Food and Agriculture Organization of the United Nations

SUSTAINABLE DEVELOPMENT GOALS

Coping with the Post-COVID-19 Economic Recession

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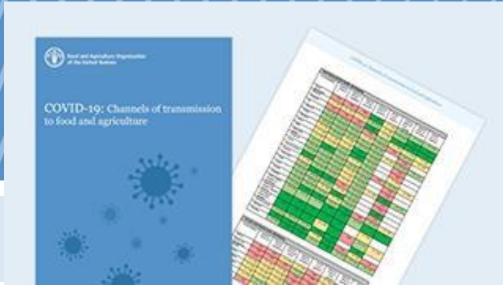
First phase of COVID-19

Containment

Food Systems Transformation



The basic channels of transmission

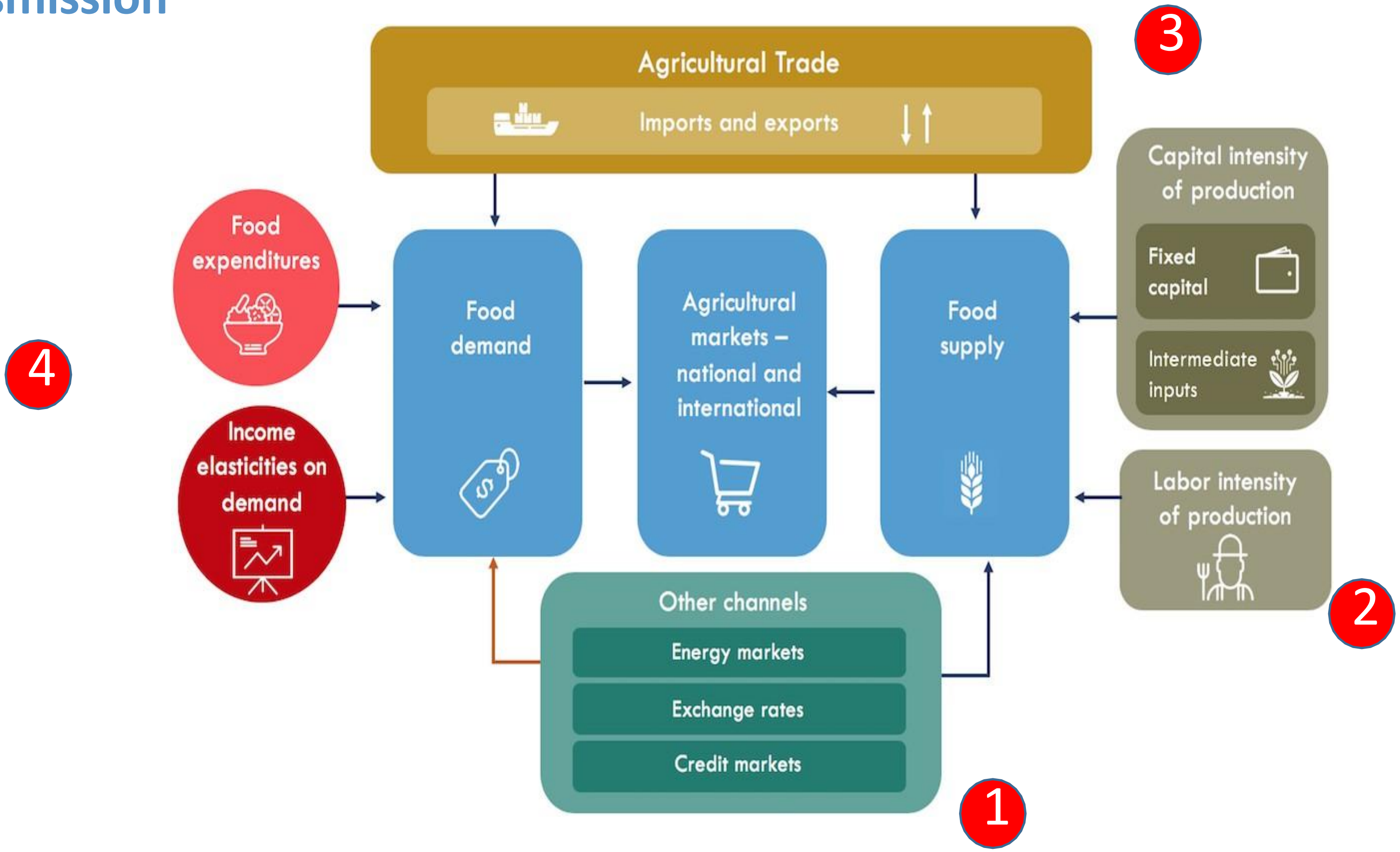
Logistics – health and lockdown

1 Macro policies

2 Health policies - lockdown

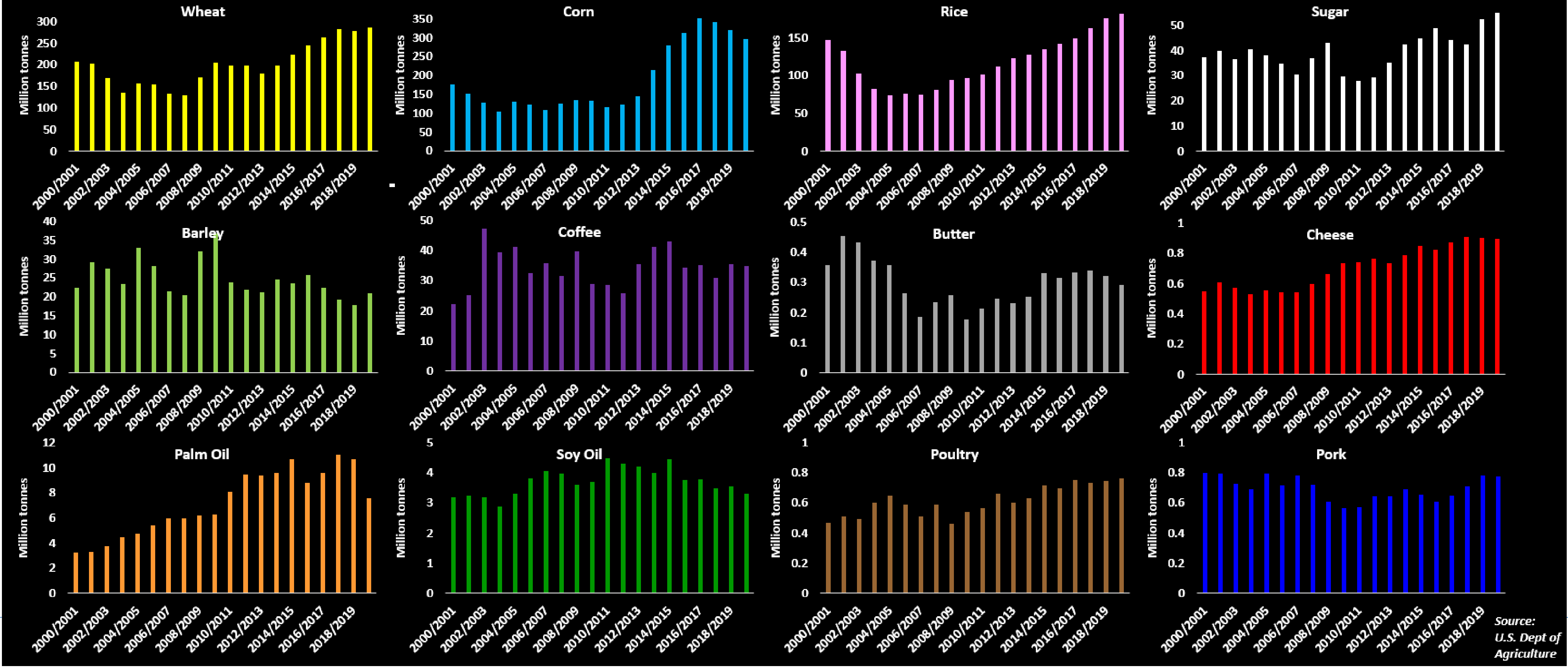
3 Trade policies

4 Economic recession

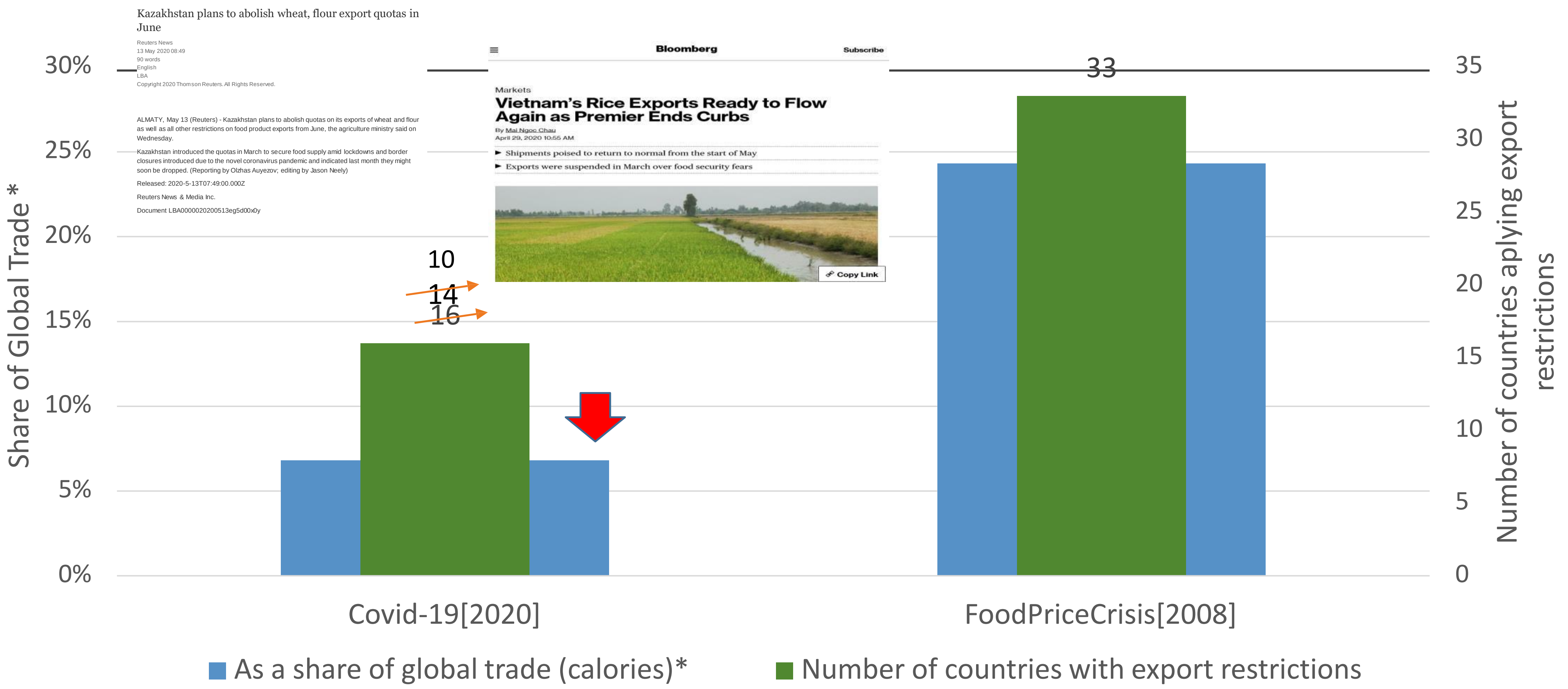


Source: Schmidhuber, Pound and Qiao, 2020. http://www.fao.org/3/ca8430en/ca8430en.pdf

Global stocks of food staples



Then and now: food export restrictions during two crisis



