



**Statement by Barry H. Potter  
Special Representative of the International Monetary Fund  
to the United Nations**

**At the ECOSOC Special High-Level Meeting on the Global Food Crisis  
May 20, 2008**

Mr. President, Excellencies, Ladies and Gentlemen,

The Fund welcomes this special ECOSOC session and the opportunity to set out how we can contribute both to the analysis of the economic problems, and to helping countries adjust their economies to the rise in food prices, over the short and medium term.

As many other speakers have emphasized, the recent rise in food prices, and the adverse impact on developing countries that are net food importers, has to be a concern for us all. This rise in food prices comes of course at a particularly difficult time for the world economy; after several years of solid growth and low inflation, the global economy is now confronting the deflationary impact of rapidly rising energy prices and the continuing problems in financial markets. Rising food prices add to the scale and complexity of the macroeconomic problems that must be addressed.

Clearly the absolute and most urgent priority must be to get food to where it is needed and to feed the hungry. In that context, the IMF fully endorses the World Food Programme appeal for more aid. But we then need to consider causes and cures in the short, medium, and longer term contexts.

The background note prepared by the ECOSOC secretariat describes well the factors that have been driving food prices higher. But it is also clear that the interactions between recent supply weaknesses, increasing demand pressures, rising input costs, relatively low stocks, and new crop uses, etc. are complex. More work will be needed both to understand on the one hand the pattern in recent years of slower growth in supply than in demand and the rather sudden impact on prices, and on the other what this means in terms of the prognosis for the short and medium term. One thing is clear: further surprises are best avoided.

The IMF has taken several steps to assist our member countries in addressing the economic impact of higher food prices.

First, we are monitoring the macroeconomic implications including the second round effects of rising food prices on general inflation and on potential balance of payments needs. We are ready to give financial support to countries faced with additional balance of payments needs because of rising food prices. Indeed we are already in discussion with more than a dozen of our member countries about increasing their access to balance of payments support from the Fund.

- Second, as well as assisting countries in designing appropriate macroeconomic policies and financing strategies, we are making available technical assistance on targeted support measures for the poor. In this area we will be urging member countries to ensure that their immediate actions in response to the crisis are consistent with a sustainable and financially viable medium-term strategy. Thus, such immediate interventions for the poorest households, while being well targeted, must also be consistent with ensuring that farmers have sustained incentives to maintain or expand production. Correspondingly, we strongly advise against imposing export restrictions or the use of direct price controls. At the same time, even well targeted interventions do entail fiscal costs: it is vital that all such measures are costed accurately and comprehensively, and recognizing their hopefully short-term nature, fully accommodated within medium-term fiscal plans.

Third, such immediate measures are no substitute for effective medium-term policies. Thus, developing countries should aim to remove supply side constraints to higher productivity in their agricultural sectors, for example by stepping up efforts to provide better infrastructure, a stable regulatory environment, and access to financing. Donor aid will be critical for both the short and the medium-term response. That may require some re-prioritization of ODA. But it is also a reminder of the need for donor countries to meet their aid obligations in full under the agreements at Monterrey and Gleneagles. And the international community must also make progress in liberalizing international trade in agriculture in the context of the Doha Round.

Finally, while the Fund is playing its part in addressing short and medium-term needs arising from rising global food prices, the broader task requires the combined efforts of the UN system and the Bretton Woods institutions. For the longer term supply side actions, we very much welcome the initiatives that are being launched by our sister institution, the World Bank.

Today we are pleased to align ourselves with the coordinated approach. We will continue to participate actively in the UN High-Level Task Force on the Global Food Crisis and we look forward to the opportunity to see the first results of that work at the FAO conference in Rome next month.

Thank you.