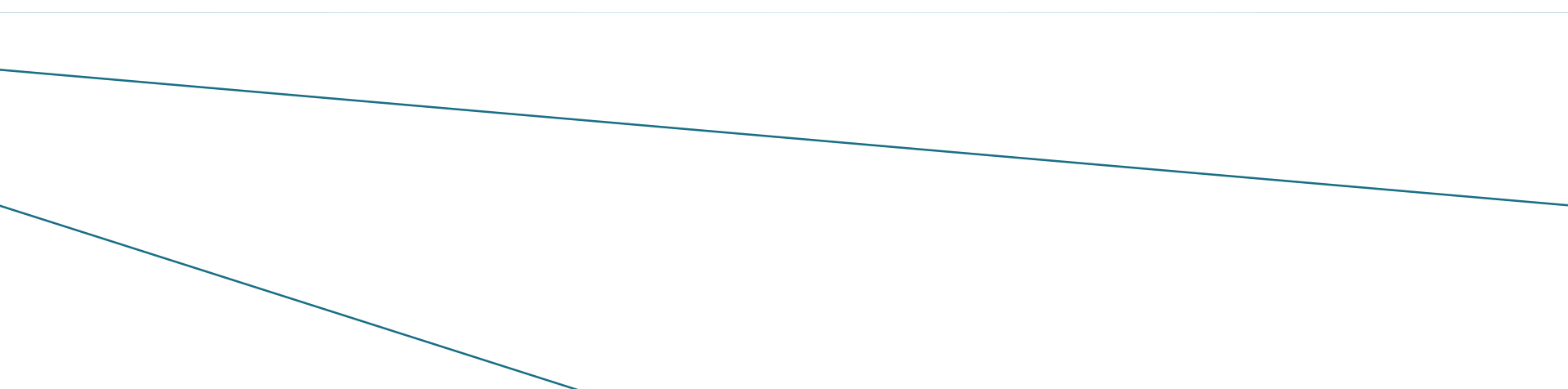


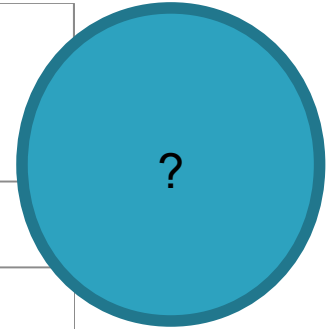
Challenges Facing the Global Architecture for Food and Agriculture Going Forward

Uma Lele, Manmohan Agarwal
(Assistance-Sambuddha Goswami)

Forum on Food Price Increases: Causes, Impacts and Responses - AGENDA
Institute for International Economic Policy, Elliott School of International Affairs, GWU
September 30, 2011.

Two thin, parallel teal lines that start on the left side of the slide and extend diagonally towards the bottom right corner.

Food Price Rise or Volatility?



Overarching Challenge

9 Billion + in 2050: Cereal Production (Net of Biofuels) Increase by 70%,
Meat production 220%, Cereal Imports of Developing countries by 220%

- ▶ Population Growth:
 - All in LDCs
- ▶ Income Growth:
 - Mostly in LDCs
- ▶ Urbanization:
 - Up from 50% to 70%
- ▶ Shift in Food Preferences:
 - Rice, Wheat, Maize,

Soybeans for Feed:
On Demand Side
Biofuels: maize,
oilseeds

- ▶ Processed Foods

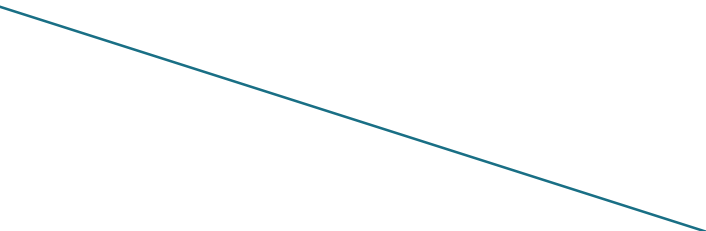
- ▶ Slowing Ag.
Productivity Growth?
- ▶ Climate Change
- ▶ Limits to Land, Water,
Soils, Biodiversity,
Forests, Fisheries –in
Asia
- ▶ Increased Market
Related Risks and
Uncertainty

Uncertainties on the
Supply Side
Public and Private
Investment in R and D

What Is Needed to Take On the Challenge by G 20?

- ▶ Potentially A Tremendous Opportunity to Get an Organically Grown International Architecture working together effectively around short and long term issues of global food and agriculture
 - Hugely Increased Investments in R and D
 - Infrastructure
 - Macro and Sector Policy Environment
 - Human and Institutional Capacity
 - Knowledge on “How to”?
 - Not Just North-South But South South Partnerships

G 20 Declaration of Ministers of Agriculture on Food and Agricultural Markets & Price Volatility, June 21-22, 2011

- ▶ **Policy Options Paper By Core International Organizations**
 - ▶ **G 20 Declaration is a low hanging fruit**
- 

No Instruments to Deal With

- Role of Biofuels—e.g. Brian Wright, US Diversion of Maize
- Low International Stocks
- Price Stabilization—National/Regional/Global?
- Role of Export Bans—Putting Trading System at Risk?
- Developing Countries Reluctant to take it on?
- Doha?
- Growing Role of Foreign Direct investment
- Private Sector Activity— in R and D , Land Acquisition
 - Production, Value Chains
 - Role of Small and large Farms
- International Good Practice Guidelines Adequate to Deal with the Challenge?

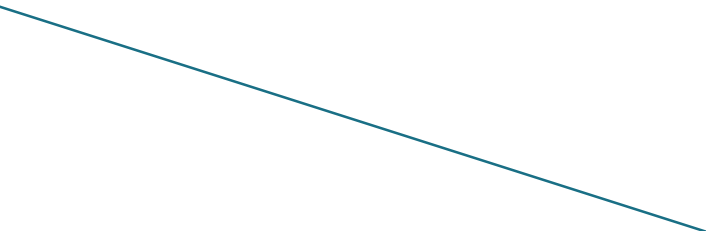
Volatility Related Challenges

- ▶ WFP and Increased Demand for Emergency Assistance
- ▶ Despite Growing Commitments- Gap in Donor Pledges and Commitments
- ▶ Increased Fragmentation of Aid
- ▶ Rising Foreign Direct investment--
- ▶ Developing Countries' Reticence Towards Bretton Woods Institutions since the 2008 Financial Crisis
- ▶ Doha deadlock
- ▶ Increased Role of Emerging Countries, New Actors—BMGF, Civil Society

Current Situation

- ▶ Dizzying # of Uncoordinated Initiatives
 - L' Aquila Food Security Initiative,
 - Global Partnership for Agriculture, Food Security and Nutrition,
 - Five Rome principles for Sustainable Food Security @ World Summit on Food Security in November 2009,
 - Reform of the Committee on Food Security to name only a few mentioned in the statement
 - US's Feed the Future
- ▶ Reform of the Committee on Food Security
- ▶ Election of FAO DG– Contrast to IMF
- ▶ FAO's New DG after two 18 year terms

Core International Organizations Concerned with Food and Agriculture



From Fragmented and Chaotic To A Virtuous Architecture

Many Stakeholders

- 200 Donors Contributing Trust Funds to WB
- 1075 Trust Funds
- 10 Large Funds
- Trust Funds Managed by WB > than IDA
- High Transaction Costs to Developing Countries of Lack of Harmonization
- Strategic Global Allocation of ODA+ Foundation Flows?: GPGs, RPGs, Country Assistance?

Differences in Governance Among International Organizations: Lack of Priorities, Overlapping Mandates

- ▶ UN Institutions inherently different organizations than multilateral Banks—
- ▶ FAO a Specialized UN Agency—Like WHO--
Based on one country one vote—
- ▶ WTO—a platform
- ▶ WB, IMF, IFAD, WFP— Where donors have more power
vote weighted according to contributions---
- ▶ Differences among developed and developing countries on substantive issues
- ▶ personality politics in leadership

