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FINANCE COMMITTEE

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**Annual Report on the Special Fund for Emergency and Rehabilitation
Activities**

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EXECUTIVE SUMMARY

- The Special Fund for Emergency and Rehabilitation Activities (SFERA) allows for the immediate deployment of essential transport and equipment and, as soon as a donor has committed to making a contribution for advance funding for the procurement of inputs required to protect livelihoods, restart agricultural activities or contribute to the immediate response to crisis situations. By enabling FAO to participate in needs assessment missions set up by the United Nations (UN) immediately following a crisis, or to establish or reinforce an emergency coordination unit (ECU) for agricultural assistance in a crisis-stricken country, SFERA allows FAO to take rapid action in emergency situations. The pooling of funds in SFERA facilitates the management of a group of related activities under a programme framework.
- Since inception, SFERA has received USD 86.3 million. Of this total, USD 57.7 million were used for needs assessment missions, to set up ECUs and major emergency programmes. Since inception, USD 89 million were advanced to fund immediate emergency needs. Almost half this amount USD 41.6 million, was advanced in the last 12 months and only the most recent advance in funding, USD 4 million, remained outstanding. The cash balance of SFERA at 30 April 2009 was USD 24.6 million (cumulative receipts of USD 86.3 million, less applications of USD 57.7 million, less outstanding advances of USD 4 million).
- Some donors agreed to pool their contributions in SFERA, thereby allowing a programmatic approach to large crises. This has saved transaction costs by reducing the number of project accounts to an efficient minimum and greatly improved FAO's flexibility in response.
- SFERA has allowed FAO to take part immediately in UN country team needs assessments. This rapid reaction has contributed positively to FAO's performance in the field, allowing the Organization to respond swiftly, when needed.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to take note of the information provided in the document.

Background

1. The Finance Committee supported the creation of the Special Fund for Emergency and Rehabilitation Activities (SFERA) at its Hundred and Second Session in May 2003. During its Hundred and Tenth Session in September 2005, the Finance Committee reviewed the use of SFERA and requested regular reports on each year's activity at its autumn session.
2. This annual report contains financial data both for the 12-month period, ending on 30 April 2009 and for the five years since the Fund became operational. A brief description of the major operations initiated with SFERA funds in the preceding year is also included, while financial details are given in the Appendix to this document.
3. This paper also presents an overview of the use of SFERA and the complementarity between SFERA and the UN Central Emergency Response Fund (CERF).
4. The Finance Committee recalls that the purpose of SFERA is to:
“...enable the Organization to rapidly initiate emergency operations by participating in interagency needs assessment and coordination activities, establishing an emergency coordination unit (ECU), preparing a programme framework and projects, and providing advance funding for procurement of inputs when a donor’s commitment has been obtained.”¹

Use of SFERA

5. **Components** - SFERA has three components: (i) a revolving fund to support FAO's involvement in needs assessment, programme development and early establishment of ECUs; (ii) a working capital component to advance funds to initiate project activities rapidly before donor funds on agreed projects are received, with the funds then being transferred back to SFERA upon receipt; and (iii) a programme component to support work on specific large-scale emergency programmes. The programme concept was used in response to the Indian Ocean tsunami disaster and, in the Organization's fight against the spread of Highly Pathogenic Avian Influenza (HPAI) and to enhance response capacity with the provision of agricultural inputs.
6. **Receipts** - SFERA has been operational since April 2004. In the five years since then, the Fund has received USD 86.3 million, of which USD 1.9 million were donated unearmarked by donors from the remaining balances of their closed emergency projects.
7. **Applications and advances against components** - of the total USD 86.3 million contributed, USD 1.5 million have been set aside under the revolving fund component for needs assessment at the onset of a crisis and for the rapid establishment or reinforcement of FAO's coordination capacity in affected countries. Under the working capital component, USD 89 million were advanced to various projects after donors confirmed commitment to a project, but before receiving the cash contributions. Of this amount, the most recently advanced USD 4 million remain outstanding, pending receipt of donor funds. Forty-seven percent of advances since inception were made in the last year. Therefore, SFERA has become a major tool in the immediate start-up of emergency response activities and is used to full advantage, whenever required. Without access to SFERA, the achievement of many results would have been delayed or hindered. Under the programme component, USD 56 million were used in response to the spread of HPAI (USD 45.9 million), the Southeast Asia tsunami disaster (USD 10 million) and to respond with the provision of agricultural inputs to the food security crisis in the Democratic Republic of the Congo. Details on the uses of the fund are in the Appendix.

