

## Building and delivering on results to fight hunger and poverty.

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### SPEEDING UP AND SCALING UP AID DELIVERY TO TACKLE THE FOOD CRISIS.

1. Increased Official Development Assistance (ODA) for agricultural development in developing countries is urgently required to reverse the declining trend of the share of agriculture in total ODA - from 17% in 1980 to 4.6% in 2007.<sup>1</sup>
2. In 2008, the European Union reversed its downward trend in ODA flows registered in 2007 - with disbursements of €49 billion representing 0.40% of the EU Gross National Income. The European Community (EC) aid budget - alone - amounted to € 8.5 billion in 2007.
3. Following the Hokkaido commitment,<sup>2</sup> the EU, through the European Commission, has contributed to ODA effort towards agriculture production and food security with a €1 billion Food Facility financing instrument which is well advancing and proves to be a success.
4. While, at L'Aquila G8 Summit, \$20 billion were pledged, the European Union has demonstrated its determination to fight hunger, disbursing more than \$4 billion, and raising its commitments for food assistance and agricultural production to more than \$6 billion between January 2008 and July 2009.
5. Ensuring that all pledged funds are released in a timely manner and are appropriately targeted remains the utmost priority. Hence, speeding up aid delivery in order to directly tackle MDG1 must be done through a rapid disbursement of funds and a cost-efficient approach - in line with the principles agreed in Accra.
6. The European Commission's initiative to frontload €4.3 billion in commitments for 2009<sup>3</sup> - a large part of the Community assistance to the African Caribbean and Pacific (ACP) countries - confirmed EuropeAid's<sup>4</sup> ability to disburse aid more quickly and to pioneer innovative and flexible measures to fight hunger.
7. Beyond the existing commitments, the European Union's €1 billion Food Facility - 80% of which will be committed by the end of 2009 - also illustrates the EU's capacity to scale

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<sup>1</sup> World Development Report 2008. Agriculture for development. The World Bank.

<sup>2</sup> The leaders decided to mobilise \$10 billion for food aid and support to agricultural production.

<sup>3</sup> Communication COM (2009)160 of 08.04.2009 'Supporting developing countries in coping with the crisis'.

<sup>4</sup> The Commission's EuropeAid co-operation office manages EU external aid programmes and ensures that development assistance is delivered worldwide.

up its support and to promptly translate, a financing instrument into the EU's most high-profile development intervention in 2009. The Food Facility, even though targeting medium term goals, is a genuine illustration of the EU's capacity to respond rapidly and on a large scale to a global crisis.

8. Essential to this achievement was the support provided by the multiple and specialized capacities of the UN agencies that provide a wide range of technical expertise, covering areas from food security to agricultural investments. The variety of intervention at the disposal of the European Commission - which included also budget support, CSO projects, and regional level support - was a major asset for the recipient countries.
9. The United Nations High Level Task Force (UNHLTF) coordination approach involved the UN agencies, the World Bank, a variety of grassroots organisations, and the national authorities. This approach was one input for the EC in providing a prompt response to the most vulnerable people and was also crucial for the decision making role of the EU (the Commission, the Parliament, and the Council) in shopping the programmes.
10. The Food Facility instrument is the result of an exemplary country-level based coordinated response. Inter-agency needs assessments backed by effective international coordination and partnership mechanisms were drivers for the key role of the EC delegations which provided decisive judgement regarding relevance, coordination and coherence of response on the ground.
11. Conceived as a rapid reaction mechanism, the Food Facility delivery channels were chosen accordingly. Channelling funds through international Organizations<sup>5</sup> - relying on existing frameworks for policy dialogue and existing programme assistance - allowed joint project implementation of existing and/or about to start projects and programmes.
12. The FAO-WFP project launched in Pakistan is a concrete example in this respect. The project - jointly managed with UN agencies selected against their recognized sectoral and area-specific expertise - allows for a greater impact on the lives of the most vulnerable people in the country, targeting over 1.1 million beneficiaries who benefit from the provision of agricultural inputs, irrigation and water harvesting schemes, tools, training, and food-for-work activities.
13. The EU contribution to the L'Aquila Food Security Initiative – nearly 20% of the global pledge – will certainly be capable to draw the lessons from cooperation with the UNHLTF and all its member agencies. Multilateral institutions have no alternative to playing a more effective and efficient role in the fight against global poverty and hunger.
14. A reformed Committee on World Food Security (CFS) - where all the relevant food security stakeholders share representation and ownership - must prove to be an adequate platform for dialogue to respond to the global food crisis. In addition, strengthened and reformed global aid mechanisms under a UN system-wide framework, need to pave the way for increased cooperation towards contributing to the Millennium Development Goals, MDG 1 in particular.

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<sup>5</sup> As part of the EU Food Facility process, a Call for Proposals for civil society actors was also launched in May 2009 – with a budget of 200 million EUR, in order to mobilise a wider response to the increasing food security challenges and was successful in attracting an unexpectedly high number of high quality projects.

15. International mechanisms and actors are already in place, including a Fund for Agriculture Investment (IFAD), an agency providing Technical Assistance, comprehensive Policy dialogue and an enhancement Agenda (FAO) as well as an agency ready to deliver emergency food aid and more sustainable safety nets (WFP).

