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Impact of the Global Economic Crisis on the Agriculture and Rural Development in the Countries of Eastern Europe and Central Asia

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and Central Asia*



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Goal 1:

Eradicate extreme poverty and hunger

2009: Some 1.02 billion people chronically deprived of adequate food.

The number of undernourished people in the world increased by 75 million in 2007 and 40 million in 2008, largely due to higher food prices; the number of hungry further increased by 100 million in 2009, due to the economic crisis.

907 million people in developing countries alone are hungry.





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World Summit on Food Security



Rome 16-18 November 2009



"...While strides have been made, the overall efforts so far have fallen short of achieving the Millennium Development Goals and the commitments of the World Food Summits. We must collectively accelerate steps to reverse this trend and to set the world on a path to achieving the progressive realization of the right to adequate food in the context of national food security..."

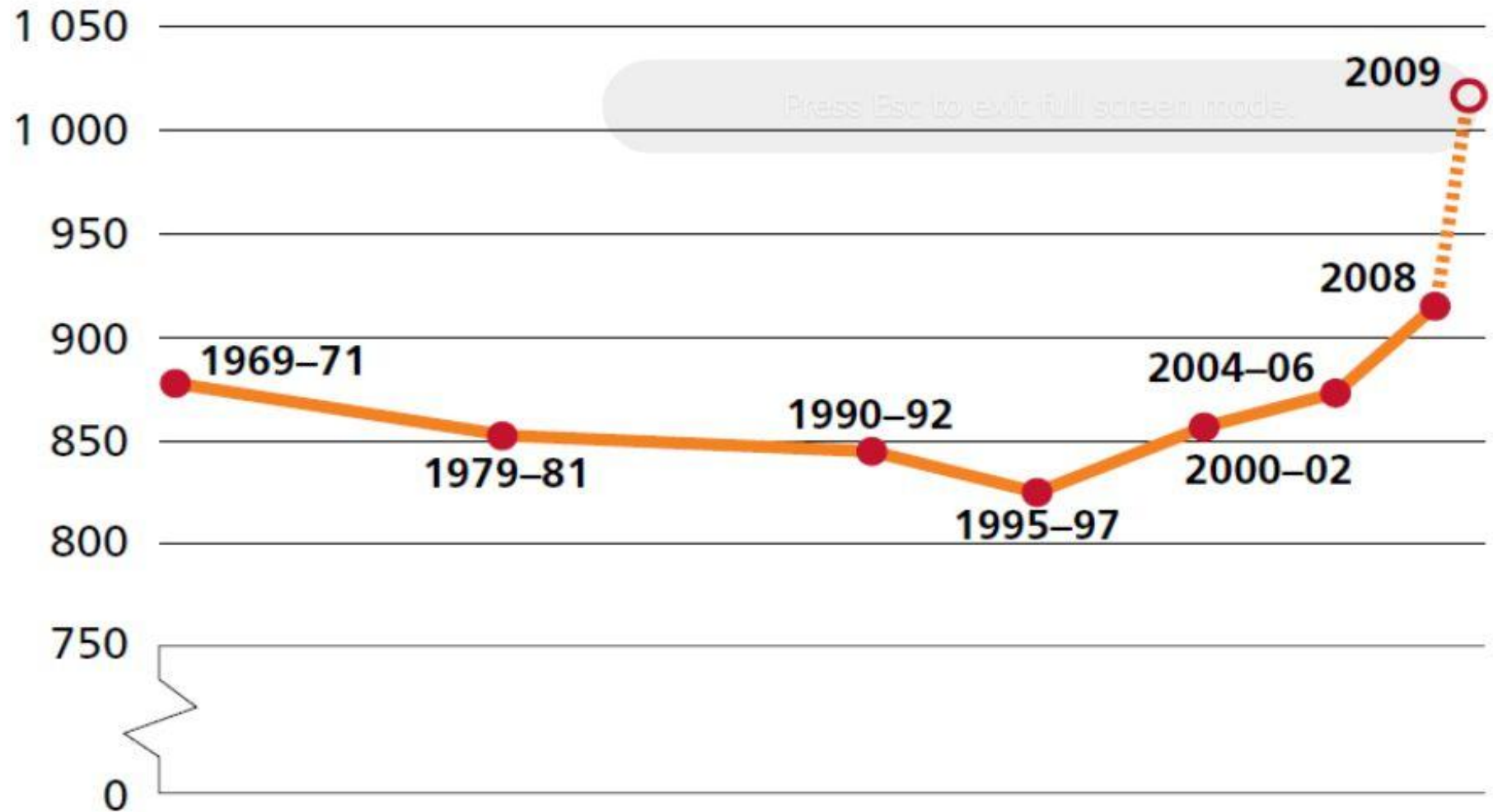
DECLARATION OF THE WORLD SUMMIT ON FOOD SECURITY

60 Heads of State and
Government
191 Ministers from
182 countries and the
European Community



Trends in world hunger

Millions



Source: *The State of Food Insecurity in the World*, FAO (2009). Value for 2009 is a projection.



