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2022/0198 (NLE)

Proposal for a

COUNCIL DECISION

concerning the allocation of funds decommitted from projects under the 10th and 11th European Development Funds for the purpose of financing actions addressing the food security crisis and economic shock in African, Caribbean and Pacific (ACP) countries following Russia's war of aggression against Ukraine

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The food security situation in the world is rapidly deteriorating and many of the countries affected are least developed countries or low-income, food-deficit countries.

Before the exacerbation of global food insecurity by Russia's war of aggression against Ukraine, close to 193 million people (almost 40 million more than the previous year) across 53 countries/territories were acutely food insecure and in need of urgent assistance. Russia's war of aggression against Ukraine has resulted in drastic reduction in supply of grains to global markets as Black Sea routes are blocked, and grain silos deliberately attacked. Global food prices are rising rapidly and are at their highest level in three decades. The increase in energy prices drives up prices of agricultural inputs (notably fertilizers), transport and ultimately food. These price hikes are worsening the macro-economic outlook in a context where fiscal space was already reduced by the COVID-19 pandemic. This could lead to a further increase in the number of countries in debt distress and/or with balance-of-payments crises. Conflicts and droughts further exacerbate the situation in vulnerable regions. The most vulnerable countries are the least developed and low-income ones. As seen with uprisings in the past decades, it is often a food price shock that sets off instability and conflict.

The political sense of urgency in support of the most exposed countries has been underlined by the European Council in its Conclusions of 24-25 March¹ where it invited the Commission to prioritise work on global food security and affordability, in particular by supporting food security and agriculture in Ukraine and the most vulnerable and exposed third countries. Subsequently, in its Conclusions of 30-31 May 2022², the European Council invited the Commission to explore the possibility of mobilising reserves from the European Development Fund to support the most affected partner countries. Funds under the Neighbourhood, Development and International Cooperation Instrument - Global Europe (NDICI-Global Europe)³ geographic pillar are fully programmed and around EUR 3 billion is already focusing on agriculture, nutrition, water and sanitation programmes. Additionally, approximately EUR 520 million were initially allocated in 2022 to African, Caribbean and Pacific (ACP) countries under the humanitarian aid budget, of which a significant part is addressing food insecurity and related needs. Nevertheless, given the extent of the needs and potential consequences, additional finance to support partner countries should be mobilised. Availabilities under the EU budget are very limited (the NDICI-Global Europe emerging challenges and priorities cushion will be entirely used in 2022 to respond to other urgent priorities and the initial 2022 Humanitarian Aid budget towards food security and related needs in ACP countries identified before the start of Russia's war of aggression in Ukraine is close to full implementation), and given the impact in various ACP partner countries, the mobilisation of decommitted funds from the 10th and 11th European Development Funds (EDF) could allow the EU and its Member States to step up their support and contribute to the efforts to address the food security crisis exacerbated by Russia's war of aggression against Ukraine, in a Team Europe approach.

The objective of this proposal for a Council decision is to obtain the authorisation of the Council to use decommitted funds from the 10th and 11th EDFs to finance actions addressing the food crisis and economic shock in ACP countries following Russia's war of aggression

¹ European Council Conclusions of 23-24 March 2022 (EUCO 1/22).

² European Council Conclusions of 30-31 May 2022 (EUCO 21/22).

³ OJ L 209, 14.6.2021, p. 1–78.

against Ukraine with an amount of up to EUR 600 000 000, of which EUR 488 000 000 under from the 10th EDF and EUR 112 000 000 from the 11th EDF.

Out of these funds, up to EUR 582 000 000 will contribute to the financing of actions and up to EUR 18 000 000 will cover the support expenditure incurred by the Commission.

These funds will be used to the benefit of the most affected partner countries, paying particular attention to the most vulnerable and exposed countries, notably to provide:

- macro-economic support (EUR 100 million);
- support to food production and resilience of food systems (EUR 350 million);
- humanitarian assistance (EUR 150 million).

As regards the support to food production and resilience of food systems, the EU will support investments in local production capacities as part of sustainable aquatic and agri-food systems, based on agroecological approaches, including diversification of agricultural value chains and food production. The following criteria could be used to focus the assistance on selected countries:

- The partners' (increasing) levels of food insecurity and malnutrition;
- The partners' exposure to the consequences of the Russian aggression against Ukraine, based notably on their share of food imports into their GDP;
- The partners' macroeconomic vulnerabilities, which could be established on the basis of their debt to GDP ratio, international reserves / months of imports coverage and Debt Sustainability Analysis rating;
- The potential impact of Union funding in partner countries or regions, assessed notably through the scope to scale up relevant production and resilience enhancing interventions.

