allocation under the conditions set by the structural adjustment program.

The delivery of food aid intends to enhance food availability in the country concerned. Where food aid products are sold, the resultant counterpart funding may contribute to the achievement of long-term and short-term food security. In the case of free distribution of food, the result is improved access to food for households and a contribution to the improvement of intra-household food security, depending on the specific conditions of delivery.

Food aid in-kind is an expensive instrument, but could be justified in cases where there are no alternatives, such as in emergency situations where there is no effective government, or in cases where aid in-kind has comparative advantages with regard to other types of aid in targeting special vulnerable groups.

4.3.3.2. Foreign currency Facility

Article 12 of the Regulation allows Commission food aid to take the form of a Foreign Currency Facility. This facility is, however, restricted to those countries with economies that allow liberalised food imports. This facility is provided through private sector operators (preferably small and medium sized enterprises) who import food commodities from European markets or from eligible countries in the region. Such imports are intended to be consistent with the recipient country's policy and therefore avoiding a distortion of the national market. The type and origin of the commodities are regulated by the EC.

The Foreign Currency Facility has two distinct features:

1. The transfer of hard currency to the recipient country; and
2. The subsequent conversion of hard currency into local currency, constituting countervalue funds. The utilisation of these countervalue funds in support of the public budget is defined in the first instance by Regulation n° 1292/96 and then is more precisely determined in a Memorandum of Understanding (MoU) agreed between the Commission and the beneficiary government.

The specific objectives of the foreign exchange are aiming at:

- involving the private sector in improving food availability through domestic markets, thereby, avoiding beneficiary governments offering food aid commodities on the national market at below import parity price;
- providing an incentive for the development of small and medium sized trading enterprises;

- creating additional demand at local and/or regional markets; and
- Providing counterpart funds for public sector budgeted initiatives aimed at improving food security.

In accordance with the provisions of the Regulation 1292/96 (Article 12 and Article 2.5), in countries undergoing structural adjustment, the counter values in local currency generated by different development aid instruments must be managed under a coherent budgetary policy within the framework of an agreed government reform programme in support of food security objectives, policies and programmes. The regulation also provides the possibility to move towards more general budget support against clearly defined policy reform measures (conditionality and performance indicators).

This facility should be an instrument for enhancing food availability without the risk of local market distortions. Further it should permit a dialogue with the recipient countries to formulate and implement a national food security policy and programs.

4.3.3.3. Operations in support of Food security

These operations are intended to support, with the use of available resources, the framing and execution of a food strategy or other measures fostering the food security of the population concerned and encouraging a reduction in food aid dependency, especially in the case of low-income countries with serious food shortages. The operations must aim at improving the living standards of the poorest people in the country concerned (Art. 3).

Food security operations can take the form of technical and financial assistance. Activities that might be financed by this instrument include (Art. 5):

- SISA (Food security Information System)
- the supply of seed, tools and inputs essential to the production of food crops;
- rural credit schemes targeted particularly at women;
- schemes to supply the population with drinking water;
- storage schemes at appropriate levels;
- operations concerning marketing, transportation, distribution and/or processing of agricultural and food products;
- measures in support of the private sector for commercial development at national, regional and international levels;
- applied research and field training;
- projects to develop the production of food crops while respecting the environment;
- improving awareness, technical assistance and field training operations, in particular for women and producers' organizations;
- projects to produce fertiliser for raw materials and basic materials found in the recipient countries;
- schemes to support local food-aid structures, including training schemes on the ground.

The list of activities is not exhaustive and may be enlarged. All activities mentioned contribute to one or more of the objectives of the Regulation and thus can be characterised as relevant. They cover the different levels of national, household and intra-household food security. They all focus on the structural solutions of the food security problem, and doing so, of poverty.

4.3.3.4. Others

Technical assistance and Resal

In 1998, the EU created the European Food Security Network (RESAL) to reinforce the capacity for analysis of the local food security situation and help in decision-making. The objective of RESAL can be summarised in four statements:

- strengthening of problem analysis and support to the decision-making process for food security activities and food aid deployment;
- assistance for food security formulation and implementation in priority countries;
- strengthening the implementation of EU food security interventions; and
- improving policy dialogue and co-ordination within the EU, with other donors, governments, NGO's and researchers in the field of food security strategies.

The network was based on European experts, residing in their home countries, in regional centres (Food Security Unit) or in beneficiary countries, who – during short missions – trained and supported local experts in priority countries, supervised their work periodically, and participated in the formulation and implementation of food security policy studies. Networking was used to develop intersectoral approaches and debates on food security policies and strategies. This network had stopped in August 2001 aiming to integrate the 35 FS experts and the Resal network within the EC delegations.

Capacity building

One of the main constraints in the formulation and implementation of effective national strategies and programmes to address food insecurity and poverty is the weakness of local administrative and technical capacity. The result of this situation is that absorption capacity remains weak and national and local administrations are unable to take full ownership of programmes. Consequently, greater importance will be attached to local capacity building through technical assistance support and national training and administrative reform programmes. Particular attention will be devoted to building local capacity to analyse and monitor national and regional food security situations and to formulate food security and poverty policies, strategies and programmes.

4.3.4. The channels used by the Regulation 1292/96

Regulation n°1292/96 can be implemented by a number of agents including the government of the recipient country, the Commission, international organizations and organizations of the civil society (non-governmental organizations, both international and national). Aid managed by both the recipient country and the Commission is characterised as direct aid, while aid through an intermediary such as international and regional organizations and NGO's is categorised as indirect aid.

The World Food Programme (WFP) is the most important single recipient of indirect aid. NGO's constitute the second largest category of indirect recipients. Their allocations are committed either in-kind or in the form of financial and technical assistance. Assistance in-kind to NGO's is channelled through Euronaid.

Other recipient organizations are or have been UNHCR, UNRWA, ICRC and FAO

For each country and region, the proposed allocations are indicative and may be revised as required to take account of unforeseen crisis situations, slow implementation of ongoing programmes or non-compliance with agreed policy reform processes. The commitment and implementation processes are closely monitored and the proposed allocations can be reviewed regularly.

Roughly 50% of the financial resources will be mobilised under multi-annual programmes, the other half being devoted to annual programmes and projects in countries where policy

and institutional framework are inadequate for multi-annual programmes. Food aid through annual allocations mainly channelled through WFP, Euronaid, UNWRA and other partners will be targeted to regions in crisis or post-crisis situations.

4.3.4.1. Direct aid

Almost half the food security program funding is directly allocated to the beneficiary countries. This requires a memorandum of understanding to be formulated between each recipient government and the European Commission on the terms of implementation and the conditionalities attached to the aid. There is also discussion of the areas supported by this financial aid and a definition of the payment conditionalities in terms of strategy and priorities. This approach is therefore adopted only in the countries, where the dialogue with the recipient government is constructive and allows a long-term, jointly planned food security strategy to be implemented. This dialogue also involves joint planning, at different levels, with the other parties involved: other donors, international and local NGO's, civil society, private sector, etc. This direct intervention by the Commission is incorporated into the national policies of the recipient government, either by means of financial support for the national budget (budget support), or by financing individual sector development programmes. The memorandum of understanding with the recipient government may also provide for EC financial assistance to support programs. These activities are generally exercised by government bodies, by specific Food Security Unit (till 2002) or entrusted to third parties such as multilateral organizations (FAO) or NGO's, and cover all areas of food security interventions. The support to government programs can be forwarded through:

1. Programme aid (foreign currency facility) will provide financial assistance through the government budget in support of the following four objectives:
 - support policy and institutional reform related to food security;
 - facilitate import of food by the private sector;
 - promote employment and income generation to improve access to food;
 - provide support to safety nets.
2. Project support will be maintained in conditions where the policy environment does not permit budgetary aid, and more generally, in order to:
 - ensure the targeting of financial support to vulnerable groups experiencing food insecurity;
 - ensure good management of development assistance in conditions of unacceptable weak public sector management and lack of realistic perspectives for improvement;
 - test pilot approaches to tackling food insecurity;
 - implement specific activities addressing key bottlenecks in food availability and access to food;
 - ensure more active beneficiary participation in project design and implementation.

Moreover, food security projects may be supported for a limited duration in situations of transition from relief to long-term development or in conditions of structural food insecurity. The focus should be on improving access to food through support to production systems, other income generating activities and social safety nets.

4.3.4.2. Indirect aid via partner organisations

This second pillar of the food security program enables the Commission to provide financial support to organizations and programs within their specific areas of responsibility, once the

recipient countries have been targeted. The World Food Programme (WFP) is still the Commission's preferred partner for the distribution of food aid, although other international organizations such as the FAO (United Nations Food and Agriculture Organization) and the UNRWA (United Nations Relief and Works Agency for refugees in the Near-East) and some European non-government organizations (NGO's) are also important channels for the transfer of EC aid to the recipient countries and populations.

4.3.4.2.1. The World Food Programme (WFP)

Since 1997, the European Commission's financial contribution to the activities of the World Food Programme (WFP) has concentrated on food aid and support actions in a crisis and post-crisis situation, and funding the Emergency Operations (EMOP) for the distribution of food aid in a crisis situation. It also finances Protracted Relief and Recovery Operations (PRRO) whose objective is to restore or maintain the health-nutrition balance and to reduce the dependence of refugee or displaced populations. The recipient populations victimised by a severe food crisis receive supplies through the WFP. They may also be refugees who have been displaced within their own country, or host populations. In this case the intervention will take place in co-operation with the UNHCR (United Nations High Commission for Refugees). The EC financing targets a limited number of intervention countries in order to maximise available resources. The WFP and the recipient government make the programming of the food aid needs annually at national level. The EC provides its food aid to WFP partially in kind via international tenders for the supply of food that is purchased in Europe and regionally or and mainly in cash in order to promote local and triangular purchases. The WFP is contracted annually for the management of the food aid and its distribution in a country.

While this intervention is taking place, the dialogue between the Commission and the WFP takes the form of strategic and operating partnerships in the intervention countries, ensuring that the WFP projects complement, and are consistent with, all EC development actions. In the field, these partnerships take the form of a monitoring and joint assessment of projects, enhanced co-ordination and the sharing of information at all levels. The WFP makes the distribution on its own or with the support of the government. In some cases WFP contracts NGO's to make the distribution of the food aid within a country. These NGO's make also the monitoring not only of the quantities of the aid, but also regarding micro-economic (revenue) and nutrition indicators (diet) at household level. In 2002 about one third (132 Million Euros) of the FS-FA allocation has been channelled to the WFP programs.

4.3.4.2.2. UNRWA

Since 1950, the United Nations Relief and Works Agency for Refugees in the Near-East (UNRWA) has been responsible for ensuring that the Palestinian refugee populations in Jordan, Syria, Lebanon and Palestine (Gaza and the West Bank), i.e. a population of 3.8 million, have access to basic social services. This population is made up of families who became refugees after the Arab-Israeli wars in 1948 and 1967, and of their descendants. For these populations, UNRWA ensures access to three kinds of assistance: health, education, and social and rehabilitation services. The European Union is by far the main provider of funds to UNRWA. In 2002, 15 Million Euros have been allocated by EC food security programme to UNRWA.

