

**Presentation of the OMC Regional Director to the WFP Executive Board
Annual Session, June 2008**

Mr. President,

The silent tsunami of high food prices -- combined with a sudden steep climb in inflation, the cost of fuel and general rise in the cost of living -- continues to wash across the Middle East, Eastern Europe and Central Asia, bringing additional hardship to the vulnerable and threatening to push more people into poverty. It represents a new era for WFP in the region.

Many countries in the OMC region are net food importers and heavily reliant on international commodity market fluctuations. Domestic food production is, in many cases, limited by desertification, exposure to drought and severe water shortages. Water and food scarcities are leading to new pockets of instability in many countries in the region. Urban populations have been growing quickly, putting additional pressure on limited agricultural land and swelling the ranks of those dependent on commercial markets for their food needs. At the same time, many of the countries where we work have a dynamic commercial sector, well-developed food markets, and in many cases a fairly well developed food-processing industry.

The region is characterized by wide income diversity both among and within countries themselves. While oil-producing countries are benefiting from unprecedented income earnings, countries in the region that must import the majority of their food and fuel needs are now facing severe budgetary pressure as a result of high commodity costs. Egypt, Morocco and Jordan are among the most affected by rising imports bills.

Several governments are expanding subsidies of staple food commodities and increasing spending on social safety nets programmes. However such measures, intended to protect the poor and vulnerable, are resulting in a reduction of budget allocations for investment in key, long- term infrastructure projects.

While a number of countries in the region are experiencing rapid economic growth and have now joined the ranks of middle-income countries, the benefits of this economic growth have yet to substantially reach the poor and vulnerable. In many countries unemployment levels remain high while wages have not kept pace with the rising cost of living. For now, the poor are suffering disproportionately. The bulk of their meagre income is spent on food and basic commodities – the very items that have been hardest hit by inflation. This is also eroding the purchasing power of the middle-class. Commodities that were considered basics are turning into luxuries. The problem of double digit inflation (food, rent, cost of living) does not even spare the wealthy Gulf States. Workers have mounted demonstrations out of frustration that their purchasing power has diminished.

For the past three years we have been focussing on responding to humanitarian needs of people in conflict situations in Iraq, Palestine and the Sa'ada region in Yemen, providing assistance to destitute poor people, refugees, internally displaced persons - most fully dependent on humanitarian and food assistance. Simultaneously we have been building our contingency and emergency preparedness plans to be able to intervene promptly when called upon.

We are also capitalizing on new opportunities in the region. We have been working on a graduated hand-over of programmes in middle-income countries with

increasing economic growth and government capacity. However, with the new reality of high food prices in the region -- likely to remain with us for several years to come -- we are now focussing on a better understanding of the changing socio-economic environment and market dynamics in which we work, preparing to scale up existing programmes where needed and seeking innovation as we design and formulate new activities and interventions to support the food insecure and vulnerable.

As mentioned, several governments in the region are using existing social safety net programmes, as well as other tools to address high food prices and their impact on the poor. For instance in Egypt, where there have been a number of strikes and protests against the rising cost of living including high food prices, the Government is increasing the capacity for the production of subsidized bread and has added some seventeen million more people to the roster of those eligible for other subsidized food rations. Simultaneously, it has increased public sector employee wages by 30 percent to address the high costs of food and other household needs. Similarly in Syria, the Government has increased public sector wages by 25%. In Jordan, the Government is establishing a new social safety net programme to support poor and vulnerable families facing steep food and fuel prices.

In each of these countries, WFP is offering support to governments in their efforts to make these social safety net programmes more effective, to better target assistance to those most in need and to address the growing needs of the “new poor,” particularly in urban settings. In Egypt, WFP provides technical support to the Government in vulnerability assessment mapping and food assessments to better target food subsidy programmes. In Jordan, WFP is working with the

Government and civil society organizations to integrate food security indicators into a national poverty assessment to inform the establishment of the new social safety net programme.

