



THE PRESIDENT  
OF THE  
GENERAL ASSEMBLY

16 July 2008

Excellency,

Further to my letter of 7 July, I have the honour to present you with the letter from the Secretary-General enclosing the finalised Comprehensive Framework for Action to be used as an input to the General Assembly's meeting to discuss the global food and energy crisis on 18 July.

Please accept, Excellency, the assurance of my highest consideration.

A handwritten signature in black ink, appearing to read 'Srgjan Kerim'.

Srgjan Kerim

All Permanent Representatives and  
Permanent Observers to the United Nations,  
New York



THE SECRETARY-GENERAL

15 July 2008

Dear Mr. President,

I would like to thank you for inviting me to brief the General Assembly on 18 July 2008 on the global food and energy crisis. On behalf of the High-Level Task Force on the Global Food Crisis, I am pleased to share with you the revised version of the Comprehensive Framework for Action (CFA). I would be grateful if you would circulate the CFA to Member States for their information before my briefing.

The CFA represents the consensus view of the United Nations system, including the Bretton Woods institutions and other relevant international organizations, on how to respond to the global food crisis in a coherent and coordinated way.

What we are facing today is an unprecedented challenge. In part, it is a humanitarian emergency that demands urgent food and food-related assistance for the world's poor and vulnerable. But soaring food prices are also emblematic of a larger structural crisis that will have an even worse impact on the world's food supply if immediate measures are not taken to stabilize global food markets, and to increase investment in agriculture in a sustained way. Global demand for food will only grow in the future and we must be prepared for that.

The CFA aims to bridge traditional divides between humanitarian and development assistance, and tackle all aspects of food security, including food aid and nutrition, smallholder farming and agriculture, local and regional food markets and global trade. It does not seek to prescribe specific policies and activities, but rather provides a range of options from which choices can be made by governments and institutions. It aims to give guidance and impetus to the many actors involved in working to address the global food crisis, so that, with appropriate assistance from the United Nations, Bretton Woods institutions, and other partners, they can address immediate needs, build resilience and contribute to longer-term food security.

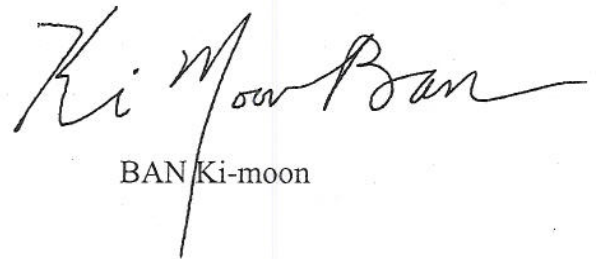
His Excellency  
Mr. Srgjan Kerim  
President of the General Assembly  
New York

Although the CFA is not a funding document, it recognizes that there are major financial needs to be met if the desired outcomes are to be achieved. Aid financing must be part of this, but private sector and country investments remain critical to the process.

The CFA should not be viewed in isolation. It should be considered within the context of the first Millennium Development Goal of reducing hunger by 50 per cent by 2015, and used as an important tool for its achievement. The CFA must be further interpreted and used at the country level, in a flexible manner, to suit specific country needs and circumstances. The High-Level Task Force will continue to facilitate this process actively, and provide coordination to all stakeholders at the global level.

In keeping with my focus on the triple challenge of addressing climate change, realizing the Millennium Development Goals, and responding to the food and energy crisis, I would like to assure you of my continued commitment to improving food and nutrition security for the tens of millions of hungry people in the world.

Please accept, Mr. President, the assurances of my highest consideration.



BAN Ki-moon

**HIGH-LEVEL TASK FORCE  
ON THE GLOBAL FOOD CRISIS**

**COMPREHENSIVE FRAMEWORK FOR ACTION  
JULY 2008**

## FOREWORD

On 29 April 2008, the Chief Executives Board (CEB) of the United Nations decided to establish a High-Level Task Force (HLTF) on the Global Food Crisis, under the leadership of the Secretary-General which brought together the Heads of the United Nations specialized agencies, funds and programmes, Bretton Woods institutions and relevant parts of the UN Secretariat. The Director General of the FAO was asked by the Secretary-General to serve as Vice Chair of the HLTF.

HLTF participation has included: Food and Agriculture Organization (FAO), International Fund for Agricultural Development (IFAD); International Monetary Fund (IMF); United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS); United Nations Conference on Trade and Development (UNCTAD); United Nations Development Programme (UNDP); United Nations Environment Programme (UNEP); Office of the United Nations High Commissioner for Refugees (UNHCR); United Nations Children's Fund (UNICEF); World Food Programme (WFP); World Health Organization (WHO); World Bank; World Trade Organization (WTO); Department of Economic and Social Affairs (DESA); Department of Political Affairs (DPA); Department of Public Information (DPI); Department of Peacekeeping Operations (DPKO); the Special Adviser on Millennium Development Goals (MDGs); and the Organisation for Economic Co-operation and Development (OECD).

As set out by the CEB, the aim of the HLTF was to create a prioritized plan of action for addressing the current crisis and coordinate its implementation. The Comprehensive Framework for Action (CFA) responds to this request.

The CFA is a framework for setting out the joint position of HLTF members on proposed actions to: 1) address the current threats and opportunities resulting from food price rises; 2) create policy changes to avoid future food crises; and 3) contribute to country, regional and global food and nutritional security. While the CFA is the agreed product of the HLTF, it has been widely consulted with other parts of the UN system, international experts, Red Cross/Red Crescent Movement, and Non-Governmental Organizations (NGOs).

The CFA aims to be a catalyst for action by providing governments, international and regional agencies and organizations, and civil society groups a menu of policies and actions from which to draw appropriate responses. It recognizes that any response must take into account the specific needs, capacities, and circumstances of particular countries or regions. While many actions may require external assistance, the policies and actions described in the CFA are intended to improve country capacity and resilience to absorb future shocks. The key to achievement of the outcomes set in the CFA will be close partnerships between national governments, HLTF members, civil society and private sector organizations, donors as well as other vital actors.

The structure of the CFA is as follows: Section A presents an analysis of the food crisis, and identifies major threats and opportunities upon which governments, civil society and the international community can act. Section B sets out critical actions to address urgent needs and build resilience to these threats and opportunities. Section C proposes practical ways of working together to achieve CFA outcomes at country, regional, and global levels and discusses the related financial implications.

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## EXECUTIVE SUMMARY

1. The dramatic rise over the past twelve months in global food prices poses a threat to global food and nutrition security and creates a host of humanitarian, human rights, socio-economic, environmental, developmental, political and security-related challenges. This global food crisis endangers millions of the world's most vulnerable, and threatens to reverse critical gains made toward reducing poverty and hunger as outlined in the Millennium Development Goals (MDGs). It requires an urgent comprehensive, coherent, and coordinated response.
2. Soaring food prices stem from the cumulative effects of long-term trends, more recent supply and demand dynamics, and responses which have exacerbated price volatility. While some commodity price levels have stabilized of late, over the medium to long term food prices are expected to remain significantly higher than their 2004 levels, posing a continuing global challenge.
3. The crisis has exposed existing and potential vulnerabilities of households, governments and the international system to food and nutrition insecurity. Already before the rapid rise in food prices, some 854 million people worldwide were estimated to be undernourished. The crisis may drive another 100 million<sup>1</sup> more people into poverty and hunger. While risks may be more pronounced in urban areas, they are significant in rural areas as well, where globally 75% of the poor reside. Many of the rural poor are smallholder farmers whose capacities to benefit from high food prices are severely constrained by lack of inputs, investment and access to markets. High food prices, together with rising fuel prices, have also contributed to increases in observed inflation rates which adversely affect the balance of payments of net food-importing countries and their response capacities. Lastly, rising food prices bring the threat of unrest and political instability, particularly in institutionally fragile countries.
4. The crisis also underscores the urgent need to improve food and nutrition security worldwide, systematically and sustainably, by going well beyond the immediate emergency response. Scaling up productivity-enhancing safety nets and promoting agricultural investments focused on smallholder farmers and rural development could turn agriculture into a vibrant economic sector with positive effects on poverty reduction. Increased productivity must be accompanied by investment into local and regional market development and adjustments of distorting trade practices. At the same time it is vital not to lose sight of the need to move towards fully sustainable models of agricultural production and to avoid environmental damage. Comprehensive, targeted social protection systems that achieve universal coverage of vulnerable groups and link to other basic social services will build resilience to future shocks. All are crucial steps in realizing the right to food beyond the immediate emergency context. Finally, there is a clear opportunity for international leadership in adopting a renewed strategic stance on key issues, such as agricultural trade, biofuels, and management of food price risks, to tackle food market volatilities.
5. The Comprehensive Framework for Action (CFA) presents two sets of actions to promote a comprehensive response to the global food crisis. Both require **urgent** attention. The first set focuses on meeting the immediate needs of vulnerable populations. The second set builds resilience and contributes to global food and nutrition security. In order to support these two sets of actions, the CFA also suggests strengthening coordination, assessments, monitoring, and surveillance systems. These actions are neither exhaustive nor exclusive. They are intended to guide assessments and strategies developed at the country level and support international coordination efforts.
6. To meet the immediate needs of vulnerable populations, the CFA proposes four key outcomes to be advanced through a menu of different actions: 1) emergency food assistance, nutrition

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<sup>1</sup> The number of food insecure is apparently rising very fast also, and is currently estimated at 133 million people (Report of the Economic Research Service of the USDA, July 2008)

interventions and safety nets to be enhanced and made more accessible; 2) smallholder farmer food production to be boosted; 3) trade and tax policies to be adjusted; and 4) macroeconomic implications to be managed. Each outcome has a menu of actions from which to choose.

7. To build resilience and contribute to global food and nutrition security in the longer-term, four additional critical outcomes are put forward: 1) social protection systems to be expanded; 2) smallholder farmer-led food availability growth to be sustained; 3) international food markets to be improved; and 4) international biofuel consensus to be developed.

8. Given the immediate consequences of the food price crisis, especially for vulnerable groups, countries have already mobilized resources to provide additional food assistance and other safety nets, assist farmers to maintain and boost productivity in the next growing seasons, and begin implementing policy reforms to improve access to food and agricultural inputs. In many countries, the members of the High-Level Task Force (HLTF), regional development banks, bilateral agencies, local and international Non-Governmental Organizations (NGOs) and the Red Cross/Red Crescent Movement have been supporting these efforts.

9. The CFA outlines that leadership will need to come at all levels. At the country-level, national governments, supported by donors, technical agencies, the private sector, civil society and NGOs will need to take concerted action. The CFA identifies modalities that can be adapted by countries to achieve improved food and nutrition security outcomes: establish country-level 'partnerships for food' which build on existing mechanisms and programs, ensure ongoing shared assessment and analysis, consolidate actions to avoid overlaps and identify gaps, review existing monitoring mechanisms, and promote effective public communications.

10. At the regional-level, the CFA encourages partnership with regional and sub-regional organizations, and with the regional development banks to enhance coordination of analysis, monitoring and responses to the food crisis according to context. Finally, at the international-level, strengthened partnership and increased actions by all stakeholders in a comprehensive, coordinated, and coherent manner are critical as many factors underlying the food crisis are global in nature and require actions across country and regional borders. The HLTF will continue to support country and regional coordination, and provide a center of gravity for closer cooperation at the global level. This partnership, most recently also supported by the G8 at their annual summit, would be facilitated by the HLTF and ensure monitoring and assessments of progress made in implementing the CFA.

11. The financial implications related to this crisis will be considerable, will exceed the response thus far, and will require substantial political and financial commitments, from national governments first and foremost, but also from the private sector, civil society and the international system. Existing studies estimate the global incremental financing requirements for food assistance, social protection, agricultural development, budget and balance of payment support at between US\$ 25 – 40 billion per annum to maintain progress towards achievement of MDG 1. Approximately one third of such amounts would be needed to finance immediate requirements in terms of food assistance, agricultural inputs and budgetary and balance of payments support, and two thirds to invest in building longer-term resilience and contributing to food and nutritional security. As the CFA is not a funding document or an investment program, it does not provide for detailed costing. In order to be more precise, HLTF agencies, together with a range of governmental and non-governmental partners, are using country assessments to estimate country-specific needs.

12. It is necessary to *immediately* scale up public spending and private investment. This will be critical to creating a conducive policy, institutional and physical environment for private sector involvement and investments, in order to ensure the longer-term recovery of agriculture as a viable sector of a country's economy.

13. In the CFA, the HLTF calls on developing countries to allocate additional budgetary resources for social protection systems and to increase the share of agriculture in their public expenditure. Recognizing developed countries' intention to increase their Overseas Development



Assistance (ODA) to 0.7% Gross National Income, and emphasizing the need for additional financial sources to improve food security, sustainably, the HLTF urges donor countries to double ODA for food assistance, other types of nutritional support and safety net programs, and to increase the percentage of ODA to be invested in food and agricultural development from the current 3 % to 10% within 5 years (and beyond if needed) to reverse the historic under-investment in agriculture.

14. The HLTF also appeals for more flexibility and predictability in funding of food assistance and safety nets, an exemption to export restrictions for humanitarian food purchases, unhindered movement of humanitarian food across and within borders and better access to food stocks through establishment of physical or virtual humanitarian food reserves.

15. Increased allocations should be additional to current funding levels and not divert resources from other critical social sectors necessary to achieve the MDGs, such as education and health. Actions to achieve CFA outcomes will make use of institutional and financial systems to deliver at the country level, along the provisions of the Paris Declaration on Aid Effectiveness. At the global level, the HLTF will promote synergy in responding to the crisis, including more predictability and flexibility in funding, through joint advocacy efforts.

16. The outcomes and actions identifies in the CFA can only be achieved through partnership at all levels. The HLTF will continue to provide leadership and coordination in this respect, to help national Governments and affected communities address what constitutes a global challenge.

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**Millennium Development Goal 1: Eradicate Extreme Poverty and Hunger**

Declaration of the 2008 Rome High-Level Conference on Food Security

UN CEB Communiqué on UN response to the Global Food Crisis

**COMPREHENSIVE FRAMEWORK FOR ACTION**

**OBJECTIVE**  
 Improve access to food and nutrition support and take immediate steps to increase food availability

**OBJECTIVE**  
 Strengthen food and nutrition security in the longer-run by addressing the underlying factors driving the food crisis

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**OUTCOMES**  
 MEETING IMMEDIATE NEEDS OF VULNERABLE POPULATIONS

**OUTCOMES**  
 BUILDING LONGER-TERM RESILIENCE AND CONTRIBUTING TO GLOBAL FOOD AND NUTRITION SECURITY

- 1.1 Emergency food assistance, nutrition interventions and safety nets enhanced and made more accessible
- 1.2 Smallholder farmer food production boosted
- 1.3 Trade and tax policy adjusted
- 1.4 Macro-economic implications managed

- 2.1 Social protection systems expanded
- 2.2 Smallholder farmer food production growth sustained
- 2.3 International food markets improved
- 2.4 International biofuel consensus developed

3.1 Global information and monitoring systems strengthened

**ACHIEVING CFA OUTCOMES**

**Country-Level**

- Reflect joint working in country level “partnerships for food”
- Build on existing mechanisms and programs
- Undertake regular assessments
- Consolidate actions to avoid overlaps and identify gaps
- Review existing monitoring mechanisms to track food and nutrition security outcomes, and link them to the CFA
- Promote effective public communications

**Global-Level**

- Tracking achievement of CFA outcomes
- Ensuring Regular Reporting
- Global “stocktaking” events
- Regular consultation with Member States
- Donor policy advocacy

## A. CONTEXT ANALYSIS

### 1. DRIVERS

The dramatic rise over the past twelve months in global food prices and overall import bills for the poorest countries, coupled with diminishing food stocks, poses a threat to global food and nutrition security and creates a host of humanitarian, human rights<sup>2</sup>, socio-economic, environmental, developmental, political and security-related challenges. Food prices have increased since 2001, and particularly steeply since 2006. The Food and Agriculture Organization (FAO) index of food prices rose by 9% in 2006, 24% in 2007 and has surged by 51% in the last 12 months. The increase has affected nearly all food commodities, although to different degrees. FAO forecasts that the world will spend US\$1,035 billion on food imports in 2008, US\$215 billion more than in 2007.<sup>3</sup> This will severely strain the budgets of low-income food-deficit countries that will see their import bills soar by more than 40% this year.

The dramatic rise in global food prices is not the result of any specific climatic shock or other emergency, but rather the cumulative effects of long-term trends and more recent factors, including supply and demand dynamics and responses which have caused further price increases and higher price volatility.

During the past two decades, demand for food has been increasing steadily with the growth in the world's population, improvements in incomes and the diversification of diets. Until 2000, food prices were declining, with record harvests and the draw-down of food stocks. Simultaneously, public and private investment in agriculture (especially in staple food production) had been declining<sup>4</sup> and led to stagnant or declining crop yield growth in most developing countries. Rapid urbanization has led to the conversion of much farmland to non-agricultural uses. In addition, low prices encouraged farmers to shift to alternative food and non-food crops, or to transfer land to non-agricultural uses. Long-term unstable land and resource use has also caused land degradation, soil erosion, nutrient depletion, water scarcity, desertification, and the disruption of biological cycles.

Beginning in 2004, prices for most grains began to rise gradually and production increased, but more slowly than demand, resulting in continued depletion of stocks.<sup>5</sup> In 2005, extreme weather incidents in major food-producing countries, possibly related to more general climatic shifts, caused world cereal production to fall by 2.1 percent in 2006.<sup>6</sup> At the same time external factors began to accelerate the steady adjustment of world food prices upwards in response to broader supply and demand dynamics. In 2007, rapid increases in oil prices not only increased fertilizer and other food production costs, but also provided a climate favorable to an expansion of biofuel crop production, largely from coarse grains and oil crops. Even more recently, as international food prices began to reach unprecedented levels, countries sought ways to insulate themselves from potential food shortages and price shocks. Several food-exporting countries imposed export restrictions, while some key importers were purchasing grains at any price to maintain domestic food supplies. This not only resulted in some panic and volatility in international grain markets, but attracted speculative investments in grains futures and options markets, which may have driven prices even higher.

