

July 2006



منظمة الأغذية
والزراعة
للأمم المتحدة

联合国
粮食及
农业组织

Food
and
Agriculture
Organization
of
the
United
Nations

Organisation
des
Nations
Unies
pour
l'alimentation
et
l'agriculture

Organización
de las
Naciones
Unidas
para la
Agricultura
y la
Alimentación

FINANCE COMMITTEE

Hundred and Fifteenth Session

Rome, 25 - 29 September 2006

Annual Report on Special Fund for Emergency and Rehabilitation Activities

I. Note to the Finance Committee

This document is submitted for information

The Secretariat invites members of the Finance Committee who may have questions of a technical nature with regard to this document to contact the FAO staff focal points indicated below, preferably well in advance of the Committee's meeting.

- Director, Emergency Operations and Rehabilitation Division (TCE) – Ms Anne M. Bauer, telephone 06-57054936
- Director, Finance Division (AFF) – Mr Nicholas Nelson, telephone 06-57056040

For reasons of economy, this document is produced in a limited number of copies. Delegates and observers are kindly requested to bring it to the meetings and to refrain from asking for additional copies, unless strictly indispensable.
 Most FAO meeting documents are available on Internet at www.fao.org

II. Executive Summary

1. The Secretariat asks the Committee to note the number of emergency activities requiring immediate response using funds from SFERA.
2. The SFERA provides FAO with a means of taking rapid action in emergency situations. It enables FAO to participate in inter-UN agency needs assessments missions following a crisis, to establish rapidly an emergency coordination unit for agricultural assistance and to prepare a programme framework. The SFERA allows for immediate deployment of essential transport and equipment and, as soon as a donor has confirmed a contribution, the advance funding for procurement of inputs required to protect or restart agricultural activity.
3. Since inception, the SFERA has received US\$47 million (US\$35 million contributed by donors and US\$12 million transferred from the Direct Operating Cost accounts of the Emergency Operations and Rehabilitation Division). From cash received, US\$35.2 million have been applied to major emergency programmes, to allow needs assessment missions and set up of Emergency Coordination Units. US\$17.3 million were advanced to fund immediate field work of which US\$4.2 million remain outstanding pending receipt of donor funds. The cash balance of the Fund in total is now US\$7.6 million. (The cash balance is calculated as: Receipts of US\$47 million less applications of US\$35.2 million less advances outstanding of US\$4.2 million.)
4. The SFERA allows a programmatic approach to an emergency/crisis as donors have agreed to pool funding under the Fund. This has saved transaction costs and greatly improved FAO's flexibility in responding to a crisis.
5. The SFERA enables the Organization to plan and organize its work more efficiently. It has allowed FAO to immediately take part in UN country team needs assessments. It has contributed to FAO's track record in the field, showing that it is able to respond when needed.

III. Background

1. The FAO Finance Committee, at its 110th Session in September 2005, reviewed the use of the Special Fund for Emergency and Rehabilitation Activities (SFERA) and requested a similar report on the following year's activity for its September 2006 Session.
2. The Committee supported the creation of the SFERA at its 102nd Session in May 2003. The two annual reports made since then, in FC 108/9 of September 2004 and in FC 110/11 of September 2005, contained financial data and brief descriptions of the main operations undertaken in the preceding year. Information for the 12 months ending 30 June 2006 is in the Appendix to this document.
3. In addition to the financial information provided in past reports, the Secretariat presents an overview on the evolving use of the SFERA, improvements which will be made and the complementarity between the SFERA and the Central Emergency Response Fund (CERF) of the UN.
4. The Committee will recall that the purpose for the SFERA is to: Enable the Organization to rapidly initiate emergency operations by participating in inter-agency needs assessment and coordination activities, establishing an Emergency Coordination Unit, preparing a programme framework and projects, and providing advance funding for procurement of inputs when a donor's commitment has been obtained.¹

