

World Food Summit: five years later

**High-Level Panel on Resources Mobilisation for Food
Security and for Agricultural and Rural Development**

(FAO, Rome, 26-27 June 2001)

Report of the Panel Meeting

(Provisional issuance pending formal publication)

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Report of the Panel Meeting

Introduction

1. At the invitation of the Director-General of FAO, a high level Panel of experts, representing international financing, technical assistance and food aid institutionsⁱ, met in Rome on 26-27 June 2001 in order to explore the issue of resources mobilisation for food security, agriculture and rural development. The Panel meeting was part of the preparations for the World Food Summit: five years later (*WFS: fyl*), scheduled for November 2001 in Rome, at which Governments will review progress to achieve the WFS goal of halving the number of undernourished persons in the world by 2015 and reaffirm their commitments to the WFS Plan of Action.
2. The purpose of the Panel was to:
 - identify the reasons for the decline of investment, and particularly of international funding, for agriculture and rural development over the last decade;
 - assess the priority given to agriculture and rural development by the international donor community and the countries affected by food insecurity and hunger;
 - identify specific actions needed to raise resource flows and delivery capacities of donors and recipients for poverty and hunger reduction;
 - explore the adequacy and means of support for global public goods in the area of agriculture and rural development.
3. A preliminary meeting involving four sub-regional development banks from Sub-Saharan Africaⁱⁱ was held on 25 June 2001 to discuss relevant issues specifically affecting their respective Sub-regionsⁱⁱⁱ.
4. Mr. David Harcharik, Deputy Director-General of FAO, opened the high level Panel meeting.
5. Mr. John Westley, Vice President of IFAD, accepted the Director General's invitation to act as Chairperson of the Panel. Mr. Christian Miczaika and Mr. Roland Schürmann, of the Investment Centre Division, served as Secretary and Reports Officer, respectively.
6. As a starting point for the Panel's deliberations Mr. Hartwig de Haen, Assistant Director General, Economic and Social Department, made an introductory presentation on the findings and conclusions of the FAO document on Mobilising Resources to Fight Hunger.
7. In the course of the meeting^{iv} a series of brief presentations by FAO staff introduced topical issues for the Panel's discussions and informed Panel members on selected current priority

programmes of the Organization^v. Of special interest to Panel members was also the presentation by Prof. Jean-Louis Arcand, of the Centre d'Études et de Recherches sur le Développement International, Auvergne University at Clermont Ferrand (France), on his work on the link between nutrition levels and economic growth.

8. At the end of the meeting the Panel presented its findings at a press conference and at a special session attended by Representatives of FAO Members and non-governmental organizations.

Main Conclusions of the Panel

9. Members of the Panel recognised that the immense problem of hunger and poverty was heavily concentrated amongst rural people in low-income developing countries. They agreed that it was incumbent upon the international lending and donor institutions to explore how they could more effectively contribute to the efforts of member governments in tackling this problem. They concurred that it was necessary for all parties involved to shift from "business as usual" if the WFS and other International Development Goals (IDG) contained in the UN Millennium Declaration were to be attained. They recognised the need to adjust resources allocation and appraisal criteria, as appropriate, to reflect concerns for equity and the contribution that reduction of undernourishment could make to economic growth. Furthermore, they agreed that success in this effort would be increased through improving operational efficiency and strengthening partnerships between their respective institutions. Closer partnerships would promote the common understanding of the links between food security, agriculture and economic development and of the ways by which improved investment in agriculture and rural development can contribute to the achievement of the WFS goals. An adequate supply of pertinent Global Public Goods (GPG) was needed to create and maintain an environment for maximum impact of international financing to agriculture and rural development.

Detailed Findings

1. Causes of Resources Decline

10. The Panel agreed that, as a global trend, the decline of resources for investment in agriculture and rural development was real and worrying. A few qualifications were needed that would, however, not change the overall picture:

- some sub-regional financing institutions had not experienced a decline in their agriculture-related lending, although they felt that shortages of concessional resources could constrain the *expansion* of their lending;
- several institutions noted the practical difficulties of estimating the share of investments committed to rural areas; rural investments in other sectors might have partly offset the decline in investments in agriculture and rural development;
- lending flows of many of the institutions represented are ultimately driven by the priorities of their borrowing members.