While food commodity prices now appear to be stabilizing, prices are expected to remain high over the medium to long term. Anticipated good harvests in key grain-producing countries, and indications that some major producers will relax export restrictions, have begun to calm grain markets;

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<sup>2</sup> According to the International Convention on Economic and Social Rights, every human being has the right to adequate food and the fundamental right to be free from hunger. Realization of the right to food requires that every man, woman and child has a right to access at all times adequate food or means for its procurement. Food, and means for its procurement should be affordable without needing to compromise the enjoyment of other human rights. Access to food also includes physical accessibility of food for vulnerable people, such as infants, elderly, persons with disabilities, etc. Adequate food means food which is of sufficient quantity and quality to satisfy the dietary needs of individuals, free from adverse substances and acceptable within a given culture.

<sup>3</sup> FAO, *Food Outlook*, May 2008.

<sup>4</sup> External assistance to agriculture dropped from 18% of ODA in 1978 to 3% by 2007.

<sup>5</sup> 2007/8 world grain stocks are forecast to fall to their lowest levels in 30 years, to 18.7% of utilization.

<sup>6</sup> FAO, "Crop Prospects and Food Situation," April 2008.

international prices have begun to come down from their recent peaks. However, over the medium to long term, supply and demand dynamics, high fuel prices, global threats such as climate change,<sup>7</sup> water stress and scarcity and natural resource degradation are expected to keep food prices well above their 2004 levels, posing a continuing challenge for the global community.

## 2. THREATS

The recent crisis has highlighted the vulnerability of households, governments and the international system to food and nutrition insecurity.<sup>8</sup> The immediate consequences of high food prices are bound to impact on the world's ability to achieve the Millennium Development Goals (MDGs), in particular those related to poverty and hunger reduction, child mortality, maternal health and basic education. If the crisis is not addressed now through a unified approach among stakeholders, it may reverse the political and developmental gains made over the years and result in significant humanitarian, human rights, health, environmental, and economic costs for the entire global community.

Already before the global food price crisis, some 854 million people worldwide were estimated to be undernourished. High food prices may be driving another 100 million more people into poverty and hunger. While the risks of increased food and nutrition insecurity may be more pronounced in urban areas, where people rely exclusively on markets and tend to be more vocal about their needs, they are of particular significance in rural areas, too, where 75% of the poor reside and where a large percentage of poor rural households are net-buyers of food. It is already evident that many smallholder farmers, who constitute the large majority of agricultural producers, are unable to respond to food price hikes with increased production due to a lack of access to financing facilities, agricultural inputs and markets. As a result, they find themselves struggling in their effort to feed their families. Communities or groups which have been facing discrimination and social exclusion in relation to access to productive resources, decent work, social security, etc., are likely to be highly vulnerable to the negative impact of the food price rise. Such groups include indigenous communities, ethnic minorities, persons with disabilities, displaced populations, stateless people and migrants. In particular many refugees and Internally Displaced Populations (IDPs) depend on food assistance for their survival and/or do not have access to land for farming, employment and income generation activities.

There is a risk that in the face of sustained high prices and lack of measures to assist these vulnerable populations, there will be an irreversible impact on human development, particularly for women and children. Over 80% of the world's population does not have access to social protection systems of any form. This means that the most effective mechanism for reaching vulnerable people is not in place. This leaves millions with limited, often harmful, coping mechanisms including reducing meals, eating less nutritiously, taking children out of school, selling livestock and other assets, or borrowing money to feed their families. Reduced nutritional intake may increase malnutrition rates for generations to come with spiraling effects.<sup>9</sup> It worsens the health status of populations and reduces resilience to disease and shocks. Already, hunger and malnutrition are the underlying causes of death of over 3.5 million children every year, a rate of more than 10,000 children every day.<sup>10</sup>

Rising food prices bring the threat of unrest and political instability. This threat is particularly acute in countries in conflict or post-conflict situations where political and social institutions are fragile and less able to provide the rapid response which can calm social panic. Of particular concern are countries engaged in delicate political transitions, or with organized political or criminal groups ready

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<sup>7</sup> The Intergovernmental Panel on Climate Change estimates that climate change alone could lead to an increase of 40 to 170 million in the number of undernourished people.

<sup>8</sup> Food security comprises access, availability and utilization issues. Nutrition security is achieved when secure access to appropriately nutritious food is coupled with a sanitary environment, adequate health services, and care to ensure a healthy and active life for all household members.

<sup>9</sup> It is acknowledged that malnutrition can be caused by a variety of factors, including overall food shortage, inadequate care, high prevalence of disease, social factors and gender bias. Provision of clean water is also critical in protecting the health of children.

<sup>10</sup> The food crisis is thus a dual threat to health: under-nutrition, mainly in young children, and chronic diseases (heart disease, diabetes, and some cancers) that are strongly linked to improper diet.

to harness popular frustrations into a challenge against the state and its authority. Other countries to watch include those already suffering from grave humanitarian situations or confronted with economic sanctions or embargoes. It should be noted, however, that the vast majority of the world's hungry continues to suffer in silence. In placating the dangerous, there is the risk that the peaceable hungry are overlooked.

The rise in food prices is having an immediate adverse impact on observed inflation rates and on the balance of payments of net food-importing countries. In addition, the fiscal impact of measures in response to the rise of food prices—both to stimulate food production and to assist those worst affected by the higher food prices—needs to be taken into account in setting appropriate macroeconomic policies.

The current food crisis also threatens the larger international food market. The worldwide reduction of national grain stocks in recent years was the result of increasing confidence that prices would remain relatively stable and that global trade would permit countries to rapidly acquire grain in international markets when needed. The recent combination of export restrictions and severed access to existing food stocks, compounded by subsidy and biofuel policies of major exporters, has contributed to undermining that confidence. This could threaten continued progress toward a fair and equitable international trade system as countries consider refocusing on national food self sufficiency based solely on domestic production and stocks – policies which in the past have generally undermined agricultural growth and have had limited success in actually addressing the desired national food security objectives.

### **3. OPPORTUNITIES**

The current context is a wake up call for immediate action in several areas that can help achieve global food security and poverty reduction.

While the majority of agricultural production will continue to come from larger farms, there is a particular opportunity to dramatically increase smallholder productivity and production. Public investments, while generally supporting the enabling environment for all farm scales, are particularly important to provide a “level playing field” for smallholders to realize their comparative advantages in agricultural production. Policies and programs that address the current constraints faced by smallholder farmers can encourage further public and private agricultural and rural development investments in many low-income, food-deficit countries. Well-targeted interventions need to ensure urgent access to agricultural inputs (i.e. seeds, fertilizers), rehabilitation of infrastructure, and methods to decrease post harvest losses. This will boost yields and increase rural household welfare as well as aggregate local food supply. Such measures must be complemented with significantly increased investments in agricultural technology research and infrastructure, as well as policies to boost and sustain the productivity of smallholder farmers with due attention to environmentally sustainable practices (e.g. conservation agriculture, water and soil conservation).<sup>11</sup> Consistently applied, these measures, along with improved access to financing facilities and markets will greatly increase agriculture's contribution to economic growth and poverty reduction.

Drawing on what is already in place and functioning well, the current situation provides a critical opportunity for more focused attention to needs assessments, early warning, contingency planning and risk management. These provide a way to preempt and mitigate the risks associated with volatilities in the food market in the future. International food assistance programs are critical to address the needs of vulnerable populations and prevent their sliding into destitution and resorting to harmful coping mechanisms. However, these programs cannot reach all of the world's malnourished and hungry. What is needed is to put in place targeted comprehensive social protection systems that progressively achieve universal coverage of vulnerable groups and those most marginalized and discriminated against such as the elderly, disabled, children, refugees and displaced persons with linkages to other

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<sup>11</sup> Increased agricultural production is heavily dependent on the availability of rich soils, water resources and catchment areas such as forests, therefore an environmentally sustainable approach must be taken to avoid yet another food crisis resulting from depletion of water sources, salination of soils and water tables, and permanent loss of biodiversity and ecosystem services.

basic social services. In addition, expansion or revision of critical nutrition, water and sanitation, and health programs can be undertaken. Once in place, these programs will build resilience and enhance people's capacity to face future shocks. This will be a crucial step in realizing the right to adequate food<sup>12</sup> and promoting sustainable nutrition beyond the immediate emergency context.

Finally, there is also now a clear opportunity for international leadership in adopting a renewed strategic stance on key issues such as agricultural trade, and to assess the most effective ways to tackle food market volatilities. High prices could lead to responsible agricultural trade policies that benefit low-income countries, for example in developing a viable domestic commercial farming sector. Strong commitments to reform agricultural subsidy programs and market access would help remove a major barrier to progress in the World Trade Organization (WTO) Doha trade talks, while still implementing the existing agreed provisions to protect consumers in low-income, food-importing countries and including provisions to complement efforts to increase investment in smallholder agriculture in developing countries. At the same time, consensus is required on means to ensure greater complementarity between food production priorities, biofuel developments and environmental management. This includes reassessment of current subsidy policies for biofuels. Moreover, measures should be considered to rebuild confidence in the international and regional trading systems, including assessments of whether to (re)build well-managed global and regional grain stocks or make greater use of financial market instruments that could reduce and protect countries from volatility in food markets.

These opportunities must be matched with results in terms of measurable improvements to food security in countries, increased resilience to food-based shocks at the level of households and countries, and reduced volatility in food markets. As significant resources are committed and expended by governments, donors, UN agencies, Bretton Woods institutions, RC/RC Movement, the private sector and local and international NGOs; as policies are reviewed often in the face of interest group pressures; and, as the international community takes steps to strengthen international food and fuel markets, specific country risks need to be identified and addressed more quickly and effectively and progress needs to be monitored.

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<sup>12</sup>The right to food is not a right to be fed, but primarily a right to feed oneself with dignity. Only if an individual is unable, for reasons beyond his or her control, to provide for themselves, does the State have obligations to provide food or the means to purchase it. (See also Footnote 2). The right to adequate food is recognized under Art. 25 of the Universal Declaration of Human Rights and under Art. 11 of the International Covenant on Economic, Social and Cultural Rights.

## B. OUTCOMES AND ACTIONS

### Overview of Outcomes and Actions

In order to respond to these threats and opportunities two sets of actions have been identified. While both **sets of actions require URGENT attention**, the first set is focused on outcomes to address the immediate plight of vulnerable people as both consumers and producers of food. The second set provides the basis for outcomes that address structural issues, build resilience and contribute to sustainable improvements in global food and nutrition security. It is also acknowledged that a series of actions is needed towards strengthening and coordinating assessments, monitoring and surveillance systems in order to meet all outcomes.

#### MEETING IMMEDIATE NEEDS OF VULNERABLE POPULATIONS

**Objective:** Improve access to food and nutrition support and take immediate steps to increase food availability.

**Timing:** Actions must be **taken now** for **immediate results**.

##### Outcomes and Actions:

##### **1.1 Emergency food assistance, nutrition interventions and safety nets enhanced and made more accessible.**

- Ensure that emergency needs are fully met
- Protect basic consumption needs of the poor
- Scale-up nutritional support
- Support management of under-nutrition
- Promote school feeding
- Adjust pensions and other existing social protection programs
- Allow free flow of assistance
- Ensure that local purchases of food for humanitarian purposes are exempt from export restrictions
- Explore possibilities to establish humanitarian food reserves

##### **1.2 Smallholder farmer food production boosted.**

- Provide productivity enhancing safety nets
- Rehabilitate rural and agricultural infrastructure
- Reduce post-harvest crop losses and improve village-level stocks
- Remove artificial constraints to domestic trade throughout the food chain in order to link small farmers to markets
- Improve animal health services

##### **1.3 Trade and tax policy adjusted.**

- Review trade and taxation policy options
- Use strategic grain reserves to lower prices
- Avoid generalized food subsidies
- Minimize use of export restrictions
- Reduce restrictions on use of stocks
- Reduce import tariffs
- Improve efficiency of trade facilitation
- Temporarily reduce VAT and other taxes

##### **1.4 Macro-economic implications managed.**

- Hold down core inflation and inflation expectations
- Assess the impact on the balance of payments
- Mobilize external support to finance additional food imports
- Ensure adequate levels of foreign exchange reserves
- Cost all fiscal measures in response to food crisis

#### BUILDING LONGER-TERM RESILIENCE AND CONTRIBUTING TO GLOBAL FOOD AND NUTRITION SECURITY

**Objective:** Strengthen food and nutrition security in the longer run by addressing the underlying factors driving the food crisis.

**Timing:** Actions must be **phased in now** for **durable results**.

##### Outcomes and Actions:

##### **2.1 Social protection systems expanded.**

- Strengthen capacity to design and implement social protection policies and programs
- Move towards more efficient programs
- Identify alternatives to unconditional assistance
- Improve the quality and diversity of foods

##### **2.2 Smallholder farmer food production growth sustained.**

- Improve the enabling policy framework
- Stimulate public/private investment in agriculture
- Ensure secure access to and better management of natural resources, including land, water, and biodiversity
- Invest in agricultural research
- Improve rural infrastructure
- Ensure sustained access to competitive, transparent and private-sector-led markets for food produce and quality inputs
- Support development of producer organizations
- Strengthen access of smallholders and other food chain actors to financial and risk management instruments

##### **2.3 International food markets improved.**

- Reduce/eliminate agricultural trade distortions in higher income countries
- Rapidly complete the Doha Round of trade negotiations consistent with developmental focus
- Implement 'Aid for Trade'
- Strengthen oversight of markets to limit speculation
- Build capacity for markets to better meet needs of lower-income countries
- Support regional or global stocks sharing

##### **2.4 International biofuel consensus developed.**

- Prepare a common reference framework
- Develop biofuel guidelines and safeguard measures
- Re-assess biofuel targets, subsidies and tariffs
- Facilitate private investments in biofuel production
- Promote research and development, knowledge exchange and capacity building

##### **3.1 Global information and monitoring systems strengthened.**

- Establish better coordination of information systems
- Carry-out comprehensive assessments and monitoring
- Undertake impact analysis
- Conduct health and nutrition assessments
- Analyze policy options and programmatic approaches
- Review contingency plans and early warning systems

## **1. MEETING IMMEDIATE NEEDS OF VULNERABLE POPULATIONS**

This chapter outlines the four basic outcomes needed to improve access to food and nutrition support and increase food availability. Under each outcome, it puts forward ‘menus of actions’ that need be taken or scaled up now at the national, regional and global levels so that they can yield immediate impacts to assist communities and governments in need and stabilize the situation. These outcomes include:

**1.1 Emergency food assistance, nutrition interventions and safety nets enhanced and made more accessible.**

**1.2 Smallholder farmer food production boosted.**

**1.3 Trade and tax policy adjusted.**

**1.4 Macro-economic implications managed.**

These outcomes are considered critical for immediate needs because they address important implications of the rapid rise in food prices, and possible subsequent declines in food and nutrition security for millions living on less than \$2 per day. They will contribute toward the needs of those already impoverished, minimizing the number of new families falling into food insecurity because their incomes can no longer buy sufficient amounts of food. They aim to meet the current and future demands for food availability. The needs of people already impoverished before the price hikes and the needs of those newly impoverished must be met in full through scaling up of on-going assistance so as to avert a humanitarian crisis, instability and longer term detrimental consequences for people’s health and livelihoods.

To effectively achieve the outcomes, actions must simultaneously occur at local, national, regional and global levels. Social and agricultural inputs made available to local farmers and other vulnerable populations must be complemented by macroeconomic actions to ensure sustainability. Thus, the outcomes presented below embrace the “spectrum” of actions needed to improve access and availability of food. This section also provides “topic boxes” to highlight particular actions, programs or concerns relevant to a comprehensive response. It is understood that actions will be adapted to national and local conditions, take into account global climate change and poverty reduction initiatives and include coordinated efforts by key stakeholders, particularly national governments, civil society and the private sector.

Given the urgency underpinning each of these outcomes, the CFA emphasizes building on available resources and capacities, scaling up activities that are already underway, and improving interventions with unsatisfactory results rather than launching new interventions which might require elaborate planning or oversight. While the emphasis is on actions that can produce quick results, the duration of activities may vary depending on a number of factors such as lifting of export bans, speed and scale of supply response, and adjustments in food prices.



## 1.1 Emergency food assistance, nutrition interventions and safety nets enhanced and made more accessible

Hunger and under-nutrition are the greatest threats to public health, killing more people than HIV/AIDS, malaria and tuberculosis combined. Each day, 25,000 people, among them more than 10,000 children, die from hunger and related causes. The needs of people already impoverished before the price hikes and the needs of those newly impoverished must be met in full through scaling up of on-going assistance so as to avert a humanitarian crisis, instability and longer term detrimental consequences for people's health and livelihoods.

The number of people suffering from hunger, and the severity of their condition has increased as a result of higher food prices. The risks are particularly acute among those who spend over 60 percent of their income on food: the urban poor and displaced populations, the rural landless, pastoralists and the majority of smallholder farmers. Severed access to food at the local level obliges people to eat less nutritiously and resort to harmful coping mechanisms: children, in particular girls, are taken out of school and forced to work; families migrate for economic reasons; they deplete their assets and natural resource base; fall into debt and ultimately into destitution.

### Topic Box: Safety Nets in the Context of the Food Crisis

Safety nets are targeted programs which address the most immediate food, nutrition and production needs of vulnerable households and prevent their further descent into poverty in times of crisis.

While safety nets have broad common objectives, they can vary in the form in which assistance is provided and the behaviors they are intended to support. The most common forms are in-kind, vouchers – including food stamps and fertilizer vouchers – and cash. In countries or areas where markets are functioning poorly, it may be more effective and cost less to provide food or inputs directly to families. Where markets are in-place but private suppliers are unwilling to invest in distribution infrastructure without some assurance of demand, voucher based systems can be highly effective in providing incentives for greater private investment. In countries and regions where markets and banking systems are operating reasonably well with an outreach to people even in remote areas, cash transfers may be the preferred option given their generally lower administrative costs. However, even these distinctions are blurred as, for example, procurement of food from local farmers can effectively link food aid with development of local agricultural production and marketing capacities. If the preferred option is local procurement, it should be based on a market risk assessment so as to exclude negative impacts on local food availability and price structures.