Note: * global trade is defined on non-intra EU trade flows, and for unprocessed food products and excluding sugar.

Source: Laborde (2020), IFPRI

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Second phase

Consequences

Food Systems Transformation

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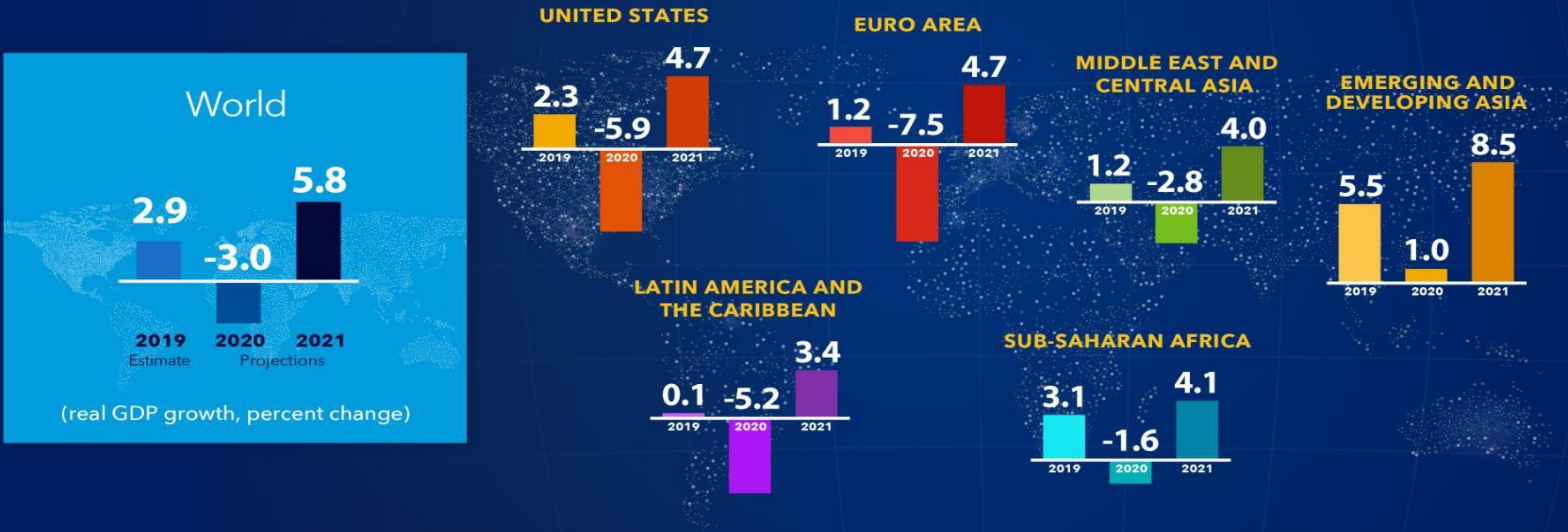
Latest World Economic Outlook growth projections

(percent change)



Source: IMF, *World Economic Outlook*, April 2020.

Note: Order of bars for each group indicates (left to right): 2019, 2020 projections, and 2021 projections.

IMF.org/social

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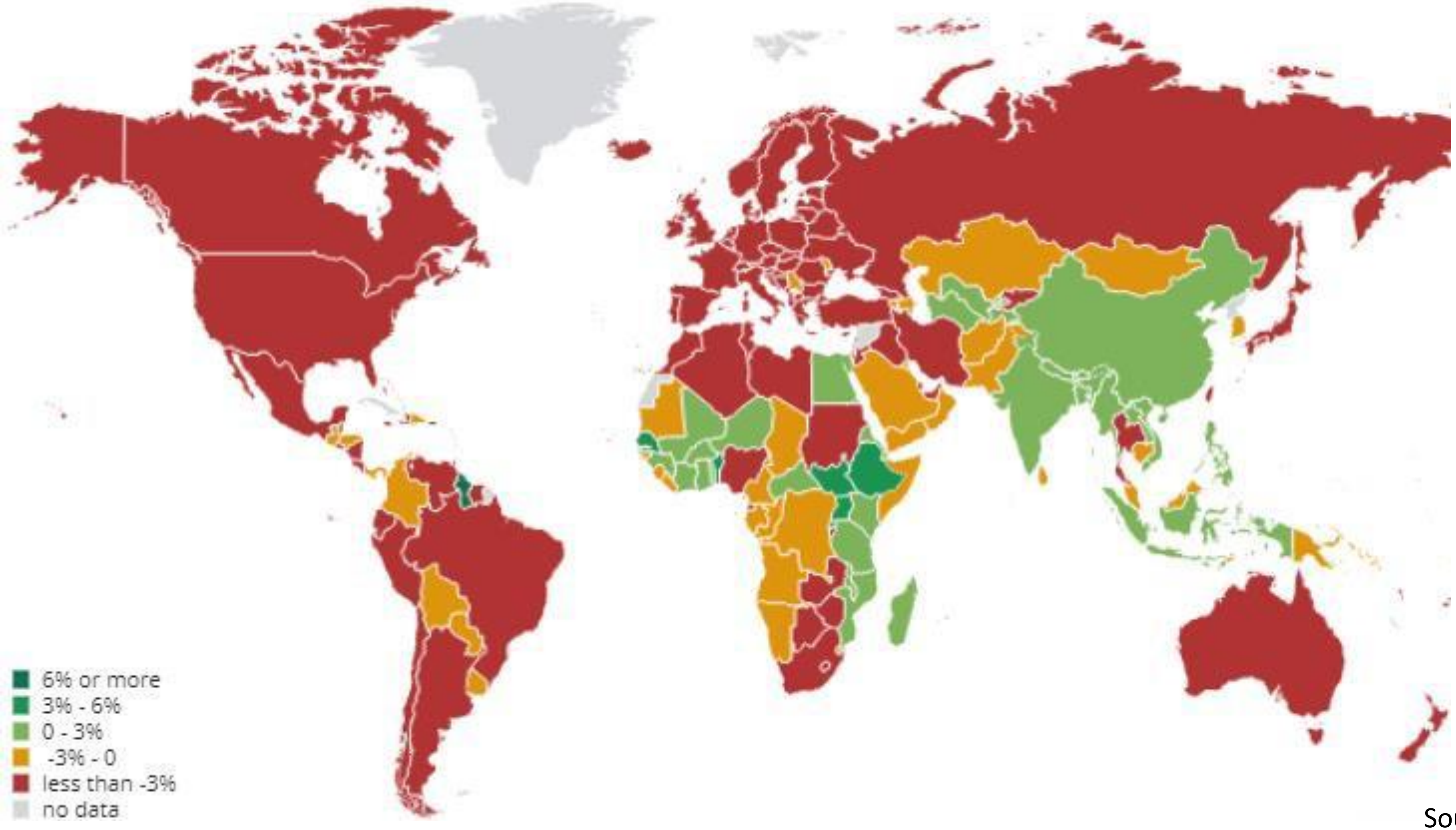
Real GDP Growth

