

The responsibility of industrialised countries

More people in the world are affected by famine today than ever before. We are far away from reaching one of international development policy's key targets – MDG 1. The global economic crisis exacerbates the acute problem of hunger. International efforts must now be fundamentally reoriented so that development policy returns to addressing more effectively the development potentials of agriculture and rural areas.

The United Nation's Millennium Development Goals (MDGs) require that the proportion of the world population suffering from hunger be halved by 2015. The aim is to achieve 10 percent. In fact, however, the proportion rose again last year from 16 to 17 percent. When realising that the global population will increase by a further 2.5 billion people by 2050, it becomes clear what challenges we are faced with in the fight against hunger. Even reaching the 10 percent mark would still mean that hundreds of millions of people too many are suffering from hunger.

Soaring prices in 2008 lead to famine revolts in more than 60 countries. Since then, international politics have addressed emergency measures at various conferences and summit meetings and have in part entered into new commitments to promote global food security and sustainable agricultural development. The danger persists, however, that political attention will ebb just as quickly as the international agricultural prices have again fallen. The global financial and economic crisis threatens to push this topic even fur-

ther into the background despite the fact that it aggravates the challenges even further.

The fixation on tackling the acute symptoms of the crisis such as high prices, supply bottlenecks and rebellion in metropolises, carries the great danger of thwarting long-term strategic policy reforms. Increased food production by means of poverty-oriented promotion of agriculture and rural development, while at the same time protecting the natural bases for life, these must remain central topics on the international development agenda.

■ The 2008 price crisis

The 2008 hunger crisis was triggered by the rapid rise in prices for energy and food. In many developing countries the poor could no longer afford their daily bread, their tortilla, their

rice. Compared to 2003, world market prices had doubled for wheat, tripled for corn, quadrupled for rice. Similar to oil prices, nominal agricultural prices rose to record heights never reached before. Whereas in the meantime these world market prices have again caved in, a similar fall in food prices has in many instances not yet reached the national and regional markets of many developing countries.

A longer-term look at inflation-adjusted trends shows, however, that

Due to poverty, people's physical needs do not reach the markets in the form of demand backed by purchasing power. And the global crisis is reducing purchasing power even further.

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over the last three decades agricultural prices have tended to fall in real terms, by more than 75 percent in all. Political focus on the explosion of nominal agricultural prices is misleading because it is identified as the key evil. In fact, they are just one aspect, the most visible indicator of the crisis. The real problem is not the prices but the limited access to food. Frequently, access is not barred because supply is lacking, but rather because of poverty; people's physical food needs do not reach the market in the form of demand backed by purchasing power.

A dilemma becomes visible between long-term and short term prospects. Higher prices do, of course, cut purchasing power even more. But the problem can only be solved in the long term if sufficiently high prices for agricultural produce create an incentive to raise production and productivity.

■ The global economic crisis

What was originally a financial crisis has developed into a global economic crisis since 2008. Not only does the crisis exacerbate the acute problem of hunger by further reducing the purchasing power of poor people; for years to come, it also threatens to limit the possibilities of combating hunger by means of investments and innovations in sustainable agriculture and rural economies.

For the first time since World War II, the International Monetary Fund (IMF) anticipates a decline in global economic performance in 2009. Global trade is experiencing the greatest slump since the world economic crisis 80 years ago. In the first quarter of 2009, trade dropped by 30 percent compared to the previous year.

While relieving the burden on importing countries, deteriorating prices for raw materials bring those countries into a very critical situation which in recent years kept relying solely

Food at dumping prices on the world market very often destroys incentives to enhance local production and productivity.

on greater raw material exports and income, while often neglecting their agricultural and industrial sectors.

The World Bank estimates that remittances by migrants, which for developing countries had doubled to reach 328 billion USD between 2004 and 2008, will recede by 7 to 10 percent in 2009. IMF expects foreign direct investments (FDI) in developing countries to decrease by one third.

