



Food Security: A Must for Economic Recovery

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Babak Abbaszadeh:

Thank you, and hello everyone. I'm Babak Abbaszadeh, CEO of Toronto Centre. Welcome to our webinar on food security, which we're holding as part of the International Development Week sponsored by Global Affairs Canada. Since establishment in 1998, Toronto Centre has trained more than 20,000 regulators and supervisors from 190 jurisdictions to build more stable and inclusive financial systems. The war in Ukraine, which I'm sad to say is approaching its first anniversary and the pandemic have exposed the food system fragilities, reversing the momentum on sustainable development goal two, dedicated to ending hunger. At Toronto Centre, we see food security at the nexus of geopolitical uncertainties, climate change and financial inclusion. For example, an estimated 80% of small farmers in developing countries lack access to formal agri-insurance; the numbers are much higher in Africa. Financial supervisors are integral to crisis management ecosystem and must continue to adapt to evolving risks and strengthen the resilience of the financial system, as well as farmers.



Today, our distinguished panelists will discuss the challenge of food security in emerging markets and effective risk management from different perspectives. It is my privilege to welcome our distinguished guests: Ambassador Elissa Golberg is Canada's ambassador to Italy and credited to several countries in the region and is a representative of Canada to UN food agencies in Rome. Dr. David Nabarro is the co-lead UN crisis response group on food, energy, finance and special envoy on COVID-19 at the WHO. Timothy Antoine is the governor of Eastern Caribbean Central Banks. Carl Hiralal is the Chair of Insurance and Pensions advisory board of Toronto Centre and a great source of advice to me. You have received their bios, so a big welcome to our speakers. Toronto Centre's mission is generously supported by Global Affairs Canada, Swedish Sida, and the IMF. Let's begin.

I want to pose the very first question to you, Dr. Nabarro. Welcome back. You have more than 40 years of experience in public health and nutrition, and development work at country, regional, and global levels. Also, you're no stranger to our community of financial supervisors and regulators, whom you saw as important stakeholders during the pandemic. Can you please help us set the stage: how should we view the importance of food security given the backdrop of today's geopolitical uncertainties? Thank you.

Dr. David Nabarro:

Well, Babak and everybody who's on this webinar, I'm delighted to be back with you. You certainly know how to make panelists feel welcome, and what a joy it is to be with three other colleagues, some of whom I've worked with before, all of whom really inspire me.

There's a series of interconnected shocks that came together during 2020 through to 2022, and have affected food systems, energy systems, health systems, and finance systems all over the world. Some countries have been affected much more than others, but altogether the way it's viewed by the United Nations, it's one of the most extreme crises, poly crises, that we've ever known. COVID-19, weather extremes, and conflicts have all proved to be quite damaging shocks, and we heard during 2021 from numerous heads of government during the UN General Assembly that they were really worried about the way they were building up. Further in 2022, the climate extremes have got so much worse with droughts and floods, particularly in Africa, but also in the Indian subcontinent as well. And then the war in Ukraine, coming on top of other conflicts, high levels of inflation because of disturbances in global trade, and then rising interest rates to try to manage that inflation linked to high debt burdens, which limit the room for maneuver of many countries.

And so, these shocks have really disturbed systems, and I've mentioned what they are but you don't have to look very far to see knock on effects of these disturbances. For example, cutting into the lives of farmers, cutting into lives of people who are on low wages, and cutting into the lives especially of women and young people, perhaps with reduced reductions in their opportunities that all together, purchasing power has come down. Now the result is that tens of millions of households all over the world are sliding into poverty. And the way in which the United Nations views the current crisis, it's the biggest cost of living crisis seen in at least a generation (that's more than 30 years), and it's happening really, very, very much amongst the people and the nations that have the least capacity to cope. But what happens when people get poorer and they're trying to cope?



Well, they cut back on spending on vital things such as nutritious food, such as healthcare, such as education, all of which carry an opportunity cost, and sometimes a real cost for poor people everywhere. And that has long-term implications for people's wellbeing. 20 years, 30 years ahead, it'll be possible to see how this present crisis has affected growth and wellbeing. And the crisis touches every nation; it particularly affects poor people. It particularly affects what we are calling the exposed nations, and that means countries that have got very limited reserves to be able to deal with this poverty. And indeed, the best way to recognize it is to say poor people everywhere are suffering, whether it's the 15% of income poor people in my own country, the United Kingdom or perhaps 40% of poor people in some of the lower middle income countries of our world, or perhaps a higher percentage of population in some of the very low income countries.

And this slide into poverty is challenging the social contract between people and their governments. And it's leading to an increased incidence of civil disturbance, not in every country but in some, and it's stalling progress towards the 2030 agenda for sustainable development. Just finally, there are 94 countries that are exposed, and what does that exposure mean? Well, it means that these countries are having difficulty with meeting the costs of poverty, meeting the social protection expenditure they need, protecting people from getting food insecure, or water insecure, and energy insecure. And so, if we look at the figures for food insecurity in 2022, well a world food program says 349 million people in 79 countries are acutely food insecure. That's a record high number; it's an increase of 70 million people since the start of 2022. And out of these, one million people are in catastrophic conditions. That's the highest risk level we have, and there are six countries where these catastrophic conditions are really quite pronounced.

The global economic outlook has worsened in the second half of 2022 with downturn estimates for 2022 and 2023. And many developing countries, as you all know, are entering into a vicious cycle of weak investment, slow growth, and rising debt servicing burdens, with increased interest rates in rich nations to try to control inflation that contributes to devaluation of local currencies, which further makes the position worse in poor countries. And those poor countries with high import bills for food or for energy, they're in real difficulty. There's about 50 of those. So altogether, as we move into 2023, we believe that food-wise, energy-wise, and finance-wise, the world is in a very severe situation and that finance sector is being asked to do an awful lot to help prevent real misery from emerging all over the place. Thank you, Babak.

