

A Matter of
Magnitude

The Impact of the Economic Crisis on Women
and Children in South Asia

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1 South Asia comprises Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka

A Matter of Magnitude

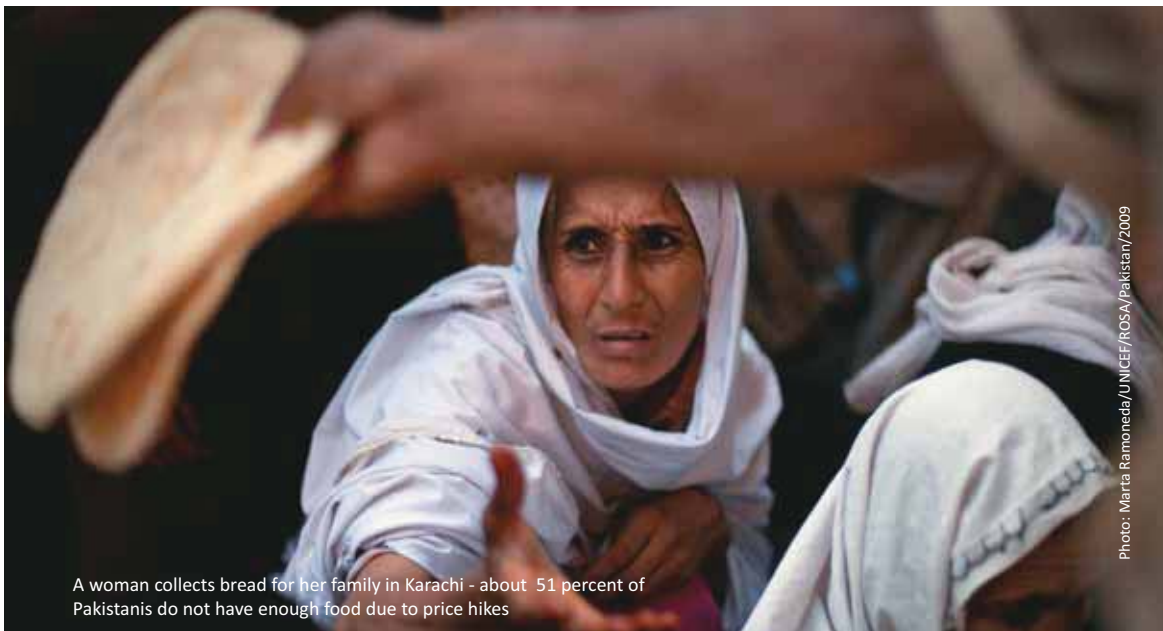
The Impact of the Economic Crisis on Women and Children in South Asia

The eight countries in South Asia¹ have been shaken by the shocks and turbulence in commodity and financial markets over the last two years. These changes have inflicted new and dramatic stress on vast swathes of the population in a region where more than 1.18 billion people, or three quarters of the population, in eight countries subsist on less than \$2 a day (World Bank). Without urgent, inclusive government response, the poor of South Asia – nearly 20% of the world's population – will sink further into poverty and malnutrition, with long-term negative consequences for growth and development in the region and globally.

High levels of income inequality, rapid urbanization, persistent and pervasive social polarization, increasing food prices, a lack of government attention to agriculture and rural development, and the mounting effects of climate change - droughts, floods and cyclones - are just some of the reasons why more than 1 in 5 of South Asia's population was exposed to hunger and malnutrition, even before the food, fuel and financial crises struck in 2008. The hardship has fallen most heavily upon women and children, people living in poverty, and the socially marginalized.

This 'silent crisis' of hunger and malnutrition, already a fact of life for millions of South Asians, has been forced into sharper focus by the food and fuel price shocks of 2008. In fact, the situation is worsening as the multiple impacts of the crises begin to take root. As a result, the IMF and World Bank have highlighted a "development emergency", pointing to the serious and long-lasting consequences for the poor and the lives, welfare and prospects of the most vulnerable, especially the region's children.

"It hurts my heart that we cannot provide the things my children need. To earn enough money to feed the family for one day we have to work for two days. We have sold two of our bulls and most of my rings and necklaces. The only assets we have left are this house and three small bulls but we cannot get them good fodder"
Nawa Dumchi Bikar, Mugu District, Nepal (April 2009)



A woman collects bread for her family in Karachi - about 51 percent of Pakistanis do not have enough food due to price hikes

Photo: Marta Ramoneda/UNICEF/ROSA/Pakistan/2009

Understanding and tracking the effects of this complex interplay of global, evolving trends and their impact on poor and excluded communities in South Asia will be crucial to determine the policies and strategies required of governments and all partners. These policies must help cushion the blows and, at a minimum, ensure that the most basic needs of the most vulnerable are met in the present, while taking steps to protect their well-being and security into the future.

A Matter of Fact

In the space of two years, the number of people suffering from chronic hunger in South Asia has increased by about 100 million. Hunger in South Asia was already at vastly unacceptable levels at 300 million before the start of the crises and is now estimated to be more than 400 million by the close of 2008. An increase of about 100 million represents the highest levels of hunger recorded in forty years. By comparison, globally, there are an estimated one billion people who are hungry, and 2.6 billion who are poor.

