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I

(Information)

COURT OF AUDITORS

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, together with the Commission's replies*(pursuant to Article 248(4), second subparagraph, EC)*

(2003/C 93/01)

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SUMMARY

I. At the World Food Summit in Rome in November 1996, the Heads of State or Government committed themselves to halving the number of undernourished people from 800 million to 400 million, by 2015. The focus should move from food aid towards more long-term development aid to improve the food security situations (see paragraphs 1 to 2).

II. At about the same time, Council Regulation (EC) No 1292/96 ⁽¹⁾ was adopted with the aim of enhancing food security and reducing the recipient countries' dependence on food aid (see paragraphs 3 to 9).

III. The Court's audit focused on the steps taken by all parties involved to achieve the food security objectives set out in the Council Regulation, i.e. the formulation of countries' strategies, the management of actions, the adequacy of information and coordination with other donors (see paragraphs 10 to 16).

IV. Regulation (EC) No 1292/96 introduced a long-term development approach on food security, thus moving away from short-term food aid. However, as the causes of food insecurity are broad, this problem can only effectively be dealt with in the context of an overall comprehensive development policy (see paragraphs 17 to 21).

V. Food security strategies in a number of recipient countries were not integrated in coherent national development strategies, and programmes on food security were executed as development programmes separate from the mainstream programmes (see paragraphs 25 to 28).

VI. Reliable baseline information on the situation of food security was not available in the countries visited by the Court, and the production of statistics by the national services was in most of the cases inadequate (see paragraphs 29 to 31).

VII. The evaluation required by Regulation (EC) No 1292/96 identified a number of important problems but concluded that it was too early to assess the impact and effectiveness of the Regulation (see paragraphs 32 to 34).

VIII. The Commission's structure complicates the coordination between its services in respect of food security operations. Moreover, at the Commission's services in Brussels, information was not readily available on the status of the implementation of the programmes (see paragraphs 38, 46 and 47).

IX. Identification of projects was unstructured in many countries, with no formal procedures for the selection of projects on the basis of clear priorities and criteria (see paragraphs 52 and 53). The local population was hardly involved in proposing and selecting projects. Structures to support local communities to manage projects are rarely in place. Most of the central government's services had delegated the management of food security programmes to specific (para-statal) bodies, which hinders the integration of development actions in sustainable structures (see paragraphs 55 to 72).

X. Very few evaluations have been carried out. Audits are undertaken but are not done on an annual basis (see paragraphs 73 to 77).

XI. Coordination between the Commission and the other donors (in particular EU Member States) was at best limited to an exchange of information in most of the countries (see paragraphs 78 to 87).

⁽¹⁾ Council Regulation (EC) No 1292/96 of 27 June 1996 on food aid policy and food aid management and special operations in support of food security (OJ L 166, 5.7.1996, p. 1).

XII. On the basis of its observations, the Court recommends that:

- (a) the concept of food security should be integrated in the Commission's overall development policy, and single overall strategies and programmes should be developed for and by the recipient countries (see paragraphs 88 to 90);
- (b) consideration should be given, in the context of the new evaluation of food security support, to discontinuing Regulation (EC) No 1292/96 in its present form and to integrating all development actions, including those on food security, in a limited number of comprehensive regulations. Consequently, the structure of the budget headings under B-7 (external actions) should be modified (see paragraphs 91 to 93);
- (c) as long as separate food security programmes are developed, they should be multiannual (see paragraphs 94 and 95);
- (d) the Commission should consider supporting developing countries to ensure that reliable baseline information is produced on socioeconomic household situations. Indicators on food security should be developed with other donors (see paragraphs 96 to 98);
- (e) there should be a regular exchange of financial information between the Commission's central services and its delegations (see paragraphs 99 and 100);
- (f) the Commission should continue to focus its efforts on capacity-building and institutional support to beneficiary countries' central and local services (see paragraphs 101 and 102).

INTRODUCTION

The global situation on food security

1. In 1996, the number of undernourished people in the world was estimated at some 800 million. At the World Food Summit in Rome hosted by the United Nations Food and Agriculture Organisation (FAO) in 1996, the Heads of State or Government committed themselves to halving the number of undernourished people to 400 million by 2015 ⁽¹⁾. However, at present the number of people in the developing countries not receiving enough food is still 800 million ⁽²⁾. The annual decrease of 8 million so far achieved was just enough to compensate for the effects of the growth of the world population. To achieve the target, taking a continued growth of the world population into account, the yearly reduction between 2002 and 2015 needs to be about 35 million.

2. In central, southern and eastern Africa, the number of the undernourished is at present estimated at 153 million people, 44 % of the total population. The situation is even worse in Afghanistan, Haiti, North Korea and Mongolia, where there are 34 million undernourished people, representing 62 % of the total population. However, the greatest absolute number of undernourished people live in India, China and Bangladesh: altogether 395 million persons (about 20 % of the population), representing about half of the worldwide undernourished ⁽²⁾.

The move from food aid to food security

3. Since about 1994 there has been a worldwide process aimed at integrating food aid into the development policies and food security strategies of recipient countries. This has brought about a shift from relief to development assistance addressing structural food insecurity.

4. This change in global thinking was reflected at the World Food Summit in November 1996. In the so-called 'Rome Declaration on World Food Security', the Heads of State or Government ⁽³⁾ emphasised sustainable food security and poverty eradication. According to the Summit's plan of action, food security

⁽¹⁾ This corresponds with the overall objective, formulated by the United Nations, to reduce the poverty in the world by 50 % during the same period. It was confirmed by the World Food Summit in Rome on 10 to 13 July 2002.

⁽²⁾ All figures are taken from the FAO's 'Assessment of the world food security situation' published by the Committee on World Food Security after its Rome session of 28 May 2001 to 1 June 2001.

⁽³⁾ This includes the European Community.

exists when all people, at all times, have physical and economic access to sufficient, nutritionally adequate and safe food to meet their needs for an active and healthy life ⁽¹⁾.

5. The Summit stressed that poverty eradication is essential to improve access to food. In this context, increased domestic food production (in combination with food imports) must go hand in hand with an increase in household incomes needed to purchase food.

6. The Community's policy has also changed considerably in the meantime: the focus has shifted from short-term food aid in kind to seeking long-term food security supporting sustainable development, economic growth and poverty reduction. This shift in global thinking was reflected in the Council Regulation (EC) No 1292/96 on food security which stressed that food aid can only provide a partial and short-term solution to food insecurity and that long-term policies on food security should be a part of the overall fight against poverty. In practical terms this has meant a move from aid in kind to financial and technical aid.

7. Council Regulation (EC) No 1292/96 replaces five former separate Regulations ⁽²⁾. It integrates food aid into a broader food security strategy. The main objectives of the Regulation can be summarised as follows:

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

⁽¹⁾ Point 1 of the plan of action of the World Food Summit attached to the 'Rome Declaration on World Food Security' of 13 November 1996.

⁽²⁾ — Council Regulation (EEC) No 3972/86 of 22 December 1986 on food aid policy and food aid management
 — Council Regulation (EEC) No 1755/84 of 19 June 1984 on the implementation in relation to food of alternative operations in place of food aid deliveries
 — Council Regulation (EEC) No 2507/88 of 4 August 1988 on the implementation of storage programmes and early warning systems
 — Council Regulation (EEC) No 2508/88 of 4 August 1988 on the implementation of co-financing operations for the purchase of food products or seeds by international bodies or non-governmental organisations
 — Council Regulation (EEC) No 1420/87 of 21 May 1987 laying down implementing rules for Regulation (EEC) No 3972/86 on food aid policy and food aid management.

8. To focus its interventions on the most vulnerable countries, prior to implementation, the Commission has selected 21 priority countries ⁽³⁾ for structural interventions and a further 11 countries ⁽⁴⁾ and the territory of Palestine which are regarded as being in a crisis or post-crisis situation.

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

THE COURT'S AUDIT

Previous audits

10. The Court has already adopted four special reports ⁽⁵⁾ on food aid, the last two of which were published in 1988. The Court has also devoted parts of its Annual Reports to food aid ⁽⁶⁾. This report is the first concerned with food security aspects.

The audit objectives

11. The overall objective of the Court's audit was to determine whether the Commission has taken all reasonable steps to achieve the food security objectives set out in Regulation (EC) No 1292/96. More particularly, the audit objectives dealt with:

- (a) the formulation of the Commission's and the recipient countries' food security strategies, including their consistency with other EU development policies;

⁽³⁾ Armenia, Azerbaijan, Bangladesh, Bolivia, Burkina Faso, Cape Verde, Eritrea, Ethiopia, Georgia, Haiti, Honduras, Kyrgyzstan, Madagascar, Malawi, Mauritania, Moldova, Mozambique, Nicaragua, Niger, Peru and Yemen.

⁽⁴⁾ Afghanistan, Angola, Democratic Republic of Congo, Ecuador, Liberia, North Korea, Rwanda, Sierra Leone, Somalia, Sudan and Tajikistan.

⁽⁵⁾ Special Report No 7/87 on the management of counterpart funds in respect of food aid (OJ C 31, 4.2.1988); Special Report No 6/87 on food aid to India (same OJ); Special Report No 1/87 on the quality of food aid (OJ C 219, 17.8.1987); Special Report No 8/80 of 30 October 1980 on the Community's food aid (not published).

⁽⁶⁾ Annual Reports concerning the financial years 1992 (OJ C 309, 16.11.1993, pp. 205 to 216), 1989 (OJ C 313, 12.12.1990, pp. 178 to 181), 1988 (OJ C 312, 12.12.1989, pp. 145 to 148 and 153 to 154).

- (b) the identification, implementation, monitoring and evaluation of actions and the consistency with other development aid programmes, projects or actions;
- (c) the adequacy of information (completeness, relevancy, reliability and timeliness) at the level of central and local management;
- (d) consistency, complementarity and coordination between the EU and other donors, in particular EU Member States.

Audit approach

12. The audit focused primarily on the implementation during the period 1997 to 2001 of the Community's food security policy under Regulation (EC) No 1292/96, as financed by Chapter B7-2 0 of the general budget of the European Union. The consistency and complementarity with actions financed from other sources (external actions financed by other EU budget headings and the European Development Funds (EDFs)) was examined.

13. The starting point for the audit was the Commission's management at central and local level involving the examination of how the Commission dealt with issues of food security strategy and how it organised itself to implement its policy.

