



The Global Food Crisis Response Program (GFRP) at the World Bank

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Strategic Context:

The stakes are very high



- The **doubling or more of food and fuel prices over the past 2 years** is pushing **100 million people into poverty**, reversing the gains of the last decade
- For more than **2 billion people**, the sudden rise in food prices brings **daily struggle**, sacrifice, and even concerns for survival
- Rising food prices risk derailing recent gains in reducing **malnutrition**, threatening to **sap not only this generation but the generation to come**
- Governments are justifiably concerned that **civil unrest will escalate**, as it has in the cities of over three dozen countries to date

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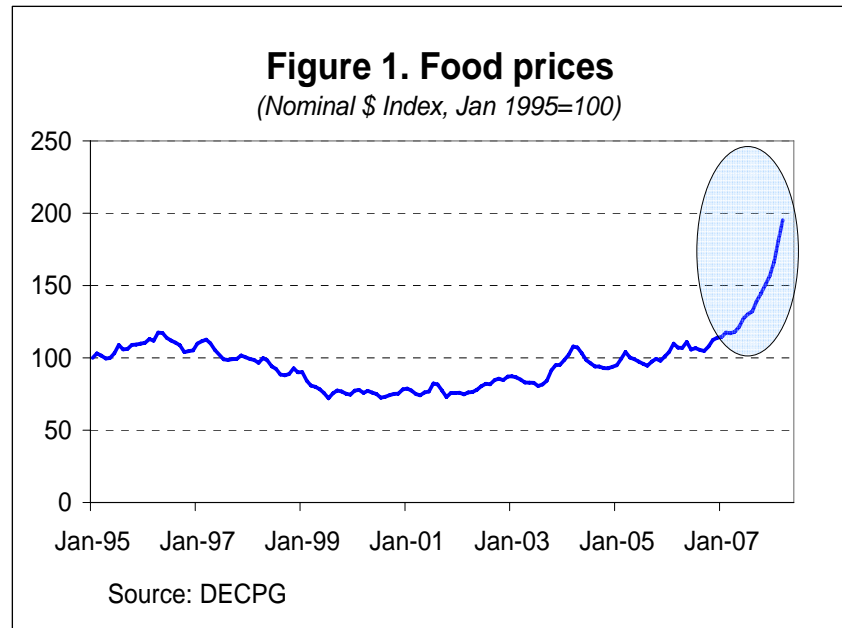
The stakes are very high



- **High food prices are expected to stay high** (fall 2007 levels) for one to two years (and stay above 2004 levels in real terms until at least 2015)
- **Increased food price volatility** expected to continue for the presumable future
- **Increased input prices linked to oil a major concern**, likely to discourage smallholders who supply most of the food in developing countries
- **Countries are in the process of reverting to the food policies of the 1970s** (food self-sufficiency at any cost, costly strategic grain reserves, reversal of diversification policies, etc) which would eventually be harmful to both poverty alleviation and food security

