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**STATEMENT OF THE EXECUTIVE DIRECTOR
TO THE ECOSOC HIGH-LEVEL SEGMENT
NEW YORK, 29 JUNE 2004**

Current Developments in the World Economy and International Economic Cooperation

Many of the world's economies are straining. Few of us are feeling that more keenly than hungry people in poor countries. Not only are hunger and malnutrition still the greatest threat to world health, they are getting worse. In the latter half of the 1990s the number of hungry people rose by 18 million according to the Food and Agriculture Organization (FAO).

A cruel combination of factors means that life for hungry people – and those dedicated to serving them – is likely to be even tougher in 2004.

International food prices have continued a steady upwards climb. Agricultural economists are predicting an historic growth in demand for food, driven mostly by rising income levels in China. That is good news for increasingly prosperous Chinese citizens, but disastrous for the millions of people who already struggled to buy enough food to feed their families each night.

In March of this year, wheat, rice and corn prices hit their highest levels in five years. Some analysts are predicting a further 9 percent increase in grain prices in 2004. So a donation to WFP will buy markedly less food today than at any time since the mid-1990s. With this rise in prices, stocks in major food exporting countries have shrunk to a five-year low, so whatever surpluses may have been available as food aid are dramatically reduced.

At the same time, fuel and ocean freight rates have risen even more sharply than food prices. Ocean charter transport rates are at their highest point ever recorded, so not only does food cost more, it also costs more to get it to where it is needed.

People with a higher standard of living sometimes forget that even relatively small rise in commodity prices can be disastrous for poor families. We barely notice a \$10 per ton change in wheat prices when we buy a loaf of bread in Europe or North America. But where poor families subsist largely on a single staple food, rapid price fluctuations can send whole communities into crisis.

For those people who rely on food aid, three more factors will make 2004 a difficult year. First, nearly all G8 members – traditionally the biggest food aid donors – are running budget deficits. Secondly, WFP and many other large providers of food aid budget in US dollars and receive more contributions in that currency than in any other. Our purchasing power has been eroded by the dollar's decline on world currency markets. Finally, all of these factors converge at a time when food aid is at a five year low. The volume of food aid has dropped by one third since 1999.

The last time a similar spike in prices occurred in 1996 and 1997, food aid volume dropped to its lowest level since the start of international food aid programs after WWII.

When these numbers become faces – as they do every time I visit our field operations – it is easy to feel overwhelmed. The families I have seen devastated by AIDS in Zambia, Lesotho and the rest of southern Africa are especially heartbreaking. It is so sad to see a frail woman in her seventies struggling to hold together an extended family of more than a dozen children. It is heart-wrenching to imagine the future of children in orphanages in Haiti. It is mind-boggling to think of the millions of children growing up malnourished in DPR Korea.

In a world full of food, how can we let so many people suffer? How is it possible one in four of the world's children under five is undernourished?

While most economists agree that a new trade agreement on agriculture coming out of the Doha Round is likely to be good news in the long term, people in poor countries that rely on food imports are likely to pay the price

initially. At least at the outset, food prices are likely to increase as the subsidies that held food prices at artificially-low levels are lifted. Trade liberalization in agriculture should have tremendous payoffs for many countries, but it is no panacea for the poorest of the poor.

The benefits of fairer trade will not necessarily reach the poor women and children who already struggle to get enough food to eat, because they have practically no purchasing power. That is bad news, because they are precisely the ones who cannot afford to wait for better nutrition and health.

Food aid is especially useful for meeting the special nutritional needs of women and children. It goes further than any other resource in breaking the inheritance of hunger from generation to generation that keeps whole communities and nations poor. Likewise, it is vital for the victims of emergencies, like the refugees and internally displaced people we now see in Darfur and neighbouring Chad.

In the past, many have associated food aid with massive government-to-government transfers of surplus food, which are then sold on the local market, driving prices down and discouraging local farmers from growing their own crops. WFP did not take part in these transfers and thankfully, that style of food aid no longer dominates international food assistance.

