

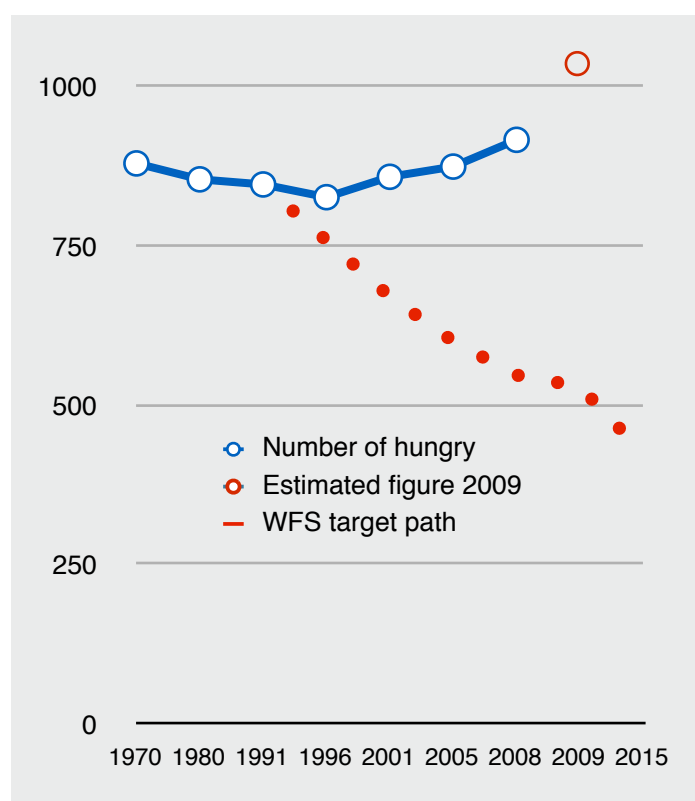


## More people than ever are victims of hunger

**At 1 020 million, for the first time in human history,** more than one billion people are undernourished worldwide. This is about 100 million more than last year and around one-sixth of all humanity.

Unless substantial and sustained remedial actions are taken immediately, the World Food Summit (WFS) target of reducing the number of hungry people by half to no more than 420 million by 2015 will not be reached (Figure 1).

**Figure 1: Number of hungry people in the world (in millions)**



The latest hunger estimates of the Food and Agriculture Organization of the United Nations (FAO) show a significant deterioration of the already disappointing trend witnessed over the past ten years. The spike in food insecurity in 2009 underlines the urgency to tackle the root causes of hunger swiftly and effectively.

### The global economic crisis at the core

The current global economic slowdown, which follows - and partly overlaps with - the food and fuel crisis, is

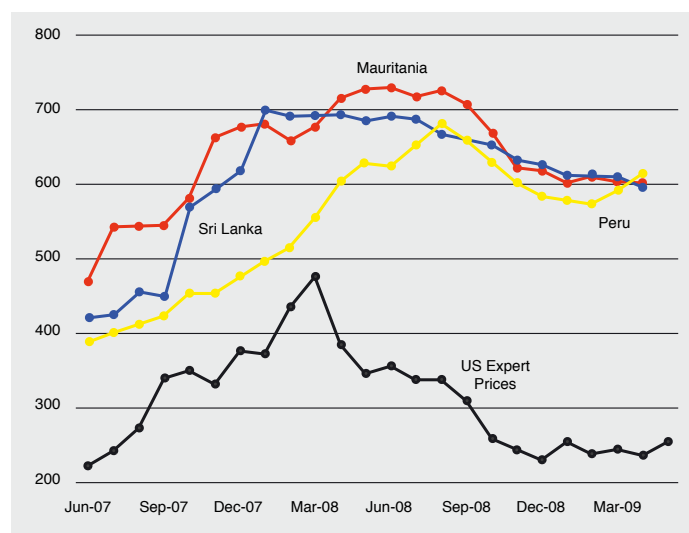
at the core of the sharp increase in world hunger. It has reduced incomes and employment opportunities of the poor and significantly lowered their access to food.