Table 1: The Growing Number of Hungry in South Asia (in millions)

Country	1970	1990	2001/03	2004/06	2007/08
Afghanistan					7.8
Bangladesh	20.3	33.3	43.1	44.0	65.3
India	218.3	261.3	212.0	209.5	230.0
Nepal	6.7	7.7	4.1	4.4	8.5
Pakistan	16.9	23.6	35.2	37.5	84.0
Sri Lanka	2.7	3.0	4.1	4.2	10.0
South Asia	265.0	328.9	298.5	300.6	405.6

Sources: Compiled from FAO database for 1970-2003 and country level rapid assessments and nutrition surveys for 2005/06-2007/2008. Hunger refers to those consuming less than the minimum recommended energy intake. In South Asia this averages approximately 2100kCal/day per person, but differs slightly by country and between rural and urban sectors

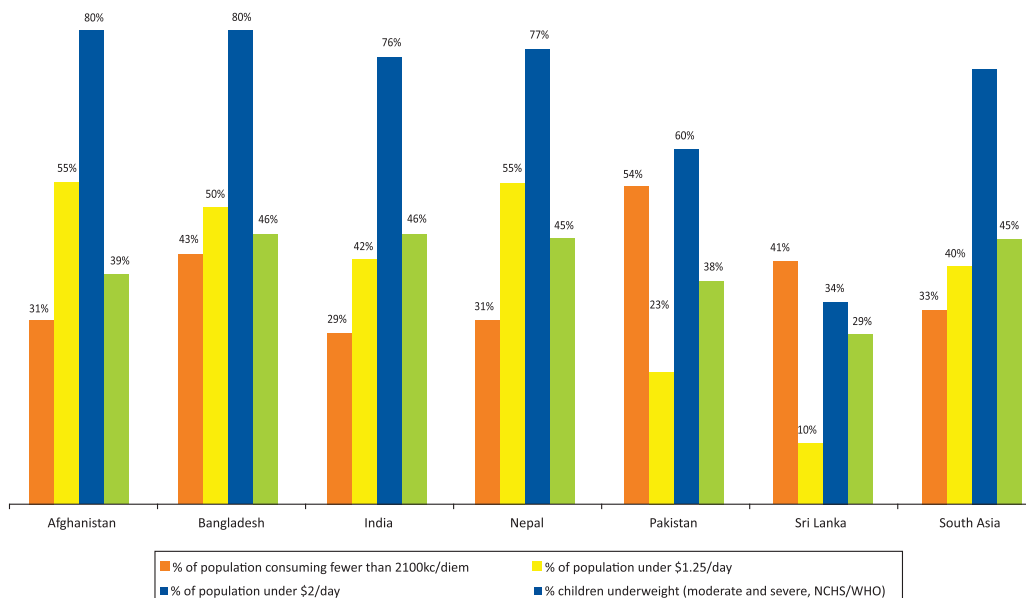
Recent survey results from Bangladesh (FAO, February 2009), Nepal (WFP, February 2009) and Pakistan (Inter-Agency mission, July 2008) suggest that the crisis is festering:

- In Nepal, the total number of people at risk to hunger rose by 50 percent (from 6 million to over 9 million people) in just 6 months last year;
- In Pakistan, the estimated number of hungry people rose by 16 percent from 72 million to 84 million over a period of a year and a half ; and,
- In Bangladesh the 2007/2008 estimated number of food insecure people was 65.3 million, an increase of 7.5 million, or 13 percent from the previous year.

Given the scale of the economic slowdown, coupled with price increases for many staple foods, there is no evidence to suggest that other countries in the region have fared any better.

Figure 1 below relates the latest hunger estimates (as a percent of population consuming less than the minimum country specific threshold), to the World Bank 'poverty' lines (\$1.25/person/day and \$2/person/day). The graph demonstrates that even if 'hunger' is difficult to measure, the scale of the problem in South Asia is very large: 33 percent of South Asians eat less than the minimum recommended daily requirements, and 74 percent live in households earning less than \$2/day. These households typically spend 60-70% of their total expenditure on food and are therefore extremely vulnerable when food prices rise. In countries with persistent and high inflation, such as Pakistan and Sri Lanka, almost all those earning less than \$2/day face inadequate access to food, as their household budgets are stressed beyond their means. In many South Asian countries, per capita calorie consumption has remained stagnant or fallen over the last fifteen years, despite rising per capita incomes. Thus, the challenge of hunger and malnutrition in South Asia is both a problem of 'access to food' and also the 'adequacy of food and feeding practices', particularly for young children.

Figure : Measures of Deprivation in South Asia



With such vast numbers already in poverty, the combined effects of the food, fuel and financial crises are clearly intensifying malnutrition and hunger, worsening poverty and eroding the social fabric that binds families and communities together. These effects also violate the rights of every child to food, education, good health and protection.

At the same time, the crises threaten to overturn the progress that countries have made towards reducing poverty and achieving the Millennium Development Goals. The potential loss of capacity and productivity amongst a generation of children and young adults in the near future, due to stunted intellectual and physical growth, should be of major concern to countries dependent on an able energetic and young population to fuel economic growth and future prosperity. Moreover, governments are morally compelled to ensure that children, the most vulnerable members of society, do not bear the burden of the crises they did not create.



A Malnourished child in Bihar, India where 56 percent of under fives are underweight

Photo: Brian Soto/UNICEF/ROSA/Bihar/2009

A Matter of Scale

The sheer scale of poverty in South Asia will impact ultimately on the world's population. Almost half the world's poor currently live in South Asia. And many, if not most of these people, were hungry and malnourished even before the food, fuel and financial crises began in 2008.

Children under the age of 18 make up 41 percent of the South Asian population - 615 million persons. Of the 175 million children under 5 years who live in the region, 45 percent are malnourished (UNICEF 2009). This is the highest rate of malnutrition in the world, eclipsing even sub-Saharan Africa. Despite the fact that countries in South Asia have much higher GDP growth rates, there are more than twice as many underweight children in South Asia than in Africa. Indeed, by any measure, the numbers of children malnourished -- wasted and stunted -- in South Asia are far higher than anywhere else on earth.

Yet these numbers do not reveal the full magnitude of the problem. They do not reflect the lack of shelter, water and sanitation and other basic necessities that affect millions of children in South Asia.