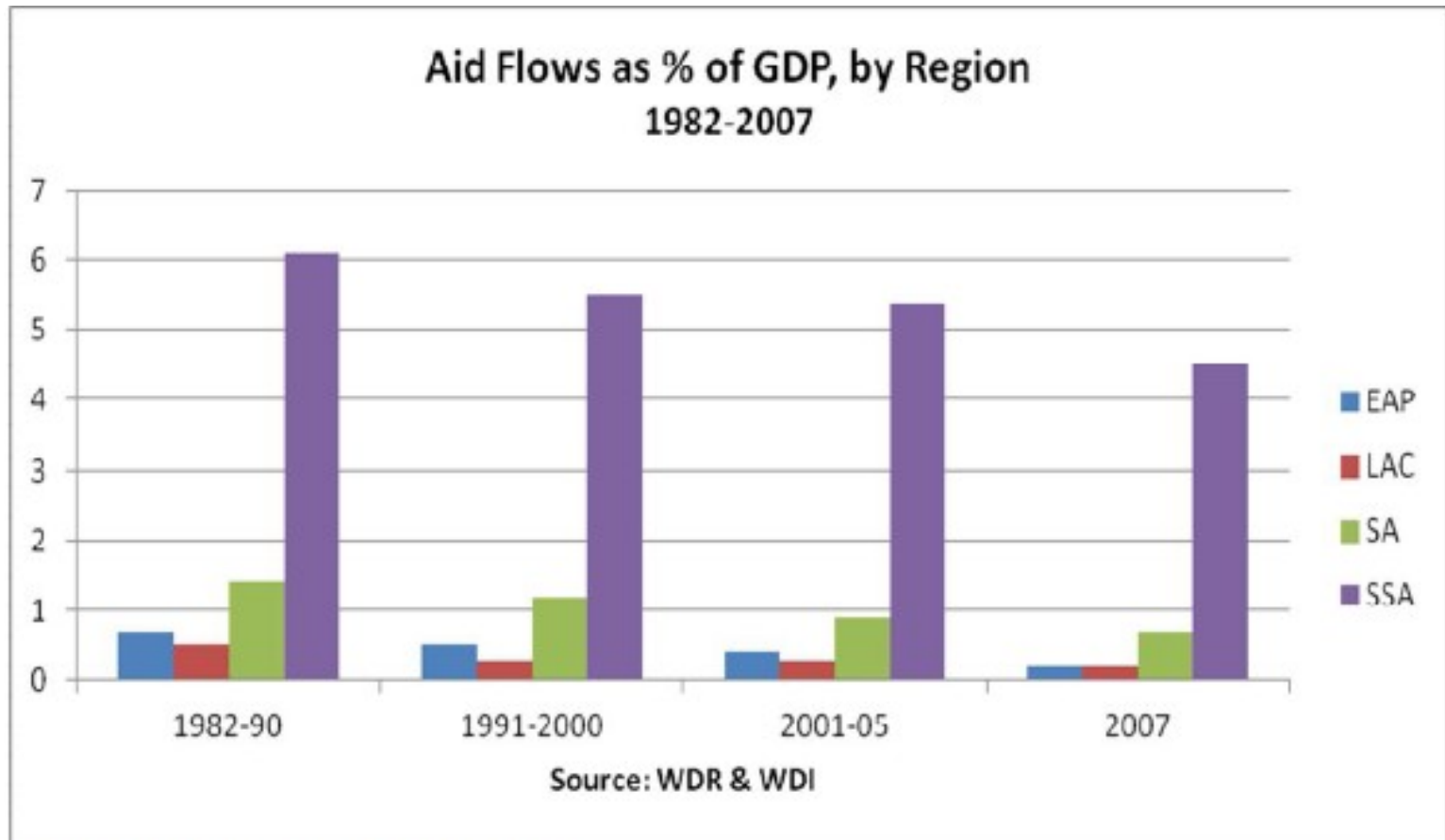
Implications of Differentiation Among Developing Countries

- ▶ Large Share of Global Poverty in Middle Income countries where aid is unimportant
- ▶ Importance of Knowledge Transfers?
- ▶ Special Challenges of less developed countries
 - Diseconomies of scale
 - Limited capacity
 - Early stage of demographic transition

Middle Income
Countries

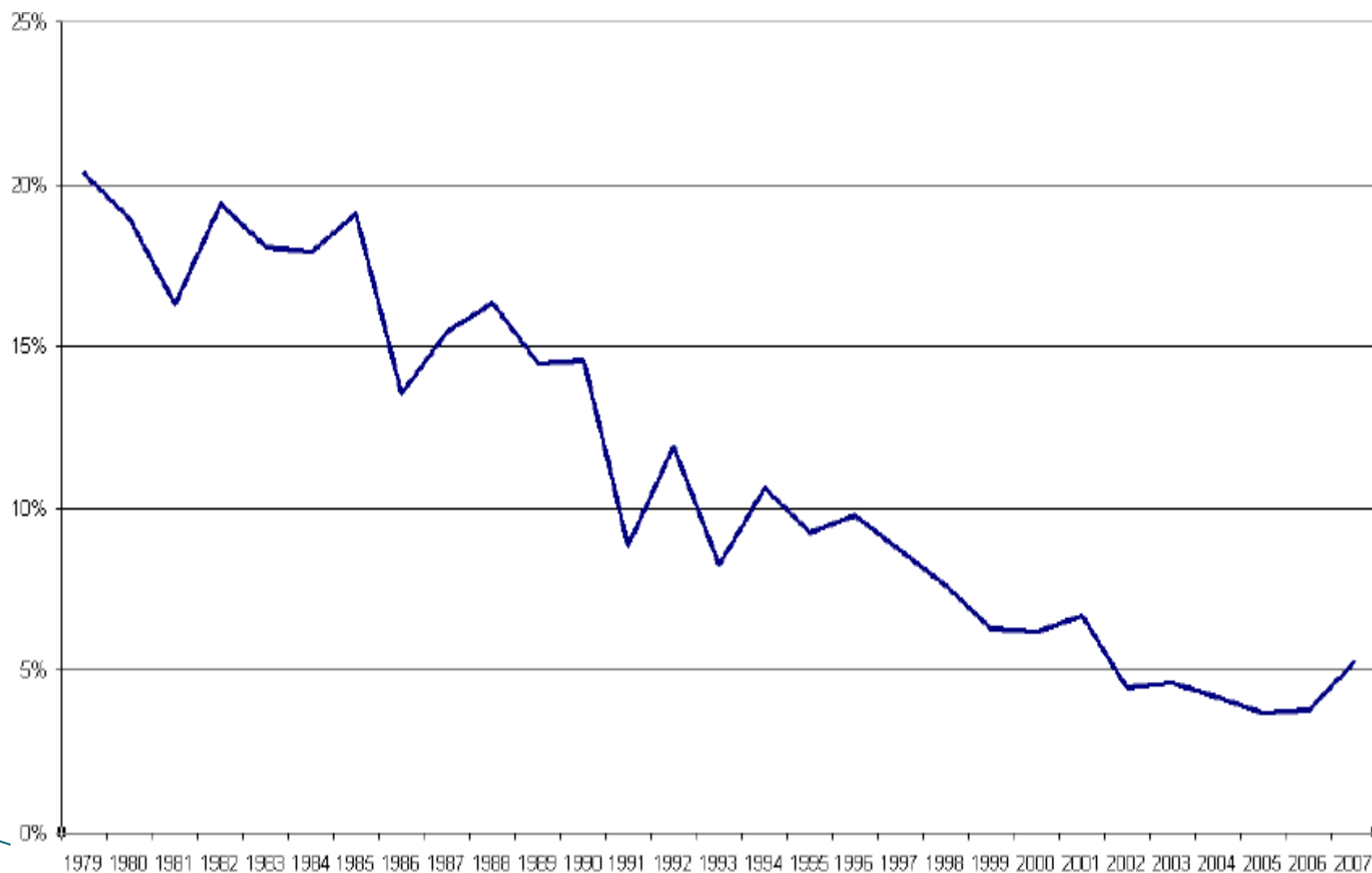
Low Income Countries

Already Declining Share of ODA Compounded by OECD Economic Woes



(Agarwal and Lele, Forthcoming)

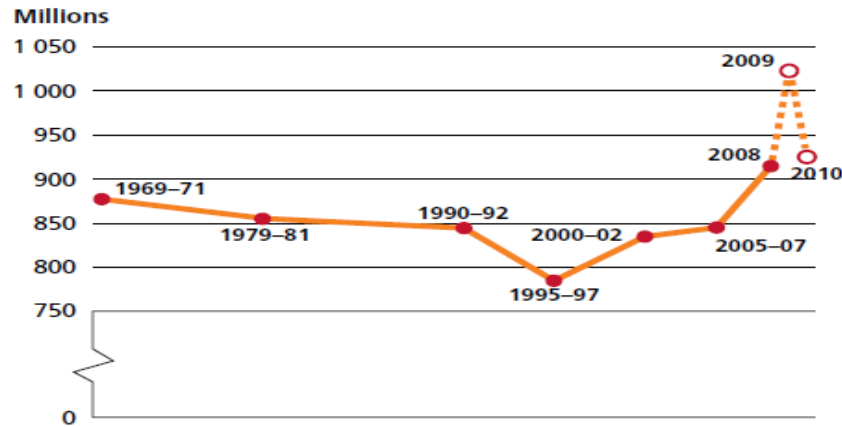
DE capitalization of Agriculture with Declining ODA to Agriculture (1979 – 2007)+ Government Neglect



(FAO, 2009a)

Trends in world hunger

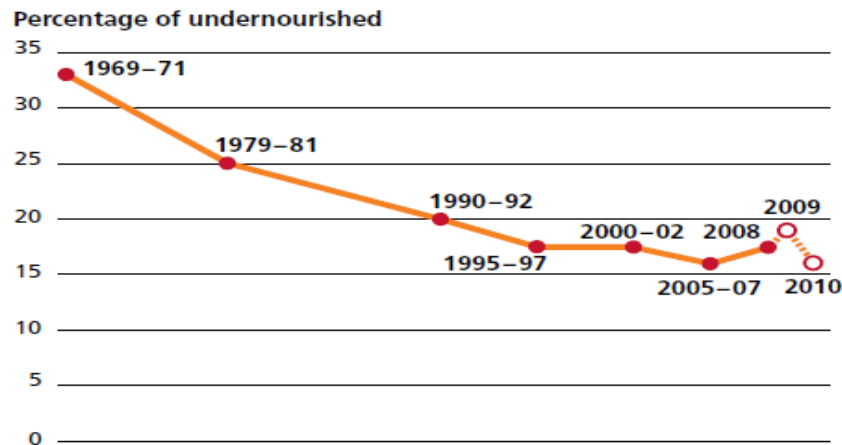
Number of undernourished people in the world, 1969–71 to 2010



Note: Figures for 2009 and 2010 are estimated by FAO with input from the United States Department of Agriculture, Economic Research Service. Full details of the methodology are provided in the technical background notes (available at www.fao.org/publication/sofi/en/).