The increase in undernourishment is not a result of limited international food supplies. Recent figures of the FAO Food Outlook indicate a strong world cereal production in 2009, which will only modestly fall short of last year's record output level of 2 287 million tonnes.

With lower incomes, the poor are less able to purchase food especially where prices on domestic markets are still stubbornly high. While world food prices have retreated from their mid-2008 highs, they are still high by historical standards. Also prices have been slower to fall locally in many developing countries (Figure 2). At the end of 2008, domestic staple foods still cost on average 24 percent more in real terms than two years earlier; a finding that was true across a range of important foodstuffs.

The incidence of both lower incomes due to the economic crisis and persisting high food prices has proved to be a devastating combination for the world's most vulnerable populations.

**Figure 2: Domestic wheat prices in selected countries and international benchmark (US\$ per tonne)**



Source: GIEWS, FAO (2009)

## **What makes the current economic crisis particularly severe?**

The current crisis is historically unprecedented in several ways. First, it follows a global food security crisis which resulted principally from rapid and sharp increases in staple food prices beyond the reach of millions of poor people during the period 2006-2008. The mechanisms that are normally used by households to cope with economic shocks are therefore already stretched thin.

Second, the crisis is affecting large parts of the world simultaneously. When economic crises are confined to individual countries, or several countries in a particular region, governments can make recourse to instruments such as currency devaluation, borrowing or increased use of official assistance to face the effects of the crisis. The scope of such instruments is more limited in the case of a global crisis.

Third, with developing countries more financially and commercially integrated into the world economy, they are far more exposed to changes in international markets. A drop in global demand or supply or restrictions in credit availability as a result of the crisis has immediate repercussions on developing countries.

## **How has the economic crisis hit developing countries?**

The global economic slowdown has hit developing countries through both financial and commercial channels, with important implications for their food security and overall economic growth. The main transmission channels are as follows.

### *Foreign Direct Investment (FDI)*

According to estimates by the IMF, foreign investments going to developing countries will decline by 32 percent in 2009. Although most investment is for mining, industry and services, the agricultural sector will also be affected. Reduced employment will have economy-wide ripple effects and might force unsuccessful job-seekers to return to rural areas.

### *Remittances*

The World Bank projects a decline of migrant's transfers to developing countries of around 5 percent to 8 percent in 2009. Remittances had previously seen annual growth rates of up to 20 percent, which made them an important source of capital for developing countries. In low-income countries, for

example, they represent 6 percent of total economic output. What is more, remittances have usually been resistant to shocks and often even increased during economic crises in recipient countries. The countercyclical effect of these transfers is unlikely to happen this time due to the global dimension of the current recession.

### *Official Development Assistance (ODA)*

Foreign aid, which increased substantially at global level in 2008, is the principal source of capital inflows for many of the poorest countries. However, as the global economic slowdown has also affected the budgets of donor countries, the IMF expects ODA to drop for the poorest 71 countries by about 25 percent.

### *Financial Markets*

As the crisis evolves, developing countries face higher costs for external credit, from both private and public sources. Already, the risk premium for loaning money to developing countries has increased by about one-fourth of a percent. In many cases, credit might not be available at all as banks ration their financial reserves and lend only to those perceived as the most reliable borrowers.

### *International Trade*

Trade volume levels are expected to fall between 5 percent (according to IMF) and 9 percent (according to WTO) in response to the current economic crisis. Also prices of export products by developing countries are projected to decline in 2009. The IMF expects the plunge in the value of exports to be higher for developing countries. It will be particularly damaging for those economies that rely on exports as their main source of foreign exchange.