Unconditional transfers provide in-kind assistance, vouchers or cash, based only on a means test. These are particularly important for highly vulnerable groups such as the elderly. Other programs link provision of assistance to complementary social and productive services, such as school attendance, prenatal screening or farmer field schools. Food, inputs or cash for work programs provide transfers in return for participation in public or private works carried out by the recipients. While requiring capacity to design and manage small projects, these programs provide a clear self-targeting mechanism.

In practice, different safety net programs are likely to be operating in a country, reflecting the varying geographic circumstances, beneficiary needs and objectives. In all cases, effective targeting and/or self targeting approaches are key to keeping the cost of such programs manageable, while meeting the needs of the poor, and significant focus is required to avoid corruption in the distribution of benefits. In addition, countries will need to anticipate how beneficiaries will be able to “graduate” away from transfers as their own capacities and those of local markets improve.

Of equal concern are the long term health consequences that hunger and malnutrition can have on vulnerable populations, in particular pregnant women, nursing mothers, infants and young children as well as people living with HIV/AIDS and tuberculosis. If not addressed, under-nutrition can permanently stunt mental and physical growth in the first years of a child's life. It worsens health status and can lead to chronic illnesses. In extreme cases, hunger kills.<sup>13</sup>

Emergency food assistance and social safety net measures play an important role in addressing the immediate needs of vulnerable and high risk populations and in stabilizing the situation. While these programs are on-going in many countries, the surge in vulnerability and impoverishment, combined with higher prices for food procurement and the devaluation of the US dollar, have dramatically increased the volume and program costs

over the past year. A significant amount of additional resources is required to maintain on-going assistance programs and extend support to those newly impoverished. At the same time, there is an urgent need to remove impediments to the export, trans-shipment and import of humanitarian food aid in recipient and neighboring countries which delay the ability to respond to urgent needs. Global and regional agreements are required to ensure the free flow of food assistance for humanitarian purposes across borders and to develop innovative approaches to accessing food, as through the creation of “virtual stocks”.

Countries have a range of options for helping people meet their food and nutrition needs. The choice of interventions should be based on assessments and take into account country-level capacities.

### **Menu of actions:**

#### **Emergency food assistance, nutrition interventions and safety nets enhanced and made more accessible**

- **Ensure that emergency needs are fully met**, including by scaling up food assistance, nutrition interventions, and safety net programs, such as school feeding and job creation schemes, to address hunger and malnutrition in the most vulnerable populations.<sup>14</sup>
- **Protect basic consumption needs of the poor**, including unconditional transfers to vulnerable groups, such as the elderly and disabled, internally displaced persons, refugees, female headed households, orphaned and vulnerable children. Assistance can be provided in the form of food aid<sup>15</sup>, vouchers or cash transfers<sup>16</sup>, taking into account the nutritional and dietary needs of recipients, local food market conditions and financial infrastructures. Unconditional transfers can go hand in hand with self-targeting programs which engage beneficiaries in training, asset and job creation. Channeling food assistance via women should be encouraged and opportunities to improve program efficiency should be pursued.
- **Scale up nutritional support through safety nets** to meet specific food and nutrition needs of vulnerable groups and prevent longer-term health consequences. For instance, mother and child health programs can address nutritional deficiencies with focused preventative and treatment programs, using multi-micronutrient supplementation for pregnant women and nursing mothers as well as timely complementary feeding for infants and young children with quality foods and nutrient products.<sup>17</sup> Assistance can be provided in conjunction with improved access to primary health care services and a campaign to promote breastfeeding, food hygiene and dispel inappropriate food taboos and restrictions. Nutrition interventions should follow a coordinated approach.<sup>18</sup>
- **Support management of under-nutrition, including therapeutic feeding** to treat severe acute malnutrition of children. Capacity building is required in improved management of moderate and severe under-nutrition and the provision of adequate supplies of therapeutic foods through community-based interventions.<sup>19</sup>
- **Promote school feeding** to address hunger among children, improve their enrolment and attendance in school. As in the case of mother and child health programs, school feeding can make use of micro-nutrient fortified foods, though nutrition may not be the primary objective of

<sup>14</sup> Including in particular groups such as IDPs and refugees.

<sup>15</sup> Food aid packages should be carefully selected. Infant formulas, follow-on formulas and other commercial baby foods should be excluded. Commodities should be reviewed in light of the acceptability to the recipients, to health and nutrition policies of the recipient countries, as well as in light of their production and trade policies. They should be adequate in terms of energy and nutrient content.

<sup>16</sup> Cash transfers should be emphasized in areas where food is available.

<sup>17</sup> To include innovative nutrient supplements, such as micronutrient powders, and spreads; as well as vitamin A and zinc supplements.

<sup>18</sup> For example, recommendations are being developed by the REACH initiative – Ending Child Hunger Partnership.

<sup>19</sup> Consideration should also be given to expanding therapeutic feeding to moderately malnourished groups (ensuring that there is adequate monitoring and surveillance).

the intervention. School feeding may further serve as a platform to reach out to other needy household members through take-home rations.

- **Adjust pensions and other social protection programs with broad coverage to account for food prices** in cases where these are not indexed to cost of living or are adjusted only on an annual basis. Such adjustments can be an important, visible response by government, which does not require additional implementation capacity. Food insecure people who do not benefit from existing schemes should be integrated as quickly as possible.
- **Allow free and predictable flow of assistance** to countries most in need. The current donor practice of earmarking contributions may inadvertently result in cutbacks of humanitarian projects in those countries in need which are short of donor support. The recent crisis has encouraged a number of donor countries to partially or fully un-earmark contributions and to provide more assistance in the form of untied cash. Others have come through with multi-year commitments. Such increased funding predictability and flexibility in the use of resources should be encouraged.
- **Ensure that local purchases of food for humanitarian purposes are exempt from export restrictions** and extraordinary export taxes, and ensure unhindered and safe movement of humanitarian food within and across borders.
- **Explore the possibility of the establishment of actual or virtual humanitarian food reserves.** This would facilitate a rapid response to fast-developing humanitarian situations as well as building confidence in markets.

#### **Topic Box: Local Food Purchase**

High commodity prices and freight rates call for a review in the way food assistance is mobilized. Bringing in food commodities from abroad can be costly and time consuming, particularly if such requires trans-shipment. There is a need to complement international purchases with regional and local market purchases, where sufficient food is available to avoid distorting price levels.

Regional and local food purchases have brought substantial economic benefits to traders, millers and the broader farming community in developing countries. The increased need for food assistance, as a result of the global food crisis, is likely to raise the demand for food purchases which can stimulate an increase in regional and local food production and, along with it, improvements in the agricultural and market sectors.

The challenge remains to have smallholder farmers benefit from local food purchases through contract farming. Contract farming requires a partnership among a variety of stakeholders, such as traders, processors, national governments, the UN system, NGOs, research and financial institutions, and bilateral donors. It can create a platform of demand for food staples grown by small farmers which feed into on-going food assistance programs, on the one hand, and support sustainable development among smallholder farming communities, on the other. At an advanced stage, contract farming may encourage these communities to invest in the production of higher quality foods which are able to reach more developed markets. For this purpose, a concerted effort is required to raise farmers' skills, productivity and income through improved farming systems, to supply farm inputs and training, and to furnish better access to markets.

In the short run, local purchase through smallholder farmers requires substantial start-up investment and technical expertise. In the long run, though, these initial costs may be offset by the likely benefits of increased local food availability and sustainable food and nutrition security among farming communities.

Smallholder farmers in developing countries are among the most vulnerable to food insecurity. The majority are women. Enabling them to respond to the demands of food assistance programs may turn the threat of high food prices into an opportunity for producing surplus food and raising the family income. Higher incomes are likely to improve access to education and health services with long term developmental benefits for these communities.

## **1.2 Smallholder farmer food production boosted**

Three out of four poor people in developing countries live in rural areas and most of them depend directly or indirectly on agriculture, including crops, livestock, fish, and forests (non timber forest

products). Excluding the minority of larger farms and landless rural workers, smallholder farmers and their families represent some 2 billion people, about one-third of the global population, and are central to any solution to today's global food crisis and the long term problems of hunger and poverty. It is estimated that 85% of farms worldwide (or 450 million farms) measure less than two hectares, and the average farm size is getting smaller. With increased migration and off-farm employment, many small-farm holdings are now run by women farmers who face disadvantages in terms of access to agricultural inputs, extension services, markets, and financing. The majority of smallholder farmers and landless farm workers are net buyers of food and live on less than US\$ 2 a day. The capacity of smallholder farms to grow more food is constrained because they cannot afford quality seeds or inputs such as fertilizer, veterinary drugs and services which can result in significant expansion of area used for agriculture to less suitable lands with severe consequences for the ecosystems around the community.

**Topic Box: The Food-Fuel Poverty Nexus**

High fuel prices have contributed directly to soaring food prices as well as further undermining the livelihoods of the poor through overall inflation. While grain prices have almost doubled over the past year and a half, oil prices have almost tripled over the same period. This has had a direct impact on farm production costs including fertilizer (200 to 300% increase), diesel and transport – which will contribute to continued high food prices and are decreasingly accessible for smallholders with limited access to credit. High fuel prices have also increased the costs of transporting food assistance. More broadly, high fuel prices have contributed to general price inflation which is particularly detrimental to the poor as their incomes – largely from informal activities - are often slower to adjust than better off wage earners. The impact on balance of payments from high fuel prices is likely to be much more significant than food, depending on their relative importance in the value of imports. The impacts of high fuel prices further emphasize the need for support to the poor to maintain their basic consumption in the face of both food and general price inflation, funding of critical inputs to smallholders who would otherwise decrease their use of purchased fertilizer despite high output prices, improvements in the food marketing chain to reduce costs at each step, and ensuring that countries have good technical advice on macroeconomic management and have access to financing for their balance of payments requirements.

Making key inputs available to the smallholder farmers in the near term (i.e. in current or coming cropping seasons) to reduce their specific constraints, will result in a serious boost to food production. Urgent responses are already being implemented in some countries, for instance, providing access to quality seeds, cuttings (e.g. for cassava), fertilizer and improved cultivation practices to small farmers to boost production and productivity for the forthcoming cropping season. It is critical now to enable these poor producers to benefit from higher prices and trigger an immediate expansion in domestic production. This may also reduce pressure on prices in local markets, thereby contributing to improvements in access for net food-buying families and, in turn, improvements in their nutritional status.

Better access to critical production inputs needs to be complemented by urgent measures to improve services to farmers, improve local infrastructure, reduce post-harvest losses and remove policy-based marketing constraints while ensuring policies and measures take into account the preservation of vital ecosystem services. Existing public and private

extension services need to provide information to farmers on the best use of seeds and fertilizer. Critical local infrastructure, such as rural roads and bridges, and public storage facilities and existing, small scale irrigation facilities require rehabilitation. Combined with removal of internal policies which restrict or impede the movement of agricultural products, these measures can significantly lower costs and improve the incentives for farmers to increase production. The larger farmers face lesser constraints and the great majority of them have much better access to inputs and markets. However, larger farmers will also benefit from “public good” investments including improved infrastructure and the provision of veterinary and extension services.<sup>20</sup>

<sup>20</sup> As for all social protection transfers, increasing access to production inputs without full cost recovery must be carefully designed. Risks include leakage of benefits to non-target groups, resale of inputs or input vouchers by the target group and rent seeking by officials, and that the interventions become a regular activity that would be difficult to terminate in the future when the crisis subsides. It is also crucial not to impede or drive out local and national private sector input suppliers.

### Topic Box: Agricultural Production for Food Security

Food security is distinct from food self-sufficiency. Food security is based on ensuring availability, access, and utilization of food for all. This distinction is important because many developing countries are surplus producers of basic food grains, yet have high numbers of malnourished people unable to afford food adequate in terms of nutrient quantity and quality. Conversely, many countries dependent on food imports have very low levels of malnutrition due to high incomes. A third category consists of low-income food deficit countries with high levels of chronic hunger that are dependent on imports.

The increase in prices for basic grains may encourage farmers to increase production and shift back to grains. However, countries should not assume that a mandatory system of national food self-sufficiency will improve food security for the poor, particularly if based on policies which reduce incomes of small farmers growing non-basic food crops and which reduce employment in processing and marketing of high value crops. A stronger pro-poor response entails removing constraints to more general agricultural production and rural growth and assisting farmers with access to inputs, extension services, marketing information to support moving back to basic foods production in periods of high prices.

Modalities should be market-based. They may include vouchers for purchase from the private sector, where markets are working and inputs available.<sup>21</sup> Where inputs are not adequately available, vouchers would likely contribute to inflation of input prices and make inputs less accessible to non-recipients of vouchers. Where input markets are not working, input distribution contracts with existing private dealers, NGOs, projects and government services are an alternative. Productivity enhancing safety nets should go hand in hand with emergency food assistance to leverage participation in training and promoting farmer organizations for collective marketing.

### Menu of actions:

#### Smallholder farmer food production boosted

- **Provide productivity-enhancing safety nets** to poor smallholder farmers by supplying critical inputs such as locally adapted quality seeds, fertilizer, animal feed, small irrigation pumps, and veterinary drugs and services. Technical advice, market and price information, local seed multiplication and targeted interventions for women farmers, ethnic minorities and other vulnerable groups should be included. Restrictions on imports and other taxes should be reduced. For landless rural poor people, a similar package could be provided together with access to small cultivation plots for market or kitchen gardens.<sup>22</sup>
- **Rehabilitate rural and agricultural infrastructure** to help remove infrastructural barriers to domestic trade and flows of food. Expanding ongoing efforts to rehabilitate small scale irrigation structures, storage facilities, rural roads, soil conservation schemes to restore soil fertility. These initiatives can be supported by cash or food for work programs.
- **Reduce post-harvest crop losses and improve household and community based food stocks** through pest and disease control and post harvest support for storage rehabilitation, supply of small scale silos, small processing equipment and improvement of storage techniques, and by reinforcing extension services with inputs, refresher training and logistics.
- **Remove artificial constraints to domestic trade throughout the food chain in order to link smallholder farmers to markets**, including removal of bureaucratic barriers to transporting and trading inputs and food, “informal” taxation, etc. Such interventions could address quality of produce; reliability of supply; efficiency improvements; waste reduction; collective marketing; investments in small-scale market infrastructure; value addition activities such as rural processing; and facilitation of contractual arrangements between smallholders and companies.

<sup>21</sup> This can have the dual advantage of targeting poor producers and boosting input markets.

<sup>22</sup> Interventions should also include support to increasing food production in urban areas.

- **Improve animal health services.** In many countries, animals are an important source of power for plowing, harvesting and transport, and of food and nutrition. Animals can also serve as an informal means of savings and generation of cash for input, investment and food purchases. The availability and quality of animal health services and medicines and feed are important to protect smallholder assets and to support crop production, nutrition and livelihoods.

### 1.3 Trade and tax policy adjusted

In the face of high food prices, some governments are considering trade and taxation policy measures to complement, or substitute for, domestic social safety nets and investment actions. Such policy measures can generally be taken quickly and have an immediate widespread impact. However, some policies—such as direct price controls, export restrictions, or generalized subsidies or wage increases—can further distort markets, or be ineffective over time, or be fiscally unsustainable. While, in the absence of effective social protection programs which can be rapidly scaled up to protect the poor, countries may resort to such measures in the short term to address food access concerns, all efforts should be made to ensure a rapid transition to more targeted approaches, as untargeted policies result in the transfer of significant resources to the non-poor which will not then be available for other public expenditure priorities. A particular concern is the imposition of price controls which may stabilize food price expectations in the short run, but act as a disincentive to food producers and retailers, can be difficult to enforce, and may lead to food shortages and increased black market activity. Similarly, export restrictions can increase price volatility, tighten supplies and food availability in international markets, and dissuade farmers from productivity-enhancing investments. At present, more than 40 countries have imposed export controls on commodities. In these circumstances it is of paramount importance that at least food supplies procured for humanitarian purposes be exempted from such controls, so as not to strangle countries and communities who are in urgent need of such assistance.

#### Topic Box: Export Management

Export restrictions have been identified as a contributing factor to high price volatility in grain markets in early 2008. However, their use is not prohibited under WTO, specifically under the kind of crisis conditions global food markets are facing, though countries are expected to consider the impact of such restrictions on the food security of importing countries. Discussions are underway regarding further discipline in the use of export restrictions. The challenge therefore is not to admonish countries which have acted within the WTO framework, but to encourage alternatives which make export restrictions the last, rather than first action taken by countries. Countries need clear incentives at the regional and global levels to pursue more open approaches to meet immediate, domestic political pressures.

Care is needed in implementing new policies until their broader impacts can be assessed in terms of their effect on government revenues and the economy, as well as their impacts on other countries, the environment and the broader food markets. In particular, any new policy measures need to reconcile consumer interest in low priced food and the interest of farmers in higher returns to increase agricultural production. For example, while the pass-through of higher prices provides appropriate incentives to producers, and can contribute to a strong supply response, it is also likely to have a substantial adverse impact on the real incomes of rural and urban net food buyers, especially among the poorest households who traditionally allocate a large share of their incomes to food.

#### Menu of actions:

#### Trade and tax policy adjusted

- **Immediately review trade and taxation policy options and their likely impacts** on the poor, consumers and farmers, as well as implications for government revenues, international food markets and commitment to enhanced international trade.
- **Use strategic grain reserves to stabilize prices** in countries with existing stocks, particularly where they can be channeled to food assistance programs and to dampen price fluctuations. Grain reserves

require good stocks management and market information to ensure effectiveness of price response in the market.

- **Avoid generalized food subsidies** which have high fiscal costs and divert public resources from support to the poor. While some programs try to improve efficiency by focusing on specific foods or qualities of foods more likely to be consumed by the poor, these programs are difficult to administer and often encourage smuggling of the subsidized food items to neighboring countries. These programs, once in place, are generally politically difficult to phase out when better targeted mechanisms are developed or when food prices fall.

#### *Food exporting countries*

- **Minimize use of export restrictions** which in food crisis situations may increase volatility of international prices, depress incentives for farmers to invest in food production, encourage smuggling, and undermine progress towards multilateral trade reforms and freer trade in the agriculture sector.
- **Reduce restrictions on use of stocks** to support humanitarian needs and international trade in periods of significant market turmoil. This benefits all countries through reduced price volatility.