Three countries in the region have been included on the global priority list of those most affected by high food prices. They include: Yemen, Tajikistan and the Occupied Palestinian Territory. In **Yemen**, where the cost of a bag of wheat-flour, the staple food of Yemeni households, has increased from 2,000 to 6,000 Rials (YER) in less than one year, it is estimated that at least six percent more Yemenis have dropped below the poverty line as a result of high food prices, joining the 40 percent already living on less than US\$ 2 a day. For a country highly dependent on food imports and rain-fed agriculture, Yemen is facing a crisis of un-paralleled proportions, a perfect storm of its kind. High food prices, severe water shortages, intensified conflict and growing political instability are significantly hampering the government's ability to respond to the crisis. The food security situation of large segments of the population is seriously compromised. According to a preliminary WFP-fielded assessment mission, over a quarter of the population -- some five million people - do not have enough money to purchase daily requirements of 2,200 kilo calories as a result of high food prices and pockets of insecurity.

WFP is working closely with the Government, World Bank and other UN partners preparing to scale-up its existing school feeding and mother and child health programmes as one of the most effective networks of getting food out to vulnerable communities. The Government of Yemen is also on high alert and is working with WFP and other partners on a mitigation strategy including efforts to stabilize food prices through strategic purchases as well as to increase agricultural production.

Yemen, which imports some 90% of its wheat, is particularly vulnerable to international market prices.

Tajikistan is just emerging from one of its coldest winters on record. The landlocked country which is highly dependent on imports from neighbouring Central Asian states, has suffered from the compounded effects of economic transition, decaying infrastructure and multiple climate related events including droughts, landslides and severe winter weather, which have eroded agricultural production and livelihoods. WFP, in collaboration with UNICEF and FAO, have just completed a household food security survey which found that 11 percent of the total rural Tajik population, around half a million people, are severely food insecure, with another 23 percent, or over a million people, moderately food insecure. The survey found that many Tajiks are coping with the situation by reducing the number of daily meals, eating food of a lower quality, selling animals or taking their children out of school. WFP has been able to feed some 110,000 people most affected by the food shortages during the winter; however, much more is needed to be done to support the estimated 1.5 million food-insecure. WFP is in a position to scale up existing vulnerable group feeding programmes, but will require additional donor support to do so.

In the **Occupied Palestinian Territory**, over the past year the cost of wheat flour has increased by over 90 percent putting additional strain on poor families already coping with economic collapse as a result of the closure of border crossings, movement restrictions and economic isolation. WFP is implementing a programme to provide assistance to some 665,000 of the most needy non-refugees in both the West Bank and Gaza, although even the costs of implementing this programme have risen by more than 30 percent as a result of the increased food and fuel prices.

In our Regional Bureau from Cairo we are pursuing new initiatives to support our country offices to respond to high food prices in countries where we are present as well as closely monitoring the situation in countries where we do not have a presence. For instance, the Bureau has worked with country offices in Syria and Georgia **on cash voucher pilot scheme**. In these volatile times, work on **disaster mitigation** and the updating of contingency and emergency preparedness plans in conjunction with market assessments becomes all the more relevant and important. The Regional Bureau has been working with our country offices to update these plans in tandem with the market studies.

In all of these interventions we are seeking innovative ways in which WFP may provide tools and support in line with our new strategic plan. We are keen to identify opportunities to support small farmers through local purchase agreements. We are also particularly attentive to opportunities to increase the involvement of the private sector to support food-based activities, including cooperation with food processing and small-scale industries. For instance in Yemen, we are currently developing a partnership with a local manufacturer to provide high energy biscuits to meet the immediate needs of Somali refugees arriving on Yemeni shores. Recognizing that improving the quality of food including through food fortification is an effective intervention in times of high food prices to prevent and treat micronutrient malnutrition, WFP is working with governments, UNICEF, GAIN and private sector food processing companies in Egypt and Armenia, to expand fortification programmes.