4.3.4.2.3. Non-governmental organizations (NGO's)

Like international organizations, non-governmental organizations are an important partner for the Commission in the implementation of food security programs. By means of this partnership, the food security program can capitalise on the specific expertise, experience in the field (particularly in a crisis situation) and flexibility of intervention of the NGO's. The partnership goes through two different channels. The first is the NGO collective Euronaid.

This association manages aid in the form of products (food aid, inputs, seed, equipment) from the Commission, and distributes it via the NGO's. The second channel consists of a global financial allowance designed to finance specific NGO projects in response to the structural food insecurity problems. This process has been based on calls for proposals since 2000.

4.3.4.2.3.1. Euronaid

Euronaid is a unique integrated service (food pipeline, training and advocacy) association jointly owned by 38 NGO's and servicing about 140 NGO's a year. It manages the administration of purchasing, transport, and delivery of foodstuffs to NGO's in beneficiary countries

Via Euronaid, the Commission is given a summary estimate of the food aid needs put forward by the NGO's. The objective is to support projects aimed at solving food insecurity problems affecting particularly vulnerable populations. Such populations are those exposed to physical insecurity (armed conflict, forced migration), natural disasters (drought, flooding, earthquake), malnutrition, disease, financial loss or shortage of production factors (inputs, seeds, equipment). Three types of project can be supported in this manner: (1) food aid projects, which improve the nutritional status of populations in a severe food crisis in the short term, (2) projects such as "life against work", rehabilitation of the populations' social and productive environment, and (3) projects to supply seeds, tools and farming means of production, making it possible to remedy the loss (in case of natural disasters, conflicts) or the forced sale of production factors (loss of capital of households due to poverty or crisis situations). Euronaid makes the purchase of its supplies preferably on the local and regional markets and sometimes on the European markets with always the ex-ante control of the European Commission services.

Requests from countries and NGO's are evaluated by the EC services in accordance with the scale of the emergency, the actual need for food aid and the consistency of these requests with existing EC policies, international agreements and the strategies of the government in question and of the other donors. In 2002, a total of 60,5 Million Euros has been allocated by EC food security to Euronaid.

4.3.4.2.3.2. NGO support actions: the call for proposals

A global financing allowance is decided upon annually to provide joint financing for projects formulated by NGO's in response to the structural problems of food insecurity, particularly in order to restore production capacity. This allowance is the subject of a call for proposals. Every year, the European Commission Services select the targeted countries for the call of proposals. A strategic document defines the expected objectives for each selected country: "the Country Technical Paper" (CTP). This document identifies priorities for action in terms of sectors and geographical areas, consistent with the national food security strategy.

A specific amount of allowance is earmarked by country. On the basis of the CTP, the best projects submitted by the NGO's, and are then selected by the Commission.

NGO projects aim to reduce the vulnerability of populations to the socio-economic environment and to weather changes by improving access to income and factors of production. Such projects consist of technical and financial assistance provided by NGO's for food security support actions. The possible areas of intervention are: the creation of information systems, the supply of seeds, tools and inputs, access to rural credit, the rehabilitation of dirt roads, markets, small rural infrastructures, the drilling of wells, the organization of drillings, consciousness-raising, training, technology transfer, applied research activities, anti-erosion work, reforestation, soil preservation.

4.3.4.2.4. CGIAR

The Commission, through different funds (ALA, MEDA, and EDF) has funded the CGIAR's research programmes and projects for a number of years. The World Bank is also a main provider of funds to the CGIAR.

The new 3 year EC Programme (2002, 2003, and 2004) with a total of 61,960,000 Euros, is now be funded by the FS budget line. The current agenda for the benefit of developing countries concentrates on 5 priorities research areas: increasing productivity, integrating sustainability, preserving biodiversity, improving national policies, and capacity building of the National Agricultural Research Systems (NARS). There is a selection of new projects every year. The task force members are DG Dev/ EC Research Centre/ Member States.

4.3.4.2.5. FAO

As of 2000, 2001 and 2002, the European Commission and the FAO put their co-operation on a formal basis — it had previously been on a project by- project basis — by signing an overall agreement. Specifically, this co-operation took the form of a donation that is regulated under the overall contract agreement between the EC and the International Organizations.

a) The Global Information and Early Warning System (GIEWS) for agriculture and food is an open forum for the exchange of food security information coming from various official or unofficial sources. Eight projects have been selected under the present contract. In geographical terms, GIEWS is concentrated on Africa and Central Asia and has two components: developing and extending world-wide monitoring and rapid warning systems, and training and consulting to support sector policies to be used in multilateral negotiations. A mid-term review of the program is currently under process.

b) Another EC/FAO 3 year co-operation Programs to Support Food Security is in preparation. It has a particular focus on the following areas:

1. Further development and expansion of global monitoring and early warning systems
2. The provision of training and consultancy for a number of specific policy and thematic issues
3. The intensification of EC/FAO collaboration for food security in a number of food security priority countries

4.3.4.2.6. Information and Monitoring System on Food Security

Several organisations which are managing Information Systems on Food Security (ISFS) are supported by the EC, such as the CILSS (Comité Permanent Inter-Etats de lutte contre la Sécheresse au Sahel) for West Africa and SADC (Southern Africa Development Community) for Southern Africa.

A monitoring system is also being developed to support the EC food security strategy and policy²⁰ within a country. It is based on a basket of indicators covering the food availability at national level (prevalence of undernourishment, cereal production/person, country importation capacity in weeks,...), the poverty at the household level (Gini coefficient, inflation within the country, international poverty indicator, national poverty indicator,..) as well as the malnutrition at the individual level (anthropometric indicators such as individual underweight).

²⁰ More information on indicators is given in Chapter 7. For more information on FS indicators : see also the FS Deconcentration Guidelines

The following Table 1 presents an overview of the various typologies used to present the operations under the Council Regulation (EC) No 1292/96.

Table 1: Various typologies of FA-FS operations

Regulation 1292/96	Programming document 2003-2004 FA-FS budget line	Operations	Channels
Food-aid Operations (Title I)	Food Aid Food aid-in-kind	Food Aid Food aid-in-kind	Food Aid <u>indirect aid via partners:</u> WFP, ICRC, UNRWA, EURONAIID <u>direct aid via:</u> governments
Operations in Support of Food Security (Title II)	Food Security Programme aid (foreign currency facility) Project aid NGO cash projects Support to international organisations Capacity building	Food Security Foreign currency Facility Operations in support of Food Security <ul style="list-style-type: none"> • Project support to governments, • NGO call for proposal; • Support to international organizations Others (RESAL, technical assistance and capacity building)	Food Security <u>direct aid via:</u> Budget support <ul style="list-style-type: none"> - Programs - Projects <u>indirect aid via partners:</u> NGO, EURONAIID, FAO, CGIAR
Early Warning Systems and Storage Programs (Title III).	Included in food security	Included in food security	Included in food security

5. MAIN INSTRUMENTS RELATED TO FOOD SECURITY

The new Council conclusions (4/07/2003) requires the Commission to avoid duplication between Council Regulation 1292/96 and the mainstream development instruments (EDF, ALA, MED, TACIS, CARDS) and to ensure that Council Regulation 1292/96 is used strictly for priority countries highly vulnerable to food security risks and crisis. This chapter presents the various geographical instruments (EDF, ALA, MED, TACIS, CARDS) and the various budget lines (ECHO, NGO Cofinancing and rehabilitation) that are highly relevant for food security. Annex 10 presents an overview of these instruments and an assessment on how food security is being considered.

5.1. EDF - ACP countries – from Lomé to Cotonou

Although this evaluation is covering the period 1997 to 2002, and the Cotonou Agreement was only signed on June 2000, it is important to notice that the spirit of Cotonou had already contaminated the discussion on development purposes and principles as well the implementation of programmes from the mid 90s onward. The following presentation of this instrument will be thus focused on the Cotonou Agreement and not the Lomé Convention²¹.

The Partnership agreement between the European Union and the ACP countries signed in Cotonou in June 2000 provides scope for a revised policy, by **integrating political dialogue, trade dimension and development aid**. This agreement, which addresses the general objective of poverty reduction, is based upon a strengthened political dialogue, setting out respect for human rights and democracy as essential elements of co-operation, and extending the consultation to non-governmental players: civil society, private sector and local authorities. These parties are consulted as to strategies, and have access to financial resources to strengthen their capacity, so that they can play their role to the full, and participate in implementing the programs.

The Agreement lasts for twenty years and contains a clause allowing it to be revised every five years. Alongside the Agreement is a financial protocol. Covering each five-year period, this indicates the total resources that are available to the ACP through the European Development Fund (EDF). For the period now to start, the 9th EDF contains Euro 15.2 billion for the ACP. In addition, outstanding funds from previous EDF's can be used (approximately Euro 10 billion).

The Agreement is based on two pillars. Economic and trade cooperation is the first pillar of ACP-EU cooperation. However, compared to previous Lomé Conventions, the trade regime will undergo a profound transformation. The current all-ACP non-reciprocal tariff preferences will be maintained until 31 December 2007. From 2008, a set of reciprocal Economic Partnership Agreements (EPA's) or alternative trade arrangements will normally replace them, following negotiations that will begin in September 2002. These agreements should be compatible with the rules of the World Trade Organisation (WTO). ACP countries are invited to sign as groups or individually, building on their own regional integration schemes. The least developed countries (LDC's) are entitled to maintain non-reciprocal preferences.

Aid (or financial and technical cooperation) is the second pillar of ACP-EU cooperation. The largest share of the EDF resources is grants to finance development programmes in individual ACP countries (through their 'National Indicative Programme') or in the 7 ACP regions (through their 'Regional Indicative Programme'). Aid allocations will be based on an assessment of each country's needs and performance.