Babak Abbaszadeh:

Dr. Nabarro, thank you so much for that very uplifting message. Of course, I'm being a bit facetious. You're not a man of hyperbole, but you used the word "catastrophe" twice, so we take your warnings very seriously. Ambassador, it's great to see you again. Similar to Dr. Nabarro, I would like to get your views on today's context. As a seasoned Canadian diplomat with extensive experience in international development and international organizations including UN agencies and IFIs prominent and food and agriculture, what do you see these organizations - how do you see these organizations playing a role to achieve global food security? Thank you.



Elissa Golberg:

Thanks Babak. It is a pleasure to be on a panel with colleagues that care so deeply about these issues, and especially David who's been such a strong global advocate for many years within the UN system to encourage states to do better. I think David has set the ground quite well in terms of outlining the incredibly challenging moment that we're living globally. This is a result of multiple crises; I had the opportunity a couple of months ago to speak with you and many of the colleagues that are on the line about the fact that we're buffeted by these polycrises, the triple C conflict, COVID, and climate. And then of course, that's been exacerbated by the situation in the Ukraine, and all of that is making it very difficult for those who were already struggling. And David talked about those that are really on the edge, that sort-of 30 million people who the UN refers to is in "catastrophic" circumstances. And that's translated to famine, and famine in a context that we haven't seen it for several decades. And this should give us all pause.

Although we've learned a lot of lessons over the last couple of decades, and I've been doing this for, as you mentioned quite a while, and every time I thought that I had seen the worst crises, another crises came out on top of that, and has really made difficult people's coping mechanisms. It's stretching those coping capacities of both individuals, communities, and then countries to be able to thrive. And that's where, from my perspective, the UN agencies come into play. And that's the good news, insofar as we have a lot of experience in this space, and specifically when it comes to agriculture and food systems, we have a number of organizations that bring the skills to bear that we need in order to respond to these kinds of crises.

This is a response that requires a multifaceted approach: we need diplomatic action, we need humanitarian action and logistics, and we need program and policy actions that in the aggregate will help us to make sure that we have resilient and sustainable agricultural systems, so that countries and people can withstand the kinds of shocks that they're facing now. But we know that these shocks are not going to end, right? We have an El Nino that's coming up, which is going to create additional shocks for the system, so we need the agencies' funds and programs to help make sure that they're collaborating with countries, they're partnering with countries so that they can build that medium term resilience and sustainability for these kinds of shocks. And then finally, these organizations are really vital partners for resource mobilization because all of this, of course, requires additionality to be brought to the system. So not just what comes from governments, but also what can come from private capital, philanthropy and other sources of income.

And that's what the Rome based agencies that I work with do on a daily basis: they act as a hub for policy research, program support, and standard setting. We can feel confident and comfortable about how the international standards are established for food safety and food security because of the kind of work that happens here with the agencies and with governments, and they provide technical assistance that's really vital for helping farmers, especially smallholder farmers who are the bulk of farmers globally to be able to really thrive. We can't forget that there's about 500 million producers globally, but with eight billion demanders of food support and food systems globally, and so it's not just a question of working with one part of the system, we have to work with both supply and demand to make sure that collectively we have what we need in order to make sure that at the very minimum, everyone around the world has nutritious and safe access to food.



So, I would say that the agencies that are working in this space are navigating a really difficult geostrategic environment. It is not an easy time to be working on some of these questions diplomatically. They are having to maneuver in a challenging international environment. But what we need them to do, and what they are doing, is bringing evidence-based advice to the table to help governments figure out how should they be addressing these issues from a policy perspective. Where should they be allocating their resources? How is the market reacting and responding? And of course, they're also doing vital advocacy in places where advocacy is required, whether or not that is advocacy with conflict parties to make sure that food gets to those who are most in need and who might be most at risk. Or it's advocacy at the international level; for instance, in the context of the WTO at the World Bank with the OECD to talk about, for instance, how do we make sure that trade stays open?

And let's be honest that not everybody can grow everything that they need and that's just not reasonable or viable. We need a functioning open trade system to make sure that commodities are able to move in real time to where they need to go, so that people can supplement what they may or may not have accessible to them at the national and the regional level. And so, the UN agencies play in a really important role in advocating for an open rules-based trade system, which has to be an important part of how we're tackling these issues related to food systems and food security. So, whether it's WFP who acts as that trusted urgent responder, who is just magnificent when it comes to logistics, but who also do some of the really important resilience building around things like school feeding, or FAO which works with countries to help protect livelihoods including in the context of crises. For instance, trying to help make sure that farmers don't sell their livestock in the middle of a crisis because they're going to need the livestock after the crisis in order to rebuild their livelihoods, right?

And of course, we look to FAO as a knowledge provider, as a support for standards and on so many other things. And IFAD, right? The International Fund for Agricultural Development, who is uniquely positioned, I think, in comparison to so many other institutions because they really focus on the smallholder farmer agricultural systems and they're targeting their efforts to try to attract and generate resources and investment from private capital into the agricultural sector so that it can grow sustainably. So, I think we've got these agencies that are focused on trying to address all of these different facets of the problem, and we need that full suite of policy, programming, logistics, advocacy, and financial tools, and we need those agencies to be working with others, the World Bank, international financial institutions, the regional development banks, and partner countries so that together, we're reimagining what a sustainable food system looks like.

And we know the answer to this question; we've been working on it for many decades. I think one of our challenges, and David touched on it a little bit, is making sure that we can also sustain political energy and attention to food systems. We have these peak crises where all of a sudden everyone remembers that food systems are incredibly important to our people and to countries around the world. And then "La tendance, se diminue", right? Attention focuses and moves to other things. We need to keep that sustained attention to the really valuable work that these institutions are doing on a daily basis to help make sure that people are fed.



