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**FOOD AID/FOOD SECURITY BUDGET LINES**

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**PROGRAMMING DOCUMENT 2005-2006**

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### List of Acronyms

|           |  |
|-----------|--|
| ACP       | African, Caribbean and Pacific (Lomé Convention)                                 |
| AGRI      | Directorate General Agriculture  |
| AIDCO     | EuropeAid Cooperation Office   |
| ALA       | EC Development Assistance for Asia and Latin America (Council Regulation 443/92) |
| ARD       | Agricultural Research for Development  |
| BL        | Budget Line  |
| CGIAR     | Consultative Group on International Agricultural Research                        |
| CRIS      | Community Research and Development Information Service                           |
| CSP       | Country Strategy Papers  |
| CSSD      | Consultative Sub-Committee on Surplus Disposal                                   |
| DAC       | Development Aid Committee  |
| DEV       | Development Directorate General  |
| DG        | Directorate General  |
| DPP       | Disaster Preparedness and Prevention   |
| EC        | European Commission  |
| ECFIN     | Exceptional Financial Assistance   |
| ECHO      | European Commission Office of Humanitarian Aid                                   |
| EDF       | European Development Fund (Cotonou Agreement)                                    |
| EECCA     | Eastern Europe-Caucasus-Central Asia   |
| EMOP      | Emergency Operation (WFP)  |
| FA/FS     | Food Aid/Food Security   |
| FAO       | Food and Agriculture Organisation of the United Nations                          |
| FS        | Food Security  |
| FSBL      | Food Security Budget Line  |
| FSU       | Food Security Unit   |
| IAASTD    | International Assessment of Agriculture Science and Technology for Development   |
| ICRC/CICR | International Committee of the Red Cross   |
| LRRD      | Linking Relief, Rehabilitation and Development                                   |

|        |   |
|--------|---|
| MDG    | Millennium Development Goals  |
| MEDA   | EC Mediterranean Development Assistance (Council Regulation 443/92)                       |
| NGO    | Non Governmental Organisation   |
| PRRO   | Protracted Relief and Recovery Operation (WFP)  |
| PRSP   | Poverty Reduction Strategy Paper  |
| RAL    | <i>Reste à liquider</i>   |
| RELEX  | External Relations Directorate General  |
| RESAL  | Réseau Européen de Sécurité Alimentaire   |
| RSS    | Relief and Social Services  |
| TA     | Technical Assistance  |
| TACIS  | EC grant financed technical assistance to 12 countries of Eastern Europe and Central Asia |
| TRADE  | Trade Directorate General   |
| UN     | United Nations  |
| UNDP   | United Nations Development Programme  |
| UNEP   | United Nations Environment Programme  |
| UNESCO | United Nations Educational, Scientific and Cultural Organisation                          |
| UNRWA  | United Nations Relief and Works Agency for Palestine Refugees in the Near East            |
| WFP    | World Food Programme  |
| WHO    | World Health Organisation   |
| WTO    | World Trade Organisation  |

## 1. SUMMARY

Worldwide, FAO estimates that 842 million people were undernourished in 1999–2001. This includes 10 million in the industrialized 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, the Pacific, in Latin America and the Caribbean. In contrast, the numbers continue to rise in Sub-Saharan Africa, in the Near East and North Africa.

Council Regulation (EC) No. 1292/96 defines the current legal framework of the European Commission's food security programme. As recently confirmed by the evaluation finalised in 2004, the Food Security Budget Line (FSBL, comprising budget lines 210201, 210202, 21010401, and 2102100<sup>1</sup>) objectives remain valid, with a particular reference to the Linking Relief Rehabilitation and Development (LRRD) approach.

The FSBL provides “direct”, programme/project funds to a selected number of countries (in total: € 158,20 Mil. in 2005 and € 194 in 2006); at the same time, it supports “indirect” programmes through UN agencies (WFP, FAO and UNRWA), the ICRC, the research group CGIAR and Non Governmental Organisations (NGOs) (in total: € 234 Mil. in 2005 and € 216 Mil. in 2006). Following the present programming exercise, indirect aid becomes the object of an annual Work-programme for grants which is prepared by AIDCO and which includes food security and food aid actions through NGOs and International Organisations. The list of the target countries, as well as the identification of interventions, is prepared in consultation with ECHO

Target countries for direct support (26) are clustered in three groups: crisis/post-crisis situations (Afghanistan, Angola, Burundi, Haiti, Honduras, North Korea, Palestine, Somalia, Uganda); chronic food insecurity (Bangladesh, Bolivia, Burkina F., Cambodia and Laos, Eritrea, Ethiopia, Madagascar, Malawi, Mali, Mozambique, Yemen), economies in transition (Eastern Europe-Caucasus-Central Asia, e.g. EECCA: Armenia, Georgia, Moldova, Kyrgyzstan, Tajikistan). Phasing out is envisaged for those countries whose improved situation food-security-wise does no longer justify FSBL funding (e.g. countries in Eastern Europe and the Caucasus). The phasing in of direct aid is planned for Burundi, Cambodia and Laos, Mali and Uganda.

Two regional allocations for the Horn of Africa (€ 8 Mil.) and West Africa (€ 14 Mil.) are complementing direct aid country targeting, in support of regional initiatives and as reserve funds.

With respect to beneficiaries, the targeting of the FSBL is focused on the poorest and most vulnerable populations, particularly in rural areas, devoting increasing attention to gender aspects and the HIV/AIDS pandemic.

The FSBL comprises different complementary instruments: financial aid and food aid. The combination of these two instruments and the diversity of players allows for interventions in crisis and post-crisis situations, as well as to ensuring the link between relief, rehabilitation and development. The FSBL intervenes at the same time in the field

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<sup>1</sup> The budget line 21.021000 (former B7 8200), covers the administrative expenses of the EC as a member of FAO and it is therefore not the object of this programming exercise (€ 290,000 for 2005).

of crisis prevention, contributing to the establishment of crisis management systems and institutions.

Amounts available are steadily declining year on year: from € 440 Mil. in 2003 and € 419 in 2004 to € 412,65 Mil. in 2005. The figure for 2006, € 441,00 is only indicative.

Allocations for direct support programmes amount to nearly half of the total financial envelope (41%); allocations to NGOs around 16% of the total budget, and those to international organisations to 37 %. Around 42% of direct aid is allocated to Africa, 6 % to Latin America and the Caribbean, 7 % to Near East, 15 % to Asia and 30% to EECCA countries (Eastern Europe; Caucasus and Central Asia).

## 2. INTRODUCTION

Council Regulation EC n° 1292/96 defines the current legal framework of the European Community's food security programme, which the 2005-2006 Programmes will continue translating into action.

The Food Security Budget Line (FSBL) objectives are:

- (i) integrating food security objectives more firmly into the broader framework of poverty reduction (both at the overall policy level and the specific country strategy level),
- (ii) applying the Regulation in full coherence and complementarity with the Community's long-term development instruments,
- (iii) strengthening the efficiency and quality of programme management at all stages of the project cycle, and
- (iv) enforcing effective application of the LRRD concept (linking relief, rehabilitation and development) both at national and regional levels.

The FSBL intervenes across all continents in countries where new and innovative approaches can open the way to a long-term development focus on food security. It plays a complementary role with respect to TACIS in the EECCA countries (Eastern Europe, Caucasus and Central Asia) where it provides budgetary support.

The targeting of the FSBL is focused on the poorest and most vulnerable populations, particularly in rural areas, devoting increasing attention to gender aspects. The impact of HIV-AIDS pandemic is also taken into account.

A recent (2003) Court of Auditors assessment of the FSBL pointed towards the need to improve country targeting of operations. To respond to this comment a consultation of 49 countries was carried out jointly by DG DEV and AIDCO. Delegations were requested to provide information on the overall poverty/food insecurity situation as well as the relevance of food security objectives in the national policy framework and within the EC overall development strategy. The results of the enquiry are included in Annex 1.

Based on past experience and the result of this consultation, this programming document sets out the 2005 – 2006 strategy and focus of the Budget Line. It outlines the methodology adopted for the selection of priority countries, programmes and partners and provides an indicative budgetary allocation for the selected operations.

The FSBL allows for the financing of diverse implementing partners, playing a complementary role in the development process of a given country. Funds are made available to NGOs, as well as to governments and international organisations. Operating through NGOs and international organisations allows for interventions in countries where an official cooperation with the government is not in place or in complementarity with direct support to the government. The FSBL supports governments in establishing food security policies and contributes to developing ownership. In certain countries where the FSBL supports governments, civil society is also strengthened through the funding of NGOs. Funds are provided to international organisations as a contribution to research making an impact on food security.

