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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 support to coordination and operations in the field 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 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. SFERA reinforces FAO's effectiveness and efficiency in emergency through pooling resources in support of a programme framework.
- Since inception, SFERA has received USD 97.1 million. Of this total, USD 2.6 million were used for needs assessment and programme formulation missions, to set up or reinforce ECUs and major emergency programmes. Since inception, USD 132.5 million were advanced to fund immediate emergency needs, of which USD 41.8 million in the last 12 months. The advances which are still outstanding total USD 16.1 million. The cash balance of SFERA at 30 June 2010 was of USD 17.6 million.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

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

Draft Advice

- **The Finance Committee notes the performance of the Special Fund for Emergency and Rehabilitation Activities over the period June 2009 – June 2010; and appreciates the key role of the Fund in enabling FAO to respond rapidly in the critical early stages of an emergency, ensuring the preservation of livelihoods and contributing to saving lives.**

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 twelve-month period, ending on 30 June 2010 and for the six 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 an Appendix.
3. 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

4. **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 most recently to enhance response capacity with the provision of agricultural inputs, to contribute to Members' continuing fight against the spread of Highly Pathogenic Avian Influenza (HPAI) and in response to the Indian Ocean tsunami disaster.
5. **Receipts** - SFERA has been operational since April 2004. Since then, the Fund has received USD 97.1 million. Of these, USD 2.5 million were from donors² who decided to devolve balances of closed emergency projects to the SFERA.
6. **Applications and advances against components** - of the total USD 97.1 million contributed, USD 2.6 million were 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 132.5 million were advanced to various projects after donors confirmed commitment to a project, but before receiving the cash contributions. Of this amount, the recently advanced USD 16.1 million remain outstanding, pending receipt of donor funds. SFERA has become a major tool in the immediate start-up of emergency response activities and is used to the Organization's full advantage, whenever required. Without access to SFERA, the achievement of many results would have been delayed or hindered. Under the programme component, a total of USD 60 million was used in response to the spread of HPAI, the Southeast Asia tsunami disaster and to respond with the provision of agricultural inputs to food security crises in several countries. Details of the use of the fund are in Appendix 1.

¹ FC 102/14

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

7. **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 crises. 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 evolving situations. As of 2010, the programme component will be recorded in a separate account, in order to facilitate control and reporting.

8. 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 for money received to contribute to the overall objectives of a specified programme. This approach provides valuable flexibility and the ability to adjust activities to the realities on the ground, while remaining within the agreed programme framework.

9. 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.

Conclusions

10. 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 key players; and (iii) the application of a programme approach. Being able to respond rapidly in the critical early 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 FAO and the donors, as well as improving the Organization's flexibility in its response.

APPENDIX - 1

Sources and Applications of Funds

1. Since its inception, SFERA has received USD 97.1 million. Of this amount, USD 63.4 million were provided by the Member Countries listed in the table below. During the 12 months up to 30 June 2010, deposits to SFERA amounted to USD 10.7 million.

Member Countries	12 months to 30 June 2010 (USD 000)	Since Inception (USD 000)
Sweden	0	23 662
Norway	339	8 270
United Kingdom	0	8 057
France	3	5 934
Finland	44	4 968
Switzerland	0	3 697
Belgium	1 443	2 349
Italy	0	1 407
Saudi Arabia	335	1 375
Germany	0	1 304
Austria	1 125	1 125
Canada	0	814
China	0	500
Greece	0	227
Ireland	21	134
Spain	80	80
Jordan	0	60
Australia	0	59
Other members	6	7
Total members	3 397	63 028
World Bank	0	17
OPEC fund	0	450
Others including from emergency project support costs reimbursements	7 325	33 555
Total received	10 723	97 051

As of 30 June 2010

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	12 months to 30 June 2010 (USD 000)	Since Inception (USD 000)
Total advances made during the period	41 813	132 520
Refunds on advances paid during the period	27 987	116 418
Total advances outstanding	16 102	n/a
Applications (USDs)		
For Emergency Coordination Unit setup	400	1 074
For Needs Assessment Missions	700	1 500
Subtotal	1 100	2 574
Avian Influenza campaign	0	45 928
Agricultural Inputs Response Capacity (AIRC)	3 150	3 750
Tsunami campaign	0	10 002
Initiative on Soaring Food Prices	0	1 168
Subtotal major campaigns	3 150	60 848
Total Applications	4 250	63 422

As at 30 June 2010

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

3. Under applications, the resources related to the Agricultural Inputs Response Capacity are being recorded under a newly established GINC account to ensure a proper segregation of resources between the advances and the applications. Such a mechanism reinforces monitoring and reporting of the SFERA.

4. **Advances** - under the working capital component, USD 132.5 million were advanced to fund immediate work of various projects before receiving their cash contributions. Of this amount, USD 16.1 million remain outstanding pending receipt of donor funds. During the last year, USD 41.8 million were advanced.

5. The cash balance of SFERA at 30 June 2010 was USD 17.6 million. The cash balance is calculated as: cumulative receipts of USD 97.1 million, less applications of USD 63.4 million, less outstanding advances of USD 16.1 million.

Uses of SFERA funds

6. The largest movements throughout the life of the Fund have been applications to the HPAI and tsunami campaigns. Other disbursements were made in the form of advances to be

refunded or allotments, which will only partially be recovered. Since inception of the fund, advances were made to 267 projects in 57 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.