For the world's poorest countries in particular, it is all the more important that at least official development aid (ODA) by the rich donor countries will not be restricted but rather increased. In view of the world hunger situation, focus should be placed more on poverty-oriented development of the agricultural sector and rural areas.

■ Do not reduce ODA funding

Official development aid (ODA) by the donor countries in the OECD Development Assistance Committee (DAC) amounted to some 120 billion USD in 2008, a level never reached before. Measured against the aggregated gross national income (GNI) of the donor countries, however, this figure only represents 0.3 percent, still far off the UN target of 0.7 percent GNI set in 1970. Indeed, the large G7 countries such as the USA (0.16 %), Japan (0.18 %), but also Germany (0.38 %) lie clearly below the DAC country average of 0.47 percent.

In recent years, many donor countries have at least made pledges to raise their development policy efforts, particularly promising to double their contributions for Africa. EU donor countries, for example, have undertaken to



provide at least 0.51 percent of their given GNI for development cooperation by the year 2010. The OECD-DAC Secretariat has calculated that for these pledges to be kept, funding will have to grow by some 20 percent from 2008 to 2010. The present situation is that only 10 percent have been earmarked to date. Germany alone would have to raise its ODA by more than a quarter from 14 to almost 18 billion USD.

Back in October 2008 in a letter to the heads of state and governments of DAC countries, the OECD Secretary-General Angel Gurría and Eckhard Deutscher, Chair of the DAC, appealed that the financial crisis should not become a crisis of development aid. In this situation especially, other than in the recession in the early 90ies, it is essential that aid pledges be honoured and that ODA be used as a counter-cyclical instrument in global crisis-management.