The total indicative amounts available are: € 412,65 Mil. (2005) and 441,00 (2006) subject to confirmation by the budgetary authority. The total food security budget line funds will be mobilised through the three existing lines as follows: 21.020100 (former 2000 B7- 2000); 21.020200 (former B7 2010); 21.010401 (former B7 2010 A: € 19,714 Mil. for 2005 and € 20 Mil. for 2006); a fourth budget line, 21.021000 (former B7 8200), covers the administrative expenses of the EC as a member of FAO and it is therefore not the object of this programming exercise (€ 290,000 for 2005). The FSBL comprises different complementary instruments: financial aid and food aid. The combination of these two instruments and the diversity of players allows for interventions in crisis and post-crisis situations, as well as to ensuring the link between relief, rehabilitation and development. The BL intervenes at the same time in the field of crisis prevention, contributing to the establishment of crisis management systems and institutions.

The BL contributes to the international debate on food aid and food security, whilst ensuring visibility of the Community's engagements in the fulfilment of the first of Millennium Development Goals (MDG).

However, it is necessary to note that the environment in which the FSBL is called to operate will considerably change in the next years due to a combination of events both internal and external to the Commission: i) the 2004 an evaluation of the Food Security BL will provide key information for the revision of the BL and its regulation, ii) the elaboration of the 2007 – 2013 Financial Perspective may result in a consolidation and reduction of BLs, and iii) in 2004 will start the renegotiation of the Food Aid Convention which may review the scope and extent of food aid supplies by donor countries.

### **3. ASSESSMENT OF THE WORLD'S FOOD SECURITY SITUATION**

#### **3.1. Overview of the world's Food Security situation**

Worldwide, FAO estimates that 842 million people were undernourished in 1999–2001. This includes 10 million in the industrialized 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, the Pacific, Latin America and the Caribbean. In contrast, the numbers continue to rise in Sub-Saharan Africa, in the Near East and North Africa.

During 2002 and 2003, as well as at the beginning of 2004, food crises have broken up in the Horn of Africa and Zimbabwe. In the Horn of Africa, the crisis has been particularly acute in the course of 2003 in Ethiopia and Eritrea, where the 2002 drought had badly worsened the structural vulnerability of their population. In Austral Africa, the regional

crisis was mainly over due to the good harvests in May-June in most concerned countries, except for Zimbabwe, where for reasons of agrarian policy, the harvest was insufficient.

The May 2004 issue of Food-crops and Shortages, a publication of the Global Information and Early Warning System/FAO, blames civil conflict, adverse weather, particularly drought for much of the food shortages, but adds: "In many of these countries, the HIV/AIDS pandemic is a major contributing factor."

### 3.2. Links between Food insecurity and Poverty

According to the official definition given by FAO, people are food insecure when they "lack secure access to sufficient amounts of safe and nutritious food for normal growth and development of an active, healthy life".

Developing countries have started to move away from narrow food self-sufficiency policies towards the broader concept of food security in which markets and public actors play a more active role in adjusting supply and demand and fuelling economic growth. In addition, appropriate Government policies, services, resource allocation and, exceptionally, relief operations should ensure access to assets and food for the most vulnerable groups.

Currently donors are gradually shifting their aid from support to boost agricultural output and massive food aid towards supporting broad-based food security strategies along the lines of availability, access, use and crisis prevention.

Other than in emergency situations such as war or large scale natural disaster, food security normally involves three dimensions:

**Availability of food at regional and national levels:** availability relates to the supply of food at the national level from production, stocks and imports.

**Access to food by households:** Lack of access to food at the household level, whether transitory or chronic, is basically an outcome of poverty.

**Food use and nutritional adequacy at individual level:** related to the adequacy of food intake such as: intra-household distribution of food; mother-child feeding practices; food preparation; food quality and safety

Bluntly stated, the problem is not so much a lack of food as a lack of political will to pursue food security objectives. The vast majority of the world's hungry people live in rural areas of the developing world, far from the levers of political power and beyond the range of sight of the media and the public in developed countries.

The lack of adequate food threatens people's very existence and cripples their ability both to benefit from opportunities for education, employment and political participation and to contribute to economic and social development.

### 3.3. Food Security, the Millennium Development Goals and global efforts to reduce hunger

The Millennium Development Declaration was signed in September 2000 by 189 countries on the occasion of the UN Millennium Summit. The Goals (MDGs) it identifies

have also been endorsed by the OECD's Development Aid Committee (DAC). The level of attainment of these objectives is measured by a set of impact Indicators.

The MDGs includes 8 goals and 18 targets, to be monitored through 48 indicators. The first target is "the eradication of extreme poverty and hunger". The corresponding objectives are: halving, between 1990 and 2015, the number of people living on 1 US dollar a day, as well as the halving of the number of people suffering from hunger as measured by i) the prevalence of underweight children under 5 years of age, and ii) the proportion of population below minimum level of dietary energy consumption.

According to FAO (The State of Food Insecurity in the World, 2003), "the World Food Summit goal of reducing the number of undernourished people by half by the year 2015 can now be reached only if this recent negative trend can be reversed and if annual reductions can be accelerated to 26 million per year, more than 12 times the average annual decrease of 2.1 million achieved so far".

### 3.4. Role of the EC in Food Security

Food Security / Rural Development is one of the six priority area of concentration of the EC's development policy which are reflected in its Country Strategy Papers (CSP).

Given the broad scope of food security objectives and its relations with a wide variety of issues, food security has been receiving increasing international donor attention.

The EC is a major donor in the area of food aid/food security, with an overall budget fluctuating between € 440 and 510 million per year.

**Table 1 : Geographical area, food security budget line (M€)**

|   | 1999          | 2000          | 2001          | 2002          | 2003          |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Europe</b>                           | 26,90         | 11,00         | -             | -             | -             |
| <b>ACP</b>                              | 226,97        | 236,83        | 167,64        | 274,1         | 260,24        |
| <b>Middle East and Mediterranean</b>    | 20,55         | 24,80         | 27,00         | 30            | 22            |
| <b>Asia</b>                             | 80,73         | 61,34         | 77,39         | 69,6          | 48,26         |
| <b>NIS</b>                              | 49,87         | 41,43         | 50,66         | 77,6          | 8,53          |
| <b>Latin America</b>                    | 55,56         | 34,31         | 23,39         | 0,4           | 40,5          |
| <b>Non geographically allocated</b>     | 12,61         | -             | 85,10         | 40,56         | 28,61         |
| <b>Others (TA, Price adjustment...)</b> | 31,79         | 48,70         | 22,81         | 17,74         | 32,2          |
| <b>TOTAL</b>                            | <b>504,97</b> | <b>458,41</b> | <b>453,99</b> | <b>510,00</b> | <b>440,34</b> |

The EC has a lead role in the international debate on food security. Alongside its Member States, the EC participates actively in a number of international fora discussing food security issues including in particular:

- a) The renegotiation of the Food Aid Convention: the European Community is committed to provide 990.000 tons wheat equivalent out of a total of 1.320.000 for the European Union plus an additional commitment of €130 Mil. for some EU MS. The present Convention will be extended beyond June 2005 for a couple of years, pending WTO negotiations in Geneva, which include in their agenda food aid and its trade-related aspects.
- b) Untying of food aid: the EC participates in ongoing discussions in the OECD concerning the untying of aid.

- c) Monitoring of the World Food Summit commitment: DG TRADE, RELEX, DEV, AGRI are in charge of the follow-up of engagements made by the EU Commission on the occasion of the World Food Summit of 1996, renewed at the 2002 Summit. In the framework of this follow-up, a particular attention is given to commercial negotiations within WTO.
- d) Consultative Sub-committee on Surplus Disposal (CSSD): the EC also participates in the Consultative Subcommittee on Surplus Disposal.

Furthermore, the EC plays a major role in the international donor community and actively engages with implementing partners, as follows:

- a) EC role on donor coordination: the Commission, who has been actively pursuing greater integration of the food security objectives in PRSPs and national development strategies, is determined to improve donor coordination in international fora to improve the global donor response to food insecurity. This objective translates in a number of international initiatives including at G8 and FAO level.
- b) Needs Assessment: the EC has been leading the discussions with development partners (and in particular the WFP and FAO) aimed at improving the methodology of needs assessments in food insecure countries. The objective is to provide a fair assessment of food aid needs and avoid responding systematically with food aid to the needs of vulnerable populations.
- c) Food Security Information Systems: the EC has been strongly supporting FAO work aimed to improve Food Security Information systems as key to improve the understanding of the causes of food insecurity and establish the basis to design appropriate food security policies and strategy and prevent crises.

#### 4. OPERATIONS FINANCED IN THE PAST AND LESSONS LEARNED

##### 4.1. 2003/2004 Allocations

Table 1 presents the amount allocated to the various instruments of the FSBL in 2003/2004, for which the primary commitment rate is 99%.