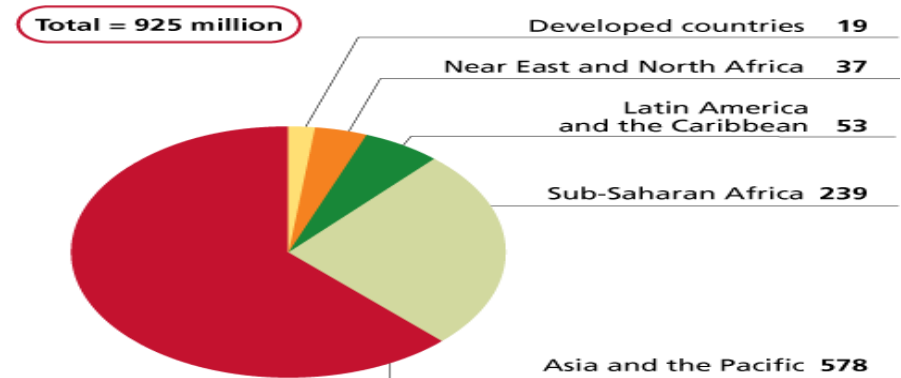
Source: FAO.

Proportion of undernourished people in developing countries, 1969–71 to 2010



Source: FAO.

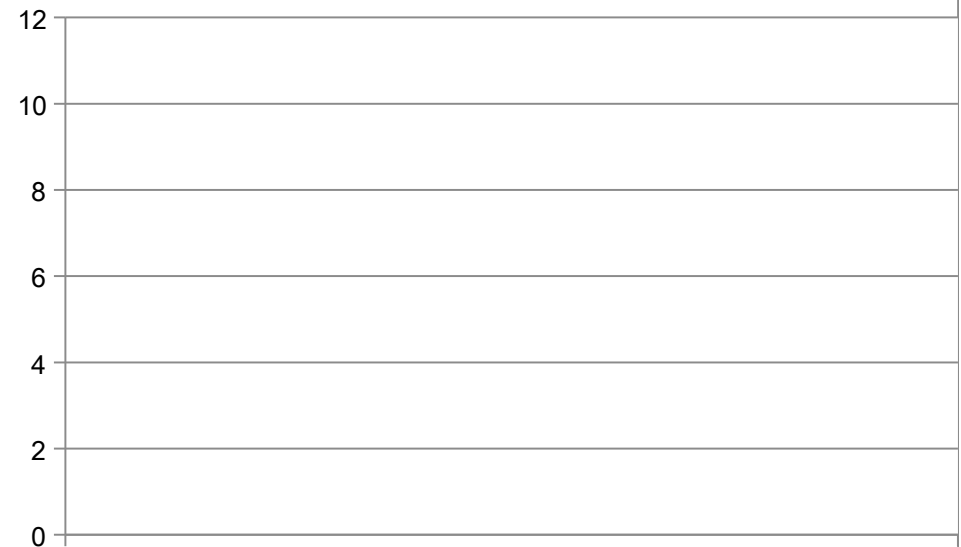
Undernourishment in 2010, by Region



Source: FAO.

Largest Number of the world's hungry in South Asia

Number of Undernourished Person (Millions)

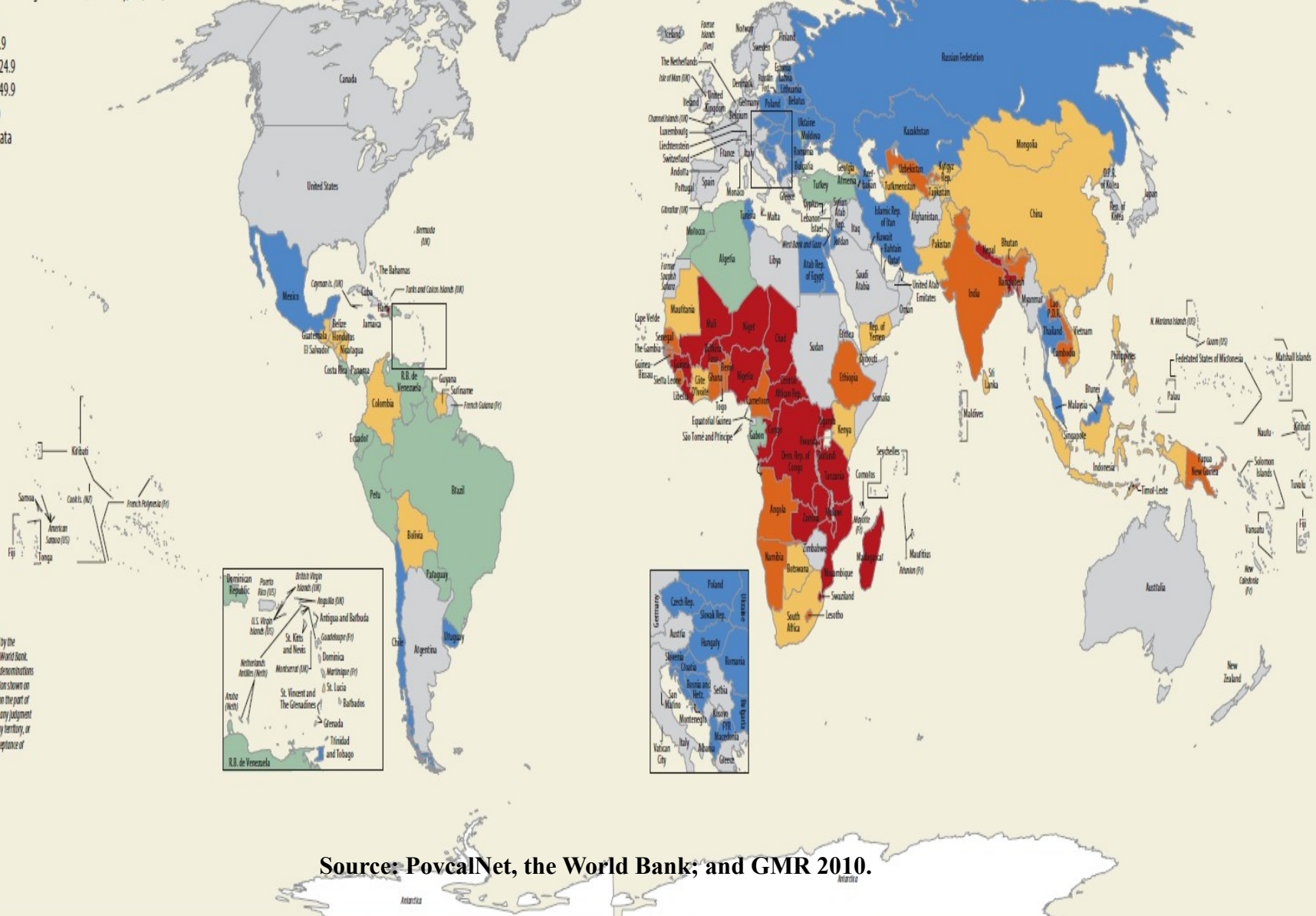
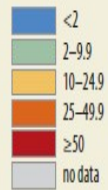


Source: FAO STATISTICS DIVISION

Poverty Rates Declining Without Decline in Number of Hungry?

Share of Population Living on Less Than \$ 1.25 a Day, % (2005)

Poverty rate:
Share of population living on less than \$1.25 a day, % (2005)

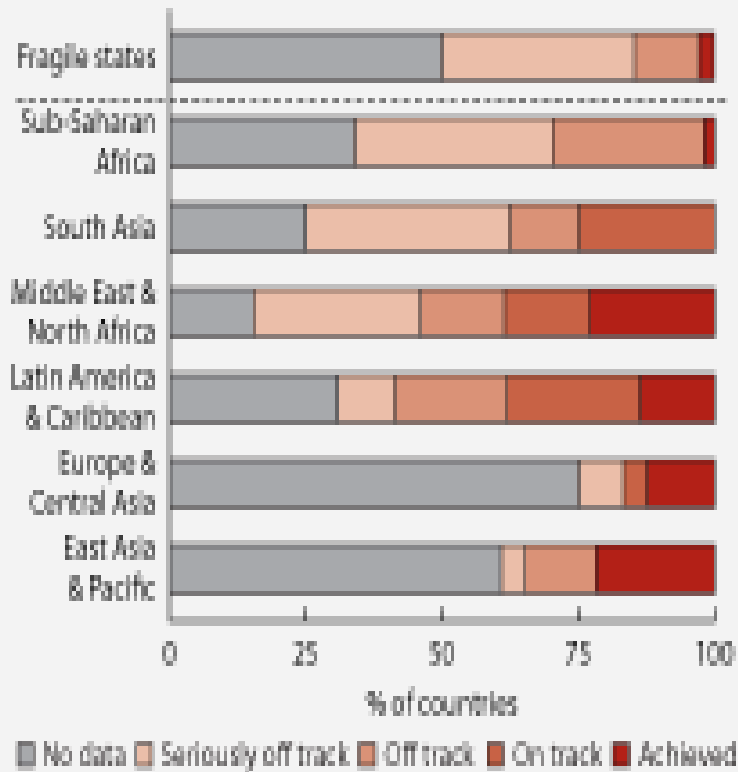


This map was produced by the Map Design Unit of the World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of the World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.