11. On the supply side, key reasons for the decline of resources transfer to agriculture and rural development included the inherent complexity, risk and relatively high transaction

(preparation, supervision, monitoring) costs per unit of investment in agricultural and rural development projects. The growing number and rigour of safeguards prescribed to avoid or minimise environmentally and socially harmful side effects of investments had caused disincentives and risk aversion among bank staff and clients, militating against rural projects. Participants also noted a variety of important subsidiary objectives under the overall goal of poverty reduction.

12. The Panel noted that the reduction of resource flows was also attributable to donor attitudes on aid effectiveness and problems that have emerged in ex-post evaluations of many agricultural projects, although more recent assessments indicate that their performance has improved. In food aid, highly visible conflict and disaster situations and related resource needs had caused a shift towards humanitarian and emergency aid at the expense of development assistance.

13. Of concern also was the actual and impending loss of professional capacity in a number of institutions to formulate, analyse and evaluate projects and programmes in agriculture and rural development. Specialists leaving the institutions were not being replaced adequately due to budget constraints. The decline of rural programmes had also reduced the ready availability of trained and experienced professionals in this field.

14. In addition, the Panel noted that institutional and technical underpinning for much agricultural lending had deteriorated over the years. The deterioration was in part precipitated by a decline of pre-investment activities, previously financed from multi-lateral and bi-lateral grants, for activities such as technical assistance-type projects, pilot operations and special studies on which feasibility work was based.

15. Considering demand-side reasons of the decline of lending to agriculture and rural development, several large institutions observed that decentralisation efforts had shifted operational decisions from the Centre to country directors, giving them more discretion on the content of lending programmes. Lending was thus increasingly demand-driven as opposed to issues-driven. Requests for loans, therefore, reflected an increasing diversity of country priorities, often at the expense of investment in food security and rural development. It was also emphasized that international financing institution resources can only complement the much larger pool of resources that needs to be made available from domestic sources.

16. A critical problem was to determine who in the countries were to be the banks' partners. Potential stakeholders, such as rural communities, civil society, responsible line ministries and the Ministries of Finance or Planning, did not necessarily have homogenous views on rural priorities. In Africa, finally, conflict situations were an important impediment to increased lending.

2. Giving Strategic Priority to Food Security, Agriculture and Rural Development

17. The discussion touched upon the merits of setting sector priorities for development. Panel members adopted the view that sector-neutral macro-economic adjustments were sometimes necessary, but accompanying measures would often be required to protect poor rural populations. Agricultural and rural investments had in general a strong pro-poor outcome. There were also important catalytic results to be expected as institutional investment in rural areas had strong multiplier effects and could mobilise financing from other sources, private and public.

18. Panel members felt that a strategic sector focus and resources targeting rural areas were justifiable on equity grounds, given the predominantly rural character of poverty and the rapidly growing rural-urban income differences within poor countries. The Panel further pointed out the enormous potential impact of a reduction in agricultural protection in OECD countries on production, exports and, ultimately, poverty reduction of poor countries. It was aware that benefits from trade liberalisation would be uneven, unless small farmers were enabled to make use of new market opportunities. Enabling small farmers required special efforts in rural capacity and institution building and infrastructure improvement including roads, communications, marketing, transport, storage and processing facilities in rural areas. Key to providing the commercial components of such infrastructure and the ensuing management of downstream activities was the private sector, which itself was highly responsive to an enabling regulatory and institutional environment and to public infrastructure investment in rural areas.

19. The Panel noted that most initial Poverty Reduction Strategy Papers (PRSPs) were strongly oriented towards social services, health and education. These were important, but not necessarily the only critical, contributions to poverty reduction. The Panel expressed concern that thinking solely in welfare terms would bias the policies of lending institutions against growth, ultimately harming the cause of poverty and hunger reduction. In this context, the finding of Prof. Arcand that higher economic growth rates resulted from hunger reduction (and not only, as conventionally thought, the reverse), would have important implications since it provided economic, in addition to humanitarian, reasons to attack hunger directly.

3. Raising Delivery Capacities and Resources Flows

20. Most Panel members noted that there was, in general, no critical shortage of loanable resources on ordinary terms available to their institutions for investments in rural areas. However such investments often required capital on concessional terms and this was much less abundant, with some of the smaller institutions reporting acute shortages. The very limited availability of multilateral resources for grant financing was viewed with concern. For concessional resources a major hindrance to a larger commitment to rural development was the competition from other sectors for funding. It was also noted that food aid continued to contribute critically to food security even though its developmental role was diminishing as emergency and humanitarian uses of food aid expanded.