#### *Food deficit and importing countries*

- **Reduce import tariffs** and other restrictions, as appropriate, on food commodities and agricultural inputs. While trade liberalization generally has a positive overall impact on an economy, governments should anticipate the impact on the domestic agricultural sector, including smallholder farmers, as well as government revenue losses and balance of payments effects.
- **Improve efficiency of trade facilitation** to reduce cost and time required for import of critical food and agricultural inputs. These costs can often be significantly reduced through rapid upgrading of documentation and procedures, and infrastructure improvements.
- **Temporarily reduce VAT and other taxes** on food and critical agricultural inputs where taxes represent a significant proportion of the retail prices. Tax reductions are generally less difficult to administer than a subsidy program. However, governments need to anticipate the potential side-effects of public revenue losses to avoid negative longer-term impacts on other priority expenditures in support of poverty reduction and economic growth.

## **1.4 Macro-economic implications managed**

Appropriate macro-economic management is required to ensure that the food crisis and the immediate measures taken in response do not create broader economic impacts which will further undermine the livelihoods of the poor.

First, the sharp rise in food prices, especially since mid-2007, has been a major contributor to the higher rates of headline inflation now being experienced across world: it is estimated that rising food prices contributed some 44% to global inflation over the twelve months through end-2007, and as much as 67.5%<sup>23</sup> in Asia. This higher level of food prices is likely to persist over the medium term. While any permanent relative rise in food prices must in due course be passed on to consumers (with accompanying measures to mitigate the impact on the poorest households), the current food price shock should not be allowed to translate into a generalized increase in inflation, or lead to inappropriate macroeconomic policy responses, which would exacerbate the burden on the poor, and undermine hard-won macroeconomic stability.

Second, the higher cost of food imports for net food importing countries worsens their balance of payments position, often already under strain from rising energy costs, representing a particular challenge for those countries with inadequate foreign reserves or lacking exports whose prices are also rising. Some countries may need additional financing in the short term to meet the higher food import

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<sup>23</sup> IMF, WEO, April 2008.

bill. In the medium term the objective must be to move to a more sustainable balance of payments position.

Third, as suggested in the previous section, many of the immediate policy responses that are warranted to deal with the food emergency (both specific public expenditure measures like targeted social safety net programs, and measures resulting in revenue losses, such as tax and tariff reductions on food) will entail higher fiscal costs, which must be accurately assessed, properly financed, and taken into account in setting macroeconomic policies. These revenue shortfalls and/or expenditure increases must be managed within prudent budget frameworks in ways that allow the burden of adjustment to be distributed equitably. In the short term some countries may need additional budget support from donors and some short-term increases in deficits may be unavoidable, recognizing however, that prudent medium-term fiscal management is critical for price stability. Over the medium term, some expenditure switching is likely, but the poor should not be penalized twice by cutting other necessary social services or reducing needed infrastructure spending that will enable further agricultural investments to enhance productivity and generate additional and marketable output.

#### **Topic Box: Inflation and Food Prices**

About 44 per cent of total inflation in 2007 could be attributed to food price hikes at end-2007. However, there have been significant differences across countries and regions. In Asia food price inflation contributed about two thirds of total headline inflation, in Africa, Latin America, the Middle East and the CIS the contribution was slightly above 40 per cent, while for the advanced economies food price increases contributed less than 20 per cent to headline inflation.

Food prices are expected to ease gradually in 2008, reflecting expectations of better harvest in 2008-09, and to remain flat in 2009. The expected slowing of global growth will have less of a dampening effect on food prices than on other commodities, as food prices tend to be less affected by business cycle fluctuations than other commodity prices. Moreover the present food price cycle is likely to last longer than the usual 2-3 years, as structural measures to deal with the food crisis will take time to take effect.

The recent surges in food (and fuel) prices are large shocks that must be absorbed and passed on to consumers, with measures to mitigate impacts on the poorest households. Such large shocks also require country-specific macroeconomic policy responses to ensure stability. The most pressing macroeconomic policy issue at the global level is to ensure that the first-round impact of surging food and fuel prices on inflation does not lead to significant second-round effects and accelerating inflation. A credible commitment to maintaining price stability will be key. Central banks must carefully monitor price developments, and respond quickly and credibly to counter rising inflation expectations. Inflation concerns must also be considered in deciding on the appropriate level and financing of fiscal deficits, as governments contemplate the best immediate policy response to the food price crisis.

The risks of ignoring rising inflationary pressures should not be underestimated. Many developing countries and emerging market economies have made significant progress in reducing inflation and raising growth rates in recent years. These hard-won gains must not be jeopardized by adoption of inadequate or inappropriate macroeconomic policies. And the fight against a generalized rise in inflation is important for the poor, as they would be most affected—higher inflation acts like a regressive tax on their income and thereby reduces their standard of living. Overall the response needs to be a cautious balancing act between different macroeconomic objectives.

There is good reason to preserve the gains of macroeconomic stability that many developing countries have achieved in recent years, often reflecting major sacrifices.<sup>24</sup> However, rather than merely relying on budgetary stringency, countries need to review their entire expenditure programs critically, and reconcile the overall fiscal costs of the measures to be taken with existing medium-term fiscal plans. Governments should seek to finance the additional expenditures needed in ways that minimize negative impacts on the poor. Each country must assess the scope for increasing the fiscal deficit, and how it would be financed, with due attention to long-term fiscal and debt sustainability. The more external finance is available, the more

flexibility governments have to implement immediate measures. Countries that cannot, or do not wish to allow a higher fiscal deficit, will need to create fiscal space for the measures to address the rise in food prices by reducing lower-priority expenditures in other areas, or by actions to raise revenues—including through administrative measures or changes in policy.

#### **Menu of actions:**

<sup>24</sup> IMF, "Food and Fuel Prices—Recent Developments, Macroeconomic Impact, and Policy Response," June 2008.



### Macro-economic implications managed

- **Hold down core inflation and inflation expectations** by setting a sufficiently firm monetary policy stance to prevent spillover of higher food and energy prices into more generalized inflation. Central banks and monetary authorities can prevent the pass-through of large shocks from higher food (and energy) prices from generating persistently higher inflation by holding down core inflation and inflation expectations through setting and sticking to sufficiently firm monetary policy stance. For developing countries, this may be particularly challenging as a tight monetary policy could induce slower growth or provoke a recession. However, the repercussions of allowing rising inflation through accommodative monetary policy will be even more damaging to growth prospects and the progress made in reducing poverty in many developing countries.
- **Assess the impacts on the balance of payments and feasibility/sustainability of a reserve drawdown.** Some countries will be able to finance higher net food imports from their reserves—at least initially. This will give time to adjust the composition of demand and to stimulate domestic agricultural production. However, net food importing developing countries with insufficient reserves, rising import bills and deteriorating terms of trade (i.e. the unit value of imports rising faster than the unit value of exports) will need balance of payments support, or risk currency depreciation which would further raise the domestic price of food.
- **Mobilize external support to finance additional food imports.** For countries with inadequate reserves, additional resources must be mobilized rapidly to pay for food imports. Such resources can come from either bilateral donors or international financial institutions in the form of grant-based humanitarian aid, increases in ODA or direct balance of payments support.
- **Ensure adequate levels of foreign exchange reserves,** including through reducing non-essential imports by the government, and/or increasing exports once immediate food import needs are met.
- **Assess and comprehensively cost all fiscal measures taken in response to the rise in food prices.** All measures, whether in the form of additional public expenditure on support programs for producers or consumers, or tax or import tariff reductions, need to be accurately costed for immediate and medium term consequences. Some governments will need external assistance in the form of budget support to fiscally cope with the crisis.

## **2. BUILDING LONGER-TERM RESILIENCE AND CONTRIBUTING TO GLOBAL FOOD AND NUTRITION SECURITY**

This chapter outlines the basic four outcomes to build resilience and contribute to food and nutrition security in the long run by addressing the underlying factors which have driven the food price crisis. Under each outcome it puts forward 'menus of actions' that need to be phased-in or scaled up now at the country, regional and global levels, in order to yield durable results over the longer-term. These outcomes include:

- 2.1 Social protection systems expanded.**
- 2.2 Smallholder farmer food production growth sustained.**
- 2.3 International food markets improved.**
- 2.4 International biofuel consensus developed.**

These outcomes recognize that immediate needs must be complemented and supplemented by urgent actions that will contribute to a greater degree of self-sufficiency of vulnerable populations, farmers, and ultimately countries. Achieving these outcomes will allow people and countries to better absorb future food and fuel price shocks, while working to minimize the occurrence of such shocks. These outcomes also directly contribute to achieving the MDG to reduce hunger, not just immediately or in response to a crisis, but for the long term. The outcomes focus on actions to support smallholder farmers and the rural and urban poor. However, many actions support infrastructure and other public goods, such that larger commercial farmers will benefit as well. This is intended to encourage greater and more sustained private sector investment into smallholder farms.

As with Section 1, these outcomes require actions at local, national, regional and international levels. They require concerted, long-term commitments from all stakeholders. These outcomes require actions to be flexible and adjust as conditions evolve. This section includes specific topic boxes that discuss important issues facing today's farmers: conservation, ecosystems, land and resource management, and new technologies.

It is understood that the actions will be specifically adapted to national and local conditions, take into account initiatives to address global climate change and poverty reduction, reflect the need for long-term sustainability and avoidance of further environmental damage and need to be agreed upon and taken forward by key stakeholders, including national governments, civil society, and the private sector

## 2.1 Social protection systems expanded

Food assistance and safety net programs are on-going in many developing countries to support those most vulnerable to food and nutrition insecurity. At times, they run in parallel and then again they directly link up and reinforce each other through provision of supplementary food or cash support, training, etc. While progress has been made in aligning and coordinating nationally funded and externally supported aid programs and in improving program efficiency, through a more flexible use of tools and resources, there is much to be done to improve coverage of socially vulnerable groups with benefit levels that will cover their basic needs. A strengthening of nationally sustained social protection systems remains essential for achieving this goal, for reducing the number of hungry people, as per MDG 1, and for building resilience to future shocks.

The development of longer term comprehensive social protection frameworks will vary between countries depending on specific country needs, social infrastructure and vulnerability patterns as well as technical and fiscal capacity to administer different types of programs. Countries may run different social protection schemes and approaches, administered and financed by a variety of actors, in which case the challenge will be to synergize, build on best practices and pool resources with a view to increase efficiency and the developmental potential of programs. The most common and effective social security programs comprise schemes such as pensions, child grants and disability grants. At an advanced stage, social protection systems should be able to capture all those people who fall under socially vulnerable categories and effectively provide them with minimum grant levels that will allow for food and nutrition security and prevent families from resorting to negative coping mechanisms. In doing so, systems should be able to allow for regular beneficiary screening and address both inclusion and exclusion errors. This means that they should also be able to filter out those who have graduated beyond the eligibility threshold and are in a position to sustain themselves by their own means. In order to promote such “graduation”, social protection systems should be combined with programs that build human capacities.<sup>25</sup>

It is possible in many countries to progressively achieve

### Topic Box: Food Security for the Urban Poor and Balanced Regional Growth

Urbanization is a crucial dynamic for food supply. The urban poor, comprising about 1.2 billion slum dwellers, are highly vulnerable to the current rising food and energy prices. Even under normal price conditions, the urban poor are often not capable of producing or purchasing food or household energy for subsistence. Urbanisation is also irreversibly changing both consumption and production patterns. This is particularly the case with the conversion of agricultural land, competing demands for water, and the use of energy. Growing urban populations mean changing food habits because of increasing dependence on imported staples at the expense of locally produced ones.

In the immediate and short term, measures need to be put in place to assist the urban poor in the slums to access sufficient food including effective targeting methodologies involving communities. Any long-term strategy to reduce the pressure on food prices will also need to encompass more effective strategies to promote sustainable urbanisation. A paradigm shift in design and urban planning is needed that aims at:

- Reducing the need for energy-intensive transport through better land-use planning and more compact and complete cities and communities;
- Reducing the distance for transporting food by encouraging local food production, where feasible, within city boundaries and especially in immediate surroundings. Without sacrificing core principles to observe public health standards, this includes removing barriers and providing incentives for urban and peri-urban agriculture, as well as improved management of water resources in urban areas;
- A more balanced approach to regional development including promoting secondary towns as rural economic growth nodes. This is especially the case in rapidly urbanizing countries in Africa and Asia where the bulk of urban growth is occurring in secondary towns and smaller cities, placing considerable pressure on land, energy and water. This rapid growth needs to be accompanied by investments in infrastructure to stimulate local economic development and enhance agricultural marketing, credit and input distribution systems. Investment in transport infrastructure such as rail, trunk and feeder roads to bring agricultural produce to markets is also a prerequisite for raising local farm productivity.

<sup>25</sup> In assessing and developing social protection systems, countries and their development partners should engage in: *Mapping*—identify and monitor population groups and their respective vulnerability levels; *Fine tune beneficiary targeting*—match program approaches with the needs and context of defined population groups, and assess program effectiveness; *Equity in treatment of beneficiaries*—programs should be fair in terms of providing similar levels of benefits to households which are at the same poverty level (horizontal equity), and may provide more generous benefits to the poorest beneficiaries (vertical equity); *Cost-effectiveness*—program resources need to reach intended beneficiaries. A balance should be drawn between minimizing inclusion and exclusion errors in targeting and keeping administrative implementation costs at a low level consistent with achievement of desired program impacts; *Incentive compatibility*—normal incentives, which households face regarding employment or other key decisions for poverty reduction, should not be overly distorted.

universality in the coverage of social protection systems and build greater resilience to price shocks. To be more effective in the latter area, social protection systems should go hand in hand with risk management instruments so as to jointly mitigate the effects of ensuing crises and disasters. Systems should be indexed and provide for a mechanism to adjust benefit levels to food price trends and inflation. They should incorporate the most efficient means of transfer to reach out to vulnerable populations and improve linkages with other basic social services. In the case of food-based programs for nutritional support, efforts should be made to link up with the private sector and promote country-level production of quality and micro-nutrient fortified foods.

### **Menu of actions:**

#### **Social protection systems expanded**

- **Strengthen capacity to design and implement social protection policies and programs** to provide the basis for introducing and/or scaling up existing targeted assistance programs. Countries need to be prepared with the policy framework and technical capacities to rapidly respond to crises so that the programs and policies adopted are well designed and become an asset in reducing poverty following any crisis, rather than a fiscal and political liability which is difficult to wind down or replicate.<sup>26</sup>
- **Move towards more efficient programs** as the mechanisms for beneficiary selection and the toolbox for effective program delivery are fine-tuned and improved, in accordance with country-level capacity. Ensure accountability and transparency in the use of resources as a means to increase civic responsibility and confidence in the equity and effectiveness of social protection systems.
- **Identify alternatives to unconditional assistance** through linkages to other social sector programs, using a combination of food and cash inputs. Conditional transfers can be based on means testing to assist specific population groups. Food/Cash-For-Work, for example, are forms of conditional transfer that can effectively engage the unemployed, yet able bodied, in the rehabilitation of small scale infrastructure and agricultural assets with lasting benefits for the community, while at the same time covering the immediate needs of participants. Food/Cash-For-Training is yet another form of conditional transfers. It assists people in adopting skills, (re-) entering the labor market and becoming more self-sustainable. School feeding can be an effective incentive to improve school enrolment and attendance among children, in particular girls. In order to enhance the nutritional aspect of the program, it should aim at integrating food and nutrition education into the school curriculum.
- **Improve the quality and diversity of foods** channeled through nutrition interventions to highly vulnerable groups. Promote closer involvement of medium and small scale businesses in producing micronutrient fortified foods at the country level. Support should be given to the production of high nutritional quality products, e.g. horticultural products.

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<sup>26</sup> Such assessments should pay particular attention to assessing any form of discrimination that may manifest itself in greater food insecurity and vulnerability to food insecurity, or in a higher prevalence of malnutrition among specific population groups, or both, with a view to removing and preventing such causes of food insecurity or malnutrition.

## 2.2 Smallholder farmer food production growth sustained

The sustainability of immediate actions to boost smallholder farmer food production depends greatly on increased and sustained investment in the agricultural sector by governments, donors and private investors. There is a need to move agriculture back into the centre of the economic development agenda, as a primary contributor to hunger and poverty reduction, and to long term food security.

### **Topic Box: Sustainable Food Production Systems: Soil Fertility and Conservation Agriculture**

Increased food production should not occur at the expense of environmental sustainability. While there is scope in some developing countries for bringing new land into cultivation and in intensifying land use through irrigation, these options are costly, have potentially adverse environmental consequences, and will not be feasible on the scale required to resolve the massive problem of accelerated soil productivity decline. There are a number of good farming practices that help to increase production efficiency, provide control of pests and diseases and ensure food safety. These provide ecosystem services beyond agricultural production, for example, carbon sequestration or rain-water infiltration into soils to minimize runoff and water pollution. Any program to increase food production will necessarily target existing agricultural areas – both rain fed and irrigated – to increase soil fertility in situ, and to promote good land, crop, livestock and forestry management practices.

A soil fertility strategy in support of poverty reduction and food security has inherently a long term perspective of 15 to 20 years and would comprise, inter alia,

- policy measures that include land tenure, access rights to land and trees and resource pricing;
- technical solutions for suitable cropland and high potential grazing land that empowers farmers including women and herders to better manage soils and water through extension and new and proven practices (see below);
- prioritized research programmes focusing on soil and water conservation, sustainable land management and integrated soil and plant nutrient management that promote the efficient use of plant nutrients and reduce environmental impact; and,
- improved smallholder farmer's knowledge on and access to organic and inorganic fertilizer.

One of the most promising good farming practices is Conservation Agriculture (CA), sometimes called agro-ecology because it combines agricultural practice and effective use of ecological knowledge and direct seeding into crop residues. As it is based on reduced soil tillage and crop rotation these practices contribute to increase soils' water retention and plant nutrient exchange capacity, both of which are imperatives for soil health and sustainable production. Reduced soil tillage drastically decreases the oxidation of soil organic matter that occurs through conventional ploughing. In the tropics this oxidation is rapid and very detrimental to soil health and sustainable production. There is more to CA than reduced tillage: it is essential that the soils no longer ploughed have a cover, either by leaving crop residues on the fields and/or by planting a cover crop. An effective rotation of crops is also fundamental for CA, as it is a good Integrated Pest Management plan. CA is more energy efficient since there is less tillage that requires tractors or animal traction. CA also uses less fertilizer since nutrients are more efficiently recycled.