Source: PovcalNet, the World Bank; and GMR 2010.

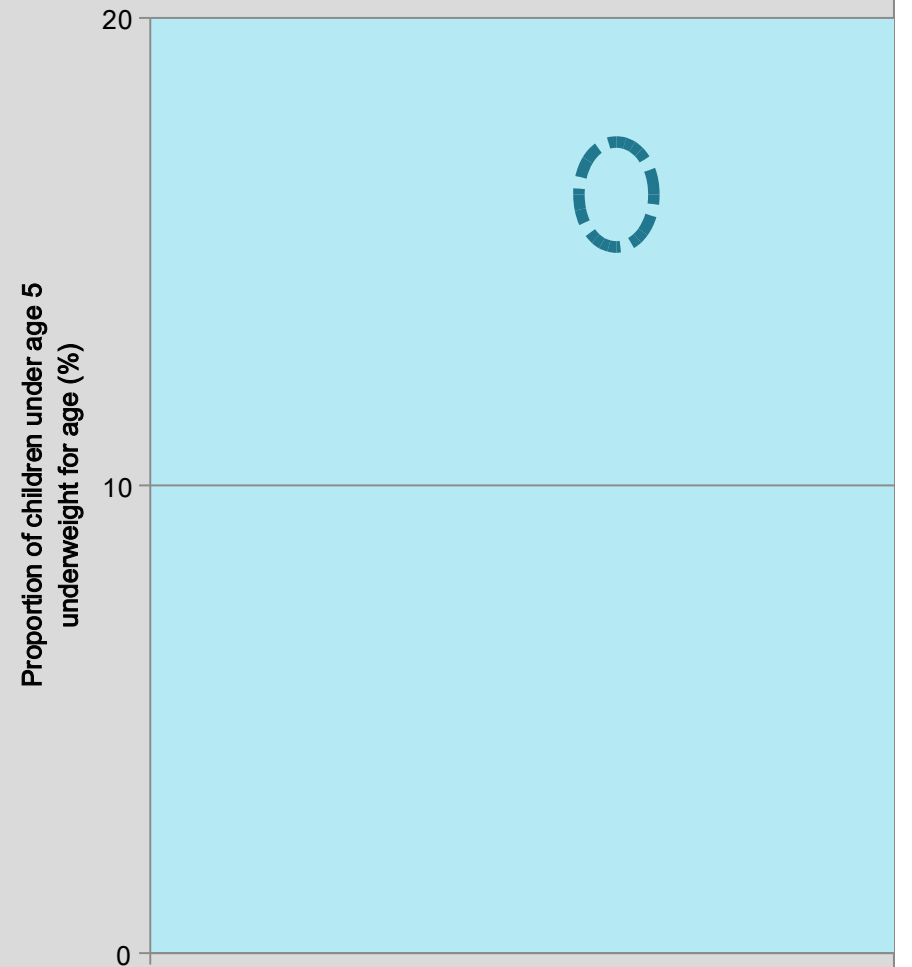
Under Five Malnourishment

Proportion of countries on track to halve under-five malnutrition



Source: World Bank staff estimates based on data from UNICEF.

...n rates remain high in South Asia and Sub



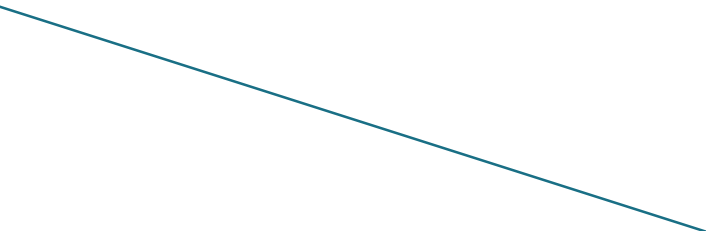
Source: United Nations Children's Fund, World Health Organization and WDI, V

Agricultural TFP Growth: SA and SSA Lagging in TFP Growth

CGIAR Reforms: Work in Progress

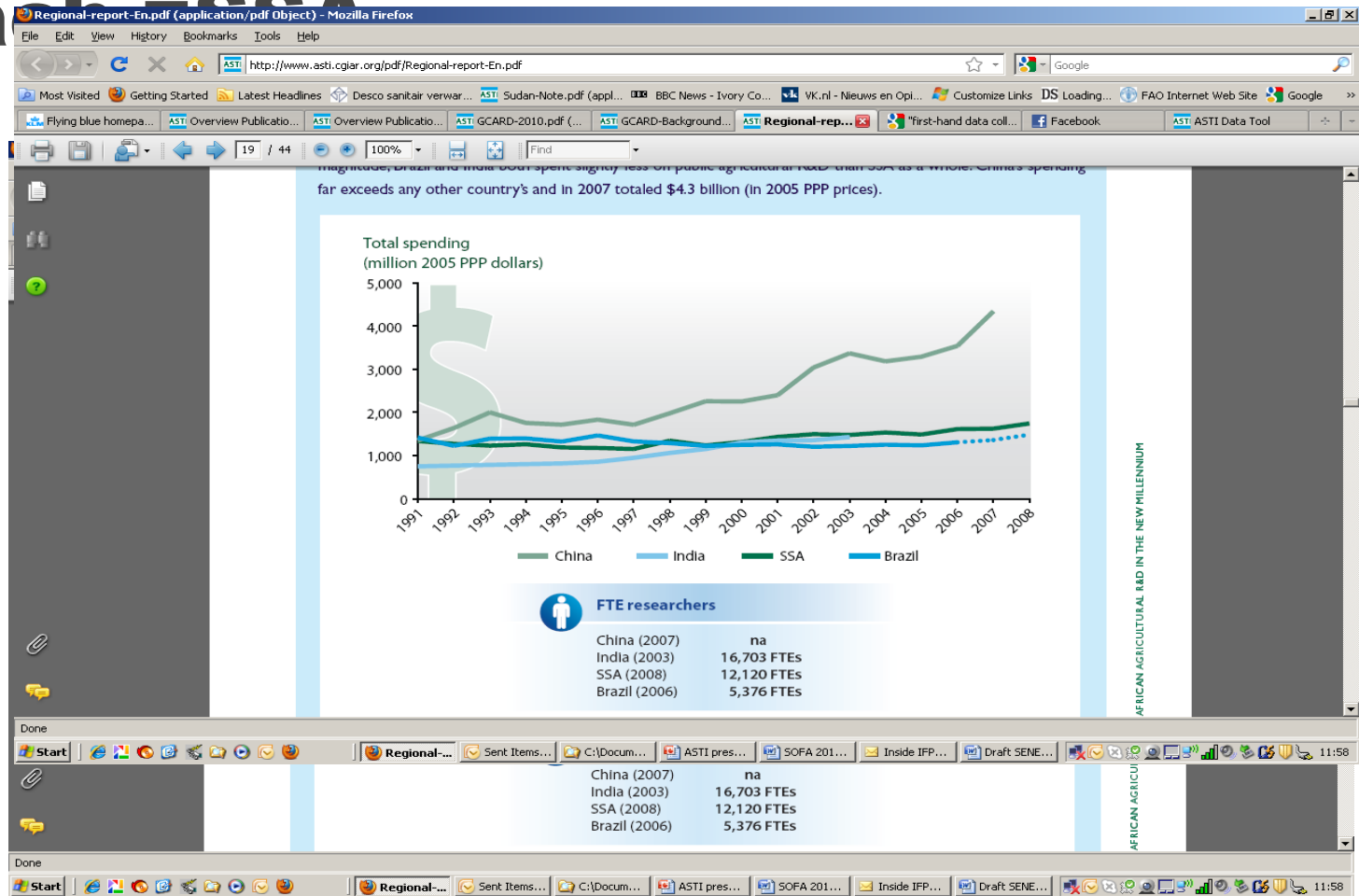
- ▶ Fund Council
- ▶ Centers' Consortium
- ▶ SRF Proposes Tripling of CGIAR Funding by 2020
- ▶ CRPs Approved or in Process of being Approved
- ▶ Centers Coming Together
- ▶ 300 to 900 stated partners in Some CRPs
- ▶ Design of Partnerships: their Costs and Benefits
- ▶ Independent M and E of CRPs Work in Progress
- ▶ Complementary Funding Needed for NARS of \$14 Billion to Achieve Stated SRF objectives of Hunger and Poverty Reduction