**Table 2 : Summary allocations in 2003/04 by instrument and partner (€ Million)**

|   | 2003          | 2004         |
|---|---------------|--------------|
| <b>Financial support for structural food security</b>                 | <b>182</b>    | <b>190,7</b> |
| Support to government programmes:                                     | 134,8         | 140,5        |
| NGOs  | 25            | 22,5         |
| Others (FAO + CGIAR)  | 22,2          | 27,7         |
| <b>Food Aid - through annual allocations</b>                          | <b>242,35</b> | <b>206</b>   |
| WFP   | 120           | 105          |
| NGOs  | 50            | 50           |
| UNRWA   | 15            | 13           |
| ICRC  | 8             | 8            |
| Government  | 49,35         | 30           |
| <b>Capacity building, price contingencies, monitoring and reserve</b> | <b>15,99</b>  | <b>22,3</b>  |
| <b>Overall total BL</b>   | <b>440,34</b> | <b>419</b>   |

## 4.2. Lessons learnt

The implementation process has so far focused on:

- the consolidation of poverty reduction/food security strategies in countries with a high degree of food insecurity;
- the preparation of implementation arrangements;
- the distribution of food-aid in countries exposed to crises and conflicts, or subject to natural disasters, mainly through WFP and NGOs.

Efforts have been made in a number of beneficiary countries to deepen the policy dialogue between the Commission and national authorities in view of better integrating food security objectives and issues into national poverty reduction strategies. The implementation of on-going programmes and projects as well as the appraisal process of new operations are increasingly benefiting from the results of programme reviews and audits.

### *The 2003 Court of Auditors' Report*

In April 2003, the Court of Auditors published Special Report No 2/2003 on the implementation of the food security policy in developing countries financed by the general budget of the European Union.

The Budget Line has been criticised for the lack of objective criteria on which to base the identification of beneficiary countries. In order to improve the programming of the various instruments of the Council Regulation EC n° 1292/96 and base the selection of and the financial allocation to priority countries on more objective grounds. The current programming exercise is an attempt to respond to the remarks of the Court taking into account the need for continuity of operations and the specific needs and of eligible countries.

### *The 2004 Evaluation of the Food Security Budget Line*

The final report of the evaluation was submitted to the Commission in June 2004. The report, not yet approved by the Commission, praises the flexibility and poverty orientation of the BL and highlights its added value in particular in the LRRD process.

Main conclusions and recommendations of the “Thematic evaluation of food-aid policy and food-aid management and special operations in support of food security”, July 2004” can be found in annex 3

### *A bi-annual programming period*

This present programming exercise (2005-2006) will cover a two year period, taking into account one of the recommendations of the 2001 evaluation of the Food Security Budget Line. The bi-annual programming period, started for the 2003-2004 exercise, constitutes another step to further improve and enhance timely action and coherence amongst the Commission's main actors in the field of food security and food aid.

### ***Improving the EC internal coordination***

Considerable progress has been made during 2002 and 2003 in strengthening policy and operational collaboration between DG DEV, RELEX, AIDCO and ECHO. As a result, the programming and targeting of the Commission's food security and food aid assistance, as well as coherence with other instruments (budget lines NGO Co-financing, Rehabilitation etc), have gained in coherence and efficiency.

Devolution (de-concentration) of programme management responsibility to Delegations, should result in a better identification of country needs, the improvement of coordination and efficacy of Community food security programmes

As a means to improve coordination, share experience and provide support to Delegations, AIDCO has established in 2003 a thematic network on food security and rural development under the responsibility of the Food Security Unit (AIDCO/F5).

## **5. OBJECTIVES AND GUIDING PRINCIPLES (THE RESPONSE STRATEGY)**

### **5.1. Objectives**

Food security interventions will aim at tackling the underlying structural causes of food insecurity, at the following three levels:

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

### **5.2. Guiding principles**

Appraisal and implementation of the 2005-2006 EC support for food security shall be guided by the following principles:

- Food security interventions will be designed and implemented to be consistent with the EC development policy and in line with the Commission's country and regional support strategies;
- Close co-ordination with the other EC financial instruments, with ECHO, as well as EU Member States and other major donors will ensure external coherence and complementarity;
- Food security programmes will support changes in the wider policy and institutional environment necessary for achieving sustained economic growth and reducing poverty;
- To the extent possible, food security and food aid support will build on nationally owned policies and strategies for poverty reduction, as well as in the field of social cohesion.
- Particular attention will be given to reinforcing national capacity; local partnership will be strongly supported.
- All interventions will be appraised in terms of their direct and indirect impact on incomes for the poor and most vulnerable population.

- Particular attention will be given to disaster preparedness and crisis prevention.
- In protracted and post crisis situations, particular attention will be given to linking relief, rehabilitation and development.
- Food aid interventions will be consistent with the *Code of Conduct for Food Aid* agreed within the EU.
- The arguments for or against the use of food aid will be made on the grounds of its efficiency as an instrument to reduce poverty and food insecurity in a specific environment. Where and whenever possible, priority will be given to local and regional purchases.
- To the extent possible, sustainability of food security programmes will be increased.

## **6. FOOD SECURITY INSTRUMENTS AND APPROACH**

### **6.1. Financial Instruments**

According to the mode of delivery financial aid can be provided either as budgetary support, implemented according to national procedures, or as projects implemented according to Commission's procedures, at national (in the framework of an agreement with the government) and global levels (collaboration with international organisations).

#### ***6.1.1. Budgetary Support***

Budgetary Support (including the foreign currency facility) will be utilised in specific situations and conditions as defined in (i) the Council Regulation (EC) No. 1292/96, (ii) the guidelines on budget support, (iii) the Financial Regulation and as mentioned in the "Thematic Evaluation of food-aid policy and food-aid management and special operations in support of food security, (July 2004)". It will be provided as financial assistance through the government budget in support of the following main objectives:

- support policy and institutional reforms 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.

Budgetary aid should be applied only in specific situations and under well defined conditions:

- Low income and least developed countries;
- Countries with a strong macroeconomic framework demonstrating fiscal sustainability;
- Countries with good governance including solid public finance management and effective public and private sectors;
- Existence of policies and programmes that are demonstrably in favour of promoting food security and reducing poverty.

The group of countries located in Eastern Europe, Caucasus and Central Asia that have been receiving budgetary support for a considerable number of years so far, should make

further efforts to fulfil the above conditions. Coordination with budgetary support provided by macro-economic support programmes (ECFIN) should be reinforced.

The “Thematic Evaluation of food-aid policy and food-aid management and special operations in support of food security, (July 2004)” specifies that : “In accordance with the provisions of the Food Aid/Food Security 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 progressive reorientation has already been initiated in Eastern Europe, Caucasus and Central Asian countries where emphasis is given to monitoring impact of budgetary aid through appropriate outcome indicators.

The Guide to the programming and implementation of budget support for third countries specifies that: it is envisaged that budget support provided under Community programmes and generated by the currency facility should be non-targeted. However, in some post-crisis situations (food, financial), especially in countries with recurrent liquidity problems at the Treasury and weak institutional decision-making capacity in the area of food security policy, budget support may be targeted to specific public expenditure programmes, accompanied by a reform programme in the sectors concerned.

#### **Ethiopia – Food Security Safety Net Programme**

The Government of Ethiopia is designing a Safety Net Programme to address the needs of approximately 5 million chronically food insecure. The programme, for which the government is seeking multi-annual financial commitments from donors, is intended to replace recurrent emergency food aid programmes. The five-year Safety Net programme, planned to start in 2005, will provide employment during the lean season to households identified (by the community) as food insecure. Wage payments will be made in cash, although the possibility exists that food or vouchers will be used for payments in some communities. The bulk of programmes resources will go for public works.

### ***6.1.2. Project Support***

#### ***Support to country/ regional strategies and programmes***

Project support will be maintained in countries with a weak institutional framework and where the policy environment does not allow budgetary aid. More specifically, project support will:

- ensure the targeting of financial support to vulnerable food insecure groups;
- ensure proper management of development assistance and promote capacity building in conditions of unacceptable weak public sector management and lack of realistic perspectives for improvement
- allow to test pilot approaches to tackle food insecurity;
- allow implementing specific activities addressing key bottlenecks in food availability and access to food;

- ensure 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.

Regional strategies on food security should be promoted and whenever justified supported.

### *Addressing the global dimension of food security*

The challenge confronting the developing world today is far more intricate than simply producing more food, because global conditions are very different than they were on the eve of the Green Revolution, almost four decades ago. To effectively reduce food insecurity, the world community must simultaneously address the issues of poverty, food availability, environmental degradation, and erosion of genetic resources, in a complex political and policy environment. Since roughly 80% of the poor in developing countries still depend either directly or indirectly on agriculture (including fisheries, forestry and livestock) for their livelihoods, Agricultural Research for development (ARD) therefore plays a very important role for reducing food insecurity.

## **6.2. Food aid**

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. Preference will be given to local and regional purchases.

Food aid in-kind shall be used for well-recognised emergencies and humanitarian crisis and not as a disposal mechanism. It will be restricted to situations where it is the most appropriate means to solve the problems. It will be provided either directly through government programmes or indirectly through (mainly) WFP programme and NGOs (and for a smaller amount through UNRWA and ICRC) for the following situations:

- complementary to ECHO's emergency work, to provide relief in cases of protracted crisis;
- as a contribution to strategic reserves and safety nets;
- for operations linking relief, rehabilitation and development

Food aid in-kind operations may be combined with food security interventions.

