World Bank Interventions on Food Security in the East Asia and Pacific Region

Workshop on Food Prices and Food Security in the East Asia and Pacific Region: Issues & Options
FAO, Rome
May 18, 2011
Overview

- “Put Food First”: a corporate priority for the World Bank
- Monitoring food prices
- Short-term responses to food crises
  - GFRP (Pacific Islands, Indonesia)
  - Social Safety Nets
- Understanding food markets and food policy options (AAA, TA)
- Longer-term responses (productivity, improvement agricultural modernization, R&D)
  - GASFP
  - Analytical Work (Cambodia, Vietnam)
  - Policy Dialogue, National Workshops, TA
  - Agricultural/Food Policy Reforms Philippines
  - New Directions for Food Security in Indonesia
- Regional Approaches
  - Regional study (ASEAN/ADB/FAO) and action plan
  - Partnership Framework for Food Security
Monitoring food prices, understanding markets

- Working Group on food prices and food security (SD/PREM)
- Bi-monthly note on food prices in EAP Region
- Studies
- Periodic publications ("An Eye on East Asia and Pacific")
Global initiatives and partnerships to respond to emerging priorities

Global Food Crisis Response Program (GFRP)

- Rapid response facility to enable the most vulnerable countries to respond to the 2008 food price spike
- The response reached the most vulnerable regions, with more than half of the support going to Sub-Saharan Africa
- Support was provided to assist in lowering the cost of food while maintaining key social assistance programs, to improve food access through targeted cash and food transfers, and to simulate short term production response
- US$1.5 billion allocated for support to 44 countries, with nearly 40 million people benefiting
Food Security in the Pacific Islands

AAA
- Samoa – TA review of the fruit and vegetable and livestock sectors (FY 11)
- Review of the Kiribati Import Levy Fund (FY12)
- Timor-Leste food security TA (FY 12)
- Regional food policy notes (FY 12)

Lending
- Kiribati Food Crisis Response Operation (USD 2 million GFRP grant) – FY11
- Solomon Islands Rural Development Program (Additional Finance USD 3 million GFRP grant) – FY11
- Samoa Agriculture Competitiveness Enhancement Project (USD 13 million; USD 5 million GFRP grant) – FY12
Food Security in Vietnam and Cambodia

AAA
- Vietnam: Rice Value Chain Analysis, Policy Notes, being completed
- Cambodia: seed sector study, draft available

TA
- Cambodia
  - Rice seed improvement pilot projects
Global and regional initiatives and partnerships to respond to emerging priorities

Global Agriculture and Food Security Program (GAFSP)

- Requested of the World Bank in September 2009 at the Pittsburgh Summit of the G20
- US$22 billion pledged in support for agriculture in low income countries
- Launched in April 2010
- Provides pooled donor grant resources to help support country-led agriculture investment
- Donors have pledged US$925 million and delivered US$395 million to the public sector window of GAFSP
- Seven Donors: Australia, Gates Foundation, Canada, Ireland, Republic of Korea, Spain, and the...
Philippines’ NFA problem

- Since the Corazon Aquino administration, the NFA has claimed an increasing amount of public resources in the name of food security.
- Critics say for the level of food security that the country is in, the government is spending too much.
  - Leakages to non-beneficiaries of the programs that the NFA implements are substantial.
  - Operational inefficiencies are high.
  - Households pay 40% more for rice than in a regime of free trade.
  - NFA surpassed spending for agrarian reform.
  - NFA expenditures higher than R&D and extension.
- NFA accounts for 41% of DA’s total budget.
NFA’s Losses Have Deteriorated Relative to the 1990s

Source: For the data from 1986 to 1996, Agile NFA Study; rest of the data from Monitoring Expenditure and Agricultural Policies (MEAP) Project c/o PIDS
NFA’s Net Worth Has Sharply Deteriorated Relative to the 1990s

Source: For the data from 1986 to 1996, Agile NFA Study; rest of the data from Monitoring Expenditure and Agricultural Policies (MEAP) Project c/o PIDS
Philippines: concerns behind the reform process

- Improving the country’s image: Massive panic buying of rice in 2007/2008 has led a sharp increase in the price of rice on the international market.
- The fight against corruption: Recent auditing by the NFA shows evidence of over-pricing of imported rice. With regard to over-importation there is an-going debate.
- Reducing the fiscal burden: As a result of the crisis the fiscal impact through NFA accumulated debt has been substantial.
- Addressing inefficiencies: recent studies have shown that NFA’s rice subsidy program has been subject to substantial leakages and inefficiencies.
Bottlenecks and constraints in the Philippines rice economy