Actions financed under this proposal will support the EU Global Food Security Response, which was developed following a request by the European Council⁴. The Response includes immediate and medium-term actions to demonstrate partners worldwide that the EU is providing integrated, comprehensive and swift support to address the impact the war is having on them. The EU Global Food Security Response operationalises the various strands of action – as foreseen within FARM and the G7 Global Alliance and providing the necessary support to the UN Global Crisis Response Group.

- **Consistency with existing policy provisions in the policy area**

The EU is committed to achieving the Sustainable Development Goal (SDG) related to “zero hunger” (SDG2) and has been working with partners to collectively step up support to end hunger, achieve food security and improved nutrition, and promote sustainable agriculture. This is reaffirmed in the European Consensus on Development⁵. Agricultural and rural development are key to reducing poverty, boosting food and nutrition security, stimulating economic growth, and protecting the environment, all within the context of climate change. They can also play a major role in promoting gender equality and empowering women and girls. The EU's approach to reach SDG2 focuses on: acting to enhance the resilience of the most vulnerable to food crises, fighting malnutrition and helping secure nutritional health and

⁴ European Council Conclusions of 23-24 March 2022 (EUCO 1/22).

⁵ The new European Consensus on Development, ‘Our world, our dignity, our future’ – Joint statement by the Council and the Representatives of the Governments of the Member States, meeting within the Council, the European Parliament and the European Commission, 2017 (OJ C 210, 30.06.2017).

well-being for present and future generations and stimulating responsible investments and supporting innovation in agriculture and food systems.

Making progress on SDG2 implies advancing in a cross-sectoral manner on several other SDGs. The adoption of nexus approaches linking land (SDG 15), water (SDG 6), and sustainable energy (SDG7) to food, synergizing natural resources management, agriculture and climate change (SDG13) or connecting ‘humanitarian’, ‘development’ and ‘conflict/peace’ strengthens such holistic approaches.

The EU response to the current food security crisis will be driven by the Green Deal⁶ and Farm to Fork Strategies⁷, and build on the approach of the humanitarian-development-peace nexus. Support will be provided to countries that are facing high food security challenges, are negatively affected by the effects Russia’s war of aggression against Ukraine and are in a vulnerable macro-economic position with little or no buffers to withstand the situation.

These funds will be used in accordance with the rules and procedures applicable to the 11th EDF. They will notably reinforce ongoing or new actions addressing food security issues in ACP countries. Funds decommitted from the actions financed following this Decision will remain a resource of the EDF of origin.

- **Consistency with other Union policies**

The actions financed under these funds will be used in full consistency and complementarity with other actions in the area of food security, notably humanitarian aid actions as well as ongoing 11th EDF actions and actions financed under NDICI-Global Europe. The component on food production and resilience of food systems will notably be implemented by building upon existing actions.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

Article 1(4) and (5) of the 11th EDF Internal Agreement⁸.

The EDF is set up by 11th EDF Internal Agreement and foresees the possibility to use decommitted funds, if so unanimously decided by the Council⁹.

⁶ Communication from the European Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions “The European Green Deal” of 11 December 2019, COM(2019) 640 final.

⁷ Communication from the European Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions “A Farm to Fork Strategy for a fair, healthy and environmentally-friendly food system” of 20 May 2020, COM(2020) 381 final.

⁸ Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement, and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies (OJ L 210, 6.8.2013, p.1).

⁹ Article 1(4) and (5) of the 11th EDF Internal Agreement and Article 55 of Council Regulation (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund.

- **Choice of the instrument**

The EDF was the main source of funding for the ACP countries until the end of 2020 and a number of ongoing actions addressing food security has been financed with the EDF funds.

Under the 2021-2027 Multiannual Financial Framework, cooperation with ACP countries is financed from the EU budget via the NDICI-Global Europe.

Given the number of urgent geopolitical needs in a context of limited margin of manoeuvre to mobilise additional funding inside the EU budget, the use of decommitted funds from 10th and 11th EDF while using EDF rules and procedures is deemed to be the most effective way to step up the Union's action in response to the food crisis.

In accordance with Article 1(4) and (5) of the 11th EDF Internal Agreement, the Council decides on a proposal of the Commission.

3. BUDGETARY IMPLICATIONS

There are no budgetary implications for the EU budget. The EDF is not part of the EU budget.

4. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

Monitoring, evaluation and reporting arrangements are those applicable to the 11th EDF and those foreseen in the relevant implementing acts.