Food products shall be mobilised on the Community market, in the recipient country or in any of the developing countries as specified in Article 11, paras. 1-4 of Council Regulation EC n° 1292/96.

Targeting of EC food aid to specific regions, countries and projects will be subject to a continuous process of analysis, needs assessments, information and consultation between

AIDCO, ECHO and the main UN and NGO partners in consultation with DG RELEX, DEV and AGRI.

The bulk of the EC food aid support is programmed through annual global allocations mainly channelled through WFP NGOs, ICRC and UNRWA. It will be provided on the basis of the principles and orientations outlined above, taking into account more specifically the phasing out of humanitarian assistance provided by ECHO and on the basis of a sound needs assessment. Country allocations are determined through Annual Work programmes for grants, drawn by AIDCO in close consultation with ECHO for the targeting of the food aid allocation, in order to allow for certain flexibility in responding to food crises in an adequate manner.

### 6.3. The Programming Approach

As it was mentioned in the Minutes of the EC Regional Seminar in Southern Africa (October 2002, Pretoria), whatever the instrument, focal and non-focal programmes of the CSP should contribute directly or indirectly towards food security.

The existing financial instruments of the food security budget line are more or less relevant to a specific country situation depending on the underlying causes of food insecurity.

The table below shows the range of FSBL instruments and their relevance according to the origin of crises:

**Table 3 :** Relevance of FS BL Instruments according to the type of country

|                           |  | CRISIS   |                  |          | Protracted Crisis | Post Crisis | Chronic Food Insecurity |
|---------------------------|--|----------|------------------|----------|-------------------|-------------|-------------------------|
|                           |  | Conflict | Natural disaster | Economic |                   |             |                         |
| Food Aid                  | in emergencies                             | x        | x                | --       | --                |             | --                      |
|                           | for Safety nets                            | --       | --               | x        | x                 | x           | (x)                     |
|                           | for Crisis prevention (e.g. food reserves) | --       | (x) if recurrent | --       | --                | --          | x                       |
| Financial Aid NGOs (cash) |  | x        | x                | (x)      | x                 | x           | x                       |
| Project Aid               |  | --       | (x)              | x        | x                 | x           | x                       |
| Budgetary support         |  | --       | (x)              | x        | (x)               | (x)         | x                       |

Note: x fully relevant; (x) partly relevant; -- not relevant

For all country support programmes (both budgetary and programme/project instruments), it is essential to design operations with an **exit strategy**. Given the added value of the FSBL with respect to other Community instruments in the LRRD process, an exit strategy implies that a country may graduate from FSBL support, progressively moving towards addressing food security objectives through long term geographical instruments (EDF for ACP countries, ALA/MED BLs for non-ACP developing countries) thus phasing out support from the FSBL. Simultaneously, depending on local circumstances, support may be phased-in in other countries. For a smooth transition from

one financing instrument to another, the various services of the Commission involved bear the responsibility to ensure complementarity between thematic and geographical instruments.

Examples of countries which have phased out support from the FSBL or will do so in the next programming cycle include Peru, and Mozambique. The latter is likely to shift financing of food security support from the BL to the 9<sup>th</sup> EDF. Similar process will have to be envisaged in other countries where the improving situation does not warrant any longer the intervention of the FSBL or assistance could be better provided through geographical instruments. This is the case of Armenia, Georgia, Azerbaijan and Moldova.

In a context of declining resources allocated to the FSBL, the phasing in of countries emerging from crises (fully relevant for LRRD), e.g. Laos/Cambodia, Uganda, Burundi, East Timor can only be made possible by a phasing out of other countries where the situation justifies the use of more appropriate (and long term) development instruments. Phasing in for the above mentioned countries is planned for the year 2006. A reserve of €1 million will be allocated in the 2005 budget to allow for preparatory studies and technical assistance. The phasing-in will depend on the identification of the programme and human resources available in the EC Delegation.

## **7. MULTI-ANNUAL INDICATIVE PROGRAMME**

Programming of country allocations and the appraisal of programmes and projects requires a thorough analysis of ongoing/planned ECHO activities on the one hand and long term geographic development instruments (EDF, ALA, MED and others) on the other, with a view to ensuring a coherent use of the different financing instruments. In crisis and post-crisis situations, there is a particular need for ECHO and AIDCO to consult and to share their assessments of situations and needs in order to ensure a smooth transition between emergency relief, post crisis rehabilitation and long term development.

### **7.1. Implementing Partners**

Based on the respective comparative advantages, aid will be channelled to beneficiaries either through governments and (direct aid) or through intermediaries such as NGOs and/or international organisations (indirect aid). The most appropriate aid channel will be selected according to the country situation and the beneficiaries' needs and requirements.

#### ***7.1.1. Direct support to governments***

##### ***Financial support***

Food security objectives must be integrated within national poverty reduction strategies and EC country/regional strategy papers. It is at this level that EC's priorities and concerns are articulated together with those of the partner government, EU Member States, and other regional and international agencies. Key principles to be observed:

- National ownership for national development strategies, food security and sectoral policies; the same principle of ownership applies in the case of regional strategies;
- Policy and strategy dialogue with partner governments and civil society on pro-poor policies and strategies;

- Priority to multi-annual food security programmes wherever the necessary conditions are in place;

Financing proposals for food security direct support to governments:

- will be based increasingly on country or regional strategies in order to address questions of coherence and complementarity with other programmes financed by the EC, EU Member States and other donors;
- will focus on the most relevant food security problems, tackle the underlying causes of these problems, address issues of targeting, and devote greater attention to baseline studies, gender relations, environmental aspects and monitoring indicators;
- will demonstrate the added value of using the FA/FS BL to finance a given operation as compared to other financing instruments (mainly EDF and ALA, other budget lines);
- will give due attention to cross-cutting issues and in particular gender and environment. A work on gender issue in food security project has been initiated in the food security Unit, in close relation with the Thematic network on gender directed by AIDCO/F4.
- will, considering the LRRD nature of the FA/FS BL, present the key features for an exit strategy;
- systematically be based on a logical framework in conformity with the principles of Project Cycle Management applicable to all EC projects.
- take into account aid absorption capacity

For four eligible countries (Burundi, Uganda, Laos and Cambodia) a phasing in of direct support to the government is planned.

### ***Food Aid***

In some cases, food aid is granted directly to the government, such as in Ethiopia in 2003. Financial resources are allocated to the government who is responsible for local purchases.

The financial allocation table showed in Annex 1 gives a geographical repartition of direct funds to countries.

#### ***7.1.2. Indirect support***

The present programming document cannot determine the precise geographic coverage and the type of operations to be funded under indirect support. These will be developed in subsequent Annual Work-plans by AIDCO. Close coordination with DEV and ECHO is essential in the preparation of the said Work-programme, in order to ensure a smooth transition between emergency operations carried out by ECHO and those financed by the FSBL. The description of the nature of indirect support is done according to implementing partners as follows:

#### ***Indirect support provided through NGOs***

Until 2004 NGOs projects were supported either by food aid or cash or a combination of both:

- Food-aid-in-kind for NGOs was being provided solely through EuronAid, which organised (i) transport to and within the beneficiary country and (ii) local purchases.
- Aid-in-cash was provided to NGOs on the basis of an annual “call for proposals”, or direct agreement in emergency situations.

Since 2002, financial resources for NGOs programmes have been made available through “calls for proposals”, in line with the new Financial Regulation. This will be applied to all NGO projects in this programming cycle. To ensure coherence with both the national food security strategy and the EC Country Strategy, a “Country Technical Paper” will be developed for each priority country where NGO operations are foreseen.

In practice, it has proved problematic to combine these two instruments within a single project due to difficulties in synchronising the two delivery channels. This limits (i) the capacity to respond to the real needs of the population and (ii) the ability to link relief, rehabilitation and development. Furthermore the introduction in 2003 of the new Financial Regulation for EC aid has required a revision in the implementation of EC instruments. An inter-service Group is currently working on identifying new “modus operandi” for the Commission in this area. The conclusions of this inter-service Group will be applied in the implementation of this programming document.

However, it is likely that, from 2005 onwards, NGO projects will be financed solely with aid-in cash on the basis of annual calls for proposals to be launched either centrally in Brussels or in each beneficiary country. Project proposals will be assessed according to clearly defined country or regional strategies.

The project proposals will detail where appropriate, the mode of partnership chosen by the NGO and provide justification for the use of food aid.

In application of Commission Regulation (EC) N° 2519/97, the Commission authorises the NGOs to purchase products both within and outside the Community (i.e. local and triangular purchases).

The selection of countries that will benefit from NGO support will be carried out in coordination with the Delegation, in consultation with ECHO and based on the following criteria:

- country targeting taking into account where funds had been allocated in previous years;
- priority given to countries where the dialogue with the government is difficult, notably countries in a state of crisis/post-crisis;
- complementarity with direct aid programmes in chronic food insecurity countries.

A group of eligible countries, “phasing in” indirect aid in 2005 or 2006 (Burundi, Uganda, Timor East), has already been identified for support through NGOs (Laos and Cambodia are already benefiting from aid through NGOs). However, the tentative list of countries could be modified if properly justified.

