



The Global Food Crisis

A Quick Response, But Long-Term Solutions: Bank Efforts to Offset Price Shocks Reach Nearly 40 Million People in 47 Countries

SYNOPSIS

The World Bank responded to the food price crisis of early 2008 through the Global Food Crisis Response Program (GFRP), which mixes fast-track funding from the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) with trust fund grants to address the immediate food crisis, while encouraging agricultural systems to build resilience for the future. GFRP resources have currently financed operations amounting to over US\$1.5 billion, reaching 40 million vulnerable people in 47 countries, mostly in Africa.

Challenge

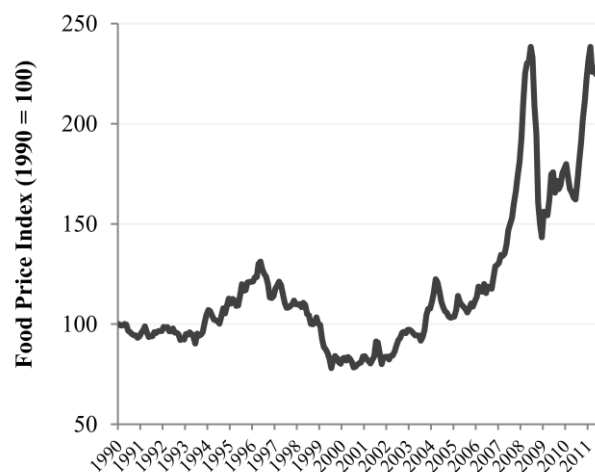
After nearly three decades of fairly steady declines, global grain prices doubled from the late fall of 2007 until mid-2008. Few could have predicted this event, which was greatly exacerbated by isolationist policies in exporting countries and panic buying in importing ones. Input prices such as fertilizer and fuel went up twice as fast again as grain prices. Blindsided, clients turned to the Bank for urgent assistance.

However, even more people were hungry worldwide in 2009 and 2010 than in 2008. Despite international price declines in 2009, falling incomes in poor countries from the global financial crisis turned the food price crisis into a broader food crisis. There is also a widespread consensus that food price volatility has increased. World grain prices soared 156 percent from December 2005 to June 2008, then declined 47 percent to June 2010, and then jumped again by 68 percent to February 2011, and have since remained close to that level.

In 2008, sudden and strong staple food price increases eroded household purchasing power, reduced calorie intake and nutrition, and pushed more people into poverty and hunger, making it

even harder to achieve the first Millennium Development Goal of halving poverty and hunger by 2015. The 2011 food price spike alone resulted in an estimated net increase of 44 million more people in poverty. This added to the 1.2 billion people already living below the extreme poverty line of US\$1.25 a day. Making matters worse, the increased price volatility discourages agriculture investment in

Figure 1: Global food prices spiked recently for the second time in three years



Source: World Bank.

developing countries that would help solve the high price problem, while it increases highly risk averse behaviors that often have a high opportunity cost in terms of reducing poverty and increasing productivity.

Approach

An era of food crises reminiscent of the 1960s and 1970s seemed to return in 2008, requiring methods of delivering aid and support quickly. This led the World Bank to create the Global Food Crisis Response Program (GFRP). In 2008, its immediate efforts included boosting social protection, bolstering affected countries' fiscal capacities, and maintaining short- and medium-term food production, with grant resources targeted to the poorest and most vulnerable countries. As time passed, country needs shifted to making social protection and food production systems more resilient to variable circumstances, and the nature of GFRP grants slowly evolved to meet these demands. As key lessons were learned, they were integrated into long-run Bank assistance activities in agriculture and food security, as highlighted in the rapid rise of regular Bank agricultural lending and long-term trust fund support devoted to food.

Since inception, the GFRP financed stand-alone technical assistance, development policy lending, and investment operations, drawing upon country and international experience under four components: (i) food price policy and market stabilization; (ii) social protection actions to ensure food access and minimize the nutritional impact of the crisis on the poor and vulnerable; (iii) enhancing domestic food production and marketing response; and (iv) implementation support, communications, and monitoring and evaluation. GFRP encompassed several funding sources, with an authorized ceiling on the use of Bank sourced-funds of US\$1.2 billion in May 2008, later increased to US\$2.0 billion in April 2009. Funding sources included a single-donor trust fund (the Food Price Crisis Response Trust Fund) of US\$200 million from the IBRD surplus account, up to US\$1.8 billion in headroom for fast-tracked loans from existing IDA and IBRD resources already available to countries, and several GFRP external trust funds together worth US\$358 million.