14. A number of beneficiary countries⁽¹⁾ were visited to establish how projects had been identified, assessed, implemented and monitored. For this purpose, a number of projects were selected to assess the extent to which they were consistent and coordinated and which steps have been taken to ensure that food security could be improved in a sustainable way. In particular, the Court examined the extent to which the central and local authorities and the local communities had been involved in the whole process. *Annex 1* shows the situation of undernourishment in these countries.

15. The extent of coordination between the EU and other donors, in particular Member States, was examined at both central and local level.

16. Furthermore, visits were made to the FAO, the Food Security and Food Aid Committee of the Council (FSFAC) and the organisation responsible for the European network on food security (RESAL).

⁽¹⁾ Bolivia, Ethiopia, Georgia, Madagascar, Niger and Yemen, selected on the basis of the importance of the amounts of support for food security given by the EU budget, including at least one of each of the geographical areas.

OBSERVATIONS

The legal framework and the concept of food security

17. The innovative aspect of Regulation (EC) No 1292/96 was that it integrated food aid into a development policy with a multi-annual approach to food security and poverty alleviation, contributing to a balanced economic and social development of the recipient countries. One of the key elements of this regulation was to add a new demand-based approach of increasing the purchasing power of the vulnerable groups of the population to the existing supply-based approach of increasing local food production (or imports).

18. The concept of food security is broad. Food insecurity, whether in the sense of non-availability of food or inaccessibility of food, is caused by a great number of factors, most of them being structural. Short-term actions are usually in the form of food aid and the focus of food security is thus normally on structural long-term causes. These can be, for example, unfavourable climatic conditions, inadequate infrastructure, inadequate educational and health facilities, weak prospects of overall economic growth, inadequate administration and weak governance.

19. The factors underlying food insecurity are all causes of poverty and lack of development. This means that a wide variety of development actions is needed to improve the situation. Such a variety was found in the Court's examination of food security projects of a number of countries financed from Chapter B7-2 0 in the 1997 to 2001 general budgets under Regulation (EC) No 1292/96 (see *Annex 2*). Obviously, the mere existence of a specific Council regulation and specific budget headings for the improvement of food security does not lead to specific recognisable food security actions.

20. On the other hand, although Council Regulation (EC) No 1292/96 laid down a policy on food security and food aid it does not govern development actions financed by the general budget chapters for Asia, Latin America and the Mediterranean countries and by the EDFs for the African, Caribbean and Pacific (ACP) States. The current situation leads to development programmes not well integrated with the mainstream programmes financed by the general budget chapters for Asia, Latin America and the Mediterranean countries and by the EDFs with the same objectives of poverty alleviation, improving living conditions and food security.

21. The Regulation states that EC intervention must be integrated into the development policies and food strategies of the recipient countries and must back up those countries' own policies on poverty reduction ⁽¹⁾. However, the aim of integrating food security into the development policies and food strategies of the developing countries was only achieved in two of the countries visited (Madagascar, Bolivia) whereas in the others the food security programmes were implemented as separate development programmes (see also paragraph 25).

Recipient countries' strategies

22. Before launching programmes, the Commission asked the countries eligible for support to produce food security policy papers as Regulation (EC) No 1292/96 stipulates that food aid and food security operations must be integrated into a recipient country's long-term food security policy aimed at alleviating poverty ⁽²⁾. Ideally, this policy should be embedded for each recipient country in a single overall development strategy paper, in which all relevant aspects, like poverty alleviation, food security, rural development, development of the social sectors, should be covered. In the same spirit the aspects of food security should be incorporated in the poverty reduction strategy papers established by the developing countries under the guidance of the World Bank and the International Monetary Fund (IMF).

23. In Madagascar, the action plan for rural development and the interim document on the poverty reduction strategy are complementary and well integrated. Both policy papers enumerate detailed operations to be undertaken in the field of food security and set clear priorities. They are characterised by a participatory approach and are well integrated into the fight against poverty. In addition, they are consistent with both the general policy strategies of the Government and with the aims and objectives of Regulation (EC) No 1292/96.

24. Bolivia's national programme for food security is also well integrated with its general economic and social development programme, closely linked with the agricultural development programme and consistent with the poverty reduction strategy in terms of objectives and priority interventions domains.

25. In Ethiopia, Georgia, Niger and Yemen, however, the food security policies were not integrated into beneficiary countries' overall development strategies. Instead, a number of stand-alone strategies existed on, for example, agriculture, rural development and food security, which caused confusion at the level of the recipient countries as to the differences or similarities between the

various strategies. Despite its importance in the context for food security, none of the strategy documents dealt with land tenure systems and land reform or environmental aspects. Equally, no evidence was found that gender issues were taken into account, contrary to Article 5 of the Council Regulation.

26. In Ethiopia, the 1996 food security strategy document, although giving a certain attention to key policy issues and to the lack of purchasing power, puts much emphasis on agricultural growth, implying that food insecurity in this country is mainly a supply problem. In fact, the Ethiopian Government continued with its traditional relief-oriented pattern of massive food aid in kind (reaching a peak of 1,4 million tonnes in 2000). Apart from not being an answer to structural food insecurity, it has negative effects on prices on the local food market, and thereby on local production and income. The interim poverty reduction strategy paper for Ethiopia does not sufficiently deal with the structural issues which are at the root of food insecurity and keeps insisting on the need for continued food aid.

27. In Georgia and Yemen, the national food security documents do not formulate priorities. Whereas Yemen's strategy paper rightly points out that it cannot become self-sufficient in food production, the strategy does not indicate ways to improve purchasing power and physical accessibility to food.

28. In Niger, the food security strategy paper is a good action plan rather than a strategy document because it does not set out broad objectives. Although the Government approved this paper in August 2000, it was still awaiting its practical implementation at the moment of the Court's visit to this country in June 2001.

Baseline information

29. The formulation of targets concerning food security was, and remains, constrained by the lack of reliable information on the food security situation in the recipient countries, in particular at household level. As a result, it is virtually impossible to determine the poorest segments of the population and to define the most appropriate actions to be undertaken. It is, therefore, also impossible to assess whether the stipulation ⁽³⁾ of the Council Regulation that food security operations must improve the living conditions of the poorest sections of the population in the recipient countries is being achieved.

⁽¹⁾ Article 1(4) and preamble, recitals 2 and 23.

⁽²⁾ Recital 2 of the preamble, Article 1(4) and Article 2(2), last indent.

⁽³⁾ Articles 3(3) and 6(3).

30. National information on the economic situation of the households and on the food security situation of the most vulnerable strata of the population is virtually inexistent in most of the countries visited, and even the most basic data on agricultural production, food stocks and food imports are frequently unreliable:

- (a) in Georgia, for instance, figures published by Government services are neither reliable nor complete. It is estimated that, due to smuggling and other forms of tax evasion, actual imports of wheat are up to five times higher than the official figures published by the national customs department;
- (b) in Niger, the information collected in the context of the early warning system is not complete as it disregards pastoral areas of the country and is therefore not reliable;
- (c) in Madagascar, Yemen and Niger, agricultural statistics and other statistical information are outdated: the latest general agricultural censuses were carried out up to 17 years ago.

31. In order to remedy such situations, socioeconomic and agricultural censuses were planned in a number of countries. In practice, however, these suffer from major delays. Furthermore, once donor support for statistical services came to a halt, the production of statistics virtually stopped in most of the countries.

The evaluation required by the Council Regulation

32. Article 32 of Regulation (EC) No 1292/96 stipulates that, three years after it comes into force, the Commission must submit to the budgetary authorities an overall evaluation of its food aid and food security operations, accompanied by suggestions for the future of the Regulation and, if necessary, proposals for amendments to it.

33. On the basis of an independent external evaluation report presented to the Commission in December 2000, the Commission submitted in September 2001 a synthesis to the budgetary authorities. The evaluators' main conclusions were:

- (a) the existence of stand-alone food security programmes is questionable;
- (b) other development programmes should take the dimension of food security into account and country strategy papers should cover all instruments;
- (c) foreign currency facilities for the import of foodstuffs have no function in a liberalised market and are de facto simply supports to the national budgets;

(d) the Commission's implementing capacity and the beneficiary countries' capacity to absorb resources should match the rhythm and volume of commitments;

(e) criteria and indicators should be available for all projects and programmes and monitoring and evaluation should be carried out systematically.

34. Despite these important recommendations, the evaluation concluded that it was still too early to assess fully the impact and effectiveness of the Regulation and that a second overall evaluation would therefore have to be carried out in 2003/2004. In its communication ⁽¹⁾ the Commission agreed with this conclusion and accordingly, in its reply of 14 December 2001 ⁽²⁾ the Council considered that 'there is no need to alter the content of the Regulation'.

Overall management

Budgetary implementation

35. The commitment appropriations for EU budget headings under Chapter B7-2 0 specifically dedicated to food aid and food security fell from 530 million euro for 1997 to 465 million euro for 2001, i.e. a decline of 12 % within four years (see Table 1). A detailed breakdown of payments by country and organisation is presented in Annexes 3 to 5 for each of the programme years 1997 to 2001.

36. In general, the committed funds for food aid are rapidly used as the implementation of this type of activity is rather straightforward. The absorptive capacity for food security has been much lower, as can be seen from Table 2, which shows the commitments and cumulative payments made up to 31 December 2001 for the programme years 1997 to 2001 ⁽³⁾.

⁽¹⁾ Communication from the Commission to the European Parliament and to the Council 'Evaluation and future orientation of Council Regulation (EC) No 1292/96 on food aid policy and food aid management and special operations in support of food security' (COM(2001) 473 final of 12 September 2001).

⁽²⁾ Document 15390/01 of the Food Aid Group of the Council: 'Draft Council conclusions on the evaluation and future orientation of Regulation (EC) No 1292/96'.

⁽³⁾ A programme year is the year for which, through an official letter (see paragraph 48), a pledge is made to finance a food security programme for a specific recipient country. The commitments for such a programme can be spread over several budget years.

Table 1

Commitment appropriations for food aid and food security for the budgetary years 1994 to 2001

(Mio EUR)

	1994	1995	1996	1997	1998	1999	2000	2001
Food Aid (B7-2 0 0)	151	151	151	151,0	151,0	151,0	151,0	151,0
Transport (B7-2 0 2)	218	218	201	118,0	118,0	104,0	96,1	98,0
Total food aid	369	369	352	269,0	269,0	255,0	247,1	249,0
Food security (B7-2 0 1) ⁽¹⁾	220	223	179	261,0	261,0	250,0	215,0	206,0
Total B7-2 0	589	592	531	530,0	530,0	505,0	462,1	455,0
Amendments and modifications 1997 to 2001				–	+ 53,4	+ 2,2	– 3,7	+ 9,7
Final commitment appropriations 1997 to 2001 ⁽²⁾				530,0	583,4	507,2	458,4	464,7

⁽¹⁾ During the period 1994 to 2001, the content of budget chapter B7-2 0 changed as a result of the introduction of Council Regulation (EC) No 1292/96. In particular in the years 1994 to 1996, this budget heading contained large amounts for food aid in the form of non-cereals (e.g. oils, milk powder). Therefore only the years 1997 to 2001 can be compared with each other.