21. The Panel recognised that, despite a generally adequate situation in respect of ordinary loanable resources, serious bottlenecks continued to exist. The Panel also agreed that to increase lending to agriculture and rural development more economic and sector work and pre-investment activities needed to be undertaken in order to establish the technical and institutional foundations for an increased project and programme pipeline. This work still needed largely grant funding despite the efforts of several institutions to develop special lending instruments to accommodate such needs.

22. To maintain credibility with governments, donors and the international public opinion, the quality and efficiency of lending operations of multilateral financing institutions was viewed as critical as an increase in transfer of resources. A key to achieve this was the forging of effective partnerships at different levels in order to better co-ordinate activities, exploit comparative advantages and possible synergies, and avoid duplication. Such partnerships could further reduce the burden on developing countries of interacting with multiple sources of finance.

23. Jointly agreed instruments for the coordination and focus of development assistance such as the PRSPs, the Comprehensive Development Framework (CDF), the Common Country

Assessment (CCA) and the UN Development Assistance Framework (UNDAF) were viewed as essential. The Panel believed that the Poverty Reduction Strategy process, in particular, provided a good vehicle and organising principle to improve investment related partnership arrangements among the development institutions, between institutions and member country governments, and between governments and the rural communities. The Panel also saw advantages of institutionalising meetings such as the present one as a contribution to the monitoring process of the Millennium Declaration and WFS goals. Such meetings could be held on a regular basis in order to periodically review and compare progress on improving the resource flows to food security and agricultural and rural development. Panel venue and composition could be based on regional or sub-regional affinity and include representatives from the private sector and from national commercial banks.

4. Providing Global Public Goods

24. The Panel noted that there was limited funding available for Global Public Goods (GPGs), that enabled and supported international lending to Member states for agriculture and rural development. GPGs which were neither nationally nor privately appropriable could profoundly affect the livelihood of poor people and included, for instance, the generation of technologies for sustainable management of land and water, forest and marine resources, agrobiodiversity, food safety, trans-boundary animal and crop pests and diseases, disposal of stocks of obsolete pesticides, monitoring and predicting the impact of climate change on agriculture and food supplies. Grant funding for the provision of GPGs by international agencies responsible for assisting agriculture and rural development needed to keep pace with the growing importance of this category of goods.

ⁱ List of participants (Attachment I).

ⁱⁱ Development Bank of Southern Africa, East African Development Bank, Economic Community of West African States Fund and West African Development Bank.

ⁱⁱⁱ Summary note (Attachment II).

^{iv} Agenda (Attachment III).

^v List of presentations (Attachment IV).

**HIGH-LEVEL PANEL ON RESOURCES MOBILIZATION FOR FOOD SECURITY
AND FOR AGRICULTURAL AND RURAL DEVELOPMENT**

(FAO, Rome, 26-27 June 2001)

LIST OF PARTICIPANTS

• **African Development Bank**

Mr. Getinet Giorgis

Director of Operations,
Southern Region

• **Arab Authority for Agricultural Investment and Development***

Mr. Abdul Kareem Mohammad Al-Amri

President

• **Arab Organization for Agricultural Development***

Dr. Salem Al-Lozi

Director-General

• **Asian Development Bank**

Mr. Joseph Eichenberger

Vice-President, Region East

• **Central Bank of West African States (BCEAO)**

Mr. Souleymane Cisse

Central Bank Representative to the
European Institutions for Cooperation

• **Development Bank of Southern Africa***

Mr. Landiwe Jackie Mahlangu

Manager,
Operations and Credit Administration

• **East African Development Bank***

Mr. George Ng'ang'a

Director Business Development

* Also attended the African Sub-regional meeting on 25 June.

- **Economic Community of West African States Fund (ECOWAS/CEDEAO)***

Mr. Ousmane Bocoum	Director of Operations
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- **European Bank for Reconstruction and Development**

Mr. Gilles Mettetal	Senior Banker and Manager, Agribusiness Team
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- **International Bank for Reconstruction and Development (World Bank)**

Mr. Odin Knudsen	Senior Adviser to the VP Environmentally and Socially Sustainable Development Network (ESD)
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- **International Fund for Agricultural Development**

Mr. John Westley	Vice-President
Mr. Fawzi H. Rihane	Coordinator, Multilateral and Interagency Affairs
- **International Monetary Fund**

Mr. Michael Hadjimichael	Assistant Director Policy Development and Review Department
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- **Islamic Development Bank**

Mr. Mohamed Ennifar	Director Operations and Projects Department
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- **OPEC Fund for International Development**

Mr. Y. Seyyid Abdulai	Director-General
Mr. Said Aissi	Assistant Director-General, Operations Management Department
- **United Nations Development Programme**

Ms. Odile Sorgho-Moulinier	Director
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- **West African Development Bank (BOAD)***

Mr. Ganda Seini Hassane	Deputy Director, Rural Development and Infrastructures
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- **World Food Programme**

Mr. Jean-Jacques Graise	Assistant Executive Director
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* Also attended the African Sub-regional meeting on 25 June.