## PROSPECTING INNOVATIVE AND FRUITFUL SYNERGIES.

1. To maximize the development impact of foreign direct investment and to prospect new funding sources for agriculture development are "vital complements to national and international development efforts."<sup>6</sup>
2. In this context, new forms of cooperation arrangements<sup>7</sup> - arising in the shape of South to South aid cooperation which appears to be growing faster than aid from developed countries to developing countries - as well as new investment opportunities with private sector players are explored in the recovery from the food crisis.
3. Significant financing instruments arise from public-private partnership initiatives that can leverage resources for rural financial services, and have already contributed to tackling hunger and poverty in developing countries where vulnerable people lack access to insurance, credit or technological advances.
4. As part of indexed insurance schemes, the Global Index Insurance Facility, implemented by the International Finance Corporation with EC support, mitigates weather and disaster related risks in African, Caribbean and Pacific countries through index insurance solutions that guarantee beneficiaries, including smallholders, rapid payments following natural disasters.
5. The Vulnerability FLEX instrument is another concrete EC ad hoc response<sup>8</sup> to safeguard social spending in countries most affected by the food crisis. Support is delivered through an existing FLEX instrument based on past export losses and a new vulnerability FLEX tool based on parameters such as forecasted export losses, decreased remittances and financial flows.
6. The Global Energy Efficiency and Renewable Energy Fund<sup>9</sup> also illustrates a way to enhance sustainable development and reduce hunger. The initiative – using a risk capital fund that finances private investment in energy efficiency and renewable energy projects and technologies – aims to accelerate the transfer, development, use and enforcement of environmentally sound technologies for the world's poorer regions.

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<sup>6</sup> Doha Declaration on Financing for Development. December 2008.

<sup>7</sup> See the India-Brazil-South Africa (IBSA) Facility Fund for Poverty and Hunger Alleviation, managed under the IBSA trilateral initiative and designed to exchange, inter alia, in agriculture, education and science and technology fields. See <http://www.ibsa-trilateral.org>.

<sup>8</sup> The Vulnerability FLEX instrument works in full complementarity with the World Bank, the IMF and the Regional Development Banks and amounts €500 million, in addition to the nearly €3 billion committed in budget support by the European Commission in 2008.

<sup>9</sup> The Fund is sponsored by the EC, the German and Norwegian governments with support from the European Investment Bank (EIB) and the European Investment Fund (EIF) and focuses on projects below €10 million, providing valuable investments and filling a substantial gap in the market.

7. In addition, innovative local financial investments show great potential for tackling hunger and poverty. In Kenya, the Equity Bank developed partnerships with various development organisations in the private and public sectors to support the agricultural value chain<sup>10</sup> while the Africa Enterprise Challenge Fund (AECF)<sup>11</sup> fosters private sector and donor fund leveraging for projects and enterprises in Sub-Saharan Africa in the fields of agriculture, agri-business, rural financial services, media and information services.
8. A wide range of public and private actors utilize a menu of options to match the needs of developing countries with the interests and capacities of donors. Coordination and effectiveness remain a challenge, thus it is crucial that the most important international entities, like the European Commission, evolve according to their comparative advantages as "centres d'excellence."
9. EC leadership in facilitating and stimulating funding synergies to achieve agricultural development require blending very different aid modalities. Grants, concessional loans and risk capital funds are managed by a wide range of partners to support agricultural policy development, agriculture production and productivity, access to markets and trade, investment in infrastructure, Research and Development, safety net measures and nutrition programmes.
10. Obviously, there is not a one - fits - all approach and rallying resources requires getting off the beaten track. In early 2009, the European Commission organized an Auction Floor event, to help finance 86 approved but unfunded projects submitted under an "Environment and Sustainable Management of Natural Resources including Energy" Call for Proposals launched in December 2007. This event, the first of its kind, brought together various donors such as local authorities, EU member-states and private sector foundations.
11. The EC is building on this initial experience to liaise with the donor community and find funding opportunities for the best projects on the reserve list of a recently launched Food Facility Calls for Proposals. Hence, if nearly 300 applicants<sup>12</sup> submit their projects, at the end of the evaluation process, approximately 130 proposals with a total budget of €200 million will be financed by the EC. A ready-to-go package of high quality projects, with a value of €150 million is left aside.

Exploring the wider spectrum of funding channels for this kind of initiative is an opportunity to immediately respond to the commitment made in L'Aquila and to engage proactively the private sector and other non-state actors in this big effort of providing adequate financing to agriculture and food security.

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<sup>10</sup> The Equity Bank is an inclusive financial service provider to the most vulnerable people in Kenya. A joint venture agreement was signed in 2009 with a company to support small scale farmer's access to finance modern agricultural inputs, including drip irrigation, farmer's greenhouses, seeds, fertilizers, chemicals and training.

<sup>11</sup> The AECF is funded by the African Development Bank (ADB), the Consultative Group to Assist the Poor (CGAP), the UK Department for International Development (DFID), the International Fund for Agricultural Development (IFAD), and the Netherlands Ministry of Foreign Affairs (NMFA). See <http://www.aecfafrica.org>.

<sup>12</sup> Representing approximately €400 million.