Why have food prices risen?--Demand

Fundamentals
-Supply and
Demand



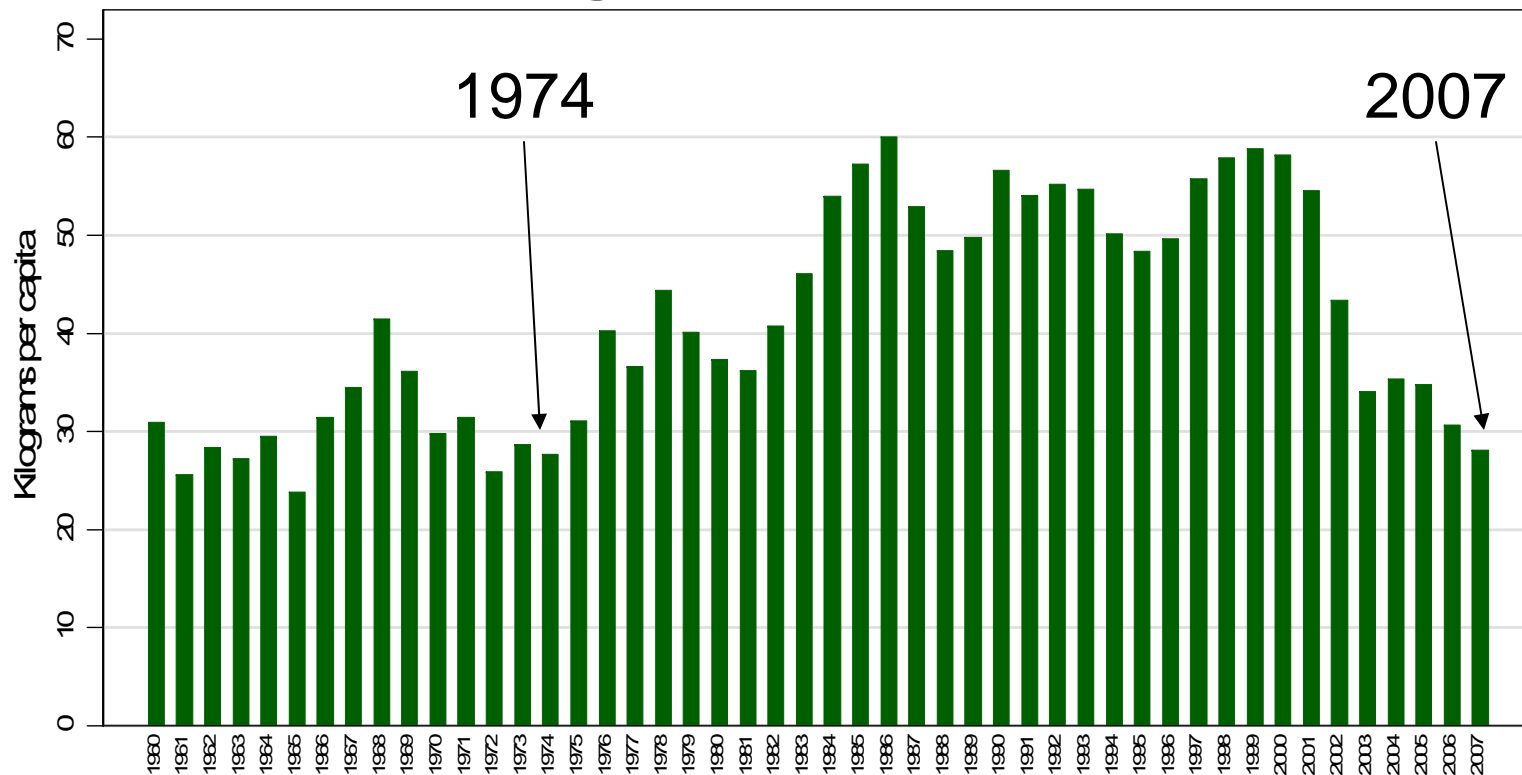
- Sustained **food demand from emerging markets** (of the 73 million net additional persons in the global population each year, 97.5% are in developing countries)
- **Diet changes**, from grain to more diversified diet, meats and dairy with higher derived demand for grains and oilseeds
- **Biofuel mandates** => demand shift, particularly in the United States (corn-based ethanol), and Europe (rapeseed for biodiesel), Argentina (soybeans for biodiesel)

Why have food prices risen?--Supply

- **competition for land from biofuels**, esp. in OECD
- **increasing production costs: sharply** increasing costs of energy, transport, and fertilizer, especially severe in poor landlocked countries
- **drought, flooding, pests and disease in key grain regions:** these shocks, which have always been part of agriculture, are hard to deal with when stocks are low
- **declining dollar:** declining dollar drives up prices of all commodities, including agro commodities
- **disappearance due to policy reforms of stabilizing sales from large intervention stocks** in USA and EU that had been built up to support producer prices

Lower global stocks mean increased price volatility going forward

**Global Ending Stocks of Rice and Wheat 1960-2007
(kg per capita)**



Why have prices risen so fast since Oct. 2007?

- **The run-up in prices from 2000 to late 2007** was largely due to supply and demand factors discussed above
- **After Oct 2007, abrupt spike in food prices** driven by global market events for oil, financial assets, and price expectations arising from Gov't interventions in grain markets, esp. in Asia
- **For wheat, inflow of funds from other assets** seeking hedge against inflation (largely over now)
- **For rice, even individual HHs behaving** defensively versus expected price increases

Thus a rapid and comprehensive response is required due to:

- ❑ The **severity** of the global food crisis
- ❑ The **danger of losing a decade** of progress on poverty alleviation and a significant part of 30 years of confidence–building in market-oriented policy reform in agriculture
- ❑ The **need to combine experience** in emergency management, food and economic policy, social protection, human nutrition and health, financial risk management, agricultural production, and marketing

On-going dialog with partners

- **New Deal for Global Food Policy** endorsed by Finance Ministers at the April 12 Spring Meetings in Washington
- Common strategy to confront the food crisis agreed to by **UN Board of Chief Executives (CEB)** in Berne, April 28-29, 2008
 - Need to immediately address hunger: WFP identified emergency requirements of US\$ 755 million; President Zoellick has vigorously sought to raise funds for WFP to meet these growing needs
 - Also, take action to support farmers to ensure next harvest
 - IMF to support countries with serious balance of payment gaps due to the high food and oil prices
- Contacts made with Chief Executives of other MDBs, IMF