Results

There is growing evidence of the impact of GFRP operations on the ground. Support for social protection programs is estimated to already have benefitted 5.6 million people and support for short- and medium-term food supply response measures are estimated to have reached 5.9 million farm households to date, or roughly 29.5 million people. Development policy operations supported country-wide policies in 13 countries. Funding through the three externally-funded GFRP trust funds are estimated to have reached at least 5 million people.

There is emerging evidence from several IDA countries of a strong short-term supply food response; examples are:

- **Niger:** Results of an impact evaluation survey carried out at the conclusion of the Emergency Food Security Support Project in Niger show that rice yields in irrigated plots treated with the recommended dose of fertilizers were 5.4 tons per hectare on average, exceeding the baseline yield of 2.5 tons/ha by 116 percent. This in turn helped benefit 33 rice producer cooperatives encompassing 20,784 farmers.
- **Kyrgyz Republic:** In the Kyrgyz Republic, GFRP additional financing of US\$4 million was provided for the Agricultural Investments and Services Project, which facilitated the establishment of 147 community seed funds, with total beneficiaries of 5,000 farmers. Due to better quality seeds and fertilizer application, the yields for winter and spring cereals have increased dramatically compared to 2008, even after accounting for better weather conditions. Because of high quality seeds and fertilizer application, the farmers were able to harvest from 1.6-to-2.3 times more grain per hectare in 2009 over the previous year.
- **Ethiopia:** In Ethiopia, an IDA grant and credit of US\$250 million for a Fertilizer Support Project provided the government with foreign exchange resources to facilitate the import of fertilizer for the 2009 production seasons. A total of 510,000 tons of fertilizer was procured with IDA funding for the 2009 production

season. An additional US\$25 million was disbursed for the Ethiopia Productive Safety Net program to provide cash and in-kind transfers to food insecure households. Households with sufficient labor undertook public works while those without received direct support. An estimated 550,000 people benefited from GFRP support to cash and in-kind transfers in 2009.

- **Tanzania:** In Tanzania, an overall IDA credit of US\$220 million is providing support to 124 small-scale irrigation sub-projects and three soil fertility management demonstrations. It is also financing half of the subsidy for agricultural inputs through the National Inputs Voucher Scheme. During the 2010/11 season, input vouchers were successfully distributed to 2 million farmers and distribution has started for the 2011/12 season to 1.8 million farmers. The IDA credit in Tanzania also provides support to safety net activities in targeted villages in 40 food-insecure districts. To date, this effort has reached 367 communities, with 61,726 direct beneficiaries of whom 49 percent are female.
- **Madagascar:** In Madagascar, an IDA credit of US\$12 million supported the implementation of 359 cash-for-work projects. It is estimated to have benefitted 92,000 individuals, of whom 60 percent are women.
- **Philippines:** Among the IBRD countries, GFRP support in the Philippines helped facilitate the use of less-distorting mechanisms for rice imports, and broaden reforms for social protection. Advice on alternative ways for the Philippines to source global rice imports helped ease upward pressure on prices. The Philippines is the largest importer of rice in the world, importing about 10 percent of total consumption from international markets over the past decade. With the introduction of export restrictions in several countries, the Government of Philippines was concerned about depleting rice stocks. In mid-March 2008, the Philippines signaled it would import 2.1 million tons of rice, 30 percent more than originally indicated, and by end of March there were reports that this would increase to 70 percent. Development policy financing helped

ease the burden of adjustment. Emergency operations for food-related social protection benefitted from a pre-existing policy dialogue with the World Bank on the social protection agenda, and were useful in broadening this policy dialogue from one about specific reforms at the Department of Social Welfare and Development, to a broader cross-section of reforms on food-related social protection.

IDA Results

Through GFRP, support for food supply response is estimated to have so far reached 5.9 million farm households in IDA countries, and support for direct social protection is estimated to have impacted 3.9 million people in IDA countries. Some of the key highlights of results achieved in IDA countries include:

- **381,874 people employed** as part of cash or food for work programs;
- **342,886 children benefited** from school feeding programs;
- **287,503 pregnant and lactating women received** nutritional supplements and education;
- **582,434 children received** nutritional interventions;
- **173,332 households benefited** from cash transfer programs;
- **529,873 tons of fertilizer** and 3,223 tons of seeds were distributed to farmers in Tajikistan, Togo, Guinea, Ethiopia, Kyrgyz Republic, Niger, and Benin.

As of early January 2012, the World Bank's Board has approved Bank-funded GFRP projects totaling US\$1.24 billion, of which US\$203 million is from the Food Price Crisis Response Trust Fund; US\$836 million is from IDA for 13 countries; and US\$200 million is from IBRD for a project in the Philippines. As of April 2012, disbursements stand at 91 percent of Board-approved funds. Due to persistent uncertainty in food prices, the Board extended authority to expedite processing of IDA/IBRD to the end of FY12.