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Summary Note on Preliminary Discussions by African Sub-regional Financing Institutions

On 25 June a group of representatives of four African sub-regional financing institutions¹ (the Group) met with several members of the FAO Secretariat for the full Panel in order to explore in a preliminary fashion a number of issues in relation to resources mobilisation affecting in particular Sub-Saharan Africa. Most of the points discussed were expected to be addressed also by the plenum of the Panel scheduled on the following day, 26 June.

In its discussions the Group followed broadly the provisional outline of topical items that had been suggested by the Secretariat for consideration by the main Panel. A summary of the preliminary discussions is given below.

1. Causes of Resources Decline

The Group agreed that there had been a significant drop of public funding for agriculture and the rural sector in recent years, including for research and extension. The decline had reduced the profitability of investment into agriculture. This adversely affected the lending of the Group that had few concessional funds at its disposal and was obliged by its statutes to undertake profitable investments. Even though none of the Group members lent to small farmers directly they were feeling the effect of high transaction cost, long delays of project maturity and generally poor performance experienced by the national institutions that on-lent their funds in the rural sector.

The Group agreed that major deterrents to agricultural lending were falling producer prices. Falling prices were partly due to deteriorating rural infrastructure and the withdrawal of public marketing support. In part they were also due to increasing competition with imports that had followed the opening of national markets. The Group agreed that financing institutions like themselves could only partly rectify the problem through infrastructure investments. In addition, appropriate public policies were needed to offset the effects of lower protection and price guarantees to local producers.

Some Group members drew also attention to the need for risk management in agriculture-related projects in order to reassure the private sector and encourage its participation. This could take the form of insurance or of equity participation by the public sector in private ventures.

Some Group members drew attention to the fact that they needed to observe financial returns to investment and that capital-intensive large-scale farming could be more appealing in this regard than smallholder agriculture. Therefore, despite the distinct economic and social benefits from the reduction of poverty and hunger of small and marginal farmers commercial-type lending was not necessarily the best instrument to this end.

¹ Mr. Landiwe Jackie Mahlangu, Group Spokesperson, Manager, Operations and Credit Administration, Development Bank of Southern Africa; Mr. George Ng'ang'a, Director, Business Development, East African Development Bank; Mr. Ousmane Bocoum, Director of Operations, Economic Community of West African States Fund (ECOWAS/CEDEAO); Mr. Ganda Seini Hassane, Deputy Director, Rural Development and

2. Priority Status of Rural Sector

The Group did not find that there was a general shortage of funding requests by governments for agriculture and rural development. Their member countries were quite willing to borrow, however were unable to afford to do so at the non- or only semi-concessional lending terms that dominated the bulk of the Group's available resources.

The Group felt that frequently changing policies by the providers of their resources regarding the use of funds by Group members and client countries introduced an element of instability and inconsistency into their long-term strategy formulation and operations planning.

The Group also agreed that more pre-investment activities were needed to lay the ground for sound rural interventions. Limited funding for this was available to some of the Group's members, in part to be recovered under a subsequent loan. However, they also requested from the larger commercial clients to undertake some pilot and pre-investment activities at their own expense.

The Group observed that regional, sub-regional and multi-country approaches needed more consideration. There were often situations where several elements of project appraisal could be standardised, and costs saved, as socio-ecological conditions were similar. This was the case, for instance, for shared resources such as in Lake Victoria fisheries or under a farming systems approach to agricultural development.

3. Capacities and Resource Flows

The Group agreed that shortage of concessional and grant resources for agriculture and rural development and related pre-investment activities was a serious problem to them. As far as their own shareholders, the member governments, were concerned commitments to budget cuts under international agreements were partly responsible for a dearth of equity funding. The Group was unanimous in their opinion that ODA needed to be stepped up if agricultural lending was to get more prominence on their agenda.