A consequence of the reduction of the budget with respect to previous years is a decrease of funds granted to NGOs. A budget of € 69 Million for 2005 and € 65 for 2006 is proposed for the NGOs.

### ***7.1.3. Indirect support provided through International Organisations***

#### ***Financial support***

##### ***FAO***

Collaboration with FAO will be centred on the EC-FAO Partnership agreed in 2004. Focus will be on (i) Reinforcing national and regional capacity for the design and implementation of Food Insecurity Information Systems, (ii) Reinforcing awareness of Government/Local Actors on food Insecurity/Poverty Links (iii) Integrate the food insecurity information systems in design/implementation of food security policy and strategy. The EC/FAO “Food Security Information for Action” is a three year programme of € 15 Mil. (2004-2005-2006), building on the mid-term review recommendations of a previous project started in the year 2000.

In parallel, support through FAO will also target cross cutting activities of particular relevance for Food Security and Poverty reduction in fields where FAO has a recognised comparative advantage such as support to the recovery of the agricultural sector after a natural disaster. The total FSBL funds allocated to FAO in 2002 and 2003 amount to over € 15 Mil., for projects implemented in 5 countries (Afghanistan, Somalia, Honduras, Bolivia, Eritrea) as well as the Central American region

##### ***CGIAR***

The Consultative Group on International Agricultural Research (CGIAR) founded in 1971 continues, with its fifteen International Research Centres, to be at the forefront of research in the field of food security and natural resources management, including genetic resources and international policies. The Commission and EU Member States highly value the relevance and quality of the strategic research carried out by the CGIAR. They have a long-standing history of support to the system. The present proposal is based on the Commission's strategy for support to agricultural research, in which the CGIAR plays the key role for strategic and applied research.

The proposed programme is a follow up to the EC allocations provided over the last 3 years. The external monitoring of a sample of CGIAR research projects supported by the EC has been carried out as planned in the Financing Proposal dated 28 February 2002. The results were very positive and the experts strongly recommended the continuation of the EC support to the CGIAR selected programmes.

As indicated in the EC-CGIAR strategy document, the EC resources for 2005-06 will be allocated to a limited number of CGIAR programmes with high food security incidence, in the fields of Genetic Resources, and International Policies, including issues related to water management and a limited contribution to the new IAASTD initiative launched by a number of co-sponsors (FAO, UNDP, UNEP, UNESCO, WHO and the World Bank).

Resources will be channelled through the World Bank, which hosts the CGIAR Secretariat. An annual amount of € 23 Mil. is programmed.

*Food Aid***– World Food Programme (WFP)**

The World Food Programme (WFP) is currently the largest single non-government partner to channel food aid. Contributions to the WFP will continue to be provided as food aid, and will be focused on protracted crisis and post crisis situations (EMOP and PRRO categories). The improvement of food access to the most vulnerable people will be the main objective.

The operations of WFP should be programmed and implemented in a manner that is coherent and complementary to other EC interventions in the same country or region. In countries facing crisis or post-crisis situations, operational coordination between AIDCO/ECHO will be particularly strengthened.

In application of Commission Regulation (EC) N° 2519/97, the Commission authorises the WFP to purchase products both within and outside the Community (i.e. local and triangular purchases).

The programme will be implemented in accordance with the New Financial Agreement (included mobilisation modalities of the foodstuffs) as well as in accordance with the new partnership agreement between WFP and the Commission.

Allocations in 2004 went to the following countries: Sudan, Angola, Ethiopia, Uganda, Eritrea, Burundi, Congo, Ivory Coast, Liberia, Palestine, Tanzania, and Chad. WFP targeted refugees and internally displaced people as beneficiary groups in Burundi, Angola, Tanzania, Uganda, Afghanistan, Chad/Sudan, Tanzania and Ivory Coast for a total amount of € 39,5 Mil. Based on past interventions, recent crises and current forecasts it is likely that WFP interventions in 2005 will include such countries as Ethiopia, Eritrea, Somalia, Sudan, Angola, Haiti, Uganda, Ivory Coast, Burundi, Tanzania, Madagascar, Zimbabwe.

An indicative amount of € 110 Mil. is allocated to WFP for 2005 and of € 105 for 2006.

**– United Nations Relief and Works Agency (UNRWA)**

Since 1950, UNRWA has the mandate to facilitate the access to basic social services to Palestinian refugee populations in Jordan, Syria, Lebanon and Palestine (Gaza and West Bank).

Since 1996, the European Commission through its food security budget line has been financing a Food Aid and Cash Assistance Programme for the benefit of the most deprived sections of the Palestine refugee population in Middle East countries. For this purpose, a direct contract with UNRWA was established on an annual basis so as to award the management, monitoring & evaluation of this programme to the only organisation able to reach to the intended beneficiaries located in some 60 refugee camps in the region. The programme, is to be considered of an humanitarian nature.

The UNRWA programme consists in the distribution of food aid (Special Hardship Cases Programme) and support to vulnerable households' incomes in cash, the latter modality becoming more and more important. The programme is to be implemented under the existing three-year EC-UNRWA Convention and will fall under the UNRWA's Relief

and Social Services (RSS) programme, which is one of the organisation's three main programmes along with Health and Education. The European Union is by far the largest donor to UNRWA's budget. Special care should be devoted to ensure coordination, in particular with WFP and ECHO funded interventions.

In application of Commission Regulation (EC) N° 2519/97, the Commission authorises the UNRWA to purchase products both within and outside the Community (i.e. local and triangular purchases).

The allocation programmed for 2005 and 2006 is of € 14 Mil. and 15 Mil.

– **International Committee of the Red Cross (ICRC)**

The International Committee of the Red Cross intervenes in accordance with the specific mandate entrusted by the signatory states of the Geneva Convention of 1949. This mandate establishes the two principal aims of any ICRC's intervention, namely: i) protection and assistance to the victims of armed conflicts and internal violence, in order to preserve their physical integrity and dignity, as well as ii) assistance to restore their self-reliance as soon as possible.

The ICRC interventions financed by EC aim at ensuring an appropriate response to the situations of food insecurity in developing countries, focused on emergency or post-emergency situations.

The nature of crises, covered by the ICRC's programme, varies greatly. Needs are therefore extremely diverse, therefore interventions should be able to cope and adapt to all kinds of situations. In order to ensure the greatest flexibility possible and to answer efficiently to the needs of the programme's beneficiaries, the Commission proposes an overall allocation for the ICRC. However, funds will have to be managed according to EC priorities.

In application of Commission Regulation (EC) N° 2519/97, the Commission authorises the ICRC to purchase products both within and outside the Community (i.e. local and triangular purchases).

For 2005 and 2006 an annual allocation of € 8 Mil. is programmed.

The financial allocation table showed in Annex 1 contains only annual figures by implementing partner. Annual work plans will detail the nature of operations and the targeted countries.

## **7.2. Geographical priorities**

### **7.2.1. The eligible countries**

The 127 eligible countries are listed in the regulation 1292/96:

- Least-developed countries;
- Other low-income countries (per capita Gross National Product <675 US \$ in 1992);

- Lower Middle income countries, Per capita Gross National Product (US \$ 676 – US 2695 in 1992).

In order to avoid a fragmentation of resources and to enhance impact on beneficiary countries, some thirty priority countries have been selected among eligible ones.

### ***7.2.2. The priority countries***

There are three types of priority countries, those in a crisis/post crisis situation, those where food insecurity is chronic, and other countries such as the EECCA.

#### ***A. Countries in a crisis/post crisis situation***

The Communication (2001) 153 on Linking Relief Rehabilitation and Development- An assessment, distinguishes three categories of crisis: natural catastrophes, violent conflicts, structural crises (countries where the political, economic or social situation is seriously deteriorating). A partnership with the government is possible in the countries affected by natural catastrophes and economic crisis (where state structures are not in question), whilst that would not be possible in countries in conflict. It is however to be underlined that crisis causes are most frequently mixed, especially in case of protracted crises.

The response in case of countries in a state of crisis/post-crisis of economic nature, or natural catastrophe, will be similar to that provided in the case of countries in a state of chronic food insecurity. The response in case of countries facing a crisis of human nature (conflicts) will be based on indirect aid via NGOs and International Organisations (WFP, ICRC, UNRWA). In 2004, assistance for a total amount of approximately € 50 Mil. was provided to refugees and internally displaced people through WFP and UNRWA. Among the countries in a state of crisis/post crisis, a particular care has been given to countries and regions followed-up by an inter-service working group (involving RELEX, DEV, ECHO and AIDCO) on LRRD: Angola, Sierra Leone, Ethiopia, Burundi, Sudan, West Africa, Caribbean, Cambodia, Tajikistan, Afghanistan, South Asia, Central America and Andean Community. A specific attention should be given to HIV/AIDS pandemic is a major contributing factor of food insecurity, especially in Southern Africa.