Smallholder and large commercial farmers can apply CA approaches. CA could be seen as substituting oil-based energy and chemical inputs by smarter cropping practices. CA is therefore knowledge intensive: farmers must understand what they are doing and the implications of their choices. Work in Brazil, countries in Africa and elsewhere strongly suggests that introduction of CA will be successful through a facilitated 'farmer to farmer' learning process. It also redistributes labour requirements by reducing labour demand at the planting stage, which is critical for most smallholders. Finally, CA training should be linked to Integrated Pest Management (IPM) training.

At the same time the agricultural sector must confront the challenges of adapting to and mitigating climate change, declining ecosystems, cost of oil-based inputs such as fertilizer, and challenge of developing diversified rural and national economies. The current levels of productivity of most smallholders are far below those which are possible and those which are routinely achieved in countries where there has been appropriate investment into productivity. Reasons may be shortages of investment finance, inappropriate policies, insecure or inappropriate land tenure, lack of knowledge, poorly developed commercial infrastructure, or poorly developed food and agricultural chains. Unsustainable land and water management practices have also contributed to losses in soil fertility and productivity, and disruptions in food production and economic development, especially in the most fragile and marginal

environments where smallholder farmers are the major custodians of natural resources (soil, water, forests, pastoral land, fisheries). However, practical experiences in many places suggest that there are realistic opportunities to more than double yields by smallholders in most countries using known and available technology within an enabling policy and regulatory framework. Experience also shows that integrated land and water management, associating crop, animal production and increasingly inland fishery provide strong bases for enhanced factor productivity, resource use sustainability and better adaptation to climate change.

Unleashing the full potential of smallholder farming is key to the global food security agenda, but it is not enough. To boost durably food supply, it is essential to increase public and private investments throughout the food chain (from producer to consumer), i.e. at farm level, in production infrastructure, access to markets, and processing, including through public-private partnerships. A more enabling policy and institutional framework is also needed. While the focus of publicly supported actions in the crisis is on smallholder farming, these actions will greatly benefit larger farmers too, especially the investments in “public goods” such as establishing a conducive framework for public and private investment, improvements to rural infrastructure, promotion of markets for agricultural inputs and produce, sustainable management of water, genetic and other natural resources, development of financial services and agricultural research and technology dissemination. In addition there is a necessity to strengthen producer organizations which both reduces the costs for smallholders to integrate into the evolving agricultural supply chains, and improves their bargaining position for share of the food marketing margins vis a vis often well organized and concentrated input supply and food marketing companies. More broadly, there is a need to further improve governance throughout agricultural and food systems at local, regional and global levels in order to improve effectiveness and quality of investments and results.

**Menu of actions:**

**Topic Box: Development of Private Sector Market Linkages with Smallholders**

The economic environment in which the smallholder farmers evolve has changed dramatically over the past 20 years. In most developing countries, the private sector is now responsible for the majority of investment, innovation, and income-generating opportunities. It has become the driving force for agricultural and rural growth. Smallholder producers represent a large part of the private sector in developing countries and interact with bigger private operators on a daily basis. The private sector faces many risks when dealing with smallholders. The most prominent are:

- Lack of capacity of smallholders to supply products on a consistent and timely basis
- Lack of availability of modern technology and standards
- Remoteness of production
- Lack of trust, leading to a propensity for smallholders not to adhere to agreements
- Lack of adequate legal instruments to ensure repayment of investment loans and operating advances

All of these risks lead to an increase in the costs borne by a commercial entity in dealing with smallholders. The result is that smallholders are then either excluded from access to commercial markets entities, or else are only enabled to gain access at a distinct commercial disadvantage. This results in disincentives for smallholders to produce for the market. Public-Private Partnerships, developed by development agencies and applied at the micro-economic level, show promise in enabling greater smallholder participation in market-oriented food production. Approaches include:

- Building “transaction security” mechanisms between buyers and sellers along the whole food chain to ensure that agreed transactions take place accordingly, problems are trackable, and produce is traceable through the whole chain back to the producers. This required inter alia the development of “intermediated” contract farming, with a “brokerage” or “ombudsman” service to help businesses and smallholders develop trust, and overcome obstacles to participation;
- Bundling of investment in smallholder productive capacity within the framework of a specific value chain. This provides opportunities for more efficient delivery of finance and technological investment, including investment in human capacity.
- Providing investment in rural infrastructure within a value chain framework, ensuring that the infrastructure will directly contribute to reduction of cost and alleviation of risks of commercial interaction.
- Providing a pro-active “commercial discovery” service, so that both smallholders and commercial entities are apprised of opportunities to do business.
- Ensuring that there is both technical and financial viability for production systems at all levels within a value chain.

**Smallholder farmer food production growth sustained**

- **Improve the enabling policy framework** by reviewing current macroeconomic, budget, trade and sectoral policy impacts on incentives for smallholder production and development of input and output markets serving smallholders. National and international stakeholders should promote macroeconomic, agriculture and food policies conducive to increasing public and private sector investments in food supply and that acknowledge the critical role of smallholder farmers (especially women).
- **Stimulate private investment in agriculture** in order for agriculture to serve as a sustainable and competitive source of growth and jobs for the national economy, and a prime driver of agriculture-related industries and the rural non-farm economy while protecting the environment. This entails creating a more conducive climate for investment, including well defined and transparent business regulations, contract enforcement, improvements in basic transport, communication and power infrastructure, and investments in basic education and health services. Effective public investment in rural development should provide the basis for increasing private investments in businesses which provide inputs and services to smallholders, as well as expansion of agricultural marketing and processing enterprises which integrate smallholders into domestic and international food supply chains.
- **Ensure secure access to and better management of natural resources, including land, water, and biodiversity.** An ecosystems management approach must be mainstreamed into national agriculture plans<sup>27</sup>. This includes the development of transparent, equitable, gender-sensitive and context-appropriate natural resources policies such as integrated water resource management (IWRM). In addition, a transparent land tenure policy for managing land effectively while securing access to land rights for communities or individuals, particularly marginalized groups (e.g. indigenous people, women) is critical to long term sustainability and growth. The better defined and more secure tenure or use rights, the more sustainably those resources are managed. Natural resource management policies should consider issues of biodiversity, ecosystem management, and environmental governance.
- **Invest in agricultural research on food crops, animal production, and inland fisheries. Promote technology dissemination** for improving food security in the context of climate change. Specific efforts should be made to develop research on orphan food crops such as the tropical roots and tubers (cassava, yams), and neglected grains (millet, sorghum); to devise and disseminate technologies for improved soil fertility (e.g. conservation agriculture); and to support adaptive research within the food chains using already known technologies.<sup>28</sup> This implies promoting approaches to information, knowledge sharing and learning that are better adapted to the needs of small farmers (e.g. farmer-to-farmer exchange, farmer field schools).<sup>29</sup>
- **Improve rural infrastructure** such as roads, irrigation and electrification to remove bottlenecks in marketing, reduce transaction costs and boost productivity. To stimulate private investments, infrastructure needs to be properly targeted to support food production and marketing. Investments need to be financially efficient and sustainable with provisions for operation, maintenance and depreciation/renewal.

<sup>27</sup> This includes an interlinkages approach to agriculture and rural development, making agriculture more environmentally sustainable, enhancing the capacity of governments to promote landscape management, assessing the true value of agricultural land, forests, and other ecosystems, and developing climate change scenarios in IWRM planning and implementation.

<sup>28</sup> In this sense, strengthening the CGIAR would facilitate greater access of poor farmers in developing countries to appropriate agricultural research and technology.

<sup>29</sup> The 2008 International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD) presents a broader change agenda for the AKST systems "to be used to reduce hunger and poverty, to improve livelihoods and facilitate equitable environmentally, socially and economically sustainable development." See: <http://www.agassessment.org/>.

- **Ensure sustained access to competitive, transparent and private-sector-led markets for food produce and quality inputs**, focusing on the key food commodity chains (from producer to consumer) and their stakeholders (producers, traders, processors, government, etc.). Include private-sector-based networks of agricultural input dealers (e.g. seed, fertilizer, equipment, animal feed) tailored to the needs of smallholder farmers. Strengthen market linkages, especially between farmers and food traders and processors (through e.g. contract farming). Promote fairer distribution of value added among value chain actors by developing food processing, packaging, distribution and marketing enterprises.
- **Support development of producer organizations**. Strengthened farmer and producer organizations enable smallholders and other actors in the food chain to reduce costs, manage common resources and learn together. Producer organizations also need support at local, national and regional levels to improve bargaining power in policy dialogue and within food value chains.
- **Strengthen access of smallholders and other food chain actors to financial and risk management instruments** to increase farm-level investments, boost productivity, and enhance assets. Agricultural financial services remain underdeveloped. There is a need to expand the outreach of rural financial institutions and to develop new products for food production and marketing that enable investments while reducing risks. Examples include leasing, insurance (for risk mitigation, including for climatic risks), matching grants, warehouse receipt systems, commodity-based financial products, and overdraft facilities for input dealers. Financial services should be delivered along with good practice principles by professional financial institutions; governments should avoid interfering in the provision of credit at retail level.

#### **Topic Box: Agricultural Technology**

Farmers in low-income countries are generally realizing low yields primarily because they are not using existing technologies. For example, average rice yields in Southeast Asia vary from 60 to 70 percent of yields by farms using improved technologies. West African rice farmers could more than double their yields if they use the New Rice for Africa (NERICA) and its associated technology package. Thus, there is a tremendous opportunity to boost yields by linking input support to broader technology transfer, particularly those technologies which build on existing smallholder farming and risk management systems.

Significant increases in funding and dissemination of international and national agricultural research are required to avoid another food crisis in ten to fifteen years. World food demand is expected to continue to grow, there is increasing competition for land and water resources, and agriculture is central in efforts to mitigate and adapt to climate change. At the same time, the capacities and creativity of public sector research needs to be much better linked to the significant and rapidly growing private sector researchers. At a broader level, Agricultural Knowledge, Science and Technology systems (AKST) need to be refocused to contribute effectively to reducing hunger and poverty and improving livelihoods while facilitating equitable environmentally, socially and economically sustainable development. In this respect, they need to respond to local and global concerns including the loss of biodiversity and ecosystem services, climate change and water availability.

The role of transgenics in longer-term growth in food production is increasingly under discussion. Transgenics, or genetically modified organisms (GMOs), are the result of transferring one or more genes from one organism to another, e.g. a bacterial gene introduced into plant genetic material. While GMO use is expanding, and they promise significant improvements in yields and resistance to crop losses from pests, drought and salinity, they also raise a number of concerns, including environmental and health impacts, the consequences for biodiversity in crops and related plants, cost, and relevance of GMOs for small, resource poor farmers in developing countries.

At the farm level, GMO based production is currently tightly regulated in a number of important markets. Countries must take care to ensure no mixing of GMO with non-GMO crops bound for these markets. GMO-based hybrid seeds, as is the case for all improved varieties, require farmers to purchase seeds for each cropping season. GMOs require large capital investments and GMO development has generally been oriented towards large-scale commercial agriculture. The result has been very little development of varieties for developing country smallholder staple crops (other than maize) such as sorghum, millet or cassava.

Given their increasing use and the development of new relevant traits, transparent national and regional frameworks that include all (such as farmer organizations and private sector operators) are needed for screening the biosafety and appropriateness of GMOs. For most smallholder farmers, emphasis will, in the short run, remain on transferring existing, under-utilized technological options that are relatively low cost while countries further assess the issues related to GMOs based on growing international experience.



### **Topic Box: Ecosystems are Key to Food Security**

Natural resources account for more than 25% of the wealth of low-income countries and only somewhat less in higher income countries. All people – rich and poor, urban and rural – rely on natural resources. Ecosystems provide the natural resources capital needed for development. However, ecosystems are under assault in many countries. The release of harmful and persistent pollutants from mining, manufacturing, sewage, energy and transport emissions, agro- and other chemicals degrades terrestrial and aquatic ecosystems. Unsustainable land and water use and the impacts of climate change are driving land degradation, including soil erosion, nutrient depletion, water scarcity, salinity, chemical contamination and disruption of biological cycles. The cumulative effects of these changes threaten food security, biodiversity, and carbon fixation and storage. People in the poorest countries of the world are the ones most directly reliant on natural resources for their wellbeing, and are often the most vulnerable to land degradation and global changes, including climatic warming.

The same natural resource base however, through better management, should and can be a source of sustained livelihoods. Maintaining and promoting the ability of agricultural systems to generate goods and ecosystem services—through healthy functioning of its roles in nutrient cycling, watershed services, control of pests and diseases- can ensure resilience and sustainability of agriculture under intensification. Soaring food prices and energy costs have highlighted the vulnerability of agriculture that is highly dependent on fossil fuels and inputs that are extraneous to the field. Cultivation practices are undergoing a shift from dependency on non renewable inputs and from chemical-based intensification to forms of biological intensification—such as IPM and Conservation Agriculture—that draw on biodiversity and natural resources to increase the productivity of farmlands.

There are recognized environmental and economic benefits in phasing out subsidies for agriculture that impacts the natural resource base. Moreover, there is evidence that investment in environmental management results in increased income generation for the rural poor. Yet transitioning to new production systems needs enabling policy and investment environments. Financing plans that allow local resource conservation to pay for itself over time can be developed, but local communities or domestic financial sources are often unable to make the initial seed investment. Liberalization of trade in goods-and-services of interest to developing countries could generate additional financial flows totaling about US\$ 310 billion yearly.<sup>a</sup>

<sup>a</sup> UNEP. (2007). *Global Environment Outlook: environment for development (GEO-4)*. UNEP, Nairobi

## **2.3 International food markets improved**

The food crisis has highlighted a number of weaknesses in the functioning of international food and agricultural markets with drastic consequences for the poor. While food prices have remained relatively stable and low for several decades, the recent volatility of food prices has highlighted new challenges. In particular the subsidiary effects of exacerbated high-prices resulting from policy actions of a few countries have highlighted current limitations in the international trading system, and re-doubled the need for countries not to retreat from their commitments to a more open and fair trade system. The impact of speculation in futures and commodity markets on food prices has also highlighted the importance of appropriate regulatory measures to ensure that on-going integration of financial markets provides the basis for increased benefits, rather than risks, for the poor.

Many of these challenges require collective action at the international level. The crisis has highlighted the necessity for countries to act in a coordinated way to avoid actions which meet national needs but which can make the problem worse for other countries. Coordinated arrangements at the regional or global level, such as real or virtual strategic stocks arrangements, can provide countries with greater confidence that their urgent needs can be met rapidly in case of future food crises.

Similarly there are emerging financial instruments which can support countries at much lower cost than holding physical stocks. International support is required to develop appropriate instruments for low income countries and to build confidence in their reliability.

### **Topic Box: Regulating the Role of Speculative Investments in Food Markets**

Declines in property and securities markets in many developed countries led to some transfer of assets to grain futures and options markets which are suspected of having fueled price increases based on speculation of continued price increases. While analysis is still underway to identify what role, if any, financial investors may have had in recent price rises, it does raise issues regarding the future development of global, national and regional price risk management instruments and the need for better and more information and appropriate regulations to limit the impact of purely speculative bubbles on prices.

A key challenge in the context of the food crisis is the speed, sequencing and nature of trade liberalization in agriculture. While trade liberalization enhances export and income generation opportunities for farmers in developing countries, policies to encourage efficient and competitive smallholder production and increased investment in the agricultural sector need to be put in place or strengthened, especially in the context of past underinvestment in research and extension, infrastructure and marketing. If there is an initial, rapid surge in imports, temporary support mechanisms for smallholders whose livelihoods are at risk may be needed. In addition, Governments should take into account the potential impact of changes in the trade regime on the fiscal revenue base. Global efforts to improve food markets must therefore be consistent in supporting the goal of strengthening sustainable smallholder production and contributing to overall food and nutrition security.

#### Topic Box: Food Stocks

Grain stocks have declined by about half over the past six years, largely reflecting consistently low prices and the confidence of countries in using foreign exchange reserves for any critical food purchases. While the recent price spikes and, in the case of rice, difficulties in obtaining supplies even at current, high prices, have called into question this approach. Countries need to be cautious about rushing into large increases in national stocks. Given limited current supplies, rapid build up of stocks will put additional pressure on markets and further increase prices. Moreover, there are significant costs and complexities in managing stocks, particularly if carried out by the public sector. Alternative approaches include development of regional stock or food reserve agreements, virtual stocks, financial instruments such as options, weather risk insurance or bonds, and contracts with the local private sector to manage stocks.

#### Menu of actions:

#### International food markets improved

- **Reduce/eliminate agricultural trade distortions, in particular subsidies and market restrictions, in higher income countries** which undermine incentives for farmers in lower income countries and impede progress on the broader free trade agenda.
- **Rapidly complete the Doha Round of trade negotiations to provide an enhanced set of agreed rules for a more transparent and fair international trading system, taking into account the food security, livelihood security and rural development needs of developing countries.** The WTO Marrakesh Decision on the Possible Negative Effects of the Reform Process on LDCs and Net Food-importing Developing Countries could be used to effectively assist these countries during a transitional period of higher food prices stemming from the implementation of the reforms.
- **Implement “Aid for Trade”** to strengthen capacity of developing countries to engage in and realize benefits from international trade in food products. This can include building capacity to utilize the provisions of trade agreements effectively and design and implement appropriate policies, assistance with supply constraints as well market access impediments such as quality and phytosanitary standards, labeling and other market access requirements.
- **Strengthen analysis and oversight of food commodity and futures markets to limit scope for speculation to increase price volatility.** Additional analysis is urgently needed to assess evidence that speculative investments by financial funds seeking to hedge inflation and the weakening of US dollar may have increased volatility of agricultural, gold and oil markets. Given the direct impact of volatility in food markets on the poor, the analysis may point to the need for additional precautions to ensure that the use of these markets for quick financial gain does not dominate their role as a means for agricultural markets to manage their own risks.
- **Build capacity for international financial markets to better meet needs of lower-income countries** through development of price and weather risk transfer instruments which can reduce the fiscal impact of responding to a food crisis by shifting the risk to financial markets while ensuring that appropriate market safeguards are in place to limit speculation-driven volatility. Pilot activities

linking lower income countries to futures and options markets, commodity exchanges, weather indexed bond markets and weather reinsurance markets need to be scaled up, and include intermediation support from international financial institutions.