In the midst of this turmoil and increased humanitarian need, it is inspiring to witness tremendous generosity and solidarity from the region - a demonstration of

its international leadership in humanitarian assistance. The Kingdom of Saudi Arabia, which has always played a prominent humanitarian role in the region and beyond through bilateral contributions to needs from Palestine to Lebanon, has responded to the crisis of high food prices by providing a historic contribution of \$500 million dollars to support WFP to meet the increased needs of its programmes around the world. We are deeply grateful for this landmark contribution which has put Saudi Arabia at the forefront of the international response to the current food crisis. Other countries in the region are also responding. In the midst of conflict and violence, Iraq has demonstrated its commitment to meeting the needs of the displaced and vulnerable, providing a \$40 million contribution to WFP's regional operation. Meanwhile Syria and Jordan continue to demonstrate their support and solidarity by hosting large numbers of displaced Iraqis, providing them with access to health and education until they are able to return home. The Russian Federation continues to support WFP's work in Armenia, Azerbaijan and Tajikistan and is generously responding to WFP's global appeal to respond to high food prices. It also remains an important centre for WFP food procurement in the region.

In addition to contributions to WFP, countries in the region are proactively responding to the global food crisis through the establishment of new funds and initiatives. Kuwait has launched a US\$100 million fund to provide rapid basic food assistance to the needy and to support programs to increase agricultural production. The Islamic Development Bank (IDB) has earmarked US\$1.5 billion to boost food security in least developed Muslim countries over five years. Many countries are also providing large bilateral assistance packages. For example, the United Arab Emirates has just contributed some 500,000 metric tons of wheat to Yemen.

Regional planning to boost cooperation in agricultural production and food security is also underway. In April of this year, in Riyadh, the Arab Ministers for Agriculture and experts convened under the auspices of the League of Arab States, Organization for Agriculture Development to discuss a regional food security strategy for the next decade. The meeting discussed opportunities for promoting free trade and increasing investments in food producing countries. This included a public-private sector joint venture to increase agricultural production in Sudan through land reclamation projects. A plan for increased cooperation in the agricultural sector will be a key item on the agenda of the Arab Economic Summit which will take place in Kuwait in January 2009.

As I have updated you in earlier sessions of the Board, in a number of the countries in our region including Azerbaijan, Armenia, Georgia and Chechnya and Ingushetia in the Russian Federation, there is increasing economic growth and demonstrated government capacity to take over existing support programmes for vulnerable and displaced people. While recent high food prices have led to increasing costs for implementing these programmes, I am pleased to report to you that Governments and local partners in these countries remain committed to the hand-over process and to meeting these new obligations even at the new expense. For this reason, we are continuing with the handover and phase out of these programmes expected to take place between now and the end of this year. At the same time, we are exploring options to keep a small presence in the sub-region to monitor the ongoing impacts of high prices and to support contingency and emergency preparedness planning given ongoing volatility beyond the phase out of the food-based programmes.

Mr. President, friends and colleagues, it has been an incredibly tumultuous two years since I first took-up the post of Regional Director in OMC. As many of you already know, I will shortly be leaving the Regional Bureau to take up new responsibilities in the Operations Department here in Rome. While I look forward to this new opportunity, the region is very special and dear to my heart. I have spent more than half of my WFP career in the Middle East region where I have deep roots as well as strong cultural and emotional ties. I have met and worked with many fantastic people, brave and courageous, committed to their values. I am also very lucky to have known and worked with competent and dedicated colleagues in the Bureau and a wonderful team of country directors who have become good friends. I would like to take this opportunity to express my heartfelt gratitude to each of you for your support and good wishes over the past two years. You have provided me with insights, support and friendship. There have been many challenging and trying times including the war in Lebanon, conflict in Iraq, instability in Palestine and the tragic bombing of our offices in Algiers last December. Throughout all of this you have stood by our team in the region, remained engaged in our work and provided ideas and suggestions for new opportunities. For all of this, and your friendship, I am truly grateful. As I return to new responsibilities in Rome, I know that I can continue to count on your support.

Thank you, Mr. President.