

Poverty and hunger amid conflicts and the climate crisis

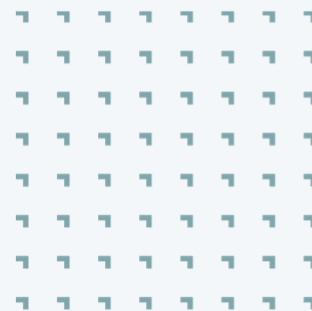
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Center for Global Development

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"Implementation of the Third United Nations Decade for the Eradication of Poverty (2018-2027)"

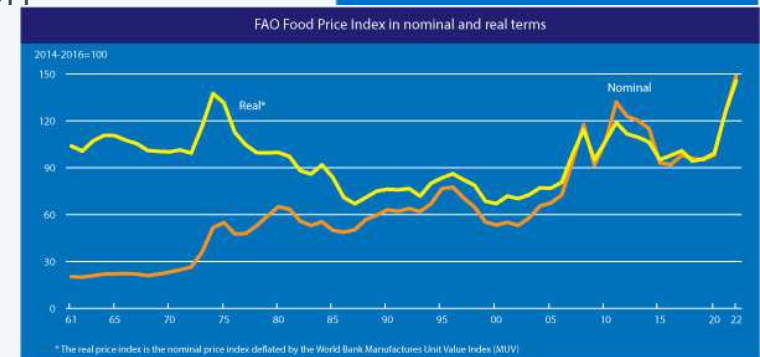
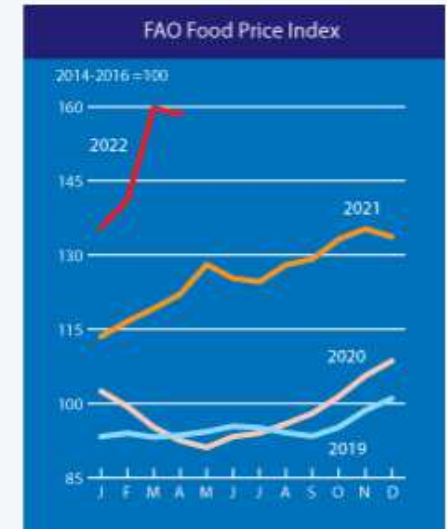
Outline

- Current situation– international food prices
- Outlook and risks
- Impacts and implications
- Policy responses



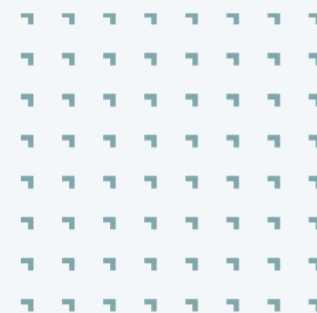
Food prices holding but at record highs

- Steep increase in early 2022
- Followed already increased pressure in 2021
- April figures showed slight drop
- Long-term highs – but treat ‘real’ series with caution



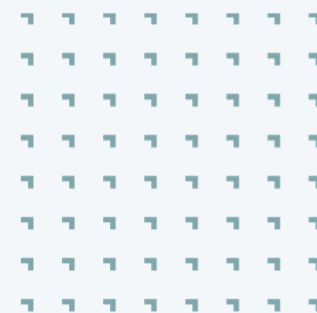
Price drivers

- Restricted exports of Ukraine, Russia
- Export bans from other countries (esp now, India)
- Strong demand in COVID recovery (building since last year)
- High costs of energy and fertilizer inputs



Comparison with 2008 spike

- Several similarities
 - Energy input prices price also spiking (inc gas with knock on to fertilizer costs)
 - Recent strong demand depleting stocks
 - Strong dollar
 - Supply shocks/ issues (but mainly Ukraine so far)
 - Cascade effect from one supply shock to export banks (esp India)
- Some differences (so far)
 - Limited spillover to other commodities (rice prices doubled in 2008 with no production problems)
 - No new biofuels mandates diverting grain into fuel (though biofuels policy still relevant esp in the US)
 - Speculation not being blamed so far (which is good – it didn't cause it – but a big focus last time)
 - No concurrent financial crisis (but other major macro challenges)