- Rice yields growth has picked up lately but its gap with other countries is still substantial.
- Public expenditure on subsidies (hybrid seeds and fertilizers) has produced questionable results and research has shown the limited impact on yields in the long run [low sustained adoption]
- Post harvest losses are still very large: 15-17%, mainly due to old milling technology and improper storage and drying facilities (IRRI);
- Small farms are getting smaller (i.e. agrarian reform, CARP)
- Irrigation infrastructure under-maintained or underdeveloped
- High cost of labor, low rate of mechanization, high cost of irrigation: Philippines rice farming is
Food security policy reforms in the Philippines: initial steps

- Scale back in-kind transfers and scale up conditional cash transfers
  - Draw back: 30% of poor households do not qualify!
- NFA Reforms
  - Decouple regulatory from proprietary functions
  - Increase domestic procurement of palay at support prices
  - Increase participation by the private sector in rice trade
- Modernization of the rice value chain (e.g. grains centrals, modernization of bulk-handling facilities, etc.)
Limit NFA rice imports to what is needed to rotate buffer stock, private sector importing rice for commercial purposes

Sharpen the business model of the NFA, increasing partnership with private sector by outsourcing storage services

Elimination of the import quota and adoption of a variable tariff

Support to agricultural productivity and small farm sector

Introduce unconditional cash transfers to manage short-term food price shocks
Indonesia: Close to a half of Indonesians live below or slightly above PPP $2/day poverty line

Note: Calculated based on National Socio-Economic Survey (Susenas) March 2008
Indonesia: people move in and out of poverty frequently due to shocks

- High rates of exit and entry into poverty
- Relatively low inequality makes it difficult to distinguish between categories

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>Total Row</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Poor</td>
<td>Near Poor</td>
<td>Non-Poor</td>
</tr>
<tr>
<td>Poor</td>
<td>46.71</td>
<td>20.28</td>
<td>33.01</td>
</tr>
<tr>
<td></td>
<td>50.98</td>
<td>26.77</td>
<td>6.51</td>
</tr>
<tr>
<td>Near Poor</td>
<td>22.32</td>
<td>21.53</td>
<td>56.15</td>
</tr>
<tr>
<td></td>
<td>20.19</td>
<td>23.58</td>
<td>9.18</td>
</tr>
<tr>
<td>Non-Poor</td>
<td>5.37</td>
<td>7.65</td>
<td>86.98</td>
</tr>
<tr>
<td></td>
<td>28.83</td>
<td>49.65</td>
<td>84.31</td>
</tr>
<tr>
<td>Total Column</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>
Indonesia: higher poverty density in Eastern Indonesia

Kabupaten Rates of Population below National 30% Poor Line (Rp. 303,240.8)
Indonesia: 70 percent of rural poor are net consumers of rice (consume more than what they produced)
Indonesia: the case of 2006 poverty increase

Despite real GDP growth exceeding 5 per cent between 2005 and 2006, poverty incidence increased, partly explained by the rice price increase.
Indonesia: revising current policies

- Poor targeting of subsidies
- Cost of support programs
  - Raskin: 17 trillion Rp/year, 20 million households benefiting
- Cost of domestic price stabilization policies: domestic price significantly higher than international price over long period
- Is the objective of self-sufficiency in major commodities, o/w rice, the right one?
- How to stimulate supply response
- Presidential instruction (2011): produce an additional 10 million tons of rice in 2014
Indonesia: proposed interventions

- DDO/DPL to address an initial set of policy issues:
  - Food Security Facility (FSF): Automatic mechanism to facilitate imports (rice, wheat)
  - Revision of Food Law
  - Institutional reforms (Food Security Agency, currently under MoA)
- Knowledge sharing events (workshops): ongoing
- Analytical work
- Investment operation?
Regional level

- Regional study on enhancing food security in SE Asia (FAO/WB/ADB/ASEAN Secretariat): Trusting trade and the private sector
- Cooperation with ASEAN
- Partnership framework for food security (FAO/IFAD/ADB)
Take-away: next steps in FAO/WB collaboration on food security: to be discussed and completed

<table>
<thead>
<tr>
<th></th>
<th>FAO</th>
<th>World Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Information</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Market Analysis</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Policy Analysis</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Expertise, technical</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>assistance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project preparation</td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>