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FAO Indicators of Food Security in the World

1. Ratio of grain reserves to consumption: a ratio of 17–18 % is the minimum needed to maintain food security.
2. Ratio of supplies to requirements in the main exporters: EU, Kazakhstan, Russia, Ukraine
3. Ratio of closing stock in the four main exporters to their domestic consumption, plus exports.
4. Cereal production in the importers (China, India and Commonwealth of Independent States).
5. Cereal production in Low Income Food Deficit Countries (LIFDC). In ECA there are eight countries
6. Food and agriculture production in LIFDC and their macroeconomic indicators
7. Weather conditions and climate change





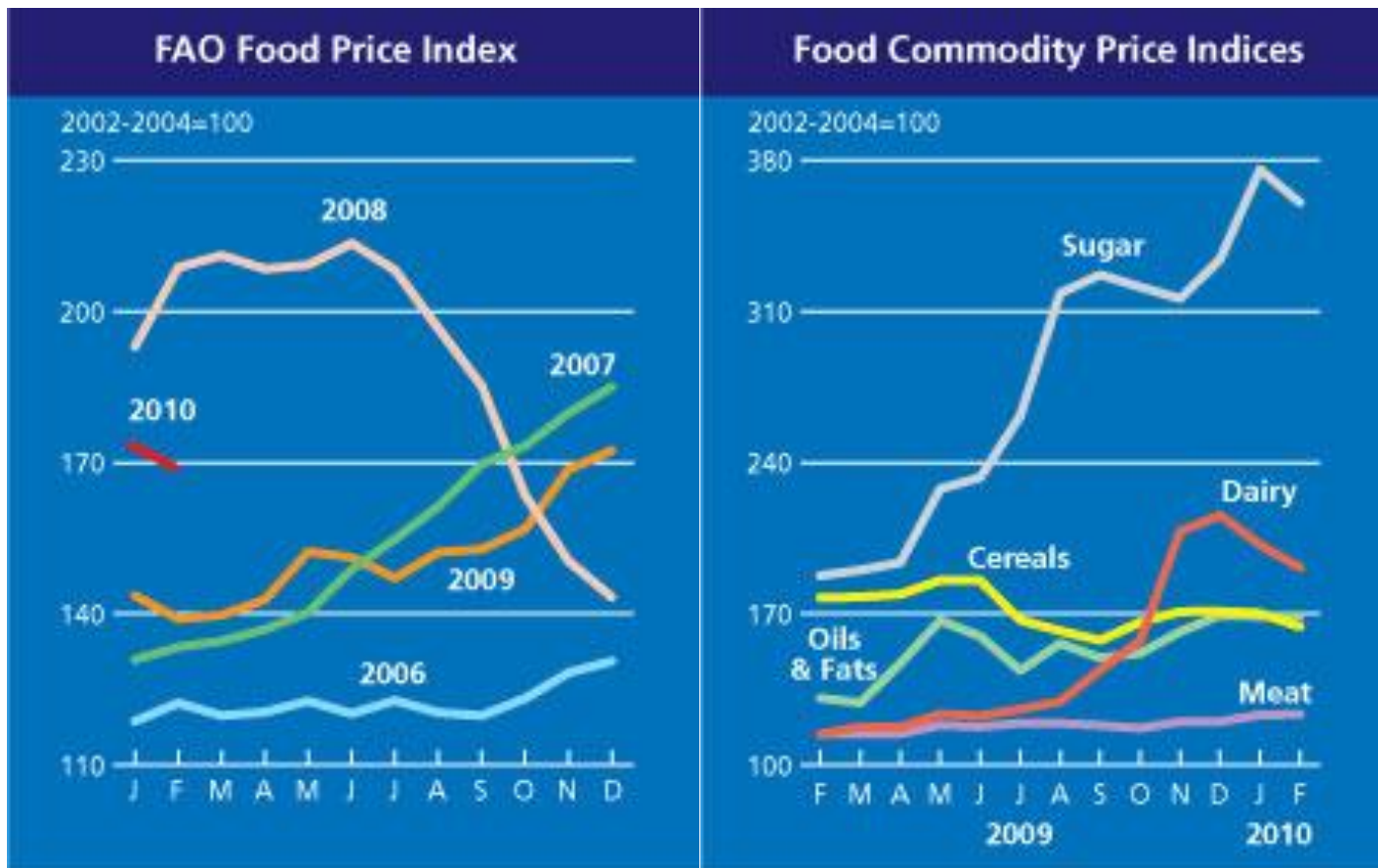
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Food Price Indices





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FAO provides assistance to countries of Eastern and Central Europe and Former Soviet Union



- About 30 % of the region's population – about 145 million – are still considered either poor or vulnerable. Now the number is expected to rise by about 5 million people for every 1 percent decline in GDP.
- In 2009, the Region is projected to have an additional 13 million poor or vulnerable people, instead of the number falling from 145 to 130 million as foreseen before the crisis.