CGIAR Funding Grows but Remains Restricted



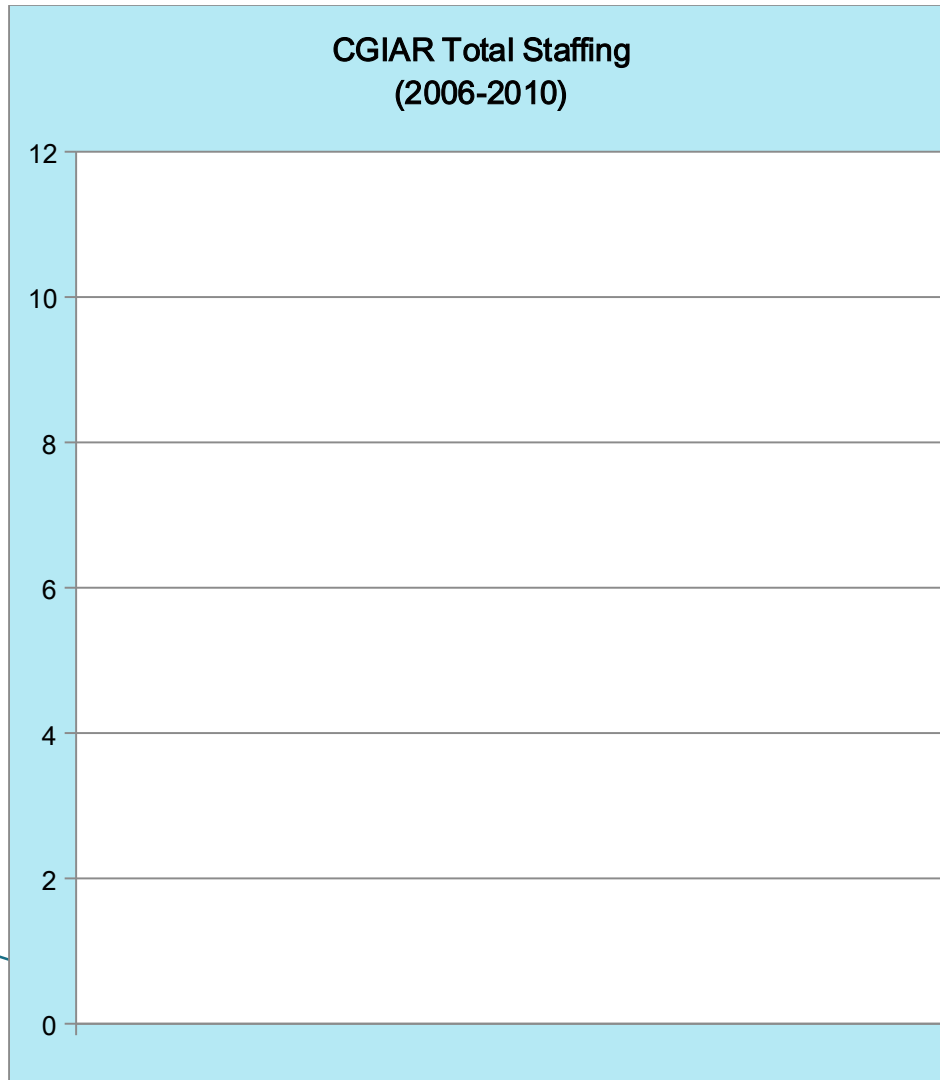
South Now Important Players

China Spending= Brazil + India/ East-SSA



Source: ASTI as reported in Beintema and Stads (2011)

More South South As well as North South Cooperation Needed



Developing Country	Scientist Numbers
China	80,000
India (2003)	16,700
SSA (2008)	12,100
Brazil (2006)	5,400

Sources AST and: Chen, K. Z., and Y. Zhang. 2010. Agricultural R&D as an engine of productivity growth: The case of China. Report prepared for UK Government's Foresight Food and Farming Futures project

FOOD AID



From Food Aid to Food Assistance?

Evolution of WFP Strategy in Recent Years

**Global Food Aid Deliveries Declined
(1988-2009)
(Million Mt)**

12
10
8
6
4
2
0

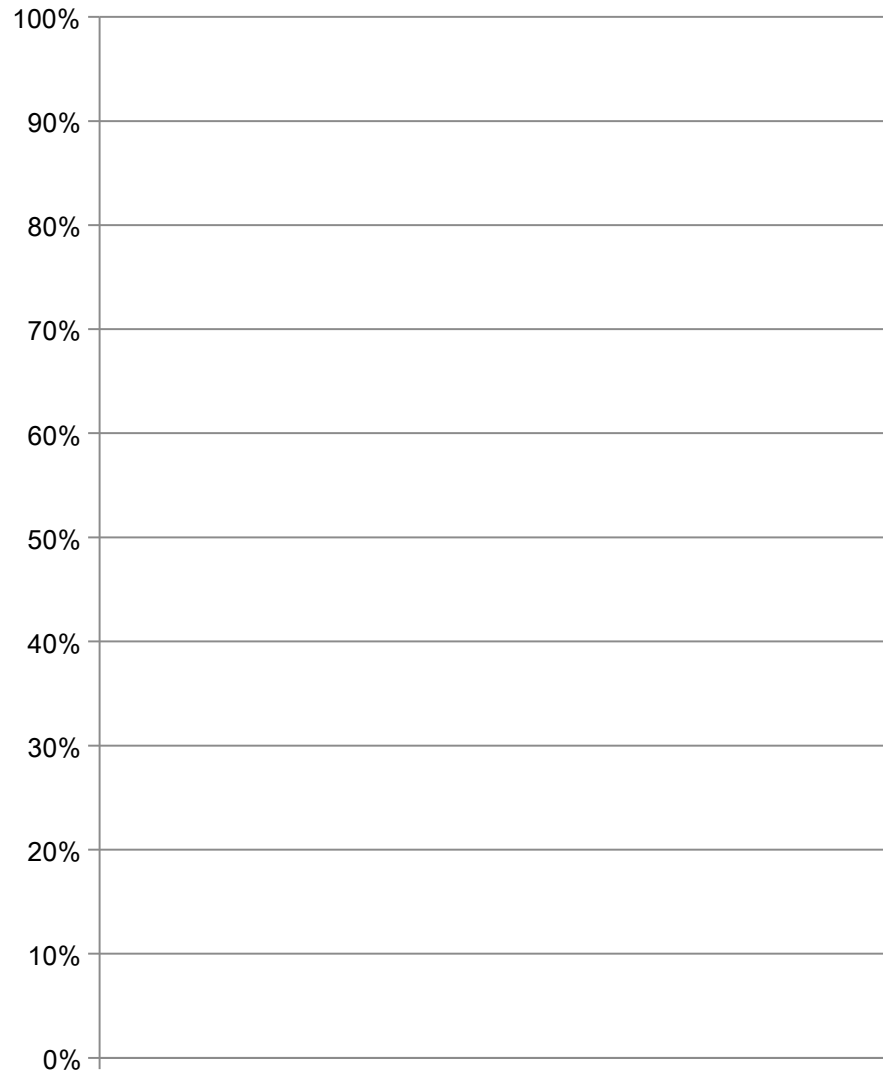
Source: Food Aid Flows Report 2009 by WFP and
www.wfp.org/fais/

Emergency Aid Up, Program Aid Down, Project Aid Up

100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%

Source: www.wfp.org/fais/

Direct Transfers Down/Triangulation and Local Purchases Up (% Share)(1988-2009)



Source: www.wfp.org/faiss/

SSA Growing Recipient of Global Food Aid Deliveries

By Region

Global Food Aid Deliveries by Recipients, by Region

1988

Total=14048281 Mt

Global Food Aid Deliveries by Recipients, by Region

2000

Total=11344752 Mt

Note: Data is not available for Europe and CIS for the year 1988

Global Food Aid Deliveries by Recipients, by Region

2009

Total=5722764 Mt

Source: www.wfp.org/fais/
and Food Aid Flows Report
2009 by WFP

**Total Annual Contributions to WFP
(Thousand Dollars)
(2000-2011)**

12
10
8
6
4
2
0

Source: WFP Annual Reports (2010, '05 & '03) and www.wfp.org

**WFP's Share in Global Food Aid
(%)
(2000-2009)**

100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%

Annual Reports (2004 & '03), Food Aid Flows Report 2009 by WFP ar

World Bank: Recent Rise in Lending as Share of total and still the Largest Single Lender to

Has been Transforming itself As a Knowledge Bank
mobilizing Relevant global Development Experience
And More grant funding