Outlook and risks

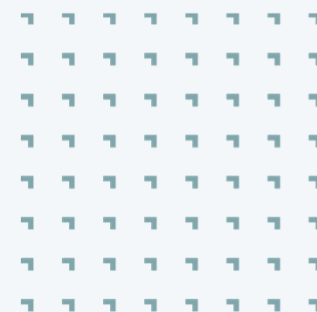
- Risk of further export bans



- Always a risk of weather-related supply problems
- Russian war in Ukraine – could still move supply either way
- Cumulative risk events always possible – e.g. shipping routes

Impacts of elevated prices

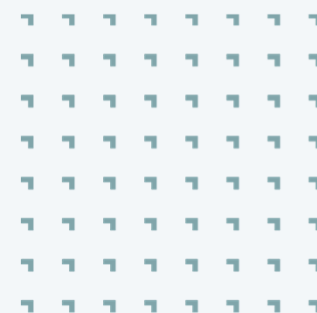
- In March, we estimated an extra 40m to be pushed into extreme poverty
 - Based on World Bank analysis of household surveys post 2008 and 2011 price spikes
 - Conservative on price rises
 - We assumed 24% YOY price increase, actually 29.8% higher in April
 - Recent further increases in at least wheat
- But also ignored producer benefits of higher prices
- Contrast with World Bank estimate of 88-115m due to COVID



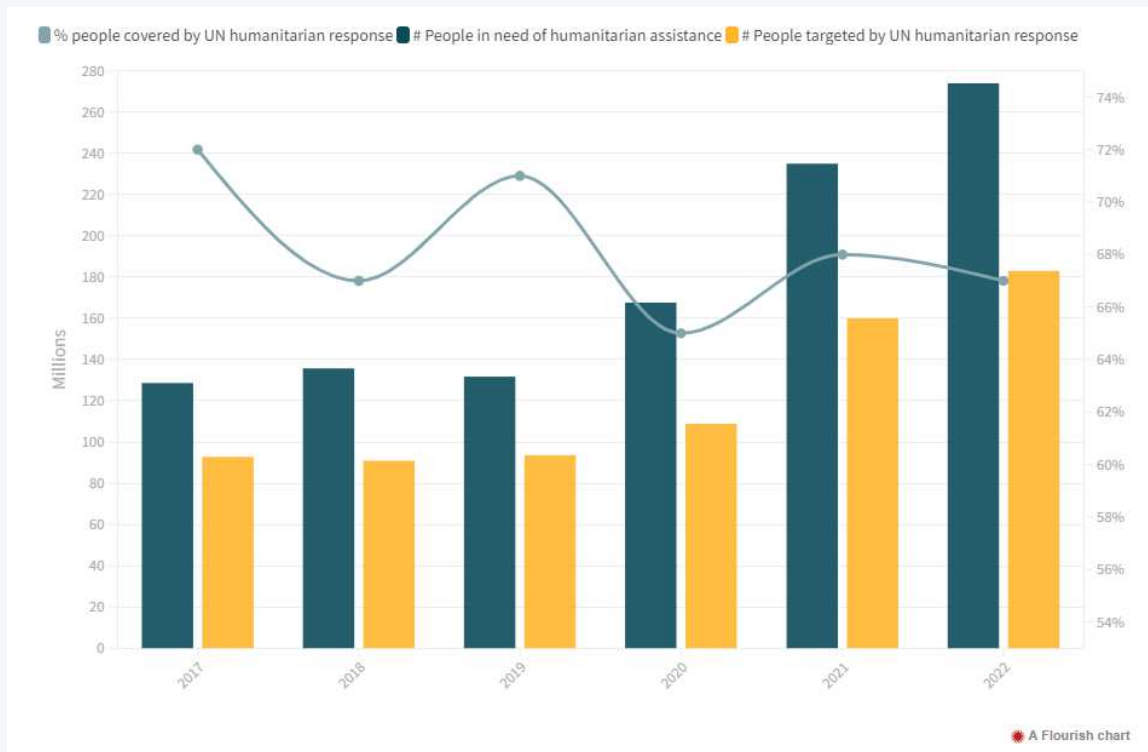
Which countries most affected?

