

## The Global Food Crisis: A Short-Term Response, but a Long-Term Vision

**T**he sudden spike in food prices during 2008 brought with it civil unrest in many countries, and the threat of reversal of hard-won progress for many of the world's poor. By mixing fast-track funding with trust fund grants, the International Development Association (IDA) was able to help millions of people confronting the crisis while also supporting reforms and policies in countries determined to prevent a repeat of such a shock in the future.

### **Challenge**

International grain prices increased significantly in early 2008, resulting in sharp increases in staple food costs in many developing countries. Soaring food prices were a contributing factor to civil unrest in nearly 40 countries. Prices of inputs for food production such as fuel and fertilizer also tripled after January 2008, undercutting the profitability of many smallholder producers even as their own ability to feed their families was decreasing. In most areas of the developing world, the rural poor are net grain purchasers<sup>1</sup>, and a sharp rise in grain prices on the whole likely increased hunger. The spike in food prices in 2008 risked reversing progress in reducing malnutrition and the likelihood of meeting the Millennium Development Goal of halving the proportion of people suffering from hunger. A recent World Bank study confirmed that the incidence of undernourishment increased by 63 million people in 2008 due to the jump in global food prices. Food price volatility continues with smaller spikes, as witnessed in August 2010.

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1. Ivanic and Martin (2008), Implications of higher global food prices for poverty reduction in low income countries, *Agricultural Economics* 39:405-416.

Immediate support from the international community was required to reduce the impact of high and volatile food prices on the poor and vulnerable and to increase country resilience to future supply and market shocks. The approach set out by IDA's Global Food Crisis Response Program (GFRP) allowed client countries to choose a mix of budget support, social protection, and investments to support short- and medium-run food supply response. These options addressed the immediate needs of the poor while also embracing policies and approaches consistent with the need for agricultural systems to better prepare for similar threats in the future.

## Approach

IDA responded rapidly to the 2008/09 food price crisis with US\$836 million in fast-track funding through the World Bank's Global Food Crisis Response Program (GFRP), which mixes IDA fast-track funding with trust fund grants to address the immediate food crisis needs of the poor, while encouraging agricultural systems and policy regimes to address similar threats in the future. Through IDA fast-track funding, support for medium-term food supply response is estimated to have reached 5.5 million farm households and direct social protection and nutrition interventions have impacted 2 million people.

IDA funding for the food crisis response through the GFRP supported the following objectives: (i) reduce the negative impact of high and volatile food prices on the lives of the poor in a timely way; (ii) support governments in the design of sustainable policies that mitigate the adverse impacts of high and more volatile food prices on poverty while minimizing the creation of long-term market distortions; and (iii) support broad-based growth in productivity and market participation in agriculture

to ensure an adequate and sustainable food supply response. The program financed a mix of stand-alone technical assistance, development policy and investment operations, drawing upon country and international experience under four components: (i) food price policy and market stabilization; (ii) social protection actions to ensure food access and minimize the nutritional impact of the crisis on the poor and vulnerable; (iii) enhancing domestic food production and marketing response; and (iv) implementation support, communications, and monitoring and evaluation. The GFRP included an innovative facility encompassing several funding sources, with an authorized ceiling on the use of Bank-sourced funds of US\$1.2 billion in May 2008 which was later increased to US\$2 billion in April 2009. Funding sources included a single-donor trust fund of US\$200 million from a surplus at the International Bank for Reconstruction and Development (IBRD), IDA and IBRD resources available under fast-track procedures, and several GFRP external trust funds worth US\$352.5 million.

## Results Achieved with IDA Support

Support for short and medium term food supply response measures are estimated to have reached 5.5 million farm households. Support for social protection and nutrition programs is estimated to already have positively impacted almost 2 million.

There is emerging evidence from several countries of a strong short-term supply food response. For example, in Nepal, the Social Safety Nets project employed 168,263 workers through food and cash-for-work programs, providing food for approximately 940,000 beneficiaries across 28 food insecure districts. Between November 2008 and June 2009, 94