⁽²⁾ The differences between the annual totals in this table and in Table 2 are due to the fact that the commitments for programme years (Table 2) are spread over several budget years (Table 1).

Source: General budget of the European Union; Commission's accounting system Sincom.

Table 2

Cumulative payments for food aid and food security commitments for each of the programme years 1997 to 2001 (general budget of the EU) ⁽¹⁾

(Situation on 31.12.2001 in mio EUR)

Programme year	Data	Food aid	Food security	Total
1997	Commitments	339,2	192,9	532,1
	Payments made	285,0	150,6	435,6
	%	84,0	78,1	81,9
1998	Commitments	300,8	288,1	588,9
	Payments made	253,3	211,1	464,4
	%	84,2	73,3	78,9
1999	Commitments	243,8	293,7	537,5
	Payments made	206,4	149,6	356,0
	%	84,7	50,9	66,2
2000	Commitments	223,4	189,6	413,0
	Payments made	121,3	54,9	176,2
	%	54,3	29,0	42,7
2001	Commitments	175,0	261,5	436,5
	Payments made	76,4	28,9	105,3
	%	43,7	11,1	24,1
Total — Commitments		1 282,2	1 225,8	2 508,0
Total — Payments made		942,4	595,1	1 537,5
Total %		73,5	48,5	61,3

⁽¹⁾ The differences between the annual totals in this table and in Table 1 are due to the fact that the commitments (contracts/riders) for programme years are spread over several budget years.

Source: CRIS (Sincom 2).

The management structures

37. The Commission has overall responsibility for the implementation of the food security policy from budget Chapter B7-2 0. For that purpose a special unit has been created. In the beneficiary countries the food security operations are implemented and monitored by beneficiary countries' services, the Commission's delegations, local food security units (LFSUs) and non-governmental organisations (NGOs).

COMMISSION

38. The objective of food security leads to a wide variety of actions which are interwoven with operations in the field of food aid, humanitarian aid and long-term development support. To ensure coherence between food security operations and other aid, strong coordination with other, relevant Commission's services is desirable. This means that the unit responsible for food security should continuously communicate and coordinate with all geographical units (Asia, Latin America, central and eastern Europe, ACP States) within the same Directorate-General, with a number of other Directorates-General (e.g. Development, External relations) and with the Commission's humanitarian aid office. Given its limited resources, it is very difficult for the specialised unit to ensure the coherence between the food security policies and the recipient countries' other development strategies (see paragraph 25), a task which is essential as long as various EU development programmes are run in parallel.

LFSUS

39. LFSUs are local technical assistance offices financed by the Commission, where European and local experts work in order to assist the recipient country in designing, implementing and monitoring food security operations. Apart from personal contracts with their staff, LFSUs do not have clear and written mandates explaining in detail their tasks and responsibilities for the management of and reporting on food security operations. Therefore, in Niger and Yemen, it was not always clear whether and to what extent the LFSUs or technical assistants, working in the context of food security should assist primarily the delegation or the beneficiary country's services.

NGOS

40. A new procedure for the selection of NGOs was introduced in 2000. Despite the Commission's intention to decentralise the implementation of development aid, the legal and admin-

istrative eligibility of the applicants was centrally examined in Brussels, causing such long delays that the time available to the delegations for the technical and financial examination of the proposed operations was far too short. In general, the new procedure turned out to be complex and time-consuming. While the call for proposals was published in September 2000, it was only in December 2001 that the first contracts could be signed.

RESAL

41. For a number of different support tasks the Commission contracted in 1998 a joint venture of seven independent consultancy firms to set up the European Food Security Network (RESAL).

42. RESAL's main tasks were to provide assistance in formulating food security strategies and analysing food security situations, to formulate proposals for food security operations and to set up a system for collecting and analysing data (contained in monthly and quarterly reports) and to improve information systems relating to food security issues (price monitoring, harvest forecasts, etc). The results of the information system were made available via the Internet.

43. In general, RESAL functioned well and it was particularly strong in supplying ad hoc consultancy support in the form of studies and contributions to the formulation of food security policies and strategies requested by both the Commission and the recipient countries.

44. Whereas the information network was a good initiative to put existing information together and to present it in an accessible form to the public, it should be noted that the quality of the information was only as good as the quality of the sources, which were not always reliable. Furthermore, the information on RESAL's website was not always up to date: in August 2001, for instance, for half of the countries analysed by the Court, the information, which should have been provided on a monthly basis, was more than four months old.

45. In the context of the policy of closing its technical assistance offices, the Commission discontinued the contract with RESAL as of 1 September 2001. Instead, 20 newly recruited experts with similar tasks and functions as RESAL's are to be employed at 15 delegations in priority countries, and a further five experts at the Commission's services in Brussels.

Management information

46. Although the Commission in Brussels has reliable information on the allocation, the commitment and the release of funds to the food security programmes, it could not provide reliable information on the use of funds advanced and on the progress of the components of the programmes ⁽¹⁾. The Commission's Sincom2 accounting system could not identify all food security-related contracts and payments in respect of such contracts, and therefore could not give complete and detailed figures thereon. Although such information was usually available at the level of the delegations, it was not systematically communicated to the Commission in Brussels. The Commission's annual reports to the budgetary authorities on the implementation of Regulation (EC) No 1292/96 lack information on the use of counterpart funds. This runs contrary to Article 31(3) of this Regulation, which clearly stipulates that the Commission's annual report on the implementation of food aid and food security operations must contain information on operations undertaken with the counterpart funds generated.

47. The Commission's annual reports on the implementation of actions for food aid and food security can only be used with the greatest care for analyses such as comparing one year with another, due to the above problems and due to the fact that the presentation of the components of the aid changed from year to year.

Actions

Preparation of the interventions

48. On the basis of official letters (in effect contracts, signed by the Commission and the beneficiary country) to which global annual food security plans are attached, the preparation of the individual projects and actions can be launched.

49. This process has generally been cumbersome and lengthy in most of the recipient countries. This was due, *inter alia*, to the following factors:

- (a) as food security strategy papers do not usually set clear priorities, the whole process of setting priorities is deferred to the programming phase;
- (b) administrative procedures, both in the Commission and in the recipient country, are complicated;

- (c) the Council Regulation allows a large variety of actions to be carried out under food security budget headings, which requires particular efforts to define the specific content of the food security programmes with the partners.

As a result, for some of the beneficiary countries no programme at all was compiled for certain years.

50. The Regulation stipulates that food security operations must be embedded in a multiannual plan ⁽²⁾. A multiannual plan is required to show long-term perspectives as to how to replace food aid by food security operations, so that a coherent package of activities can be defined for a number of years. Until recently, programming has been done on an annual basis. Since 2001 the Commission has prepared multiannual programmes for a number of beneficiary countries, for example for Mozambique.

51. Article 3 of the Council Regulation requires an approach which ensures a complementarity of actions financed from different sources. In most of the countries visited by the Court, food security programmes were not well integrated in the mainstream programmes. The food security heading is considered by some parties involved to be a welcome additional source of finance. In the case of Ethiopia, for instance, the budget headings for food security were used to compensate for the lack of agricultural components in the seventh and, particularly, in the eighth EDFs. In a number of countries, however, attempts have been made to link certain types of action to the food security budget heading. In Niger, rural development projects were financed by the EDFs, whereas the food security budget headings were mainly used to finance supporting activities and capacity-building (e.g. food security and crisis management body, food storage, agricultural censuses). In Madagascar, food security operations financed from the general budget complement the rural development projects financed from the seventh and eighth EDFs, and the two different financial resources are used in a coherent way. This is because there is only one development strategy in this country which governs operations on rural development, food security and poverty alleviation regardless of their source.

Identification

52. The identification of the projects was unstructured in most of the countries visited by the Court. With the exception of Bolivia, there was no evidence of structures in place which could lead to the selection of projects on the basis of clear priorities and criteria. In Yemen, for instance, the most important criterion was that the projects should be evenly spread over the country; the outcome was a dispersion of a wide variety of projects, selected on an ad hoc basis.

⁽¹⁾ See successive qualifications in the Court's Statements of Assurance, culminating in the Annual Report concerning the financial year 1999, paragraphs 8.11 to 8.13 (OJ C 342, 1.12.2000).

⁽²⁾ Recitals 13 and 14 of the preamble and Article 3(4).

53. The design and planning of food security operations examined by the Court was hampered by a lack of feasibility studies. For example, in Yemen, feasibility studies carried out before the start of an operation were virtually absent. Most of the projects were implemented without prior justification procedures and without consulting the local population. In Ethiopia, none of the projects examined on the spot had been the subject of financial or economic analysis before implementation. In Madagascar, too, the viability and sustainability of food security operations was not sufficiently examined.

54. Nevertheless, once adopted, many of the projects visited by the Court were technically well executed and useful for the population concerned. Exceptions were irrigation projects in Yemen and Bolivia for which dams and pipelines were either not completed or not maintained so that irrigation was limited.

Implementation

Involvement of beneficiaries

55. A high degree of involvement of the governments of the recipient countries in designing food security operations is essential to their ultimate success. In particular, administrative structures at central and local levels should be in place for ensuring the sustainability of projects.

56. The involvement of central governments in the project cycle is generally limited. In some of the countries visited by the Court, food security activities are left to local bodies in a rather uncoordinated way (e.g. Yemen, Ethiopia). In other countries, like Madagascar and Bolivia, specific bodies were created to implement the programme.

57. In Niger, a management unit for food aid/food security actions was created, through which coordination between the State and donors works well. Nevertheless, the Government's commitment to this national food security device remains insufficient, so that the donors, and not the Government, have taken the lead.

58. The active participation of the population is at least as important as the degree of involvement of the central administration. According to Regulation (EC) No 1292/96 ⁽¹⁾, recipients should become agents of their own development. Therefore they should actively support the projects if these are to have a chance to become viable and sustainable.

