



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

Primary

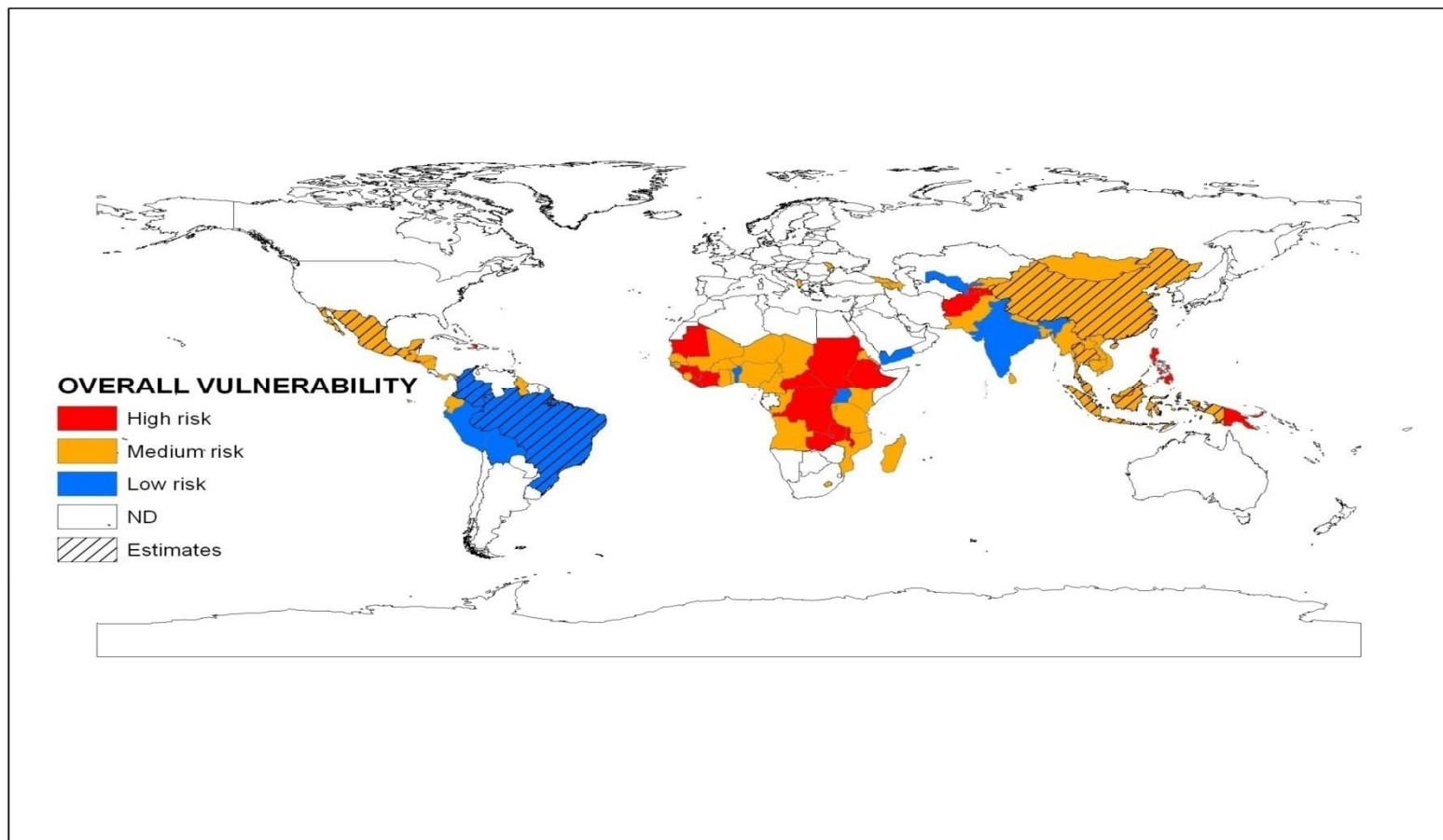
- Trade Volume
 - Manufactures
 - Services
 - Primary commodities
- Changes in terms of trade
- Remittances
- Aid
- Foreign Direct Investment