- **Support development of regional or global mechanisms** for improving emergency access to food **through stocks sharing** and reduced restrictions on the release of stocks to other countries under emergency conditions, including humanitarian crises. Efforts to rebuild and improve the management of household, community and national stocks should be complemented with regional and global stocks and related mechanisms to ensure food access. Stocks should be released strategically to support programs which facilitate food access to the most vulnerable population and dampen price fluctuations. Use of options contracts, “virtual stocks” or similar mechanisms could address past difficulties in predicting costs and ensure timely delivery. Food stocks management should improve with closer involvement of the private sector.

## 2.4 International biofuel consensus developed

Biofuel policies, in particular targets, subsidies and tariffs in support of biofuel production, require reappraisal in the light of the food crisis. Over the last year, developed countries spent about US\$ 11 billion to support biofuel production, mostly on food crop feedstocks.

There is an urgent need to establish a greater degree of international consensus and agreed policy guidelines on biofuel production which take full account of climate change mitigation and adaptation efforts, food security, income, and energy needs at local levels in all countries. Policies should also ensure economic and environmental viability in order to ensure responsible and sustainable use of resources. The increased demand for biofuels offers an opportunity for farmers, including smallholders, in particular in tropical countries that have a comparative advantage in feedstock production, and biofuel development could inject new investment, technology and knowledge transfer all leading to increased agricultural productivity, which would also benefit food production. However, if not properly managed, it can (through its impact on food prices, land tenure, etc.) harm all poor households who are net food-buyers. Some countries have already restricted the use of grains for ethanol production based on food security concerns, and some observers have called for other countries also to include food security considerations in the policy making process, by restricting or eliminating the use of particular food crops as feedstock.

The international response to biofuel development should also harmonize policy objectives across food security, climate change, environmental, energy and biofuel policies. Research and development, monitoring of biofuel impacts, resource efficiency, reassessing trade measures and financing options, and information exchange are also necessary to enable policies that are designed simply to increase biofuel production in all countries to be adjusted in an optimal way.

### Menu of actions:

#### **International biofuel consensus developed**

- **Prepare a common reference framework for sustainable biofuel development and enforcement mechanisms.** Sustainability principles should be based on an internationally agreed standard that satisfies international trade law requirements, and should take into account environmental, social and institutional factors. For example, ensuring sustainable use of natural resources, particularly land and water, and reducing in greenhouse gas emissions; generating benefits for local communities; and undertaking stakeholder consultation in the preparation of biofuels investments.

- **Develop biofuel guidelines and safeguard measures that minimize adverse impacts on global food security and the environment, to mitigate risks of biofuel development in the short and medium term.** Guidelines should build upon good practices, including ex-ante assessments of the impacts of policies or commercial activities that use food crops as feedstock, or change land ownership and use, as well as assessments of impacts of biofuel production on food prices at national and global.
- **Re-assess biofuel targets, subsidies and tariffs** to reduce pressures on grain and oilseed demand and food prices and allow the potential benefits of biofuels to be gained without the negative consequences. Phasing out production subsidies, combined with simultaneous tariff reductions, would allow biofuels to be produced from the most efficient feedstock and by the lowest cost producers.
- **Facilitate private investments in biofuel production in developing countries** to diversify energy sources and reduce volatility in both food and energy markets, provided that appropriate safeguards are in place for vulnerable groups. Many developing countries have a comparative advantage in biofuel production—such as sugar cane, sweet sorghum, jathropa, palm oil, and others, including also from second generation stocks such as sugar cane residue. Countries may need assistance to design adequate market and regulatory frameworks for private sector investments.
- **Promote research and development, knowledge exchange and capacity building** such as accelerating research and development for first generation technologies for non-food biofuel crops as well as second-generation technologies, especially those adapted to developing countries, which are focused on cellulose from stalks and leaves, and waste and residues rather than food sources. Studies on efficiency improvements for biofuels should also be strengthened.

### 3.1 Global information and monitoring systems strengthened

Stronger assessment, monitoring and surveillance systems are needed to better prepare for tomorrow's crises and to ensure that actions taken by governments and the international community are minimizing risks and mitigating the effects of high food prices on the most vulnerable. The actions outlined in the CFA require significant financial and policy investments at all levels – actions which may reduce resources available for alternative investments. Accordingly, it is necessary to improve the knowledge of those factors, policies and trends which may impact on the level of food prices and food security and to evaluate the efficiency and effectiveness of national and global response mechanisms.

Fortunately, much work is already on-going at country and global levels which can be expanded. Assessments are being conducted. Monitoring and information systems are being strengthened and harmonized with a view to capture developments in food access, availability and utilization, and to identify the magnitude of needs among different livelihood groups. More resources are required to strengthen on-going monitoring of communities, households, markets, as well as cross-boarder trade to enable effective management of the current crisis.

Significant attention is given to countries which are at high risk and, therefore, likely to see the biggest changes in their food security profiles. These are countries which (a) exhibit low response capacity and high levels of food and nutrition insecurity and poverty; (b) have high food and fuel imports compared to total imports, exports and international foreign reserves; (c) have relatively large urban populations; (d) already experience high inflationary pressures and a politically unstable environment; (e) whose populations spend a significant proportion of household income on food and are otherwise vulnerable of becoming food insecure; and (f) are increasingly exposed to extreme weather effects of climate change. These countries may need support in their efforts at measuring vulnerability, risks and response capacity to avoid rapid actions and trade policies which can have grave consequences for neighboring countries and longer term food production.

A country-specific analysis should include a better understanding of:

- Regional and local agricultural production, weather and climate forecasts and trade flows;
- Consumer markets (including causes and magnitude of food price changes, local/regional variations);
- Impacts on households purchasing power, food consumption and coping mechanisms;
- Key vulnerable livelihoods and their ability to mitigate or cope with threat to food security
- Nutritional implications;
- Quantification of households affected;
- Break-downs in the functioning of basic social services and livelihood of front-line health workers, teachers and social workers;
- On-going actions by government and aid partners, including in-country response capacity; and,
- Response options and related costs.

### **Menu of actions:**

#### **Global information and monitoring systems strengthened**

- **Establish better coordination of information systems** to facilitate a comprehensive analysis and response to the global food crisis. Currently there are several complementary or overlapping information systems which, together, can provide a systematic understanding of countries at-risk and trends in food markets across the different dimensions of poverty, vulnerability, production and trade. At the same time, this information needs to be comparable with other national and international programs and link to decision-makers as well key civil society stakeholders such as smallholder farmers, in order to help ensure progress towards the outcomes and objectives of the CFA.
- **Carry out comprehensive assessments and monitoring** in selected most vulnerable countries, including an analysis of all factors, policies and trends which may impact food price levels and transmissions, local food availability, access and utilization. This should include participatory assessment, program design and monitoring, involving those affected by the crisis or their representative organizations to ensure responses are attuned to needs.<sup>30</sup>
- **Undertake an analysis of the impact of the increased food prices.** The analysis should determine how many people are affected by food and nutrition insecurity and indicate which groups are most affected (age, gender, livelihood and geographical area (urban/rural). It will be based on data collected through a variety of sources, capturing households' incomes, expenditures (food and non-food), food sources, food consumption patterns and coping mechanisms. It will also include the expected impact of the measures on international trade on the diet and health of the populations affected by the food crisis.
- **Conduct health and nutrition assessments** and set up a nutritional surveillance system, focusing on highly vulnerable groups, such as pregnant women, children under the age of three, the elderly and those suffering from infectious diseases. Assessments should account for nutritional deficiencies that have a range of causes, including insufficient access to quality foods, care, hygiene, water and diseases.
- **Analyze the policy options for easing pressure on food prices and identify programmatic approaches for channeling immediate assistance** to improve the food and nutrition security of vulnerable communities. Policy and programmatic options should be based on country and regional

<sup>30</sup> This should be done in an active, free and meaningful way in needs/vulnerability assessments, designing or adjustment of programmes and the monitoring of implementation of programmes.

capacities and those of international aid partners and the assessment of risk management capacities at different levels (regional, national, community and households).

- **Review contingency plans and strengthen early warning systems** to take account of risks, impact, capacities and response mechanisms.

## C. ACHIEVING CFA OUTCOMES

Current food price hikes are symptoms of a deep global food crisis that is having a dramatic negative impact on millions of vulnerable people. Urgent and concerted action is needed to limit the number of people who experience hunger and malnutrition. Action is also needed, now, to tackle the underlying structural causes of this crisis and prevent it from recurring. The effort to overcome these causes will require many years of sustained advocacy, political commitment, financial contribution and joint action by a broad range of stakeholders. They will need to work together in pursuit of relevant policy reforms and the mobilization of significant additional resources to implement actions. They will need to coordinate well and take stock of achievements at regular intervals. Given the severity of this crisis, responses must be implemented urgently, focusing on the needs of the most vulnerable.

The importance of synergized action, especially at the country level, has been recognized in many national and international fora. States have obligations to ensure everybody enjoys the right to food and freedom from hunger without discrimination, to take steps to achieve the full realization of this right, and to refrain from regressive measures. Accordingly, national governments are at the center of the response and are joined by private entities, farmer/producer organizations, civil society organizations, regional political and financial bodies, donor agencies and United Nations and Bretton Woods institutions. This section considers the ways in which these different stakeholders can contribute to resolving the crisis by working together, and the specific contribution that can be made to this process by the High-Level Task Force (HLTF).

These stakeholders have already begun to address the most urgent consequences of the crisis. They have reallocated resources in existing programs and mobilized new funds to ensure delivery of food assistance, nutritional care and support (including prevention and management of under-nutrition and support of social safety nets for the most vulnerable). They are supplying seeds, fertilizers and other basic inputs to small holders. Specific contributions from the UN and Bretton Woods institutions include:

- US\$ 1.2 billion in additional assistance by the World Food Programme (WFP) to support its assistance programs in 62 countries worldwide affected by the food crisis.
- A reserve of US\$ 100 million from The Central Emergency Response Fund (CERF), a humanitarian fund managed by Office for the Coordination of Humanitarian Affairs (OCHA) on behalf of the wider humanitarian community, for food related emergency response projects (food, agriculture, health, nutrition, and logistics). US\$ 65 million has already been allocated.
- Enhanced nutrition assessments and interventions through United Nations Children's Fund (UNICEF's) allocation of an additional US\$ 50 million from its regular resources to its programs of cooperation with 41 developing countries facing nutrition insecurity among children and vulnerable groups.
- Procurement and distribution of seeds, fertilizers and other inputs in 54 countries under FAO's Initiative on Soaring Food Prices (ISFP).
- Support from the International Fund for Agricultural Development (IFAD) for smallholder farmers to rapidly access inputs and related services through a reallocation of US\$ 200 million, with programs in 14 countries that are being scaled up. In addition, under its ongoing investment portfolio, IFAD finances food production-related activities (crops, livestock and aquaculture) in 65 countries. It will further scale up and fast-track these activities upon countries' request.
- US\$ 1.2 billion of rapid financing for expansion of safety nets, agricultural input distribution, financing of critical imports, and budget support to countries impacted by the crisis through the World Bank Food Crisis Response Programme, together with

reprogramming of existing loans. Short term financing requirements for safety nets and agriculture (mainly assistance for seeds and fertilizers) in the 50 countries that were assessed by the World Bank are estimated at US\$ 3.5 billion (about US\$ 1 billion for safety net and budget support and US\$ 2.5 billion for short-term support to agriculture). As of July 2008, support to a total of 26 countries has been agreed of which grant funding to ten highly vulnerable countries has already been or is in the process of being approved by the World Bank Board.

- Additional balance of payments support under the International Monetary Fund (IMF's) existing Poverty Reduction and Growth Facilities (PRGF) in ten countries, amounting to US\$ 180 million (as of July 7, 2008). Further increases are under discussion and likely in another four countries for about US\$ 79 million. Discussions on additional financing are being held with several other countries. The IMF is also reviewing the modalities of its Exogenous Shocks Facility to enhance its accessibility to low-income countries facing additional balance of payments financing requirements.

In addition, major pledges of support for agriculture have been made by the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and the Islamic Development Bank as well as bilateral donors and NGOs.

#### **4. A SENSE OF URGENCY: THE IMMEDIATE IMPLEMENTATION AGENDA**

During the next six months the crisis is expected to deepen and members of the HLTF will pay concerted attention to several global priorities.

**Responding to needs for food assistance and broader social protection:** The numbers of vulnerable people in need of food and nutrition assistance and other forms of social protection are increasing dramatically. The number of people supported by WFP and partners is expected to grow by at least 40% from the current level of more than 70 million people. High food commodity and fuel prices, as well as limited availability of food in global markets (due in part to export and other restrictions), have complicated the process of procuring and delivering additional supplies for humanitarian purposes. Difficulties with accessing food have led to long periods of delay between the procurement of food and its arrival in-country. Urgent action is required to address existing bottlenecks so as to promptly get assistance to those who need it. The HLTF will request that funds for food assistance be un-earmarked (to assist programming to populations most in need) and are provided promptly. The HLTF will encourage nations to exempt cross-border humanitarian food movements from tariffs or export bans, and to adopt international standards when determining the quality of this food. The Task Force will call for the doubling of resources for food and nutrition assistance and social protection, as well as greater predictability in funding.

**Distributing inputs and other agricultural support:** The crisis has led to shortages of seeds, fertilizer, transport, plant protection and finance among many agricultural communities throughout poorer nations. This limits the ability of smallholders to plant crops during the current planting seasons so as to avert further food shortages. The HLTF will stress the urgent need to supply more agricultural commodities and strengthen distribution systems in some 60 countries. Similar to food assistance, the HLTF will encourage nations to reduce or eliminate restrictions on the import, export and movement of fertilizers for productivity-enhancing safety nets. The HLTF will assist countries in reviewing their food and nutrition policies, with the aim of improving and sustaining food and nutrition security.

**Influencing policies:** The crisis is aggravated by the absence of coordinated policy responses. The HLTF will urge countries to immediately reduce export restrictions and increase the release of stocks into the markets, and will provide urgent budget support to governments of the most affected countries so that they can finance immediate response measures. The HLTF will also ask countries to



assess and respond, as appropriate, to the possible impacts of speculation in food markets on food price volatility, and to reconsider subsidies on biofuels given their impact on food prices.

**Advocacy:** While working on the response to immediate needs, the HLTF will seek to mobilize the political, operational and financial support required to address effectively the structural factors of the crisis, including investing further resources in social protection and reversing the under-investment trends in world agriculture, especially smallholder farming, rural infrastructure and local market systems.

**Responding to demands for support:** There will be increasing demands from countries for both financial and technical support given the impacts of the food crisis on peoples' livelihoods and nutritional status. The HLTF will act to ensure that countries are able to get the help they need to respond to urgent and long-term needs. This support will include nutrition and health assessment and monitoring, prevention and management of moderate and severe malnutrition among the most vulnerable as well as developing the national capacity to strengthen national nutrition policies and strategies for responding to emerging problems such as the food price crisis, in particular among vulnerable countries.

## 5. PARTNERSHIPS AT COUNTRY LEVEL

Experiences from initial, rapid responses have underlined the critical need for close coordination among all stakeholders—governments, donors, HLTF organizations, and others—not only on agriculture, but also on all other issues affecting global food and nutrition security. Government leadership will be essential to driving country-level response. To permit well-informed, targeted and efficient responses, international agencies are working with national authorities to implement country-level assessments on their food security situations. FAO, IFAD, the World Food Programme and the World Bank have already completed assessments of 22 countries in common, while agency specific assessments have been undertaken in more than 60 countries. Using the existing Global Nutrition Databases, WHO has also assessed country vulnerabilities. Efforts are underway to focus the work of the HLTF on countries based on such assessments. These assessments have exposed the significant increase in current operating costs and the additional financial and technical support required to respond to the crisis, both in rural and urban areas.

In order to support government leadership, the HLTF considers that a broad and inclusive partnership, based on the Resident/Humanitarian Coordinator and World Bank Country Director systems and other established country-level mechanisms, is central to the CFA and considers this to be a key factor for success to achieve improved food and nutrition security outcomes in countries. Therefore, the agencies comprising the HLTF strongly commit themselves to a more unified approach, more concerted action and strengthened coordination at the country level around improved food and nutrition security outcomes in all of its aspects. The HLTF will do so in support of governments, together with a broad group of key stakeholders, including the private sector, farmers/producer organizations, donors, NGOs, the Red Cross/Red Crescent Movement and civil society.

The CFA document would serve as an organizing framework for coordination. Modalities for coordination will vary from country to country but would typically be characterized by close and systematic joint action to address both needs of vulnerable people and the drivers of vulnerability and food insecurity. Where appropriate, HLTF agencies will plan together, synergize their actions, and use common approaches to monitoring progress. They will seek ways to integrate their efforts. Close and more systematic cooperation on their assessments and planning efforts, and systems for regular consultation and sharing of analysis will help strengthen the overall partnership for food in ways that engage with the national government and its other partners, and also contribute to avoiding duplication and response gaps. In this respect, the following work and coordination modalities should be adapted to each individual country context (if not done so already), making full use of—and strengthening if necessary—the systems and capacities that are already in place:

**Reflect joint working in country level “partnerships for food”.** These partnerships will encompass food assistance, food and nutritional security, agriculture, other livelihood-support activities that increase and diversify household incomes, trade and other economic issues and will be led by national authorities, bringing together civil society, farmer/producer organizations, private sector, scientific and research bodies, regional and international organizations. They should involve relevant government departments, including the ministries for finance, planning, agriculture, natural resources, environment, health and key social sectors, with clear and visible political leadership. To ensure efficiency and sustainability, the work of partnerships should be consistent with the principles of the Paris Declaration on Aid Effectiveness.