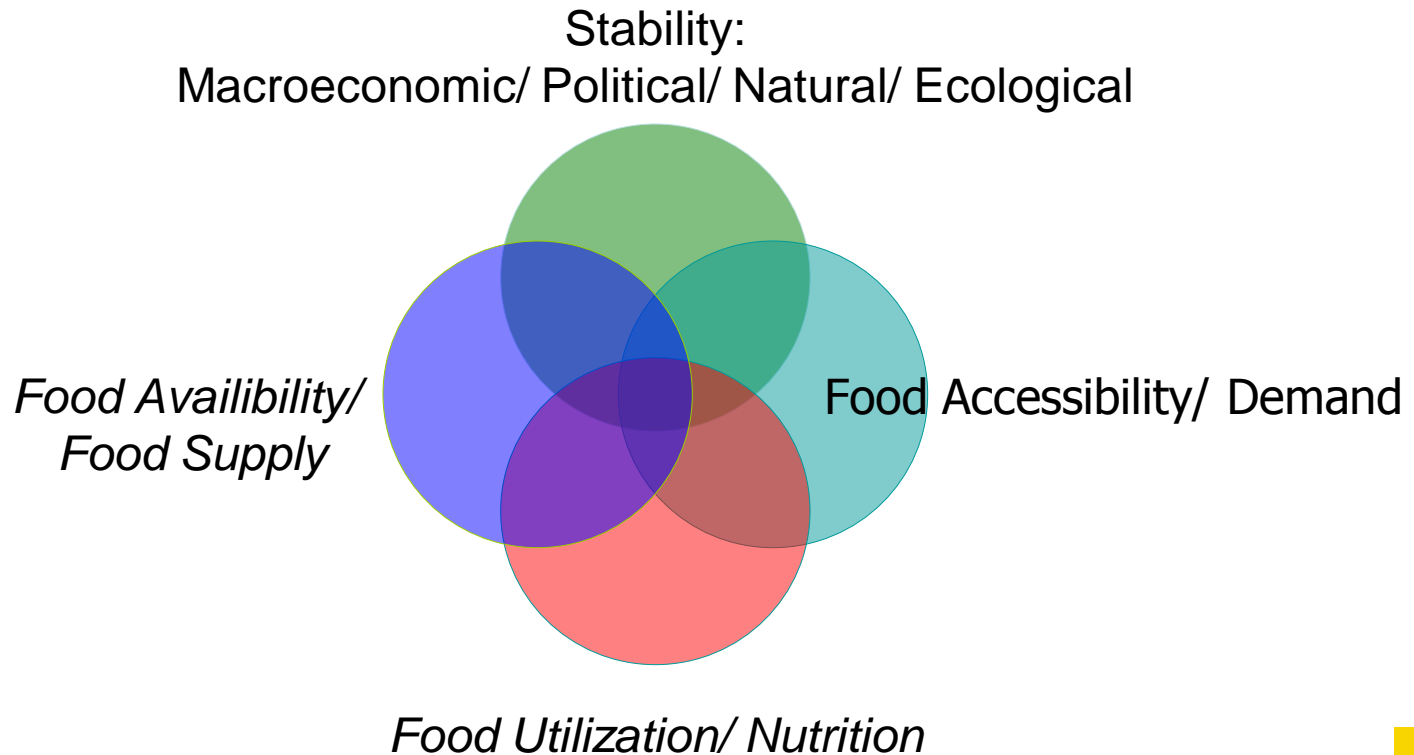


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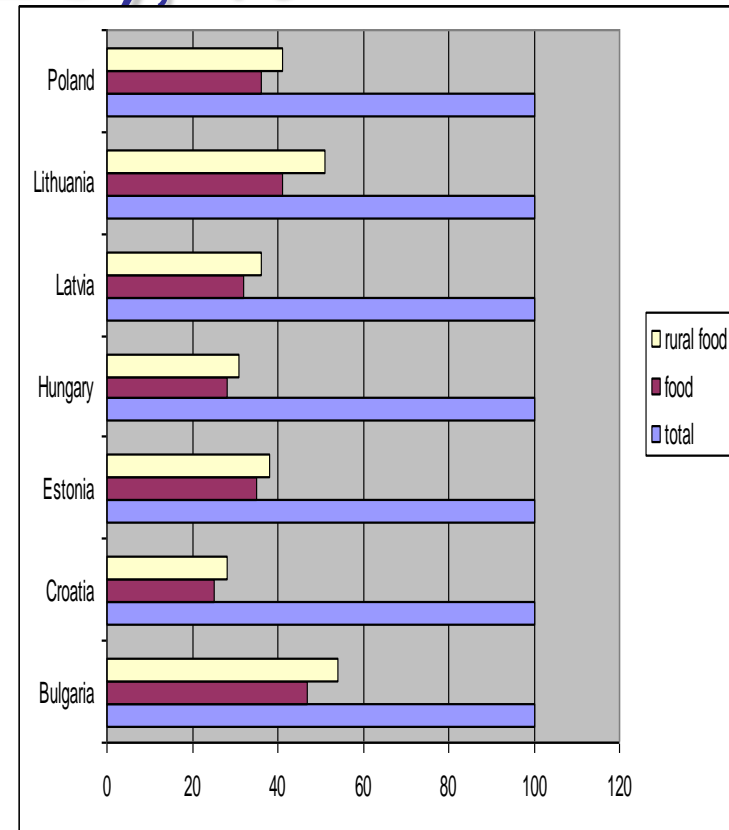
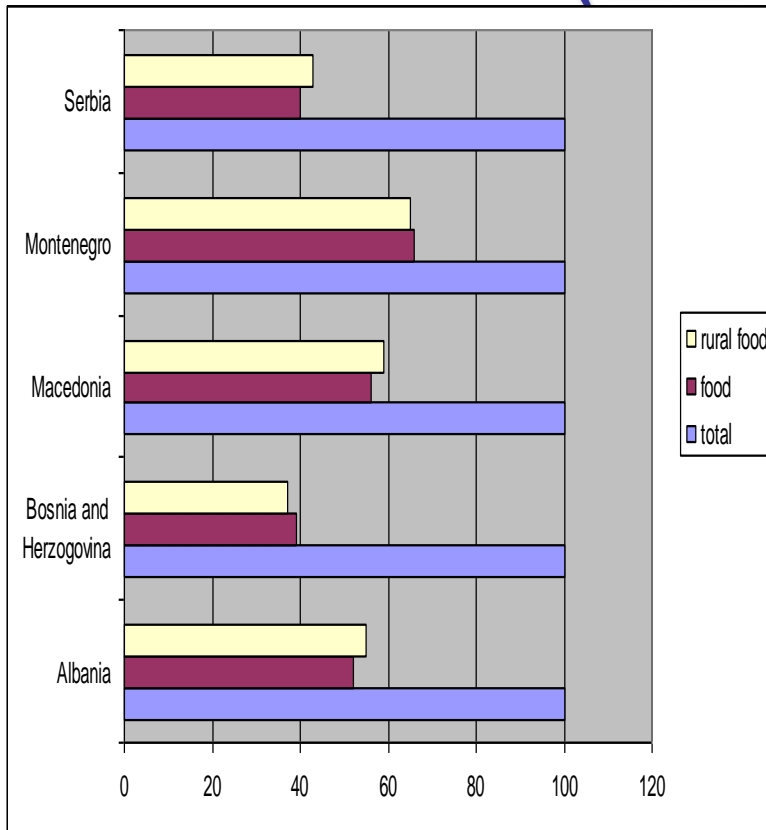
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Food Security Concept





