Key Instruments of International Development Agencies

Presentation at Seminar on
"Informing the G20 Agenda: Actions to Address Food Price Volatility"

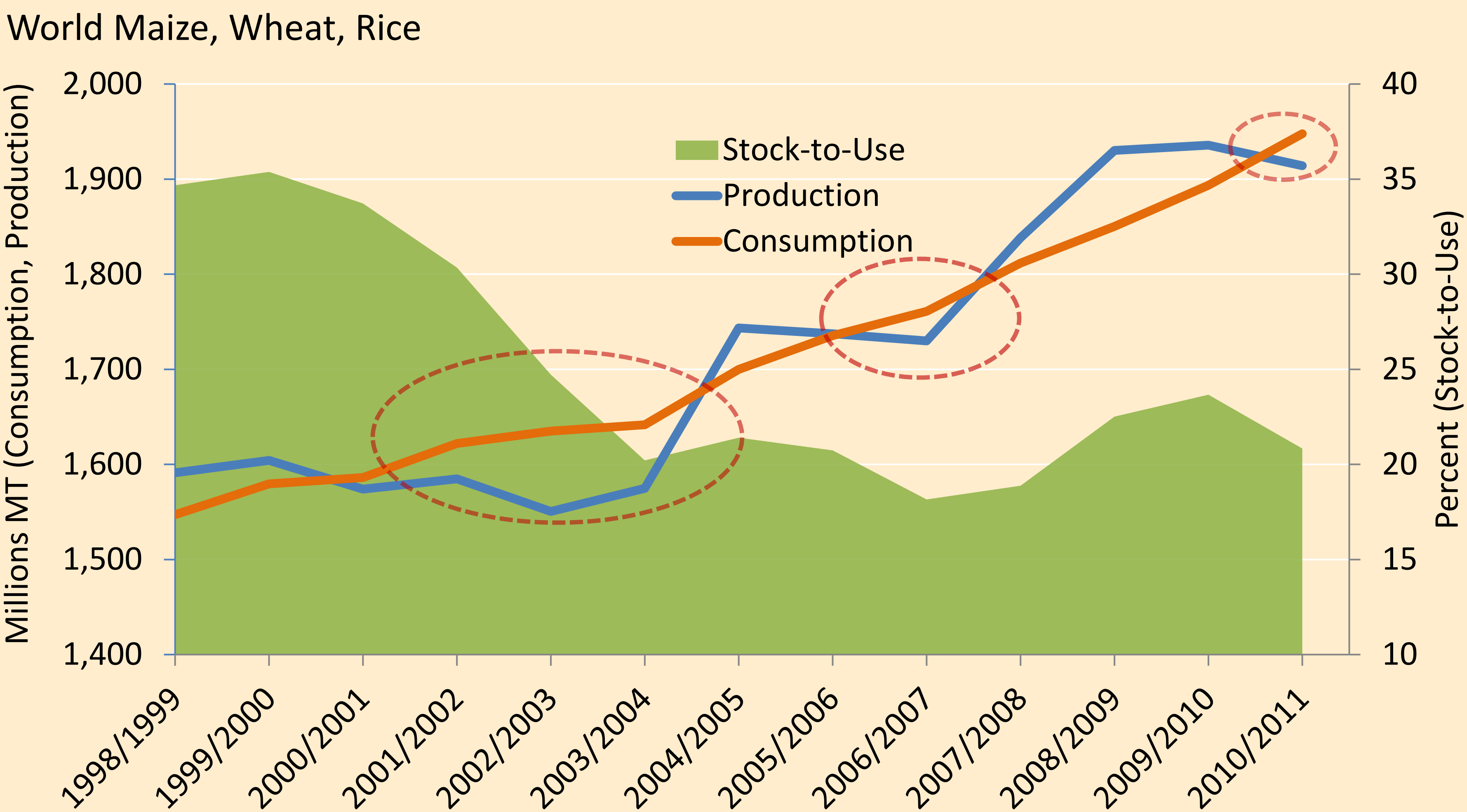
OUTLINE

I. CHALLENGES

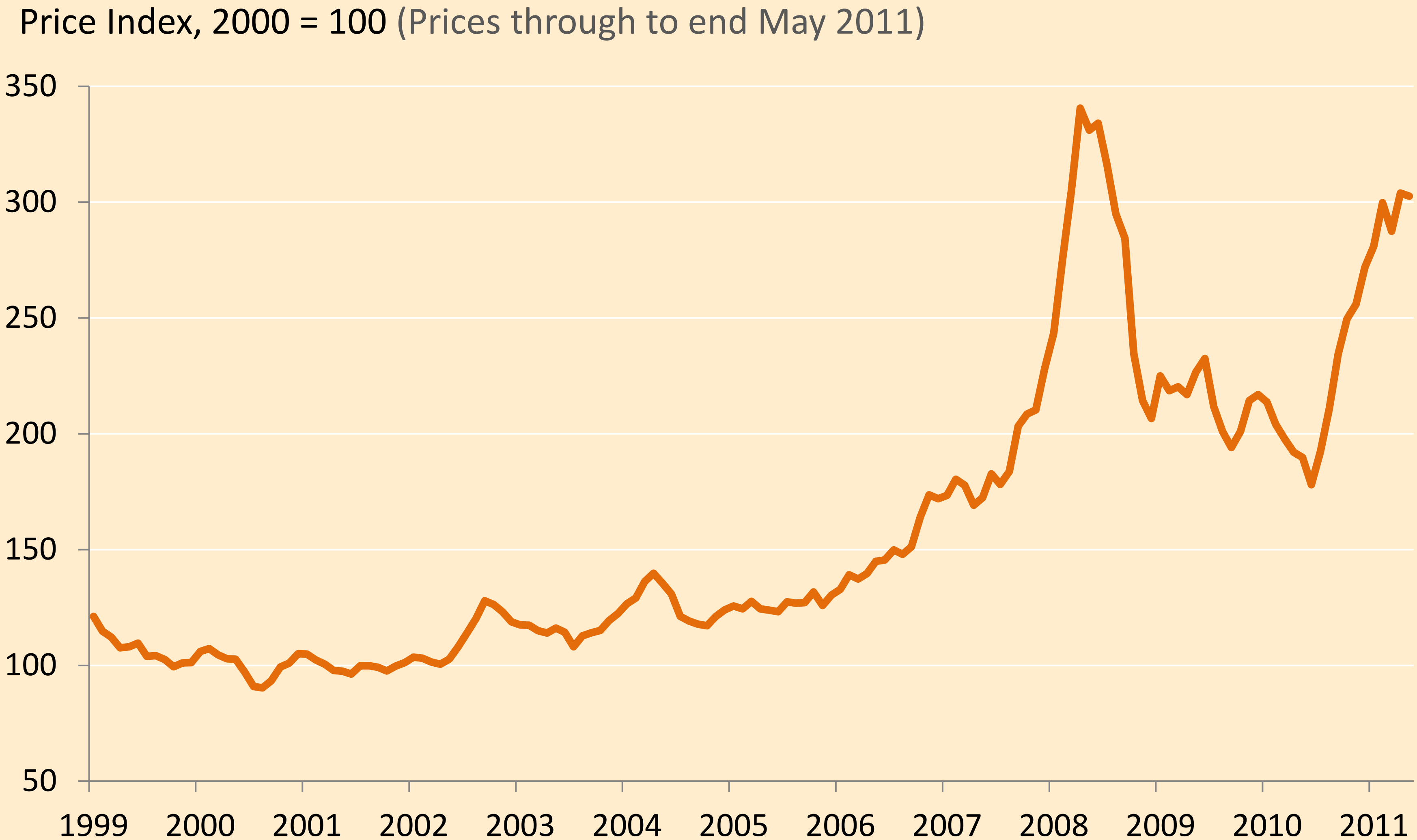
II. RESPONSE INSTRUMENTS
   – Long-term
   – Short-term