Annual percent change



Source: IMF- Outlook

Jobs at risk

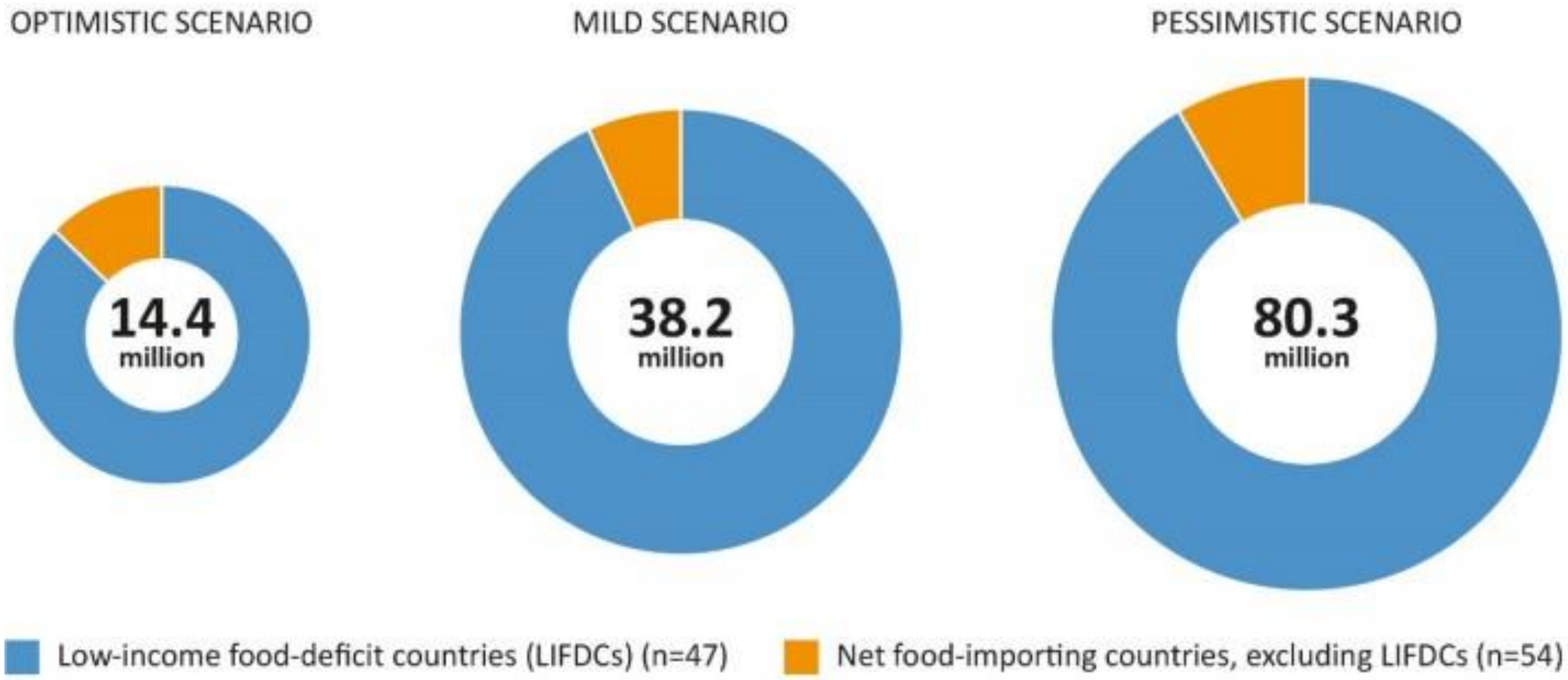
	Food Systems		Covid-19*	
	JOBS	LIVELIHOOD	Jobs at risk	Livelihoods at risk
Primary Production	761.77	2,023.80	152.35	404.76
Food Processing	200.73	484.54	120.44	290.72
Food Services	168.97	339.44	101.38	203.66
Distribution Services	96.34	241.48	57.81	144.89
Transportation Services	41.61	101.05	16.64	40.42
Machinery	6.51	13.18	1.72	3.48
Inputs	4.89	11.06	1.29	2.92
R&D	0.13	0.29	0.02	0.03
Total	1,280.93	3,214.84	451.64	1,090.89
% of total			35.28%	33.93%

Source: * Based on extrapolation from ILO

- https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_743146.pdf

Elaborated: FAO/IFPRI

FIGURE 2 | Rising undernourishment in net food-importing countries, as a result of the three hypothetical GDP growth reduction scenarios (millions of people)



Source: Authors' own elaboration, based on the methodology, data and analysis described in Conti, Cafiero and Sánchez (2020) (see https://doi.org/10.4060/ca8815en).

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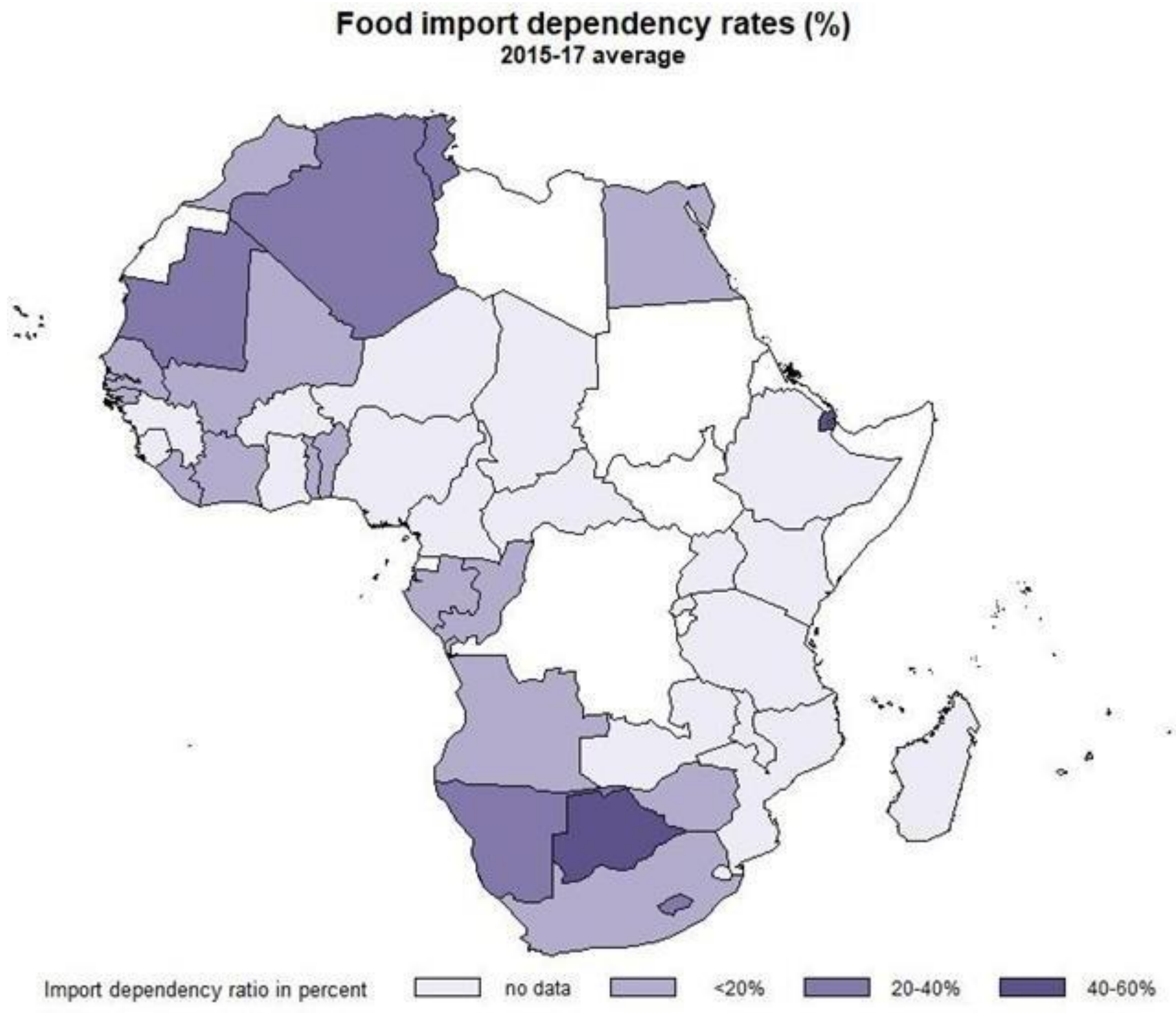