Babak Abbaszadeh:

Well, thank you very much! I think you gave us a very good roadmap for what these "alphabet soup" of international organizations are doing, and Ambassador, I know last time you were on our webinar, you did talk about the fact that you are an avid advocate of multilateral system and I think you put it on the table very well, and a catastrophe requires global response. So, let's now pivot to more of the financial sector, and this is where it gets interesting for Toronto Centre. So, what can we do? And as we are trying to do our homework, we've invited Governor Antoine of the Eastern Caribbean Central Bank. Governor, just before you start, I wanted to let people know that we have representatives from 44 countries all the way from Albania and Antigua to Zimbabwe and Zambia, and all the letters of Alphabet in between: Japan, Germany, and the U.S.. So, although you're talking about the Caribbean, please keep that in mind. So, my question to you is, and welcome back, is food and nutrition insecurity is a reality of daily life in the Caribbean region? And it's not just the Caribbean that faces food insecurity. Around the world, it is said that one in eight people go hungry every day. How is the Eastern Caribbean Central Bank tackling this issue? And I'm especially interested in the role of financial regulators and supervisors. Thank you.

Timothy N.J. Antoine:

Right. So, thank you Babak, and greetings everyone. I want to start by commending the Toronto Centre for really shining a light on what is an issue of immense importance for people all over the world. The truth is that this inflation shock has really amplified the issue of food insecurity for countries large and small, rich, and poor. So, on average in the Caribbean, most countries import about 80% of what they consume. So consequently, this inflation shock has had a very devastating impact on this region. And moreover, the shock is having a disproportionate impact on the poorest households, a majority of which are headed by women. So this is a real challenge for our region, and I suspect this is probably a challenge shared by many other regions in the world. Now, according to the curriculum World Food Program survey last year, almost three in five persons are food insecure, are grappling with food insecurity in the Caribbean at this time, almost three in five.

And that might shock many of you because when you think of the Caribbean and you consider our countries, including the ones that I serve, many of them are classified as "middle income countries". They're not going to make the top 50 of the low income that Dr. Nabarro referred to, for example. But here, we are almost three in five. So, this is a challenge that is being felt in a very real and personal way. And I should add one of the nuances about this issue in the Caribbean is not just food security or insecurity, but nutrition insecurity. Because the fact of the matter is that almost eight in ten deaths in our region are attributed to non-communicable diseases. Things like diabetes, hypertension, heart disease and so on. And a major contributor to those deaths are ultra-processed foods, all of which are imported.

And so, of course this is a preexisting condition, I'm not blaming this on inflation, but it points to a real issue in our region about not just food security, but food and nutrition security. What has ECCB done? To answer your question. So that was a little context. First of all, we did not do monetary tightening. Why? Because as a small central bank monetary unit of small open economies with a fixed exchange rate regime, we are very much dependent on the Fed, the US Fed, to bring inflation under control. Most of the inflation in our region is importing inflation. If you look at our inflation rate, they very much track the United States, and therefore, as I've said to Chairman Powell and I've said to Vice Chairman John Williams, all our eyes on you as the rest of the world, because we really need you to get inflation under control.



So we have not been able to do monetary tightening as many of the large central banks have done. What have we done? Let me mention three things very quickly. First, we've increased our advocacy on food and nutrition security. We believe that this is an extremely important issue as a regulator, as a central bank, and we've added our voice to a call in the Caribbean community by our leaders for a 25% reduction in our food import bill by 2025. That's a very ambitious target. It's a stretch target, and frankly spoken, it's gotten a lot harder with the current inflation spiral. But we believe that that is important for our region, and we've also said, based on our analysis, if we're going to hit that target, we have to tackle three categories, food categories in particular: meat, grains, and fruits and vegetables. Why? Because those three groups account for 50% of all that we import, and therefore, if we're going to tackle the bill, we have to bring those down.

So we have been advocating for that and have been using our platform to do that. Secondly, and of course we make the link with foreign exchange reserves and the whole management of the foreign reserves. Secondly, we launched in 2020, late 2020, a partial credit guarantee program essentially to provide access to credit for small businesses including farmers and fishers. That program essentially provides a 75% guarantee for loans up to 750,000 AC dollars, which is just about 250,000 US dollars roughly, for those of you who wondering about the exchange. We've done that and we are pressing through the financial institutions to get more access to credit for farmers and fishers among others, to be able to help them in this challenge. And thirdly we've provided and developed a food import tracker, and essentially, it's a data analytics tool that we use to monitor progress and hold countries accountable for the target that I just mentioned: 25% reduction in the food import bill by 2025. So, I think the advocacy, providing access to credit of financing, as well as data tools, are things which regulators can find useful. And what we've done, I think can be done by other regulators, and maybe they're already doing some of that to make a real impact in this moment on this particular issue. And I'll stop there.

Babak Abbaszadeh:

Well, thank you so much. And by the way, you get the gold medal for containing your answer to about five minutes, so thank you for that. That's the first star I'm giving for this round so far. And it's very interesting because as you mentioned, you are not on the most adverse list that Dr. Nabarro talked about, but it is food security is not just for the most vulnerable, right? It's an issue that is percolating its way through. And Carl, you've had the benefit of listening in of all the various comments that have been talked about so far, and adverse weather events already contribute to ongoing low productivity and poverty in many agricultural households in developing countries. We heard about other issues, so we're not going to revisit the various other stresses on the system. And I think everybody here agrees that addressing these issues is a multi-stakeholder challenge. How can agricultural insurance, which I guess is an effective weapon for the financial sector, improve food security and why does regulation and supervision of it matter? Thank you.



Carl Hiralal:

Okay, thank you very much Babak. First of all, let me say that it is a privilege to join this distinguished panel. Certainly, the members are well-versed in the topic areas, and I actually learned a lot listening to them, but I must say they collectively have painted a bleak picture and that puts enormous pressure on the financial services sector to step up and do their part. But your question really has two aspects to it: how could agriculture insurance improve or help food security? And secondly, what is the role of financial services supervisors in this matter? So, I'll deal with the first one and then come back to the second one. As a general comment, insurance is a recognized risk management tool, and agriculture insurance can stem risk to farmers, but even though it can do that, it still represents a sizable protection gap and therefore needs to be effectively redesigned and rolled out by financial institutions.