Some effects of the global recession on economies in South Asia

- India's exports plunged by 15 percent in October 2008 and by 19% in Feb 2009, as a direct result of the global economic crisis (UNDP 2009). Labour-intensive sectors such as the garment industry, leather, gems and jewellery were the worst affected.
- The Pakistan economy is extremely fragile and among the most vulnerable in the region due to high fiscal and current account deficits, runaway inflation, depleting foreign exchange reserves, a weak currency and considerable internal security issues. Pakistan has been forced to ask for financial assistance to cover short-term debt and stabilize its economy. In November 2008, the IMF approved a \$7.6 billion loan package for Pakistan.
- The island nations in the region face similar problems: Sri Lanka and Maldives, being food and fuel importers, found themselves exposed to sharp increases in their import bills. Tourism, an important source of revenue has suffered in both countries.
- Bangladesh was forced to import 300 percent more rice in 2007 (FAO/WFP data) due to cyclones and flooding at a time of rising food and fuel prices. At the same time, its export sector, especially garments, could be affected due to weak global demand in 2009.
- Nepal, emerging from a decade of conflict and low growth, imports a large share of its goods and services through India, including fuel and food. However, in Nepal, as in Bangladesh, strong flows of remittances from abroad propped falling current account balances in their respective countries during 2008; this effect appears to be waning in mid-2009. Tourism may decline as a result of contracting incomes in tourist origin countries.
- Bhutan, being an exporter of hydroelectricity with the completion of the Tala Hydroelectric project, continued to enjoy a current account surplus. Its growth cycle is very closely linked to power project completion cycles and appears more shielded from the international crisis, although the tourism sector could be under threat as global tourism demand drops.



Nepalese children in Mugu district, watch storm clouds gather over the Himalayas. Food prices here are up by 40 Percent since last year.

Photo: Brian Soko/UNICEF/ROSA/Nepal/2009

UNICEF data indicate that 300 million children, 54 percent of the region's children, are estimated to live in conditions of child poverty (defined as being deprived of two or more basic needs – such as food, health services, education, and shelter). Nearly 8 in 10 children live without secured access to one of the basic social services. More than 6 in 10 children, almost 345 million in total, are at risk of sickness and disease due to the lack or absence of proper sanitation (UNICEF ROSA, Regional Study on Child Poverty and Disparities, forthcoming).

Women and children under 5 are most at risk because they do not have the assets or resources to cope with shocks. This is particularly the case in Afghanistan, Nepal and Pakistan where young children under 18 make up an even greater share of the population than in other South Asian countries. Excluded or ethnic minorities are also adversely affected because they have limited and often unreliable access assets, to basic social services, and to social protection.

Once born into poverty, children are more likely to remain poor as adults, trapped in an unrelenting cycle because the effect of poor nutrition and exclusion from education, health, clean water and sanitation stymies their potential for life. Moreover, their lost productive potential is large and potentially irreversible. Providing food and nutrition security as well as jobs to South Asia's youth, both today and in the future, are therefore entwined policy priorities.

A Matter of Urgency

The economic crisis is likely to have an even greater impact, if urgent action is not taken. Every country in South Asia has been affected by the economic crises through slowdown in global demand, surging domestic inflation, especially of food items, contraction of fiscal space, structural changes in the labor markets and volatile capital flows. The IMF has accordingly revised GDP growth estimates downwards for all countries in South Asia to an average of 3.9 percent in 2009 and less than 5 percent for 2010. As a comparison, between 2005-2007 GDP growth rates nearly reached 10 percent for the region.

Although South Asian economies are still expected to grow faster than other advanced economies that are already experiencing recession, the fallout will be significant, with low-income food and energy deficit countries of the region most at risk. When even the high growth rates of the mid-2000s did not generate adequate employment, the projected reduced GDP growth rates and deflation due to the crises cannot maintain existing formal sector employment, let alone absorb the large numbers of youth who come into the labor market each year.

Pressure on the informal sector will intensify – where an estimated 90 percent of the South Asian labor force ekes out a living. This pressure will hollow-out wages pushing larger numbers of the working poor further below the poverty line. With slower GDP growth ahead, governments in the region may resort to reducing the real value of transfers to households at a time when new measures are urgently needed to assure income particularly to those in insecure employment.

South Asia's labour markets are currently contracting as overseas trade slows, affecting large sections of the workforce, both in the formal and informal or unorganized sector. For example: in India, the diamond industry has laid off some 200,000 diamond polishers in Surat since October 2008 due to falling demand for luxury items from overseas².

This sector employs almost 1 million workers, many of whom are migrants. India's labour intensive cotton textiles and leather sectors are also vulnerable and job losses in the IT and automobile sectors are mounting. In January 2009, a survey conducted by the Indian Central Employment Ministry estimated that the total job losses since October 2008 came to over half a million. The garment industry in Bangladesh, Sri Lanka and Nepal are also under threat from falling demand in the markets of the North and increased competition.

"I was so embarrassed [that] I had no savings. My children expected me to give them at least one gift when I came back from Malaysia," he said. ' But I haven't even bought a single piece of new clothing for anybody in the family and I had to take my daughter out of school. " Moti Khan, Gazipur district, Bangladesh (March 2009)

2 Source: Indian Express Report on Survey conducted by Ministry of Industry, Trade and Labor, India. April 2009. <http://www.indianexpress.com/news/since-diwali-two-lakh-jobs-lost-in-surat-di/423659/>

Remittances from migrant work overseas, a traditional source of income for many South Asian households, are under threat from global contraction. The World Bank estimates that globally remittances are expected to drop to \$290 billion in 2009, from last year's high of \$305 billion. Foreign remittances continue to outstrip capital flows and official development aid in many countries and have remained relatively "resilient" for the time being; but increasingly, low skilled migrant workers from South Asia are being laid off and sent home³.

A Matter of Survival

An overwhelming majority of South Asian families have been affected by high inflation and in particular, rising food costs. Those hit the hardest are on the margin and just below the poverty line – that is, the urban poor, rural landless, women and children, and other socially excluded ethnic and minority groups. Typically, these groups spend more than 60-70 percent of their income on food, have larger families, lack sufficient assets to cushion them from rising prices and have limited or no access to insurance and credit facilities.

Evidence from past crises shows that when faced with unemployment and lower wages, poor families eat cheaper and less nutritious food, leading to weight loss and malnutrition, especially for young children and pregnant women. Fees for school, including the costs of textbooks, uniforms and transportation, become unaffordable for poorer families, forcing them to pull their children from class to join the workforce or support the household - seldom returning to school afterwards and effectively ending their chance of a formal education.