59. Local communities will only feel responsible for a project if they have been involved from the identification phase throughout the whole process. Moreover, food security operations will not be sustainable without functioning local structures in the communities to support the local population in formulating needs and implementing and managing projects. In practice, their involvement in the project cycle was very limited in all countries visited by the Court with the exception of Bolivia.

60. In Yemen and Georgia, in particular, there was no evidence that the population had been consulted. Operations are implemented without assessing the situation of the local population or explaining why a given operation should have priority or why particular target groups have been selected. In Yemen, the local administrative services had severe problems in convincing the communities of the usefulness of the proposed operations.

61. In most of the countries visited there is insufficient structural capacity at the local level to manage and follow up the projects and support the local population from an administrative and technical point of view. Although in Bolivia the local municipalities function adequately, their coordination ability is weakened by the fact that their key technical staff are frequently changed after elections for political considerations.

Delays

62. In nearly all recipient countries there were considerable delays between the financing decision and the start of the implementation of the programmes and projects. As a result, considerable amounts of unspent funds stood idle for several years.

63. In general, the delays for the implementation of the first programmes (for the year 1996) were especially important. This is partly due to the reasons already mentioned in relation to the preparation of the interventions (see paragraph 49). The staffing problems and the short-term effects of the Commission's reorganisation also explains lengthy delays in payments in, for instance, Ethiopia, Yemen and Madagascar, which disrupted the smooth execution of the programmes.

64. Delays were caused by the recipient countries as well. For instance, the Governments of Yemen and Niger were not able to agree on the execution of agricultural censuses, which are vital for obtaining information on the food security situation. In Ethiopia, the unclear division of responsibilities between Ministries and implementing bodies and between the central Government and the Governments of the regional States also caused delays.

⁽¹⁾ Article 1(3), fifth indent.

Budget support

65. In a number of countries, Community aid is given in the form of budget support (as provided for in Article 2(5) of the Council Regulation), subject to effective programming, implementation and monitoring of the national budget, i.e. regular supervision and control of public expenditure.

66. Usually, the budget support is financed by the counter-value (in local currency) of foreign currency made available by the Commission to the recipient countries to finance imports of foodstuffs for which the recipient countries have to provide evidence. However, in a situation of liberalised imports, as is the case now in virtually all beneficiary countries, this is an artificial construction for an intervention which is de facto a general foreign currency facility to support the balance of payments of the countries concerned.

67. In most cases of budget support, target areas are defined e.g. support to the social sector, support to investments or support to cover recurrent costs. The considerations on the basis of which one or another approach is chosen are usually not documented. Furthermore, budget support is given only when certain conditions are fulfilled. They can relate, amongst others, to macro-economic factors, to budgetary indicators (e.g. proportion spent on health or education) or the administrative reforms of governments' services. A general criterion should be that budget support should only be given when effective management and control of the national budgetary and accounting systems are in place or, when this is not the case, that at least substantial improvements are provided for ⁽¹⁾.

68. Budget support was provided to Georgia, Madagascar, Niger and Yemen, although the budgetary and accounting systems were not adequate. Payments were suspended because the countries did not fulfil the conditions in the case of Georgia (macro-economic conditions) and Madagascar (reform of its public administration).

69. Although the decisions to suspend the payments were entirely justified by the non-fulfilment of conditions, it led to severe interruptions of the implementation of food security programmes, for instance in the social sector where financing from the national budget depended on EU funding. Budget support which is dependent on macroeconomic factors can therefore easily become incompatible with food security operations specifically aimed at improving the food security situation at local level.

⁽¹⁾ Special Report No 5/2001, on counterpart funds from structural adjustment support earmarked for budget aid (seventh and eighth EDFs) (OJ C 257, 14.9.2001) and Special Report No 1/2002 concerning macrofinancial assistance (MFA) to third countries and structural adjustment facilities (SAI) in the Mediterranean countries (OJ C 121, 23.5.2002).

Monitoring

70. Monitoring should primarily be done by the central or local administration together with the Commission's delegation. In general, the Commission's central services and delegations are not heavily involved in the monitoring of projects. In most countries, the monitoring is carried out by the LFSU.

71. In Georgia, the Government shows little interest in monitoring, with the exception of projects managed by the Ministry of Health, which is responsible for family allowances, for which the monitoring is tight and effective. In Yemen, no checks were carried out at all by the national administration on food security operations.

72. Despite the fact that the LFSU's monitoring was hampered by the dispersion and remoteness of projects in Ethiopia, those reports which were provided by the LFSU generally gave a clear and comprehensive diagnosis of the implementation status of the projects they refer to.

Evaluation and audits

73. To establish whether the objectives laid down during the appraisal phase have been achieved, the Commission should undertake regular evaluations of food security operations. This is not sufficiently done, and, with the exception of Ethiopia, only very few independent evaluations have been carried out. In any case, to be able to properly assess the impact and the efficiency of food security operations, verifiable performance indicators for all projects and programmes are necessary. With the exception of Bolivia, evidence of such indicators could not be found in any of the countries examined by the Court.

74. In most of the official letters or the associated Memoranda of Understanding it was stated that financial audits of the programmes had to be carried out. Audits covering the whole programme, or part of the programme in the cases of so-called 'mid-term reviews', started to be carried out in 2001 only.

75. The fact that the audits are carried out a number of years after the start of the programmes means that it is often difficult to trace supporting documents or to obtain explanations about the considerations justifying transactions. Also, in such a situation weaknesses in the system of internal control, at least for the programme in question, can no longer be corrected and for other on-going programmes can only be redressed at a very late stage.

76. The Commission's central services do not have a complete or up-to-date picture of the audits carried out, for which the initiatives are taken by the delegations, because the delegations do not systematically inform the central services about the planned and executed audits.

77. The adequacy of audits and the content of audit reports were often not adequately assessed. Consequently, appropriate action was not always taken when audits were professionally inadequate or when the audit reports described shortcomings, for instance in the internal control system for payments.

Donor coordination

Coordination at central level

78. Regulation (EC) No 1292/96 stipulates that the Community and its Member States shall closely coordinate their development cooperation policies as regards food aid and food security operations, and that provision should be made for close cooperation between the Member States and the Commission within the Food Security and Food Aid Committee of the Council (FSFAC) ⁽¹⁾.

79. It also states, in Article 20, that the Member States and the Commission shall afford each other all necessary assistance and exchange all relevant information regarding the implementation of food aid and food security operations. More specifically, it stipulates, in Article 28, that Member States shall notify the Commission of their national food aid and food security operations, and that coordination and cooperation between the Community and the Member States shall be the subject of a regular exchange of information within the FSFAC. Furthermore, according to Article 30, Member States and the Commission shall notify each other of the results of evaluation work and of analyses or studies and shall endeavour to carry out joint evaluation exercises.

80. In reality, however, these provisions of the Regulation are not adequately applied. Member States have not notified the Commission of their bilateral food aid and food security operations. The provision of information on food security operations is a one-way process. The Commission informs the Member States but not the other way around, as the Court has pointed out on several occasions concerning other programmes ⁽²⁾.

81. The Belgian Presidency of the FSFAC in September 2001 unilaterally presented the Belgian national food aid and food security policy and proposed that Member States should in turn present their food security policies within the FSFAC ⁽³⁾. This initiative failed, however, to draw a response from the other Member States.

82. Also, the main recommendations of the conclusions of 19 December 2001 of the Council on Regulation (EC) No 1292/96 ⁽⁴⁾ did not pick up on the recommendation of the Commission's communication ⁽⁵⁾ that the role of the FSFAC be strengthened through a greater focus on strategic and sectoral issues.

83. The information received from the Commission by the representatives of the Member States in the FSFAC is not systematically forwarded to their Embassies on the spot: the EU Ambassadors in Georgia, for example, complained about the fact that they did not receive any feed-back on Community food security policies from the Member States' Ministries of Foreign Affairs or from their Ministries for Development Cooperation.

Coordination at local level

84. At local level, there were regular meetings between the representatives of the Member States and the Commission's delegations. In most of the countries visited, the coordination consisted of an exchange of information only, but in Madagascar, in particular, there was intense cooperation with the other donors, leading to a joint donors' database containing all the details of the projects financed by donors in the country. In Niger, the coordination between donors participating in the coordination body for the prevention and management of food crises was also tight.

85. With the exception of Madagascar and Niger, coordination with other multilateral donors (World Bank (WB), International Monetary Fund (IMF), United Nations Development Programme (UNDP), FAO) is marginal, although in many countries, WB and IMF currently help the government to prepare a strategy paper on national poverty alleviation policy. As poverty alleviation and food security are very closely connected, there should be close coordination on this subject between the government, the Community and WB/IMF in order to prevent contradictions.

86. Albeit of insufficient quality, information systems were found in most of the countries visited, dealing with aspects of food security, in the form of information on agricultural production, market information systems and early warning systems. These systems were operated partly by government services, partly by donors. This has led to a dispersion of information as well as to duplication of information systems, which could be avoided by better coordination.

⁽¹⁾ Recitals 3 and 23 of the preamble.

⁽²⁾ Special Report No 7/98 on South Africa (OJ C 241, 31.7.1998), paragraphs 93 to 97; Special Report No 4/2000 on rehabilitation (OJ C 113, 19.4.2000), paragraphs 37 to 41; Special Report No 19/2000 on Palestine (OJ C 32, 31.1.2001), paragraphs 84 to 88.

⁽³⁾ 'Non-paper' document 6/01 (ALIM) of 6 September 2001.

⁽⁴⁾ Council document 15390/01 (ALIM) of 17 December 2001.

⁽⁵⁾ Recommendation No 9 of the communication from the Commission to the European Parliament and to the Council (COM(2001) 473 final of 12 September 2001, p. 5).

87. The lack of donor coordination blocks the elaboration of single, overall, country strategies, which should be followed by all donors. In the view of a number of important donors, the recipient country should then take care of the coordination between the different donors. However, as long as a country is not capable of doing so, coordination between donors on their own initiative is vital.

CONCLUSIONS AND RECOMMENDATIONS

The policy and Regulation (EC) No 1292/96

88. Specific food security strategies, programmes and action plans have been developed in line with Regulation (EC) No 1292/96. They are additional to poverty alleviation strategies, agricultural strategies, country strategy papers, national indicative programmes and a variety of development plans of other donors. In most of these strategy papers the (implicit or explicit) ultimate objectives are the same: poverty alleviation, food security, improvement of living conditions.