Coordination with UN on food crisis

- **UN Task Force on the Global Food Crisis** established with WB participation under John Holmes, UN-USG, and David Nabarro whom Bank worked with on bird flu crisis
 - **WB Lead Operations Officer with ARD background outposted to UN in NY** for 2 months to support the design of UN coordination efforts and liaise with the Bank
 - **UN Resident and Humanitarian Coordinators and Heads of World Bank country missions** mandated by CEB in Berne to worked together with governments to address the food crisis
 - **Central staff liaison efforts with FAO, IFAD, WFP**
- **High-Level Meetings with partners:** Rome June 3-5, G7 and G8 meetings in Japan, others?

Lessons from other emergency operations

- **Speed of response** is critical
- Rapid **national response planning and coordination**, and country-based needs assessments are essential
- Carefully coordinated **communications strategy**
- Need **genuine partnerships** with other stakeholders
- Emphasize **flexibility and simplicity** in program design
- Component structure should be **aligned with thematic focus areas/mandate areas of international organizations**, and institutional structures in client countries
- Show **pragmatism in immediate responses**, balanced with focus on sustainability over the medium term

GFRP Program Development Objectives

- (1) **Reduce the negative impact of high and volatile food prices** on the lives of the poor in a timely manner
- (2) **Support governments in the design of sustainable policies** that mitigate the adverse impacts of high and volatile food prices on poverty
- (3) **Support broad-based growth in productivity and market participation in agriculture** to ensure an adequate supply response as part of a sustained improvement in food supply

Program Components

- The program provides a **comprehensive menu of possible actions and investments**
- **Countries can select measures** most relevant to their individual situations from the menu of interventions
- **Components address** immediate humanitarian needs and facilitating adaptation to the reality of higher and more volatile international food prices going forward

Menu of possible assistance components

- **Component 1: Food price policy and market stabilization**
 - Examples: Support for grain stock management, improved use of market-based instruments to manage food prices, tax and trade policies, impact assessments
- **Component 2: Social protection actions to ensure food access and minimize the nutritional impact of the crisis on the poor and vulnerable**
 - Examples: Cash transfer program (CCTs, food stamps), school feeding, targeted food supplements and micronutrients

Menu of possible assistance components

- **Component 3: Enhancing domestic food production & marketing response**
 - Seed and fertilizer supply and market development, Rehabilitation of small-scale irrigation, Strengthening access to finance and risk management tools
- **Component 4: Implementation support, communications and monitoring and evaluation**
 - Training in project management, Program monitoring and impact evaluation

What the GFRP does within the World Bank

- **Mobilizes funding from several Bank sources:** existing country envelopes, re-programmed funds from prior years, regional IDA funds where appropriate, a new trust fund from IBRD surplus, an even newer Multi-Donor Trust Fund (MDTF)
- **Provides detailed technical guidance to clients** on a large menu of options for appropriate interventions
- **Fast-tracking of up to \$1.2 billion of Bank resources** within 3 years **in addition to the MDTF**, composed of \$1 billion from IDA and IBRD, and \$200 million in grants from a new trust fund using IBRD surplus for poorest countries
- **Greatly expedites procedures for rapid response under IDA and IBRD**, investment lending and development policy operations: approval by management w/ 5 day comment period by Board, 3 Chairs needed to bring to Board for review

What GFRP does not do

- **Does not remove safeguards and accountability;** these remain same as for other Bank operations, but disbursements can start immediately, well before completion of procedures
- **Does not displace regular lending** for longer term measures such as infrastructure, Ag. R&D etc.
- **Does not provide emergency humanitarian assistance** of WFP/UNICEF/CARE type and does not compete for funding with these agencies

Progress since May 29 Board approval

- \$44 million in new Bank Surplus Trust Fund grants made under GFRP to Haiti, Liberia, Djibouti, Tajikistan, and Yemen and \$10 million IDA credit to Kyrgyz Republic
- \$156 million in new Bank Surplus Trust Fund grants approved by Bank sr. management for development of GFRP proposals submitted for Togo, Sierra Leone, Niger, Guinea Bissau, Central African Republic, Afghanistan, Guinea, Rwanda, Benin, Burundi, Madagascar, Mauritania, Mozambique, Southern Sudan, Somalia, West Bank & Gaza, Moldova, Nepal, Lao PDR, Nicaragua and Bolivia
- \$100 million in reprogrammed IDA GFRP credits under discussion for 4 countries
- \$200 million new IBRD GFRP lending under preparation