#### ***B. Countries in a state of chronic food insecurity***

For the countries facing chronic food insecurity, priority should be given to those with the following features, according to the «Programming guidelines for Rural Development and Food Security»:

a) Food insecurity situation: work is in progress to identify food insecurity indicators at country level. The different dimensions of food insecurity should be taken into account, namely:

- Households' lack of access to food due to poverty: international and national poverty line, which is an MDG indicator.
- The lack of availability at national level: that aspect is measured by the under-nourishment indicator calculated by FAO
- Malnutrition at individual level. Among the three malnutrition indicators for children of less than 5 years, insufficient weight is taken into account, since it s an MDG.

b) The food security policy and strategy of the partner country: is food security integrated in the PRSP or in other policy documents of the country. This approach includes an analysis of the process having led to this formulation, an analysis of the institutional framework, and the operational strategies (taking into account the appropriate targeting and the cost of implementing).

c) EU Commission's priorities: is food security integrated in the CSP or other EC policy documents. Food security may be taken into account in the CSP either in a specific or in a horizontal manner.

d) The consolidation of the EC food security policy: the FSBL must make sure that continuity exists with actions undertaken in previous years, especially in those countries where a budgetary support has been jointly defined with the government.

e) The absorption capacity of a given country: accumulation of non allocated resources and the RAL (*reste à liquider*) level provide an indication.

f) Complementarity with commitments made by other donors: the value added of the Commission would be limited if other donors are already present in the field of food security.

g) The value added of the FSBL with respect to other EC budgetary lines and other financial instruments: food security is one of the six priority areas for Community support to poverty reduction objectives. This means that food security problems should be addressed not only by the food security budget line, but by using all relevant development instruments.

The total allocation to this group of countries corresponds to the 52% of the global amount of direct aid.

### ***C. Economies in transition***

A group of Eastern Europe-Caucasus-Central Asia (EECCA) countries are FSBL beneficiaries, through budget support. Diffused poverty, their recent history and geographical location at the borders of the EU, have been the main reasons for keeping them included among the beneficiaries.

Direct support to state budget has proved so far to be a successful instrument in tackling food insecurity and poverty issues, hence continuity is crucial to support on-going processes. However, for the Caucasian countries where budgetary support has been provided for a long period of time, a phasing out from the BL support is envisaged after the present, last allocations 2005-2006.

#### ***7.2.3. Regional Organisations***

Regional Organisations' food security programmes may be supported, whenever the value added for intervening at supra-national level is necessary and justified. This could be the case for prevention measures to reduce and eventually eliminate the desert locust threat, or to support regional capacity of food security information systems and other programmes proposed by regional organisations.

For the Western African region and the Horn of Africa, funds have been earmarked as reserve in order to cope with unexpected needs, as well as to cater for the above mentioned programmes, as necessary.

### *7.2.3. Summary of 2005-2006 allocations by region and country*

Annex 2 presents a summary of the proposed 2005-2006 allocations by region.

In order to identify the priority countries for the 2005/06 FS programme a questionnaire has been sent to the Delegations of 49 countries. The questions focused on i) food security as priority for the country ii) food security as priority for the EC and other donors iii) food security in the context of LRRD.

Financial envelopes have been allocated striking a balance between the requests from Delegations and the available budget.

Country allocations include financial assistance to governments in the form of budgetary support and programme/project aid. They reflect short to medium term planning horizons and are based on information and request received from EC Delegations and beneficiary countries. The financial resources will be mobilised essentially through multi-annual programmes. Only in newly prioritised countries the first year will be devoted to a thorough analysis of needs and strategic priorities for food security.

Food aid through annual allocations mainly channelled through WFP, UNWRA and other partners (ICRC) will be targeted to regions in crisis or post-crisis situations and to countries covered or not by annual or multi-annual programmes.

The proposed resources for both financial support and global food aid 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. In addition to country and global allocations, two regional envelopes have been reserved for the Horn of Africa and Western Africa to provide the flexibility required intervening in post crisis situations and ensuring that financial resources are available to support the LRRD. The commitment and implementation process will be closely monitored and the proposed 2003-2004 allocations will be reviewed regularly.

**Table 4: Funding justification (direct aid)**

| <b>Country</b>     | <b>2005<br/>€ Mil</b> | <b>2006<br/>€ Mil</b> | <b>Funding justification</b>   |
|--------------------|-----------------------|-----------------------|--|
| <b>Afghanistan</b> | 10,00                 | 10,00                 | Post crisis (LRRD). International commitment for rehabilitation to be respected.   |
| <b>Angola</b>      | 5,00                  | 10,00                 | Post crisis (LRRD). Need funds to implement the national food security strategy defined recently, which is in support of national reconciliation.  |
| <b>Armenia</b>     | 11,00                 | 10,00                 | Poverty and social focus. Successful budgetary support operation needs continuity. Complementarity with TACIS Funds, which are limited and only available for TA. Last allocation, phase out from FSBL |
| <b>Azerbaijan</b>  |                       |                       | Phasing-out  |
| <b>Bangladesh</b>  | 20,00                 | 25,00                 | Chronic food insecurity, massive scale poverty.  |
| <b>Bolivia</b>     |                       | 10,00                 | Poverty. Funding still available in 2005 from previous allocations.  |

|                     |       |       |  |
|---------------------|-------|-------|--|
| <b>Burkina Faso</b> | 2,00  |       | Poverty, food insecurity. See regional allocation for West Africa.<br>Resources needed for the implementation of the action plan on national food security information system. |
| <b>Burundi</b>      |       | 3,00  | Post conflict situation (LRRD). Phasing-in in 2006. Funds envisaged for NGOs (€2 M in 2005 and €2M in 2006)  |
| <b>Cambodia</b>     |       | 3,00  | LRRD relevant. Phasing- in in 2006. Regional programme Laos / Cambodia. Funds for NGOs (2 M € in 2005) available.  |
| <b>Laos</b>         |       |       | See Cambodia   |
| <b>Cabo Verde</b>   |       |       | Substantial allocation in 2003 still to be spent.  |
| <b>North Korea</b>  | 2,00  | 2,00  | Poverty, chronic food insecurity. Programme of agricultural rehabilitation.  |
| <b>Cuba</b>         |       |       | Political context  |
| <b>Ecuador</b>      |       |       | Poverty. Funding still available from previous allocations.  |
| <b>Eritrea</b>      | 3,00  |       | Poverty, chronic food insecurity. Possible funding from the Horn of Africa regional allocation in 2005 and 2006  |
| <b>Ethiopia</b>     | 10,00 | 20,00 | Poverty, chronic food insecurity. Discussions with the government are ongoing for moving from a food aid approach to budgetary support.  |
| <b>Georgia</b>      | 10,00 | 10,00 | Poverty. Budgetary support to be continued in complementarity with TACIS funds. Last allocation, phase out from FSBL   |
| <b>Haiti</b>        | 6,00  |       | LRRD: post crisis. Poverty. Political crisis from 2000.EC provides a structural assistance in comparison with other donors who mainly provide food aid.                        |
| <b>Honduras</b>     | 3,00  | 3,00  | LRRD, recurring natural calamities   |
| <b>Kyrgyzstan</b>   | 9,00  | 9,00  | Poverty. Budgetary support to be continued in complementarity with TACIS funds   |
| <b>Madagascar</b>   | 9,00  | 10,00 | Budgetary support complementary to EDF.  |
| <b>Malawi</b>       | 15,00 | 15,00 | Poverty, HIV/AIDS pandemic, food insecurity.   |
| <b>Mali</b>         | 1,20  |       | Poverty. Specific grant (nutritional programme) in complementarity with EDF 9 + regional allocation for West Africa  |
| <b>Mauritania</b>   |       |       | Poverty, food insecurity. See regional allocation for West Africa  |
| <b>Moldova</b>      |       | 10,00 | FS mainstreamed in the poverty reduction framework, funds available in 2005. Last allocation, phase out from FSBL  |
| <b>Mozambique</b>   | 15,00 |       | Poverty. Phasing out in 2006   |
| <b>Nicaragua</b>    |       |       | Funding still available in 2005 from previous allocations.   |
| <b>Niger</b>        |       |       | Poverty, food insecurity. See regional allocation for West Africa  |
| <b>Uganda</b>       |       | 4,00  | LRRD: Conflict in the North. Complementarity with ECHO and EDF B envelope. Phasing-in in 2006. Additional funds for NGOs (2 M € in 2005)                                       |
| <b>Palestine</b>    | 6,00  | 6,00  | LRRD. Conflict situation: increase of poverty and food insecurity during last years. Need resources to implement the food security strategy recently defined.                  |
| <b>Peru</b>         |       |       | Phasing out in 2006. ALA funds   |
| <b>Somalia</b>      |       | 4,00  | LRRD, see regional allocation for the Horn of Africa. Funding of the Food Security Unit / FAO  |

|                       |      |      |  |
|-----------------------|------|------|--|
| <b>Sudan</b>          |      |      | LRRD relevant. EDF funding available   |
| <b>Tajikistan</b>     | 8,00 | 9,00 | Poverty. Budgetary support in complementarity with TACIS funds, NGOs, ECHO   |
| <b>Timor Oriental</b> |      |      | LRRD and poverty. Temporary grant before EDF 10 : 6 M in 2005 through NGOs   |
| <b>Yemen</b>          | 6,00 | 6,00 | Chronic food insecurity, poverty. Given the important amount of unspent funds, the entire 2006 allocation will be reviewed on the basis of absorption capacity |
| <b>Zimbabwe</b>       |      |      | Indirect intervention preferred to a direct collaboration with the government. (2002 allocation was just food aid )  |

To be noted: (i) 2006 amounts are only indicative, pending a decision on the total budgetary allocation; (ii) prior to the confirmation of indicative 2006 direct aid allocations, the absorption of funds will be verified, such as in the case of Yemen.