Regulators also have a role to play by creating an enabling environment for agriculture insurance, particularly since climate change, if left unchecked can threaten food security, and we're already seeing that. In addition to risk stemming from climate change such as droughts, extreme temperatures, and floods, agriculture insurance can aid farmers who are exposed to risk also such as the vagaries of the commodity market, such as revenue guarantees, and we see that a lot in North America where revenues are guaranteed in order to assist farmers. This is mainly done through crop insurance, which is a traditional form of indemnity insurance that is available to farmers and widely used by farmers in developed markets with larger commercial farm holdings, and it is not uncommon for crop insurance to have some element of government support or subsidies.

However, in the case of small landholder farmers, there is a very obvious protection gap, and we've heard this morning that there's a lot of farmers in the developing world, right? One report says two and a half billion farmers in the developing world, and 80% of small farmers are involved in agriculture insurance. So, this protection gap is primarily in emerging markets and developing economies where it is not uncommon for farming to be a significant contributor to the economy or the GDP of those countries. So, to provide protection to smallholder farmers, a new type of insurance policy known as index insurance was introduced and started to become popular around 20 years ago. But really, it was first invented around 1948 or so, but it started to become very popular. I think it was India around 20 years ago. But there were growing pains, as this policy was relatively costly to administer, the premiums were generally not affordable for consumers, or even profitable for insurers.

On a positive note, however, over the last decade or so, advances in technology, computing power, and infrastructure such as implementation of weather stations, satellite imagery, etc. contributed to making index insurance more economically feasible. For example, weather data has now has more integrity to it, and as such can reduce uncertainty. The importance of this is it allows insurers to engage with international reinsurers to spread this exposure and avoid systemic risks. So all of a sudden, we have the reinsurance community who could be provided with data that has a fair bit of integrity to it. Furthermore, the digital transformation, etc. a digital transformation which got a boost during COVID, has helped. And mobile phones are now widely used to underwrite index insurance, pay the premiums, receive the payout when the disaster hits, and in effect, the middle person is cut out. This has significantly reduced operational costs. So in effect, what I'm saying is that the conditions or preconditions for successful index insurance is starting to take hold.



I now want to touch base on some of the actions that supervisors can take as enablers. And some of these actions include facilitating insurance and banks to develop and deliver products and services that are needed in the society in which they operate, in this case, index insurance. In other words, successful financial institutions are those that develop and deliver products that are needed in the societies in which they operate. Secondly, ensuring that poor market conduct practices do not take hold with this kind of insurance. The risk and limitations need to be explained, well explained, because this type of insurance is different. It is not a traditional indemnity-based insurance, and so therefore, the actual loss payout sometimes could be much different from the actual loss incurred by the farmers and this needs to be explained.

Thirdly, regulators could need to engage more with policy makers to change laws and regulations to permit this type of insurance, as some of it is viewed as not meeting the traditional definition of insurance. In other words, it is viewed by some legal scholars, and perhaps rightly so, that index insurance is, in fact, a derivative play on the weather. And this has stopped some countries from granting approval to issue derivative insurance. Fourthly, facilitating the bundling of index insurance but traditional insurance products is another way that cost can be reduced, and regulators have a role to play in this. And lastly, I would say to you that applying proportional rules such as capital solvency measures, liquidity reporting requirements, etc. can help with this kind of insurance. Lastly, I would say that evidence has shown that index insurance emboldens farmers as they purchase higher yielding crops, which in turn benefits the economy. In other words, they are more prone to take calculated risk, and I think that is a key advantage of having index insurance, and that's where I will stop right now.

Babak Abbaszadeh:

Well, thank you very much, Carl. This is great way of ending our first round and I guess the significance of what you're saying is that supervisors and regulators, although they do not have the policy levers, there's still a lot that they can do. That's the very important thing, so we'll come back and explore some of that later. Ambassador, now we're going to go to the second round - looking forward: challenges and opportunities. Let me start with you. Prioritizing nutritious accessible, affordable food is not a new challenge. After substantial gains, hunger is on the rise. What's different now? I guess we would go back to multipolar crises, but what lessons can we learn from previous crises to ensure we are better able to respond to future shocks? Thank you.

Elissa Golberg:

Yeah, thanks very much. I mean, I guess I would say a couple of things. We have learned things are different over time, we've been building tools and capabilities to better manage the shocks, but of course their complexity has continued to increase. If I look at what's changed, for instance, since the food crisis shocks that we saw in 2007, 2008 and 2010, today, we now have the AMIS system, the Agricultural Markets Information System, which came out of the G20 in 2011. The whole idea behind AMIS was that you would enhance food market transparency, right? And that's really important for helping decision makers decide how they're going to deal with the disruptions that are happening in the market. It helps farmers to decide when to grow, how to grow, where they're going to put their emphasis, and for governments like ours to know where the vulnerabilities are going to be.



So we now have Amos, which we didn't have before, and in the Canadian context we've tripled our investment in AMIS because we think it's so important. We now have systems approaches which we weren't thinking about a couple of years ago. Recognizing, again, as David had said at the outset, the interconnectedness between the various dimensions of food security and agriculture. Here, I think fertilizer is a really interesting case in point, and maybe David's going to speak to it, but I think what's different this time, for instance, is in the context of the crisis that we've seen with the Ukraine, some of those system-level vulnerabilities have really become much more evident to people. With fertilizer, we've always known that fertilizer is important. Chemical fertilizers have been called one of the greatest inventions of the 20th century but disruption to the exports of fertilizers from the Black Sea over the last year, for instance, really brought these issues into stark focus.

The correlation between food prices and fertilizer affordability for farmers, or the energy-fertilizer-food nexus, when natural gas prices go up, it makes a difficult and those are needed for fertilizer. It has a chain reaction, and then that has consequences for how much fertilizer farmers can use, which then has knock-on effects on what they're going to plant. Our worry last year was about accessibility, our concern this year is availability, because if in some places farmers couldn't get access to fertilizer, particularly for rice, that could have important implications for our abilities across the system. We understand better the idea of food systems, which I think is really important.

