

Two Recent Examples of an Operational Approach to Food Security at the World Bank

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Outline

- Quick lessons from the Food Crisis of 2007-2009
- The Global Food Crisis Response Program (GFRP)—since May 2008
- The Global Agriculture and Food Security Program (GAFSP)—requested by the G20 Summit on September 25

Quick Lessons from the Food Crisis Since Late 2007

It's Not Over

- **Real world grain prices are still 1/4 or more higher** than in 2006
- In many places in Africa consumer grain prices this summer are as high as last summer **b/c of currency depreciation and high transport costs**
- **Financial crisis aggravates price crisis**
- **Almost one-sixth of humanity**, 1+ billion people, chronically malnourished (FAO)
- **In Sub-Saharan Africa 1 in 3 people** still do not have enough to eat

The Poor are Vulnerable to Grain Price Volatility

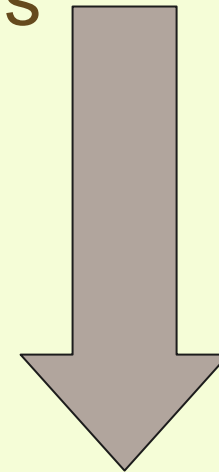
- **The poor in developing countries spend well over half their income on food staples,** and have no choice but to respond to higher prices by reducing consumption even further
- **Global grain price volatility has increased since 2002**
- **Even the mass of smallholder farmers are in trouble with volatility:** few have the resources to take risks, and input prices in 2008 increased much more than output prices

And Some Short-Run Gov't Responses are Better...

**Effective in many cases with relatively small
impacts on long-run options for improving
food security**

(given in **increasing order of possible
negative impact** on long-run policy options)

1. Reduce Food Grain Taxes/Tariffs
2. School Feeding Programs
3. Cash Transfers to the Poor
4. Targeted Food Subsidies
5. Food for Work
6. Food Aid



Good

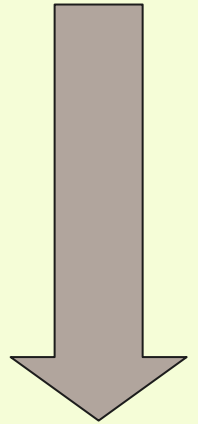
**Still good,
but more
difficult to
avoid
operational
problems
or negative
Impact on
incentives**

But Many Responses Can Create More Problems for Long-Run

Effective in the short-run in many cases with relatively larger longer run impacts

(given in increasing order of likely negative impact on long-run policy objectives)

7. Build-up of Gov't Buffer Stocks for Distribution (governance and cost are issues, but has the fall-back situation in the exporting countries changed?)
8. Food Rationing (not sustainable over time)
9. Price Controls (bad other than in very short term special circumstances)
10. Export Restrictions/Taxes
11. Export Bans



(Not Good)

Take-Home Messages

- **Strong reasons to think that increased volatility of global grain prices is here to stay for a while**
- **The impacts on the poor in developing countries are devastating and need immediate attention**
- **Risk management** is vital at all levels in transition to longer term
- **Investment in the productivity and sustainability** of agriculture in developing countries is key for the longer term and good for everyone
- Also need **focus on empowerment and access of the poor** to inputs, services, and markets



The Global Food Crisis Response Program (GFRP)

Consensus of April 2008 on Immediate Needs

- **Work with the UN** and other stakeholders under the **Secretary-General's High-Level Task Force for the Global Food Crisis (HLTF)** established in Berne in late April 2008
- Partner on the **UN Comprehensive Framework for Action** launched at the UN General Assembly in Sept. 2008
- Priority to **support fundraising by WFP for humanitarian assistance**
- **Need for rapid financing to countries to support policy changes**
- **Social protection**
- **Risk mitigation** using financial tools as well as physical hedging
- Maintain productive capacity and **transit to longer term food production** viability

The Global Food Crisis Response Program (GFRP)

- **Approved May 29, 2008** (see Bank website “ImageBank”)
- **Umbrella** for providing rapid Bank support for a comprehensive response to the crisis
- **Provides balance** between short run food stabilization and measures to ensure countries able to cope better in medium term, including longer term action and lending to enhance **agricultural productivity**
- **Fast-tracking of up to \$1.2 billion originally of Bank resources:** existing country envelopes, re-programmed funds, regional IDA funds where appropriate, a new \$200 million trust fund from IBRD surplus
- **Greatly expedites procedures for rapid response—approval** by Bank Management and 5 day no objection period at Board, takes 3 Chairs out of the 24 to bring to the full Board, otherwise considered approved.