89. Food security is not an instrument, and actions undertaken with the aim to improve food security do not have specific 'food security' characteristics. Rather, they are similar or identical to actions undertaken in the context of any development programme. Nevertheless, food security programmes are executed as development programmes separately from the mainstream development programmes. The result is that a substantial coordination effort is required by the various Commission services and other parties to ensure coherence between the different programmes. In practice, such coordination could not be achieved due to limited resources in the specialised unit for food security interventions.

Recommendation 1

90. The objective of food security should be followed up by:

- (a) screening proposed operations in order to make sure that their impact on food security has been considered;
- (b) monitoring food security in the recipient countries and analysing the causes of food insecurity;
- (c) reporting on food security and recommending possible actions to improve it.

The Commission should increase efforts with multilateral and bilateral donors, including EU Member States, to compile common country strategy papers for the developing countries, which should explicitly include the concept of food security.

91. When the present food security objectives are incorporated into mainstream development programmes, the need for a specific Regulation covering interventions on food security is no longer apparent. Therefore, consideration should be given, probably in the context of the new evaluation of food security announced for 2004, to discontinuing Regulation (EC) No 1292/96 in its present form. The activities in support of food security which are presently financed under Regulation (EC) No 1292/96 could then be covered by the Regulations regarding the geographical areas Asia, Latin America and the Mediterranean countries. In this scenario, a solution may have to be found for the ACP States, which would risk being excluded from the resources financed from the general budget which currently complement the allocations which they receive from the EDFs. Whatever the solution chosen, the coherence between the funding from the budget and the ACP States' indicative programmes should be ensured.

92. Food aid provided under Regulation (EC) No 1292/96 has a strong relief, and therefore humanitarian, component in many cases. Therefore, all food aid in kind could be integrated into the Regulation on humanitarian aid, so that one single Regulation would cover humanitarian aid and food aid, with distinct procedures where necessary.

93. The appropriations for food aid and humanitarian aid could be grouped together under one budget heading, whereas the amounts for food security could be included in the general budget headings for the support by the development programmes of the beneficiary countries in each of the geographic regions.

Food security programmes

94. Food security programmes, prepared on an annual basis, usually take a number of years before they can be completed. Due to the delays in the annual programming in general and the consequent delays in releasing funds, the desirable continuous financing cannot always be ensured.

Recommendation 2

95. Programmes should be multiannual and based on beneficiary countries' overall development strategies. They should be realistic in that they should reflect beneficiary countries' absorption capacity as well as the Commission's capacity to manage and monitor the programme.

Baseline data

96. In general, the information available on the food security situation is outdated, incomplete and unreliable. Donors have given assistance in the past to improve the countries' capacity in statistical matters. However, the results generally evaporated when the beneficiary countries were required to finance the statistical activities out of their own resources.

Recommendation 3

97. The Commission, together with other donors, should give priority to supporting the development of systems aimed at providing reliable information on socioeconomic household situations (including aspects of poverty and food security).

98. In this context, the Commission, in cooperation with the other donors, should develop indicators which can be used to measure whether food security is improving.

Management information in central services

99. The Commission's accounting system could not identify all relevant information on the financial situation and the progress of the implementation of food security actions. To a great extent this information is available at the level of the delegations but this was not systematically communicated to the Commission in Brussels.

Recommendation 4

100. The Commission should modify its accounting and management information systems so that complete and accurate figures on the use of funds can be compiled. Furthermore, there should be a regular exchange of information between the Commission's central services and its delegations. Even in a decentralised situation, the central services should have access to basic information to be able to fulfil their supervisory function.

Sustainability

101. The sustainability of actions is not ensured when the national administrative infrastructure at central and local levels is inadequate. In most of the countries visited by the Court, the capacity or the motivation of the central services were insufficient to manage development programmes effectively. At local level, hardly any administrative structures exist. This is a general problem, which has been commented upon regularly by the Court.

Recommendation 5

102. To increase the current weak absorptive capacities and to enhance ownership of food security projects in the recipient countries, the Commission should continue to focus on capacity-building and institutional support. Particular attention should be given to the processes of identifying, planning and monitoring actions. The local population should be actively involved in all phases of the projects. The national governments should be encouraged to give priority to the development of local structures in which, in the interim, NGOs could play an important role.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 13 February 2003.

For the Court of Auditors

Juan Manuel FABRA VALLÉS

President

ANNEX 1

THE FOOD SECURITY SITUATION IN THE SIX COUNTRIES VISITED BY THE COURT

1. The food security situation in the countries visited by the Court ⁽¹⁾ is presented below.
2. In Georgia, Bolivia and Madagascar, the overall availability of food appears to be sufficient, i.e. there is no food deficit in the country as a whole. There is, however, a problem of access for the poorest layers of the population due to severe lack of purchasing power.
3. In Ethiopia, food insecurity is linked to structural factors, and 49 % of the population, or 28,4 million people, are undernourished. The main factors are the lack of purchasing power and the problem of physical access to food: the World Development Report 1999/2000 indicates that 89 % of the population falls below the USD 2 per day poverty line.
4. Yemen is structurally unable to produce more than about 30 % of the foodstuffs needed to feed the population, the shortage being mainly covered by imports. Given the extremely low purchasing power of rural populations, there are structural food shortages in rural areas.
5. The food security situation in Niger is extremely fragile because of climate conditions, as a result of which years of serious food shortages occur regularly.
6. The following Table shows the number of undernourished and their share of the total population for the six countries visited:

Undernourishment in the six countries visited

Country	Undernourished in %	Undernourished in million
Ethiopia	49	28,4
Niger	46	4,5
Madagascar	40	5,8
Yemen	35	5,7
Bolivia	23	1,8
Georgia	23	1,2
Total of the six countries visited	43	47,4

Source: FAO, Rome: Assessment of the world food security situation (published 1.6.2001).

⁽¹⁾ Bolivia, Ethiopia, Georgia, Madagascar, Niger and Yemen.

ANNEX 2

DIVERSITY OF FOOD SECURITY ACTIONS

- Support of early warning systems
- Building or upgrading storage facilities
- Building greenhouses
- Production or supply of seeds, establishment of grain or seed banks
- Supply of agricultural inputs such as fertilisers, pesticides, tools and equipment
- Supply of small-scale agricultural technologies
- Support for the development of aquaculture
- Supply of fishing tools and boats
- Restocking activities
- Food for work, cash for work, employment generation schemes
- Diversification of rural incomes
- Development of crop production, horticulture and fruit trees cultivation
- Development of livestock production (e.g. cattle breeding, milk and cheese production) and poultry breeding
- Veterinary equipment and support for veterinary clinics, supply of veterinary drugs
- Support for transport, distribution and marketing of agricultural products
- Rural development micro-projects
- Rural micro-credit schemes for agriculture, cattle breeding, handicraft
- Rural water supply schemes
- Construction of small dams
- Irrigation schemes
- River diversion
- Protection of the banks of rivers or wadis
- Soil conservation
- Rural access roads (feeder roads)
- Village infrastructure
- Reforestation
- Support for producers' associations
- Support for women's organisations

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- Technical assistance and training in agricultural techniques, finance and management
 - Institutional-capacity-building for ministries and other government bodies, municipalities and local communities in charge of food security operations
 - Information and training in food and health issues, promotion of diet diversification
 - Campaigns on hygiene and sanitation
 - Support for health security
 - Support for rural schools and nurseries
 - Support for social safety nets
 - Foreign currency facilities to finance imports of foodstuffs

Source: European Court of Auditors.

ANNEX 3

Cumulative payments for food aid and food security on 31.12.2001 (general budget of the European Union) for each of the programme years 1997 to 2001

(Mio EUR)

Groups	Recipients	Programme year					Total	
		1997	1998	1999	2000	2001		
Countries	Ethiopia	37,4	27,3	14,4	9,9		89,0	
	North Korea	0,6	32,0	25,8	9,8		68,2	
	Bangladesh	15,5	23,9	8,3	4,3		52,0	
	Malawi	11,1	18,6	21,3			51,0	
	Bolivia	21,1	22,5		0,1		43,7	
	Kyrgyzstan	8,5	8,3	8,0	9,5		34,3	
	Armenia	6,0	11,7	9,5	5,0		32,2	
	Mozambique	15,7	2,4	6,4	5,8		30,3	
	Georgia	16,0	1,4	12,0			29,4	
	Azerbaijan	15,4	13,6				29,0	
	South Korea	25,2					25,2	
	Peru	15,3		6,0	0,1		23,6	
	Nicaragua	0,8	15,7	0,2			16,7	
	Honduras	3,4	8,5	4,6	0,1		16,6	
	Niger	6,2	6,6		3,0		15,8	
	Montenegro			10,2	5,1		15,3	
	Yemen	10,2	5,1				15,3	
	Madagascar	1,2	13,7				14,9	
	Eritrea	0,1			2,9	10,4	13,4	
	Cape Verde	8,1	5,0				13,1	
	Albania	10,3	0,2	0,2			10,7	
	Haiti	4,2	4,9	1,0		0,1	10,2	
	Kosovo			9,5			9,5	
	Liberia	5,9	2,4				8,3	
	Angola	0,1	7,8				7,9	
	Mauritania	5,6	0,7		0,2		6,5	
	Rwanda	1,6	0,4	3,4			5,4	
	Tanzania		5,2				5,2	
	Burkina Faso	0,1	2,4	0,1		0,4	3,0	
	Sudan	1,6	0,6				2,2	
	Tajikistan	1,1	0,9				2,0	
	Jordan		2,0				2,0	
	Sierra Leone		1,1	0,9			2,0	
	Laos	0,7	1,2				1,9	
	Palestine		1,2	0,6			1,8	
	Somalia	0,2		1,4			1,6	
	Swaziland		1,3				1,3	
	Kenya	0,9	0,3				1,2	
	Zambia	0,1	1,0				1,1	
	Mali	0,2		0,8			1,0	
	Senegal	0,5	0,5				1,0	
	Ivory Coast	1,0					1,0	
	Pakistan				0,7		0,7	
	Cuba	0,4	0,2				0,6	
	Cambodia		0,6				0,6	
	DR Congo		0,5				0,5	
	SADC ⁽⁴⁾				0,5		0,5	
	Guatemala	0,1	0,3				0,4	
	Regional Sahel			0,3			0,3	
	Thailand		0,0				0,0	
Total countries		252,4	254,2	144,9	57,0	10,9	719,4	46,8 %
Organisations	WFP ⁽⁵⁾	93,5	124,8	89,8	70,4	49,4	427,9	
	UNRWA ⁽²⁾	11,7	11,5	13,1	10,6	11,9	58,8	
	NGOs	59,8	47,4	77,5	32,0	27,9	244,6	
	ICRC ⁽³⁾	6,4	9,3				15,7	
	FAO		2,0	7,8			9,8	
Total organisations		171,4	195,0	188,2	113,0	89,2	756,8	49,2 %
Miscellaneous ⁽¹⁾		12,1	15,2	22,9	6,3	5,1	61,6	4,0 %
Grand total		435,9	464,4	356,0	176,3	105,2	1 537,8	100,0 %

⁽¹⁾ Miscellaneous mainly concerns technical assistance not focused on specific countries, e.g. seminars.