Food Consumption Share (EE of EU), %



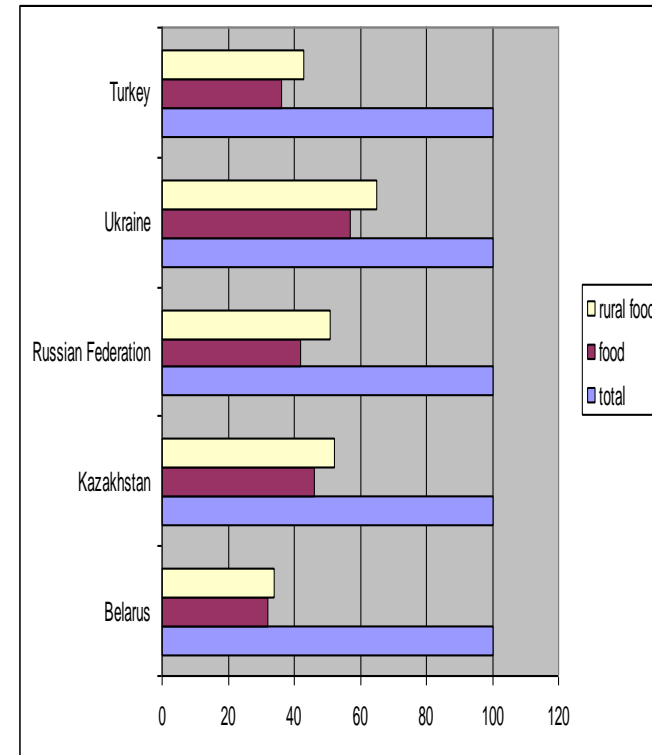
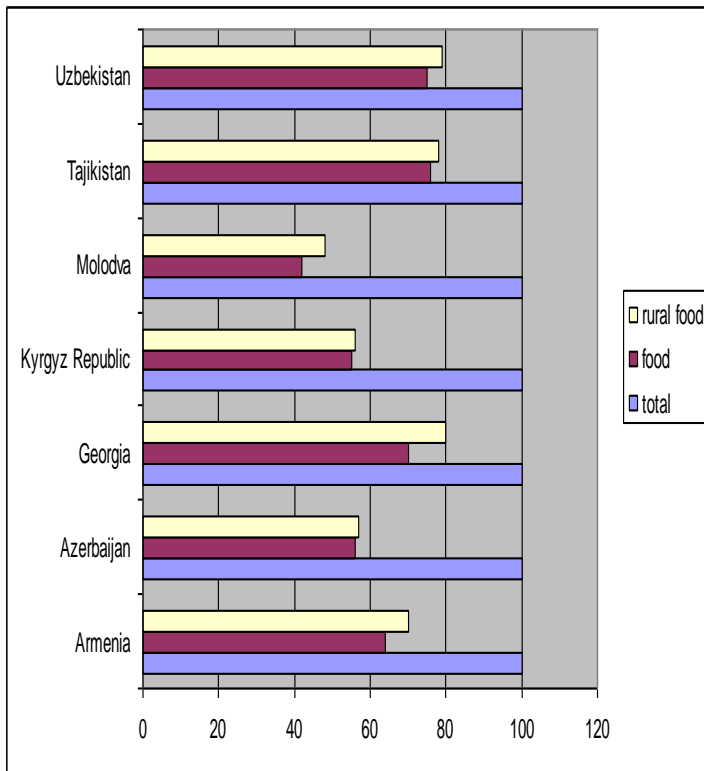


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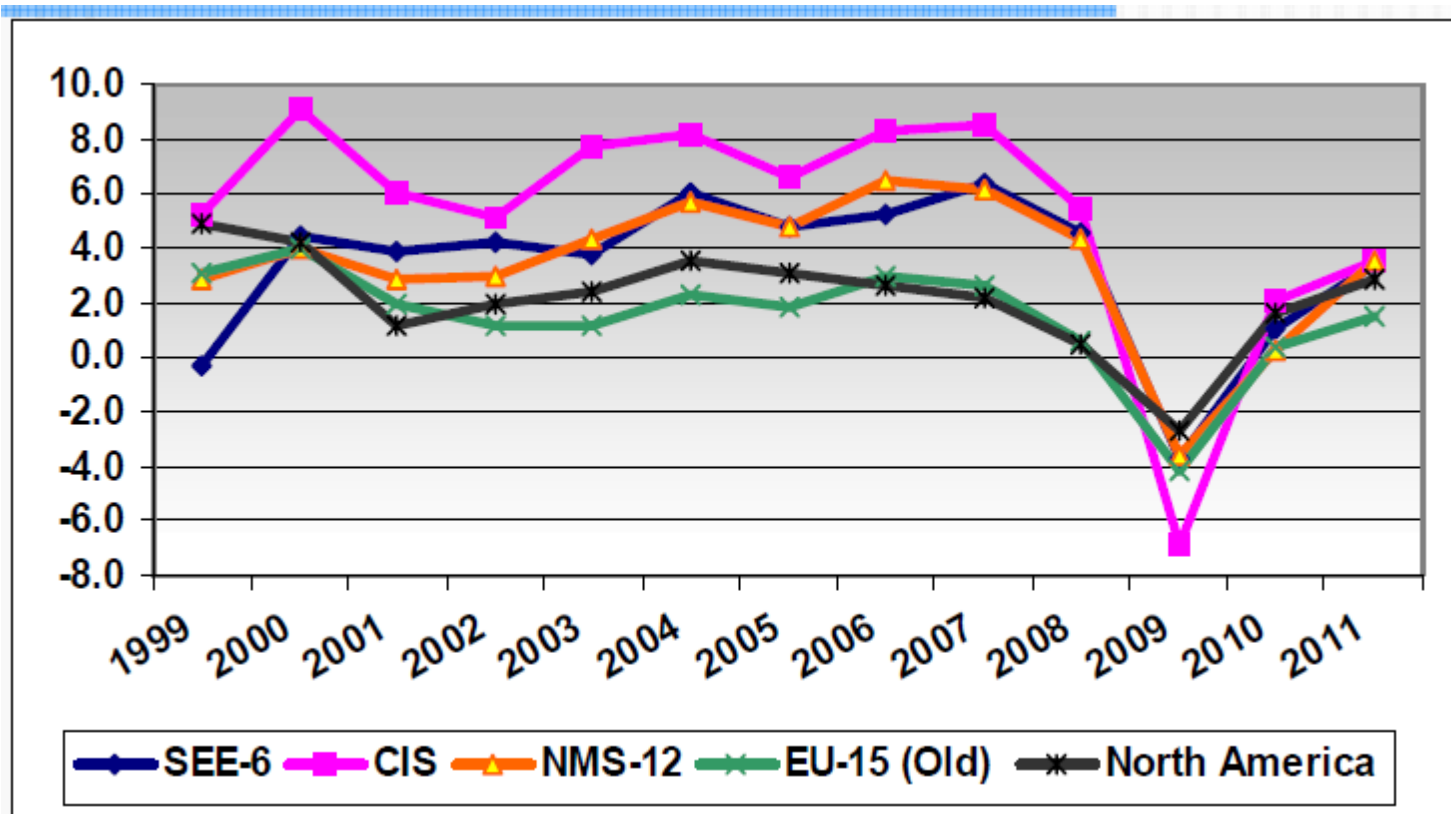
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Food Consumption Share (CIS, Georgia and Turkey), %