Of the approved Bank-funded GFRP amount, 44 percent of funds have focused on agricultural supply response, 34 percent have been development policy loans that have supported government policies and institutional actions to address the food crisis, 20 percent of funds have focused on providing support for social protection programs and two percent have been allocated for project management, monitoring and evaluation, and communications support. The GFRP response has reached some of the most vulnerable regions, with 58 percent of its support going to Sub-Saharan Africa. Besides Africa, 35 percent of support went to countries in Asia, followed by Latin America and the Caribbean, East and Central Asia, and the Middle East and North Africa.

The Bank has engaged in policy dialogue with more than 40 countries to assist them address the food crisis. The instruments used include country level rapid diagnostics, high-level dialogue, public communications, and in-depth analytical work. For example, in Ethiopia, a study on sources of food price inflation and appropriate policy responses is ongoing. In the Middle East and North Africa region, the World Bank, in collaboration with the Food and Agriculture Organization (FAO) and the International Fund for Agriculture Development (IFAD), released a paper on “Improving Food Security in Arab Countries.”

Partners

In addition to World Bank resources, grant funding has been made available through three externally-funded trust funds in support of the full range of activities available under the GFRP: (i) A multi-donor trust fund has received contributions of AUD 50 million from the Australian government, €80 million from the Government of Spain, 9.5 billion Korean Won from the Republic of Korea, CAD 30 million from the Government of Canada, and US\$150,000 from the International Finance Corporation (IFC); (ii) a Russia Food Price Crisis Rapid Response Trust Fund received a US\$15 million contribution from Russia for the Kyrgyz Republic and Tajikistan, and (iii) the European Union has contributed €112 million to support operations in 10 countries. Together the three trust funds received pledges totaling the equivalent of

about US\$358 million. As of April 2012, commitments of US\$279.9 million have been approved under the externally-funded GFRP trust funds, of which 58 percent has so far been disbursed.

Effective partnerships have led to successful implementation of GFRP operations and enhanced institutional capacity in many developing countries. The World Bank is working in at least eight countries with UN agencies like World Food Programme, the United Nations Children’s Fund (UNICEF), and FAO to implement GFRP operations. Civil society organizations have been strongly involved in designing, monitoring, and implementing at least 18 GFRP projects in 16 countries. The Bank is actively engaged with the United Nations High-Level Task Force (HLTF) on the Global Food Security Crisis, providing financial support to the HLTF Secretariat through the World Bank’s Development Grant Facility and it also participated in the updating of the UN’s Comprehensive Framework for Action.

Moving Forward

The early food crisis response in 2008 focused heavily on rapid support to help clients mitigate the harm of high and volatile prices without embarking on unsustainable policies that would have made longer-term adaptation more difficult. Over time, there has been a shift from the mitigation aspects of emergency response to adaptation to changed circumstances and improvement for future resilience. This shift has coincided with more attention to medium-run issues of supply response and making safety nets more sustainable over time. Clients are now paying more attention to addressing structural agricultural issues through the regular World Bank lending program. To support this, the World Bank Group prepared an Agriculture Action Plan that projects a significantly increased support to agriculture and related sectors, from a baseline average support in FY2006-08 of US\$4.1 billion annually to between US\$6.2 billion and US\$8.3 billion annually in fiscal years 2010-2012. Complementary to the regular program, the public sector element of a new Global Agriculture and Food Security Program (GAFSP), emerging from discussions initiated by the Group of 8 (G8) nations

and reaffirmed by the Group of 20 (G20) nations, provides pooled donor grant resources to finance country-led investment plans that are strategic, evidence-based, inclusive of civil society and the private sector. This initiative is also firmly aligned with national priorities and its activities are agreed

with other partners that are active in supporting agriculture and food security in each individual country. To date, the GAFSP public sector window has allocated a total of US\$481 million for 12 countries.

LEARN MORE

Web Sites

- Food Crisis website:
<http://www.worldbank.org/foodcrisis/>
- IDA at Work: The World Bank's Response to the Food Crisis:
<http://www.worldbank.org/ida/theme-crisis.html>
- Partners: The UN High-Level Task Force on the Global Food Security Crisis:
<http://www.un.org/en/issues/food/taskforce/>

Multimedia

- Video: Filling the Need: Global Food Crisis Response Program:
<http://go.worldbank.org/E1UDWF5700>
- Slideshow: Food Crisis in Kyrgyz Republic:
<http://go.worldbank.org/7VIFYUOKJ0>
- Slideshow: Double Jeopardy: Responding to Africa's Food and Fuel Crisis:
<http://go.worldbank.org/7GJSLGJMW0>