IV. Evolving use of the SFERA

5. **Components:** the SFERA has three components: i) a revolving fund to support FAO efforts in needs assessment, programme development and early establishment of an emergency coordination unit; ii) a working capital component to advance funds to rapidly initiate project activities before donor funds on agreed projects are received, with the funds then being transferred back to the SFERA on receipt; and iii) a programme component to support specific emergency crises. The programme component was used in January 2005 in response to the Indian Ocean tsunami disaster and further developed as a result of the spread of avian influenza from November 2005
6. **Receipts:** the SFERA has been operational since May 2003. In the three years since then, the Fund has received over US\$47 million, of which US\$10 million were earmarked by donors for the tsunami programme and US\$24.2 million for the campaign against the spread of avian influenza. In addition, US\$0.7 million were received unearmarked from remaining balances of closed projects.
7. **Applications and advances against components:** of the total US\$47 million contributed, US\$1 million have been set aside under the revolving fund component for needs assessment after the onset of a crisis and for rapid establishment of coordination in affected countries. Under the working capital component, US\$17.3 million were advanced to various projects after donor agreements were signed but before receiving their cash contributions. Under the programme component, US\$34.2 million were used to start up the response to the tsunami disaster and the avian influenza pandemic. Details on the uses of the fund are in the Appendix.
8. **Advantages of the programme component:** the most innovative feature of the application of the SFERA has been to invite donors to allocate their contribution to the Fund, earmarked for the emergency response to which they are contributing. In the case of avian influenza, this use of the SFERA allowed FAO to respond in a more programmatic and flexible

¹ FC 102/14

way in accordance with its global plan for combating the pandemic. FAO's traditional way of operating is by producing a specific project document tailored to any given contribution. Once the project document has been approved by the donor and the concerned government, changes with budgetary implications can only be made after consent is received from the donor which often entails cumbersome procedures and delays in project implementation. This *modus operandi* does not provide the emergency operations with the necessary flexibility to adapt to a rapidly evolving situation on the ground. Whereas, when donors agree to put their contribution into the SFERA, they accept that their funds can be used as pooled funding towards the overall objectives of the programme as presented to the donor. This provides the necessary flexibility to continuously adjust activities to the realities on the ground while remaining within the overall framework of the programme.

9. The Secretariat will work with donors to develop further the use of the SFERA as part of a more programmatic response to crisis through pooled funds from various donors, deposited in the SFERA. This will not only ensure a more flexible and adequate response, but will also reduce time and money spent by FAO and donors on preparation, approval and reporting of interventions. Funds used in this way will be reported on as a programme. Should a donor require more specific reporting on the application of their funds, that can also be accommodated.

10. The Secretariat will also continue to follow up with donors to make them aware of the advantages of the Fund and to contribute unearmarked resources to the SFERA, such as the small balances left on closed emergency projects or interest on unspent money during the life of those projects.²

V. SFERA and the UN CERF

11. At the end of 2005, the UN expanded its Central Emergency Response Fund (CERF) to include a grant component. By June 2006, more than US\$200 million of a target of US\$450 million had so far been contributed to the CERF: most of this is new money rather than reallocations of already appropriated development assistance budgets. However, as there is a US\$30 million limit on grants for any particular crisis, each agency still needs its own rapid response fund, similar to FAO's SFERA. FAO has already benefited from the new grant facility of the CERF for responses to several crises in Africa including the drought in the Horn of Africa.

12. The SFERA and CERF are complementary. The SFERA allows FAO to carry out preparatory work such as needs assessment and setting up emergency coordination units for which the CERF cannot provide funding. The CERF can allocate grants to FAO for early emergency procurement, which is not possible from the SFERA.

VI. Conclusions

13. With the benefit of three years' experience, the main advantage of the SFERA is that it allows a timely response, a critical factor when action in the early stages of an emergency is most important to save livelihoods, thereby saving lives, and to bolster resilience, this in turn reduces the time and expenditure required by humanitarian agencies.

14. The SFERA forms a well-used part of the FAO emergency response toolkit, allowing staff to plan and organize their work more efficiently. It has allowed FAO to immediately take part in UN country team needs assessments. It has contributed to FAO's track record in the field, showing that FAO is able to respond when needed.

² Norway, Finland, Australia and the World Bank have authorized transfers of unspent balances from their completed projects. Other donors to Emergency projects have also been asked to consider this.

15. The SFERA has allowed a programmatic approach to an emergency when donors have agreed to pool funding under the SFERA. This has reduced transaction costs for FAO and donors, and greatly improved FAO's flexibility in responding to a crisis.

APPENDIX

FINANCIAL INFORMATION

1. Since its inception in May 2003, the SFERA has received US\$47 million. Of this amount, US\$35 million were contributed by Members and the World Bank while US\$12 million were transferred from the Direct Operating Cost accounts of the Emergency Operations and Rehabilitation Division (TCE). The Committee will recall its recognition of the imbalance between the initial target funding level of the Fund of US\$2 million on the one hand and the resources needed to respond to crises on the other. Donor countries have responded generously to this disparity, contributing many times the first target amount.