Comparison of real GDP growth rates in selected regions



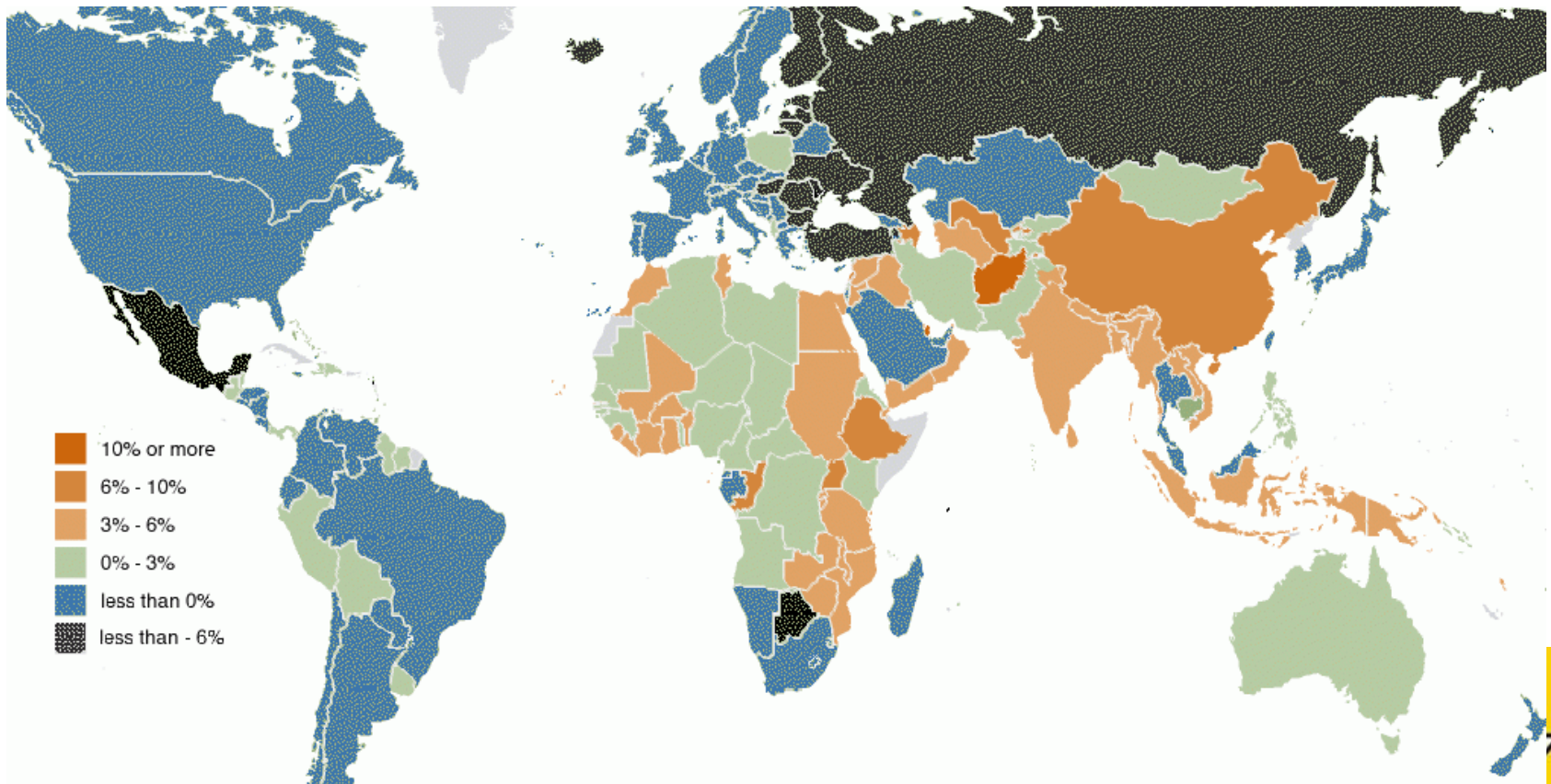


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Comparison of real GDP growth rates in selected regions, 2009





