Challenges Facing the Global Architecture for Food and Agriculture Going Forward

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Institute for International Economic Policy, Elliott School of International Affairs, GWU
September 30, 2011.
Food Price Rise or Volatility?

FAO Real Food Price Index
(Annual)
(1990-2011)

Source: www.fao.org/worldfoodsituatiowfs-home/foodpricesindex/en/-
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:

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

On Demand Side: Biofuels: maize, oilseeds
Processed Foods

Uncertainties on the Supply Side:
Public and Private Investment in R and D
Last Frontiers?: Brazil, SSA?
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)

(FAO, 2009a)
Trends in world hunger

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

- Total = 925 million

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Undernourished Person (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed countries</td>
<td>19</td>
</tr>
<tr>
<td>Near East and North Africa</td>
<td>37</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>53</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>239</td>
</tr>
<tr>
<td>Asia and the Pacific</td>
<td>578</td>
</tr>
</tbody>
</table>

Source: FAO

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

Largest Number of the world's hungry in South Asia

Number of Undernourished Person (Millions)

Source: FAO

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/soft/en/).
Poverty Rates Declining Without Decline in Number of Hungry?
Share of Population Living on Less Than $1.25 a Day, % (2005)

Source: PovcalNet, the World Bank; and GMR 2010.
Child malnutrition rates remain high in South Asia and Sub-Saharan Africa.

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/
Each = SSA

Source: ASTI as reported in Beintema and Stads (2011)
More South South As well as North South Cooperation Needed

<table>
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<tr>
<th>CGIAR Total Staffing (2006-2010)</th>
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<table>
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<tr>
<th>Developing Country</th>
<th>Scientist Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>80,000</td>
</tr>
<tr>
<td>India (2003)</td>
<td>16,700</td>
</tr>
<tr>
<td>SSA (2008)</td>
<td>12,100</td>
</tr>
<tr>
<td>Brazil (2006)</td>
<td>5,400</td>
</tr>
</tbody>
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FOOD AID

From Food Aid to Food Assistance?
Evolution of WFP Strategy in Recent Years
Global Food Aid Deliveries Declined  
(1988-2009)  
(Million Mt)

Source: Food Aid Flows Report 2009 by WFP and www.wfp.org/fais/
### SSA Growing Recipient of Global Food Aid Deliveries

<table>
<thead>
<tr>
<th>Year</th>
<th>Total (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>1,404,821</td>
</tr>
<tr>
<td>2000</td>
<td>1,134,475</td>
</tr>
<tr>
<td>2009</td>
<td>572,276</td>
</tr>
</tbody>
</table>

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

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

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

Source: WFP Annual Reports (2010, '05 & '03) and www.wfp.org
World Bank: Recent Rise in Lending as Share of total and still the Largest Single Lender to ARD

Has been Transforming itself As a Knowledge Bank mobilizing Relevant global Development Experience And More grant funding
World Bank Lending to Social Protection and Risk Management
Millions of Dollars
(2000-2010)

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

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

Source: Growth and productivity in agriculture and agribusiness:
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)

Source: FAO: 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.


Total Biennial Resources Available (1994-2007)

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 those issues be addressed?

Investments in Agricultural and Rural Development: Roads, Health, Education, Water and Sanitation, Power, IT

World Bank and Regional Banks, BRINCS

Abolition of Chronic Hunger and Food Security—Put women and Children at the Center Stage

Health, Nutrition and Food and Safety Nets and Standards

WTO, UNCTAD Agricultural Trade Liberalization, Pricing, Subsidies and Doha
Annual Cost of Bringing Populations to the Poverty Line: Possible G 20 Agenda?
% of GDP needed to meet MDG 1 Poverty Target = \( \frac{\text{Gap}}{\text{GDP million $}} \)

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

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

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

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