A picture is now beginning to emerge of how the most vulnerable would try and survive this crisis. Many families have no real option except resorting to ineffective short-term solutions with irreversible consequences, especially for children⁴. In the absence of sufficient, flexible assets or of social protection and safety nets, poor families have been forced to resort to a range of drastic survival measures (FAO, Food Insecurity in Bangladesh, February 2009; UN Inter Agency Mission, Pakistan, July 2008, WFP Nepal, February 2009):

- Decreasing incomes affect the quality and quantity of food consumed especially for women who eat last in many South Asian households. According to FAO (2006), more than 60 percent of chronically hungry people globally are women.
- Household spending on health and education may be squeezed out with long-term consequences. For example, children are moved from fee-paying private schools to lower quality public schools, sent to work,



Health workers, Bau Bazaar slum in Dhaka, Bangladesh, distribute micro-nutrient sprinkle powders to mothers

³ In Nepal, for example, remittances are estimated to represent 17% of GDP and there is a reported slowdown in migrant departures to Malaysia and the Gulf States. See Kathmandu Post 18 May 2009. ⁴ UNICEF/WFP/UN Interagency missions have made available recent field surveys and rapid assessments conducted in Afghanistan, Pakistan, Nepal, Bangladesh and India. UNICEF is currently concluding a food and nutrition survey in Sri Lanka.

and in some cases pulled out of school altogether. In many South Asian countries, girls are removed from school before their brothers. (UN Inter Agency Mission Report: High Food Prices in Pakistan. July 2008).

- Reduced wages and job losses due to economic slow-down often force families to send women and children to work outside the home to bring in extra income. While becoming a formal breadwinner can enhance the status of women within the household, it also means they may have less time for childcare and ensuring children are eating properly. In addition, when domestic responsibilities devolve to girl children, it is often at the cost of their education. Children sent to work lose out on education and risk exposure to injury and other health risks on the job.
- Domestic and international migration of family members in search of better job prospects can offer an escape route from poverty. However, migration may also place workers in low productivity jobs, with poor access to basic services, as well as in jobs with increased exposure to unforgiving and dangerous work conditions. In cases where key family members are absent, the disruption to traditional family arrangements can have adverse consequences for children who may be left unattended or in the care of surrogate parents.
- Already stretched to the limit, families tend to borrow money at high interest rates and sell-off hard earned assets. As a consequence, they are left without resources and assets to buffer against further shocks and rising food prices.
- Resources usually allocated to women and children for food and education may change as families struggle to cope with new and unforeseen hardships. Education and playtime may diminish as children are drawn into paid or unpaid work. More worrisome, the incidence of early marriage, trafficking, neglect and abuse may increase when families struggle to cope with less food, poorer health and cramped living conditions.

As a result of these short-term, often necessary coping strategies, families find themselves worse off than before, with decreasing means to stop or reverse their descent into absolute poverty and to cope with future shocks and price fluctuations. Besides the negative impact on child health and education, such emergency coping strategies have serious macro implications for economic growth. This is particularly striking at a time when most South Asian countries have increasing numbers of their population moving towards the working age.

A Matter of Economic Sense

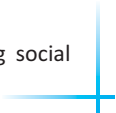
The global economic meltdown is now a full-fledged development challenge for South Asia. In response, governments in the region have taken bold and sometimes unconventional steps to stimulate growth and shield their citizens from the calamitous effects of the combined crises. Thus, although the forecasts appear dire, there is cause for hope that governments will seize this opportunity to address both fiscal and social crises simultaneously.

With the vision to employ progressive approaches, leaders across South Asia should use the present crisis as an opportunity to provide additional, more inclusive and higher quality social services. Such support can help to address chronic hunger and malnutrition, achieve better and more equitable health and education outcomes, forestall rising poverty and inequality, and at the same time make



What UNICEF is Doing

UNICEF is working with our UN, government and other partners to respond to these crises in a number of ways.

- Strengthening the evidence-base to inform decision-making on appropriate policy and programme interventions. This includes supporting emergency food and nutrition surveys, leading or joining vulnerability and impact assessment missions at sub-national level, as well as bolstering systems to monitor school drop-out and incidence of child labour.
 - Enhancing policy and research initiatives in areas such as child poverty and disparities, gender, social budgeting, social protection, migration and legislative reform. This approach involves working with local and international institutions as well as national partners to analyze trends and national responses to the crises.
 - Demonstrating what works as well as supporting and scaling-up national programmes on nutrition and associated health interventions. These programmes include reinforcing community-based management of acute malnutrition, newborn and maternal health initiatives and support to basic health services through childhood, youth and early adulthood for women.
 - Strengthening and improving access to water, sanitation and hygiene and education, with a particular focus on universal coverage to ensure access for the most vulnerable.
 - Strong advocacy at national, regional and global levels for expanding social protection systems for the most vulnerable.
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their economies more productive and competitive for the future. It thus also makes economic sense to invest in the right to basic social services – they pay for themselves over time. Moreover, it makes political sense: economic stability ultimately depends on addressing poverty, inequity and discrimination, which are strongly linked to political instability.

To leaders and policy makers struggling with a threat of diminishing fiscal resources, mobilizing resources for social investment may appear counter-intuitive. However, taking a long-term, visionary approach is both possible and makes good economic, social and political sense. While the effects of crises may pass with time, decisions taken today will affect the future of South Asia - whose population is expected to increase by another 440 million within the next twenty years, crossing the 2 billion mark.

Government Action: Food and Fuel Price Strategies

While the economic and food price crises did not originate in South Asia, governments in the region have had to introduce various measures to address the slowdown in growth, investment, exports and

surging domestic inflation by providing ad hoc safety nets, subsidies on food and fuel, or comprehensive economic stimulus packages. In early and mid 2008 federal governments across all countries of South Asia were forced to raise the market prices of petrol, diesel and kerosene, prompting strikes and protests in many parts of the region. The rising price of fuel affected the costs of transport, freight, fertilizers and electricity and eventually basic food staples such as rice, wheat and cereals. Bangladesh and India succeeded in subsidizing rice prices, keeping them below the international levels.