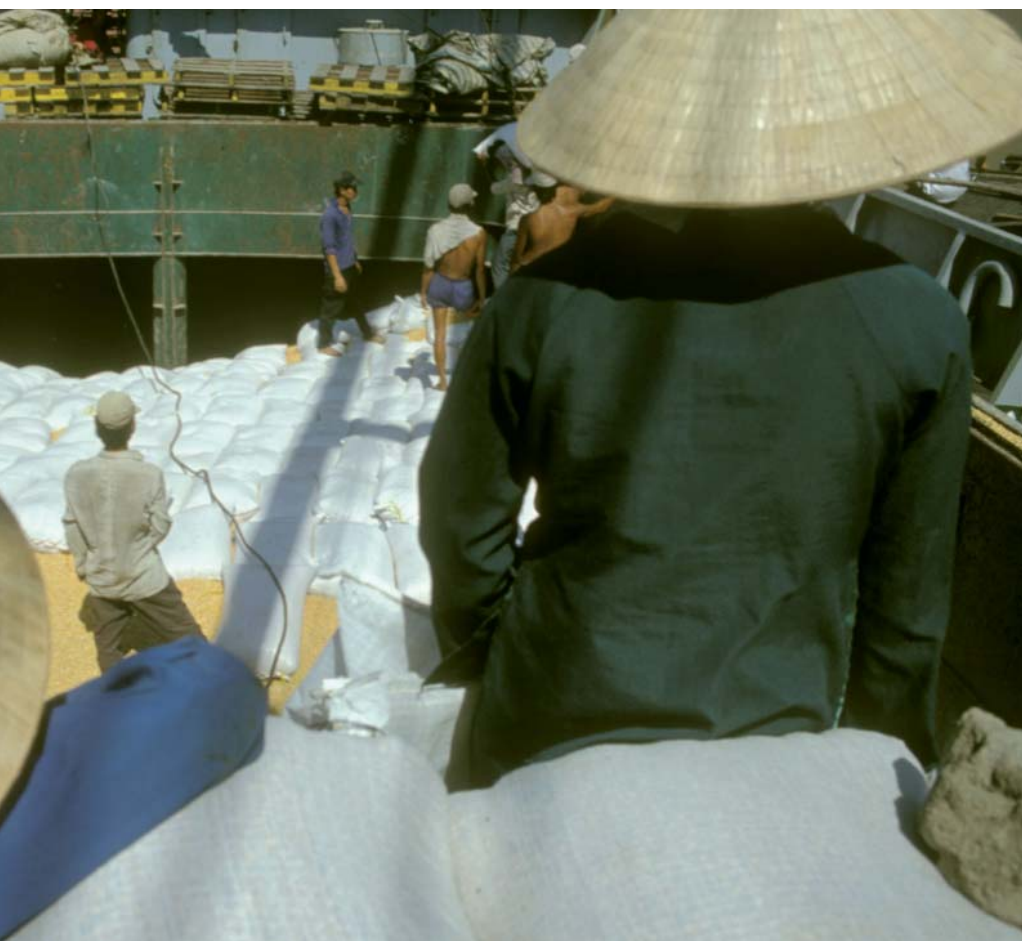


Photo: FAO / J. Holmes

In times when hundreds of billions are being mobilised almost immediately in the form of economic stimulus packages and banks are being backed with guarantees of enormous magnitude, it has become a key issue of political credibility whether industrialised countries can at least keep their word and pledges they made years ago, and have so often repeated to developing countries, who are being hit far harder and more dramatically by the crisis.

■ Priority to agriculture and rural development

Nevertheless, it is important not just to ensure the amount, effectiveness and efficient use of ODA contributions, but also to trigger structurally meaningful impulses to strengthen agriculture and food security policy. A glance at the trend in the proportion

of ODA used to these ends shows that since the famine crisis of the early seventies, this share has continually fallen: from originally more than 20 percent to nowadays less than five percent. This trend has to be radically corrected and funding reoriented.

Indeed, the last G8 summit in Italy agreed on the L'Aquila Food Security Initiative, an accord also carried by the emerging and developing countries and numerous international organisations present at the meeting. Under this initiative, a comprehensive global partnership for agriculture and food security is to be established by the end of this year, and 20 billion USD are to be allocated to implement it in the coming three years (see also page 6 of this issue).

This would be an enormous step forward towards promoting sustainable agricultural development. Success, however, will depend on whether

effective international monitoring is set up to verify that the pledges made are kept and activities are implemented.

■ Policy coherence essential

But modern development policy must amount to more than just the allocation of promotion funds. In partnership with recipient countries, it is, of course, essential to ensure efficient and effective use of funds. Moreover, care must be taken to not allow development efforts to be neutralised or even countered by other policy areas.

Little success has been achieved to date in attempts to ensure such policy coherence by incorporating development and sustainability objectives when formulating and implementing policies in other areas. This applies particularly to the agricultural sector. Each year, not only does OECD publish the amount of ODA, but, by means of the Producer Support Estimate (PSE), also calculates the value of the various agricultural policy support mechanisms with which member countries each promote their own agricultural sector. While they are not directly comparable, contrasting the amount of ODA with that of PSE can be very revealing.

Whereas in 2008 OECD donor countries mobilised some 120 billion USD ODA for developing countries, and less than ten billion of this were used to promote agriculture and food security, the calculated PSE OECD countries used to support their own agricultural sectors amounted to more than 250 billion USD.

Support to OECD agriculture has, indeed, gradually become less protectionist and trade distorting in the scope of agricultural policy reforms. Nevertheless, some 50 percent of support is still geared to measures linked to production output, meaning they directly distort market and price signals and consequently often have negative



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In times when hundreds of billions are being mobilised for the survival of Western economies, it is a question of credibility whether industrialised countries keep their promise to raise their ODA pledges.

kets at dumping prices, are extremely problematic in this context. In many developing countries, they destroy any incentives to increase local production and productivity. In order to get rid of its milk surpluses the European Union reintroduced such export subsidies in spring 2009.

Policy coherence is also demanded for foreign direct investments (FDI), which have recently increased at a rapid pace also in the agricultural and food sectors. It is essential to keep track of attempts by industrialised and newly emerging economies to control agricultural resources in developing countries by buying up large areas of land or even water reserves, and to monitor what consequences this is having. The latest developments in Madagascar are an explicit warning signal. Internationally certified Codes of Conduct have to be urgently drawn up and monitoring and evaluation procedures developed which verify that they are adhered to.

consequences for agriculture in developing countries.