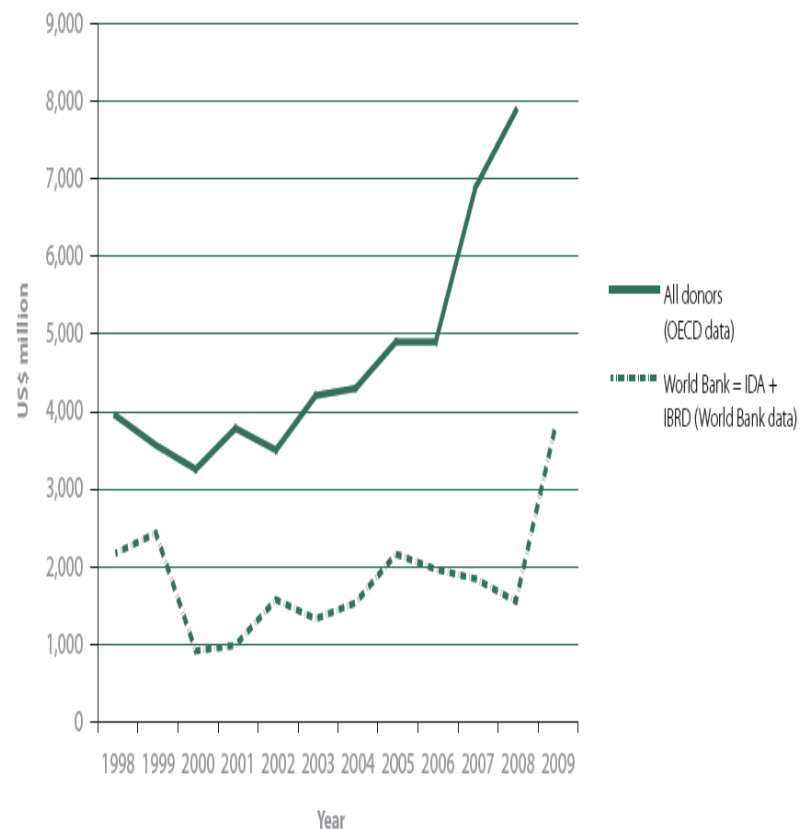
ARD

World Bank Lending to Social Protection and Risk Management Millions of Dollars (2000-2010)

12
10
8
6
4
2
0

Source: World Bank Annual Reports (2010 & '05)

Official Development Assistance and World Bank Lending to the Agriculture, Forestry and Fishing Sector (1998-2009)



Sources: OECD Creditor Reporting System and World Bank data.

Note: OECD and World Bank data are not entirely comparable. OECD data for ODA include IDA but not IBRD, and excludes countries that are members of the G-8 or the European Union, or that have a date of admission to the European Union. The reporting years also do not fully correspond, because the World Bank reports data by fiscal year while the OECD reports by calendar year. The OECD and World Bank data are presented to give an indication of World Bank lending in the context of overall ODA over time.

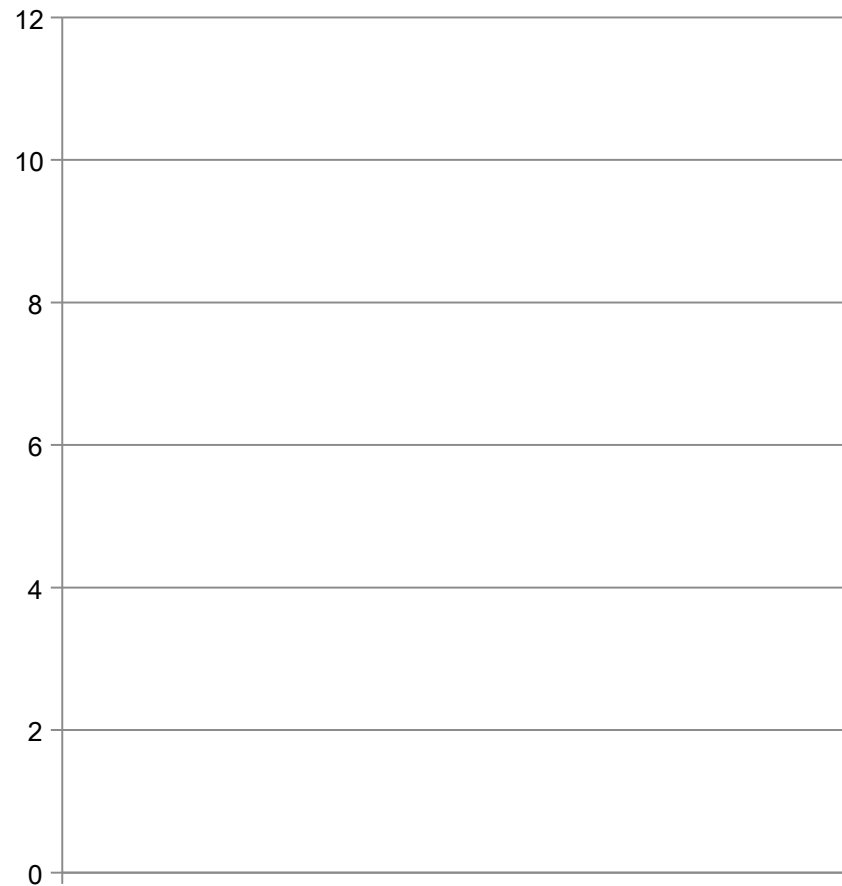
Source: Growth and productivity in agriculture and agribusiness:
Evaluative lessons from World Bank Group experience, IEG 2010.

**World Bank
Operational Summary
Millions of Dollars
(2000-2010)**



Source: World Bank Annual Reports

**IFAD
Operational Summary
Millions of Dollars
(2001-2009)**



Source: IFAD Annual Reports

Decline in Technical Capacity at the World Bank: Does It Matter?



Source: World Bank human resources data.

Note: Technical staff include, among others, soil scientists and forestry experts and extension, livestock, agribusiness, and irrigation specialists. Generalist staff include, among others, operations officers, economists, and rural development specialists.

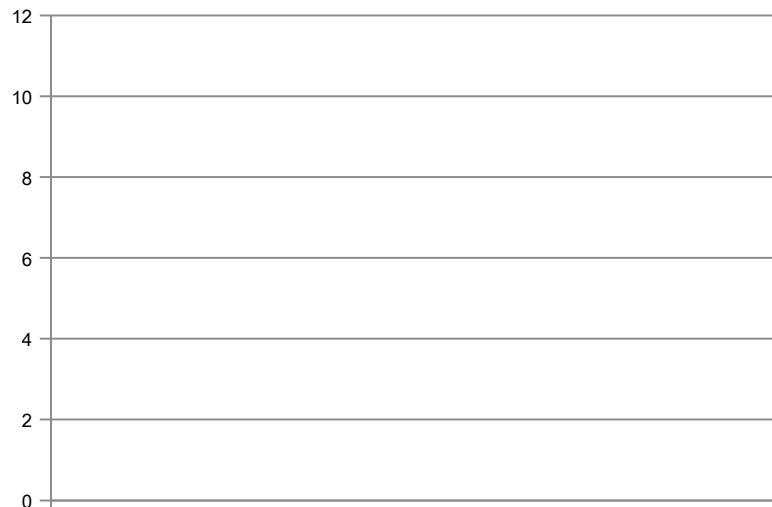
FAO's Essential Roles

“FAO would Need to be Created if it did not exist”

- Bring Strategic View of the State of Global Food and Agriculture
- Mobilize Information and Knowledge on State of the World's Food, Agriculture, Forestry and Fisheries and Agriculturally Related Natural Resources
- Provide a Neutral Platform for discussion and reaching of International Agreements and Standard Setting—food safety, Plant Genetic Resources, Agricultural Practices
- Promote Guidelines and Their Implementation
- **FAO-CP 's Support for World Bank Lending**
- **Other TA/Regional Offices**
- **Emergency Assistance growing most rapidly through voluntary contributions**

FAO'S Total Approved **Biannual** Regular Budget (USD Million) (2000/01-2010/11)

FAO: Total Approved Regular Budget
USD Million
2000-01—2010-11
(Biennial)



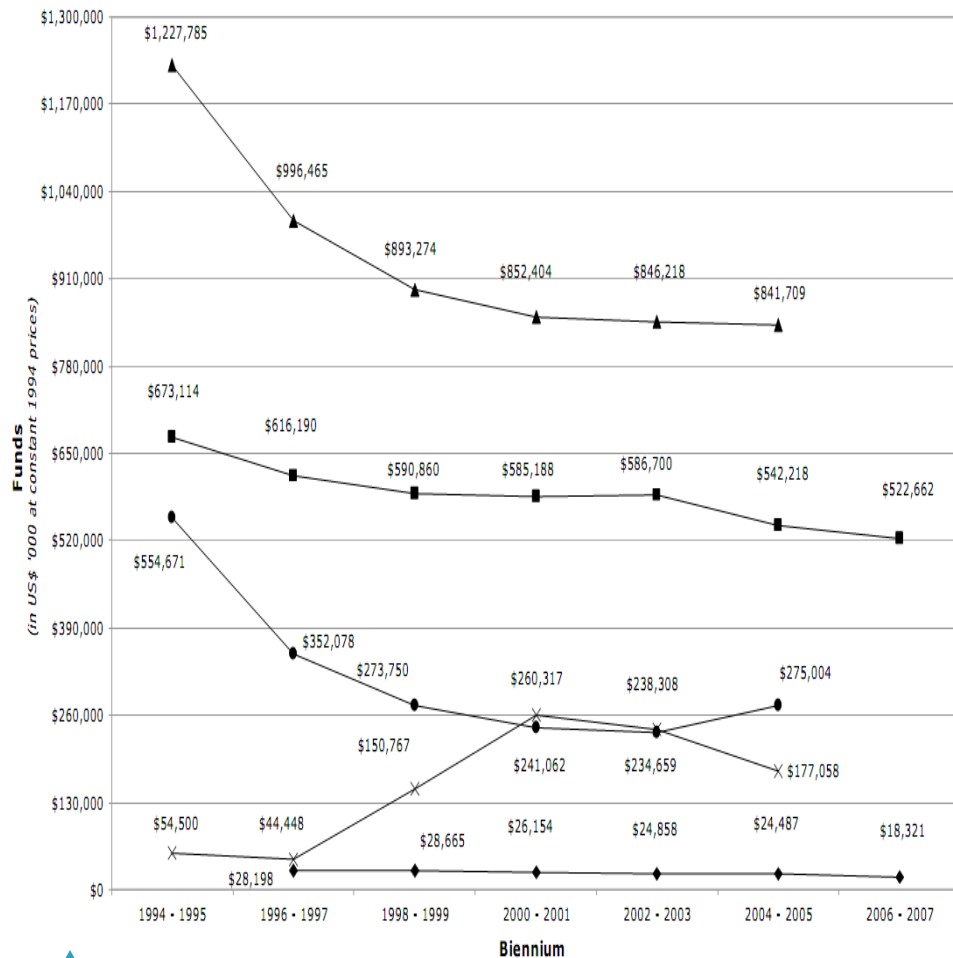
The Director General's Medium Term Plan 2010-13 and Program of Work & Budget

Foot Note: The above figure shows FAO's regular program budget is funded by its members, through contributions, adjusted to the Euro/US dollar exchange rate fixed by the FAO Conference. This budget covers core technical work, cooperation and partnerships including the Technical Cooperation Program, knowledge exchange, policy and advocacy, direction and administration, governance and security.