Overall, however, although international prices have now declined from their peak in 2008, food prices throughout South Asia are still higher than in 2007. This also reflects systemic problems in the agricultural sector throughout most of South Asia countries, where productivity gains and reforms have lagged behind improvements in other sectors such as industry and services.

This food price inflation decreases the ability of families to buy food in sufficient quantity and quality, especially when 60-70 percent of a household's budget is devoted to food expenditure (ADB, 2008, country specific household and income expenditure surveys). Comprehensive government strategies will therefore be required over a sustained period.

A Matter of Protection

Currently, all countries of the region employ a range of social protection instruments (UNICEF ROSA 2009). For instance, the South Asian governments offer their citizens some form of poverty-related cash transfers. Examples include the Sri Lankan Samurdhi programme, created in 1995, which provides food stamps for women, youth and disadvantaged groups, public works and youth employment opportunities, and credit schemes; Pakistan's recent initiative – the Benazir Fund - aims to cover 5 million poor households and primarily addresses women, and has most recently been expanded to include newly displaced populations.

Many countries have school meal programmes, contributing to basic food intake of school-age children and serving as an incentive to attend classes. Afghanistan, Bangladesh, India, Nepal, Pakistan, and Sri Lanka have well-established food-for-work and cash-for-work employment programmes. India introduced a large employment guarantee scheme (NREGA) for the rural poor in 2005 and this approach is being replicated in Bangladesh and Nepal. Bangladesh, India, Pakistan and Sri Lanka use systems of ration cards or price-controlled shops to address food price inflation. Sri Lanka has adopted a national nutrition plan which includes access to nutritious food for low-income households. While all eight countries feature public sector old-age pensions, Nepal has a unique system of non-contributory old age pensions for all citizens over the age of 70, which reaches even remote areas of the country.

But more needs to be done. Roughly 1.18 billion people living on less than \$2/day in South Asia and the swelling numbers of children and adults living in conditions of extreme hunger and malnutrition argue for more comprehensive forms of social protection.

SOUTH ASIA – COUNTRY PROFILES

AFGHANISTAN

Food & Nutrition Situation¹

Recent estimates suggest that the total number of people with inadequate food consumption rose from 6.5 million in 2007 to at least 7.8 million by July 2008. According to the National Risk and Vulnerability assessment, 35 percent of Afghans are chronically food insecure. Almost 1.3 million additional people became chronically food insecure in 2008.

Major causes for increased food insecurity include:

- Drought, war, high food prices and export bans from Pakistan and Kazakhstan; the retail price of wheat (the main staple for more than 70 percent of Afghanistan) is declining though higher than in 2007. Prices of improved seed and fertilizers have doubled since 2007 which are discouraging their use and jeopardizing 2009 crop prospects; fuel prices not declining fast enough; government announced a 36 percent decline in domestic food production; winter period imposes increased risks; civil insecurity and conflict in the South.

Among the highest child malnutrition rates in South Asia:

- Almost 55% of children suffer from malnutrition (stunting); 12 percent suffer from acute malnutrition.² More than 7 out of 10 children suffer from deficiencies in micronutrients while almost 1 in 2 women suffer from iron deficiencies; absolute number of children affected likely to be greater than 2.75 million; under 5-mortality rate rose from 230 per 1,000 in 2003 to an estimated 257 per 1,000 in 2007/08.

30 percent of poorest households spend more than 80 percent of income on food.

- Forced to decrease food consumption by over 10 percent due to price increases; informal social networks teetering on the verge of collapse due to prolonged conflict

Special vulnerable groups:

- Women headed households making up about 5 percent of urban households; poor large households with 8-9 members and only 1 casual labor income earner; disabled heads of households; households deported from Iran and internally displaced.

Economic situation³

- Afghanistan is one of the poorest countries in the world. Landlocked by 6 neighbors, years of conflict and climate shocks have taken a heavy toll.

¹ Source: WFP Rapid Assessment June 2008, FEWS net Nov 2008 and March 2009 update.

² Source: WFP Rapid Assessment June 2008 & UNICEF SOWC 2009

³ Source: Da Bank of Afghanistan Quarterly Report, March 2008. EIU country report for Afghanistan, Nov 2008.

Agriculture continues to be the focus of development efforts and contributes most to GDP. Unemployment and insecurity are the greatest threats to the Afghan economy at present.

- Real GDP is estimated to have fallen to 3% in 2008/09 compared to 12% in 2007/2008 primarily on account of a sharp contraction in agricultural output. Third year (2009) of ongoing Poverty Reduction and Growth programme of structural reforms with the IMF.
- Opium output is falling but remains high. Electricity provision falls short in Kabul and the energy situation is precarious.
- National CPI rose by 50.6 percent in October 2008 driven by strong food price increases.⁴ With falling global commodity prices, inflation dropped to 9 percent in Feb 2009.
- The trade deficit was unsustainably high at over 60 percent of GDP, and increased by over 20 percent compared to March 2007.
- Afghanistan's total external debt was approximately US\$ 12 billion.

Government response⁵

- Food: Temporary removal of import tax on wheat & other staple food items; Discussion on Strategic Grain Reserve (SGR) system; seeking ways to import food through bilateral talks with countries.
- Aid: Afghanistan government and the U.N made a joint appeal for \$203 million worth of food aid and \$176 million for agricultural recovery. Indian government pledges 250,000 MT of wheat for Afghanistan.
- Social protection: New 5 year social protection system strategy as an integral component of the Afghanistan National Development Strategy (ANDS, 2008-2013) to be funded by donors.

⁴ Source: Agricultural Price Bulletin: Ministry of Agriculture, Irrigation & Livestock, Afghanistan

⁵ Source: WFP Rapid Assessment, June 2008. Afghanistan Conflict Monitor website.