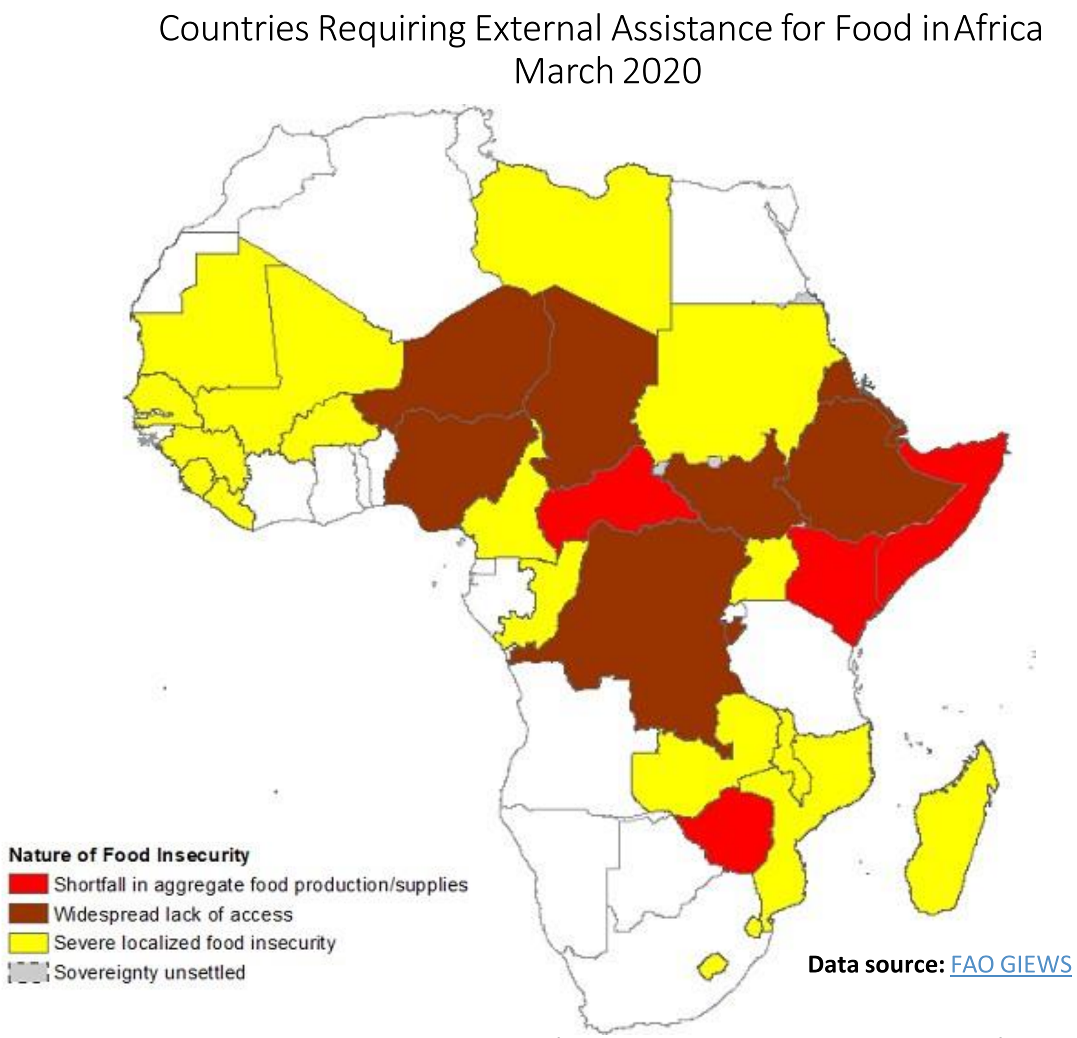

Data source: [FAO GIEWS]

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Highest Valued Exports

Top African agricultural imports and exports

Top importer of African agricultural products	Share of African agricultural exports (%)	Top agricultural exporter to Africa	Share of African agricultural imports (%)
Netherlands	8.58	Brazil	9.24
France	6.98	Russian Federation	7.04
Spain	5.66	Argentina	5.87
United States	5.28	France	5.77
Germany	4.65	India	4.77
China	4.49	United States	4.39
United Kingdom	4.38	Indonesia	4.19
India	3.96	China	3.73
Italy	3.52	Malaysia	3.44
Belgium	3.26	Ukraine	3.33

Source: COMTRADE (2019) and authors' calculations.

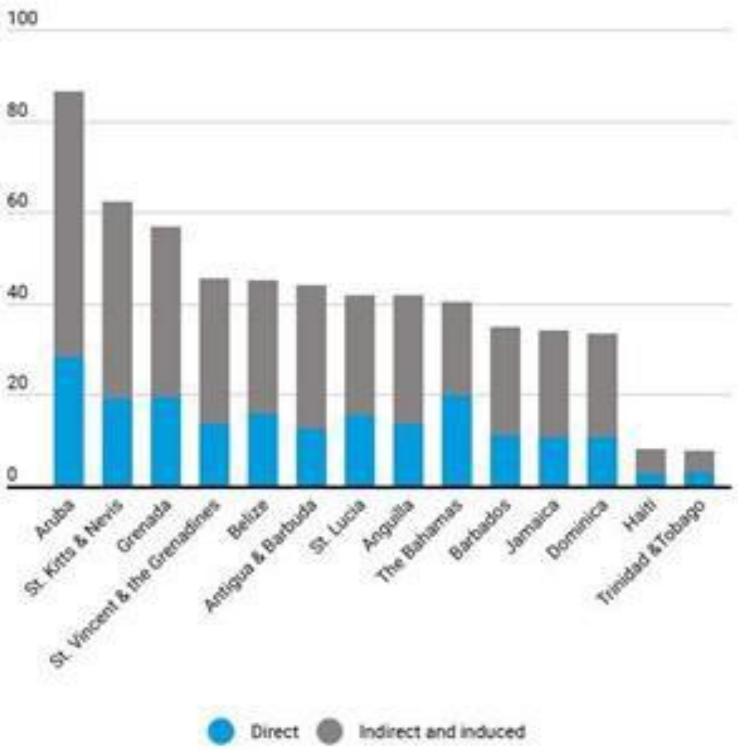
	Tourism (% GDP)	External Debt (% GDP)	Reserves (no of months of imports)	Estimated Fall in GDP (%)	Financial Assistance Needed (million USD)
Maldives	66	48	2	17%	1,150
Seychelles	66	198	3	16%	153
St. Kitts and Nevis	63	20	6	16%	92
Grenada	56	59	4	14%	137
Vanuatu	48	46	10	12%	81
Cabo Verde	46	89	5	12%	131
St. Vincent and the Grenadines	46	38	4	12%	60
Antigua and Barbuda	45	34	3	11%	243
St. Lucia	43	35	3	11%	250
Palau	43	31	na	11%	31
Bahamas, The	40	194	3	10%	846
Fiji	40	17	3	10%	343
Dominica	38	55	5	10%	28
Barbados	36	29	3	9%	369
Jamaica	35	108	5	9%	775
Sao Tome and Principe	27	59	3	7%	25
Mauritius	24	72	5	6%	540
Samoa	23	51	4	6%	48
Tonga	21	41	8	5%	12
Kiribati	19	8	na	5%	1
Solomon Islands	13	29	9	3%	23
Comoros	10	17	7	3%	19
Marshall Islands	9	52	na	2%	5
Micronesia, Fed. Sts.	8	29	5	2%	6
Trinidad and Tobago	8	30	9	2%	135
Tuvalu	6	45	na	2%	1
Timor-Leste	3	7	7	1%	20
Nauru	1	22	na	0%	0
TOTAL SIDS	29	72	6	7%	5,523

Source: UNCTAD based on data from UNCTADStat, WTTC, World Bank, IMF and national statistics. Aggregates figures are GDP weighted averages. SIDS are defined according to the UNCTAD classification.
• Created with Datawrapper

Lower tourism

The collapse in tourism is hurting many Caribbean countries.

(The Caribbean: tourism contribution, percent of GDP)

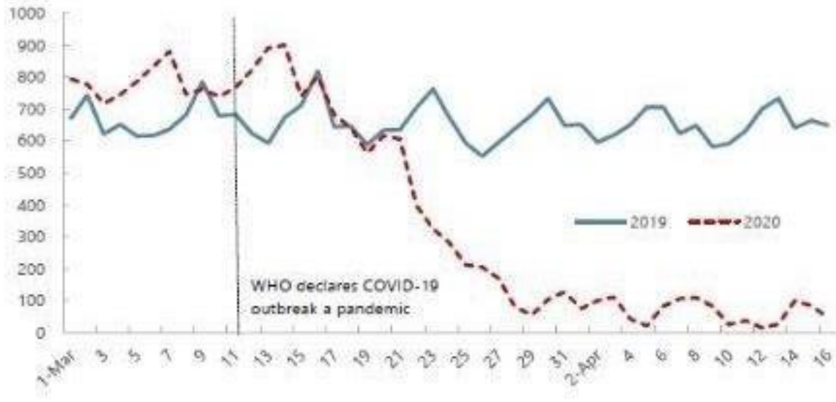


Source: World Travel and Tourism Council

Tourism shock

Daily inbound flights to the Caribbean have diminished following border closures and travel restrictions.

