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CIVIL SOCIETY POLICY FORUM

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## Africa Food and Financial Crisis: World Bank, Government and CSO Responses <sup>1</sup>

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This session brought together Bank managers and staff, CSO representatives, and others to discuss the extent at which food and financial crisis, has impacted on the poor in Africa, and the responses adopted by donors and governments to protect them from the crisis. Panelists for the session included *Shanta Devarajan* (Chief Economist for the Africa Region, WB), *Giuseppe Zampaglione* (Senior Operations Officer, Social Protection, WB), *Bruce White* (Policy Advisor, Catholic relief Services), and *Andy Barnes* (Director of Food Security, Food for the Hungry), with *Quentin Woodon* (Advisor, Development Dialogue on Values and Ethics, WB) as chair.

After a brief introduction by *Quentin Woodon*, the session began with *Shanta Devarajan* describing how the least financially integrated continent is experiencing the heaviest consequences of the financial and economic crisis originated in the US, through four main drivers:

1. Flight of private capital from the African stock markets (stock prices fell 60% in Nigeria and 45% in Kenya; Ghana cancelled a sovereign bond offering of \$800 million; DRC is projecting a shortfall of \$1.8 billion shortfall in FDI in 2009)
2. Shrinking of remittances by 4.4% from the \$20 billion registered in 2008, with major livelihood consequences (in Lesotho remittances represent 29% of GDP)
3. Decrease of aid levels by major donors like the Nordic countries, in response to their own economic crisis (the 1990s financial crisis in these countries slashed aid levels by 10-60% and took 5 years to go back to pre-crisis levels)
4. Falling commodity prices (energy, mining, agricultural) causing terms of trade shocks (Angola projects a 23% decline in GDP), in many cases made worse by pre-existing conditions (Ghana with a 14% fiscal deficit, Ethiopia with a 60% inflation rate, and South Africa with an 8% current account deficit) which provides little room for maneuver).

All together, the WB predicts that the average GDP in Africa will grow only 2.4% this year (IMF predicts 1.9%), against a decade of solid 5% growth. This will not only have

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<sup>1</sup> This summary note was prepared by Paola Scalabrin of the World Bank's External Affairs Department. If you have any comments or questions on the note please send an email to [civilsociety@worldbank.org](mailto:civilsociety@worldbank.org).

heavy social repercussions, but also possible political consequences with disgruntled citizens turning against the reform process that has in part made this growth possible (African countries had an average inflation level of 19% in 1995 and of 10% in 2008).

Not only are the measures taken by Western governments against the advice they commonly mete out to aid recipient countries (increasing fiscal deficits, nationalizing banks), but the effects of the crisis on their economy is historically short lived, while developing countries face long term / permanent consequences. For instance, the current crisis will cost the lives of 700,000 infants and stunt the growth and hinder the education of thousands children.

The challenge and hope is to do all that is possible to minimize these potentially long term / permanent consequences. An important aspect will be the choice of priority activities to be financed. For instance, in DRC the Bank aims to support employment creation and has given \$100 million to ensure teachers keep being paid and that basic infrastructure is maintained, so that educational and commercial activities are not disrupted by the crisis. The mining sector is not a heavy employer, thus heavier employment effects might be obtained in focusing in SMEs and other labor-intensive sectors, like cotton in Burkina Faso.

The second speaker, *Giuseppe Zampaglione*, started on a cautiously optimistic note, stating that there are examples of counter-cyclical measures that can help. The example he brought up was the Global Food Crisis Response Program (GFRP) project financed by the Bank in Liberia, in response to the food price crisis. While small (\$10 million), the project contains both supply-side and demand-side elements, offering support to vulnerable women and children (\$3 million), to agricultural supply resources (\$4 million), and to a cash-for-work program (\$3 million, of which 25% absorbed by equipment and administrative costs and 75% by wages).

Started as a tool of reintegration of ex combatants, the cash-for-work program was opened up to low income beneficiaries identified by geographical targeting. The program offers up to 40 days of work paid at \$3/day to do simple tasks (sweeping streets, cleaning drainage channels, repairing small bridges, painting walls and sidewalks), ensuring that needy persons earn up to \$120 to support themselves and their families in a country with an average GDP of \$160 in 2008 (down from \$890 in 1978), where 80% of the people are unemployed or under-employed and food represents 40% of HH consumption value.

An important factor in the program has been strengthening the capacity of local actors which include the implementing agency (LACE), the banking facilities to pay the workers, and the local community associations in charge of selecting beneficiaries, liaising with local authorities and providing feedback. By end of July 2009 the project is expected to have reached 9,000 beneficiaries and disbursed \$1.080 million in wages. It will now be considered for scaling up, and the concept of preventive activities (safety nets) and cash-for-work is already being replicated in other countries (e.g. Togo).

The third speaker, *Bruce White*, started by giving an overview of Catholic Relief Services and the way they operate. Started after WWII as an emergency response to the plight of refugees in Europe, it became an integral human development and advocacy organization. Its main areas of activity are emergencies (31%), HIV/AIDS (23%), agriculture (14%), and education (8%) and it now operates in 101 countries (42 in Africa) with a rural focus, except during emergencies.

When commodity prices shot up in 2007, they received information from 30 countries that problems were mounting (decreasing access and/or availability) with an estimated 30 million of newly affected people and the need for \$20 million in additional funding. Their organization was already poised to start working on food security. Their actions included: working collaboratively in 15 countries on a rice initiative to improve access of poorer people to seed and fertilizers via vouchers; promoting agricultural value chains; working with WFP to improve local products procurement (P4P); increasing market information availability; and advocate with donors for increasing resources and flexibility. To date they have collected \$2 millions in private funds and \$5 from other sources, which support their programs in 25 countries.

Their strategy is therefore at three levels:

- In the short-term (emergencies), they provide unconditional food aid to the poorest, safety nets, and vouchers for seeds and fertilizers for the vulnerable;
- In the medium-term, they support agro-enterprises, storage facilities, and value adding activities; and
- In the long-term, they support increasing production and incomes in rural and urban areas by scaling up programs that work, collaborating with other CSOs to integrate and institutionalize approaches, and work to influence the US government to revise its policies to fight hunger in a comprehensive way.

The last speaker, *Andy Barnes*, also offered an overview of his organization, Food for the Hungry. Started in 1971 as a Christian relief and development organization, it is largely funded by the US government and operates in most regions of the world, with Africa representing its largest programs. Africa is in fact chronically food insecure and needs a long-term strategy to ensure sustainable food security along four key dimensions: risk reduction, food availability, food access, and food utilization.

Their programs try to address these four dimensions together. For instance, in Northern Ethiopia they support land reclamation as well as food availability and utilization by helping farmers with better seeds and new varieties, sponsoring value chains and infrastructure projects to access outside markets, providing safety nets, and sensitizing women and communities to improved food utilization (mothers' hand washing, ORS for children with diarrhea, breast feeding and proper weaning foods for infants).

In Northern Kenya, they have set up a work-for-cash to help displaced pastoralists to support their traditional livelihoods endangered by land overutilization and droughts by working to improve infrastructure for better water and fodder availability.

While better collection of data and evaluation at the end of each program are needed, the program in Ethiopia is working very well and could be replicated elsewhere. A key factor is working closely with promoters and local care groups, to ensure social networking to make these behavioral changes continue beyond the end of the program itself.

These presentations were followed by a general discussion by participants which included how to move from theory to practices, and more details on the Liberia project (now incorporated in this summary note).