⁽²⁾ UN Relief and Works Agency for Palestinian Refugees.

⁽³⁾ International Committee of the Red Cross.

⁽⁴⁾ Southern African Development Community.

⁽⁵⁾ World Food Programme of the United Nations.

Source: CRIS (Sincom 2).

ANNEX 4

Cumulative payments for food security on 31.12.2001 (general budget of the European Union) for each of the programme years 1997 to 2001

(Mio EUR)

Groups	Recipients	Programme year					Total	
		1997	1998	1999	2000	2001		
Countries	Malawi	11,1	11,3	21,3			43,7	
	Bolivia	21,1	22,5		0,1		43,7	
	Armenia	5,5	11,7	9,5	5,0		31,7	
	Kyrgyzstan	0,5	8,3	8,0	9,5		26,3	
	Ethiopia	8,8	14,9	1,5	0,2		25,4	
	North Korea	0,6	8,8	6,6	8,5		24,5	
	Peru	15,3	2,2	6,0	0,1		23,6	
	Azerbaijan	9,2	13,5				22,7	
	Mozambique	5,7	2,3	6,4	5,8		20,2	
	Honduras	3,4	8,5	4,6	0,1		16,6	
	Nicaragua	0,8	15,3				16,1	
	Montenegro			10,2	5,1		15,3	
	Georgia		1,4	12,0			13,4	
	Cape Verde	8,1	5,0				13,1	
	Madagascar	1,2	10,1				11,3	
	Bangladesh	3,6	6,9	0,4			10,9	
	Albania	10,3	0,2	0,2			10,7	
	Niger	1,6	6,0		3,0		10,6	
	Eritrea	0,1				10,4	10,5	
	Haiti	4,2	4,9	1,0		0,1	10,2	
	Yemen	3,4	5,1				8,5	
	Liberia	5,9	2,2				8,1	
	Mauritania	5,6	0,7		0,2		6,5	
	Tanzania		5,2				5,2	
	Rwanda	1,6	0,1	3,4			5,1	
	Angola	0,1	4,0				4,1	
	Burkina Faso	0,1	1,6	0,1		0,4	2,2	
	Sudan	1,6	0,6				2,2	
	Tajikistan	1,1	0,9				2,0	
	Jordan		2,0				2,0	
	Sierra Leone		1,1	0,9			2,0	
	Laos	0,7	1,2				1,9	
	Palestine		1,2	0,6			1,8	
	Somalia	0,2		1,4			1,6	
	Swaziland		1,3				1,3	
	Kenya	0,9	0,3				1,2	
	Zambia	0,1	1,0				1,1	
	Mali	0,2		0,8			1,0	
	Senegal	0,5	0,5				1,0	
	Ivory Coast	1,0					1,0	
	Pakistan				0,7		0,7	
	Cuba	0,4	0,2				0,6	
	Cambodia		0,6				0,6	
	DR Congo		0,5				0,5	
	South Korea	0,5					0,5	
	SADC ⁽⁴⁾				0,5		0,5	
	Guatemala	0,1	0,3				0,4	
	Regional Sahel			0,3			0,3	
Total countries		135,1	184,4	95,2	38,8	10,9	464,4	78,0 %
Organisations	UNRWA ⁽²⁾	6,8	6,8	7,3	7,8	9,5	38,2	
	NGOs	5,1	12,0	19,6	2,3	3,5	42,5	
	FAO		2,0	7,8			9,8	
	ICRC ⁽³⁾	0,1	1,2				1,3	
Total organisations		12,0	22,0	34,7	10,1	13,0	91,8	15,4 %
Miscellaneous ⁽¹⁾		3,6	5,0	19,6	6,0	5,0	39,2	6,6 %
Grand total		150,7	211,4	149,5	54,9	28,9	595,4	100,0 %

⁽¹⁾ Miscellaneous mainly concerns technical assistance not focused on specific countries, e.g. seminars.⁽²⁾ UN Relief and Works Agency for Palestinian Refugees.⁽³⁾ International Committee of the Red Cross.⁽⁴⁾ Southern African Development Community.

Source: CRIS (Sincom 2).

ANNEX 5

Cumulative payments for food aid on 31.12.2001 (general budget of the European Union) for each of the programme years 1997 to 2001

(Mio EUR)

Groups	Recipients	Programme year					Total	
		1997	1998	1999	2000	2001		
Countries	Ethiopia	28,5	12,4	12,9	9,7		63,5	
	North Korea		23,2	19,2	1,2		43,6	
	Bangladesh	12,0	17,0	7,8	4,3		41,1	
	South Korea	24,7					24,7	
	Georgia	16,0					16,0	
	Mozambique	10,0	0,1				10,1	
	Kosovo			9,5			9,5	
	Kyrgyzstan	8,0					8,0	
	Malawi		7,3				7,3	
	Yemen	6,8					6,8	
	Azerbaijan	6,1	0,1				6,2	
	Niger	4,5	0,7				5,2	
	Angola		3,8				3,8	
	Madagascar		3,6				3,6	
	Eritrea				2,9		2,9	
	Burkina Faso		0,8				0,8	
	Nicaragua		0,3	0,2			0,5	
	Armenia	0,5					0,5	
	Rwanda		0,3				0,3	
	Liberia		0,2				0,2	
	Honduras		0,1				0,1	
	Haiti		0,1				0,1	
	Thailand						0,0	
	Somalia						0,0	
Total countries		117,1	70,0	49,6	18,1	0,0	254,8	27,0 %
Organisations	WFP ⁽⁴⁾	93,5	124,8	89,8	70,4	49,4	427,9	
	UNRWA ⁽²⁾	4,9	4,7	5,8	2,8	2,4	20,6	
	ICRC ⁽³⁾	6,2	8,1				14,3	
	NGOs	54,7	35,5	57,9	29,8	24,4	202,3	
Total organisations		159,3	173,1	153,5	103,0	76,2	665,1	70,6 %
Miscellaneous ⁽¹⁾		8,5	10,3	3,3	0,3	0,2	22,6	2,4 %
Grand total		284,9	253,4	206,4	121,4	76,4	942,5	100,0 %

⁽¹⁾ Miscellaneous mainly concerns technical assistance not focused on specific countries, e.g. seminars.⁽²⁾ UN Relief and Works Agency for Palestinian Refugees.⁽³⁾ International Committee of the Red Cross.⁽⁴⁾ World food programme of the United Nations.

Source: CRIS (Sincom 2).

ANNEX 6

Summary of total payments for programme years 1997 to 2001 on 31.12.2001

(Mio EUR)

	Food aid	Food security	Total ⁽¹⁾	Food aid in %
<i>Countries visited</i>				
Ethiopia	63,5	25,4	89,0	71,3
Bolivia	—	43,7	43,7	0,0
Georgia	16,0	13,4	29,4	54,4
Niger	5,2	10,6	15,8	32,9
Yemen	6,8	8,5	15,3	44,4
Madagascar	3,6	11,3	14,9	24,2
<i>All other countries</i>	159,7	351,5	511,3	31,2
<i>Organisations</i>	665,1	91,8	756,8	87,9
<i>Miscellaneous</i>	22,6	39,2	61,6	36,7
Total	942,5	595,4	1 537,8	61,3

⁽¹⁾ Differences due to rounding.

THE COMMISSION'S REPLIES

SUMMARY

II. The Commission initiated a number of decisive policy changes, which began in the mid-1980s, to move away from foodstuff disposal to supporting food security policies and strategies.

IV. The Commission put forward a communication in 2001 which provides an improved framework for the integration of food security issues into overall poverty reduction and development strategies. Moreover, the Commission has sought to ensure a better linkage between relief, rehabilitation and development aid.

V. In the latest programming exercise, food security issues have been taken into account much more systematically by recipient countries as part of their overall poverty reduction and development strategies.

VI. The Commission has made efforts to assist developing countries in building capacity and establishing the necessary systems.

VII. A new evaluation is planned for 2004.

VIII. The Commission's structure and range of instruments are to be improved in terms of programming, appraisal and implementation of food security operations of a highly complex nature. This will be the subject of the evaluation in 2004. Nevertheless, information on needs, problems and the state of implementation is received regularly through reporting, reviews, evaluations and missions.

IX. The central institutions in the beneficiary countries are often very fragile and their capacity for formal intervention is limited. Nevertheless, the Court has found that many of the projects were technically well executed and useful for the population concerned.

X. Mid-term and final evaluations and audits are now carried out on a regular basis.

XI. The Commission's position is as stated in COM(2001) 473:

close coordination at all stages of the programming and project cycle with EU Member States and other major donors will ensure complementarity.

Particular efforts have been made by delegations with a view to strengthening local coordination with Member States, major donors and UN organisations.

XII.

(a) and (b) The Commission's position is as stated in COM(2001)473:

- the Commission will look in depth at the broader conceptual and strategic development framework in which the Commission's support to food aid and food security is provided and should also address the issue of policy coherence,
- it will in particular consider possible options to integrate/merge fully both the food security objective and the instrument into the Commission's overall development device.

Food security and food aid support emphasise a partnership approach and are increasingly designed in the context of nationally owned strategies for poverty reduction.

- (c) There is a clear trend towards multiannual programmes.
- (d) Ongoing efforts take account of the Court's suggestions.
- (e) This is ongoing.
- (f) The Commission is doing it.

INTRODUCTION

3 to 9. For more than a quarter of a century, support to boost agricultural output and massive food aid were the major instruments of the North to assist developing countries in their struggle to deal with food shortages and to achieve food self-sufficiency. Against this background, the Commission, along with other major donors, initiated a number of decisive policy changes, starting in the mid-1980s with a move away from foodstuff disposal to supporting food security policies and strategies. The reform process was completed in 1996 with the adoption of Council Regulation (EC) No 1292/96.