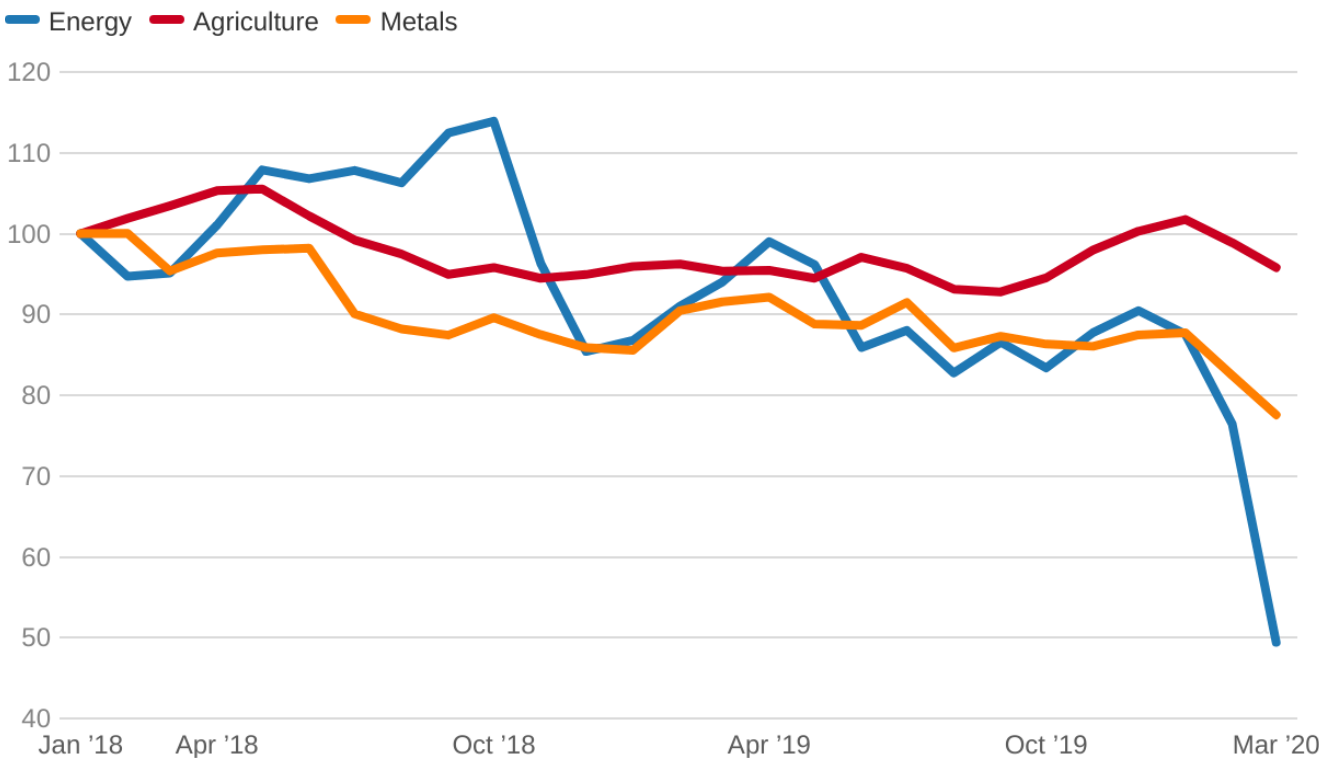
(Number of daily inbound flights)



Source: Flightradar24; and IMF staff calculations.

As the coronavirus pandemic worsened, commodity prices fell

Index US$ (Jan 2018 = 100)



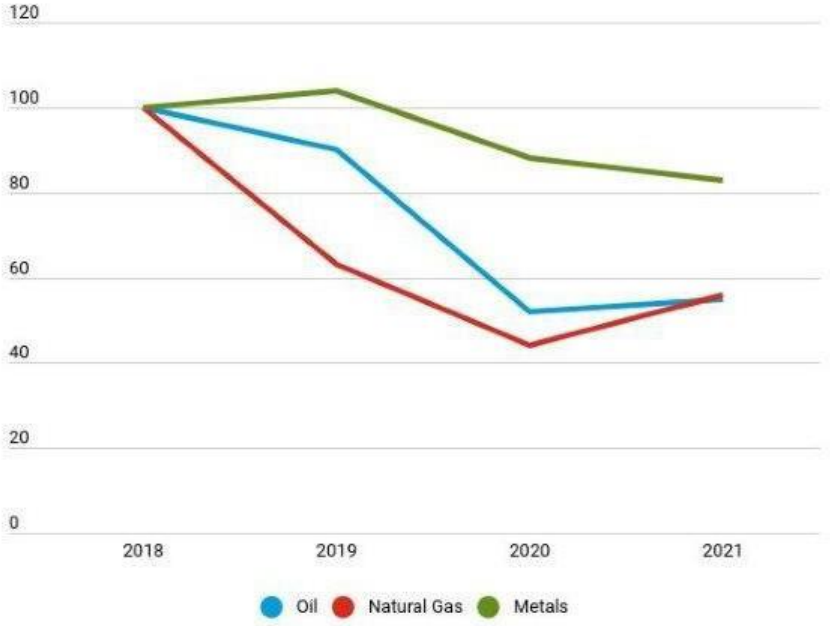
Last observation is March 2020

Source: World Bank • Embed this chart

Sharp fall in commodity prices

Caribbean commodity exporters are losing significant export and fiscal revenues.

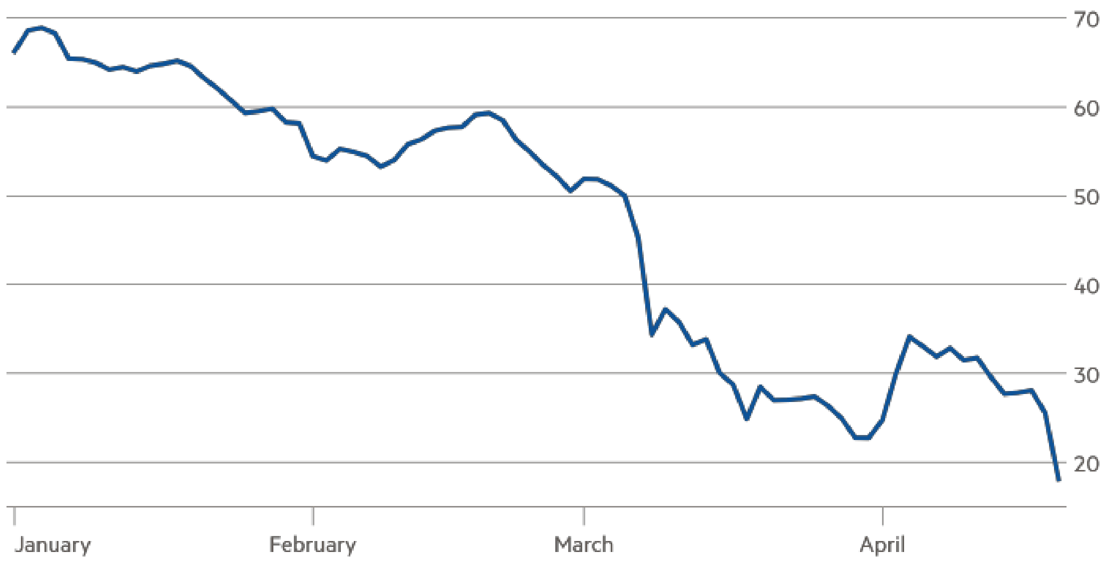
(Commodity prices, index: 2018 = 100)



Source: IMF World Economic Outlook (WEO) database; and IMF staff calculations.

Weak demand sends oil tumbling

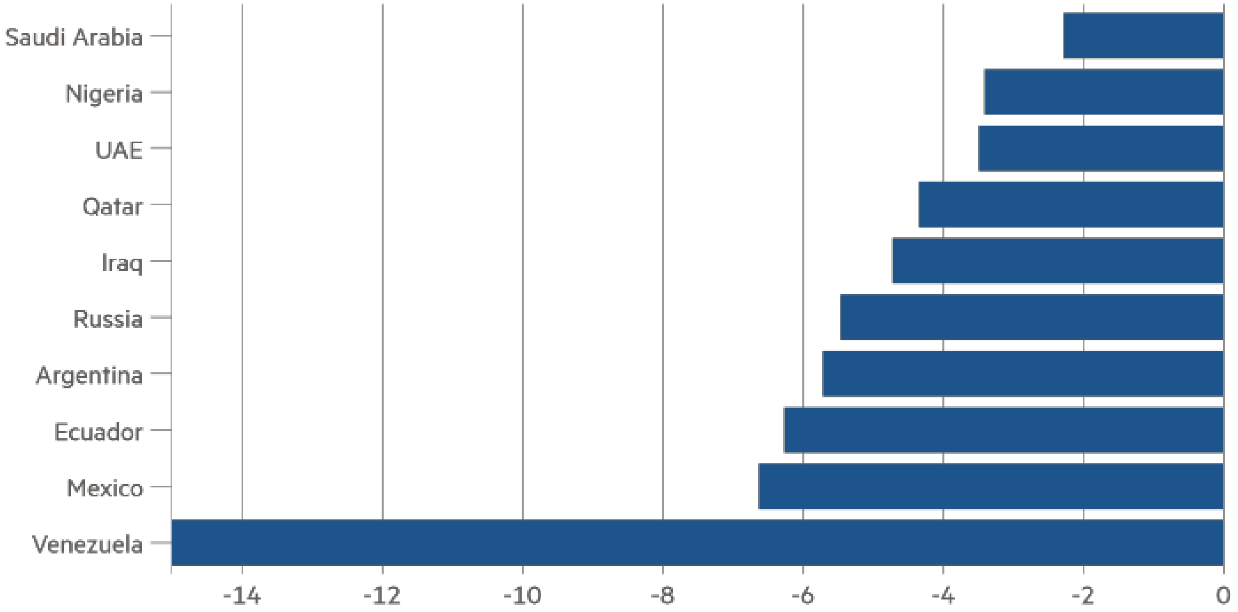
Brent crude ($ per barrel)



Source: Refinitiv

Oil-dependent economies face sharp GDP contraction

2020 forecast (GDP change, %)



