



The World Bank

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**World Bank Statement at the ECOSOC Special Meeting
on the Global Food Crisis**

New York, May 20, 2008

- On behalf of the Bank and Mr. Zoellick, thank the Council and the Chair for the invitation to participate in this Special Meeting on the Global Food Crisis.

Introduction: Need for Fast and Coordinated Action

- The next few weeks are critical for addressing the food crisis. People are suffering across the globe, particularly in countries which have the least ability to cushion these shocks. The World Bank estimates that up to 105 million people could become poor due to rising food prices. Recent simulations for Africa suggest that in that continent alone some 30 million people could move into poverty. Rising food prices are also aggravating the vulnerability of children living amongst conflict, instability and drought. In Somalia, for example, it is estimated that up to 3.5 million people may need humanitarian assistance by the end of this year.
- Rapid action by the international community is required to deflate the price spiral in world food markets, facilitate an orderly resolution of the crisis and mitigate its adverse impacts. The very nature of hunger justifies an urgent response for its own sake, but the need for speed goes beyond supporting humanitarian assistance and safety nets to helping countries avoid short-run policies that shift the burden of adjustment to neighboring countries, or to the next year when it will be even harder to find solutions. Unchecked rises in food prices can undermine gains made over the last decade in reducing poverty and malnutrition. Inadequate policy responses can endanger years of progress on sound macroeconomic management and on agricultural diversification. At the same time, the crisis offers a window of opportunity to put in place key medium-term reforms that address the underlying causes of the crisis, and prevent it from happening again.

Global Response to the Crisis

The international community must unite to address the problem from all sides.

- **Immediate actions** are needed to:
 1. *Fill the remaining financing gap in the World Food Program's budget and increase the flexibility of use of these funds.* Around 60% of the World Food Program appeal has been pledged (\$476 million out of needs of \$755 million). However, only a fraction of these commitments have been delivered and many of the pledges have been earmarked, which is greatly reducing their effectiveness.
 2. *Support the expansion of safety nets and social protection instruments in poor and capacity-constrained governments.* Several hard-hit small countries require emergency food aid, nutritional supplements and budget support in order to protect the vulnerable. The international community needs to respond with both financial and technical assistance.
 3. *Stimulate an immediate supply response and ensure that small-scale farmers in low income and hard hit countries are able to plant for the next harvest.* The

doubling of fertilizer prices combined with rising costs of fuel for irrigation have raised the costs of foodgrain production sharply over the past year. Larger farms with access to credit or risk hedging instruments can cope with the costs increases. But many small farmers are struggling to plant despite the favorable global price environment for food products.

- **Medium-term actions** are also needed to put in place key medium-term reforms that address the underlying causes of the crisis, and prevent it from happening again.

1. *Advanced countries need to re-examine their policies towards bio-fuels to defuse tensions between energy security and food security objectives.* High energy prices have both motivated the adoption of biofuels policies and made biofuels production profitable. But not all biofuels have the same impact on food prices. Policy changes accompanied by investments in new technology can reduce the tensions between food and energy security.
2. *Comprehensive action is needed to improve agricultural productivity in low-income countries so as to lay the foundations of a long-term solution.* Investments in agricultural research and extension, rural infrastructure and market access (irrigation, roads, transport, power, and telecommunications), and rural financial markets will allow the agricultural sector to take advantage of rising food prices.
3. *Leadership and action is necessary to build a better functioning international trading system that avoids the recurrence of such types of crises in the future.* World trade talks are stalled in Doha. Rising food prices presents an ideal opportunity to make progress on this agenda and even push beyond it for a more ambitious agreement that would rely instead more on tariff cuts and greater market access to developing countries.

The World Bank Response

The World Bank is working closely with the UN agencies and other development partners on a common strategy to confront the food crisis. The Bank's response is articulated around four main pillars:

- (i) ***Policy advice and support.*** The Bank is engaged in policy dialogue with more than 40 countries to help them address the food crisis. The instruments used include: rapid country diagnostics, high-level dialogue and public communications, as well as in-depth analytical work. Bank staff is also assessing the food security and trade implications of the crisis at the regional level.
- (ii) ***Expedited financial support.*** The Bank is preparing a Global Food Crisis Response Program (GFRP) on an accelerated schedule. The GFRP is an umbrella facility that will provide access to up to \$1.2 billion of financial support, and technical advice to countries severely affected by the food crisis. Building on the comparative advantage of the World Bank as a financial and policy-oriented institution, it has three broad objectives: (1) reduce the negative impact of high food prices on the lives of the poor; (2) help

governments implement sustainable policies to mitigate the adverse impacts of volatile food prices on households; and (3) provide a financing mechanism for inclusive, medium-term growth in agricultural productivity. Interventions would complement the short-term emergency responses of WFP and other donors and also would not displace regular lending for longer term measures (e.g., infrastructure, research and development).

- (iii) *Analysis and research to address critical knowledge gaps.* Designing appropriate policies to respond to the food crisis requires a solid foundation of empirical knowledge at the global and country level. In some areas this knowledge exists, and can be drawn upon. In others, there are large knowledge gaps that need to be urgently addressed. In collaboration with other agencies, the Bank is undertaking a comprehensive analytical program in six key areas: global food markets and global food price developments; poverty and distributional impacts of food price increases; fiscal and macroeconomic implications; trade responses and impacts at country and global level; how to facilitate an agricultural supply response; safety nets.

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