¹ FC 102/14, para. 6

8. **Advantages of the programme concept** - many donors contributed to FAO's response to large emergencies and agreed to allocate their contributions to the SFERA as a pooled funding mechanism in support of a more programmatic approach to these crisis situations. This programme approach has greatly facilitated the implementation of the Organization's global plan for combating HPAI in animals and preventing its transmission to humans. FAO's standard project approach would have required a specific project proposal in response to each donor contribution and under this traditional approach, once the government and the donor agree to a plan of action, changes can only be made after consent from the donor. However, the circumstances on the ground may change rapidly and make the specific project document obsolete. Hence, the programme approach of SFERA's pooled funding component provides the necessary flexibility to adapt operations to the evolving situation on the ground.

9. The Programme Committee at its Ninety-seventh Session in May 2007, regarding the evaluation of the Desert Locust campaign, noted that "*Donors in general should be more flexible in allowing funds to be reallocated between activities and countries with the movement of pests*". Following this recommendation, pooling contributions in a programme account allows money received to be used towards the overall objectives of the specified programme. This approach provides valuable flexibility and the ability to adjust activities to the realities on the ground, while remaining within the agreed framework of the programme.

10. Using SFERA for the aforementioned function goes a long way to supporting adequate and flexible response, concurrently reducing the time and money spent by FAO and donors in preparing, approving, monitoring and reporting on single interventions.

11. The Secretariat has worked with donors to develop further a programmatic response to crisis through pooled funds from various donors. In 2008, one donor agreed to this proposal and contributed USD 905,563 to enhance Response Capacity with the provision of agriculture inputs. The Secretariat will also continue to follow up with donors to draw attention to the advantages of the Fund and to encourage unearmarked contributions to SFERA, such as the small balances left on closed emergency projects or interest earned during the life of those projects.²

SFERA and the UN CERF

12. At the end of 2005, the UN expanded its Central Emergency Response Fund (CERF) to include a grant component. By April 2009, more than USD 1.1 billion had been disbursed by the CERF. Encouragingly, donors have pointed out that this represents new funding rather than the reallocation of already appropriated development assistance budgets. However, as there is a USD 30 million limit on grants for any particular crisis, many agencies still need their own rapid response fund, similar to FAO's SFERA. Since the expansion of CERF, FAO has benefited from the new grant facility for responses to crises in 50 different countries throughout various regions.

13. SFERA and CERF are complementary. SFERA allows FAO to carry out preparatory work such as needs assessment, programme formulation and setting up ECUs, activities for which CERF resources cannot be requested. In addition, FAO has even used SFERA to advance money to CERF-funded projects, when work had to start immediately.

Conclusions

14. There are three main areas where SFERA has had a very positive influence on FAO's work in emergencies. These are: (i) rapid response; (ii) quick cooperation with other players; and (iii) the application of a programme approach. Being able to respond rapidly in the critical early

² Australia, Canada, Finland, Greece, Ireland, Italy, Jordan, Norway, New Zealand, Saudi Arabia, Sweden and the World Bank have authorized transfers of unspent balances from their completed projects. Other donors to emergency projects have also been asked to consider this.

stages of an emergency is perhaps the most important factor in ensuring the preservation of livelihoods and contributing to saving lives. When FAO's rapid response requires the immediate fielding of a team of experts to assess needs together with other members of UN country teams, SFERA is the Organization's best tool. Finally, the programme approach in emergencies reduces transaction costs for both FAO and the donors, as well as improving the Organization's flexibility in its response.

APPENDIX

Sources and Applications of Funds

1. Since its inception, SFERA has received USD 86.3 million. Of this amount, USD 59.6 million were contributed by the member countries listed in the table below. During the 12 months up to 30 April 2009, deposits to SFERA amounted to USD 9 million.