The Group also felt that a new capacity bottleneck was developing after governments had either withdrawn entirely or relegated project formulation and implementation to grassroots level. Co-operatives and producer organisations that were now being called upon to take initiatives were unable to fill the capacity gap left behind by the public sector.

The group also noted that security of land tenure was a problem in their lending operations. However this was another issue that was outside the domain of the Group's members but needed to be handled by the public sector.

4. Global Public Goods

It was not in the Group's mandate to get involved in global public goods (GPG) financing. They were however indirectly affected by GPG, as these would create externalities that could improve agricultural lending.

**HIGH-LEVEL PANEL ON RESOURCES MOBILIZATION FOR FOOD SECURITY
AND FOR AGRICULTURAL AND RURAL DEVELOPMENT**
(FAO, Rome, 26-27 June 2001)

AGENDA

Chairperson: Mr. J. Westley (IFAD) (Office A-379; Ext. 57031)
Secretary: Mr. C. Miczaika (FAO) (Office D-544; Ext. 55251)
Reports Officer: Mr. R. Schurmann (FAO) (Office D-569; Ext. 55761)

Tuesday, 26 June:

09:15-12:30 **First Panel Session** (Mexico Room, D-211)

Introductory Remarks

Mr. D. Harcharik, Deputy Director-General

- Presentation of the findings of the paper prepared for the Committee on Food Security:
Mobilizing Resources to Fight Hunger
Mr. H. de Haen, Assistant Director-General, Economic and Social Department
- Discussion Point 1: Addressing the causes of declining resource flow to agriculture and rural development.
Mr. D. Forbes Watt, Director, Investment Centre Division
- Discussion Point 2: Placing greater emphasis on food security and agricultural and rural development in strategic planning and pre-investment activities.
Mr. A. A. MacMillan, Principal Adviser

13:00 **Lunch hosted by the Director-General** (Caribbean Room, 3rd floor, Bldg. A)

15:00-17:15 **Second Panel Session** (Mexico Room)

- The Link between Food Security and Agricultural and General Economic Development.
A presentation by a special guest: Prof. Jean-Luis Arcand, University of Auvergne.
- Discussion Point 3: Raising international and national delivery capacities and mobilising incremental resources, including from the private sector.
Mr. D. Khan, Service Chief, Investment Centre Division
- Discussion Point 4: Ensuring an adequate supply of Global Public Goods to provide for long run food security and the sustainable management of land and water resources.
Mr. S. Singh Broca, Senior Officer, Agriculture and Economic Development Analysis Division

17:30-18:30 *Presentation of FAO's priority programmes*

Wednesday, 27 June:

09:00-11:30 **Third Panel Session** (Mexico Room)

- The Horn of Africa Initiative. A Presentation of the Inter-agency cooperation to reduce food insecurity and famine.
Mr. A. A. MacMillan, Principal Adviser, Investment Centre Division
- Exploring the practical implications in resource allocation of a strengthened focus on food security and agricultural and rural development in the context of WFS goals.
(General discussion)
- Discussion of elements of the Chairperson's Report.

12:00-13:00 **Press Conference** (Iran Room, B-016)

13:00 **Working Lunch** with Mr. Carsalade, Assistant Director-General, Technical Cooperation Department (FAO Restaurant, 8th floor, Bldg. C)

14:30-16:00 **Meeting** where the Panel's preliminary conclusions are presented to Permanent Representatives of Member Governments, selected NGOs and observers (Green Room, 1st floor, Bldg. A)

END

**HIGH-LEVEL PANEL ON RESOURCES MOBILIZATION FOR FOOD SECURITY
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Presentation of FAO's Priority Programmes

Tuesday, 26 June, 17.30 – 18.30 hours

Title/Topic	Division	Speaker
Special Programme for Food Security (SPFS)	TCO	Mr. Hiemstra, Food Security Officer Ms. De Clementi, Senior Food Security Officer
Global Information and Early Warning Service (GIEWS)	ESC	Mr. Rashid, Chief, Global Information and Early Warning Service
Emergency Prevention System (EMPRES) - Livestock	AGA	Mr. Rweyemamu, Senior Officer, Infectious Diseases-EMPRES Group
EMPRES – Desert Locust	AGP	Mr. Elliott, Senior Officer, Locust Group
World Agricultural Information Centre (WAICENT)	GIL	Mr. Pérez Trejo, WAICENT Manager
Investment Centre Partnerships	TCI	Mr. Forbes Watt, Director, Investment Centre Division