At least two types of impact

- 1) Direct impact on food insecure countries/ areas
- 2) Economic impact of increased import bill and social safety



Food insecure/ humanitarian impacts



- Humanitarian needs already on the rise
- % Covered by UN around 2/3rds
- Chart relates to pre-Ukraine picture

i) Exposed & vulnerable

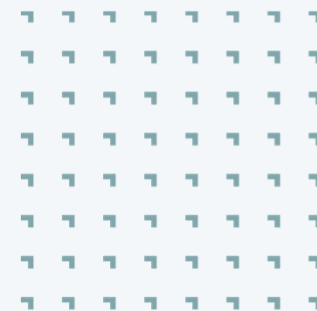
Table 1. Low- and middle-income countries exposed* to rising grain prices and vulnerable with pre-existing food insecurity

Country	Income Group, 2020	Exposure		Vulnerability
		Increased Cost of Wheat & Maize Imports (%GNI)**	Wheat & Maize Imports per person (kg), 2019	IPC3+ (% Population), Last Analysis
Afghanistan	LIC	2.8%	70	45%
Sudan	LIC	2.0%	51	16%
Djibouti	LMIC	1.9%	323	14%
Lesotho	LMIC	1.3%	122	16%
Mozambique	LIC	1.2%	32	6%
Burundi	LIC	1.0%	13	8%
Madagascar	LIC	0.7%	15	6%
El Salvador	LMIC	0.7%	194	13%
Lebanon	UMIC	0.6%	220	***
Honduras	LMIC	0.6%	114	23%
Eswatini	LMIC	0.6%	184	22%
Guatemala	UMIC	0.4%	126	20%
Namibia	UMIC	0.3%	97	26%
Yemen, Rep.	LIC		138	45%
Syrian Arab Republic	LIC		74	***

- Exposure
 - Grains >50kg per person
 - Or increase >0.5% GNI

- Plus, pre-existing vulnerability

=> 15 countries



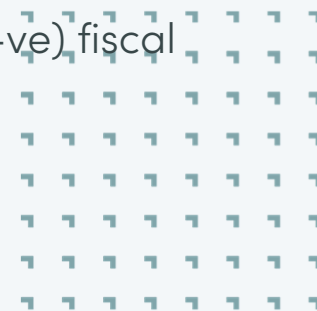
ii) Macro challenges

Table 2. Other low- and middle-income countries exposed* to rising grain prices and vulnerable with limited fiscal space

Country	Income Group, 2020	Exposure	Vulnerability		Government Debt (% GDP), 2020	Fiscal
		Increased Cost of Wheat & Maize Imports (%GNI)**	Risk of Debt Distress, 2022	Fiscal Strain,*** 2020		Balance (% GDP), 2020
Tajikistan	LMIC	2.5%	High	No	51%	-4%
Mauritania	LMIC	1.9%	High	No	59%	3%
Tunisia	LMIC	1.2%		Yes	90%	-10%
Kyrgyz Republic	LMIC	1.0%	Moderate	No	68%	-3%
Gambia, The	LIC	0.9%	High	No	83%	-2%
Fiji	UMIC	0.9%		Yes	71%	-13%
St. Vincent and the Grenadines	UMIC	0.8%	High	No	85%	-6%
Senegal	LMIC	0.8%	Moderate	No	69%	-6%
Georgia	UMIC	0.8%		Yes	60%	-9%
Guinea	LIC	0.7%	Moderate	No	44%	-3%
São Tomé and Príncipe	LMIC	0.5%	In debt distress	No	81%	2%
Nicaragua	LMIC	0.5%	Moderate	No	48%	-2%
Congo, Rep.	LMIC	0.5%	In debt distress	No	101%	-1%
Rwanda	LIC	0.5%	Moderate	No	60%	-6%
Montenegro	UMIC	0.5%		Yes	107%	-11%

- Exposure
 - Increase in grain prices >0.5% GNI
- Macro vulnerability
 - Risk of debt distress
 - Fiscal strain
 - > median debt
 - top quartile (-ve) fiscal balance

=> 15 countries



Policy responses needed

- G20 and G7
 - Keep markets open, don't sanction food
 - Don't just focus on Ukraine humanitarian needs, or rob Peter to pay Paul
- Exposed lower income countries
 - Use social safety nets where possible; blanket/ commodity subsidies expensive
- Humanitarian funders and agencies
 - Identify countries exposed; and those vulnerable
- Macro-economic impacts
 - IMF and MDBs – consider balance of payments impacts; and existing indebtedness