7. **Ethiopia:** In 2009 SFERA funds were used to jumpstart project implementation quickly. Donors, including Belgium, the OCHA Humanitarian Response Fund (HRF) and the World Bank, approved project proposals to increase agricultural productivity and improve the livelihoods of poor households, save the lives and livelihoods of flood-affected households and to coordinate the Sector Working Group on Rural Economic Development and Food Security. Funds from SFERA allowed immediate preparation of contracts for national staff and to start the procurement of inputs. Further delay would have jeopardized project implementation and its impact.

8. **Haiti:** The earthquake of 12 January 2010 was one of the most dramatic natural disasters in modern times and caused more than 200 deaths and affected roughly three million people. The initial needs identified amounted to USD 1.4 billion, including USD 75 million for the Agriculture Cluster, within which FAO's proposals amounted to USD 45.2 million. While waiting for donor response to the appeal, USD 150 000 were immediately made available from SFERA. This injection of money during the critical initial three months allowed FAO to achieve several important results. The Organization was able: first to advance funds and quickly jumpstart project implementation; and second, to deploy an emergency response team rapidly to take over operations and allow the national and international staff to cope with the shock, rest and recover. SFERA money also permitted the organization of a team which coordinated the corporate FAO needs assessment, as well as a recovery strategy and an investment plan for the future. This could not have been set up or operated in a timely manner without money from SFERA and the result was a coherent plan with support from all partners.

9. **The Niger:** SFERA funds assisted farmers and pastoralist at a critical time. The Niger this year faces a serious food crisis with half the population vulnerable to the effects of food insecurity. Donors informed FAO of their intention to fund agriculture emergency and rehabilitations activities. However, finalization of the formal agreements took longer than expected. An advance was used to start the activities immediately; to buy animal feed and to commence cash-for-work activities. Assistance to vulnerable farmers in the Niger was also possible thanks to the procurement of fertilizers and seeds through the SFERA in time for the main planting season.

10. **Somalia:** A total of USD 1.8 million from SFERA, in multiple instalments, ensured continuity of a variety of activities while waiting for new donor contributions. For example, the European Community Humanitarian Aid Department (ECHO) approved a project in June 2009 to protect and support livelihoods of the most vulnerable households in Southern Somalia. Money from SFERA was used to sign Letters of Agreement with implementing partners and launch cash-for-work activities. In October 2009, an advance allowed continuity of activities for the protection, reintegration and resettlement of Internally Displaced Persons (IDPs) project. Similarly, in April 2010 SFERA funds were used to bridge between Phases I and II of the European Commission-funded project for the Improvement and Sustainable use of Plant Genetic Resources. Similarly SFERA money was used, in two different instalments, to bridge funding temporarily between phases of implementation of the Somalia Water and Land Information Management System. Other advances were used for the continuation of the Food Security and Nutrition Analysis Unit.

11. **Zimbabwe:** SFERA allowed projects in Zimbabwe to have flexibility when donor funds had not yet arrived and move forward with time-sensitive activities, such as the procurement of seed and fertilizer. In Zimbabwe the European Union Food Facility (EUFF), which became operational in May 2009, was focused on providing agricultural input assistance to smallholder farmers. In order to provide seed and fertilizers on time for planting, it was extremely important to

have funds available immediately to begin procurement. SFERA allowed all orders to be placed and contracts to be signed for warehouses and transport.

12. In January 2010 the European Union also funded a project, which was focused on the promotion of Conservation Agriculture and the coordination of agricultural activities. SFERA provided the money needed for procurement while waiting for the first tranche from the donor.

13. In addition to these allocations, SFERA advances were made to projects in the following countries during the last year:

Afghanistan	Bangladesh	Burkina Faso	Bolivia
Central African Republic	Chad	Colombia	Côte d'Ivoire
El Salvador	Guatemala	Honduras	Indonesia
Jamaica	Madagascar	Mongolia	Myanmar
Nicaragua	Pakistan	Sudan	Syria
Uganda	West Bank/Gaza Strip		

14. **Agricultural Inputs Response Capacity (AIRC):** the AIRC funding window expedites the provision of time-critical agricultural support in emergency contexts, while fostering a more programmatic response to crises. Keeping livestock alive and meeting planting season deadlines are time-sensitive challenges, which if delayed bring further losses onto vulnerable communities. With funding from the Governments of Austria and Belgium, AIRC has enabled FAO to kick-start key interventions – such as the coordination of relief activities, pre-positioning stocks of agricultural inputs in strategic locations and rapid distribution of farming and livestock supplies – in eight countries in Africa, Asia, the Near East and the Americas.

15. The strategic pre-positioning of agricultural supplies in the **Democratic Republic of the Congo** has accelerated the resumption of food production among conflict-affected families. Rapid delivery of emergency seeds, fertilizers and tools are helping thousands of families to resume their livelihoods in **Madagascar, Rwanda**, cyclone-affected areas of **Myanmar** and rural, urban and peri-urban areas of **Haiti** impacted by the 2010 earthquake. Distribution of emergency feed and veterinary support is safeguarding the survival and production capacity of animals belonging to vulnerable households in **the Niger** and conflict-affected families in **Yemen**. AIRC funds have also brought rapid support to families in the **West Bank and Gaza Strip** affected by Operation Cast Lead (December 2008-January 2009) by helping them to restore damaged agricultural land, install small-scale irrigation systems and establish backyard vegetable gardens, with primary focus dedicated on women and youth.

16. **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 Bangladesh, the Democratic People's Republic of Korea, Mauritania, Nepal, the Philippines, Rwanda, Somalia and the Sudan.

17. **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. Over the period July 2009 – June 2010, needs assessment and programme formulations mission were deployed in Belarus, the Caribbean, Haiti, Mongolia, Samoa, Solomon Islands and Yemen.