**Build on existing mechanisms and programs.** Partnerships should avoid, to the extent possible, creating new approval, reporting or coordination mechanisms, and add value by bringing together existing groups working on the relevant issues. At the same time, the partnerships should ensure the participation of those stakeholders addressing cross-cutting issues, including finance, planning and trade.

**Undertake regular assessments.** Stakeholders that agree to coordinate should establish joint assessments and ensure that they are planned, discussed and analyzed collaboratively, in a way that will help establish understanding of underlying causes of food and nutrition insecurity, immediate and longer-term consequences, and an appropriate mix of short and longer-term policy and program options. They should seek assessments developed within the country’s existing institutional, planning and budgeting processes (e.g. Poverty Reduction Strategies, National Development Plans (PRS/NDS), national food and nutrition policies and strategies, sectoral plans, etc.) and assess the need for new national capacity. The HLTF will encourage governments in their leadership role to actively support and participate in country assessments, including ensuring the active engagement of their technical staff and providing opportunities for engaging the broad range of stakeholders so as to benefit from their knowledge, skills, expertise, suggestions and support.

**Consolidate actions to avoid overlaps and identify gaps.** The wide range of actions, ongoing or planned, by stakeholders should be incorporated into a standard implementation framework.<sup>31</sup> This framework will provide all stakeholders a clear view of their efforts in achieving country-specific objectives, improving coordination of support, and identifying unmet needs.

**Review existing monitoring mechanisms to track food and nutrition security outcomes, and link them to the CFA.** The partnership should make use of existing tracking, monitoring and evaluation mechanisms, developed within the PRS/NDS, national agriculture, food and nutrition policies and strategies, budget monitoring, MDG reporting processes, and sectoral plans and strengthen them as necessary to ensure adequate tracking of key food and nutrition security indicators.

**Promote effective public communications.** This will ensure that the partnership’s analysis, strategy and actions are understood by the wider public, in particular those whom the actions are intended to assist. Program effectiveness will require strong vigilance from civil society groups to ensure that the assistance reaches the intended people in the quantities and qualities intended. Further, trade, fiscal and other macroeconomic policy measures may require reducing benefits enjoyed by some groups to ensure that sufficient support can be assured for the more vulnerable part of a country’s population.

**Contributions by the UN System.** The HLTF has committed the UN and Bretton Woods institutions to supporting the country-led process outlined above by catalyzing effective coordination, action and accountability at the country level, mobilizing international financial support, ensuring sound

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<sup>31</sup> It is envisaged that templates will be provided to country teams to assist in capturing the essential needs, actions, ongoing and planned technical and financial support and gaps.

information management, and by dedicating resources and skilled personnel to support national assessments, actions and monitoring. In particular, the HLTF, working together with country coordination mechanisms, will ensure that this support is immediately implemented in countries of joint focus where assessments have already been undertaken and actions are underway. The HLTF agencies at country level will agree on a focal point to facilitate the work of the partnership.

**Synergized external assistance.** In addition, the UN and Bretton Woods institutions will ensure that their own country support frameworks and existing coordination mechanisms fully facilitate and reinforce their commitments to help address the emerging food and nutrition challenge within the framework of the CFA. Where this is not the case, adjustments should be made to policies, program design, financial and technical resources, as well as to relevant assessment and monitoring frameworks to reinforce accountability in supporting country-level results. Table 1 highlights actions of the UN and BWIs in support of countries to respond to immediate consequences of the current food and nutrition challenge, *and* to address simultaneously underlying causes and contribute to improved food and nutrition security in the longer-term.

## 6. PARTNERSHIPS AT THE REGIONAL LEVEL

**Engagement of Regional Entities:** The HLTF will engage with the regional organizations as they expand their role in supporting coordinated analysis and response to the food crisis. Political groupings such as the African Union (AU), Association of South East Asian Nations (ASEAN), and other Regional Economic Communities (ECOWAS, SADC, etc.) provide high-level analysis of issues and coordination of responses amongst their membership. Additionally, regional programs such as the AU/NEPAD MDG-Africa Initiative's Business Plan for Agriculture and Food Security and NEPAD Comprehensive Africa Agriculture Development Programme (CAADP), and the NEPAD Action Plan for the Environment Initiative (see Topic Box) promote coordinated actions and sharing of experience.

**Regional Multilateral Development Banks.** The regional multilateral development banks – African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development and Inter-American Development Bank – have extensive experience in supporting agricultural development and social protection in developing countries in their respective areas of the world, and have committed significant additional funding and technical expertise in response to the food crisis. Similarly, the Islamic Development Bank has also committed to support agricultural development.

### **Topic Box: MDG-Africa Initiative's Business Plan for Agriculture and Food Security**

The African Union (AU) / NEPAD Comprehensive Africa Agriculture Development Programme (CAADP) aims at increasing agricultural production by 6% annually and increasing investments in agriculture to attain the MDGs. CAADP is complemented by the NEPAD Action Plan for the Environment Initiative, which was adopted by the AU heads of state and government summit in 2003. The action plan promotes adaptable and sound technologies in order to support sustainable agricultural farming systems, as well as improved access to markets for agricultural products.

More recently, AU/NEPAD has launched the new MDG initiative for Africa and a specific Business Plan for Food Security. This endeavor is supported by the African Development Bank, Forum for African Research for Africa (FARA), FAO, IFAD, IFPRI, the International Federation of Agricultural Producers (IFAP), the World Bank and WFP. The Business Plan calls for (i) accelerated action for improving agricultural productivity and enhancing food security at country-level, (ii) devising practical measures for achieving sustainable increases in smallholder farming productivity, (iii) addressing urgently food security and nutrition issues especially in low-income food-deficit countries by adopting a twin-track approach including both increasing the supply of food in domestic markets (through higher productivity and production but also food imports) and improving social safety measures to protect the chronically and transient vulnerable groups; and (iv) identifying modalities for increasing financing for agriculture development and food security.

Implementation arrangements include working with the country-level CAADP focal points, facilitating country leadership, fielding missions with membership from AU/NEPAD and Regional Economic Communities (RECs), setting up a quality assurance process, and training multi-agency teams. So far, some 40 countries have requested assistance under this initiative.

The HLTF and leadership of the Regional Development Banks and other regional groupings will work together to analyze the causes and impacts, trends and policy options of the food crisis within the region. They will encourage the use of common country implementation approaches, including partnership arrangements with the private sector, the farmer/producer organizations and other partners.

## **7. PARTNERSHIPS AT A GLOBAL LEVEL: THE WORK OF THE HIGH-LEVEL TASK FORCE**

The HLTF was established with a mandate from the Chief Executives Board on 29 April 2008. Though not envisaged as a permanent fixture, or as a reason for creating new mechanisms, it will foster links between stakeholders by building upon ongoing initiatives and capacities, drawing on the expertise of relevant national, regional and international organizations, civil society groups, the scientific community and the private sector, and focusing on coordinated, coherent and active response. The HLTF will act as a center of gravity for encouraging stakeholders to work as partners. What is needed is a global partnership for food, which includes food and nutritional security, trade and other issues. This partnership, most recently also supported by the G8 at their annual summit, would be facilitated by the HLTF and ensure monitoring and assessments of progress made in implementing the CFA.

Going forward, the aim of the HLTF will continue to be catalyzing and supporting the CFA's overall objective of improving food and nutrition security and resilience in a sustainable way. The HLTF will work at global, regional and country levels to track progress, drawing on reports from country teams. It will address some of the underlying policy issues at the global level, which are identified in the CFA (trade, export subsidies and restrictions, biofuels, etc.). The UN and Bretton Woods institutions, will work with Member States to undertake regular advocacy to stakeholders and stocktaking of progress on achieving the outcomes of the CFA. Analytical functions will include the provision of sound analysis of the food situation as it evolves; continued coordination at the highest levels; and expanded partnerships with key stakeholders – in particular governments, private sector, farmer/producer organizations and civil society. This analysis will be based mainly on the work of the existing coordination mechanisms at country level. In addition, the HLTF will need light, temporary centralized support to facilitate information collection and sharing and to support common outreach efforts.

**Tracking achievement of CFA outcomes.** The global impact of country partnerships in addressing the current food and nutrition challenge must be tracked over time to account for progress and to make necessary adjustments to policy and programming. Tracking will also support advocacy by identifying bottlenecks and constraints to achieving CFA outcomes and focusing attention on funding and other gaps. At the global level, the CFA proposes tracking global response and global impact through outsourcing to an independent research institute. Tracking global response means tracking selected indicators to assess how partners are responding together to the food and nutrition challenge. Tracking global impact involves periodically taking stock of how national, regional and international efforts are effective in addressing the food and nutrition challenge and moving towards the CFA outcomes.

**Ensuring regular reporting.** The HLTF will report, at intervals, on progress made in realizing the outcomes of the CFA. Such reports would lend credibility to the CFA's assertion of working differently together and would serve, in part, as an accountability vehicle for HLTF agencies, Member States and donor governments.

**Global "stocktaking" events.** An agenda of global and regional progress-review events at the Ministerial level should be developed. The events would be informed by the Secretary-General's report. They would provide a platform for all key food security stakeholders to reflect on progress, identify key lessons, and reinforce political and financial commitment.

**Regular consultation with Member States.** HLTF members will conduct high-level briefings with the General Assembly, ECOSOC, and UN regional groups, governing bodies and management committees of individual UN systems agencies as well as a series of consultations at the regional level that bring together national governments, regional organizations, regional development banks, and, as appropriate, major regionally relevant private sector actors.

**Donor policy advocacy.** HLTF members will work with donors and others that have an interest in the development and coordination of policy and the provision of financing for nations to realize the CFA outcomes

## 8. FINANCIAL IMPLICATIONS OF ACHIEVING CFA OUTCOMES

**CFA as a catalyst.** As well as serving as a framework for coordination, the CFA is a set of policy options and actions that can be used to address the food crisis in a comprehensive and coherent way. It is not an investment program and, therefore, it does not provide for a detailed costing. Moreover, it is acknowledged that the costs associated with the proposed actions in this document can be "moving targets," evolving as a function of the food and nutrition security situation in each country. Accordingly, much of the cost of CFA-related activities will be determined by local demand, the absorptive capacity on the ground, and the scope of investment. The CFA, therefore, makes use of available studies, country assessments and estimates in the various areas of action in order to assess the global financial implications of achieving CFA outcomes.

**The current financial challenges** are the consequences of a number of factors and trends, including imbalances in supply and demand dynamics, the limited coverage and capacity of existing safety nets for the poor, under-investment in agriculture as well as transport and market systems over recent decades, along with non conducive policies which have magnified the challenges. For example, in many countries, the share of agriculture in government public spending has dropped to a level of only 4.5% for African countries<sup>32</sup>, or about US\$ 13 billion.<sup>33</sup> Agriculture's share in Official Development

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<sup>32</sup> FAO, "Financing of Agriculture: Issues, Constraints and Perspectives," 2007.

<sup>33</sup> Stephen Akroyd and Lawrence Smith (2007), Review of Public Spending to Agriculture, A Joint Study by the Department for International Development and the World Bank, page 2. The 2008 World Bank World Development Report indicates that "the share of public spending in agriculture-based countries (mostly in Africa) is significantly less (4% in 2004) than in transforming countries during their agricultural growth spurt (10% in 1980)," page 40.

Assistance (ODA) has also dropped from a high of 18% in 1979 to 3.4% in 2006, or approximately US\$ 4.0 billion.<sup>34 35</sup>

**Increased financial support** will come from a variety of sources, including national budgets, ODA, the private sector, farmers and communities themselves and broader civil society. More innovative instruments (e.g. private foundations and sovereign wealth funds) could also be explored. For its part, the CFA will focus on the public expenditure and investments required. An immediate scaling up of these will be critical to creating conducive policy, institutional and physical environments for increased private sector involvement and investments.

**Order of magnitude.** It is not yet possible to set a robust estimate of the global incremental financial requirements for food and nutrition security, social protection, agricultural development and functioning food markets, or the amount that has to be covered through public financing, including both national public expenditure and ODA. Recent preliminary studies and estimates have ranged from US\$ 25 billion to US\$ 40 billion a year.<sup>36</sup> Of course the capacity to rapidly upscale efforts in these areas will vary across the various elements of the CFA as well as across countries. Accordingly, the HLTF agencies are in the process of using ongoing and planned country assessments to estimate country specific needs focused on meeting the urgent needs quickly while initiating the actions for ensuring more sustainable support. These assessments are guiding both the country level coordination amongst HLTF agencies with governments, other donors and civil society and private sector groups, as well as the design of their own assistance programs.

**Breakdown of the funds needed.** Approximately one third of the overall amount is needed to finance immediate requirements in terms of food assistance, agricultural inputs and budgetary and balance of payment support, and two thirds to invest in building longer-term resilience and contributing to food and nutritional security.<sup>37</sup> Broadly speaking, at least 50% of the total amount will be needed for agriculture<sup>38</sup> as well as local transport and market systems (both for short-term and long-term support to smallholder farmers). The majority of the remainder is needed for food assistance and nutrition interventions and social protection.<sup>39</sup> These figures are consistent with the estimated investment costs in social protection and agriculture needed for Africa to address MDG1.<sup>40</sup>

The above-mentioned estimates show the tremendous magnitude of the current challenge. They indicate that the financial needs are considerable, and exceed by far the current level of response. Hence there is a need to immediately and substantially scale up public spending and investments to respond effectively to the challenge ahead. In this respect, the HLTF encourages:

- developing countries to provide additional budgetary resources for the strengthening of social protection systems and more particularly to increase the share of agriculture in their public spending. For example under the Maputo Declaration, African

<sup>34</sup> In 2006, agriculture's share represented 3.4% of ODA commitments or approximately US\$ 3.99 billion, and only 2.6% or approximately US\$ 2.3 billion in terms of ODA disbursements (data extracted from OECD Stat database).

<sup>35</sup> World Development Report, "Agriculture for Development," 2008, explains that the drop in agricultural investment during the past 25 years is largely reflected by (i) failure to address macroeconomic and sectoral policy biases against agriculture; (ii) dependence on the state in activities such as input supply and marketing which overwhelmed public capacities while crowding out the private sector; and (iii) limited opportunities for farmers and other rural stakeholders to influence public investment priorities or to hold the state accountable for implementation. In addition, donor agencies did not invest sufficient time in working towards coordinated, sector-wide approaches to strengthening public service delivery. International institutions also tended towards narrow, specialized approaches which largely ignored linkages between research, marketing, the environment and public finance. Finally, there was little effective evaluation of program impacts to inform program design or identify constraints.

<sup>36</sup> Based on early estimates from HLTF member agencies and organizations and international research organizations. These figures will be updated as information from country-level assessments is compiled.

<sup>37</sup> World Development Report, "Agriculture for Development" 2008; IFPRI, "Rising food prices, What should be done?" April 2008; IFPRI Policy Brief "Investing in agriculture to overcome food crisis and reduce poverty and hunger," June 2008; IMF, "Food and Fuel Prices-Recent Developments, Macroeconomic Impact, and Policy Responses," June 2008; and "The Balance of Payments Impact of the Food and Fuel Price Shocks on Low-Income African Countries: A Country-by-Country Assessment," June 2008.

<sup>38</sup> According to IFPRI (S. Fan and M. Rosegrant, 2008), public investment required for agriculture in developing countries to meet MDG1 (including research, rural roads and irrigation, and partial input subsidy for poorest farmers) is estimated at US\$16.3 billion.

<sup>39 39</sup> WFP's annual requirements, which are expected to grow to US\$ 6 billion per year, traditionally account for 50 percent of global food assistance, with NGO and bilateral assistance accounting for the rest (ref. 2007 Interfais report).

<sup>40</sup> Agriculture and Food Security Thematic Working Group, MDG-Africa Working Group - Business Plan, 15 May, 2008.

Governments agreed to increase public spending in agricultural and rural development to at least 10%;

- donor countries to double ODA for food assistance, other types of nutritional support and safety net programs, and for an increase in the percentage of ODA to be invested in food and agricultural development from the current 3 % to 10% within five years (and beyond if needed as absorption capacity increases) to reverse the historic under-investment in agriculture<sup>41</sup>;
- developing and donor countries to improve food and nutrition security risk management through better use of local physical food stocks, support the development of infrastructure, market, food preservation systems, and to explore innovative use of local production surpluses and emerging financial instruments such as “virtual humanitarian food reserves”.

**Additionality:** It is desirable that increased allocations represent true additionality and do not divert resources from other social sectors critical to achieving the MDGs and other national development priorities, such as education and health. The required investment effort is relatively modest given that it is designed to bring benefits to close to one billion people affected by hunger and at risk of malnutrition as a result of the food crisis, conflict and other structural causes of poverty, and to approximately two billion people dependant on smallholder agriculture, livestock, fisheries for their living and well being. That is one third of the world’s population.

**Moving funds.** Actions to achieve CFA outcomes will make use of existing institutional and financial systems to deliver at the local level, along the provisions of the Paris Declaration on Aid Effectiveness. At the global level, the HLTF will seek to ensure synergy of the technical, operational and financial systems in its member organizations and partners so as to better put the CFA to work. In this regard, the capacity of the UN system, Bretton Woods institutions and other International Financial Institutions including the Regional Development Banks needs to be utilized optimally, according to their respective comparative advantage. The HLTF will seek to promote operational mechanisms that permit flexible, predictable and rapid responses to needs using available funding channels.

**Indicative financing requirements at the global level.** UN agencies and Bretton Woods institutions have already made available funding, or appealed for additional funding, based on preliminary assessments in some of the most-affected countries. These amounts are expected to be amended following further joint assessments at the country-level and review of country implementation frameworks. The following resource requirements are *indicative* of overall financial needs estimates by the agencies.

- WFP’s requirements for food assistance programs have increased to approximately US\$ 6 billion annually as a result of the global food crisis. Taking into account contributions received in 2008, including those towards the emergency appeal of US\$ 755 million,<sup>42</sup> WFP anticipates that it will need a further US\$ 3 billion for the current year. This increment takes account of the substantial rises in food and transportation costs as well as an ever increasing number of beneficiaries to be assisted.
- The FAO Initiative on Soaring Food Prices has called for US\$ 1.7 billion in funding to provide low-income food deficit countries with seeds, inputs and services to boost production over the next 18 months to meet the immediate needs of vulnerable populations and increase

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<sup>41</sup> In the 1980s, the ODA for agriculture was 17%.