Source: IMF

Current drop in oil demand outpaces previous global recessions

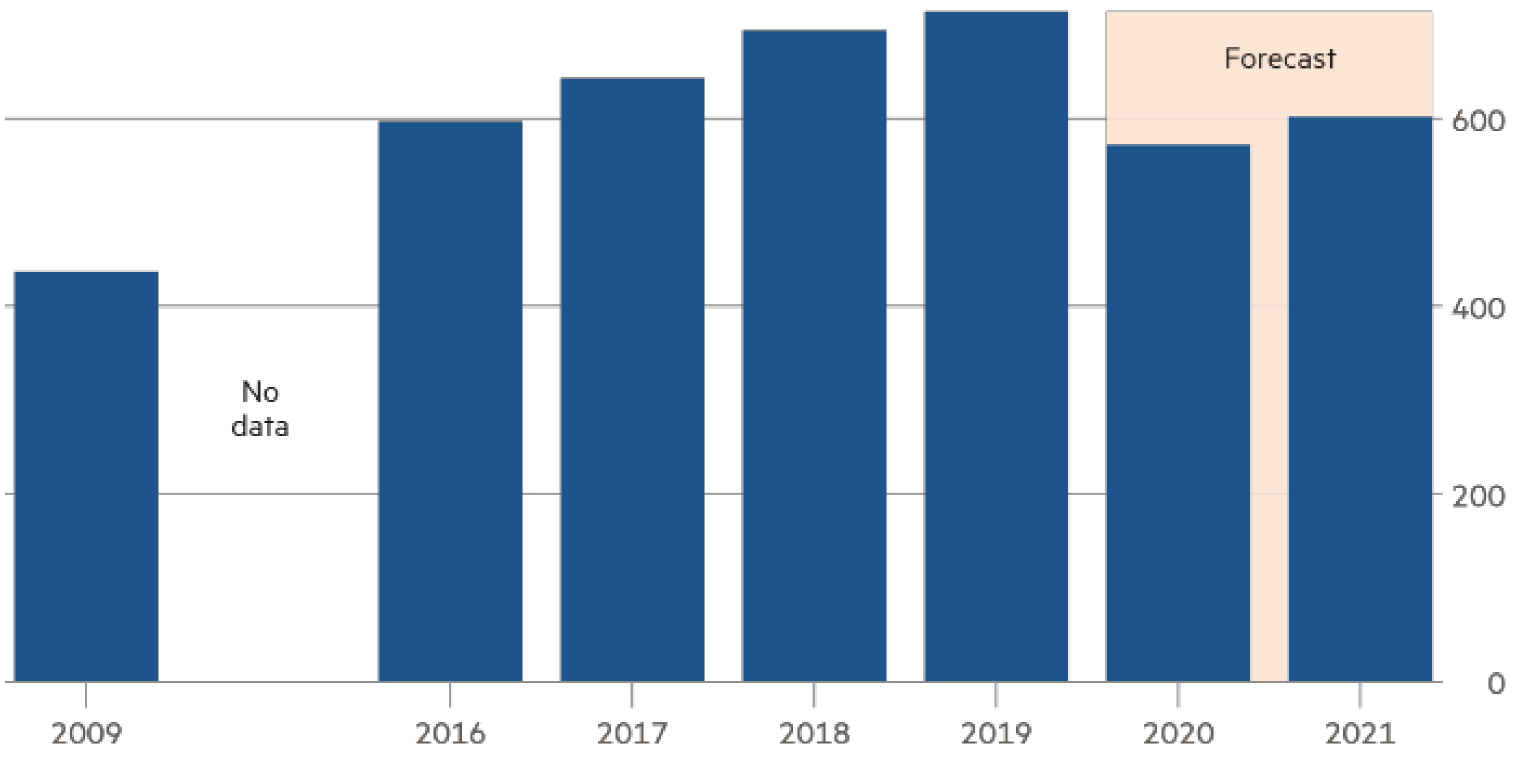
Percentage decline in oil demand

Data for 2020 is based on IEA estimates

Source: BP Statistical Review, IEA, and World Bank • Embed this chart

World remittance flows

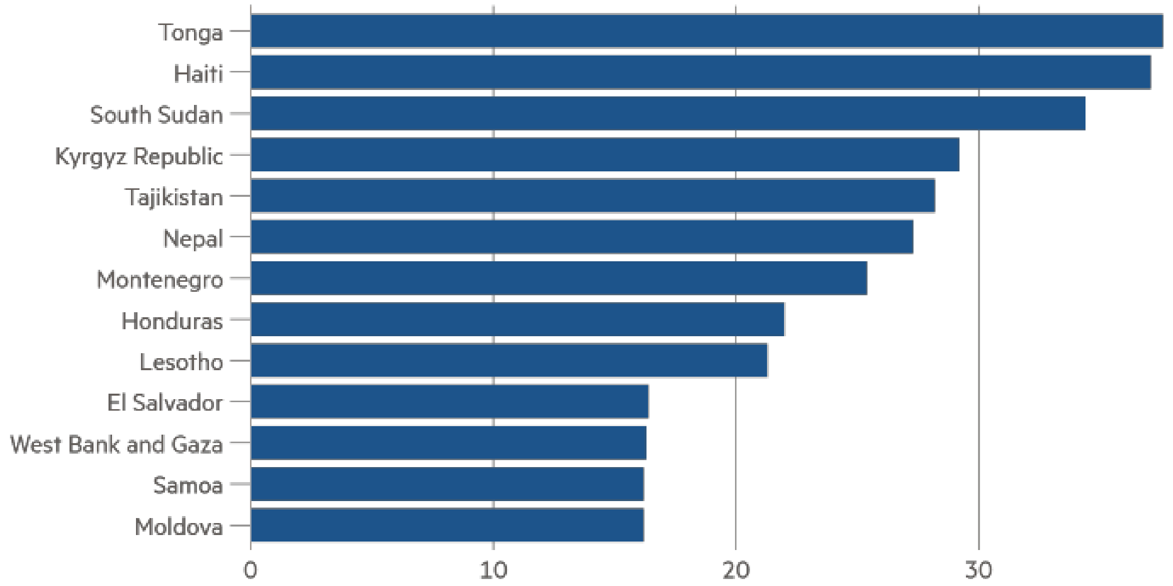
$bn



Source: World Bank

Biggest recipients of remittances

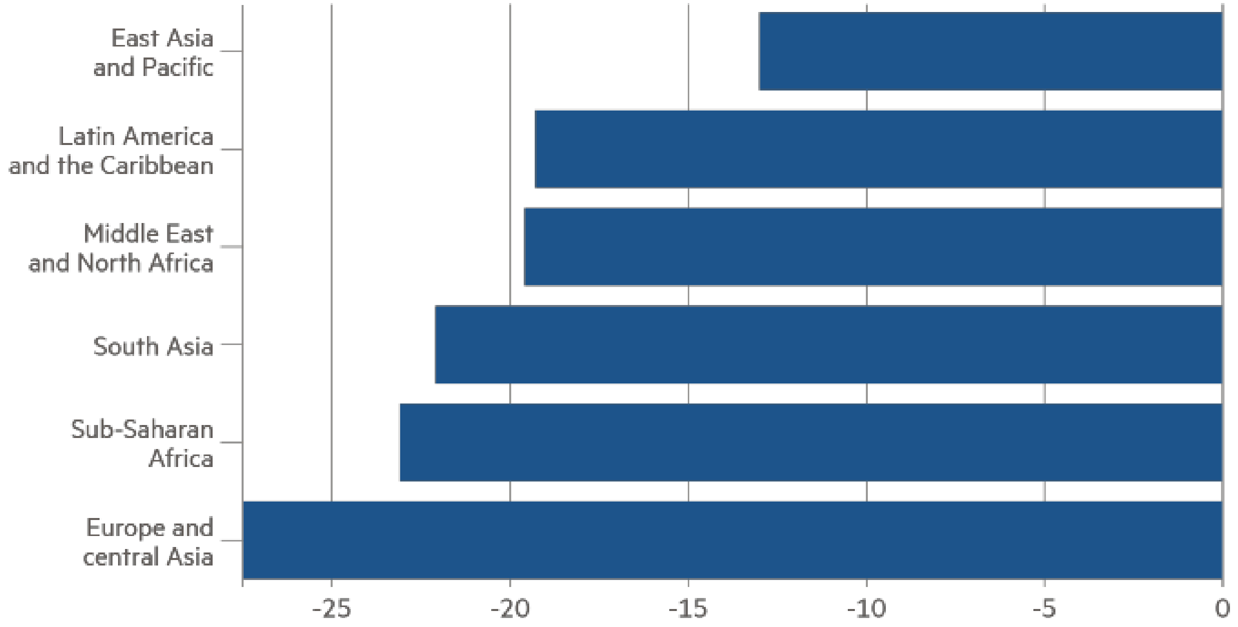
% of GDP, 2019



Source: World Bank

Change in remittances flows by recipient region

2020, year-on-year projection (%)



Source: World Bank

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What to do?