The partnership has a strong political focus. Through political dialogue, the parties can discuss all possible issues of mutual concern. The partnership is characterised by a set of

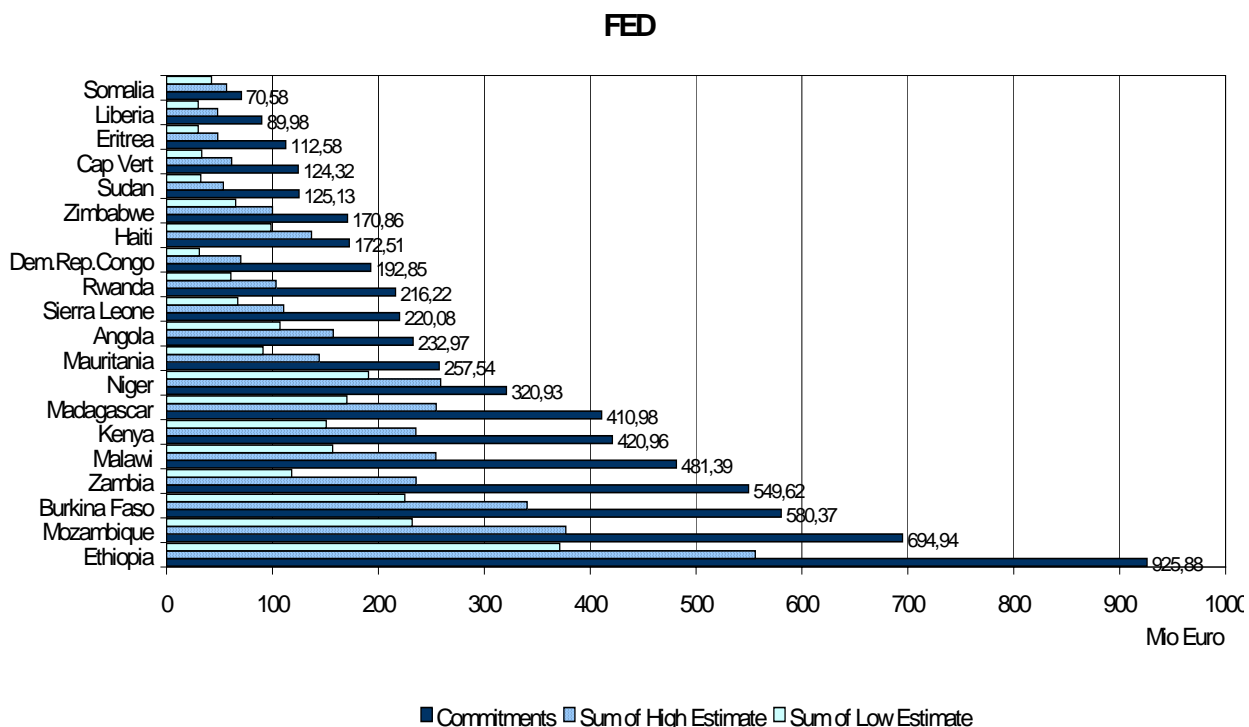
²¹ According to the Lomé IV Convention, food aid must be integrated within the ACP States' development policies. The Title II of the Lomé IV Convention, concerns agricultural co-operation, food security and rural development.

core values or 'essential elements' (respect for human rights, democratic principles and the rule of law), whose violation can lead to the suspension of aid. Good governance is considered to be a 'fundamental element' of the Cotonou Agreement. Serious cases of corruption, including acts of bribery leading to such corruption, are grounds to suspend cooperation

A strong focus is also being put on actors' participation in the development process.

The figures presented for each EC-instrument summarises the results of the statistical analysis on the importance of FA-FS related actions in the various EC instruments²².

Figure 4: Overall commitments and food security relevant commitments under EDF



Source: CRIS Mai 2004; synthesis of figures from EDF

EDF is the geographical instrument with the highest amount of food security relevant commitments within the regional instruments. The food security relevant commitments for Somalia are relatively high (70%) because the projects found under CRIS Consultation are based on sectors like agriculture and livestock. The percentage of food security relevant support is also relative high for Ethiopia (ca 50%), Angola (ca 58%), and Haiti (ca 55%).

5.2. MEDA I (Council Regulation 1488/96) and II (Council Regulation 2698/2000)

The Regulation concerns the EC cooperation rules with the Mediterranean countries (except EU countries and CARD countries but with Turkey).

The purpose of this Regulation is to contribute to initiatives of joint interest in the three sectors of the Euro-Mediterranean partnership: the reinforcement of political stability and of democracy, the creation of a Euro-Mediterranean free-trade area, and the development of economic and **social cooperation**, taking due account of the human and cultural dimension. These support measures shall be implemented taking account of the objective of achieving

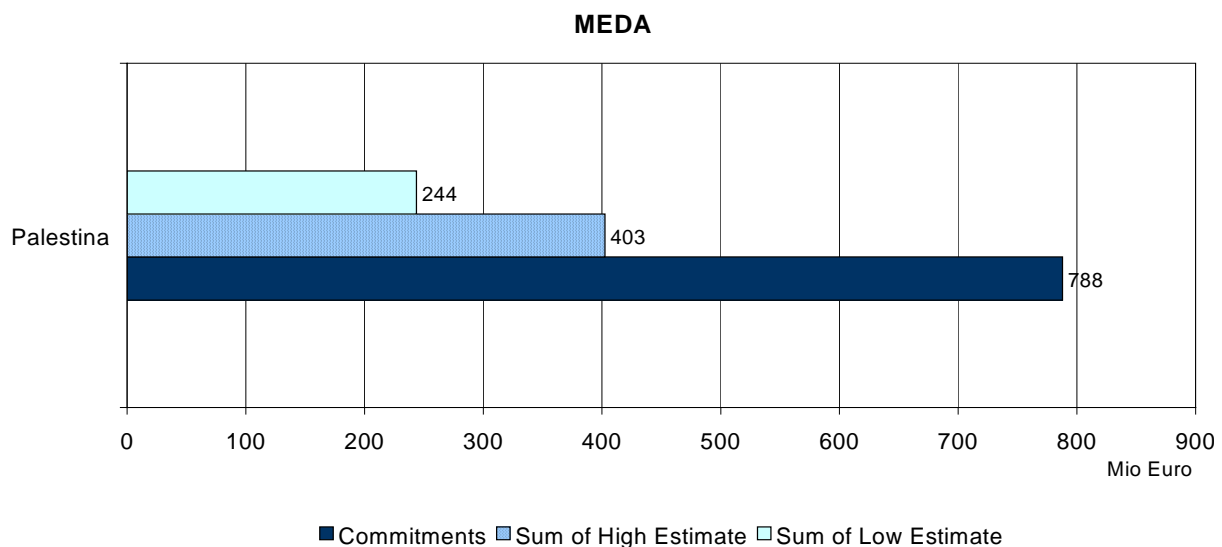
²² For more information on methodological aspect of the statistical analysis, please refer to annex 4 of this report.

long-term stability and prosperity, in particular in the fields of economic transition, **sustainable economic and social development** and regional and cross-border cooperation (Article 2).

The objectives and details of the relevant procedures related to the support for achieving a better socio-economic balance shall include in particular (Annex II of the regulation):

- the participation of civil society and populations in the planning and implementation of development measures,
- the improvement of social services, especially in the areas of health, family planning, water supplies, sanitation and housing,
- the fight against poverty
- harmonious and integrated rural development and the improvement of urban living conditions,
- reinforced cooperation concerning agriculture, particularly as regards quality and standards,
- reinforced cooperation concerning fisheries and the sustainable exploitation of marine resources,
- reinforced environmental cooperation,
- upgrading of economic infrastructures, particularly in the sectors of transport, energy, rural development, information technology and telecommunications,

Figure 5: Overall commitments and food security relevant commitments under MEDA



Source: CRIS Mai 2004; synthesis of figures from MEDA budget lines

In Meda II, a particular attention has been given to the set up of national strategies, thus reinforcing the coherence between instruments and reinforcing the role of the state actors in the planning process. The Regulation also underlines the importance of wide and equitable sharing of the fruits of growth, paying particular attention to the objectives and targets agreed at UN summits concerning the fight against poverty and incorporated in the international development targets. A special focus is put on decentralised cooperation.

In the framework of this analysis just one country is representing the MEDA region: Palestine. For that reason this chart is not sufficient to give a general overview of the region. The percentage of food security relevant commitments in Palestine is approximately 41%

(average of low estimation and high estimation). The supported activities in Palestine are relatively wide ranged in various sectors as Health, Water and Sanitation, Refugees, Civil society, Industrial support and others.

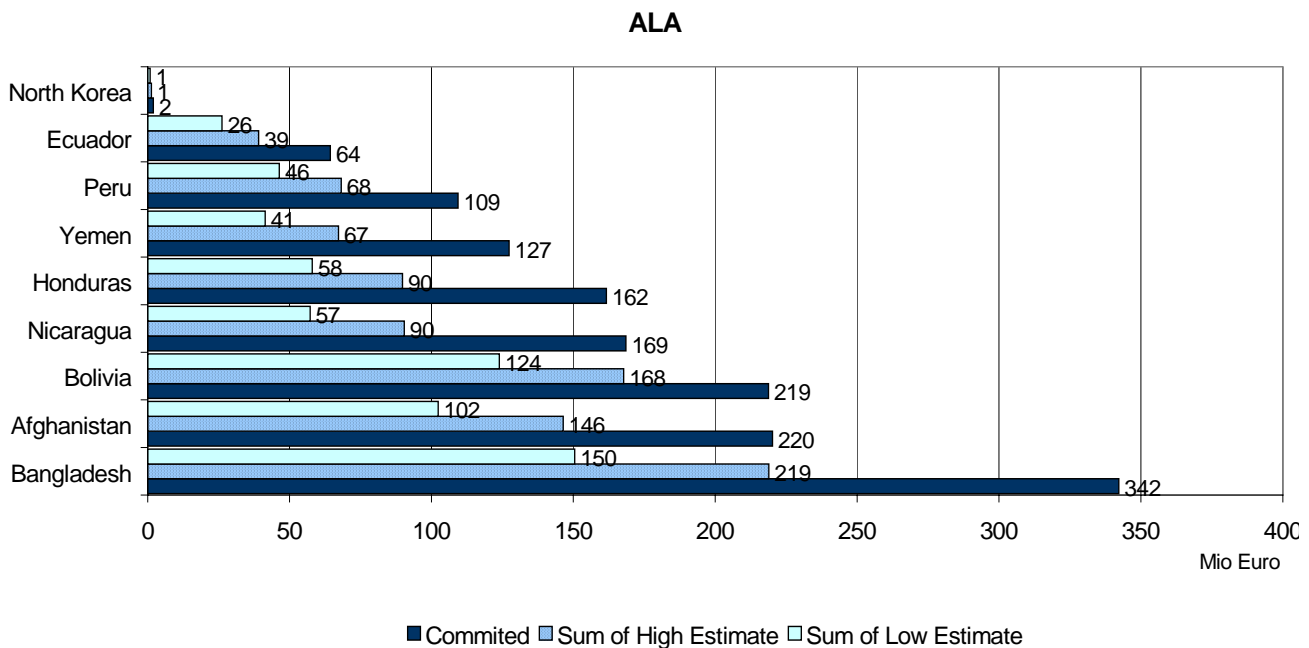
5.3. ALA (Council Regulation 443/92) and the new proposed regulation

This Regulation concerns the overall cooperation rules with the Latin American and Asian countries (except Japan). It gives a specific attention to food aid and food security issues. The financial and technical assistance shall be targeted primarily on the **poorest sections of the population** and the poorest countries of the 2 regions, through the implementation of programs and projects in whatever sectors Community is likely to play an important role. The financial and technical assistance shall also give **priority to develop the rural sector and improve the level of food security**. In this regard, integrating food aid into other development instruments may help this form of aid to fulfil its specific role and objectives. Furthermore, consideration shall be given in all operations to **protect the environment and natural resources**.