I think we're also much better at things like anticipatory action, and that's still a kind of relatively new idea in the system, although I'm sure that a lot of your listeners are going to think it's not rocket science, but this idea that we get ahead of the curve by knowing that we see vulnerabilities as a result of climate, for instance, in specific areas, and we put in place measures to help support through safety nets, the most vulnerable from the outset. Finally, in terms of what we learned, I think Carl's point around agricultural insurance is really interesting, and he's quite right. That's an area that we've seen innovations happen over time. I think of the work that Desjardins has done, for instance, in a number of countries, both in Africa and Latin America and the Caribbean on this. Or the work that was done, Timothy, in the context of the CRIF, the Catastrophic Risk Insurance Facility, which has been good and bad, but we've learned lessons about the importance of having catastrophic risk insurance for precisely these reasons.

This is kind of where we've come, and to what end, ultimately, I would say there's sort of four "C"s and three "R"s. The four "C"s, for me, in terms of what we can do better, it's around critical analysis. We have to understand what the trade-offs are that we have to make across various food systems to mitigate unintended negative consequences and maximize synergies where we can. We have to do better at coordination, I mean, it's an ongoing effort. Many of us have spent a lot of hours trying to enhance and improve coordination, but it really is worth repeating because these platforms that we've talked about, things like the Global Alliance for Food Security that was launched by the Germans in their G7 presidency, it makes a difference for us sequencing our actions and interventions.



Third C: collaboration. So, it's not enough to coordinate, we actually have to do better at complimenting one another's strengths and really embedding changes to our systems. I think here of the analytical work that the FAO did several months ago around the food import financing facility and how the IMF took that idea and integrated it into its food shop window. So that's a good example of where you see that kind of real life collaboration happening or the work that's being done between IFAD, FAO and the African Development Bank to develop new agricultural compacts. That's a really good example of where you see collaboration between technical, financial, and investment knowledge across the system. And then finally, communication is the fourth C, right? All these insights that we've been gaining in terms of what we need to do, how we need to do it, a broader range of stakeholders, civil society, private sector, research institutions, subnational governments, we all need to be making sure that we are enhancing the information flow.

David, the work that has been done, I think with the Secretary General's crisis response group is a really good example of where you have a multi-stakeholder platform that can share, in real time, collective insights. And then finally, okay, but what are the four "C"s for?

Well, the four "C"s are for the three "R"s, which is build resilience, secure resources, and make sure that we're investing in rehabilitation, particularly for countries that have experienced crises. And here, I think about Ukraine for example: the World's largest provider of wheat, of other kinds of inputs, agricultural inputs. We collectively, even as we diversify regionally and nationally, our vulnerabilities, we also will need to make sure that Ukraine is able to rebuild its agricultural capacity. And that's not a long term; that's something we're going to have to focus on today. And similarly on resources, it's about making sure that farmers have access to capital. It's about us thinking about access to capital in new and interesting ways. It's "How do we engage private capital and understanding?" They have a role to play, that this isn't just a space for governments to act on their own. And a part of that too is about reducing dependencies. I think in this context, in terms of your audience, we talk about reducing long supply chains, and this is also where regional cooperation can come into play.

Babak Abbaszadeh:

Great, four "C"s and three "R"s, we are on the verge of creating $E = mc^2$, so that's great. Thank you very much for that. That really puts it in a very good perspective in terms of understanding system level vulnerabilities and some concrete things that we need to do on an international stage. Governor, let me come back to you and ask you from your vantage point, from a global perspective, what are the major challenges that central banks and supervisors face in this environment and what are the greatest opportunities for them in balancing both financial stability and food security? Thank you.

Timothy N.J. Antoine:

Yes, Babak. So, in crisis and in challenge, there's always opportunity, and let me say, I very much appreciated the Ambassador's comments. Her call for resilience really resonated with me because that's a huge issue for many of our small cities around the world, including the Caribbean. So what are the opportunities for regulators such as central banks, regulators, and non-bank financial regulators? I think the first thing is really to recognize the nexus between food and nutrition, security, financial stability, and financial inclusion. Regulators cannot be unaware, cannot be neutral, and certainly cannot be indifferent. And again, I commend the Toronto Centre for shining a light on this issue today. Sometimes we could get so focused in on our spreadsheets and our programs and so on that we lose sight of these real people issues, which touch and concern what we do. Financial stability is part of what our mandate, and therefore we have to be very focused on this.



Secondly, we can finance interventions that boost food and nutrition security, and hear therefore FAO's appeal, and the Ambassador spoke about that for the food import financing facility. I know in the case of Bangladesh, Bangladesh arranged I think about a \$500 million facility to actually help boost food security in that country. I think we can do more of that. I mentioned what we've done with our partial credit guarantee program. I think we need to do more. Thirdly, we must incorporate food insecurity into our climate risk assessments. We are very much working on that now, many of us, including our central bank, are working on greening the financial system. And I think we have to take account of this issue because what we know for certain is that climate risk is financial risk. Therefore, we have to be proactive about engaging around that risk and providing whatever guidance we can to our licensees to help them in the process.

And I will say, once we've done the assessments, we must also look at sustainable financing. And Ambassador mentioned resources. So, I fully agree with that. Cause if you do all the analysis and you're not able to bring financing to the table, we have not moved the needle. We have not moved the needle. So that is very, very important. I also think a couple more things: the regulators need to pay careful attention to the financial protection gap, and Carl spoke to that earlier. So, for example, less than five percent of all losses from natural disasters in low income countries are insured. Less than five percent. That is a huge financial protection gap. If you think about not just events, but wipe-out events such as we see in many countries, including in the Caribbean, you can see how they can lead to financial instability. In fact, that was part of the motivation for CRIF that Ambassador Golberg mentioned, the Caribbean Catastrophe Risk Insurance Facility, which was established the first multi-country catastrophe risk pool in the world in 2007.