Funds from member countries (US\$) as at 30 June 2006	
Sweden	10 015 796
Finland	5 989 258
France	5 930 420
Norway	5 017 833
Switzerland	3 696 573
Germany	1 303 687
United Kingdom	1 113 000
Saudi Arabia	1 000 000
Canada	809 454
Australia	59 325
Jordan	50 000
Total Members	34 985 346
World Bank	17 293
From TCE Direct Operating Costs	12 000 000
Total Received	47 002 639

2. Since the last annual report to the Committee in September 2005 (FC 110/11), the reporting category of Applications has been introduced. This is used to more clearly separate movement of funds through the SFERA accounts for major operations from advances and refunds. The following table illustrates the application activity in the fund.

Advances and Applications (US\$) as at 30 June 2006	
Advances	17 301 967
Refunds	13 119 210
Advances Outstanding	4 182 757
Applications:	
For Emergency Coordination Unit setup	500 000
For Needs Assessment Missions	500 000
Subtotal	1 000 000
To the avian influenza campaign	24 199 115
To the tsunami campaign	10 002 241
Subtotal major campaigns	34 201 356
Total Applications	35 201 356

3. **Applications:** of the total US\$47 million received, US\$1 million have been set aside under the revolving fund component for needs assessment and rapid establishment of coordination in affected countries. Under the programme component, US\$34.2 million have been used to start up response to the tsunami disaster and the avian influenza pandemic.

4. **Advances:** under the working capital component, US\$17.3 million were advanced to fund immediate field work of various projects after donor agreements were signed but before receiving their cash contributions, of which US\$4.2 million remain outstanding pending receipt of donor funds. The advances outstanding are all for recent work, none of them is more than 90 days old, and will be refunded in due course. The cash balance of the SFERA at the end of June 2006 was US\$7.6 million. (The cash balance is calculated as receipts of US\$47 million less applications of US\$35.2 million less advances outstanding of US\$4.2 million.)

USES OF THE SFERA FUNDS

5. As shown in the table on Advances and Applications, the largest disbursements have been the applications to the tsunami programme and the avian influenza campaign. Other disbursements were made in the form of advances that will be refunded. Starting with the two large programmes the following paragraphs include brief descriptions of the interventions for which the SFERA was used over the last 12 months.

6. **Tsunami:** FAO's response to this disaster was the first application of an emergency programme using funds pooled from several donors in the SFERA, and played a pivotal role in shaping FAO's support to Indonesia, Myanmar, Maldives, Seychelles, Somalia, Sri Lanka and Thailand. The funds were used first for rapid damage and needs assessments and to establish Emergency and Rehabilitation Coordination Units in Indonesia, Maldives and Sri Lanka. The programme approach allowed development of well-coordinated field operations and pooling of resources with various projects for assets replacement. From the outset, FAO was able to communicate and share information on key technical issues with all interested parties. In addition, FAO was able to prepare for the transition from short-term inputs distribution to longer-term reconstruction and development using the SFERA money to bridge gaps. Overall, donations made via the SFERA reinforced the institutional capacity of FAO to better plan, implement, monitor and evaluate large-scale emergency and rehabilitation interventions involving many countries, sectors and partners.

7. **Avian influenza:** since the end of 2005, the SFERA has been used extensively in FAO's response to the global threat of avian influenza. Donors have contributed US\$24.2 million to the SFERA for avian influenza operations, or more than a quarter of FAO's total funding portfolio to combat the pandemic. Building on the lessons learned from the use of the SFERA in the tsunami programme, avian influenza work follows a programmatic rather than piecemeal approach. The SFERA has allowed FAO to pool resources and allocate them more promptly and adapt to the changing priorities of a developing situation. This involved channelling funds to the geographical and thematic areas of greatest need. Funding through the SFERA has been used for a range of operational and technical activities including equipment, technical experts, organization of meetings and conferences, and supporting development of the FAO/OIE Crisis Management Centre.

8. **Bolivia:** funds have been set aside from the SFERA for an evaluation of the impact of forest fires and to develop a programme for monitoring, early warning and response to fires in the agriculture and forestry sectors.

9. **North Caucasus:** the SFERA allowed the fielding of an Emergency Coordinator in Nazran, Ingushetiya, while awaiting confirmation of receipt of project contributions. Timely fielding of a coordinator expedited programme start up and development. FAO work in the region will assist rehabilitation of agriculture-based livelihoods for disadvantaged farmers and returning internally displaced people. The relatively small amount of US\$50 000 from the SFERA was refunded upon receipt of donor funds.