Reduced international capital flows, tighter credit conditions, lower remittance transfers and shrinking export opportunities cut into investment and lead to reduced growth prospects in the developing countries. Unless concrete steps are taken to increase investment, this can have long-term adverse impacts particularly on the economies of poor countries even after the wave of the global recession has passed.

### Which regions are most affected?

Rising hunger is a global phenomenon. In fact, all world regions have been affected by the increase in food insecurity (Figure 3).

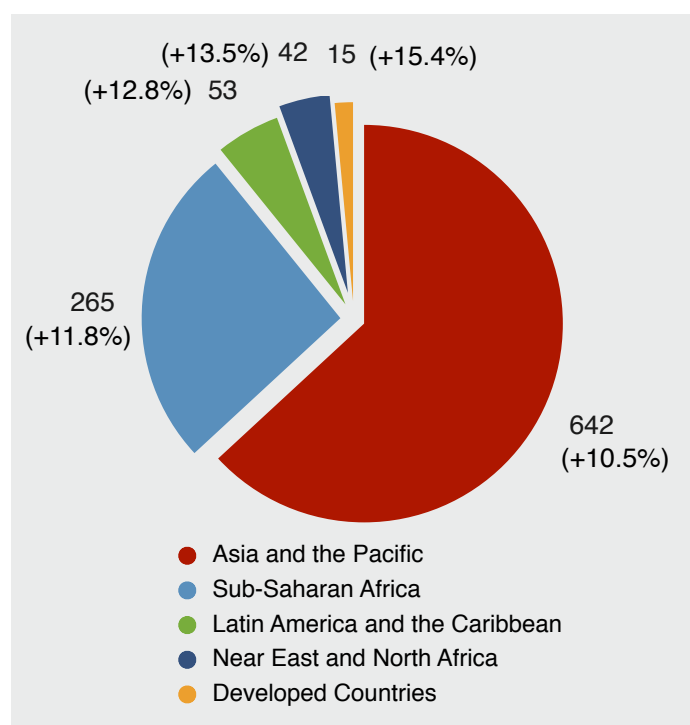
- Asia and the Pacific, the world’s most populous region, is home to the largest number of hungry people (642 million).
- Sub-Saharan Africa has the largest prevalence of undernourishment relative to its population size (32 percent).
- The largest percentage increase in the number of hungry people in the developing world occurred in the Near East and North Africa (+13.5 percent).
- Latin America and the Caribbean, which was the only region in recent years with signs of improvement, also saw a marked increase (+12.8 percent).
- Even in developed countries, undernourishment has become a growing concern.

### How do the poor cope with the crisis?

Faced with increased unemployment, declining wages and reduced demand for their work, households try to maintain income by migrating, selling assets such as livestock, borrowing money, or participating in new types of economic activity. International evidence illustrates that women seek to enter the labour force as a response to economic downturns. Children might equally be called to engage in paid labour.

Furthermore, households alter spending patterns and reduce expenditures on durable goods relative to food and other essential items. Food expenditure also tends to shift towards cheaper, calorie-rich, energy-dense foods such as grains, and away from more expensive protein- and nutrient-rich foods such as meat, dairy products, or fruits and vegetables. Coping mechanisms thus involve undesirable but often unavoidable compromises: working poor

Figure 3: Estimated regional distribution of hunger in 2009 (in mil.) and increase from 2008 levels (in %)



mothers, for example, are less likely to seek health care for themselves or their children; migration might weaken community cohesion; withdrawing children from schools destroys long-term human capital; the sale of assets reduces the stock of physical or financial resources and is not easily reversible; and substituting more nutritious foods for less nutritious items or simply eating less causes malnutrition, affects labour productivity and reduces children’s cognitive potential.

Country case studies conducted by the World Food Programme (WFP) illustrate the manifold ways in which households respond to the fall in remittances, exports, foreign direct investments and other impacts of the economic crisis (Table 1).