Since then, we've had pools in Africa and no Pacific. That is an area where we have to pay a lot of attention too, because it pretends what could happen in respect of financial instability. If we have events where we have no protection, where the state is unable to perform, we can have significant financial upheaval. I think also regulators have to pay very close attention to a recent development in the reinsurance market where we've seen a reduction in capacity. Some of that is attributed to inflation, the current spike, also to the pandemic and other recent natural disasters and events. But what we are seeing in some of those markets because there's obviously a lower return on profitability in the reinsurance market, we've seen lower capacity. So, the ability to insure certain events has been reduced in the spirit, and we have to watch that because while we are trying to raise the protection, as it were, if you can't buy reinsurance, it's not available, then you have to self-insure. How many of our countries can do that effectively? Many can't.

Finally, and Carl made this point earlier, we have to embrace a parametric insurance product. So CRIF for example, does tropical cyclone, excess, rainfall, and earthquake insurance. CRIF has also piloted product for fishers called "Coast" and CRIF is looking to do some other things in drought and so on. I think we have to do more of that, regulators have to be aware of that, and have to engage with the developers on that annual reinsurance market. We also have to be prepared to do hybrid products because we've seen an increase demand or call for us to look at a combination of parametric and indemnity insurance products. As we try to meet that gap or address the gap and also meet plan preferences and needs, I think we'll also have to look to embrace these new products. So, for regulators, we have to learn, we have to be humble. A little humility goes a long way to understand that this is something in which we have to be engaged, we have to lean in, learn, and engage, and of course that means a lot of collaboration. I'll end right there.

**Babak Abbaszadeh:**

Thank you so much. You are echoing some of the very sentiments that Toronto Centre has as well. I never forget that around 2015 or 2016, when the community of global supervisors, to a large extent, were still looking at the 2008 financial crisis, we began to be a catalyst and encouraged people to start looking at broader issues, climate risk, even before the establishment of the network for greening financial systems and gender financial inclusion issues. Of course, we were not the only ones in that space, but focusing on the supervisory angle of it much more intensely.

So, let me use this as a bridge to Carl. Carl, we can almost hear someone say, or people say, supervisors already have a very busy credentialed mandate with limited resources. In today's complex world, adding food security to their workload could have implications on their resources and their capacity to balance current mandates and responsibilities. So my question to you, Carl, why should supervisory authorities extend their remit to food security and how could they tackle this challenge in the context of their other priorities to safeguard the financial system and consumers? Thank you.

Carl Hiralal:

Well, you're quite right. Supervisors globally are increasingly faced with balancing a multiplicity of roles of which prudential supervision is key. They can never take their finger off the prudential aspect of their remit. But supervisors, having said that, supervisors and financial entities need to guard against looking at food security in too narrow a context. What I mean by that: when you look through what is required to promote food security, you quickly come to the realization that there are significant collateral benefits, two of which are inclusivity and gender equality. Regarding inclusivity or financial inclusion in emerging market and developing economies, index insurance, or parametric insurance as the Governor related, can be used as collateral to de-risk loans provided primarily by microfinance institutions. And so all of a sudden, you have this collateral, this index insurance being used by these microfinancial institutions to provide loans to farmers.

This however has far reaching consequences in that it gives farmers crucial access to the former financial system. In many of the developing countries a lot of the farmers and the people at lower end of the socioeconomic forum do not have access to the formal financial system, and this is important. This in turn, however, promotes gender equality as many of in many of the emerging market and developing economies at least 40%, and higher in some countries, of small landholder farmers are women, woman. Furthermore, experience has shown that farmers who are able to access financial services are able to deal with seasonality in agriculture because they, they've now figured out how to take loans in lean times, and this actually helps the general welfare of farmers. So, index insurance has far reaching consequence, because it involves their lending institutions. In general, supervisors also are becoming much more versed in assessing and mitigating the effects of climate change.



But I would say to you, the risk transcends financial risk and threats to food security is one of them. This effort to stem risk to food security is therefore incremental and is not a paradigm shift in action or thinking. So, in effect, leveraging supervisors or financial institutions or leveraging the good work that has already been done on financial inclusion and gender equality can now take it to new heights, in effect, a noble goal, and I think this message should not be lost. So really, effective and unaffordable agriculture insurance is a recognized product protection gap, needs to be addressed, and addressing it is not an option. As a result, supervisors are becoming increasingly adept at managing their scarce supervisory resources, and consequently food security can be accommodated. To take this further, there's a nexus, or symbiotic relationship between the health of the financial services industry and the strength and stability of the macroeconomic environment. Food security benefits society at large and GDP growth. One of the benefits of risk-based supervision, which is increasingly being implemented globally, is that it is recognized as an important resource allocation tool. And therefore, I would say to you that those supervisors who have implemented risk-based supervision are in a much better position to navigate this expanding regulatory remit that they're now faced with. I'll end there.

Babak Abbaszadeh:

Thank you very much, Carl. And just to put it in perspective for our audience and also the panelists, one of the contributions that Toronto Centre does especially through events like this, is we take these materials and comments that you make and take them to our classrooms. But before we do that, we are publishing a Toronto Centre Note on food security. We've done the same with blended finance and other issues, and this is where we actually bring that supervisory perspective to balance what can be done and what cannot be done as an intellectual roadmap, a guide for the supervisory community. So once that's available, we will be sure to distribute it. Thank you, Carl.

Dr. Nabarro, I'm going to bring the structured portion of this conversation to an end and open it up to a Q and A after I give you the floor, so you have the final say in this round. What is your call to action to address food security crisis in these times of uncertainty and challenging economic recovery? Thank you.

Dr. David Nabarro:

Thank you very much indeed, Babak. First of all, everybody, as you've heard from this wonderful, multidisciplinary panel, nutrition really matters. And we are not just here talking about having enough food to fill your tummy, we're talking about having the right food for good nutrition, particularly for small children, particularly for women, particularly for older people because otherwise the consequences can be lifelong. When we are doing this, we've got to be able to focus on the urgent needs of populations who are suffering now, and the long term needs to reform food systems so that they function for the good of people and the planet. It does mean helping to improve local production. It does mean helping to make sure that farmers can access inputs and insurance, as we've heard today. It does mean bringing on board social protection that's nutrition sensitive. It does mean making sure that people who are really suffering get relief. But stop people from being malnourished.