<sup>42</sup> WFP’s Emergency Appeal of US\$ 755 million launched in March 2008 was meant to cover the incremental costs in its original 2008 program of work, caused by rising food and fuel prices. Being a voluntarily funded organization, the funding requirements under WFP’s basic program of work for 2008 have yet to be fully met.

food supply. Additional funding will be needed to address the long term needs for sustained growth of smallholder food supply.

- IFAD is seeking additional funding to top-up the US\$ 200 million it has already redirected to respond to the needs of the 2008-09 cropping seasons. For the longer term (2010-2012), it is seeking up to US\$ 1.5 billion in the context of its 8<sup>th</sup> replenishment, which is presently under negotiation, to finance a program delivery of US\$ 3.3 billion.
- The World Bank's Multi-Donor Grant Facility requires an additional US\$ 800 million to meet the agricultural, safety net and policy support needs already confirmed through country assessments completed to-date.



**TABLE 1: CURRENT ACTIONS BY THE UNITED NATIONS AND BRETTON WOODS INSTITUTIONS TO ADDRESS THE GLOBAL FOOD CRISIS**

**OBJECTIVE: Improve access to food and nutrition support and take immediate steps to increase food availability**

CFA Outcomes and Actions	Contributing Organizations <i>(alphabetical order)</i>	Indicative Activities Underway
<p><b>1.1: Emergency food assistance, nutrition interventions and safety nets enhanced and made more accessible</b></p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• <i>Ensure emergency needs met</i></li> <li>• <i>Protect basic consumption needs of the poor</i></li> <li>• <i>Scale-up nutritional support</i></li> <li>• <i>Support management of under nutrition</i></li> <li>• <i>Promote school feeding</i></li> <li>• <i>Adjust pensions and other existing social protection programs</i></li> <li>• <i>Allow free flow of assistance</i></li> <li>• <i>Explore establishing humanitarian food reserves</i></li> </ul>	<p><b>IMF</b> Policy Advice</p> <p><b>OCHA:</b> CERF Response to the Effects of Current Food Price Crisis</p> <p><b>UNHCR</b></p> <p><b>UNICEF</b> Support to Nutrition Security</p> <p><b>World Bank</b> Global Food Crisis Response Program</p> <p><b>WFP's</b> Response to the Global Food Crisis</p> <p><b>WHO</b></p>	<ul style="list-style-type: none"> <li>▪ Assessing existing gaps and constraints and identifying opportunities to integrate and scale up nutrition-related actions in countries</li> <li>▪ Advising governments and partners on policies and actions that affect access to food and nutritional security</li> <li>▪ Implementing targeted general food distributions to affected populations</li> <li>▪ Scaling up internationally-supported safety nets, such as school feeding, supplementary feeding for mothers and children, management of severe and moderate malnutrition, promotion of exclusive breastfeeding and appropriate complementary feeding practices, delivery of primary health care services, promoting food hygiene and safe food supply, employment and cash voucher programs, resettlement grants for returnees</li> <li>▪ Providing a platform for agencies to expand nutrition or food security activities, such as additional take-home rations of nutritionally fortified food for younger siblings of school children</li> <li>▪ Advocating for: greater predictability of financial support for and physical access to food assistance, reduced earmarking and restrictions on aid contributions, exemptions of humanitarian assistance from export restrictions and extraordinary export taxes, unhindered and safe movement of humanitarian food within and across borders.</li> <li>▪ Exploring the possibility of establishing actual or virtual humanitarian food reserves.</li> <li>▪ Providing grants to respond to the most immediate, life-saving activities</li> <li>▪ Accommodating the increased cost of social programs and other food crisis related fiscal measures, consistent with macroeconomic stability and sustainability</li> <li>▪ Advocating for more access to food aid, for more food availability for vulnerable groups including refugees, returnees and displaced persons.</li> </ul>
<p><b>1.2: Smallholder farmer food production boosted</b></p> <p><b>Actions:</b></p>	<p><b>FAO</b> Initiative on Soaring Food Prices (ISFP)</p> <p><b>IFAD</b> Country Programs</p>	<ul style="list-style-type: none"> <li>▪ Providing policy analysis and assistance</li> <li>▪ Providing financial and technical support for small farmers/net food buyers to increase production and productivity: direct distribution of seeds, fertilizer, provision of vouchers, credit schemes, quality control, use of existing supply mechanisms</li> </ul>

<ul style="list-style-type: none"> <li>• <i>Provide productivity enhancing safety nets</i></li> <li>• <i>Rehabilitate rural and agricultural infrastructure</i></li> <li>• <i>Reduce post-harvest crop losses and improve village level stocks</i></li> <li>• <i>Remove artificial constraints to domestic trade</i></li> <li>• <i>Improve animal health services</i></li> </ul>	<p><b>World Bank</b> Global Food Crisis Response Program and New Deal for Agriculture and IFC Action Plan with Private Sector</p> <p><b>WFP's</b> Response to the Global Food Crisis</p>	<ul style="list-style-type: none"> <li>▪ Developing quick-response food crop outgrower schemes through public-private partnerships</li> <li>▪ Strengthening national seed systems</li> <li>▪ Supporting rapid interventions to link small farmers to markets, increase access to inputs' markets, and development of market information services</li> <li>▪ Launching outgrower schemes with private sector operators for boosting production in the near cropping seasons</li> <li>▪ Financing post-harvest support (storage rehabilitation, supply of small scale silos, small processing equipment, improved storage techniques)</li> <li>▪ Facilitating logistics arrangements for governments and partners to move agricultural inputs</li> <li>▪ Supporting disaster mitigation and contingency planning</li> <li>▪ Purchasing food assistance locally in ways that benefit low-income farmers</li> <li>▪ Financing rehabilitation of rural and agricultural infrastructure; scaling up ongoing rehabilitation through food or cash for work for small-scale irrigation, market infrastructure, rural roads, soil conservation</li> </ul>
<p><b>1.3: Trade and tax policy adjusted</b></p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• <i>Review trade and taxation policy options</i></li> <li>• <i>Use strategic grain reserves to lower prices</i></li> <li>• <i>Avoid generalized food subsidies</i></li> <li>• <i>Minimize use of export restrictions</i></li> <li>• <i>Reduce restrictions on use of stocks</i></li> <li>• <i>Reduce import tariffs</i></li> <li>• <i>Improve efficiency of trade facilitation</i></li> <li>• <i>Temporarily reduce VAT and other taxes</i></li> </ul>	<p><b>IMF</b> Policy Advice</p> <p><b>UNCTAD</b> Short-term Responses</p> <p><b>UNDP</b> Paper on agricultural trade</p> <p><b>World Bank</b> Global Food Crisis Response Program</p> <p><b>WTO</b> Doha Round Negotiations</p>	<ul style="list-style-type: none"> <li>• Identifying the range of possible short-term policy responses and analysis of the advantages and disadvantages of each measure; and advising countries on specific implications</li> <li>▪ Advising on trade policy adjustments and trade facilitation measures to reduce the cost of imported food and agricultural inputs</li> <li>▪ Advising and assisting in operationalizing improved food import procurement systems to reduce transaction costs, including import financing costs</li> <li>▪ Identifying policy options in agricultural trade areas in the context of ensuring food security at the country level</li> </ul>
<p><b>1.4: Macro-economic implications managed</b></p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• <i>Hold down core inflation and</i></li> </ul>	<p><b>IMF</b> Diagnostics/Policy Responses/Financial Assistance</p> <p><b>World Bank</b> Policy</p>	<ul style="list-style-type: none"> <li>▪ Assisting countries to estimate the fiscal cost of measures taken and advice on how best to accommodate this cost; and to assess the net impact of higher food prices on the Balance of Payments (BOP), and provide BOP financing as required</li> <li>▪ Providing more rapid financing in case of shocks to help address BOP impact</li> </ul>

<p><i>inflation expectations</i></p> <ul style="list-style-type: none"> <li>• <i>Assess the impact on the balance of payments</i></li> <li>• <i>Mobilize external support to finance additional food imports</i></li> <li>• <i>Ensure adequate levels of foreign exchange reserves</i></li> <li>• <i>Cost all fiscal measures in response to food crisis</i></li> </ul>	<p>Advice/Financial Assistance</p>	
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**OBJECTIVE: Strengthen food and nutrition security in the longer run by addressing the underlying factors driving the food crisis**

<p><b>2.1: Social protection systems expanded</b></p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• <i>Strengthen capacity to design and implement social protection policies and programs</i></li> <li>• <i>Move towards more efficient programs</i></li> <li>• <i>Identify alternatives to unconditional assistance</i></li> <li>• <i>Improve the quality and diversity of foods</i></li> </ul>	<p><b>IMF Policy Advice</b></p> <p><b>UNDP</b> Country paper</p> <p><b>UNEP</b></p> <p><b>UNHCR</b></p> <p><b>UNICEF</b> Support to Nutrition Security</p> <p><b>World Bank</b> Global Food Crisis Response Program</p> <p><b>WFP's</b> Response to Global Food Crisis</p>	<ul style="list-style-type: none"> <li>▪ Financing and technical support for improvement and expansion of social safety nets and development of broader social protection system in an environmentally sustainable manner</li> <li>▪ Creating fiscal space to fund social safety nets</li> <li>▪ Reinforcing the functioning of and access to basic social services in health, education and protection</li> <li>▪ Advising countries on ways to strengthen national food distribution programmes and safety nets, including through dissemination of knowledge of good practices</li> <li>▪ Providing financial and technical support for piloting and supporting programming, procurement, logistics and food fortification innovations</li> <li>▪ Sharing experiences across countries and regions</li> <li>▪ Ensuring that refugees and displaced persons are taken into account in all the safety net programs</li> </ul>
<p><b>2.2: Smallholder farmer food production growth sustained</b></p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• <i>Improve the enabling policy framework</i></li> <li>• <i>Stimulate public/private investment in agriculture</i></li> <li>• <i>Ensure secure access to and</i></li> </ul>	<p><b>FAO</b></p> <p><b>IFAD</b> Country Programs</p> <p><b>UNCTAD</b></p> <p><b>UNDP</b> Diagnostic and policy paper</p> <p><b>UNEP</b></p>	<ul style="list-style-type: none"> <li>▪ Increasing funding for international and national agricultural research centers to increase diffusion of “off the shelf” technologies as well as develop next generation requirements for smallholder farmers</li> <li>▪ Providing financial and technical support to countries to scale up seed development programs, increase early generation seed production, capacity building with the national seed service, seed policy reform, establishment of farmer seed enterprises, demonstration of improved varieties; increase soil fertility, good agricultural practices, improve extension, support producers’ organizations.</li> <li>▪ Scaling-up public-private partnerships and outgrower schemes for boosting food supply</li> </ul>

<p><i>better management of natural resources, including land, water and biodiversity</i></p> <ul style="list-style-type: none"> <li>• <i>Invest in agricultural research</i></li> <li>• <i>Improve rural infrastructure</i></li> <li>• <i>Ensure sustained access to competitive, transparent and private-sector-led markets</i></li> <li>• <i>Support development of producer organizations</i></li> <li>• <i>Strengthen access of smallholders and other food chain actors to financial and risk management instruments</i></li> </ul>	<p><b>World Bank</b> Global Food Crisis Response Program for New Deal for Agriculture and IFC Action Plan with Private Sector</p>	<ul style="list-style-type: none"> <li>▪ Working with MDG Africa Initiative to accelerate achievement of MDG 1 within the framework of CAADP and to boost progress towards MDG 7 within the framework of the NEPAD action plan of the environment initiative.</li> <li>▪ Financing improved production infrastructure and access to markets, bearing in mind issues such as investments in processing, institutional and organizational development and market infrastructure and policies</li> <li>▪ Focusing on transfer and adaptation of techniques and varieties that will benefit smallholder farmers</li> <li>▪ Increasing investment and loans to agribusiness and finance services in rural areas</li> <li>▪ Supporting land tenure security programs</li> <li>▪ Promoting a low energy, productive agriculture source of diversified and nutritious food; sustainable soil fertility, water resources and genetic resources management.</li> <li>▪ Advising countries on development of food security strategies which integrate stocks, financial instruments and other options based on country needs and capacities.</li> <li>▪ Identifying the longer-term policy options for food security and also disseminate policy experiences on good practices through dissemination of knowledge across countries</li> <li>▪ Providing technical and financial support to Government and private sector for introducing use of financial instruments for food risk management</li> <li>▪ Leveraging private investments through FDI</li> </ul>
<p><b>2.3: International food markets improved</b></p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• <i>Reduce/eliminate agricultural trade distortions in higher income countries</i></li> <li>• <i>Rapidly complete the Doha Round of trade negotiations consistent with development focus</i></li> <li>• <i>Implement ‘Aid for Trade’</i></li> <li>• <i>Strengthen oversight markets to limit speculation</i></li> <li>• <i>Build capacity for markets to better meet needs of lower-income countries</i></li> <li>• <i>Support regional or global stocks sharing</i></li> </ul>	<p><b>UNCTAD</b></p> <p><b>World Bank:</b> Global Food Crisis Response Program</p> <p><b>WHO :</b> global analysis of nutrition policies</p> <p><b>WTO:</b> Doha Round Negotiations</p>	<ul style="list-style-type: none"> <li>▪ Expanding work with international private sector on development of financial instruments for risk-based management and mitigation tools/strategies</li> <li>▪ Analyzing of potential influence of financial markets or non-commercial trading activity on commodity price movements</li> <li>▪ Completing rapidly the Doha Round of trade negotiations to provide an enhanced set of agreed rules for a more transparent and fair international trading system, taking into account the food security, livelihood security and rural development needs of developing countries.</li> <li>▪ Providing assistance to leverage finance for agricultural development from sovereign funds of the South</li> <li>▪ Monitoring food and nutrition policies at national level and link to international trade policies</li> </ul>
<p><b>2.4: International biofuel</b></p>	<p><b>FAO</b></p>	<ul style="list-style-type: none"> <li>▪ Conducting in-depth analysis of effects of biofuels policies; quantitative analysis of</li> </ul>

<p><b>consensus developed</b></p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• <i>Prepare a common reference framework</i></li> <li>• <i>Develop biofuel guidelines and safeguard measures</i></li> <li>• <i>Re-assess biofuel targets, subsidies and tariffs</i></li> <li>• <i>Facilitate private investments in biofuel production</i></li> <li>• <i>Promote research and development, knowledge exchange and capacity building</i></li> </ul>	<p><b>IMF</b> Diagnostics/Collaboration</p> <p><b>UNCTAD</b></p> <p><b>UNDP</b></p> <p><b>UNEP</b></p> <p><b>World Bank</b> Diagnostics and Convening Key Actors</p>	<p>impact of fuel and food prices on inflation</p> <ul style="list-style-type: none"> <li>▪ Working with major biofuels consumers and producers to eliminate subsidies to allow biofuels to be produced by most efficient producers</li> <li>▪ Supporting accelerated research into second generation biofuels which could have much lower impacts on food production</li> <li>▪ Estimating BOP and fiscal impacts of shocks in countries for coordination partners (WB, UN, donors)</li> <li>▪ Assisting developing countries in assessing the viability of their biofuels potential and minimizing the trade-offs with food security</li> <li>▪ Investing in policy and analytic work on biofuels, trade, subsidies, gender impact, nutrition impacts</li> <li>▪ Conducting analytical and policy work on trade-off between on food and biofuels</li> <li>▪ Minimizing the environmental impact of biofuels</li> </ul>
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<p><b>3.1 Global information and monitoring systems strengthened</b></p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>• <i>Establish better coordination of information systems</i></li> <li>• <i>Carry-out comprehensive assessments and monitoring</i></li> <li>• <i>Undertake impact analysis</i></li> <li>• <i>Conduct health and nutrition assessments</i></li> <li>• <i>Analyze policy options and programmatic approaches</i></li> <li>• <i>Review contingency plans and early warning systems</i></li> </ul>	<p><b>FAO</b></p> <p><b>IMF</b> Diagnostics</p> <p><b>UNEP</b></p> <p><b>UNHCR</b></p> <p><b>UNICEF</b> Support to Nutrition Security</p> <p><b>World Bank</b> Global Food Crisis Response Program</p> <p><b>WFP's</b> Response to the Global Food Crisis</p> <p><b>WHO</b></p>	<ul style="list-style-type: none"> <li>▪ Promoting the methodological harmonization and comparability of food security analysis methods</li> <li>▪ Conducting in-depth analysis of causes of food price increases; quantitative analysis of macro-economic impact of fuel and food prices on inflation, balance of payments, fiscal balances</li> <li>▪ Conducting in depth analysis on the impact on food and livelihoods security of food price increases;</li> <li>▪ Conducting joint assessments of impact of food prices on countries, particularly the vulnerable including refugees and displaced persons, in order to support governments in developing appropriate responses and monitoring the impact of the response and the situation</li> <li>▪ Strengthening food security and market information systems; and Food commodity information and forecast</li> <li>▪ Supporting country-level monitoring of the health and nutritional status of vulnerable populations, and evaluate potential health outcomes of different scenarios</li> <li>▪ Supporting country level monitoring of food markets</li> <li>▪ Reinforcing EMPRES system to improve surveillance and prevention for major plant pests and diseases that may threaten food supply</li> <li>▪ Assisting countries to monitor the macroeconomic implications in 2008 of country policy responses to high food and fuel prices</li> <li>▪ Compiling country information to provide global assessment and monitoring framework</li> <li>▪ Providing technical and financial support to assist countries with establishing food security and vulnerability monitoring systems to anticipate potential food crises, improved weather and climate forecasting, adjustment of land use plans and</li> </ul>
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		<p>development of contingency plans. Build capacity of local communities.</p> <ul style="list-style-type: none"><li>▪ Strengthening the capacity of countries to assess risks, examine the feasibility of transferring risk to the financial markets, and implement integrated risk management approaches.</li><li>▪ Facilitating monitoring of land use change and preparing assessments of ecosystems change and emerging issues which may impact global food security</li></ul>
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