Health-food-development trilogy

Food Systems Transformation

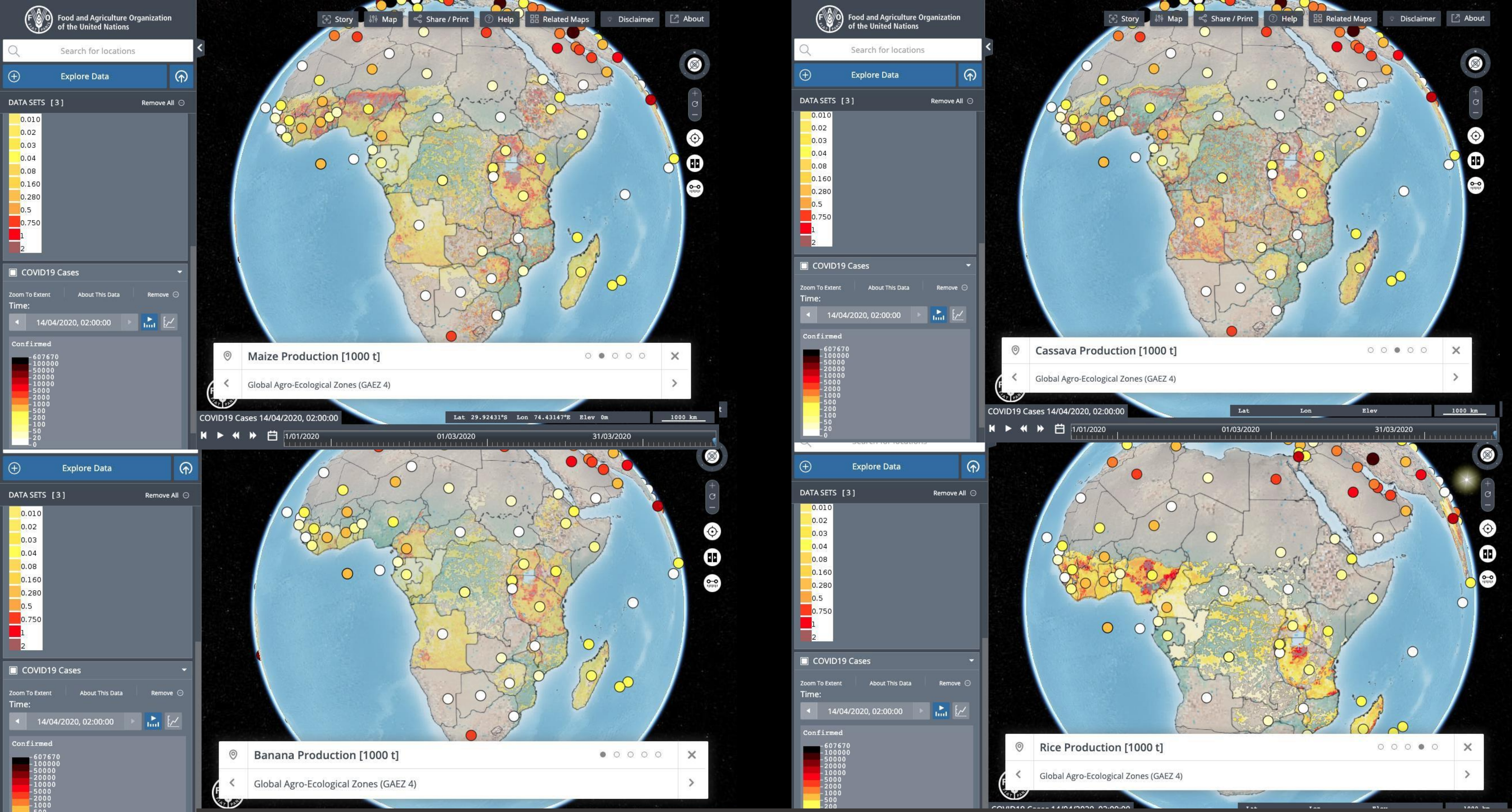
Meet immediate needs of vulnerable populations: Urgent increases in food availability from smallholder farmer food production

Provide productivity-enhancing safety nets

Reduce post-harvest crop losses and improve food stocks along the value chain

Remove artificial constrains to domestic trade throughout the food chain in order to link smallholder farmers to markets

Address basic energy needs of smallholders and rural households



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Meet immediate needs of vulnerable populations: Issues on trade and tax policies

Adjustments to trade and tax policies

- Encourage better functioning food markets through improved regional political and economic integration and better functioning for trade in food
- Immediately review trade and taxation policy options and their likely impacts
- Avoid generalized subsidies for food consumers
- Reduce restrictions on use of stocks
- Improve efficiency of trade facilitation
- Use limited strategic grain reserves
- Minimize use of export restrictions
- Reduce import tariffs and other restrictions
- Temporarily reduce VAT and other taxes

Why intra-Africa trade matters?

Achieving economies of scale and exploiting comparative advantages

- Income growth and reaching minimal size to develop industries

Trade integration among “similar” countries could generate a lot of benefits

- e.g. European Union
- Reduced institutional differences or gaps in standards (e.g. SPS).
- Generate a lot of intra-sectoral trade leading to reduced adjustment costs

Regional value chains are important to favor integration in global value chains

- Example ASEAN
- Developing regional markets is not aimed to replace global integration, just to do the right choices at the right scale

Risk pooling strategy

- Integrated markets are more resilient to risk: e.g. weather shocks, locusts etc.
- Price stabilization

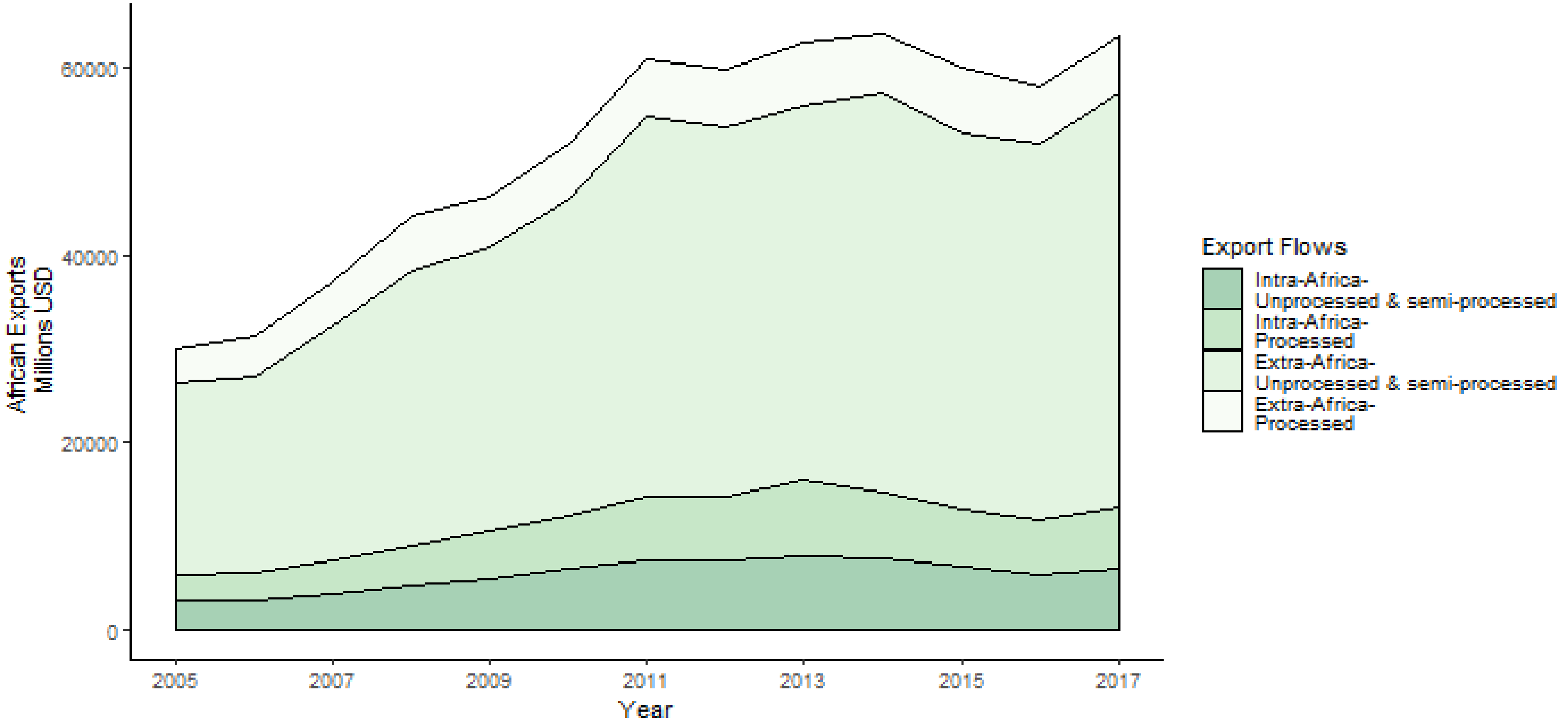
Intraregional trade of agricultural products

Intra Africa trade represents 20% of the continent agricultural trade

	Dollars	Calories
Share of African exports going to Africa	21.8%	42.0%
Share of African imports from Africa	16.4%	9.2%

African integration of agricultural products has significantly improved over the last 20 years, and is not lagging specially behind the other continents.

Intra-Africa trade has increased but remains limited. Still, it is more intensive in processed food with additional value added.