The GFRP Business Model

- **GFRP seeks to:**
 - **Minimize threat of rapid unforeseen increases** in food and agricultural input prices to poor people
 - **Help clients avoid short term responses that are counterproductive** in the longer term (e.g. export bans, price regulation, etc.) by offering other assistance
 - **Then move from mitigation of harm to prevention of crises and adaptation to changed circumstances**

Some GFRP Partners

- **WB has actively participated in the UN High Level Task Force on the Global Food Crisis (staff and funding) since the Task Force was founded**
- **CSOs support GFRP operations in 16 countries in Africa, Central and South Asia**
- **CSO contributions to GFRP range from agricultural input distribution to school feeding**
- **Local CSOs critical to improving targeting, efficiency, and monitoring of interventions.**
- **UN agencies involved with GFRP projects in 8 countries**
- **External Trust Funds (Australia, Russia, EU, Korea)**

Menu of GFRP Components

- **Component 1: Budget support and market stabilization (49%)**
 - Examples: Improved use of market-based instruments to manage food prices, tax and trade policies, and fiscal space for social protection and short term supply response
- **Component 2: Social protection actions to ensure food access and minimize the nutritional impact of the crisis on the poor and vulnerable (13%)**
 - Examples: Cash transfer program (CCTs, food stamps), school feeding, targeted food supplements

Menu (continued)

- **Component 3: Enhancing domestic food production & marketing response (38%)**
 - Examples: Seed and fertilizer supply and market development, Rehabilitation of small-scale irrigation, Strengthening access to finance and risk management tools

Funding Mobilized to Date

- **\$1.2 billion in Board-approved projects in 35 countries since May 29, 2008**
- **\$800 million of this has been disbursed (67%)**
- **Additional pipeline of \$200 million in external trust funds directed to 17 countries**
- **Headroom for fast-tracking raised to \$2 billion in April 2009**
- **GFRP is presently a \$1.4 billion effort targeted to 44 separate countries, and growing with substantial headroom**
- **Roughly \$0.5 billion to date is fully additional to the countries concerned**

The Global Agriculture and Food Security Program (GAFSP) Requested by the G20



What Is GAFSP?

- A proposed donor funding mechanism to improve incomes and food security of poor people in developing countries through investment in country-led proposals that have been through a rigorous peer-review process.
- A response to the calls from L'Aquila and Pittsburgh
 - *develop a multilateral trust fund to scale-up agricultural assistance to low income countries*
 - *ensure country ownership*
 - *rapid disbursement of funds,*
 - *respecting the aid effectiveness principles agreed in Accra,*
 - *facilitate the participation of private foundations, businesses, NGOs*
 - *complement and reinforce other existing efforts to tackle food insecurity.*

How it Will Add Value

- Additional resources to scale-up agric. assistance to low-income countries
- Rapid availability of additional funds – *by not waiting for individual IFI or bilateral replenishment cycles*
- Country ownership and in-country processes - *by limiting parallel planning and prioritizing processes*
- Complementary and reinforcing to ongoing development partner effort – *by filling developing financing gaps in country led programs*
- Strengthen public-private sector links – *by add a window for direct private sector financing*

What Will It Finance?

To improve the income and food security of poor people in developing countries the focus will be on:

- Raising agricultural productivity
- Linking farmers to markets and value addition
- Reducing risk and vulnerability
- Facilitating Non-farm rural livelihoods
- Increased public and private capacity

Who Will be Eligible?

Public sector window	Private sector window	Technical Assistance
<ul style="list-style-type: none">• Low income countries• Regional entities (e.g. ECOWAS)	<ul style="list-style-type: none">• Private sector firms in eligible countries	<ul style="list-style-type: none">• Specialized technical agencies (centers of excellence)
<p>With:</p> <ul style="list-style-type: none">- Clear agriculture strategies- Conducive policy environment- Own budget commitments	<p>With:</p> <ul style="list-style-type: none">- Aligned business activities- Reasonable financial health- Equity investment exit options	<p>With:</p> <ul style="list-style-type: none">- Proposals aligned to requests- High quality & cost effective services

How Will It Be Managed?

- **Contributing Donor Committee** will make decisions on:
 - Allocation of financing across the three windows
 - Country programs to be finance (based on country requests)
 - International financial institutions to support design and program implementation
- World Bank would provide administrative banking services for the pooled account
- **IFIs would facilitate country execution** using their standard procedures; **IFC** would manage private window

Country-led and Transparent

**Global Agriculture and Food Security Program
(Donor Committee, Trustee Account, Technical Advisory Committee)**

**Public Sector
Window
(Grants)**

**Technical
Assistance Window
(Grants)**

**Private Sector
Window
(Loans, equities,
guarantees)**

**International
Financial
Institutions**

**Specialized
Technical agencies**

**International
Finance
Corporation**

\$

\$

\$

Country-led & country-led regional programs

proposals

proposals