Table 1: Main Effects of the Economic Crisis and Household Responses

|                             | Armenia                                                               | Bangladesh                                                         | Ghana                                                                    | Nicaragua                                | Zambia                                                                           |
|-----------------------------|-----------------------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------------|----------------------------------------------------------------------------------|
| <b>Effect of the crisis</b> | Drop in: Remittances                                                  | Drop in: Remittances, FDI, ODA                                     | Drop in: Remittances, FDI, Trade, ODA                                    | Drop in: Remittances, FDI, ODA           | Drop in: Remittances, FDI, Trade, ODA                                            |
| <b>Household responses</b>  | Diet changes, reduced health expenditures, borrowing, livestock sales | Fewer meals, cheaper foods, reduced health expenditures, borrowing | Diet changes, reduced health and education expenditures, livestock sales | Diet changes, borrowing, livestock sales | Fewer meals, cheaper foods, reduced health and education expenditures, transfers |

Poorer households are naturally hit harder by budget constraints. In particular the rural landless and urban poor are the most affected by the crisis as they cannot rely on self subsistence farming. Other vulnerable groups include female headed households whose family activities (e.g. child rearing, taking care for the elderly, fuel collection) prevent them from devoting a greater share of their time for paid employment.

Although impacts might be especially strong in cities, rural areas are also adversely affected. Back-migration from urban areas creates pressure on available employment opportunities and increased stress on households' incomes which are generally limited.

### **What policy responses are available?**

The food and fuel crisis of 2006-2008, followed by the current financial and economic downturn have had a particular damaging effect on people at risk of food insecurity. These people need immediate assistance to prevent a worsening of their situation.

However, the number of undernourished people had been increasing even before this crisis, revealing the fragility of the present food system that is in urgent need of structural changes.

In the short term, safety nets and social protection programmes must be created or improved to reach those most in need. Simultaneously, small-scale farmers must be given access to indispensable means of production and technologies - such as high-quality seeds, fertilizers, feed and farming tools and equipments - that will allow them to boost production. This should also lower food prices for poor consumers, both rural and urban.

In the medium and long terms, the structural solution to the problem of hunger lies in increasing production particularly in low-income food deficit countries. These countries must be assisted with the necessary technical and financial solutions and policy tools to enhance their agricultural sectors in terms of productivity and resilience in the face of crises. Stable and effective policies, regulatory and institutional mechanisms, and functional market infrastructures that promote investment in the agricultural sector are paramount. Investments in food and agricultural science and technology need to be stepped up. Without robust agricultural systems and stronger global food security mechanisms, many countries will

continue to struggle to increase production in line with demand and to find foreign exchange to finance their food import needs.

A "business-as-usual" approach will not reduce undernourishment to the extent necessary. To lift themselves out of hunger, people will need secure access to modern inputs and other resources, good rural infrastructures, assistance of adequate institutions and improved governance at international, national and local levels. The rebuilding of institutions and adequate reforms of existing ones are needed based on the principles of the Right to Adequate Food. The "new" institutions should build on past experiences towards more transparency and accountability, the empowerment of the poor and their participation in the decisions which affects them. The Voluntary Guidelines for the Implementation of the Right to Food at national level will be an important step in this direction.

### **Keeping agriculture on the policy agenda**

The global food crisis, by threatening world security and peace, propelled food security and agriculture back on top of the agenda of policymakers. With food commodity prices in world markets gradually falling, and in the face of the global financial and economic crisis, the focus risks shifting away from the plight of poorer countries struggling to feed their populations. While endeavouring to deal with the global recession, the international community must not forget its commitments to the one billion people suffering from hunger.

Economic crises have typically led to declines in public investment in agriculture, with devastating impacts on poverty and hunger. Past experiences and empirical studies tell us that particularly at this time, support to agriculture should not be reduced; indeed, it must be increased. Only a healthy agricultural sector, combined with a growing non-farm economy and effective safety nets and social-protection programmes, will sustainably eradicate food insecurity and poverty, in line with the internationally-set goals.