The new ALA Regulation is still under preparation by the European Commission Services. The new (proposed) Regulation is not intended to provide political or strategic orientations with respect to the beneficiary regions. It lays down instead clear rules and procedures for effective programming and decision-making for the purposes of Community cooperation with the partner countries. The rules being the same for both regions, the Commission has decided to submit a proposal for a single Regulation. Beside the flexibility concerning the actions to be financed, the main issue is the focus on coherent national and regional strategies. These Strategy papers for Asian and Latin American countries, regions or subregions shall be established for a period of five to seven years, defining the long-term objectives for cooperation and identifying the strategic priorities and the specific fields of action. Complementarity of the various existing instruments shall take place within these strategy papers. Although no mention is made on food security, the integrated approach presented is similar to those of food security. The support to rehabilitation, reconstruction and aid to uprooted people should be implemented with a particular attention to the **transition between emergency and development**.

The total commitments between the different selected countries vary significantly from country to country, ranging from 2 Million Euro for North Korea to 342 Million Euro for Bangladesh. The variation results among other things from the support aimed at flood rehabilitation measures in Bangladesh and refugee and rehabilitation activities in Afghanistan. For North Korea just two projects were listed under CRIS Consultation in this period and supported by regional instruments.

Figure 6: Overall commitments and food security relevant commitments under ALA (1997-2002)



Source: CRIS Mai 2004; synthesis of figures from ALA budget lines

5.4. TACIS (Council Regulation 99/2000 of 29 December 1999)

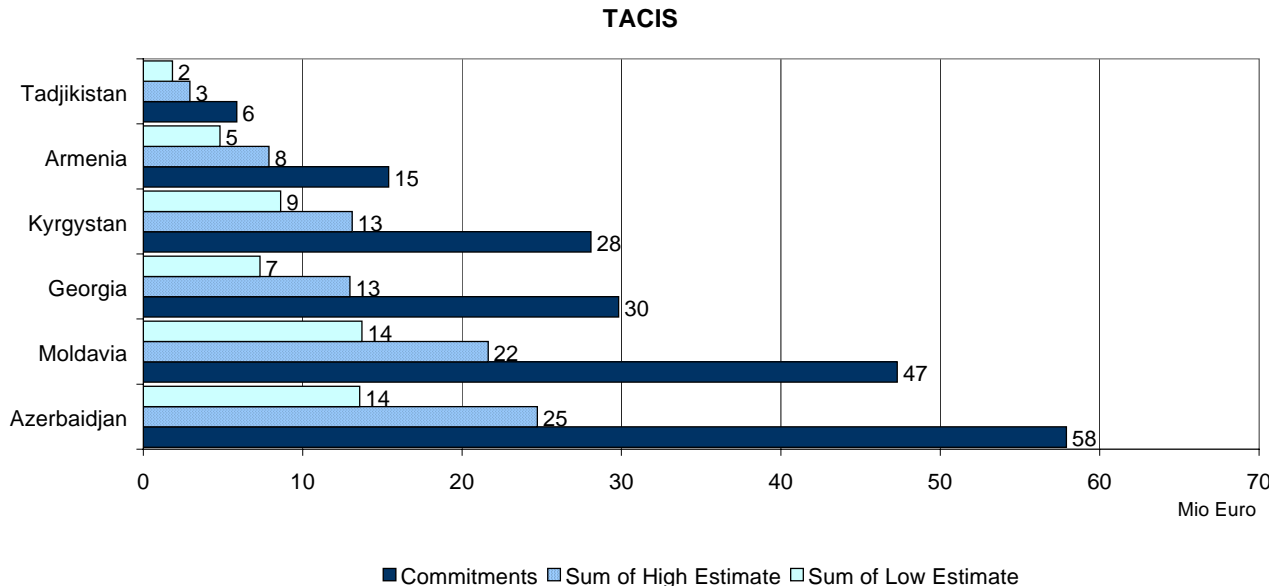
This Regulation concerns the EC cooperation rules with the Newly Independent States (NIS). The regulation presents a wide range of activities to be financed within the framework of an indicative programme. Food security is not mentioned as such, but could be included in several areas of cooperation mentioned in annex 2. The food security aspects are only considered through the environment protection and the sustainable use of natural resources. The regulation makes a particular attention on the rural economy, for the improvement of distribution and access to markets.

The Regulation insists (Annex II) on following areas of cooperation:

- Support for institutional, legal and administrative reform: (development of the rule of law, support for effective policy making, reform of public administration at national, regional and local level, reinforcement of the legal and regulatory framework)
- Support to the private sector and assistance for economic development (promotion of small and medium-sized enterprises, — development of the banking and financial services systems, privatisation, promotion of market-orientated framework for trade and investment, etc.).
- Support in addressing the social consequences of transition: (reform of the health, pension, social protection and insurance systems,, assistance to alleviate the social impact of industrial restructuring, assistance for social reconstruction, etc.)
- Development of infrastructure networks: (transport networks, telecommunication networks, etc.)
- Promotion of environmental protection and management of natural resources: (development of sustainable environmental policies and practices, improvement of energy technologies in supply and end use, promotion of sustainable use and management of natural resources, including energy, saving, efficient energy usage and improvement of environmental infrastructure).

- Development of the rural economy: (legal and regulatory framework, including land privatisation, increasing access to finance and promotion of training, improvement of distribution and access to markets.)

Figure 7: Overall commitments and food security relevant commitments under TACIS (1997-2002)



Source: CRIS Mai 2004; synthesis of figures from CARDS and TACIS budget lines

TACIS is the geographic instrument with the lowest share of food security relevant commitments in relation to the overall support. Most of the activities of the programme focus on the 3 following priority areas of cooperation: Support for institutional, legal and administrative reform, Support in addressing the social consequences of transition, and Support to economic development". In the database, following sectors are of importance: *infrastructure/telecommunication, industrial development and not specified areas*. The more food security relevant sectors such as Rural Development, Agriculture etc. are not so much supported in this region as for instance under ALA or EDF.

5.5. CARDS (Council Regulation 2666/2000)

The Regulation concerns the EC cooperation rules with the Southern Balkan countries.

The main purpose of the Community assistance is to support participation by the recipient countries in the stabilisation and association process.

Main sectors of assistance are:

- (i) Reconstruction, aid for the return of refugees and displaced persons, and stabilisation of the region;
- (ii) The creation of an institutional and legislative framework to underpin democracy, the rule of law and human and minority rights, reconciliation and the consolidation of civil society, the independence of the media and the strengthening of legality and of measures to combat organised crime;
- (iii) Sustainable economic development and market-economy-orientated economic reform;
- (iv) Social development, with particular reference to poverty reduction, gender equality, education, teaching and training, and environmental rehabilitation;

- (v) The development of closer relations among recipient countries, between them and the European Union and between them and countries which are candidates for accession to the European Union, in coordination with other instruments for cross-border, transnational and regional transboundary cooperation with non-member countries;
- (vi) Fostering regional, transnational, cross-border and interregional cooperation among the recipient countries, between them and the European Union and between the recipient countries and other countries of the region (Art. 2)

A main issue is the importance of the strategic frameworks ('country strategic paper'), for the period 2000 to 2006, which shall serve to set long-term objectives for assistance and priority fields of action in recipient countries.

5.6. ECHO (Council Regulation 1257/96)

ECHO - the European Community's Humanitarian Aid Office – set up in 1992 is the service responsible for providing humanitarian assistance to third countries, through which the Commission expresses the concrete solidarity of the European Union with those affected by conflicts or disasters, both natural and man-made, all over the world. Its mission is to fund the co-ordinated delivery of Community humanitarian assistance and protection through partner humanitarian organisations (NGO's, international organisations, etc.) in order to save and preserve life, reduce or prevent suffering and safeguard the integrity and dignity of populations affected by humanitarian crises.

The humanitarian aid comprises assistance, relief and protection operations on a non-discriminatory basis to help people in third countries, particularly the most vulnerable among them, and as a priority those in developing countries, victims of natural disasters, man-made crises, such as wars and outbreaks of fighting, or exceptional situations or circumstances comparable to natural or man-made disasters. It shall do so for the time needed to meet the humanitarian requirements resulting from these different situations. Such aid shall also comprise operations to prepare for risks or prevent disasters or comparable exceptional circumstances (Article 1). ECHO is also funding food aid in kind operations.

ECHO set up its disaster preparedness programme (DIPECHO) in 1996 to help vulnerable communities prepare for natural risks.

ECHO's response to the humanitarian challenges is based on a three-pronged approach²³:

- By intervening in the areas where the **greatest humanitarian needs** have been identified
- By paying specific attention to "**forgotten crises**" and "**forgotten needs**".
- By promoting quality humanitarian aid through systematically mainstreaming **cross-cutting issues** into its operations. Alongside continuing efforts on horizontal issues like protection, gender or human rights, ECHO feels that donors need to make more progress regarding three issues of outstanding importance: the "transition gap" from relief to development (LRRD), disaster preparedness and a better targeting of the most vulnerable, in particular children.

ECHO-funded assistance also aims at facilitating, together with other aid instruments, the subsequent return of populations to self-sufficiency wherever and whenever possible, to permit the phasing out of ECHO funding in good conditions. In that perspective, ECHO is actively engaged in designing and implementing **LRRD strategies** (linking relief, rehabilitation, development) in coordination with other Commission Services and in developing co-operation with other donors.

²³ ECHO Aid Strategy 2003

Beyond the direct response to humanitarian needs in such situations, ECHO's policy also aims at contributing positively to the establishment at international level of a more integrated and sustainable approach to the solution of crises/problems of a complex nature. Based on its experience in addressing disasters, ECHO also works at promoting **disaster preparedness** -as part of a Commission disaster preparedness approach- in order to reduce both vulnerability and exposure of people to risks and disasters.

In keeping with the principles of international humanitarian law, namely impartiality and non-discrimination, EC humanitarian assistance is allocated according to needs of affected populations and is not guided by political considerations.

