

# Potential Impact of Global Financial Crisis and Economic Slowdown on Food Security

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27 February 2009

## Context

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- ◆ Global financial crisis and economic slowdown is hurting countries across the board.
- ◆ High food and fuel price shocks impacted countries through the “price effect” while global financial crisis is mostly about “income effect.”
- ◆ A relatively small financial and economic shock in the poorer countries can be potentially more devastating than a big shock in relatively richer countries.
- ◆ Challenge is to identify countries likely to be most effected both in terms of incidence and depth of food insecurity.

# Methodology

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- ◆ Hypothesis: Countries are affected through:
  - ◆ Potential decrease in:
    - ◆ Remittances
    - ◆ Trade
    - ◆ Foreign Direct Investments
    - ◆ Official Development Assistance
    - ◆ Currency Values
    - ◆ Tourism
  - ◆ Potential increase in:
    - ◆ Current Account Deficits
    - ◆ Debt Servicing
    - ◆ Unemployment

# Methodology

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## Economic Shock and Hunger Index (ESHI)

### ◆ ESHI Variables

- 1) Current Account Balances as percent of GDP;
- 2) Foreign Exchange Reserves in number of months of Imports;
- 3) Remittance inflows as percent of GDP;
- 4) Merchandise Trade as percent of GDP;
- 5) Foreign Direct Investment as percent of GDP;
- 6) Debt Servicing as percent of GNI;
- 7) Official Development Assistance and Official Aid as percent of GDP; and
- 8) Percent change in the national currency exchange rates per US\$; and
- 9) Per capita GDP in purchasing-power-parity (PPP).

### ◆ Food Insecurity Control Variables

- 1) Country “Low Income Food Deficit” Status
- 2) Percent of population under-nourished; and
- 3) Percent of underweight children under 5.

# Methodology

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## ◆ Country Selection

- Analyzed 126 countries;
- All high income countries excluded; and
- All non-food deficit upper middle income countries with a HDI rating of greater than 0.75 and debt classification of “not severely indebted” were also excluded

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## Initial Findings

### Economic Shock and Hunger Index (ESHI)

40 countries likely to be most affected

Afghanistan	<b>Guinea-Bissau</b>	Solomon Islands
Belarus	Guyana	Somalia
Bulgaria	<b>Haiti</b>	St. Kitts and Nevis
<b>Burundi</b>	Jamaica	Suriname
Dominica	Jordan	Swaziland
<b>Dominican Republic</b>	Lesotho	<b>Tajikistan</b>
El Salvador	<b>Liberia</b>	<b>Timor-Leste</b>
Equatorial Guinea	<b>Malawi</b>	<b>Togo</b>
<b>Eritrea</b>	Moldova	Tonga
Estonia	<b>Nicaragua</b>	Vietnam
<b>Gambia</b>	<b>Pakistan</b>	<b>Zambia</b>
Ghana	São Tomé	<b>Zimbabwe</b>
Grenada	Seychelles	
Guinea	<b>Sierra Leone</b>	

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## Initial Findings

ESHI after control variables for food insecurity are introduced  
40 countries likely to be most affected

Afghanistan*	Guyana*	Philippines
Armenia	Haiti*	Sierra Leone*
Bangladesh	Honduras	Solomon Islands*
Burundi*	Kenya	Somalia*
Cambodia	Kyrgyz Republic	Sri Lanka
Congo, Dem. Rep.	Lesotho*	Swaziland*
Eritrea*	Liberia*	Tajikistan*
Ethiopia	Malawi*	Timor-Leste*
Gambia*	Moldova*	Togo*
Georgia	Mongolia	Vietnam*
Ghana*	Nepal	Zambia*
Guatemala	Nicaragua*	Zimbabwe*
Guinea*	Niger	
Guinea-Bissau*	Pakistan*	

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## Next Steps: Activities

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- ◆ Undertake case studies in select countries to capture on the ground impact: Armenia, Bangladesh, Ghana, Nicaragua and Zambia;
- ◆ Identify key monitoring indicators needed to detect changes in food insecurity levels on a regular basis; and
- ◆ Provide technical and financial support to country offices to implement sustainable food security monitoring systems (FSMS).

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## Next Steps: Outputs

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- ◆ Case Studies
  - ◆ Results to be incorporated in the SOFI 2009
  - ◆ Workshop to disseminate findings to the partners
  - ◆ Help to refine food security indicators for the FSMS
- ◆ Assessments and Monitoring Systems
  - ◆ Timely food security information is available
  - ◆ Trigger for scaling up or down WFP operations
  - ◆ Improved knowledge base on financial crisis implications

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## Next Steps: Timeline and Budget

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- ◆ Timeline

- ◆ Case Studies completed by mid April 2009
- ◆ Workshop to be held by June 2009
- ◆ FSMS funded for 2-3 years
- ◆ One-off assessments when and where needed

- ◆ Costing

◆ 5 Case Studies@US\$30,000 each	US\$ 150,000
◆ 1 Workshop	US\$ 50,000
◆ 60 Assessments@US\$30,000 each	US\$1,800,000
◆ 20 FSMS@US\$150,000 over 3 years	US\$3,000,000
<b>Grand Total</b>	<b>US\$5,000,000</b>

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## Next Steps: Things to Consider

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- ◆ How should this analysis be used for:
  - ◆ Fund Raising
  - ◆ Advocacy
  - ◆ Messaging

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