BANGLADESH

Food and nutrition situation:⁶

Bangladesh's food insecure population is now estimated to be 65.3 million people, a rise of 7.5 million, mostly due to the impact of higher food prices. Similarly, the size of the severely food insecure population has grown by an estimated 6.9 million; up from 27.9 million to a present level of 34.7 million. As a result, 45 percent of the country's population of 145 million is now food insecure and nearly one-quarter (23.9 percent) is severely food insecure. These however are conservative estimates; the Centre for Bangladesh Policy estimates there are 12.5 million 'new' food insecure as a result of the food price crisis of 2007/2008 and the worsening global economic situation.

Factors responsible for the worsening poverty and food insecurity in Bangladesh

- These include natural disasters such as the monsoon floods in mid 2007 and cyclone Sidr in late 2007; rising food prices and other commodities in 2007 and in the first half of 2008; lack of access to land for cultivation; poor employment opportunities, markets and low wage rates; almost 10 million food insecure Bangladeshi's are outside any food safety net coverage.

The rising cost of food

- Between June 2007 and June 2008, wholesale and retail prices of coarse rice, the main staple in Bangladesh, had increased by over 75 percent; almost 80-90 percent of household expenditures were on food items in 2008, considerable higher than the 70 percent level reported in the HIES 2005.

The most vulnerable:

- Low fixed-income households and rural households experiencing crop failure are the most vulnerable as are large families with 6 or more household members

Child under-nutrition

- Bangladesh has one of the highest child malnutrition rates in South Asia with a little fewer than 1 in 2 children being moderately or severely underweight.⁷

Food shortage

- Favorable weather and climatic conditions and extra efforts by farmers to gain from the price increase could result in favorable crop prospects for the latter half of 2008/early 2009. However, the estimated food shortage in Bangladesh is still quite high – 1.45 million tons.

What families are doing to cope

- Coping strategies used by families to cope with increased food prices and food insecurity include: limiting portion size and frequency of meal; limiting consumption by adults; eating at relatives; borrowing or consuming on credit.

⁶ Source: FAO/WFP Crop and food supply assessment mission to Bangladesh, 2008 (www.fao.org)

⁷ SOWC, 2009, UNICEF.

Economic Situation⁸

- The new government is focusing on containing consumer price inflation, which averaged almost 9 percent in 2008. The subsidy on fertilizers is expected to remain while the Government continues to liberalize its banking sector. An expansionary fiscal policy is likely to continue through 2009 as the government announces expanded safety nets - particularly in relation to food insecurity and poverty - and a 'fiscal stimulus' package that will subsidize a range of goods including food and fuel.
- Worker remittances from abroad are expected to fall in 2009 as a result of low oil prices and contraction in the Middle East.
- The rate of inflation, as measured by the average CPI change during the year is expected to slow to 6 percent in 2009 from 9 percent in 2008. In Feb 2009, inflation was at 5.8% (year-on-year). However, inflation could rise faster if weather conditions disrupt crop supplies.
- Bangladesh Bank (BB) interventions have prevented volatility of the taka against major currencies
- The external trade is expected to decline from \$6.2 billion in 2008 to about \$5.5 billion in 2009 and export growth could slow due to weakening global demand, especially in the US and Europe which account for 50 percent of Bangladesh's export trade.
- Foreign exchange reserves declined steadily from \$6 billion in June 2008 to about \$5 billion in November 2008 on account of global deleveraging.

Government response

- Food: Reinstated the Trading Corporation of Bangladesh; Public food distribution system (PFDS); Open market sales; Strategic reserves; VGD and VGF programmes; Food for work and cash for work; Fertilizer subsidy
- Fuel: Subsidy on diesel
- Economic: Fiscal stimulus

⁸ EIU Feb 2009 country report for Bangladesh (www.eiu.com)

INDIA

Food and nutrition situation⁹

With more than 230 million hungry, India has the highest number of food insecure people in the world. More than 20 percent of India's population suffers from chronic food deprivation. Despite having the fifth largest economy in the world, India ranks 94 out of 120 countries for which the 2008 Global Hunger Index was calculated in 2008. A little less than 30 percent of the world's hungry live in India.

Under nutrition in India

- One in every three working age adults (15 – 49 years) is considered thin.
- All 17 states for which IFPRI has calculated a hunger index¹⁰ (containing more than 95 percent of India's population) have a 'serious' hunger problem. For 12, the situation is defined as 'alarming' with Madhya Pradesh possessing the worst hunger crisis. Even states that are performing well in terms of GDP growth (like Punjab and Andhra Pradesh) have 'serious' or 'alarming' food crisis levels.
- 60 percent of severely wasted children live in 6 states (Uttar Pradesh, Madhya Pradesh, Bihar, Rajasthan, Maharashtra and Tamil Nadu). Hunger is increasing substantially in states like Orissa, West Bengal, Madhya Pradesh, Karnataka and Rajasthan.

The situation is worse for children and women.

- A little less than 40 percent of the global population of hungry children resides in India. These figures are significantly higher than in sub-Saharan Africa and much higher than global averages.
- On average, 41 percent of children under 3 in India are underweight and 46 percent of all children under 5 are underweight. Malnutrition accounts for more than 50 percent of child deaths.
- Some estimates suggest that 1.5 million children could become malnourished due to the food price crisis of 2008.¹¹ However, in light of rising levels of unemployment and job losses, this number could be even higher.
- Rates of child malnutrition are disproportionately higher in poorer households (2.6 times higher) and in children from socially excluded groups (50 percent higher).
- More than 70 percent of children under 5 are anemic and this is increasing. As many as 8 states are shown to have increasing anemia rates among women at reproductive age with Andhra Pradesh and Haryana reporting more than 55 percent of women in the relevant age group as anemic. 80 percent of rural households have no access to toilets.

⁹ Source: WFP/MSSRF Report on the state of food insecurity in rural India, 2008.

¹⁰ Source: IFPRI, Indian State Hunger Index, 2008.

¹¹ Source: WFP/MSSRF. Report on the state of food insecurity in rural India, 2008.