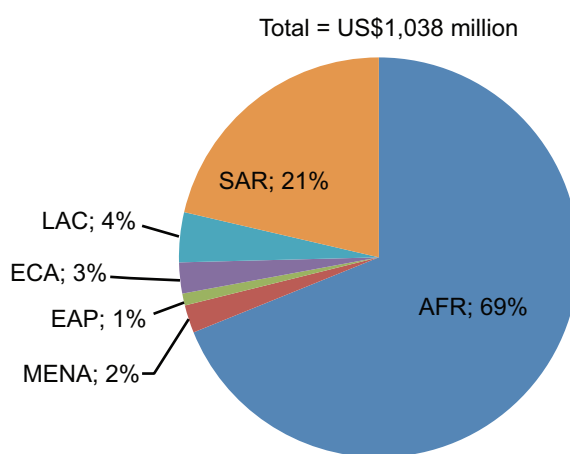
percent of beneficiaries have reported an increase in their food security. In the **Kyrgyz Republic**, the National Federation of Community Seed Funds (CSFs) has mobilized 63 CSFs with 2,271 farmers as members for a grain seed distribution program. Due to better quality seeds and fertilizer application, the yields for winter and spring cereals have increased dramatically compared to 2008, even after accounting for better weather conditions. In **Ethiopia**, an IDA grant and credit of US\$250 million for a Fertilizer Support Project provided the government with foreign exchange resources to facilitate the import of fertilizer for the 2009 production seasons. A total of 510,000 tons of fertilizer was procured with IDA funding for the 2009 production season. An additional US\$25 million was disbursed for the Ethiopia Productive Safety Net program to provide cash and in-kind transfers to food insecure households. Households with sufficient labor undertook public works while those without received direct support. An estimated 550,000 people benefited from this program in 2009. In **Tanzania**, an overall IDA credit of US\$220 million is providing support to 95 small-scale irrigation sub-projects and three soil fertility management demonstrations. It is also financing half of the subsidy for agricultural inputs through the National Inputs Voucher Scheme. The vouchers were distributed to 1.5 million farmers. The IDA credit in Tanzania also provides support to safety net activities in targeted villages in 40 food insecure districts on the mainland and in Zanzibar. As of early September, 309 communities have been reached with 61,526 direct beneficiaries, of whom 49 percent are female. In **Madagascar**, an IDA credit of US\$12 million is supporting the implementation of 359 cash-for-work projects. It is estimated to benefit about 92,000 individuals, of whom 60 percent are women.

## IDA Financing and Other Support

As of early August 2010, IDA has contributed US\$836 million out of the total US\$1.24 billion in GFRP projects. Disbursements currently stand at 70 percent of funds approved to date by the World Bank Board. Another US\$202 million were grants from the Food Price Crisis Response Trust Fund (financed by IDA surpluses), and a further US\$200 million was provided through IBRD lending. In addition, there are approved operations totaling US\$181.1 million under externally-funded trust funds, with more on the way.

The GFRP response has reached the most-affected IDA countries in Africa and Asia. Of the IDA countries that received US\$1.04 billion in projects funded by IDA and GFRP trust funds, 69 percent of the funds went to recipients in Africa (see figure 1 for regional distribution). In addition to financial support to the poorer countries, analytical work and policy advice have helped all developing countries address the implications of the

**Figure 1. Regional Distribution of Approved and Bank-Funded GFRP Operations Going to IDA Countries**



food crisis. For example, , the Bank prepared analytical pieces at the country level (as in Cambodia) and also participated in several regional conferences in East Asia and Pacific to discuss regulatory mechanisms for rice markets and possible social protection measures.

Besides covering the most-affected regions, the GFRP's response to IDA countries also covered intended areas. Fifty-three percent of the GFRP response has focused on strengthening agricultural production systems. These have typically focused on the provision of inputs (fertilizer, seed and farming tools) and small-scale infrastructure works to enhance agricultural productivity. Another 24 percent of funds were targeted to social protection actions to ensure food access and minimize the nutritional impact of the crisis. Twenty-one percent have been development policy loans that have been used to support government policies and institutional actions that address the food crisis. Twenty percent of the funds have been focused on social protection actions to ensure food access and minimize the nutritional impact of the crisis. Two percent has been allocated for project management, monitoring and evaluation and communications support.

## Partners

Since the inception of GFRP, the World Bank has successfully mobilized over US\$320 million in external funds to support the full range of activities available under the GFRP in both low- and middle-income countries. A Multi-Donor Trust Fund has received contributions from Australia, Spain, the Republic of Korea, Canada, and the International Finance Corporation. Russia and the European Union allocated funds for specific countries. Effec-

tive partnerships have fostered successful implementation of GFRP operations and building institutional capacity. UN agencies including the World Food Programme, the United Nations Children's Fund, and the Food and Agriculture Organization have been involved as partners in GFRP operations in several countries, as have civil society organizations. In addition, the World Bank has been coordinating with the United Nations High-Level Task Force on the Global Food Crisis by supporting the implementation of the Comprehensive Framework for Action through investments under the GFRP and coordinated engagement on policy, advocacy, and resource mobilization.

## Moving Forward

IDA's engagement under the GFRP is based on its key strengths in providing integrated solutions to food security concerns as well as its strong presence on the ground in many of the most vulnerable countries. With the decline in food prices from the highs of 2008, clients are shifting their attention toward addressing structural agricultural issues. The World Bank Group prepared an action plan for support to agriculture for fiscal years 2010-2012 that projects a significantly increased support to agriculture and related sectors, from a baseline average support in FY2006-08 of US\$4.1 billion a year to between US\$6.2 billion and US\$8.3 billion annually over the next three years. Complementary to the regular program, the public sector part of a new Global Agriculture and Food Security Program (GAFSP) emerging from G20-initiated discussions will help finance country-led strategies that result from a long period of consultation and peer review, such as the Comprehensive Africa Agriculture Development Program Compacts. In terms of technical assistance,

GAFSP is likely to focus on building in-country capacity to formulate and implement long-term agricultural strategies. The private sector window of GAFSP will provide equity and debt financing to private agribusiness.

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<http://www.worldbank.org/ida>