An external evaluation of the implementation of the Regulation was made in 2000. As a result, the Commission prepared a communication (to be submitted to the European Parliament and to the Council) to define more clearly the role of the Regulation and the specific objectives and applications of its various instruments. Maintaining the Regulation was justified on the basis of:

- the need for a specific development instrument to support the Community's efforts to address:
 - structural food insecurity as a first step in long-term poverty reduction in some countries,
 - critical food supply-related situations at national and regional levels, and
 - specific nutritional problems,
- the need to bridge the gap between relief, rehabilitation and development,
- Community commitments to international agreements and multilateral initiatives (international development targets (IDTs) and the Food Aid Convention).

7. Regulation (EC) No 1292/96 also encourages the integration of food security into national development policies and poverty reduction strategies.

OBSERVATIONS

17. Regulation (EC) No 1292/96 enabled food aid to be placed in a medium-term post-crisis concept that precedes a long-term food security development policy using a multiannual approach. In this sense, food aid and the food security measures that replace it are an effective link between crisis and development.

18. The 1996 Regulation (Article 1 of Chapter 1) and communication COM(2001) 473 show that this instrument is designed to respond as well to 'situations of food insecurity caused by serious food shortages or food crises'. These operations are short term.

19. Food security cannot be defined along the lines of specific sectors or activities given that it is, above all, an objective which cuts across the whole spectrum of development sectors. The Commission therefore considers that Regulation (EC) No 1292/96 has a specific role as an instrument for linking emergency, rehabilitation and development or, in other words, as a

bridge between humanitarian aid and the mainstream development instruments (EDF, ALA, MEDA and others). It is in this capacity, as a linking instrument, that Regulation (EC) No 1292/96 has an effective impact on food security.

20. Regulation (EC) No 1292/96 is not meant to be used as a mainstream development instrument. However, the Commission acknowledges that considerable efforts are still required to avoid duplication between the Commission's mainstream development instruments (EDF, ALA, MEDA and others) and the Regulation.

One means of ensuring that Regulation (EC) No 1292/96 is used strictly for its intended purpose is to choose priority countries highly vulnerable to food security risks and crises. Moreover, the introduction of national development strategies and Commission country strategy papers have provided new tools to integrate in a coherent manner all development assistance into a single strategic framework. This has been the case, for example, in Mozambique, Bolivia and recently in Ethiopia.

The Commission recognises that, unfortunately, food security objectives, often declared a priority in many developing countries' policies, are not always put at the forefront of national development strategies.

21. Although food security objectives might be declared a priority in many developing countries, too often Governments do not put poverty reduction, food security and rural development concerns at the forefront of their national development strategies.

In most of the strategy papers of beneficiary countries, the budget heading is used with varying success to help the governments concerned to produce a food security strategy and incorporate it into general poverty reduction policy. This was the case in some of the countries visited by the Court, e.g. Niger, Georgia, Ethiopia and Yemen where food security has become a priority.

22. The Commission not only meets the requirements of the 1996 Regulation, it encourages and assists the beneficiary governments in including food security in their poverty reduction strategy papers.

25. The Commission would point out that, since the visit by the Court of Auditors and pursuant to paragraph 20, Ethiopia, Niger, and soon Georgia, will be incorporating the elements of food security policy into their poverty reduction strategy papers. Including food security in the strategy papers (Niger, Ethiopia and Georgia) was carried out at the initiative of the Commission and on the basis of closer dialogue with the governments. The Commission also finances major programmes (preparing for a land

registry, allotting of land titles, etc.) in the new independent States and Honduras. As to gender issues, they have not received sufficient attention in past operations, an issue raised by the external evaluation (2000). The programming guidelines for the food security budget heading for 2002 and for 2003/04 therefore highlight the need to give due attention to cross-cutting issues, and in particular, gender. For example, in Bangladesh there are specific income-generation projects for women.

26. In view of the inadequacies of the food-security strategy in Ethiopia, the Commission stepped up its dialogue with the Government and defined its intervention priorities, addressing the structural causes of food insecurity (food security programme approved in August 2002). The current crisis, however, could defer implementation of that strategy.

27. The national food security papers for Georgia and the Yemen fix certain priorities, in particular as regards the setting-up of information systems and social security programmes. Nonetheless, the Commission is aware that it is still necessary to target priorities.

28. In Niger, the food security plan is an operational strategy. It is therefore normal that it results in an action plan. It has, however, served as a basis for national poverty reduction and rural development strategies.

29 to 31. Recognising the importance of poverty and vulnerability mapping, statistical and baseline data and information systems (early warning, market information), the Commission has put a lot of effort over recent years into assisting developing countries to build capacity and establish the necessary systems. There are, however, many countries in crisis and disarray in which donors have to improvise.

The Commission also believes that benchmark studies undertaken at the appraisal and planning stage and enhanced monitoring and evaluation systems (using a limited number of indicators) would considerably improve impact assessment, although in some countries such as Bolivia the vulnerable regions are mapped.

30. In general, statistics on the financial position of households do exist, but they are scarce, often out-of-date and lack consistency. The PARIS21 project (partnership in statistics for development in the 21st century), in which the Commission is involved via Eurostat, is aimed at improving statistical capacity in develop-

ing countries. In September 2002 PARIS21 launched a measure aimed at improving agricultural and rural statistics in 10 African countries as part of the fight against poverty and food insecurity.

(c) The Commission considers it is necessary to have an up-to-date agricultural census; in Yemen, the current census is financed by the food security programme.

34. While the Commission in its communication COM(2001) 473 and the Council in its conclusions 15390/01 considered that it was not the right time to alter the content of Regulation (EC) No 1292/96 (before a new and more in-depth evaluation), COM(2001) 473 took on board most of the recommendations put forward by the 2000/01 evaluation.

As pointed out in its reply to paragraphs 3 to 9, the Commission confirmed the specific role of Regulation (EC) No 1292/96.

A second evaluation of the implementation of Regulation (EC) No 1292/96 on food aid policy and food aid management and special operations to support food security as a whole will be carried out in 2004. This evaluation will look in depth at the broader conceptual and strategic development framework in which the Commission's support to food aid and food security is provided and will also address the issue of policy coherence. It will in particular consider possible options to integrate/merge fully both the food security objective and the instrument into the Commission's overall development device. It will also look at possible options to define more clearly the division of responsibilities between DEV/EuropeAid Cooperation Office and ECHO with regard to programming, targeting and handling of food aid in kind.

39. The tasks of the local technical assistants was clarified in the context of the devolution of the food security financial instrument: food security experts have since 2002 been part of the technical ministries or the delegations.

40. As part of the devolution of food security support measures, the call for proposals from NGOs will be effective in all delegations at the start of 2004. The call for proposals will thus be managed directly by the delegations, procedures will be simplified and operations speeded up.

44. The RESAL site was managed by an NGO under a service contract that ended in August 2001. Owing to the interest in the site, the Commission decided to reintroduce it and add it to the range of its websites; it will be updated from 2003.

46. The Commission recognises that the central Sincom2 system does not yet allow a distinction to be made between advance payments and those relating to work which has been completed. The Commission is taking action to address this under Article 81 of the Financial Regulation and Article 102 of the Implementing Rules applicable from 1 January 2003. Moreover, this subject is also included in the Commission communication of 17 December 2002 on modernising the accounting system.

In 2003, the CRIS system will allow the Commission to monitor the progress of food security programmes in beneficiary countries.

The database will show the current status of programmes (commitments, contracts, payments, etc.).

49. Apart from the Court's comments, delays in implementation, in particular as regards budgetary support, are due essentially to the failure of governments to fulfil conditions relating to political and institutional reforms.

50. On a proposal from the Commission (communication COM(2001) 473), multiannual programming is now the rule. It should be noted, however, that multiannual food security programmes have been defined since 1996: proposal for financing, charged to the budget over two or three consecutive years. However, where crises arise and the situation is fragile and volatile (Palestine, North Korea), flexible annual programming can be a relative advantage in order to achieve tangible results.

51. Generally speaking, the complementarity of Community measures is still a cornerstone of actual implementation, although it depends on the environment that exists in the country. For example, the financing of food security programmes in Bolivia is directed towards reducing food vulnerability and fully supplements the ALA line of aid for regional economic integration and the improvement of basic infrastructures (drinking water and sanitation). The budget for the food security line accounts for some 50 % of Community cooperation in Bolivia.

Another example is Ethiopia, where additional EDF financing for food security is provided for in the country strategy paper (CSP).

52. The 'dispersion' to which the Court's report refers is due to the fact that the budget heading is frequently the only one that can be implemented in non-priority countries with fragile institutions, so that it has to cope with a multitude of needs that are often difficult to identify precisely.

In Yemen, intervention sectors were targeted on the basis of the domestic food security policy (see paragraph 27); the programme

is currently being redefined in order to identify the geographical areas more accurately (over four to six administrative departments) and the target populations (including women).

There are generally no specific structures for identifying and assessing projects and programmes. The Commission normally relies on existing government structures and institutions (reinforced by technical assistance). It is therefore more a question of lack of capacity than non-existent structures. The Commission's programming guidelines, based on COM(2001) 473, provide solid guidance for the project selection and appraisal process.

53. In Yemen, feasibility studies not carried out by the Government were carried out for three projects. Since June 2002, an expert has been drawing up an identification and feasibility study before any action is taken.

The Commission is currently focusing in Yemen on strengthening participation by the local populations.

54. The Commission welcomes the Court's finding that the projects have been carried out adequately and have been of real value to the populations.

In Bolivia, the irrigation projects visited by the Court were carried out in accordance with the contract specifications. Certain parts were not operational as the beneficiaries had not maintained them.

56. In Ethiopia, Government involvement is at regional level. It participated in the defining of strategies and regional action plans that were implemented by regional food security offices within the administration.

In Yemen, the central Government will have to be the driving force in most of the projects set up. The new food security programme also provides for stronger public institutions.

57. In Niger, the central role in the common State/donor management system is in practice played by the Prime Minister, who coordinates food security operations. It is nevertheless regrettable that the State's financial participation is relatively small.

59. The Commission agrees with the Court that local communities will feel responsible only if they are involved as early as the identification phase. This was possible in Bolivia owing to the Government's decentralisation policy. The extent to which local populations participate is also dependent on Government policy.

60. In Georgia, the participatory approach is still difficult owing to the socioeconomic context. However, the process of preparing the framework poverty reduction strategy paper (PRSP) made the Government aware of the need for such an approach. The food security programme provides for an information system to be set up to give the Government a better picture of the social situation of the most vulnerable populations.