### **7.3. Implementing Partners in relation to selected priorities**

#### ***7.3.1. Summary of 2005-2006 allocations by instrument and partner***

The 2005-2006 programmes further reinforce the Commission's commitment to focus on financial support with the objective to tackle structural unbalances and to promote policy and institutional reform conducive for achieving long-term food security objectives (see table below).

Roughly 41% of the overall budget allocation 2005-2006 will be devoted to direct aid, 16% to NGO operations, 37% to international organisations and to support operations (4,6 %). The almost negligible 1,3 % of the total budget allocated as reserve is the result of the impact of budgetary cuts.

The allocation for food aid, based on estimated current needs, has been fixed at roughly one third of the overall available budget resources. Should financial resources from the dedicated line 210201 (€131,550 Mil. for 2005) not be sufficient to cover the programmed amount of food aid, which is to fulfil the annual minimum commitment to the Food Aid Convention (990,000 metric tons wheat equivalent), the line will be reinforced.

Specific attention in targeting food aid will be given to Eastern and Southern Africa (with a focus on Eritrea, Ethiopia, Sudan, Burundi, Tanzania, Zambia, Angola, Malawi and Zimbabwe), Central and Western Africa (with a focus on Sierra Leone, Liberia, Ivory Coast and Congo) and specific hot spots (such as Palestine, Afghanistan, North Korea and Haïti). This allocation will be reviewed as required to take account of emerging and unexpected crisis situations.

The remainder of the resources will be devoted to capacity building (including technical assistance<sup>2</sup> and policy/strategy support<sup>3</sup>), commodity price contingencies, a reserve for

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<sup>2</sup> Mainly at national level to build capacity and provide assistance for analysis and the formulation of policies and strategies.

unpredictable situations, and two regional allocations for the Horn of Africa and Western Africa.

**Table 5 : Summary of 2005-2006 indicative allocations by partner (€ Million)**

|                                    | <b>2004</b>  | <b>2005</b>   | <b>2006</b>   |
|------------------------------------|--------------|---------------|---------------|
| <b>Government</b>                  | <b>170,5</b> | <b>158,20</b> | <b>194,00</b> |
| Support to government programmes:  | 140,5        |               |               |
| Food aid                           | 30           |               |               |
| <b>NGOs</b>                        | <b>72,5</b>  | <b>69</b>     | <b>65</b>     |
| <b>International organisations</b> | <b>153,7</b> | <b>165</b>    | <b>151</b>    |
| Food aid channelled through:       |              |               |               |
| WFP                                | 105          | 110           | 105           |
| UNRWA                              | 13           | 14            | 15            |
| ICRC                               | 8            | 8             | 8             |
| Financial support                  |              |               |               |
| FAO                                | 5            | 10            | 0             |
| CGIAR                              | 22,7         | 23            | 23            |
| <b>Administrative expenses</b>     | <b>19,7</b>  | <b>19,71</b>  | <b>20</b>     |
| <b>Commodity price conting.</b>    | <b>2,6</b>   |               |               |
| <b>Reserve</b>                     |              | <b>0,74</b>   | <b>11</b>     |
| <b>Overall total BL</b>            | <b>419</b>   | <b>412,65</b> | <b>441</b>    |

**Table 6 : Summary of 2005-2006 indicative allocations by instruments (€ Million)**

|  | <b>2004</b>  | <b>2005</b>   | <b>2006</b> |
|--|--------------|---------------|-------------|
| <b>Financial support for struct. Food Sec.</b> | <b>190,7</b> | <b>226,20</b> | <b>282</b>  |
| Support to government programmes:              | 140,5        | 158,20        | 194         |
| NGO Cash Projects                              | 22,5         | 69            | 65          |
| Others (FAO and CGIAR)                         | 27,7         | 33            | 23          |
| <b>Food Aid - through annual allocat.</b>      | <b>206</b>   | <b>132</b>    | <b>128</b>  |
| Channelled through:                            |              |               |             |
| WFP  | 105          | 110           | 105         |
| NGOs   | 50           |               |             |
| UNRWA  | 13           | 14            | 15          |
| ICRC   | 8            | 8             | 8           |
| Government                                     | 30           |               |             |
| <b>Administrative expenses</b>                 | <b>19,7</b>  | <b>19,71</b>  | <b>20</b>   |
| <b>Commodity price contingencies</b>           | <b>2,6</b>   |               |             |
| <b>Reserve</b>                                 |              | <b>0,74</b>   | <b>11</b>   |
| <b>Overall total BL</b>                        | <b>419</b>   | <b>412,65</b> | <b>441</b>  |

NB: programming is based on budget forecasts of July 2004 and it will be adjusted once the budget will be finally approved. Should the 2006 budget be lower than € 441,00 Mil., some adjustment will be necessary.

## 8. CONCLUSIONS

The present programming document is the result of extensive and in-depth consultation processes, at central and country levels. Requests could not always be matched, due to unexpected budgetary reductions and other reasons linked to the “history” of the BL. Allocated amounts are however indicative and whenever possible they should be adapted to evolving circumstances. In particular, absorption capacity of funds will have to be assessed before drawing up the Annual Work-plan for 2006.

In the implementation phase, particular attention will have to be devoted towards maximising synergy and complementarity with relief (ECHO) and geographic, development instruments, bearing in mind that the value added of the FSBL is mainly resting on its LRRD focus. The programming phase is indeed crucial to achieve the above.

The programming period 2005-2006 will be the last before a major change will intervene in redefining cooperation instruments, as from 2007, but food security as an objective will certainly remain high on the Commission’s agenda.

**Annex 1: Food Security Budget Line funds allocation (direct and indirect aid)**

See separate table.

**Annex 2 : Direct aid allocation by region**

See separate table.

### **Annex 3: Main conclusion and Recommendation of “Thematic Evaluation of food-aid policy and food-aid management and special operations in support of food security”, July 2004”**

The various instruments offered by the EC Regulation 1292/96 are appropriate in principle to respond to the **entire range of assistance needs** of FSBL recipient countries and to promote a continuous transition from emergency relief to development. The added value of the Food Security Regulation encompasses its strong focus on poverty reduction, the high flexibility between its components, its acknowledged role in the LRRD approach, the fact that it creates opportunities for multi-actor partnerships and allows for interventions at various administrative and societal levels. The results achieved so far are positive and may be reinforced by the deconcentration process and the increased focus put on the 3 Cs, especially at the country level.

#### ***Coherence and complementarity of the Food Aid / Food Security policy under the Regulation***

##### Coherence with EC development aid

Although the coordination of interventions is a very sensitive issue in all documents, the various agreements and regulations give no specific information on how coordination could be achieved. The increasing importance of national strategy papers in EC cooperation is certainly a positive phenomenon that might aid in achieving the 3 Cs. However, experience shows that Coordination is particularly difficult to promote. The Regulation 1292/96 is the only regulation that specifically stresses the importance of Coordination and that names the institutions that are important for achieving it.

##### Coherence with Country Strategy Papers (CSPs)

The coherence of the FSBL programmes with the broader EC development aid and poverty alleviation framework is rather good. In most CSP, FS is mainly dealt with indirectly in terms of poverty alleviation, rural development or humanitarian assistance. All CSPs put a particular focus on the 3 Cs but often lack their translation into concrete operational suggestions.

##### Coherence with national strategies of recipient countries

Evaluation results confirm that the programmes covered by Regulation No. 1292/96 are coherent with national strategies of most of the recipient countries covered by this evaluation and have contributed to the elaboration of NFSS.

#### ***Added value of the instruments available under Regulation No. 1292/96***

##### Food aid in-kind

In countries in emergency where the FSBL provides large amounts of food aid, the built-in flexibility of the FSBL is rated as very positive, as it allows the delivery of a combination of food aid and food security operations. Delegations confirm this comparative advantage of the FA-FS regulation, especially with regard to its role in the LRRD process.

In some countries (Zimbabwe, Ethiopia), the large emergency food aid programmes are insufficiently well targeted, which leads to negative effects including market disturbances and a perpetuated dependence on food aid. The focus on food aid in these countries appears to block a shift towards more fundamental and sustainable approaches for achieving food security.