Main objectives for 2004

In line with best practices of other key humanitarian players and with article 16 of the Humanitarian Regulation, ECHO provides strategic guidelines for humanitarian operations to be undertaken in the year ahead. These guidelines include ECHO's geographical as well as its thematic priorities. ECHO will focus on three main objectives in 2004:

- **Identify and intervene in the areas of the greatest humanitarian needs.** Geographical priorities are defined by a combination of field level needs assessments and analyses of aggregate data on relevant indicators (refugees, IDP's, mortality rates, disaster proneness etc.). The methodology to assess those needs was consolidated throughout 2002, together with a clarification of ECHO's criteria for entry (e.g., major loss of life or major damage exceeding coping capacity of local population) and exit (e.g. improvement of situation beyond a certain threshold, take-over by other donors).
- **Pay specific attention to "forgotten crises" and "forgotten needs".** This complementary approach has been introduced in the ECHO strategy from 2001 and will be maintained in 2004. In line with its general needs-based approach, ECHO attaches a complementary attention to high-need crises that are not in the public limelight and where few other donors are present or where specific other donors do not cover sectoral needs. This also includes unstable post-crisis situations where other (national) donors may be reluctant to get involved in short-term rehabilitation measures because of the high risks involved or the destabilising effects a perceived lack of impartiality of those donors might have.
- **Commit itself to quality humanitarian aid through appropriately addressing cross-cutting issues.** Partners will continue to be required to integrate horizontal issues (gender, protection, human rights etc.) into the humanitarian operations funded by ECHO. Beyond this, ECHO will give specific priority to three horizontal issues in 2004, namely:
 - LRRD
 - Disaster preparedness²⁴
 - Child-related activities.

In 2003-2004, ECHO will complete its withdrawal from the Western Balkans and continue its shift of emphasis towards the most vulnerable populations mainly in Africa and Asia. In sub-Saharan Africa, "heavy-weight" operations will be located in the Great Lakes Region (Democratic Republic of Congo, Burundi, Tanzania), the Horn of Africa (Sudan and possibly Ethiopia/Eritrea), Coastal West Africa (Sierra Leone, Liberia, Guinea and possibly Ivory Coast), and Southern Africa (mainly Zimbabwe and Angola). In the NIS (Newly Independent States) region, priority will be given to the crisis in the Northern Caucasus (Chechnya). ECHO's main emphasis in Asia will be the Afghan crisis, as well as North Korea. Western

²⁴ Since the latter two issues require a long-term integrated approach that ECHO can not provide, both disaster preparedness and LRRD should become a priority for external relations and development cooperation, as acknowledged by the Commission Communication on LRRD and now these issues are in the process of being mainstreamed into the policies and activities of other Commission Services.

Sahara, the Palestinian Territories and Iraq will be the main hotspots in the wider Mediterranean basin. In Latin America, the operation in Colombia will remain the largest on that continent²⁵.

5.7. NGO Cofinancing budget line

The EU B7-6000 budget line was launched in 1976 with the aim of adding an additional dimension to EU development policy and has grown consistently since that year, largely as a result of the active support of the European Parliament. B7-6000 is entirely targeted at ENGO's and constitutes a source of funds that all development NGO's in member States can draw upon to support their development activities in Less Developed Countries (LDC). The growth of B7-6000 over the past two decades is consistent with a broader phenomenon of the increasing recognition of NGO's as major actors in international development.

EU Council Regulation 1658/98 constitutes the legal basis for the B7-6000 budgetline. Similar to other budgetlines, it was adopted only in 1998, which means that the General Conditions were, for a long time, the only major guideline for the management of B7-6000.

Both the Council Regulation and the General Conditions define the eligibility criteria for ENGO's in terms of access to B7-6000. These are quite broad and clearly aim to fund a range of development activities in LDC's by an equally broad range of European Development NGO who have been formally recognised by their own member governments. The General Conditions specify that development projects in LDC's submitted for funding should aim broadly at poverty alleviation and – as was added later by the Council Regulation – at the strengthening of democracy and human rights. Furthermore the General Conditions also emphasise the strengthening of local institutional capacity in LDC's as another major objective. Under the 1988 General Conditions B7-6000 is used to fund three different types of development instruments or projects:

- Sector based development projects, including awareness raising education in Europe
- Projects that support the activities of grassroots organisations in LDC's; the so called Chapter XII projects
- Block Grants

The 2000 General Conditions have been modified in a manner that would appear to favour the larger ENGO's: (a) the introduction of programmes as well as the more usual projects, (b) the strengthening of the position of consortia of ENGO's and (c) several financial provisions relating to higher % for ENGO administrative costs and (d) an increase of EU maximum contribution to 75% and a maximum contribution of up to € 10m.

The new General Conditions, with their emphasis on programme funding, capacity building and support for longer-term funding, could have a strategic effect on the budgetline.

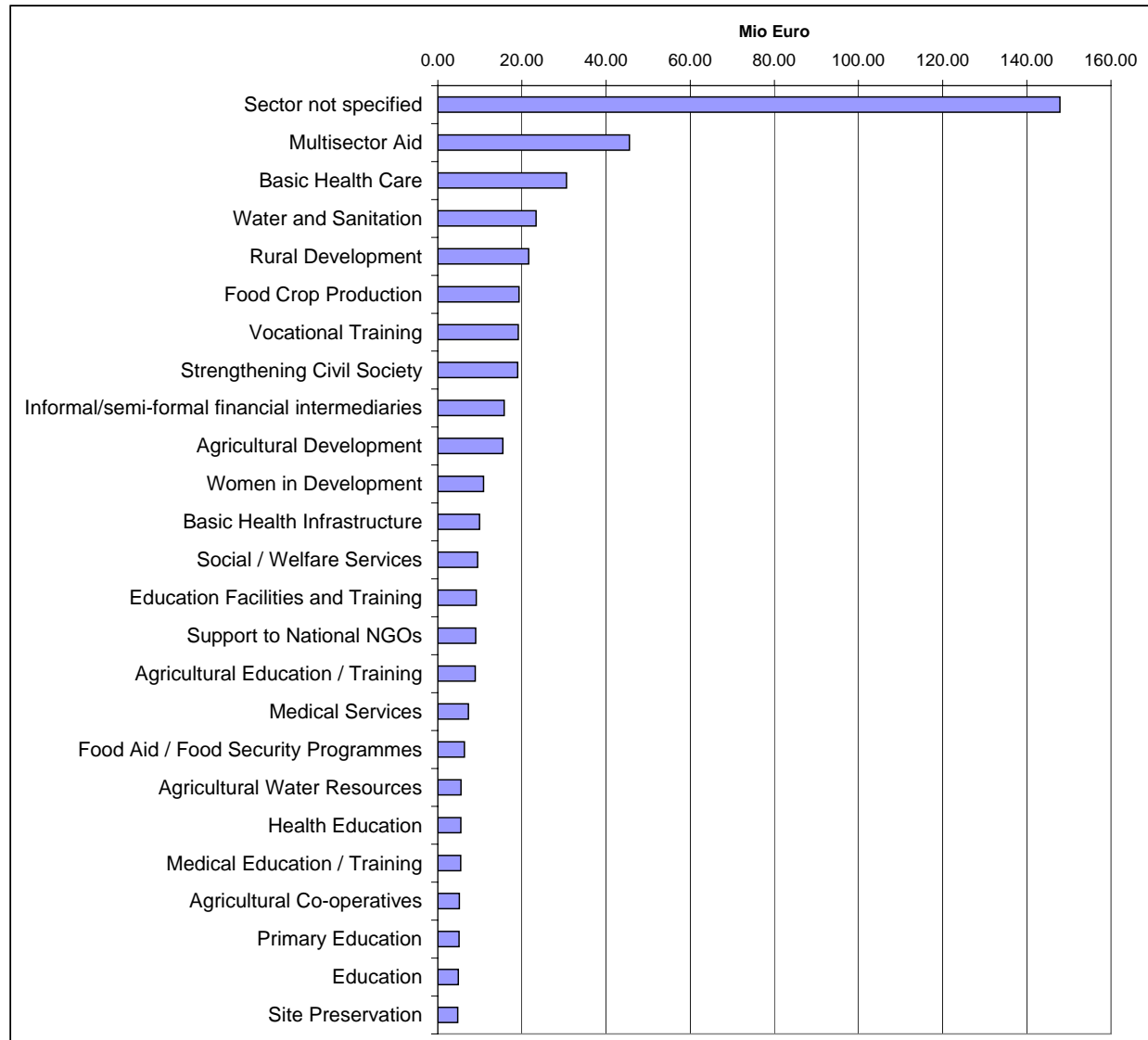
Given the limited level of detail in the statistical data, only few conclusions can be drawn:

- B7-6000 most likely contributes funds to the promotion of increased food security in EC partner countries on the global level. However, the exact amount that it contributes remains a matter of speculation.
- The data allow the tentative interpretation that overlapping of efforts (i.e. double funding from the FA/FS budgetline and B7-6000) is possible.
- However, the potential for overlapping objectives (and consequently the need for greater coordination between the financing instruments) differs among the FA / FS target countries. Whereas the sector profile in Bolivia and Peru make such an

²⁵ ECHO Aid Strategy; 2003.

overlap appear likely, the overall sector structure of aid to Bolivia and Mozambique (as examples) under B7-60 makes an overlap and doubling of efforts less likely.

Figure 8: Distribution of B7-6000 food security-relevant commitments (high estimates) over 25 major sectors²⁶



Source of data: CRIS Saisie, Budget Module, Date of Extraction: 24.03.2004

5.8. Rehabilitation budget lines

The rehabilitation budget lines have as legal basis Regulation 2258/96, which formulates four objectives: strengthening social and political stability, response to the needs of the population, hand-over from humanitarian aid to development, support to the reintegration of refugees and demobilisation. These have been framed within broader aims of improving efficiency and speed through the reform of EC assistance, and enhancing the response to

²⁶ Note: The figure shows the already weighted commitments per sector. For example, in the case of "vocational training", the 19 Mio Euro shown in the figure represent only 50% of the total B7-60 commitments for this sector, already taking into account that only an estimated 50% of all vocational training financed under the budgetline is relevant for supporting increased food security.

crises through a coherent use of resources. An average of €7 million was provided per year and per country, distributed over an average of 12 countries per year. A significant exception to this pattern was the launch of a €250 million reconstruction programme in Central America, in response to hurricane Mitch in 1998.

From 1988 to 1993, there was only one specific rehabilitation budget line for South Africa (B7-9531). In 1993, the budget line B7 5076 was created for all developing countries. In 1996, this budget line was decomposed in two, B7-6410 for all developing countries and the B7-3210 for Southern Africa. DG VIII/G/4 was responsible for ACP countries and DG IB/D/4 for ALA and MEDA countries. In 1998, the B7-6410 was decomposed according to the various geographical divisions in several budget lines.

Because of the increase of specific budget lines for rehabilitation, the overall rehabilitation budget line has become less attractive.

Following budget lines for rehabilitation exists, based on the Regulation 2258/96:

- B7-3030 Rehabilitation for Asian countries
- B7-3130 Rehabilitation for Latin America
- B7-3210 Rehabilitation for Southern Africa
- B7-4000 Cooperation with MEDA countries
- B7-4310 Rehabilitation for MEDA countries
- B7-5076 Rehabilitation for all developing countries
- B7-6410 Rehabilitation for ACP countries
- B7-5220 Rehabilitation for TACIS countries

According to the high estimate scenario, 28% of food security relevant resources have been committed under the sector-heading "Multisector Aid" or have been not been assigned to any sector in CRIS²⁷. Still, sectors such as "Basic Health Care", "Rural Development" and "Food Crop Production" figure relatively prominent in the sectoral breakdown in the high estimate scenario²⁸.