Source: Laborde and al. (2019, AATM report)

Potential large gains for the AfCFTA

Real Income:
+$6bn
(per year, 2024 or +0.25% welfare)

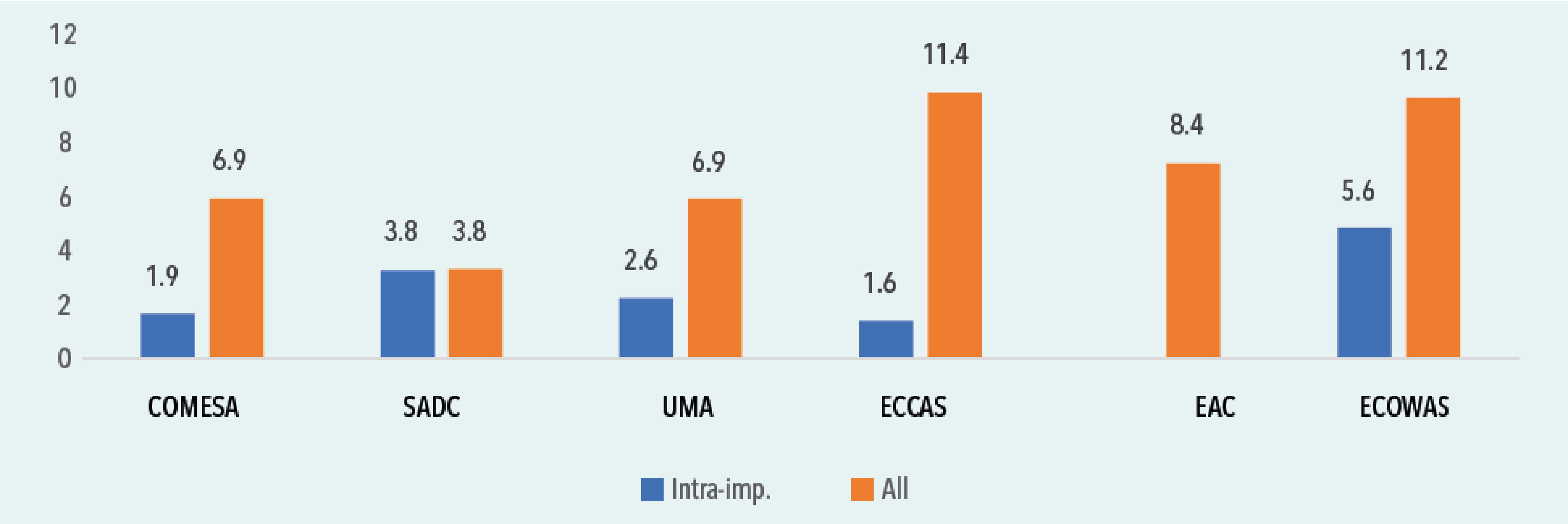
AfCFTA with tariff elimination

Real Income:
+$20bn
(per year, 2024 or +0.81% welfare)

AfCFTA with tariff elimination, trade facilitation and FDI

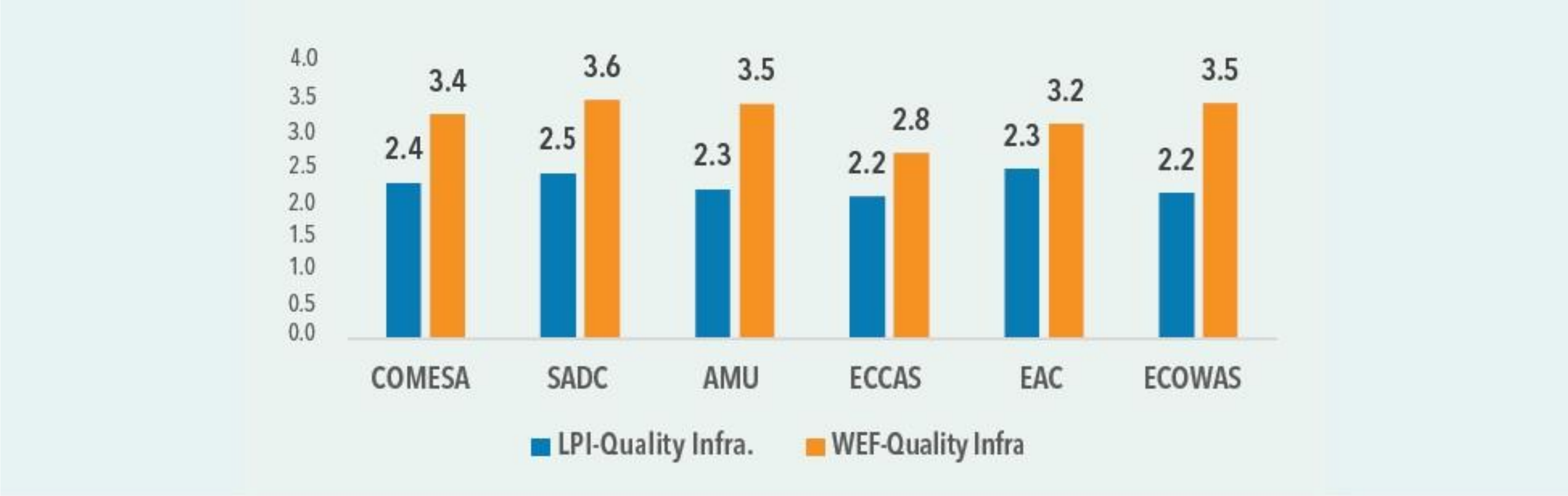
Source: Laborde and Fousseini (2019)

Africa Continental Free Trade Area (AfCFTA): Level of customs duties on intraregional imports and on all imports



Source: Authors' elaboration using COMTRADE (2019).
Note: Intra-imp represents the intra-regional imports and All is total imports. COMESA for Common Market for Eastern and Southern Africa, SADC for Southern Africa Development Community, AMU for Arab Maghreb Union, ECCAS for Economic Community of Central African States, EAC for East African Community, ECOWAS for Economic Community of West African States.
This figure illustrates the level of average tariffs on intra-REC trade in Africa in 2015. Since that date, there has been a change in these customs duties. For example, there are no longer any customs duties on trade in goods within ECOWAS.

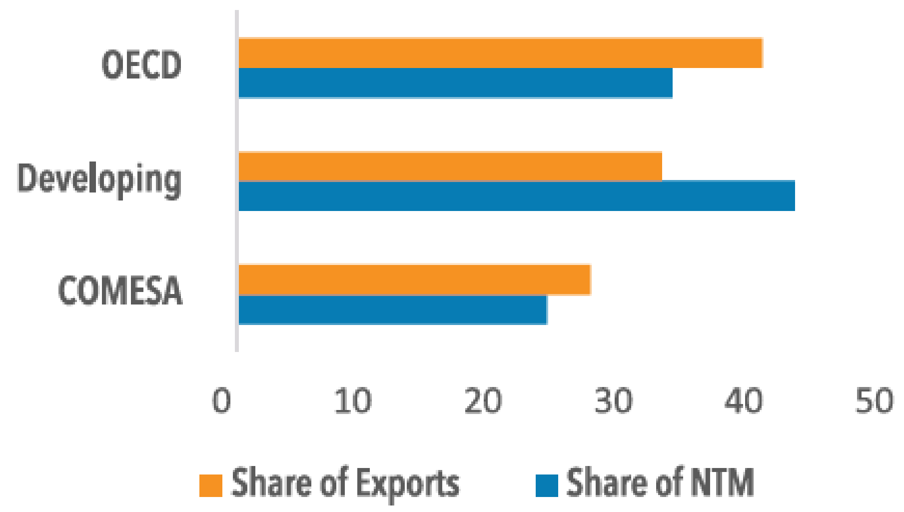
Africa Continental Free Trade Area (AfCFTA): Quality of infrastructure 2018



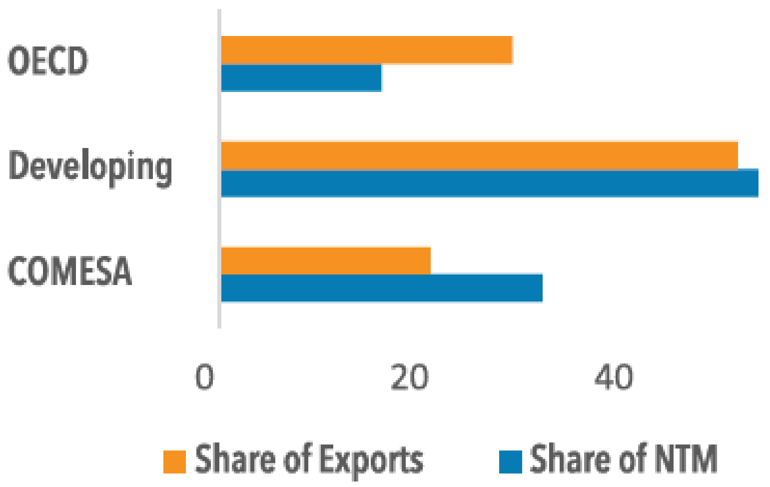
Source: Constructed by the authors using Logistics Performance Indicators (2019) and World Economic Forum (2019).
Note: (i) Logistics performance index: Quality of trade and transport-related infrastructure (1 = low to 5 = high;) (ii) Quality of port infrastructure, WEF (1 = extremely underdeveloped to 7 = well developed and efficient by international standards). COMESA for Common Market for Eastern and Southern Africa, SADC for Southern Africa Development Community, AMU for Arab Maghreb Union, ECCAS for Economic Community of Central African States, EAC for East African Community, ECOWAS for Economic Community of West African States

Africa Continental Free Trade Area (AfCFTA): Costly Non-tariff Measures (NTMs)

Share of NTMs faced by Kenya



Share of NTMs faced by Tanzania



Source: Constructed by the authors using the International Trade Center Business Surveys (2019).
Note: Data presented are the latest available year for each country (between 2010 and 2011). COMESA for Common Market for Eastern and Southern Africa, SADC for Southern Africa Development Community, AMU for Arab Maghreb Union, ECCAS for Economic Community of Central African States, EAC for East African Community, ECOWAS for Economic Community of West African States, NTM for Non-Tariff Measure.

Source: Bouet and Odjo, Africa Agriculture Trade Monitor 2019

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THANK YOU

Food Systems Transformation