In Yemen, the Commission is currently placing emphasis on increasing participation by local populations. This is now part of the training priorities to be carried out by the consultancy responsible for the programme.

62. The countries benefiting from aid from the food security budget heading often have fragile institutions and a relatively unstructured private sector (including the civil society). Implementing such programmes can be fraught with difficulties, leading to increased delays.

As stated in COM(2001) 473, there is an excessive gap between the moment of committing funds and the launch of the project. The following remedies have been proposed and are being implemented:

- to complete the programming process nine months ahead of a given budget year,
- to launch the identification and appraisal process immediately after completion of the programming process in order to allow sufficient time for analysis, design and appraisal of programmes and projects,
- to refine the programming guidelines and shorten the process of interdepartmental consultations,
- to engage increasingly in multiannual programming.

66. According to the guide to the programming and implementing of budget support for developing countries, Regulation (EC) No 1292/96 prohibits direct budgetary aid.

As a result, in countries with stringent rules on exchange reserves and where the currency market and import system are liberalised, the currency facility makes it possible to contribute to the beneficiary's currency reserves so that the private sector can import the foodstuffs to meet domestic requirements. This currency facility then makes it possible to generate counterpart funds (indirect budget support) in order to support sectoral reform programmes and public expenditure programmes connected with better food security.

67 and 68. The food security programmes of the budget-support type are generally discussed with the beneficiary governments and the other donors concerned.

The minimum condition for implementation of budget-support is that the country concerned has a satisfactory programme of economic reform approved by the IMF and the World Bank, so as to ensure that the country has an appropriate fiscal framework in order to intervene directly in the State budget.

When the Commission took the decision concerning the four countries referred to by the Court, the macroeconomic conditions had been satisfied.

The budget support programmes under the food security budget heading focused among other things on reform schemes aimed at improving national budgetary and accounting procedures. However, because of the extent of the improvements needed, the process will be a medium-term one, during which the food security programmes will endeavour to introduce more efficient and transparent public finance practices into national government institutions, in cooperation with the IMF and the World Bank.

69. The conditions defined in each country for setting up budget support are, on the one hand, the macroeconomic conditions known as the 'general conditionality' connected with the satisfactory implementation of the macroeconomic reform programmes of the Bretton Woods institutions (see paragraph 67). On the other hand, a number of stricter conditions, referred to as 'specific conditionality', are aimed at improving medium-term food security. Payment of budget support thus depends chiefly on compliance with these sectoral conditions that involve only the sectors connected with public spending policies and programmes having an impact on food security.

70. One of the many tasks of the LFSUs was indeed to monitor food security operations and report to the delegations. Devolution will give the delegations an important part to play in the monitoring of programmes.

71. As regards Yemen, the delegation and the Government were not much involved in the monitoring. However, the Commission points out that some monitoring was introduced, in particular through visits by the Commission's technical assistance office in San'a (EC-TAO), the food security technical assistance office, the delegation in Amman and the Commission. In September 1997 the Commission had given the task of monitoring the programme to a private firm (GFA) under a one-year service contract entitled 'Monitoring services for the Yemen food security programme'.

In Georgia, the food security programme (FSP) is developing a more transparent system with the Agriculture Ministry for planning and following up public expenditure by strengthening the budget department and the department responsible for defining agricultural policy. This is regarded as essential by the FSP in order to ensure the internalisation of budget accounting methods within the sectoral Ministries targeted by the programme, in close coordination with the Ministry of Finance and the Treasury. A large proportion of the conditions attached to the FSP concern improvements to the management of public expenditure, including monitoring and budget planning, although the Ministries will require some time to adapt and implement them.

Furthermore, these reforms in the pilot Ministries fit in very well with the more general reform of national public finances promoted by the IMF.

73 to 75. The Commission stresses that evaluations and audits have been carried out from headquarters.

As regards evaluations, account should be taken of those carried out at local level. In Bolivia, for example, 46 evaluations of micro-projects were carried out from 2000 to 2002.

In addition, the Commission is finalising the identification and definition of monitoring and impact indicators that will make it possible to rationalise and homogenise future programme evaluations.

As regards audits, in addition to those carried out by the Commission, there are also the audits carried out in connection with contracts with NGOs which exceed EUR 100 000. An audit programme has also been set up for 2003 under which account will be taken of the Court's comment that audits should be carried out while projects are underway in order to remedy any problems in time.

76. The Commission plans to introduce such a system in 2003.

77. The Commission is also concerned by the point raised by the Court. It has accordingly introduced a specific framework contract for audit operations and finalised the standard terms of reference which should make it possible to improve audits of this kind.

The guide to the programming and implementing of budget support repeated the importance of regular technical and financial audits and appraisals of the quality of public expenditure in the

beneficiary countries. These specific instruments will make it possible to produce diagnoses and the necessary corrective action so that it can be taken into account in the definition of the conditions for subsequent programmes.

78 to 83. Coordination with Member States through the Food Security/Food Aid Committee (FSFAC) has improved over time but is still unsatisfactory, and this despite recent efforts deployed by the Swedish and Belgian Presidencies. The flow of information is merely one way from the Commission to Member States' delegations. The Commission has, however, succeeded in taking part increasingly in discussions on overall programming as well as on policy and strategic issues of common interest.

Ultimately, the tasks of the existing Food Aid Committee should be entrusted to the Commission's development committees in order to increase policy coherence and rationalise comitology.

84 to 87. Systematic coordination at the local level between Community delegations, EU Member States Representations and other major actors is mandatory. The quality of this process depends largely on the political, social and economic environment of the host country and its willingness to dialogue and share information. By definition, Regulation (EC) No 1292/96 to a large extent operates in countries and regions in crisis and disarray.

This coordination is extended to the Bretton Woods institutions (World Bank and the International Monetary Fund) only in cases involving structural changes (policy and institutional reform processes and budget support). Coordination with the UN system and the NGO community focuses on crisis and post-crisis assistance.

In the context of its dialogue with the African Union (AU), the Commission, in collaboration with Belgium and the FAO, will assess existing information systems in Africa with the objective of harmonising and strengthening them.

The Commission makes considerable efforts to encourage developing countries to use national development strategies as the main tool for formulating domestic policy, planning and delivering services and as the sole coordination mechanism with external donors. Capacity-building is one of the main instruments for helping governments and civil society to play their respective roles.

85. The Commission is pursuing its efforts to improve coordination with other donors.

CONCLUSIONS AND RECOMMENDATIONS

88. In line with Regulation (EC) No 1292/96, national food security strategies have been formulated to provide a coherent framework for Community and other actors' interventions. With the emergence of broader national development strategies (poverty reduction strategies or others), food security objectives and programmes are gradually being integrated into a single national framework as well as the Community national and regional strategy papers.

89. The Commission agrees that food security, as the most basic dimension of poverty, is primarily a development objective. Accordingly, food security needs to be addressed by all the available instruments in the short, medium and long term. In this context, one of the roles of Regulation (EC) No 1292/96 is to bridge the gap between short-term humanitarian aid and the long-term (Community mainstream development instruments: EDF, ALA, MEDA and others).

The Commission also agrees that an efficient and consistent use of Regulation (EC) No 1292/96 requires substantial coordination efforts.

Recommendation 1

90. It is the Commission's view, shared by all major actors, that:

- food aid/food security objectives, as the most basic dimension of poverty, are included in the overarching development objective of poverty alleviation,
- food aid/food security concerns must be integrated into national policies and development strategies (such as poverty reduction strategies),
- activities financed under Regulation (EC) No 1292/96 must be complementary to short-term crisis interventions on the one hand and long-term development operations on the other; national development strategies or, in their absence, national food security strategies constitute the tools to ensure this complementarity and to avoid any duplication.

The Commission acknowledges, however, the need to use the budget heading strictly as defined in COM(2001) 473. This requires a very strict screening of food security measures and activities in the process of project identification and appraisal.

91. The Commission does not share the Court's conclusion that it is necessary to 'discontinue Regulation (EC) No 1292/96 in its present form' at this point in time.

Communication COM(2001) 473 and Council conclusions 15390/01:

- acknowledge that Regulation (EC) No 1292/96 has a distinct role (see comments under section 33) and should be maintained at this point in time,
- propose to carry out a second more in-depth evaluation in 2004 to look at the broader conceptual and strategic development framework in which Commission support to food aid and food security is provided.

92 and 93. The Commission takes note of the Court's recommendation. However, it considers that the in-depth evaluation already planned for 2004 is the appropriate context in which to look at that issue.

94 and 95. COM(2001) 473 makes a number of proposals to speed up the programming, identification and appraisal process. For more details see comments under section 62.

Recommendation 2

96. The financing of information systems for the Commission's food security strategy remains a priority; their 'appropriation' by governments is always a delicate matter; in some countries, the financing is included in the State budget.

There is a pressing need to enhance, in a sustainable manner, developing countries' capacity for poverty and food security analysis as the first step to formulating comprehensive national development strategies.

Recommendation 3

97. A lot of work in this context is underway, but there is a need to harmonise competing information systems (particularly at regional level) and to make them government owned and sustained.

98. Work is underway to address this shortcoming, which is evident.

99 and 100. The new CRIS database set up in 2002 will gradually provide the necessary information on the financial situation in the Commission departments dealing both with external relations and implementation of the budget. In addition, devolution and the allocation of tasks between headquarters and delegations have clarified responsibilities and will help to give delegations an overall picture of the entire project cycle and enable the Commission to follow use of funds in real time.

Recommendation 4

100. The Commission agrees with the Court's comments. It has since taken steps to resolve the problem. CRIS/Data entry, the database shared by the Commission and the delegations for all operating headings, will enter into general use in 2003 and will gradually provide complete and accurate data on the use of funds at both delegation and Commission levels, to allow the latter to fulfil its supervisory function.

As part of the accounting modernisation, the Commission is taking action to address this point by developing functionality in the system to offset intermediate and final payments against advance payments. This matter will be the subject of a Communication to

the Commission in December 2002. Within SI2 (one part of Sincom2), it is possible for departments to create their own local budgetary structures which allow for a separation between food security payments and other payments funded from the same budget headings to be made. It is not, however, technically feasible at present to reflect these local structures in R/3 (the other part of Sincom2).

101 and 102. The Commission shares the Court's analysis and the main thrust of its recommendations, which in fact form part of the Community's guiding principles for development cooperation. We must, however, recognise that the political, social and economic environment in developing countries determines the limits of what can be achieved.