Number two is we want open, stable, and fair markets in agriculture and food. You heard from Ambassador Golberg that there is a wonderful global system called the Advanced Market Information System in which Canada invests, this is a great thing, was put in place after the 2008 food price crisis. But we've got to go further and there's been wonderful progress in the World Trade Organization, but it's got to be sustained because what tends to happen when food gets tight is that countries impose export bans. They say, "stop exporting rice" or "stop exporting wheat, we got to protect it to protect our people". But as soon as one country does it, then other countries follow suit, and when you get a lot of countries doing it, then prices go up. And we've had this before and we've got worries that this just might start again, particularly around rice.

So if any of you have got any influence to everything you can to discourage export bans. They feel good in domestic politics, but they could be very, very bad for the world. Stabilize market prices to keep food and fertilizer flowing, because actually, access to fertilizer might be the most difficult aspect of this current crisis because fertilizer is absolutely essential for the production of the food we need right now. Yes, we'll be able to use it more efficiently. Yes, we might be able to phase it out, but you can't suddenly cut farmers off from fertilizer. And that's what's happening in parts of Africa. Third and last, just keep the investment going, because there are terrible financial constraints, especially in poor countries. You're the bankers and you're the regulators. You know this. But I see it and I feel it, really, really serious. And here is the deal that, actually, most of the countries that are in big difficulty right now are also having increased difficulty with accessing the liquidity they need to protect their farmers, to protect their poor people and their disabled people and their older people, and to keep the nutrition going.

In order to get this, we need all the things that actually are a bit out of fashion. First, more appetite for risk among some of the banks, particularly the multilateral development banks. Greater access to private capital wherever possible. Greater access to insurance. Greater space so that the bankers actually have room for maneuver and the ministers of finance can respond to the needs of poor people. Then debt relief; we've got huge problems with debtors all over the world. Now I know you are going to say to me "But this is outside what is considered to be right, particularly by the wealthy nations!" But unless this financial system actually benefits the poor nations, we're going to see more suffering. That's my call to action. Thank you.

Babak Abbaszadeh:

Thank you. That's very clear, vivid and urgent. We really appreciate that. I guess the subtext of what you're talking about: stop weaponizing food. That's one thing that I would take away from it. I mean, in addition to other things that you mentioned here. There's a comment here from one of our colleagues who actually teaches in our long long-term program, Shelina, and Dr. Nabarro, you and the Ambassador can relate to this. In addition to agri insurance, it is important to understand the nexus between food insecurity leading to negative health consequences, and the need to provide affordable health insurance, in addition to agri insurance, thank you. So, we'll take that as a friendly comment here, but I thought I should highlight it. There's a question here, Carl, that I want to pass to you. It says "The concept of parametric insurance for farmers is a brilliant idea. I did some research recently to understand why the uptake in this insurance is low. The one thing I observed is a lack of trust among farmers with respect to insurance and the reluctance to share their business data with any type of authority. How do you get the farmers to buy in?" Do you have any views on that, Carl?

**Carl Hiralal:**

Well, first of all parametric insurance is a different beast altogether. It is not indemnity-based insurance, it's based on an index, and this is what basically results in basis risk, meaning the amount of payout could differ from the actual loss that the farmer suffers. But the issue with getting farmers to share information is that you basically have to wear out the farmers. What that basically means is, there historically has been mistrust of insurance across the world, and particularly in the less developed countries, because it's not widely used. So, there's a misunderstanding as to what insurance does and the purpose of insurance. In some jurisdictions, insurance is not able to make progress in terms of penetration because people still see insurance as a savings product and therefore, they expect to receive something after paying premiums for 20, 30 years, and that doesn't apply if you buy term insurance.

The issue is transparency, it is a matter of dealing with mistrust, and I think in this whole issue of parametric insurance, regulators have a role to play in ensuring that they educate farmers as to what are the limitations and risk in the particular policy. When you really come down to the bare bones, there's not a lot of information that farmers need to share, not a lot of personal financial information. Parametric insurance really caters to the smaller landholder farmers in the emerging markets. I mean, what is happening now is the farmer gets the microinsurance, they go to the microfinance institution, they get the loan, they go to the feed supply company, they buy their feed, they come back to their farm, they open up the bag of feed and the insurance policy. They take a picture with their phone of the insurance policy and the bag of feed, and it automatically goes to the insurance company. As soon as it goes to the insurance company, the insurance company automatically knows that you are a policy holder, and through satellite imagery and drones and similar technologies, the insurance companies can keep track of the farms and see how well they're doing. So, a lot of this is very transparent, there's very little or no face-to-face with the farmers and the insurance company, all the claims are paid through mobile apps. And I would say to you that it's a matter of financial literacy, it's a matter of education, it's a matter of educating consumers as to the risks, it's a matter of bringing transparency. At the end of the day, it speaks for itself. The insurance company has to pay out, but you have to guard against basis risk. It's a real risk in index insurance.

Babak Abbaszadeh:

That's great. No, it's important. I'm glad that you made the tie-in with financial literacy, that's critical, and some proper promotion of the product Ambassador, we have a question here from a viewer from Ghana. Now the question might be specific to Ghana, and I don't know to what extent you're familiar, but maybe you can deal with it from a more macro level just outside, maybe in Africa and other places that you're familiar with. The question is "In Africa, the farmer has limited access to loans from these microinsurance since the weather is unpredictable. No irrigation system, no network connectivity, all makes it difficult for the farmers and the lenders. How do we fix these?" Is this a topic that comes up in these UN agencies that you participate and hear discussions? Thank you.