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Food crisis and financial crisis

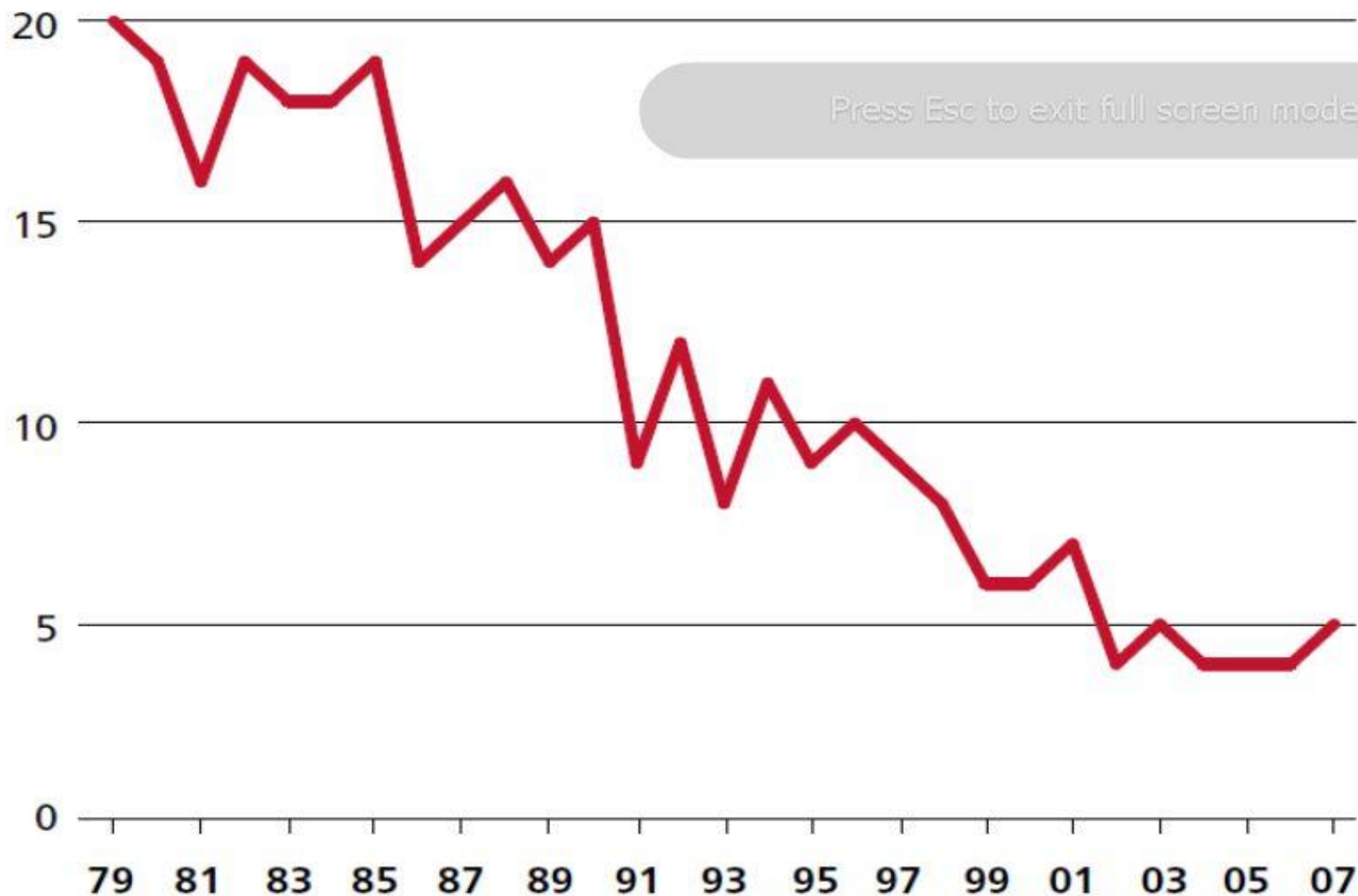
The same factors that caused the food crisis in the first place are still present:

- Agricultural productivity is low.
- The population growth rate is still high in many of the most food insecure countries.
- Water availability and land tenure are significant problems.
- The frequency of floods and droughts is above long-term averages.
- Investments in agricultural research and development are much lower than what is recommended by experts and are not directed toward the most important crops for the poor.



Low investment in agriculture

Share of ODA for agriculture (percent)



Source: Creditor Reporting System, OECD (2009)