²⁷ Both categories were counted at 40% in the high estimate.

²⁸ And which have not been discounted more than 20% in this analysis, translating in a relatively high certainty that the shown figure for those sectors is close to the actual one.

6. MAIN RELEVANT TRENDS IN EC COOPERATION

6.1. Importance of LRRD process

6.1.1. Communication 2001 / 153 on LRRD

The concepts of “linking relief rehabilitation and development” (LRRD) was first discussed in the 1980s focusing on so-called “grey zone” between humanitarian assistance, rehabilitation and development. This grey zone concerns the area between humanitarian assistance addressing immediate needs of population affected by crises and provided mainly through non governmental and international organisations and development co-operation programmes aiming at supporting development policies and strategies and provided mainly under co-operation programmes agreed with the partner country.

The 2001 Communication on LRRD²⁹ underlines the various characteristics of both instruments as concerns their time perspective, the implementing partners, the role of national authorities and the content of interventions. The Communication stresses that the set up of an EC response to emergency and rehabilitation needs should not be to the detriment of long-term development programmes and should be adapted to the level of development of the affected country. “Disasters and crises are costly in both human life and resources. They disrupt economic and social development. Short-term relief mechanisms do not - and in some cases can not - systematically take into account long-term development issues. Development policy, at the same time, should be better prepared to cope with natural disasters, conflicts and other crises, and the need to protect vulnerable households by helping them to develop coping strategies.”

The approach of LRRD is to integrate all needs, defining at the same time appropriate disaster-preparedness measures to enhance the self-help capacity of the population and the countries, and preventing new disasters, through the support of specific national development strategies.

Four main problems are mentioned in linking emergency instruments (ECHO, RRM) and development and co-operation instruments: slow decision-making procedures, choice of implementing partners, the ability to mobilise resources through appropriate instruments and insufficient donor co-ordination which is reducing the efficiency and impact of the assistance provided, thereby increasing the political risk.

COM 2001/153 presents a detailed overview on the role the various instruments should play in the LRRD approach and how coordination could be improved.

The set up of CSP, especially for unstable countries will play a particular role in the LRRD approach. The Communication underlines that “the aim should be a division of labour between the Commission and Member States, including co-financing, in particular where rehabilitation requires interventions outside the EC's focal areas. In this process, increased co-ordination on the ground is essential. Delegations will play a crucial role in identifying possible areas of synergy and complementarity and in defining strategic orientations.

The linkage issue should be taken into account in the ongoing discussions on improving coordination and complementarity.”

An analysis of the specific added values of the various instruments is presented. Based on the principle that “the Commission objective is not to create new financial instruments to ensure a better linkage but to improve existing instruments and their links where possible”, the communication details following conclusions:

²⁹ COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT
Linking Relief, Rehabilitation and Development – An assessment COM (2001) 153 final

- Importance of reducing the number of budget lines so as increase effectiveness and flexibility in the management of external aid in crisis situations.
- Importance of maintaining food aid and food security operations, mainly because they are best situated to cover short term and long term issues.³⁰
- The weak potential for the main instruments (MEDA, TACIS, Asia and Latin America), to ensure a linkage between relief and development in a flexible and timely manner in post-crisis situations; TACIS being mainly a technical assistance programme with some scope for undertaking investment actions focuses on support to democratisation and the transition process towards market based economies. MEDA does not focus on rehabilitation or crisis issues.
- For ACP countries, the Cotonou Agreement offers more flexibility than in the past to cope with the linkage issue. In countries where the crisis occurs once a Country Strategy Paper and an indicative programme already exist, a review of the indicative programme will take place, and operations will be decided with a view to easing the transition from the emergency phase to the development phase using effective and flexible mechanisms. In countries where, due to exceptional circumstances, no indicative programme has been signed, the Cotonou Agreement foresees that a specific mechanism will be put in place (a global allocation of resources will be decided consistent with the CSP, with a view to ensuring a proper linkage between relief and development assistance).
- The CARDS programme will provide Community assistance for reconstruction, aid for the return of refugees and displaced persons, and stabilisation of the region as well as for institutional development, economic reforms, social development, environmental rehabilitation and regional cooperation.

Communication 2001/153 presents following recommendation to improve LRRD:

- "In countries prone to natural disasters, increased attention will be paid to disaster preparedness and prevention both in humanitarian assistance, and particularly in development co-operation strategies and programmes.
- In conflict situations, the link between relief and development must be seen in a broader economic, social and political context. These factors must be taken into consideration in the different phases and in the different areas of intervention.
- ECHO should focus on its core mandate. Assistance to countries where there is no humanitarian emergency should be phased out. If the EC is nonetheless committed to continue its assistance, appropriate longer term instruments will have to be mobilised in a timely fashion, where the legal framework to do so exists.
- Emergency assistance must increasingly be designed in such a way that a take-over is consistent with long term development objectives and sustainability. Development policy must in turn be better adapted to cope with these issues.
- In order to address the problem of insufficient donor co-ordination in post-crisis situations, the "Friends of" approach, in the UN framework, must be strengthened on a more systematic basis while keeping the case-by-case principle. The Commission should play an active role in strengthening the "Friends of" approach, acting in complementarity with Member States

³⁰ "Thirty percent of its funding is provided for crisis operations (through WFP and NGOs). The remaining funding is used for structural support to food security policies, including support to establishment the conditions needed to start longer-term reform processes. This demonstrates the variety of situations where it can intervene and the flexibility of the instrument." COM 2001/153

- Better co-ordinated international initiatives must involve the various multilateral, regional and non-governmental actors in order to strengthen synergies and to allow clearer definition of phase-in and phase-out measures.
- In the context of the refocusing of Community development activities on a more limited number of areas, increased co-ordination and complementarity between the EC and its Member States will aim at a division of labour, with a view to providing a better EU response to existing needs in the different phases.
- The European Commission will review its own instruments and procedures with a view to reduce time delays, mobilise adequate resources in a timely fashion, and ensure the involvement of appropriate partners. This will take place in the framework of the reform of external assistance, in particular in relation to the de- concentration of decision-making and staff to delegations, and to changes in comitology procedures.
- As soon as ECHO or the RRM starts intervening, an Addendum to the Country Strategy Paper, including an indicative work programme will be elaborated and adopted, using as much as legally possible simplified and accelerated procedures. It will cover the actions envisaged and the different instruments to be used so that subsequent approval of individual projects is not required, only information.
- In order to implement this Addendum and work programme, a simplified decision-making process is to be applied within the Commission for approval of individual projects and programmes. Implementation procedures will be reviewed to increase flexibility in particular for selecting implementing bodies, tendering procedures, amendments of contracts. This will apply to key thematic instruments such as rehabilitation, aid to refugees, food aid/food security, and demining.
- As regards the take-over within the large EC regional programmes, adequate provisions have already been incorporated in some of them (CARDS, Cotonou, MEDA); they should be implemented with all the flexibility required. For others (Takis, ALA), a review might be considered in order to address the question in how far future new Regulations should be extended to cover rehabilitation, aid to refugees and mines, as an alternative to a thematic regrouping of such type of activities.”

COM 2001 / 153 is of high importance for our evaluation, as LRRD is a core issue to be dealt with by the FSBL. It gives an assessment of the various instruments that we have presented below and give a particular attention to food security.

6.1.2. Linking Relief, Rehabilitation and Development (LRRD) and Disaster Preparedness and Prevention (DPP)

This Chapter refers to the report and operational conclusions of the LRRD/DPP Interservice group³¹. The Linking Relief Rehabilitation and Development/Disaster Preparedness and Prevention (LRRD/DPP) Interservice Group was established in February 2003 to take stock of the follow-up of the 2001 Commission Communication on LRRD and to address issues related to LRRD in a more systematic manner.

In this paper, LRRD is not seen as an approach to hand over (continuum) as many relief projects as possible, but as **“as close complementarity (contiguum) at the levels of programmes/projects, country and actors involved and as search for complementarity with other donors, NGO’s, international organisations for countries where ECHO’s main sectors (health, food security and water sanitation) are not focal sectors in the CSP’s.”**

³¹ Report and operational conclusions of the LRRD/DPP Interservice group; October 2003

A main conclusion was that LRRD can be achieved through the existing instruments and that in different countries there are some windows of opportunity to effectively programming and implement the LRRD. The integration of LRRD as thematic priority into the NGO co-financing budget line (for 2002-2003 and 2004-2005) is a good example of instrument complementarity.

The report presents a long list of operational recommendations, aiming at improving the implementation of the LRRD approach in using the existing instruments and setting for each recommendation the leadership responsibility among the services. Main recommendations are as follows:

- An LRRD approach should be systematically adopted in all CSP focal sectors of relevant countries. In case of a sudden crisis, an addendum to the CSP, with quick approval procedures should be drafted. the 3 C's should be explored among other donors (DEV/RELEX, Delegations)
- In countries that are prone to natural disasters, DPP should be on the agenda of the political dialogue to ensure the proper integration of the DPP approach in the national development agenda (in particular improvement of risk assessment). (DEV/RELEX)
- A LRRD/DPP approach should be integrated at the level of programmes, projects and selection of partners (AIDCO).
- ECHO's exit strategy should be prepared in co-ordination with DEV/RELEX, AIDCO and the Delegations(ECHO)
- AIDCO should consult ECHO for the preparation of call for proposals and selection of projects for budget lines relevant to LRRD (e.g.: Food security, NGO co-financing) AIDCO).
- Improve effective complementarity (contiguum) between the different levels of intervention i.e. sectoral, local, regional or national (whereby ECHO should focus on area with complex humanitarian situations and AIDCO on the more stable parts of the country) and partner level.
- Make LRRD a recurrent point on the agenda of country team meetings for the relevant countries. The objective should be to: a) seek for synergies and division of labour between the services involved, especially with (i) the identification of target geographical areas and sectors envisaged for the transition (ii) the co-ordination of planning perspectives for the main financial instruments and LRRD relevant budget lines (e.g.: EDF ECHO, Food security). The outcome could be the elaboration of an operational work plan in a LRRD perspective; b) assess progress achieved and obstacles met in the implementation of LRRD (DEV/RELEX in consultation with the Delegations)
- Actively seek for complementarity with other donors (EU Member States, NGO's and international organisations) in particular with those highly involved ("lead donors") in the country and in the sector requiring the linkage (Delegations, DEV/RELEX)
- Establish a continuous co-operation among the EC Delegation, the ECHO's Office and the Technical Assistance for development co-operation projects. The appointment of a LRRD focal point in each relevant Delegation or the creation of a LRRD task force at local level to ensure the consistency of the NIP in a LRRD perspective should be considered (Delegation, AIDCO, ECHO),
- Monitoring via the regular reports by relevant Delegations on progress in implementing LRRD (Delegation).