The FAO's regular budget for the biennium 2010-2011 has been increased by 7.6% to US\$ 1000.5 million from the biennium 2008–2009 US\$ 929.8 million, adjusted to the Euro/US dollar exchange rate fixed by the FAO Conference. Member states froze FAO's budget from 1994 through 2001 at US\$650 million per biennium. The budget was raised slightly to US\$651.8 million for 2002–03 and jumped to US\$749 million for 2004–05, but this nominal increase was seen as a decline in real terms. In November 2005, the FAO governing Conference voted for a two-year budget appropriation of US\$765.7 million for 2006–2007; once again, the increase only partially offset rising costs due to inflation.

Source: FAO: The Challenge of Renewal: Report of the Independent External Evaluation of the Food and Agriculture Organization of the United Nations (FAO): September 2007—figure 7.1.

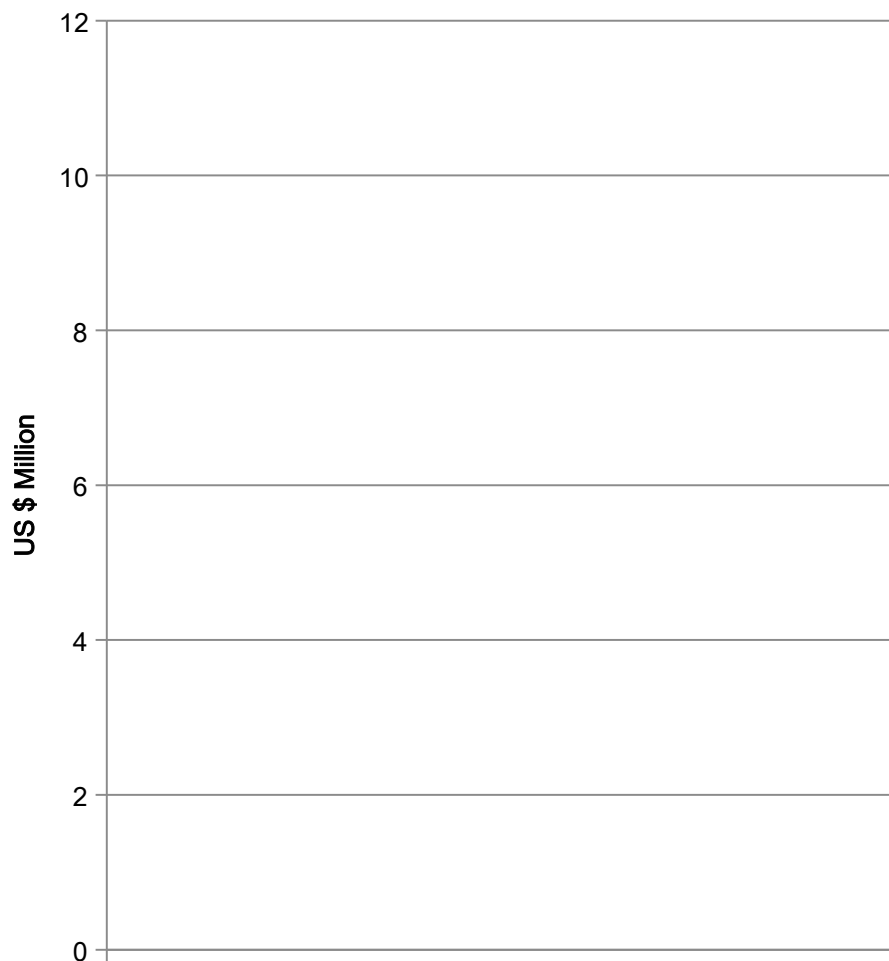
Total Biennial Resources Available (1994-2007)



- Net appropriation
- ◆ Regular Programme non-project income under Financial Regulation 6.7
- Extra-budgetary funds for non-emergency activities
- × Extra-budgetary funds for emergencies
- ▲ Total resources, excluding emergencies

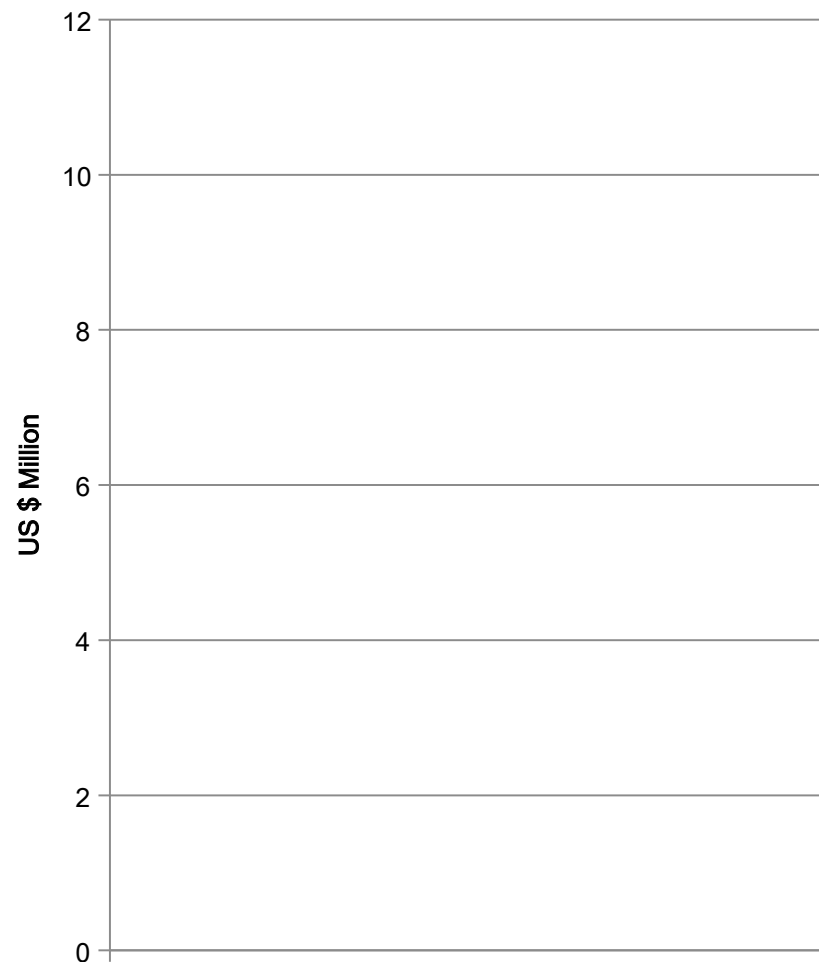
Foot Note: This figure shows FAO's biennial resources in terms of US \$ '000 at 1994 constant prices.

**WHO: Total Biennium Program Budget
(US\$ Million)
(Biennium)
(2000-01/2010-11)**



Source: www.who.int/gb/

**WHO: Voluntary Contribution and Regular Budget
(Biennium Program Budget)
(US \$ Million)
(2000-01/2010-11)**



Source: www.who.int/gb/

Looking To the Future

» Zero Hunger and
Sustainable Intensification
of Small Farm Agriculture:

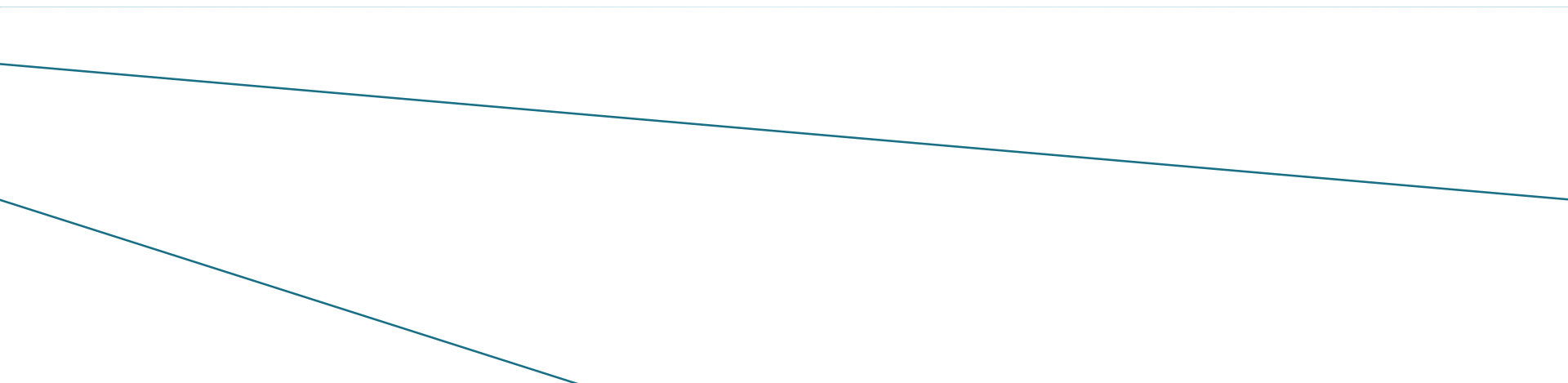
Walking on Two legs:
Productivity Growth and
Effective Safety Nets



