

## 5.2: STRATEGIC FOOD RESERVES TO SMOOTH CONSUMPTION SHOCKS

*Building resilience in shock-prone areas to stabilize prices, build safety nets for temporary assistance to affected communities, and/or boost national social protection systems.*

### What problem is the solution trying to address?

The key challenge is food availability and price volatility during poor harvest periods and in shock-prone areas (natural, economic or health-related shocks). In times of shock, the length of time it may take to trigger and organize food deliveries is highly dependent on political, social and economic factors – risking delays in supporting people and communities.

Extreme price volatility in times of food shortage can lead to medium and long-term economic challenges, damage health and nutrition (and long-term well-being), and lead to negative coping mechanisms that reduce the productive capacity of individuals after the shock.

### What, in brief, is the solution?

***Strategic and emergency food reserves to smooth consumption shocks and achieve development objectives including resilience.***

Effective food reserves (leveraging early warning systems and good governance protocols) can be a tool for governments, supported by development partners, to stabilize prices, build safety nets for temporary assistance to affected communities, and/or boost national social protection systems. Strategic and emergency food reserves strengthen government preparedness in emergencies and enable governments to maintain expenditure levels in health and other sectors during periods of short-term food shortages and shocks.

### What was/were the source(s) from which this solution emerged?

World Food Programme

### How can this solution address that problem?

Strategic and emergency food reserves are part of the toolbox of solutions that support resilience building before, during and after shocks. It addresses the risks and consequences of delays in supporting shock-affected areas as well as supplementing food availability in periods of low harvest to prevent spikes in staple crop prices.

Through capacity strengthening of government and partners in:

- a. Market intelligence - Market monitoring, forecasting
- b. Governance - Rules/SOPs for market interventions based on objective market intelligence, leadership, management, accountability and transparency in allocation
- c. Supply chain management - Procurement planning and contracting, storage, post-harvest handling and quality control, distribution logistics
- d. Linkages with food assistance/social protection programmes - establishment of rules/SOPS for the use of food as a safety net for temporary assistance to affected populations
- e. Linkages with value chain development and smallholder support - pro-smallholder contract modalities, value chain analysis, capacity strengthening of local smallholder farmers and other value chain actors
- f. Procurement of food for the reserve can be leveraged to support targeted local value chains and support targeted smallholder farmers, leveraging the activity for development objectives
- g. During a shock:
- h. Food will be released in the market in a strategic manner based on market intelligence

- i. Temporary food assistance programmes and government social protection systems can access food as transfer modality in times of crisis (in place of cash)

Resulting in:

1. Increased availability of food and price stability in times of crisis, resulting in improved food security and nutrition of local consumers
2. Increased food security and nutrition of households targeted in food assistance programmes
3. Improved livelihoods of targeted smallholder farmers
4. Increased efficiency and effectiveness of local value chains

Key risks and assumptions:

- Inadequate release of food on local markets can create market distortions and affect local value chains
- Food reserves might be exposed to government preferential allocations that will affect its management and decision-making processes; these preferential allocations can omit some areas of need which will result in vulnerable people exposed to further food insecurity.
- Inadequate supply chain management can result in food loss
- Human and technical capacity needs to be strengthened for management and storage

#### **Why does this solution align to the definition and criteria for a ‘game changing solution’ developed by the Summit?**

When implemented transparently and in alignment with early warning systems, the solution has the potential to mitigate the impact of a temporary shock (economic, natural, conflict) and considerably reduce the negative impact on the livelihoods, food security and nutrition of all consumers in the affected region. During the 2008 Financial crisis, FAO found that countries with strategic food reserves were better equipped to weather the resulting social and economic shocks.

Food reserves are one of the tools to build in community resilience ahead of shocks, rather than responding to them after the fact.

Further, the approach can be leveraged to support the implementation of food assistance/social protection programmes, as well as to promote local value chain development and smallholder income (through preferential sourcing).

The solution can be linked to the AT5 objective of not only stabilising the peace in fragile states and regions but also during pre and post-conflict periods. Food shortage is one of the causes of social unrest and threatens the peace in post-conflict countries.

#### **What is the current and/or likely political support for this idea?**

Several member states are currently managing Food Reserves, even though the management of some might be sub-optimal, and they may not leverage all synergies mentioned in this GCI, in terms of value chain development and linkage with social protection programmes.

#### **Are there certain contexts for which this solution is particularly well suited, or, conversely, contexts for which it is not well-suited at all?**

The solution is particularly suited in contexts that are prone to recurring (natural, economic or man-made) shocks – such as areas of persistent drought where both basic grain reserves and purchasing power are low.

Food reserves are not appropriate in all contexts. For example, the cost-benefit ratio may not be ideal in situations where markets are functioning, and stakeholders are able to reliably purchase food nationally or

internationally. However, international purchases tend to be less accessible in times of conflict, currency crises or collective crises (such as the 2008 food price crisis where several individual state actions led to a collective “beggar thy neighbour” economic policies), leading food reserves as a viable option for some states.

**What do you think are the key actions required to address this solution? Please mention the implementation approach for three levels: public policies, corporate actions and civil society actions:**

Key actions required for this solution include:

- Public policies and legal provisions defining the conditions of use of the emergency food reserves, as well as the key principles in governance and decision-making
- Investments in associated infrastructure and equipment (warehouses, quality control, transport, etc.)
- Capacity strengthening of staff in key areas of reserve management. Technical support and training to build up local experts in building and maintaining storage facilities. Different crops require different storage conditions and these storage conditions should be maintained adequately and regularly so that there is no loss/deterioration of crops' value.

Civil Society actions: monitoring and governance, contributing to early warning systems, supporting the release of food reserves to target groups.

Establishment of partnership with development partners and private sector value chain actor for the promotion of local value chains