These recommendations are in line with the main conclusions and recommendations that will be presented in the following Chapter of our report.

6.2. Increasing participation of non state actors in EC-Development

In the framework of the discussion preparing the Cotonou Agreement, a large consensus was reached on the importance of enlarging the partnership to non state actors. The joint Council/Commission Policy Statement on the EC's Development Policy (20.11.2000) recognised that ownership of strategies by the partner countries is the key to the success of development policies. "The most wide-ranging participation of all segments of society must be encouraged. Partnership, ownership of development processes by the population, participation of economic and social stakeholders and the representation of civil society, are all principles shared by donors"³².

The focus on NSA participation has been translated in all instruments. The Cotonou Agreement is implementing a new partnership (tripartite dialogue between EC, government and NSA) for improving NSA's participation across the development process. "In Latin America, the political dialogue at regional, sub-regional and sometimes at national levels includes a parallel dialogue with NSA's. Growing consultation as well as support for NSA's is included in political summits and recommendations as well as in agreements. Implementation in various fields is largely carried out by civil society. Under the MEDA programme, NSA's receive support to improve their structures and reinforce their operations and governments are encouraged to dialogue with civil society"³³.

Several guidelines have been elaborated to facilitate NSA participation in the various PCM phases. The programming guidelines for improving NSA participation in the ACP countries is a good example³⁴. A preliminary assessment has been made on the implementation of Cotonou³⁵. This assessment has been made based on 55 countries. Results from this report are very positive, arguing that participatory processes were stated in 48 countries out of 55. This reports also suggests that EC had an impact in improving the quality of the existing wider consultation processes (PRSP, others). In 30 countries, the draft CSP has been modified following the consultation process. However, in only 17 countries, the eligibility criteria for NSA have been discussed with the NAO.

This last finding linked to our own experience tends us to be more careful by evaluating participatory processes. There is a notable improvement compared to the past but in the field, NSA participation is still at the launch phase. A lot of meetings have been organised but few dialogue processes have been carried out, and peripheral issues have been discussed but not the core one (eligibility criteria and financial priorities).

Having said this, NSA participation remains a key issue for a successful development cooperation.

³² Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee participation of non-state actors in EC Development Policy COM(2002) 598 final.

³³ COM 2002/598

³⁴ Programming Guideline Notes No 6; The new actors in the partnership – update; March 2001

³⁵ Implementation of the Cotonou Agreement; Involvement of NSA in the programming process; A preliminary assessment; Sept 2002.

6.3. Focus on poverty reduction, rural development and food security

6.3.1. Poverty reduction and rural poverty

Poverty reduction is at the heart of EC development policy. Given the importance of rural development in impoverishment mechanisms, the Communication on fighting rural poverty³⁶ is of particular importance in the framework of food security.

The link between poverty and hunger, environmental degradation, the importance of rural economy are key factors stressing the importance of having an integrated approach of rural development and poverty reduction.

COM 2002/429 presents the EC's policy and approach to rural development in developing countries, integrating the objectives of poverty reduction, food security and sustainable natural resources management in a coherent framework. "Rural poverty is a multidimensional problem that includes low incomes, inequalities in access to productive assets, low health education and nutrition status, natural resource degradation, vulnerability to risk and weak political power. Strategies for rural poverty reduction must therefore address all of these problems, and take account of the diversity of rural areas and population groups, as well as the changing context of rural poverty."

As it is the case for the LRRD approach, the aim is not to create new instruments or mechanisms but to better use the existing framework of policies, institutions and programmes, and to incorporate rural poverty reduction, food security and sustainable natural resource management objectives.

The Communication identifies six policy areas that need to be addressed:

- (i) supporting economic policies to enable broad-based growth,
- (ii) ensuring more equitable access to productive assets, markets and services,
- (iii) investing in human capital,
- (iv) promoting more sustainable natural resources management,
- (v) managing risks and providing safety nets, and
- (vi) building more effective, accountable, decentralised and participatory institutions.

Three level of implementation have been defined:

- The national level with the integration of actions in support of rural poverty reduction in EC Country Support Strategies, based on an analysis of rural poverty. The EC will give particular attention to rural poverty issues when discussing the PRSP's.
- The regional level with the focus on regional integration processes and resolution of cross border challenges.
- The international level, with support to the provision of a number of global public goods identified in the Communication.

COM 2002/429 addresses issues of EC policy coherence related to rural poverty reduction and food security. In its annex 3 – "Integrating rural development objectives into country programming A methodological guide for country analysis", a methodology to guide the process of country analysis with a view to informing National Poverty Reduction Strategies, EC Country Strategies and where required, national rural development strategies is presented.

³⁶ COMMUNICATION FROM THE COMMISSION FIGHTING RURAL POVERTY; European Community policy and approach to rural development and sustainable natural resources management in developing countries COM(2002) 429 final

The EC will support actions for rural poverty reduction as part of its wider Country Support Strategies. The EC will pay particular attention to the treatment of rural poverty, food security and environmental issues. This guide presents 5 steps for programming rural development:

Step 1: Rural poverty/food security profile

Step 2: Assessment of rural institutions.

Step 3: Analysis the causes of rural poverty and development opportunities.

Step 4: Assessment of policies and programmes addressing rural poverty.

Step 5: Prioritisation of actions for EC support.

6.3.2. Rural development and food security

Within this work specific guidelines have been drafted in 2001³⁷ presenting the various step for setting a food security strategy. The figure 9 presents an overview of the process leading to the strategy formulation.

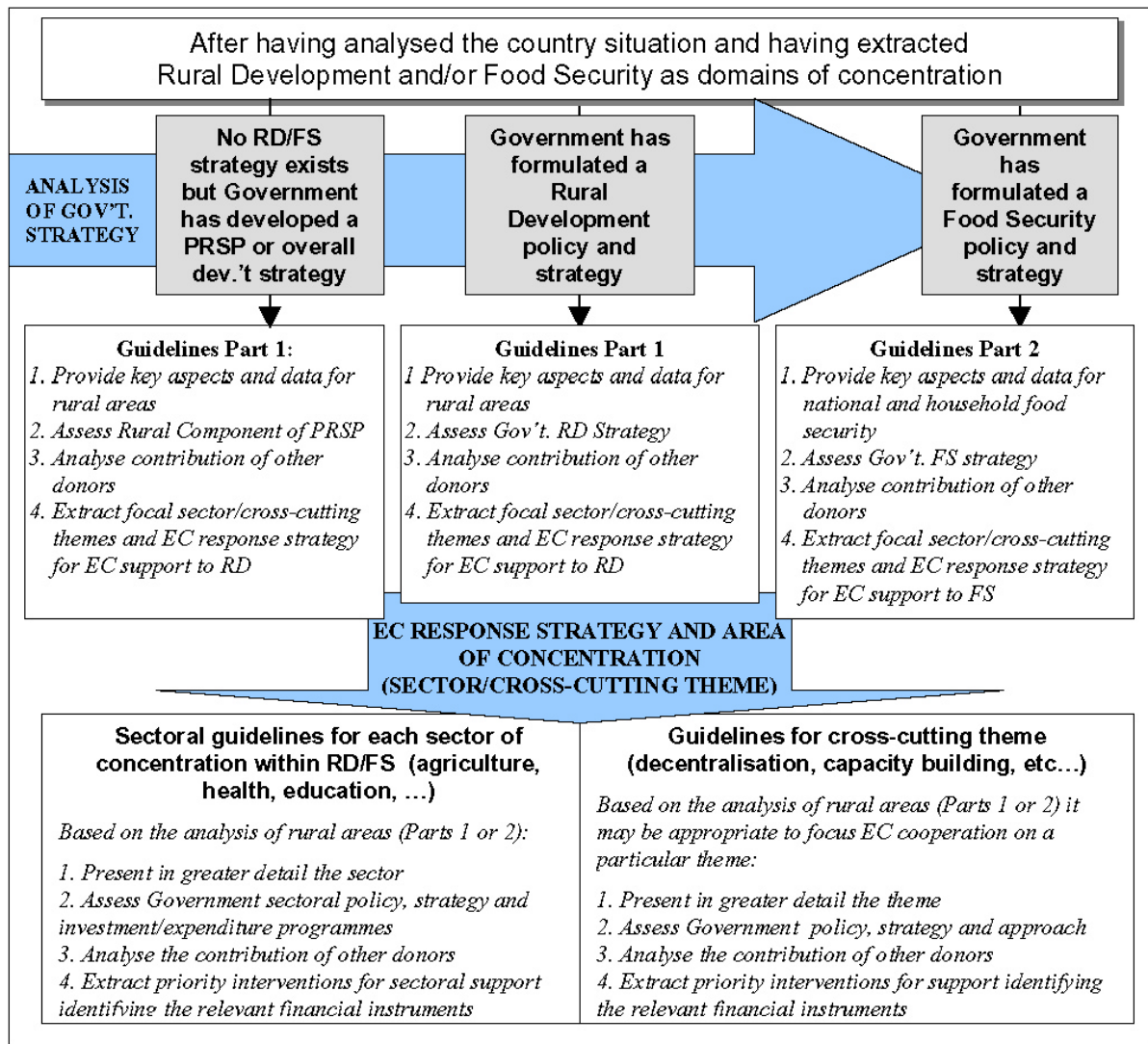
This guide lists following “essential steps to achieve sustainable food security”

- Political commitment is needed to push for reform and good governance, both at a national level and more locally, in rural areas.
- Ensure a balanced strategy combining growth and social objectives including an analysis and a response to vulnerability. Such strategy must contribute to the overall goals of poverty reduction, and sustainable social and economic development. Such a strategy must be built around the four pillars of food availability, access to food, quality of food and management of crises.
- Improve stakeholder participation in the design and implementation of food security
- strategies. Conduct participatory assessments, support decentralisation and promote subsidiarity in implementation.
- Pursue a sectoral approach in implementing the strategy. Ensure that support programmes
- take a sector-wide approach rather than focusing on individual projects.
- Improve markets in rural areas. Optimise the functioning of markets for inputs and outputs, taking into account access in both physical terms (transport network) and social barriers to participation in markets (gender, other disadvantaged groups).
- Commercialise and privatise. Ensure an appropriate level of involvement of the private sector in areas traditionally covered by parastatals and the informal sector.
- Mainstream environment and social concerns. Focus on measures that bring benefits as well as mitigating adverse impacts. Ensure compliance with international environmental agreements and consider needs of disadvantaged groups.
- Ensure food security targets the specific needs of the poor and is gender sensitive. Ensure that programmes and projects address the needs of the poor for diversified income strategies, particularly for women. Ensure that stakeholder consultations do not exclude the poorest.
- Ensure coherence between sector strategy and sector expenditure plans and programmes and between sector strategies within the rural space. Promote regular

³⁷ PROGRAMMING GUIDELINES FOR RURAL DEVELOPMENT (Part A) AND FOOD SECURITY (Part B); November 2001

policy dialogue with other donors, and co-ordinate expenditure plans through sector programmes.