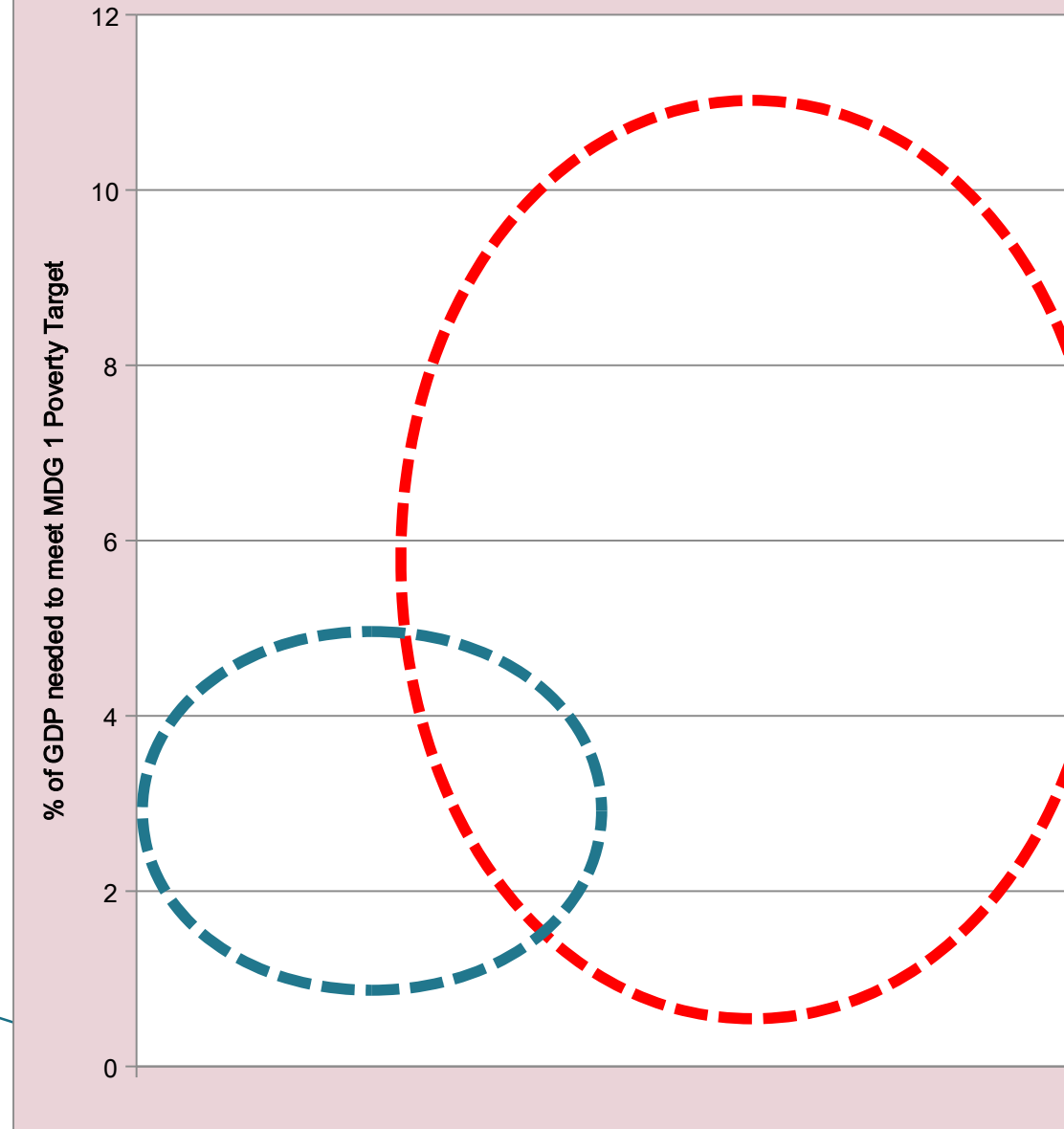
A Five Point Agenda for G 20: Harmonization Under Conditions of Extreme Fragmentation

- UN and FAO
 - Information and Knowledge
 - Managing Natural Resources: Water, Climate, Biodiversity
 - Standards for the Multiple Roles of the Private sector in Agricultural Development
 - Technical Assistance
- Emergencies and Food Aid—WFP , FAO and IFAD
- CGIAR+ Investments in Global, National and Local Research and Innovation: **\$14 leveraging**
 - North-South and South South Cooperation
 - Global Policy on Technology, intellectual Property and GMOs: How might these issues be addressed?

Annual Cost of Bringing Populations to the Poverty Line: Possible G 20 Agenda?



o Meet MDG 1 Poverty Target in Asian and Sub-Saharan



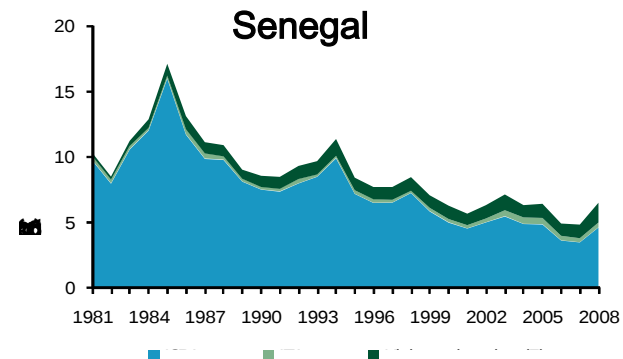
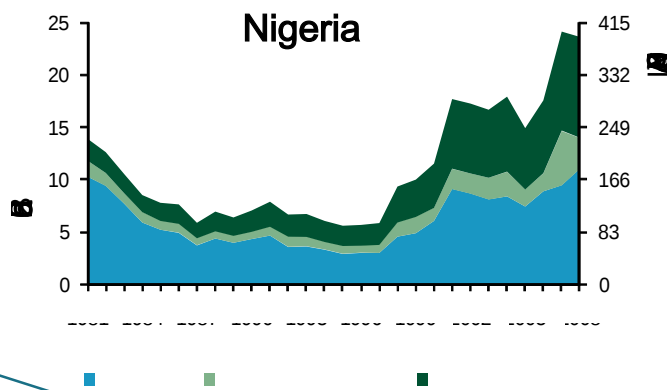
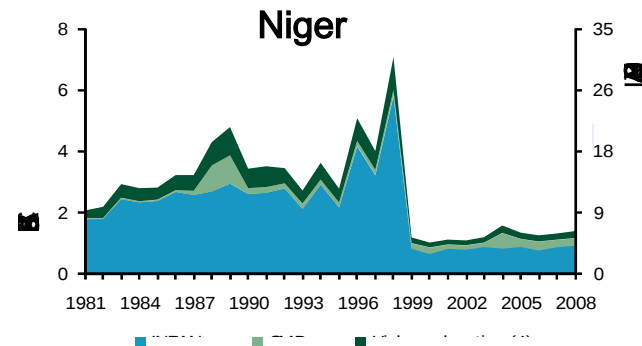
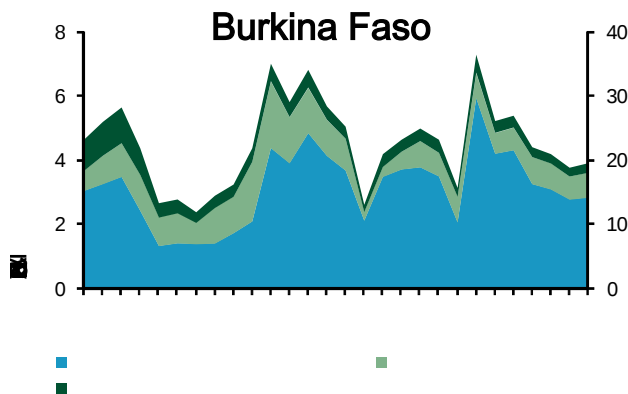
In SSA Countries the cost is higher because the extent and depth of poverty is greater than Asian Countries.

Calculation

% of GDP needed to meet MDG 1 Poverty Target= (Gap/ GDP million \$)

Where, Gap= $(\$1.25 \times 365 \times \text{Population} \times \text{Poverty Gap}) / 100$

Investment Challenge: Funding Volatility Needs to be Replaced by Funding Predictability and Stability



Source: ASTI as reported in Beintema and Stads (2011)