



INTERNATIONAL FOOD  
POLICY RESEARCH INSTITUTE

*sustainable solutions for ending hunger and poverty*

# The Global Financial Crisis and the Poor

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# Channels of Impact on Poverty and Hunger

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## Primary

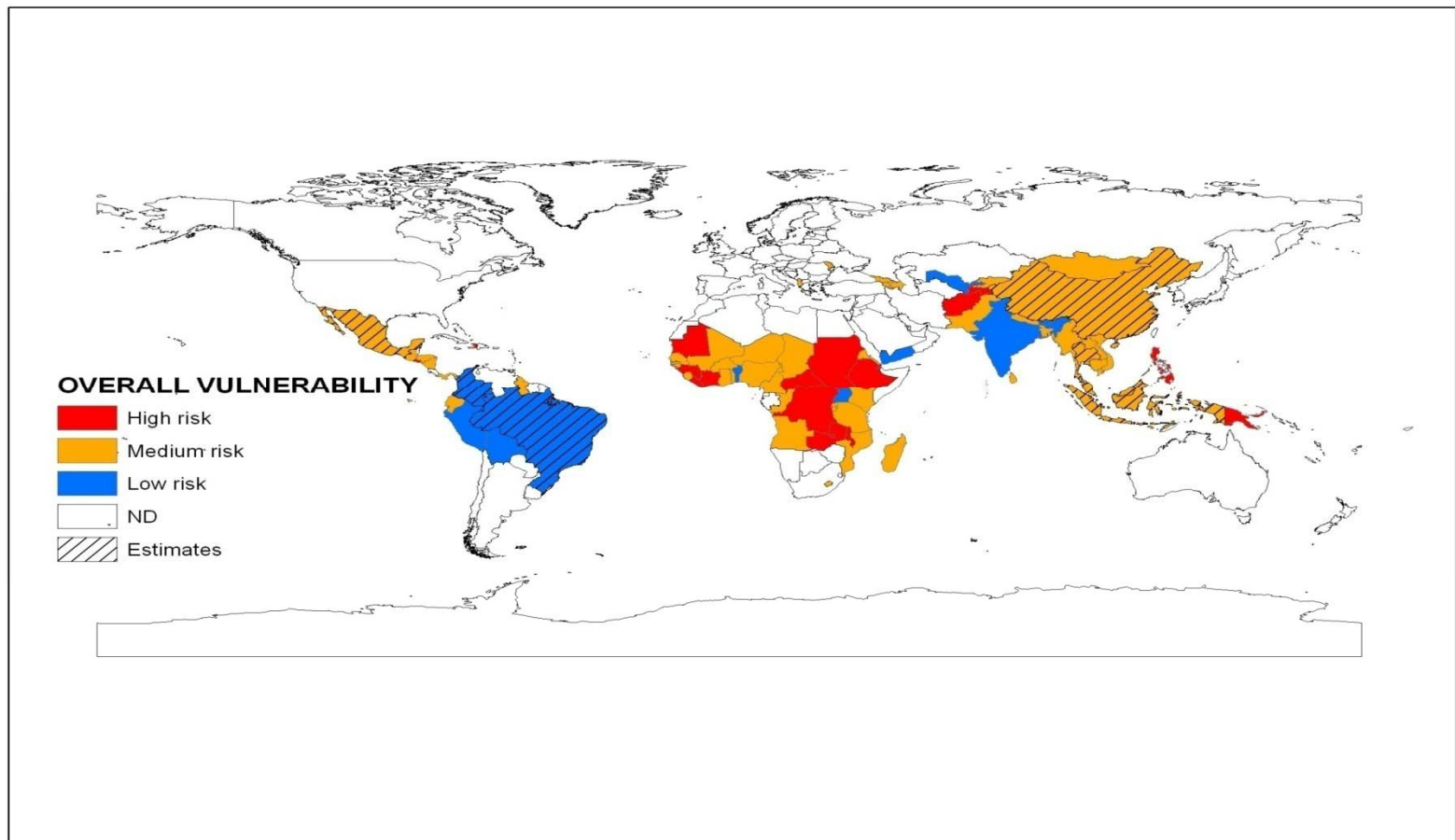
- Trade Volume
  - Manufactures
  - Services
  - Primary commodities
- Changes in terms of trade
- Remittances
- Aid
- Foreign Direct Investment