Figure 9: Overview of the process leading to the formulation of food security strategies



Source: PROGRAMMING GUIDELINES FOR RURAL DEVELOPMENT (Part A) AND FOOD SECURITY (Part B); November 2001

A set of indicative food security indicators that should be regularly monitored are also listed

- Food availability: Annual crop production estimates, cereal yields for subsistence crops, livestock production, growth of agricultural GDP, share of agricultural GDP over total GDP, agricultural exports, food prices (in urban and rural areas), food imports, food aid delivery
- Access to food/Food quality: Malnutrition prevalence (wasting, stunting in children under 5), Rural farm and non-farm employment (male, female), other sources of income (remittances), access to financial systems, labour force (male and female), access to safe water and sanitation,
- Crises prevention: Early warning data, food stocks and reserves, import capacities (market/infrastructure, foreign currency position), prices information system, pest and disasters prevention systems, climatic and meteorological surveys
- Natural resources management: Arable land (under cultivation and potentially arable) and pastures, water use for irrigation, rate of deforestation, soil conservation technology, fish landings (artisanal and commercial fisheries)
- Institutional framework: Fiscal decentralisation, local government spending, local tax revenues, number of community based organisations, farmer organisations, NGO's

The figure below presents the various components of a food security strategy.

Figure 10: Components of a national food security strategy

I. Economic Growth and Employment

- (a) maintain sound macro-economic policies and population policies
- (b) give priority to rural development, and focus on agriculture
- (c) maintain or reduce real food prices through:
 - increased production [short term: sustainable extension, inputs]
[medium term: research, credit, land policies]
 - lower-cost marketing [roads, transport, competition policies]
- (d) encourage rapid growth of small business enterprises that create jobs
- (e) agricultural diversification and exports in support of food trade
- (f) develop measures for regions with less reliable rainfall, and pastoral areas

II. Additional Entitlement/Access and Targeted Programs [because growth is not enough]

1. Supplementary Employment/Income Schemes

- (a) priorities for rural areas, agricultural production/marketing, natural resource management, and nutrition/health [roads, irrigation, soil conservation, water supply, sanitation]
- (b) lower real food prices [which support labor-intensive public works and job creation]
- (c) decentralize administration
- (d) build on critical assessment of experience already available in Ethiopia
- (e) develop sustainable financing plans [including donor assistance]

2. Targeted Programs [for very poor and vulnerable groups]

- (a) build on the successful Safety Net Program
- (b) establish strong monitoring arrangements
- (c) focus especially on women
- (d) plan graduation from targeted programs

3. Nutrition and Health Interventions

- (a) children's immunization and diarrhea prevention
- (b) nutrition education and family planning
- (c) better weaning foods, micro-nutrients, school feeding programs

III. Emergency Capabilities [to be maintained and strengthened]

- (a) monitoring, surveillance, and early warning arrangements
- (b) food and relief distribution capabilities

Source: PROGRAMMING GUIDELINES FOR RURAL DEVELOPMENT (Part A) AND FOOD SECURITY (Part B); November 2001

6.4. The deconcentration process

Deconcentration is one of the main decisions taken by the Commission in order to improve the quality and speed of project implementation in the field of external aid³⁸. It means devolving responsibilities, powers, people and tools from the Head Office to the delegations in the field thus being in line with the principle of subsidiarity.

The process launched in 2000 is still ongoing. Beside the devolution of responsibilities to the field, this process is supposed to reinforce the spirit of partnership and feeling of ownership by the partner countries.

The working group on deconcentration³⁹, stresses the importance of a qualitative reporting system in order to preserve coherence and co-ordination of operations, projects and programmes.

6.4.1. Deconcentration on the FSBL

The deconcentration process of thematic budget lines is independent from the geographic programs. Deconcentration of food security programs was decided in October 2002.

A Deconcentration guidelines⁴⁰ on EC Food Security programme has been produced “to support the work of Delegations and experts in the field of food security to follow-up food security programs in the framework of deconcentration”.

This guideline provides a good overview of EC food security policy, new focus of FS strategy as well as operational information on FSP management. Table 1 presents the state of deconcentration in 2002.

Table 2: Centralised and deconcentrated operations of the FSBL (millions Euros)

Still centralised operations	Amount	Deconcentrated operations	Amount
Food aid in kind	215	Budget aid and program aid	240
WFP	132		
Euroaid	60		
UNRWA	15		
ICRC	8		
International Organizations	18	NGO's (call for proposal)	20
FAO	0		
CGIAR	18		
Regional programs	0	Technical Assistance	17
CILSS			
Total	233		277

Source: FS deconcentration guidelines; 2003

Coordination is translated in a very concrete way. Several table present for each component and partner, the various activities that have to be carried out along the various project cycle phases, with the specific roles of Delegation AICO, DG DEV/RELEX and DG Research).

³⁸ For more information, refer to White paper on the reform of the Commission (Communication (2000), 200).

³⁹ Report on working group on deconcentration 2003

⁴⁰ Deconcentration guidelines EC Food Security Programme; October 2003

6.5. Increasing importance of budgetary support

In recent years, there has been a significant shift by bilateral aid donors, in particular in Europe, away from traditional project support and towards unearmarked general budget support (GBS). For the UK government, this modality now represents some 20 % of total overseas development spending. Other European countries are committing significant proportions of their bilateral aid to budget support, in particular the Netherlands, Sweden and Denmark. Since the Cotonou Agreement and the declaration of the European Commission and the Council of Ministers on the Development Policy of the Community (10/11/2000), the EC has also committed itself to allocating an increasing proportion of its development co-operation in the form of budgetary aid.

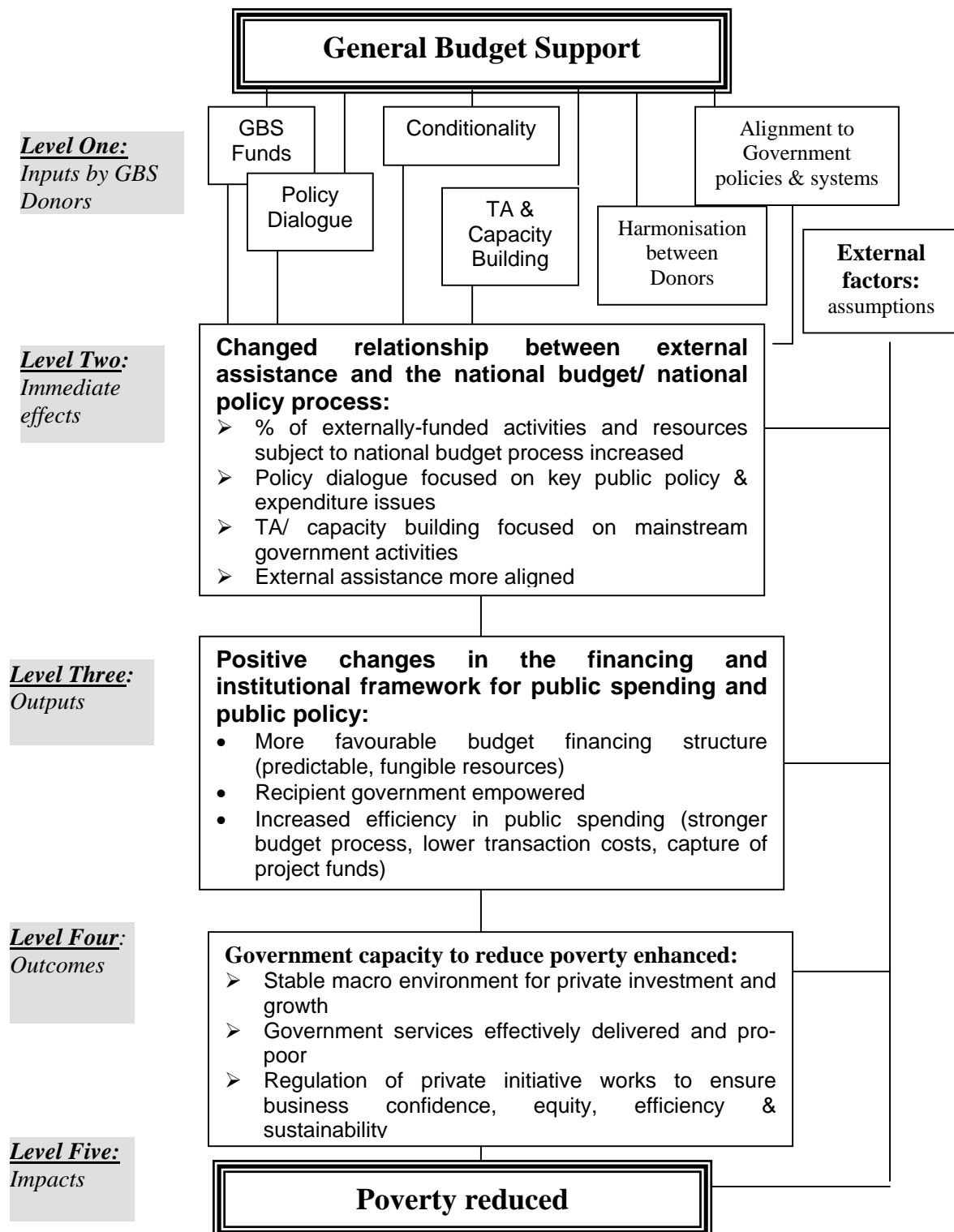
The EC produced in January 2004 an Evaluation Framework for Direct Budget Support⁴¹ in order to assess whether GBS is a relevant, efficient, effective and sustainable mechanism for poverty reduction. “GBS is taken to refer to the channelling of donor funds directly to the partner government's budget, using the government's own allocation and accounting systems, with any conditionality focused on policy measures related to general budget priorities.”

This Framework presents the causal linkages stated by the implicit thinking behind recent GBS programmes. The theory behind the linkages in the top half of the diagram arises from the evidence that has accumulated over recent years about the disadvantages of project aid and the advantages of programme modalities, particularly in regard to their effects on the institutional structure of the host country. Another important source is experience and research indicating the relative ineffectiveness of policy conditionality linked to programme aid, and the corresponding expectation that support using national systems to support national policy processes (e.g. PRSP's) will have better results. The theory behind the bottom half of the diagram draws on the *Poverty Reduction Guidelines* of the DAC and other cited sources on research and policy thinking for poverty reduction.”

Some of these elements were taken into consideration for assessing the added value of the currency facility.

⁴¹ ODI: OECD – DAC Evaluation Framework for Direct Budget Support; January 2004

Figure 11: Various steps for GBS assessment



Source: ODI: OECD – DAC Evaluation Framework for Direct Budget Support; January 2004