Other factors

- Although the year 2008 produced record food grain harvests of over 228 million tons, it is estimated that in another 5/6 years, the food requirement would be over 250 million tons,¹² raising the possibility that unless substantial gains are made in agricultural productivity, India could become a chronic importer of food in the near future.
- Cheap rural credit and other agricultural inputs have been lacking. More than 150,000 farmer suicides have been recorded since 2000.
- Wholesale price inflation decreased from record highs in July 2008 from 13 percent to less than 7 percent by Jan 2009. Over the same period, food price inflation rose from 5 percent to over 11 percent.

Coping Mechanisms¹³

- A recent survey¹⁴ recorded coping mechanisms used by families which include reducing the quality and frequency of food intake, selling goods and property, purchasing on credit and borrowing, migrating for food, reducing expenditure on other items such as health and reducing children's participation in education.

Economic Situation¹⁵

- India has not been decoupled from the global economic recession and the real sector effects have been unforgiving and harsh: after years of growth higher than 8-9 percent real GDP growth is forecast to grow at about 4.4-5 percent in 2009/2010; industrial growth has slowed down for the first time in fifteen years with the growth in the index of industrial production dropping from a high of 9.2 percent in 2007 to under 3 percent in 2008/2009. Such rapid contraction in industrial output growth will likely hurt the small scale manufacturing sector most; private consumption has slumped from over 8 percent of GDP in 2007/2008 to just over 4 percent of GDP in 2009 owing to a fall in the growth of real wages and rising unemployment in many sectors – particularly those oriented towards exports.
- External and domestic financing for the corporate sector has shrunk putting pressure on credit and money markets.
- Persisting current account deficits (significantly affected by the oil price hikes), global withdrawal of portfolio investment funds and capital outflows, conversion of rupees to dollars by Indian firms to meet foreign obligations caused a volatile depreciation of the rupee against the US\$ between Aug-Nov 2008. The rupee fell from Rs.40.37/\$ in Nov 2007 to Rs.49/\$ in October 2008. It fell again by March

¹² Source: Times of India, Feb 27, 2009. India tops world hunger chart.

¹³ Source: Reserve Bank of India, WPI and CPI series. Feb 2009 update.

¹⁴ Source: Mothers' views on the impact of the increase in food prices on their lives and the lives of their children: Evidence from a survey with 6000 mothers in India, 2008. UNICEF.

¹⁵ Source: EIU Feb 2009 country report. RBI Feb 2009 update. Economic Advisory Economic Council Report Jan 2009.

2009 to Rs49.26/\$. Official reserves fell from \$309 billion in March 2008 to \$239 billion in Jan 2009.

- Exports dropped sharply by 20% in Jan 2009 and again by 19% in Feb 2009 reflecting a slowdown in global demand.
- The Wholesale Price Index (WPI) decreased from record highs in July 2008 from 13 percent to less than 7 percent by Jan 2009. However compared to Feb 2008, food prices rose from 5 percent to over 10 percent in Feb 2009.
- The effects of the recession prompted both the RBI as well as the central government to take aggressive measures to spur economic growth. On Jan 2, 2009 the RBI announced a series of measures to unclog credit and money markets including slashing the repo rate to 5.5 percent (from over 9 percent in Oct 2008)
- On Jan 2, 2009 the government also announced its second 'fiscal stimulus' package (the first one was estimated to cost \$4 billion and implements an across the board 4 percent reduction in the central vat tax) aimed at easing credit flows and boosting economic growth.
- Provisioning for public sector pay increases, National Rural Employment Guarantee Act and various subsidies, especially for petroleum products and food, has added to central government expenditures. The global recession has prompted India, like many other countries, to move away from fiscal consolidation in favor of boosting business confidence and the domestic growth trajectory. Including off-budget items, India's deficit could be as high as 8-9 percent of GDP. Including state deficits, the consolidated budget deficit could rise over 10 percent of GDP.

Government response¹⁶

- Food: Strategic reserves of 31.6 million tons of food grain; Targeted public food distribution system (PFDS); Export restrictions; Mid-day Meal Scheme; Wheat based nutrition programme; National Rural Employment Guarantee scheme; Food and fertilizer subsidies (2 percent of GDP in 2008); Integrated child development system; Rural grain banks; 11th 5 Year plan nutrition security.
- Fuel: Fuel subsidy (Petrol, diesel and LPG)
- Economic: Fiscal stimulus packages 1; RBI monetary interventions

¹⁶ Source: Food Corporation of India, Distribution of food grains, 2008 Economic Advisory Council – Economic report, Feb 2009.

NEPAL

Food & Nutrition Situation

According to the WFP, by July 2008, the number of people requiring food assistance or experiencing food insecurity increased to 6.4 million. 33 of out 75 districts are chronically food insecure.¹⁷ Given the continued pressure on food prices, almost the entire population below the poverty line, approximately 8.5 million people as well as a good number just above the margin could be considered food insecure.

Major causes for increased food insecurity include:

- Severe flooding and *bandhs*; unprecedented rises in food prices during 2008 affecting more than 85 percent of Nepalese households; decreased production of maize and other local crops; heavy reliance on Indian imports; lack of market access due to poor or non-existent roads

Over 40 percent of Nepal's population is undernourished¹⁸

- Almost 1 in 2 children is stunted (43%) or underweight (48%); Acute malnutrition is approaching 20 percent in some areas; 33 out of 75 districts chronically food insecure.

Poorest quintile spends more than 70 percent of their expenditure on food.

- 20-30 percent increase in prices could mean a doubling of expenditure for the very poor to maintain consumption; coping mechanisms used by households include shifting to less preferred foods, depleting savings to purchase food, increasing indebtedness or buying on credit and reducing non-food expenditure.

Special vulnerable groups

- Poor & extreme poor; Dalit & other indigenous tribes; female-headed households, urban-poor, landless and marginal farmers

Economic Situation

- GDP growth is forecast to fall to 3.6 percent for 2008/2009 fiscal year and recovery hinges on government improving law and order.
- Avian influenza has reappeared and could undermine farm-sector activities Power outages continue as demand exceeds supply.
- Nepal Rashtra Bank (NRB) attempted to tighten monetary policy and credit in September 2008 reflecting concerns about money supply and growth.
- Inflation rose for the 11th straight month in November to 14.5 percent driven by the rapid rises in the prices of food & fuel. By Feb 2009 inflation was still at 14 percent reflecting unrelenting price pressures.