Funds from member countries (USD 000s)	12 months to 30 April 2009	Since Inception
Sweden	6 076	23 662
United Kingdom	0	8 057
Norway	232	7 930
France	0	5 930
Finland	0	3 924
Switzerland	0	3 697
Italy	1 403	1 407
Germany	0	1 304
Saudi Arabia	40	1 040
Belgium	906	906
Canada	0	814
China	0	500
Greece	38	227
Ireland	0	113
Jordan	10	60
Australia	0	59
Other members	1	1
Total members	8 706	59 631
World Bank	0	17
OPEC fund	250	450
Others including from emergency project support costs reimbursements	1	26 229
Total received	8 957	86 327

As of 30 April 2009

Source: Compiled from subsidiary records and agreed to the general ledger

2. **Applications** - The category Applications is used to separate the movement of funds through SFERA accounts to major programme operations from advances and refunds. This table illustrates the application activity in the Fund. About half the amount received in the last year was applied to the HPAI campaign and the balance remains available in the Fund for future advances. The details of funds applied are given in the following table.

Advances (USD 000s)	12 months to 30 April 2009	Since Inception
Advances made during the period	41 647	89 037
Refunds on advances paid during the period	37 631	85 021
Advances Outstanding	4 016	4 016
Applications (USD 000s)		
For Emergency Coordination Unit setup	74	674
For Needs Assessment Missions	200	800
Subtotal	274	1 474
To the Avian Influenza campaign	6 322	45 928
To Agricultural Inputs Response Capacity (AIRC)	300	300
To the Tsunami campaign	0	10 002
Subtotal major campaigns	6 622	56 230
Total Applications	6 896	57 704

As of 30 April 2009

Source: compiled from subsidiary records and agreed to the general ledger

3. **Advances** - under the working capital component, USD 89 million were advanced to fund immediate work of various projects before receiving their cash contributions. Of this amount, USD 4.0 million remain outstanding pending receipt of donor funds. During the last year, USD 41.6 million were advanced and, of those advances, USD 37.6 million were refunded. Advances outstanding are all for recent work.

4. The cash balance of SFERA at 30 April 2009 was USD 24.6 million. The cash balance is calculated as: cumulative receipts of USD 86.3 million, less applications of USD 57.7 million, less advances outstanding of USD 4 million.

Uses of SFERA funds

5. The largest movements throughout the life of the Fund have been applications to the HPAI and tsunami campaigns, applying to the former only during the last year. Other disbursements were made in the form of advances to be refunded or allotments, which will only partially be recovered. Advances were made to 52 projects in 22 countries and regions. The following paragraphs include brief descriptions of the major interventions in countries for which SFERA was used during the last 12 months.

6. **Afghanistan:** over USD 9 million were advanced to projects in Afghanistan and this proved very effective. A variety of rapid response interventions were facilitated through SFERA advances, including the urgent distribution of seeds, fertilizers and animal feed. The advance enabled immediate procurement of inputs, critical for the success of the approaching planting season, also in view of the volatility of prices. An advance was also important when facing a very narrow window to assist seed enterprises with operating capital loans. SFERA ensured that inputs were procured immediately and reached the farmers in time.

7. **Ethiopia:** the use of SFERA funds allowed Ethiopia country operations to jump-start project implementation quickly, while waiting for donor contributions. In early 2008 the Humanitarian Response Fund (HRF) administered by the UN Office for the Coordination of Humanitarian Affairs (OCHA) approved a project proposal to protect key livestock assets in the drought affected areas of Borena, Ethiopia. A total of USD 500 000 from SFERA were used

immediately to launch procurement of livestock. In mid-July 2008 and in early 2009, HRF has continued to make additional contributions to support the FAO Emergency and Rehabilitation programme. SFERA advances were used to operationalize project implementation immediately.

8. In January 2008 FAO participated in a livelihoods assessment in the Ogaden region. A UN Country Team was urgently needed to ensure that humanitarian aid target and reach the intended beneficiaries. Using a SFERA advance, the project was opened, personnel recruited and a regional office was set up. This intervention was followed by FAO's response to a drought crisis.