III. COORDINATION

↑ FOOD DEMAND + PRODUCTION SHOCKS + ↓ STOCKS = FOOD PRICE VOLATILITY



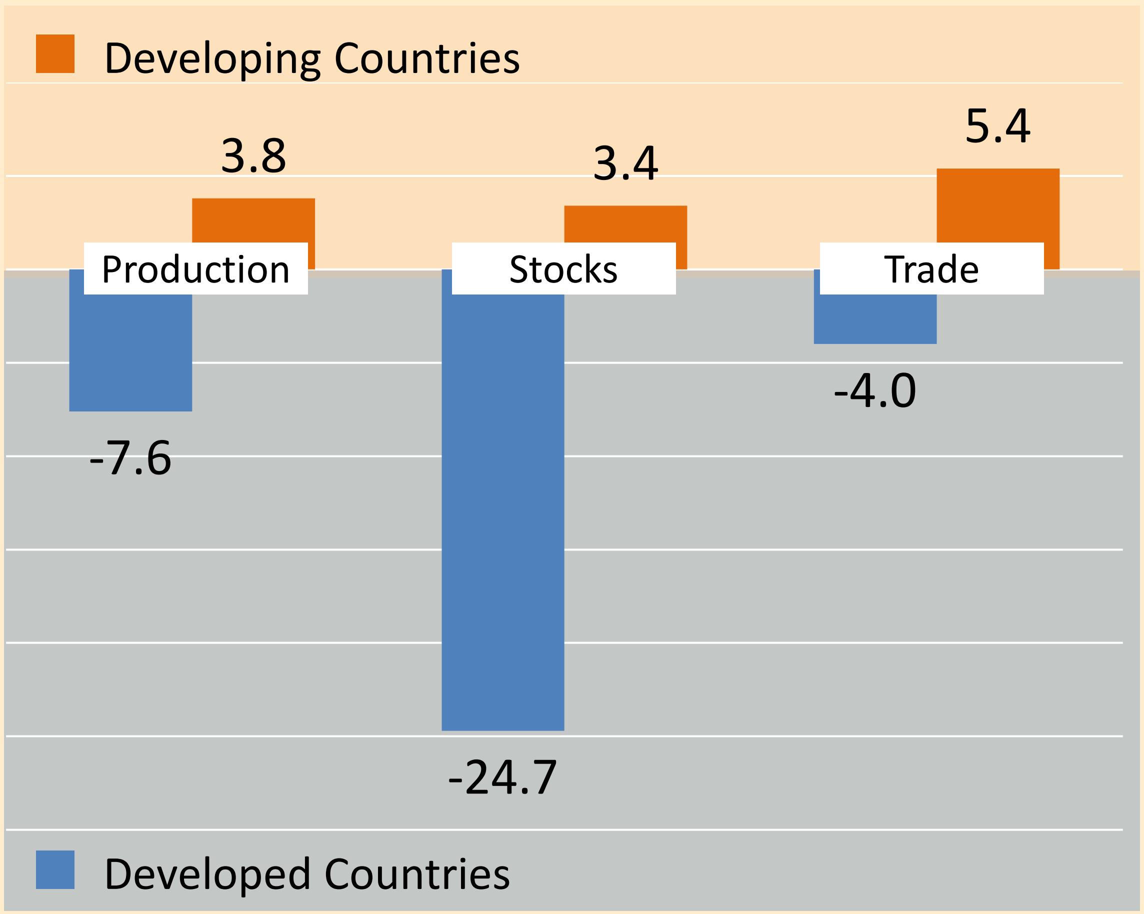
CONSECUTIVE AND PRONOUNCED PRICE SPIKES



Source: World Bank

DEVELOPING COUNTRIES ENTERED 2010/11 WITH HIGHER PRODUCTION, MORE STOCKS, AND DEEPER TRADE

Cereals, % change 2009/10 to 2010/11 [FAO forecast]



Developing countries

- Improved resilience in some countries, but not all
- Dampened pass-through of world prices so far in some countries but not all

Developed countries

- Handicapped by lower production, stocks, trade
- Weather induced
- Account for 70% of world cereals trade
- Declines contributed to world food price increases

Source: FAO

… BUT MUCH MORE IS NEEDED

OUTLOOK

World food prices are expected to remain higher and more volatile than their pre-2007 levels