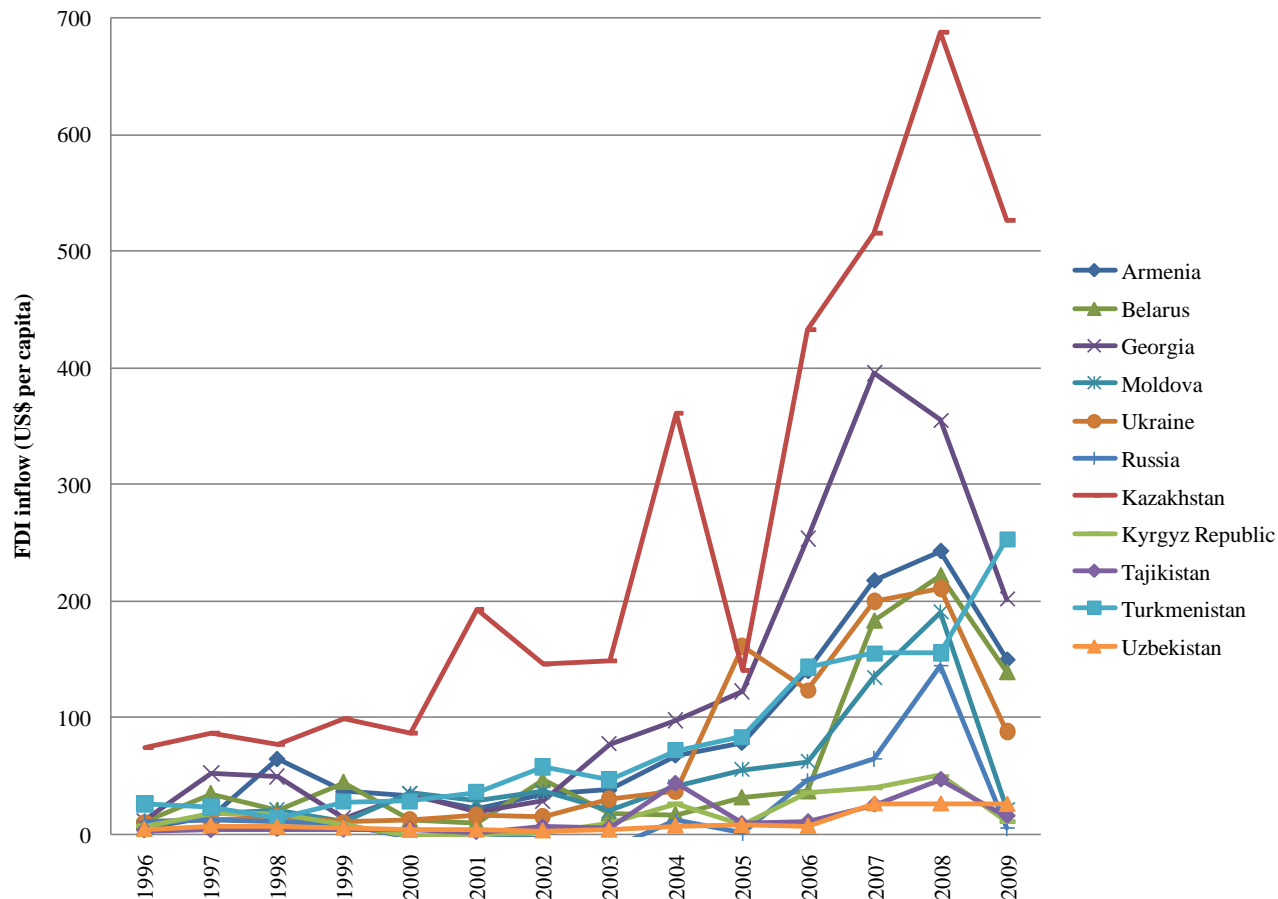


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Reduction in investments



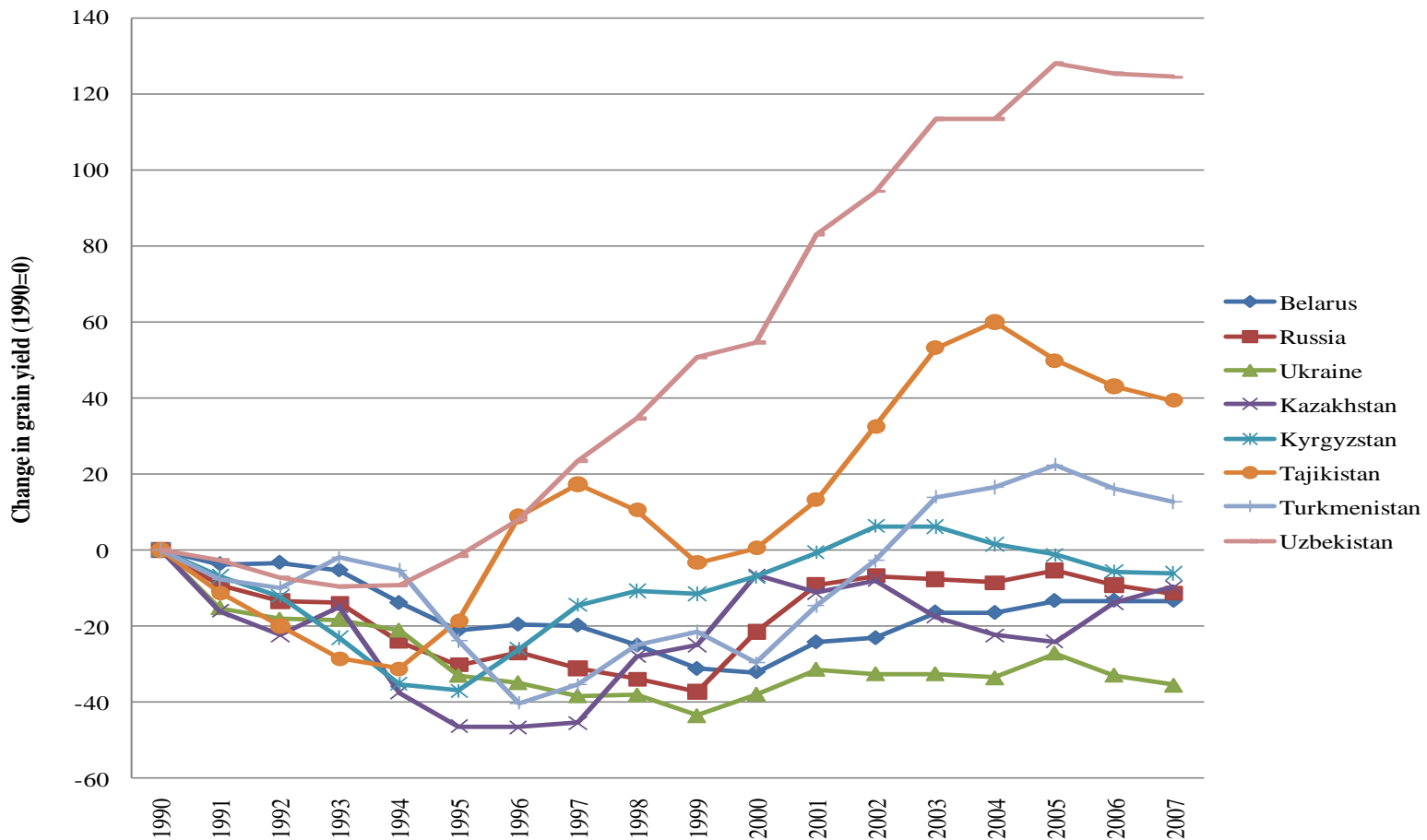


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Change in grain yields





Food Prices - Recent Trends

CIS COUNTRIES:

- In 2009 GDP declined by 9 % in the region. The highest in Armenia (15 %) and Ukraine (almost 18 %).
- Prices of most food commodities remained at the level of August 2009 or declined slightly.
- For most countries of the CIS region, food prices remained stable at previous annual increase levels.
- By the end of 2009 the average food prices significantly exceeded their pre-crisis levels of prices in September 2006. Compared with September 2006, basic food set in CIS countries has risen in price in the range of 1, 2 times to 1, 8 times.





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Food Prices - Recent Trends

European Region :

- Although the rate of annual inflation in 2009 for the Euro area was 0.9%, for EU countries it was 1.4% and it differs among members of EU.
- In spite of the fact that the lowest rate in the region is on food (3%), the overall socio-economic situation is still fragile and significantly impacted by the global and financial crisis and effected by weather conditions in some countries as well.
- Bosnia and Herzegovina - long crisis;
- Albania - domestic food price fluctuation.





Recent Trends: Weather Conditions

- Increasing risk for agriculture due to cold and snow. There are warnings on crop production in Croatia, Bosnia and Herzegovina and Albania.
- Albania: the melting snow flooded at least a third of agricultural land in the north-west region. This region accounts for around 7 percent of Albania's cereal production, 9 % of vegetables.
- Due to cold and frost the speed of export slowed down.
- Belarus: heavy frosts posed threat for grains.
- Georgia: heavy rains damaged grape fields which is one of the export products of the country.
- Snow delays planting seeds in Poland, Hungary, Czech Republic
- Frost damages in Ukraine, Bulgaria.
- Lower sowing likely to cut grain crops in Eastern Europe.





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Crop Prospects and Food Situation

- **2010: a reduction in global wheat output reflecting smaller plantings**, but increase in global coarse grain output.
- **In Low-Income Food-Deficit countries, prospects for the early 2010 cereal crops are uncertain.**
- Europe: cereal production is expected to decline by 6.8%.
- In the **Republic of Moldova**, following localized summer drought, total cereal production in 2009 decreased sharply by about 25 percent from the previous year to about 2 million tonnes, 5 percent below the average of the previous five years.





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Fundamental changes are needed on national and international levels

- **Right to Adequate Food** - Voluntary Guidelines for the Implementation of the Right to Food at national level
- Reformed **Committee on World Food Security** – cornerstone of improved governance at international level.





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Available policy options

The present food systems are fragile. Immediate relief and fundamental structural changes are urgently needed.

•Short run

- Twin track approach
 - Expand **food assistance** and early warning and rapid response capacities
 - Target **food production programs** with inputs, credit and extension education packages
- Accelerate local adaptation and dispersion of currently **existing technology**
- Complete the **Doha Round** of trade negotiations and **Restore trust** in the international trading system with improved multilateral or plurilateral rules and agreements

•Long run

- **Investment (not land grabs)** in agricultural development and Rural Development for production and post harvest functions
- Improve **market functioning** to facilitate price transmission and integration with global markets
- **Risk management tools** for farmers
- Enhance **rural development** and rural infrastructure investments
- Invest in social protection or **safety net measures** to protect vulnerable populations

**LONG TERM ACTIONS HAVE TO START
IMMEDIATELY**





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Keeping agriculture on the agenda

- While dealing with the global recession, the international community must not forget its commitments to the one billion people suffering from hunger.
- Only a healthy agricultural and agro-industrial sector, combined with an overall growing economy and effective safety nets, will effectively reduce and eventually eliminate hunger.





Important Commitments

1. A firm pledge to renew efforts to achieve the First Millennium Development Goal of halving hunger by 2015, and eradicating hunger from the world at the earliest date.
2. A pledge to improve international coordination and the governance of food security through a profound reform of FAO's Committee on World Food Security (CFS) which would become a central component of the Global Partnership for Agriculture, Food Security and Nutrition. Broadened to include stakeholders from both the public and private sector and non-governmental organizations, and elevated to ministerial level, the CFS would coordinate international efforts against hunger as well as take rapid and informed decisions on global food issues. It will be assisted in that task by an international high-level panel of experts.
3. A promise to reverse the downward trend in domestic and international funding for agriculture, food security and rural development in developing countries and significantly increase their share in public development aid.
4. A decision to promote new investments in agricultural production and productivity in developing countries in order to reduce poverty and achieve food security for all.





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Five Rome Principles for Sustainable Global Food Security

1. invest in country-owned plans channelling resources to well-designed and results-based programmes and partnerships;
2. foster strategic coordination at all levels to improve governance, promote better allocation of resources and avoid duplication;
3. strive for a twin-track approach to food security including both short-term emergency and long-term development measures
4. work to improve the efficiency, coordination and effectiveness of multilateral institutions;
5. ensure sustained and substantial commitment by all partners to investment in agriculture and food security and nutrition.





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Renewed commitment to end hunger

**World Summit on Food Security
declaration vowed better governance,
increased investment and proactive
climate change strategy.**

**“We know what should be done and how it
can be done to defeat hunger.”**

Jacques Diouf, FAO Director-General





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Fiat panis.

Thank you for your kind attention.