9. **Georgia:** SFERA funding enabled the recruitment of a full-time Emergency Coordinator (EC) at an early stage, facilitating in-country donor liaison and resource mobilization. This helped secure funding for the recent Flash Appeal, supporting the rapid restoration of agriculture-based livelihoods, crop production and the coordination of the food security cluster and agriculture sector activities. With a firm donor commitment for another project, the immediate availability of SFERA advances was critical in allowing forward procurement planning of concentrated animal feed and related logistics; in enabling early recruitment of national and international staff; and in ensuring that an Emergency Rehabilitation and Coordination Unit (ERCU) was functioning and fully equipped in a short time.

10. **Haiti:** The most outstanding achievement of SFERA funds was in their use to allow planting at the critical time in the cycle. The projects that benefited from SFERA grants were in response to the food prices crisis and, given the socio-economic situation in Haiti, it was extremely important that necessary activities and inputs be delivered in time for the planting seasons so as to have a rapid impact on the food security situation. With the input of SFERA money at the right time, this was achieved.

11. **Myanmar:** The advance for two Myanmar projects was instrumental in allowing FAO to meet immediate disbursement needs in the field, before the actual receipt of funds from the donors. In one case, the window for commitment of rapid response activities was restricted to 90 days and the SFERA advance allowed time to launch planning and procurement activities, as well as to provide initial coordination support for FAO's leadership in the agriculture cluster. For another project, it took a few months to receive the funds from the donor after the agreement was signed and SFERA enabled the quick inception of activities to mitigate the adverse effects of the 2009 monsoon season.

12. **The Sudan:** Semi-annual funding tranches from the Common Humanitarian Fund (CHF) for the Sudan do not always arrive at the right time for FAO's emergency work in the country. SFERA funding this year ensured timely provision of inputs for winter season vegetable production and livestock vaccination in the Darfurs. Winter season production is very important for food security, household nutrition and income-generation of farming households. SFERA funds also facilitated the timely purchase and prepositioning of crop seeds for the 2009 rainy season. Lastly, SFERA funds allowed FAO to participate in the "Darfur Food Security and Livelihoods Assessment". The results of this assessment were strategic for the 2009 programming process, identifying gaps and allowing planning of humanitarian assistance.

13. **Tajikistan:** The SFERA advance facility was used twice in 2008. First, it allowed the urgent implementation of a large portion of the "Emergency Food Security and Seed Imports" project, which was needed following a harsh winter, as well as the rapid increase of food prices. Delivery of inputs, mainly to female headed households, was not slowed down by delays in the transfer of donor contributions. SFERA was used again at the beginning of a project to Enhance Individual Incomes and Improve Living Standards. This work is part of an ongoing Brucellosis control programme and the advance allowed the vaccination campaign to continue uninterrupted.

14. In addition to these locations, SFERA advances were made to projects in the following countries:

Burkina Faso	Bolivia	Ecuador	Kyrgyzstan
Nepal	Pakistan	Peru	Russian Federation
Somalia	Timor-Leste	Uganda	Zimbabwe

15. **Emergency coordination:** This window of the SFERA permits the rapid deployment of emergency coordinators, the reinforcement of the existing teams to face a sudden increase in activities or to fill funding gaps over a short period of time. During the past year, support was provided in the Democratic People's Republic of Korea, Georgia, Malawi, Mozambique, Myanmar, the United Republic of Tanzania, Timor-Leste and Zimbabwe.

16. **Needs assessment and programme development:** This window funds needs assessment missions at the onset of a crisis to ensure that the Organization and its partners obtain appropriate information essential to formulate their response programme. In 2008, using funds from the SFERA, missions were deployed in Cuba, Ethiopia, Haiti, Kyrgyzstan, Lao People's Democratic Republic, Namibia, Pakistan and Zimbabwe. In all these countries funds from the SFERA enabled FAO to play its coordination role as Cluster leader for Agriculture or co-leader with WFP on Food Security. The missions facilitated interaction with the other key humanitarian partners such as OCHA, UNHCR, UNICEF, WFP, WHO, UNDP, IFRC, national and international NGOs as well as the government and the donors. The SFERA was also used in early 2009 to cover missions related to food chain emergencies, such as the melamine crisis in Asia, the Cassava Brown Streak disease in central Africa and transboundary animal diseases worldwide.