## Secondary

- Linkages and multiplier effects
- Source of government revenue
- Composition of government expenditure



# IMF Estimates of countries at risk



## Countries at Risk by Global Hunger Index

Risk Level	Mean GHI
High	24
Medium	17
Low	15

Country	GHI	Aid Dep	Country	GHI	Aid Dep
Afghanistan	30*	†	Liberia	32	
CAR	28		Malawi	22	†
Congo DR	43		Mauritania	18	
Cote d'Ivoire	15		Philippines	14	
Ethiopia	31	†	Sudan	21	†
El Salvador	6		Tajikistan	26	
Guinea	21		Zambia	29	
Haiti	24	†			



## Priority Countries and the Role of Social Protection

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- Three sets of countries:
  - High GHI, High at risk, Highly Aid Dependent
  - High GHI, High at risk, Commodity Dependent
  - High GHI, Medium/Low Risk but where there are strong secondary channels of transmission
- Within these countries, the role of Social Protection is to
  - Protect living standards of poor
  - Prevent more households from falling into poverty traps
  - Contribute to recovery and longer term growth



## A Tale of Two Countries

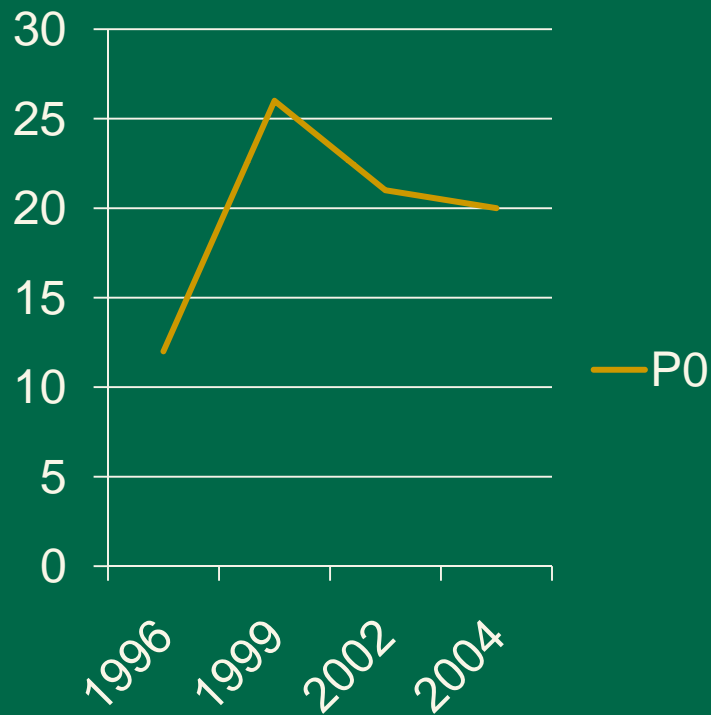
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- Mexico's Financial Crisis (1995)
  - Revamp existing social protection programs
  - Introduce PROGRESA
  - Eliminate/scale back poorly performing subsidies
- Indonesia, East Asian Financial Crisis (1998)
  - Rice subsidy
  - "Crash program" of public works that were not well coordinated



# Rural Poverty Rates

## Indonesia



## Mexico



## Messages

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- Policy response, including a social protection response, must recognize heterogeneity of effects across and within countries
- Social protection component should not be designed to both mitigate current shock while laying the foundation for sustainable recovery. It should not be *ad hoc*.