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

- 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



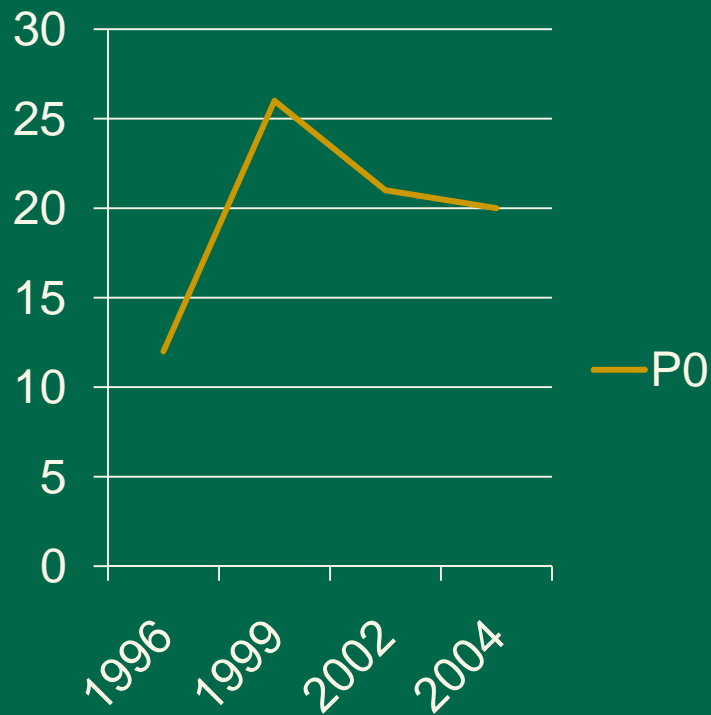
A Tale of Two Countries

- 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

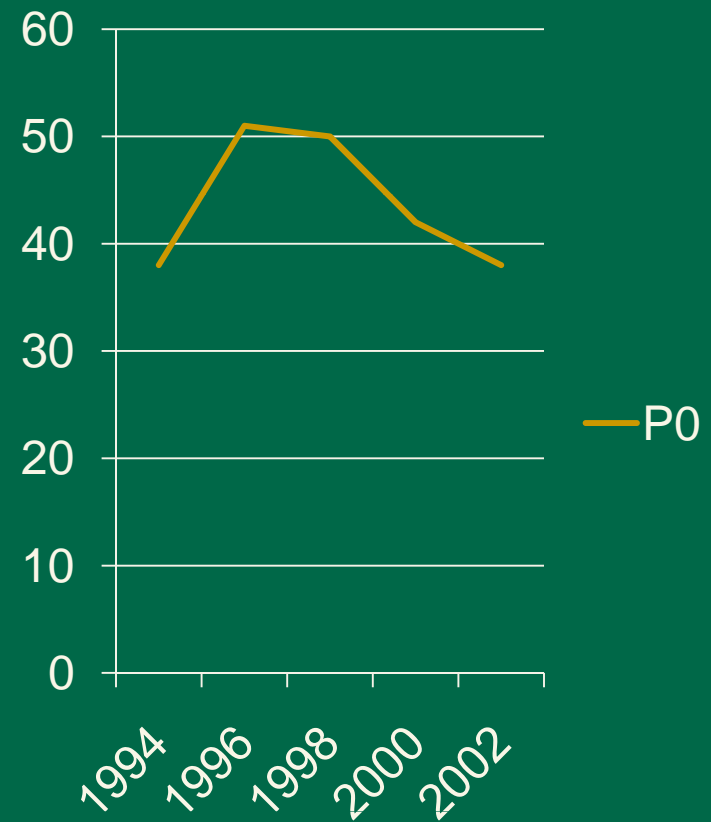


Rural Poverty Rates

Indonesia



Mexico



Messages

- 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*.