The food aid component of the FA-FS regulation complements the other instruments that are used to deliver this type of aid, especially ECHO and EDF. ECHO is seen as an effective instrument for delivering food aid, but is not relevant for achieving efficiency (lack of coordination) and sustainability (lack of dialogue with governments).

#### Currency facility (Budget support)

The budget support instrument effectively serves as leverage for policy dialogue on food security, but the operational efficiency of the instrument is not always very good because of the cumbersome specifications of the instrument. In many cases, the use of the instrument was restricted by the limited absorption capacity of the government.

#### Food Security operations

The support actions effectively link food aid with other (EC) development aid instruments, and reinforce the integration of food aid and food security under a general development policy. The projects tend to focus on food production and income generation, at various levels from national down to household level, and not so much on nutrition and social safety nets. The Delegations emphasised the very high added value of this component and listed a wide range of advantages, especially the flexibility and coherence of this instrument and its specific focus on food security.

#### Technical Assistance

The integration of the RESAL activities into the EC Delegations and recipient government bodies in mid-2001 led to improved financial efficiency, and a better institutional embeddedness. Because of the deconcentration to Delegations, the amount of time spent on administrative issues is increasing, thus leading to less capacity for the training of partners, for working on FS strategies at the national level, and for capitalisation of *collecte d'expériences* and information.

Although Delegations underline the advantage of “in-country” TA, they also stress the need for methodological support and information exchange.

#### ***Project cycle management***

##### Design phase

The FSBL targets a justifiable selection of countries. The targeted ‘Group I’ countries are all low-income, food-deficient and in need of structural food security programmes. The ‘Group II’ countries are countries in crisis or post-crisis in need of food aid programmes.

This evaluation confirms the lack of baseline and feasibility studies during the project identification phase. The positive role of RESAL in this field has not been sufficiently taken over by the experts within F-5 and the Delegations.

##### Implementation phase

This evaluation confirms the unclear allocation of responsibilities and a mismatch between aid volumes and administrative resources (staffing) for the FSBL, the considerable scope for streamlining of the rules and procedures of the various EC programmes, the need for better accounting and management information systems, and the need to improve monitoring and evaluation systems for the FSBL.

The evaluators have encountered major difficulties in collecting relevant and credible information on commitments and payments. The quality of the data in CRIS Consultation is limited, in terms of completeness and accuracy.

Phasing out

The phasing-out of direct aid is usually limited to the ‘project’ interventions and the one-time restocking of strategic grain reserves. Budget support is usually maintained at more or less fixed levels. Despite their time-bound nature, the NGO food security operations very often lack clear phasing-out strategies. Explicit exit-strategies for the long-term components of the multi-annual packages are generally lacking. In some of the countries, the TA’s were found to contribute significantly to institutional strengthening, capacity building and policy development as a precondition for a phase-out.

***Impact and sustainability***

The impact of the FA and FS interventions was generally positive, especially in terms of avoiding massive humanitarian crises. Positive impacts of NGO interventions were made at local level, especially due to the good targeting of programmes. Positive impacts at national level are the enhancement of national ownership, the improvements in public finance management and the reforms in the agricultural and social sector. Reasons for negative impact are insufficient monitoring during project implementation, weak Government engagement, delays in the approval process, lack of commitment and poor public finance management.

***LRRD***

The FSBL has been used a lot to address LRRD processes in all of the ‘Group I’ country studies, but that limited LRRD processes were found to take place in the two ‘Group II’ country studies.

The budget line appears to be suitable for supporting LRRD processes, although it is true that it cannot respond very quickly. The LRRD suitability is mainly attributed to the built-in flexibility to combine food aid with food security interventions. In practice, the FSBL often serves as a link between ECHO and EC development programmes.

The work by the LRRD/DPP Interservice Group has already produced a good analysis of main issues regarding the future of LRRD, including the clarification of the role of the various stakeholders.

MAIN RECOMMENDATIONS

Given the high flexibility between its components, the role it can play in the LRRD approach, the specific poverty orientation of its interventions, the multi actors-partnership, as well as the various levels of interventions (policy and project levels), the FSBL should continue to exist as a flexible funding source for integrated food aid and food security interventions. This means the continuation of the budget line with all of its instruments.

***Coherence and complementarity of the Reg. 1292/96 FA/FS policy***Coherence with EC development aid

- > In order to improve horizontal coherence between the various EC instruments, new EC regulations or implementation guidelines should translate the need for coherence into concrete terms. The added value of the various budget lines should be stated and cross references between the instruments should be made.

Coherence with CSP’s

- > In order to improve internal coherence within overall EC development aid packages for recipient countries, the FSU and the TA’s placed in the Delegation should

advocate the integration of the funded and/or planned food aid and food security strategies of the FSBL in the regional and country-level EC strategy papers. The contributions of all EC instruments and existing cross-links should be clearly described.

#### Coherence with national strategies of recipient countries

- > The EC (Delegation level or the Food Security Unit in Brussels) should provide thematic policy development support for drafting National Food Security strategies. The wide-ranging experiences of the FSBL in this field should be capitalised on and drawn from. The Food Security Unit in Brussels should initiate the capitalisation ('lessons learned' and inventory of successful and unsuccessful experiences), possibly with the help of external expertise provided by specialised consultants. The elaboration of national FS strategies thus can be reinforced.

#### ***Added value of the instruments available under Regulation No. 1292/96***

##### Food aid in-kind

- > It is recommended to continue to group food aid and food security together under the food security budget line. By combining food aid and food security in one flexible budget line, it is possible to provide tailor-made and continuously evolving support programmes to countries in and after emergencies.

In countries where the FSBL funds large emergency food aid programmes, the responsible Delegation staff should actively advocate clear and specific targeting procedures, and should promote an early shift to more comprehensive and sustainable approaches for achieving food security. In this respect, the coordination of the FSBL with ECHO should be continued and reinforced.

##### Currency facility (Budget support)

- > The currency facility should be maintained as it forms an effective and efficient instrument of the FSBL to allocate funds and to address food security and poverty alleviation issues through a synergistic package of interventions. It is recommended to further study if and how the cumbersome specifications of budget support can be reduced in order to improve the operational efficiency of the instrument.
- > The Delegation staff should carefully assess and monitor the absorptive capacity of the government structures that are targeted by currency facility countervalue programmes. Where needed, the FSBL should fund institutional support and capacity building.

##### Food security operations

- > The FSBL food security operations should be continued and reinforced, as they effectively link food aid with other (EC) humanitarian and development aid instruments.
- > In addition to focusing on food production and income generation, programme planners at the FSU and the Delegations should also consider support to social safety nets and to programs for nutrition education, micronutrient supplementation/fortification, primary health care and water and sanitation.
- > The operational efficiency of the operations should be improved. This especially refers to a need for a quicker project selection process within the NGO Call for Proposals.

Technical assistance

- > TAs should be more involved in capacity building and institutional support, and they should spend less time on administrative work. The Food Security Unit should establish a working group to develop general support materials for this function of the TA's.
- > Although Delegations underline the advantage of "in-country" TA, methodological support and the exchange of information should be reinforced. This could become a key responsibility for the FSU in Brussels and staff should be allocated to this task. The assigned staff members could also analyse the level of coherence between the different instruments.

***Project cycle management***Design phase

- > More baseline studies and feasibility studies need to be carried out during the project identification phase, either by implementing partners, the TAs, or specifically contracted consultants.
- > Phasing in strategies should be developed in collaboration with the main partners, especially ECHO, thus making the phasing out of projects and programmes easier.

Implementation phase

- > The administrative resources for the FSBL (staffing levels) should be brought more in line with the FSBL aid volumes. This especially applies to the Food Security Unit (FSU) in Brussels. The FSU should arrive at the same ratio between staffing and budget turnover as ECHO.
- > The accounting and management information systems for the FSBL should be further improved. The responsibility for the elaboration of new systems lies with the Food Security Unit in Brussels.
- > The EC database (CRIS) should be further improved, in order to obtain an integrated view of all EC interventions through the various EC instruments.

Phasing out

- > All planning documents for FSBL programmes should include a description of explicit exit-strategies for all of the instruments used.
- > Explicit phasing in – phasing out strategies should also be developed in conjunction with ECHO

***Impact and sustainability***

- > EC Delegations and staff in Brussels should continue to focus their attention on the coordination of aid. The 3-step strategy (short term, medium term and long term) should be developed further.
- > The FSBL should focus on increasing the absorptive capacities of recipient governments. For optimal institutional sustainability of the funded operations, there should be a smart selection of partner organizations and interventions. Particular attention should be paid to government structures and local governments.

***LRRD***

- > The budget line should continue to serve LRRD processes in 'Group I' countries, either through a take-over from ECHO or through close co-ordination with EDF-

funds for rural development. For the 'Group II' countries, the budget line should aim at smoothing the LRRD processes, with early and gradual shifts to food security interventions in order to avoid to the continued reliance on food aid operations.

- > The LRRD/DPP Interservice Group should continue its activities and focus on the linkages between instruments as well as the specific responsibilities of the various actors. Current trends in EC policy development should be integrated in the discussion.