



ICABR- SITES WEBINAR on Post-Covid19
Food, Energy and Essential Goods: A New Demand for National Security

July 15, 2020

5:00 pm – 6:30 pm CSET (Rome – IT- Time Zone)

Join Zoom Meeting

<https://ifad.zoom.us/j/96227588555?pwd=UGJoMVdrMjVPbCtKUGFVUm4yTHdnUT09>

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Concept Note

Supplies of food, energy and other essential goods, despite various local or particular crises, have so far adequately met the needs of consumers in the countries hardest hit by the pandemic, including China, Europe and the USA, during local pandemic episodes and the different types of blockade adopted to date. Despite an initial increase in demand due to some panic buying and the consequent crisis of traditional distribution to local retailers, international value chains have proved flexible enough to meet the new and heterogeneous demands of households and businesses in these countries. Logistics have also proved adequate, despite the "just in time" nature of most of the organization of production and delivery processes. For many non-essential goods, however, and for developing countries, where the pandemic is advancing today, the deficiencies that have emerged are much more serious and suggest that the events of COVID-19 may have created a chaotic situation in the global supply chain, mainly due to the fact that this is mainly based on manufacturing production and the supply of raw materials by China. The effects of the global supply chain include a drastic reduction in production and a parallel reduction in trade flows due to the contraction of transport and the logistics crisis. Production of Chinese factories has plummeted not only due to blockades during the quarantine period, but also because production sites in other countries have been forced to reduce their production due to a shortage of Chinese inputs, such as raw materials, intermediate products, machinery and equipment (Fernandes, 2020).

The pandemic has highlighted a number of critical elements regarding the supply of essential and less essential goods and the overall characteristics of relative value chains. These include

the role of the manufacturing industry, which is more than 60% concentrated in China, the multinational industry and the organizational fragility of the production, processing and distribution of raw materials, intermediate goods and services along very long and complex value chains, based on models of high international specialization and "just in time" supplies without adequate strategic stocks or sufficient space to set aside. In the case of energy services, which are crucial for health facilities and the provision of clean water for essential hygiene, there have been basic deficiencies which include insufficient access to electricity by the majority of the population of African countries, who are also net producers and exporters of energy. But also for production and export, frailty factors emerged such as the length and composition of production chains, the need for extensive storage systems and supply chains to move fuel from its source, dependence on specialized means of transport with limited availability, insufficient reserves and storage spaces, the balance between global and local supply. , the contribution of international trade and the strategic value of refined products and their stocks.

For renewable energy, these critical factors have appeared less important, with greater supply and demand resilience, but the lack of storage equipment and adequate capacity batteries has proved to be the key bottleneck of this form of supply. In addition, the economic crisis threatens many nascent companies that run mini-grids in often rural areas and provide off-grid solar services to a growing share of the African population (World Bank, 2020). In oil-producing countries, especially in Africa, the pandemic has meant that they have experienced, as it were, the fragility of their value chains due to dependence on external demand and insufficient diversification of domestic supply. Dependence on China, both in terms of the supply of manufactured goods and the flow of funding, has also proved to be a factor of fragility and critical destabilization.

Security of supply of essential goods, such as food, pharmaceuticals and energy products, has emerged in many countries as a matter of national priority, with some governments announcing or contemplating measures to ban food exports or to convert to the cultivation of food crop areas dedicated to plantations or other non-food cultures. In the case of energy, this has meant a marked reduction in agricultural land and production for the use of biofuels and other forms of biomass energy, but also an apparent new determination on the part of the producing countries to invest in renewable energy and in production diversification. In many cases, reactions to the pandemic in different countries have also signaled a new propensity of local consumers and traders towards models that make more fully use of the availability of local producers, often at significantly higher prices than large retailers and, on the logistical side, the use of home delivery, with a use of private transport significantly lower than before the outbreak of the pandemic. Although it is difficult to predict the degree of persistence of these changes, more generally these developments have given the impression that the market has reacted to the restrictions imposed by the pandemic by leading to short- and long-term trends towards shortening supply chains, reducing international trade in highly specialized intermediate products, and redesigning on a more restricted geographical basis of transport logistics and delivery of essential goods. Moreover, in analogy with other strategic supplies with a high impact on safety, such as medical products, these changes do not seem to be limited to the period of the pandemic, but will probably extend to the future of the global economy, the organization of international agri-food and energy supplies, the multinational food and chemical industry and the fragile nature of the extensive international value chains that now appear to be the basis of much of the supply of consumer goods and inputs worldwide.

The consumer reaction to the pandemic has reinforced some trends that were already present and look set to continue more strongly in the future. These trends include consumer concern about the content, origin, and safety of the products they purchase. These characteristics are perceived as compatible with the sustainability of production, its impact on the environment and the inclusion and social characteristics of productive communities. These communities, in

turn, even in developing countries, are increasingly seen as potential guardians of the environment, local traditions and material culture. A reorganization of the production of essential goods can therefore be a massive shift towards more complex "hub and scope" value chains (Johnson, 2020), with an abundance of local circuits, a higher proportion of organic and renewable energy products, and a general search for higher quality goods that embody desirable characteristics for the environment and social inclusion. While these changes seem positive and go in the direction of a desirable strengthening of the quality of production supply, however, they are mainly the result of heterogeneous evolution of tastes in developed countries and demand from middle and high-class consumers. They must therefore be assessed on the basis of the negative effects on a variety of fronts, from the reduction of international trade and the world supply of basic goods to price increases that can lead to higher levels of malnutrition and poverty in countries and in less privileged population groups.

Round Table Discussion

- Introduction: Pasquale L. Scandizzo, President Italian Development Economist Association
- Rabah Arezki , Chief Economist MENA World Bank
- Francesco La Camera, DG IRENA
- Romina Cavatassi, Lead Economist – IFAD - Impact Assessment Cluster Head of RIA
- Raffaello Cervigni, Head of GPS, World Bank
- Giovanni Tria, former Minister of Economy, Italy - University of Rome Tor Vergata
- Domenico Fanizza, Exec Dir IMF
- Peter Hazell, IFPRI
- Nancy McCarthy, CEO LeadAnalytics
- Conclusions: Sara Savastano, Director RIA-IFAD

Each speaker shall organize their presentation in 7 minutes and shall prepare a PPT with maximum 5 slides:

Slide 1: The context

Slide 2: Key Message #1

Slide 3: Key Message #2

Slide 4: Key Message #3

Slide 5: Next Steps