Short term price volatility is increasingly becoming a long term phenomenon

RESPONSE

Low and Middle Income Countries

Exploit Opportunities

- Productivity growth
- Link farmers to markets

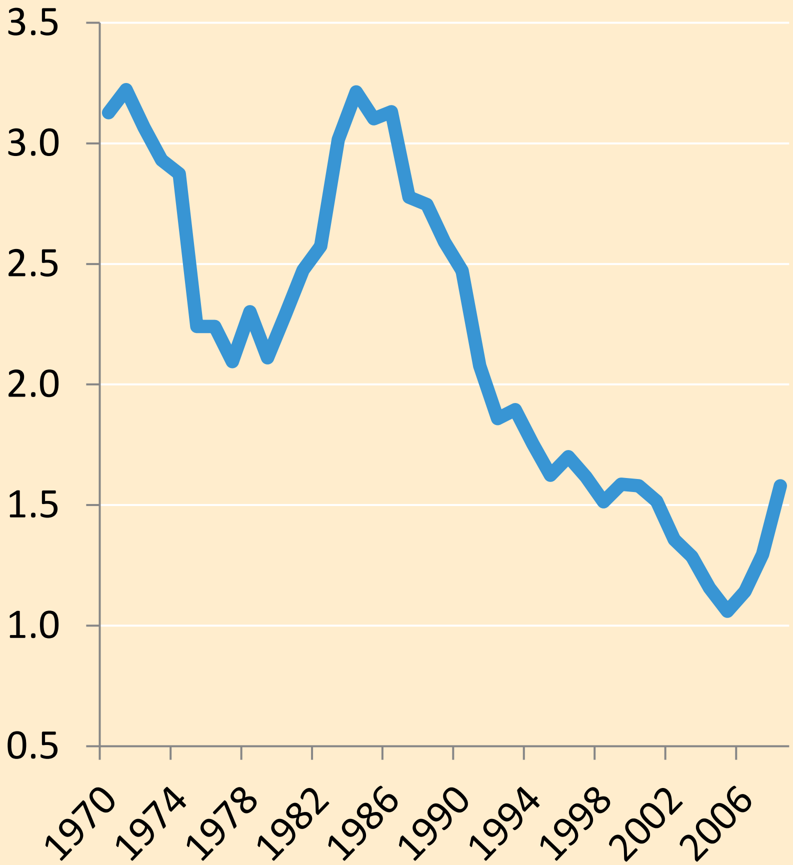
Manage risks

- Coping strategies for most vulnerable
- Climate smart

FINANCING AND ANALYTICAL SUPPORT TO RAISING LONGER-TERM PRODUCTIVITY GROWTH

Growth Rate of Cereal Yields in Developing Countries Has Improved But is Still Low

Rolling 10 year growth rates (%)



Focus:

- Using existing technology better
- Improving water management
- Strengthening land tenure security and land markets
- Improving livestock management
- Investing in agricultural research for technology generation

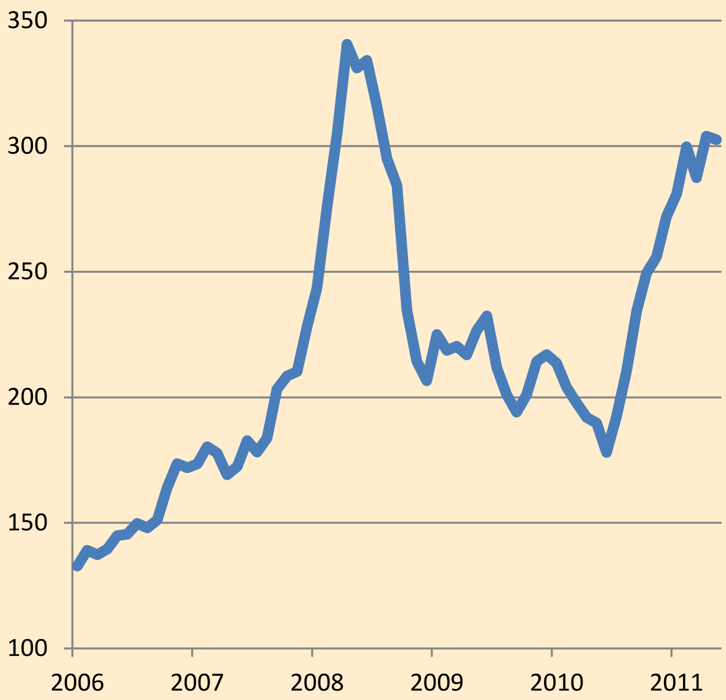
Instruments:

- Budget support (e.g. Ghana)
- Investment project financing (country, regional, programmatic)
- Analytical work (e.g. Rising Global Interest in Farmland)

FINANCING AND ANALYTICAL SUPPORT FOR SHORT-TERM RAPID RESPONSES

Need continued vigilance and preparedness with short-term rapid response facilities (e.g., GFRP)

World Grain Price Index, 2000 = 100
(Prices through to end May 2011)



GLOBAL FOOD PRICE CRISIS RESPONSE PROGRAM (GFRP)

44 countries, 38 million beneficiaries

Focus:

- Food price policies, fiscal support
- Safety nets and nutrition (contributing to the broader Bank Strategy on Social Protection)
- Short-term food production

Instruments:

- Expedited processing
- Budget support (e.g. Sierra Leone)
- Project financing (e.g. Niger, Liberia)
- Analytical work (e.g. food prices)

COORDINATED ACTION

IMPLEMENTATION

- **Country level**
  - Co-financing
  - Analytical work
- **Regional level**
  - CAADP
  - LCR Donor Platform for Rural Development
- **Global level**
  - Global Agriculture and Food Security Program
  - Global Donor Platform for Rural Development

JOINT POLICY INPUT TO THE G20

1. Longer-term productivity
2. Market information system
3. Transparency in futures & OTC mkts
4. Trade policy
5. Humanitarian food
6. Biofuels policies
7. Strategic food emergency reserves
8. Safety nets
9. Market based risk management
10. Policy co-ordination