- **Detailed explanation of the specific provisions of the proposal**

Article 1(1) of the proposal provides that de-committed funds up to a maximum amount of EUR 600 000 000 from projects under the 10th and 11th EDFs will be allocated for the purpose of financing actions addressing the food security crisis.

Article 1 (2) provides that a maximum of EUR 18 000 000 of the amount under paragraph (1) will be allocated to the Commission for support expenditure to cover the costs foreseen in Article 6 of the 11th EDF Internal Agreement. This is calculated by using a ratio (3%) below the one foreseen for the management of the 11th EDF funds in Article 1(2) (a) of the 11th EDF Internal Agreement (3.45%).

Article 1 (3) provides that the rules of the 11th EDF as set out in the Implementation and Financial Regulations¹⁰ will be applicable.

Article 2 provides for the date of entry into force of the decision.

¹⁰ Council Regulation (EU) 2015/322 of 2 March 2015 on the implementation of the 11th European Development Fund (OJ L 58, 3.3.2015, p. 1–16) and Council Regulation (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund (OJ L 307, 3.12.2018, p. 1–21).

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting within the Council, on the financing of European Union aid under the multiannual financial framework for the period 2014 to 2020, in accordance with the ACP-EU Partnership Agreement, and on the allocation of financial assistance for the Overseas Countries and Territories to which Part Four of the Treaty on the Functioning of the European Union applies⁽¹¹⁾ (Internal Agreement), and in particular Article 1(4) and (5) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) Following Russia's war of aggression against Ukraine, the food security situation in the world is rapidly deteriorating and many of the countries affected are least developed countries or low-income, food-deficit countries.
- (2) EUR 3 billion are already programmed under the Neighbourhood, Development and International Cooperation Instrument - Global Europe¹² geographic pillar. Out of this amount, EUR 2.3 billion has been programmed in ACP countries to finance agriculture, nutrition, water and sanitation actions between 2021 and 2024. Given the extent of the needs and expected consequences, additional means should be mobilised to support the most affected partner countries.
- (3) The Union is close to full implementation of the initial Humanitarian Aid budget towards food security and related needs in ACP countries identified before the start of Russia's war of aggression in Ukraine. Given the exceptionally dire food security situation in ACP countries, these funds need to be complemented with appropriate resources to respond to the further exacerbation of humanitarian needs and to ensure continuity of cooperation from crisis to stable conditions for development.
- (4) The European Council, in its 24-25 March 2022 Conclusions, invited the Commission to prioritise work on global food security and affordability, in particular by supporting food security and agriculture in Ukraine and the most vulnerable and exposed third countries.

¹¹ OJ L 210, 6.8.2013, p.1.

¹² OJ L 209, 14.6.2021, p. 1–78.

- (5) The European Council, in its 30-31 May 2022 Conclusions, invited the Commission to explore the possibility of mobilising reserves from the European Development Fund to support the most affected partner countries.
- (6) Given the significant impact in various ACP partner countries, the mobilisation of decommitted funds from the 10th and 11th European Development Funds should enable the EU and its Member States to step up their response to the crisis.
- (7) These funds should finance actions with a view to providing support to food production and resilience of food systems, humanitarian assistance, and macro-economic support, including support expenditure referred to in Article 6 of the Internal Agreement.
- (8) Pursuant to Article 153 of the Agreement on the Withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community⁽¹³⁾, the United Kingdom's share of these funds will not be reused.
- (9) These funds should be used in accordance with the rules and procedures applicable to the 11th EDF, as set out in Council Regulation (EU) 2015/322 of 2 March 2015 on the implementation of the 11th European Development Fund, and Council Regulation (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund,

HAS ADOPTED THIS DECISION:

Article 1

An amount up to a maximum of EUR 600 000 000 from the funds decommitted from projects under the 10th and 11th European Development Funds shall be allocated for the purpose of financing actions addressing the food security crisis and economic shock in ACP countries following Russia's war of aggression against Ukraine.

From this amount, up to a maximum of EUR 18 000 000 shall be allocated for support expenditure incurred by the Commission.

These funds shall be used for financial commitments in accordance with the rules and procedures applicable to the 11th European Development Fund, as set out in Council Regulation (EU) 2015/322 of 2 March 2015 on the implementation of the 11th European Development Fund, and Council Regulation (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund.

Article 2

This Decision shall enter into force on the day following its adoption.

Done at Brussels,

For the Council
The President

¹³ OJ L 29, 31.1.2020, p. 7.