Instead, organizations like the World Food Programme and its partners work hard on projects targeted to those who need food most. Targeted food aid has a way of reaching the neediest people like no other resource. When drought, flood, war, HIV or economic crises strip people of their livelihoods, they're no longer consumers. Food aid meets their absolute most basic need, freeing what little income they have for other necessities like shelter, health care and education. For those who are always hungry, who struggle every day to get adequate nutrition, food aid can help them switch their energies to more productive activities that will contribute to economic growth, rather than burden it.

There is a risk that international negotiations on agricultural trade³ will treat donations of food aid as surplus disposal, and seek to abolish them. Were that to happen, the ultra-poor and hungry would have lost one of the very few tools the international community has to give them a fair chance at a better future.

This daunting situation – where the cost of food and transport is rising, while the food and cash available for food aid is diminishing – occurs at a time when the number of people affected by natural disasters has tripled compared to 20 years ago.

Just a few years ago, at the Millennium Summit in Monterrey, we all pledged to do something about hunger and the other problems that keep us from true progress. Thankfully, official development aid has seen a welcome increase since then, as donors have clearly backed their commitments with cash. Sadly, though, much of the exuberance that pervaded that summit in 2000 has now faded, but the Millennium Development Goals remain more relevant than ever before.

Food and nutrition are at the heart of at least six of the eight MDGs. Unfortunately, we are way off target on the first goal, to halve the portion of the world's population that is hungry. In fact, things appear to be getting worse, with almost 5 million more people becoming hungry each year in the last half of the 1990s.

Reducing the number of children and mothers who die needlessly is also imperative if we are to progress. Almost 11 million children aged under five die every year from preventable diseases – and malnutrition contributes to 60 percent of those deaths. Many of them never even had a chance. Their mothers were malnourished while they were pregnant, so they were born weighing less than 2.5 kilograms and were four times more likely to die in the first week of life than better nourished babies. In addition, 300 women die in childbirth every day, because they are anaemic – a condition which affects more than half of all pregnant women in developing countries. According to the World Bank, the absolute most cost effective health intervention would be to fortify food with iron¹. It surpasses even immunization in the benefits it would have on world health. It could save untold numbers of lives.

We know that a healthy, educated workforce is key to economic development, so we've agreed to aim for universal education. But more than 100 million children don't currently go to school, many because their parents are too poor to send them, and can't afford to lose their wages. Providing meals in school can help to encourage parents to send their children to school, as well as ensure that the children get enough nutrition to concentrate on their classes while they're there. In some cases, enrolment has tripled once school meals were provided. There can be no more important investment than in the health and education of the next generation, but much remains to be done if we are to reach the goal of having every child in school by 2015.

Finally, even HIV/AIDS has a worse impact when people are hungry. HIV causes hunger, and hunger fans the fire of HIV. People who are hungry are often forced to migrate to cities, or engage in prostitution ... putting them at greater risk of contracting HIV. At the same time, people who are HIV positive have greater nutritional

¹ PSPN Nutrition Fact Sheet 'Vitamins and Minerals', 2003.

needs, just to fight off the opportunistic infections, like tuberculosis, that plague them. As the disease progresses, people with AIDS become poorer and hungrier.

Food can be part of the solution, particularly in areas where food is scarce. It can help households stay together while a relative is sick. It can help parents keep their children to school ... which is fundamental as education is the best vaccine we currently have against the disease. And it can ensure that people on anti-retroviral drugs get the nutrition they need to enjoy the full benefit of the treatment.

Work on all of these Millennium Development Goals really has to focus on the poorest countries, and Africa in particular, if we're going to make a real difference. Unfortunately, most development aid is still focused on the better-off countries. Just 26 percent of ODA was directed to the Least Developed Countries in 2002. I had my staff check how much of WFP's resources are being invested in the LDCs, and was pleased to see that it was double that amount in 2002, and even higher – 71 percent – in 2003. That is no accident. The hungriest people live in the poorest countries, and they need our special attention.

Can we pick up speed on the Millennium Development Goals, and achieve them by 2015? We have no choice. The cost of not doing so – in terms of human lives, economic growth and lost potential – is simply too high. WHO estimates that a 10 percent increase in life expectancy at birth yields an additional 0.3 to 0.4 percent of economic growth per year. Every hungry child is an emergency. Every life lost is a waste of potential.