**Elissa Golberg:**

Yeah, absolutely. I mean, this is a subject of intense discussion and is sort of "the Raison d'être" of organizations like IFAD, which try to help smallholder farmers find those ways to secure resources in order to be able to grow their businesses, but also to manage unpredictability and give them the tools in order to enhance how they do their work as well which can mitigate some of those impacts that can negatively affect them. There are other UN agencies as well that are working and thinking about these issues, and I think about in New York there is an organization that's specifically focused on how least developed countries, although I wouldn't put Ghana in that bucket, but how farmers in least developed countries can get access to capital. Of course, there's all the work that happens by civil society and NGO organizations on microfinance, for example, but it does raise one issue that we haven't really talked about today, which is there is that missing middle of capital.

So those that are not in the microfinance space, the really, really, really small businesses that are aggregating, and those that are not quite big enough to get more substantial loans, and then what happens to them in that middle period because they can't necessarily access capital, for instance, from traditional banking systems, particularly because interest rates that are charged in that context are far too much for some of those farmers to be able to support at 15 to 17%. So that missing middle is really where entities like the African Development Bank in the African context or IFAD come into play; they can provide that kind of middle capital, but it is a subject that that's ripe for discussion.

Babak Abbaszadeh:

Fantastic. Thank you. It's good to think about it the way you were talking about it, in terms of a sliding scale because the folks in the middle can also fall back if proper support is not given to them. Governor, I'm going to pose a question to you that is about your region: "For small economies/countries, like in the Eastern Caribbean, what can be done to make Agricultural Insurance affordable, given the low scale individually and the natural risks (Tropical events, Drought, Excess Rainfall, etc.)?". Is this something you've thought about? Thank you.

Timothy N.J. Antoine:

Well, it's certainly something we are considering. There's a lot of history, I mean you go back to say India, which started crop insurance in 1972. Their challenges, and Carl touched on some of them: lack of transparency, high premiums, slower delayed payments. One of the reasons why we've opted for parametric so far is because, in the case of CRIF, and by the way, Canada has been a big contributor to CRIF and I want to acknowledge that from the time we started back in 2007. The reason why we did parametric is because we sort-of circumnavigated the issue of the small-pharma data collection, lack of trust and all of that, and dealt with the government. And then we do the quick payout. So, if there's an event and it's triggered within 14 days of the event, you get a payment. Now that's very important for recovery.

Liquidity is important for recovery. With indemnity insurance, you have to wait for an adjuster, then you have to wait for a claim to be settled, and that could be months. In the meantime, what is happening? The farm is dead or well, not literally, but figuratively. So that is why we've chosen to go with parametric for the fisheries product, and that's why we do it for CRIF with the rainfall product and we are thinking about drought. We still believe that there is a place for the micro product, but a lot of this costs and a lot of education is required, a lot of financial literacy, a lot of digital literacy, and so in the meantime we have to work in a different way because as I always say at the central bank: we have a choice. We either cause the darkness or light a candle. And so, we've chosen to light a candle.



It's not perfect; Carl spoke to basis risk, which is one of the drawbacks with parametric because it is not a perfect hedge. What you see on the ground is not exactly what you're getting covered, because it's an index you are using. It's not exactly perfect; so, you may have rainfall in one part of the country, but in another part of the country, not so much rain, and somebody said "Well, this happened here so much damage, but this is what I'm getting!" It's an index; It's a global picture. So that education has to be shared as well. But I will say finally, pooling is important. You go back to the CRIF example; when we did CRIF in 2007, the Caribbean Catastrophe Risk Insurance Facility, which has now been emulated by Africa and the Pacific. One of the motivations was the fact that we couldn't do this as individual countries, and our best bet was to come together. We reckon that by doing that risk pool, we've cut the premium, if governments could even get a policy, by at least 50%. So, in these small countries, pooling becomes absolutely important. So, in sum, it's a discussion that's going on, we'll try to move forward the micro level. In the meantime, we've gone for parametric, which is macro, to give some relief, some protection, while we work on other possibilities for our farmers and fishers in the region.

Babak Abbaszadeh:

Thank you very much.

Dr. Nabarro. I want to pose the next question to you, and after that I will provide some recap comments at the end. There's a question asked: "Do you believe that national food guides must be amended in order to address the current food catastrophe? How difficult would it be to strike a balance between access to food and ensuring nutritious food for all?" Thank you.

Dr. David Nabarro:

National food, what was the word you used...

Babak Abbaszadeh:

Guidelines? Guidelines.

Dr. David Nabarro:

Guidelines, yes. So just very quickly, for me, the fundamental purpose of food, for everybody, is nourishment of the human. Now, I don't think there's other purposes as important as that. Of course, there are many other aspects of food production that are super important, such as the need for it to be good for nature, the need for it not to contribute too much to climate change and the need for much more support for women who work in food systems, who are about 75% of all the people there. But without food being good for nutrition, what is the point?



And yet, throughout the Caribbean, we find the levels of non-communicable disease are absolutely enormous. In Barbados, I found that one in a thousand of the population may well have got an amputation, and that's because of diabetes, and that's because indirectly of just eating the wrong food, as we heard from Timothy. So, let's get nutrition right. Let's pay attention to the way in which food contributes to nutrition. And that means focusing more on the nourishment people receive than on the food grains that they take in, or the calories they take in. So that would be my generic answer to that really important question. All that follows on from it means nutrition has to be given priority by prime ministers, by presidents, and indeed, by world leaders everywhere. Without that, we suffer.

Babak Abbaszadeh:

Thank you, thank you for setting the priority for us, and I want to thank everyone, all of you, for your fantastic contribution to this panel discussion. You made the discussion very rich. Food security is an issue that Toronto Centre will be looking at very closely. We are going to be looking for an opportunity to convene a broader conversation between the supervisory community, the central banking community, and other stakeholders in this area. So thanks again, Ambassador, thanks again Dr. Nabarro, Carl, and Governor; it's really a pleasure to have hosted you here, and I hope we can bring you back for another panel because you are very popular with our audiences. Thank you again. Take care.