10. **Comoros:** the SFERA allowed an urgently required national assessment mission following the eruption of the volcano Karthala in November 2005. The initial report of the UN Office for the Coordination of Humanitarian Affairs (OCHA) had indicated that concerns existed regarding the impact of pollution by volcanic debris on agriculture and livestock. The FAO assessment gives detailed information on the damage that occurred to the agricultural and livestock sector, providing a frame for recovery.

11. **The Congo:** a small amount from the SFERA has been set aside to allow the FAOR in the Republic of the Congo to participate in several missions, i.e. to establish a reliable database in response to the recommendations of the CAP 2006 and to assess the status of the establishment of shelter for refugees in the Likouala region.

12. **El Salvador/Guatemala:** the SFERA provided for an initial damage assessment mission to the two countries after Hurricane Stan. The outcome of the mission provided the basis for the preparation of project proposals that were presented to donors for funding. Three of these emergency project proposals are currently being evaluated by donors. The funds have been partially recovered.

13. **Honduras:** the SFERA paid for FAO participation in the UN Joint Mission to Honduras (part of the cost was shared with the Government) to assess the impact of tropical storms Beta and Gamma. The result was the complete damage and needs evaluation reports used by the Government for targeting required assistance. Remaining funds will be used for supporting development of a Governmental disaster preparedness programme.

14. **Liberia:** following the election of a new government and upon request of the newly-elected President, UN agencies conducted a comprehensive assessment of all sectors. FAO together with WFP took the lead in the food security sector. Through the use of the SFERA, FAO was able to send experienced staff to participate in the assessments as well as the follow-up setting of priorities. Based on the results of the assessments, the Government, jointly with the UN, has been working on setting the policies and strategies for recovery of the agricultural sector in Liberia.

15. **The Niger:** an advance from the SFERA bridged the gap from donor commitment until receipt of funds. This expedited urgent procurement of seeds before the rainy season. The SFERA allowed the Emergency Coordination Unit to intervene on time and distribute inputs to vulnerable households affected by the severe food shortage of the previous season. It demonstrated FAO's ability to respond quickly to the emergency and established good relations with the donor. The funds were recovered and the donor is ready to fund a Euros 1 million project for small ruminants restocking and dry season vegetable seeds distribution.

16. **Democratic People's Republic of Korea:** funds were allocated from the SFERA to maintain the Programme Coordination Unit while waiting for the extension of existing donor funding.

17. **Pakistan:** the SFERA allowed FAO to field a needs assessment within days after the earthquake of 8 October 2005. It also provided the resources to develop the follow-up projects. As projects were approved in time for the planting season, funds were needed urgently to start procurement of seeds and fertilizer and arrange timely delivery. The money was also used for the emergency coordinator as project funding was not available until four months after the earthquake. Without advance funding, most procurement could not have been implemented on time. Funds are now being recovered from approved projects.

18. **Sierra Leone:** the SFERA funded FAO participation in a UN assessment mission after heavy rainfall and floods. Rehabilitation activities were proposed, but no donor has provided funding.

19. **Somalia:** the SFERA provided bridging funds to ensure the continuation of food security and nutrition monitoring services in Somalia which provide critical information to the humanitarian community *inter alia* regarding the impact of the drought on the Horn of Africa. This money has since been returned in full.
20. **South Africa:** Funds were advanced from the SFERA to pre-finance the timely organization of a regional meeting for southern Africa avian influenza preparations. Organized by FAO in Johannesburg, the money enabled individuals from 13 countries in the region, as well as SADC and the African Union, to participate. As avian influenza continues to pose a global threat, this was a comprehensive strategy to combat the disease at all levels and urgently. The advance has been reimbursed.
21. **South Sudan:** after the signature of the Comprehensive Peace Agreement, the UN moved from Nairobi to Rumbek and then to Juba. Money from the SFERA was used to set up a coordination office in Juba with essential staff. The SFERA also enabled FAO to meet the delivery targets for the main planting season from March to May 2006 to assist vulnerable households with agricultural inputs, not least the thousands of returning households.
22. **Tajikistan:** the SFERA provided bridging funding for the Emergency Coordination Unit (ECU) in Dushanbe awaiting approval of follow-up projects. The money allowed keeping essential staff in the ECU.