Export subsidies, whereby agricultural produce and foods that, at high cost, have been produced, processed, stored or even refrigerated for months, are finally pushed onto the world mar-

■ Outlook

The 2008 hunger crisis triggered by soaring agricultural prices should be seen as a signal to fundamentally reorient efforts so that development policy returns to addressing more intensively the development potentials of agriculture and rural areas.

In this context, prices are only one signal, not the real evil. While the global financial and economic crisis does not facilitate such reforms, it cannot be taken as an excuse for continuing to bide time. On the contrary, now is the time to seize the opportunity to reorient approaches. The first step to this end is to reform inefficient and incoherent policies and gear them towards sustainability. The recent pledges of donor countries to significantly enhance their promotion of agriculture and food security in the coming years are encouraging. The key will be to ensure that pledges turn into real results.

In this article the author portrays his personal views. They do not necessarily confer with the official position of the OECD and its member countries.

Zusammenfassung

Die ursprüngliche Finanzkrise hat sich seit 2008 zu einer globalen Wirtschaftskrise ausgewachsen. Sie verschärft nicht nur das akute Hungerproblem, indem sie die Kaufkraft der Armen weiter reduziert. Sie droht auch auf Jahre hinaus die Möglichkeiten zu begrenzen, Hunger mit Hilfe von Investitionen und Innovationen langfristig zu bekämpfen. Umso wichtiger ist – gerade für die ärmsten Länder – dass zumindest die öffentlichen Entwicklungshilfeleistungen (ODA) der reichen Geberländer nicht eingeschränkt, sondern eher noch verstärkt werden. Mit Blick auf den Welthunger sollte ihr Schwergewicht zudem stärker auf eine armutsorientierte Entwicklung des Agrarsektors und der ländlichen Räume ausgerichtet werden. Doch darf sich moderne Entwicklungspolitik nicht nur in der Vergabe von Fördermitteln erschöpfen. In Partnerschaft mit den Entwicklungsländern muss sie auch

deren effektive und effiziente Verwendung sicherstellen. Hierfür müssen ineffiziente und inkohärente Politiken reformiert und auf Nachhaltigkeit ausgerichtet werden. Dies gilt vor allem für die Stützung der Landwirtschaft in den OECD-Ländern, aber auch für den Einsatz ausländischer Direktinvestitionen. Die Entwicklung und effektive Überprüfung international zertifizierter Codes of Conduct scheint hier dringend geboten.

Resumen

Desde 2008, lo que al inicio fue una crisis financiera se ha convertido en una crisis económica mundial. Ésta no sólo agrava el agudo problema del hambre al haber reducido aun más el poder adquisitivo de los pobres, sino que amenaza con restringir durante varios años las posibilidades de combatir el hambre a largo plazo con la ayuda de inversiones e innovaciones. En consecuencia, es tanto más importante – precisamente

para los países de mayor pobreza – que al menos la asistencia oficial para el desarrollo (AOD) de los países donantes más ricos no se restrinja, sino más bien se incremente. Además, al centrar la mira en el hambre mundial, la lucha contra la pobreza debería enfocarse con mayor énfasis en el sector agrario y los espacios rurales. Sin embargo, la política moderna de desarrollo no debería circunscribirse a la adjudicación de fondos de fomento. En cooperación con los países en desarrollo, es necesario asegurar el uso eficaz y eficiente de estos recursos. Para tal fin, deben reformarse las políticas ineficientes e incoherentes, encaminándolas hacia la sostenibilidad. Esto rige sobre todo para el apoyo de los países de la OCDE al sector agrícola, pero también para la orientación de las inversiones extranjeras directas. En este sentido, se percibe como necesidad urgente la formulación de Códigos de Conducta con certificación internacional.