¹⁷ Source: Irinnews.org Newsletter, October 8, 2008.

¹⁸ Source: WFP/NDRI, Market and Price Impact assessment, July 2008.

- Nepal's balance of payments moved into a surplus of Rs11.9 billion. By the end of Jan 2009, foreign exchange reserves had grown to \$3.27 billion reflecting strong inflows from remittances and aid.

Government response¹⁹

- Food: Restriction of food grain exports from Nepal; Nepal Food Corporation request for NRs100 million additional funds
- Fuel: Price of fuel dropped marginally from NRS95/Litre to NRS90/Litre in November 2008 but still remains higher than 2007
- Agriculture: Improve agricultural productivity and enhanced biodiversity.
- Aid: Mobilizing food-aid in vulnerable food districts.
- Social protection: Considering introduction of ration cards (similar to India). Promised targeted subsidy to excluded groups on kerosene & LPG

¹⁹ Source: WFP & UNICEF Nepal documents.

PAKISTAN

Food & Nutrition Situation²⁰

More than 50 percent of households surveyed in June 2008 experienced the shock of higher food prices. It is estimated that the total number of people with inadequate food consumption rose from 72 million in 2005/06 to 84 million by July 2008 (51 percent of population).

- Rural households in Pakistan's western provinces are worst affected.
- 1 in 3 households unable to afford medical assistance when sick.
- Adverse impact on schooling (movement from private to public).
- In absolute terms child nutrition is worsening. The number of stunted children is in excess of 9 million and more than 4 million children are suffering from wasting
- Poorest quintile spends more than 70 percent of their expenditure on food.
- Food security situation remains precarious in Pakistan's western provinces
- Special vulnerable groups: women headed households; rural households, urban-poor; border districts along North West and East

Economic situation²¹

- Industrial output fell by 5 percent in July-August. The global recession has created a severe liquidity crunch in Pakistan and real GDP growth is forecast to be less than 1.5 percent for 2009.
- Inflation remains unacceptably high at 21 percent in January 2009 and will remain high due to continued escalation in money supply, increases in utility prices and a sharp depreciation of the Pakistan rupee.
- The Federal Board of Revenue is behind its target tax collection for the year 2008/2009 and the trade deficit increased to \$2.1 billion in Jan 2009 from approx \$800 million in Dec 2008.
- Weak export growth in textiles, high oil prices and rapid import growth has caused a worsening of the current account and the deficit rose to over 6 percent of GDP in November 2008. Inflows of foreign remittances mitigate some of the current account deficit.
- Gross foreign exchange reserves stood at US\$ 8 billion at the end of October 2008, a drop of over 30 percent from March 2008.
- Government needs external financing to meet government liabilities and avoid a balance of payments crisis. IMF bailout package of \$7.6 billion negotiated enabling other donors to resume lending. ADB has pledged almost \$1.5 billion

²⁰ Source: High Food Prices in Pakistan: Impact Assessment & way forward. UN Inter-Agency Assessment Mission. July 2008

²¹ Source: Central Bank of Pakistan website & EIU country report for Pakistan, Nov 2008.

for infrastructure while the World Bank agreed to provide \$500 million for poverty alleviation and intends to provide up to \$2 billion in 2009/2010.

Government response²²

- Food: Import 2.5 million mt of wheat; maintain 1 million mt of wheat as strategic reserve; vigilance on informal wheat flow across borders; removal of import duty on wheat; Imposition of minimum export price on rice; wider coverage of subsidized wheat flour distribution
- Aid: Delegation being sent to USA to seek free wheat.
- Fuel: Removal of fuel subsidies in September
- Social protection: Introduced new measures like the Benazir Credit card aimed at giving short term loans to small farmers for agriculture inputs and the Benazir Card which provides cash subsidies to 5²³ million poor households.

²² Source: High Food Prices in Pakistan: Impact assessment & the way forward. Inter agency assessment mission report, July 2008 & media reports.

²³ Exact number not yet determined

SRI LANKA

Food and nutrition situation:²⁴

15.2 percent of the population, or roughly 2.8 million individuals, live below the poverty line. 50 percent of the population, or roughly 10 million, consume less than the minimum daily dietary requirement; under-nutrition in Sri Lanka is high despite Sri Lanka's basic health indicators, which are better than most countries with comparable per capita incomes.

A poor rice harvest earlier this year, rising prices, and the enduring conflict has made it difficult for many citizens to attain food security.

- The annual production of rice in 2007, the main staple of Sri Lankans, fell short of domestic demand by 25 percent. By 2010 this shortfall is expected to grow to 30 percent necessitating imports and means of combating shortages in the future. In 2007, Sri Lanka spent US \$ 1 billion on food imports which is expected to soar by 40 percent to US \$ 1.4 billion for 2008.

Nearly a quarter of Sri Lankan children are underweight

- According to the DHS 2007²⁵, 22 percent of Sri Lankan children are underweight, with 4 percent classified as severely underweight; 15 percent of children are wasted, with 3 percent severely wasted; 18 percent of children are stunted, with 4 percent severely stunted. These indicators rise with age of the child reaching a maximum between 18-23 months. Underweight is higher for boys than girls and for estate children compared to those in urban or rural areas; A little fewer than 1 in 3 pregnant women suffer from anemia.

Inequality, conflict and under-nutrition

- There is considerable geographic variation in inequality and nutrition within Sri Lanka though the most severely affected are the Northern and Eastern conflict regions along with the tea estate sector. In the conflict zones in the Northern provinces more than 170,000 rely on food assistance alone; especially vulnerable are the internally displaced, women headed households and people with disabilities. By district, Nuwara Eliya, Baticoala, Trincomalee and Badulla have the highest rates of child malnutrition.

Overweight, another sign of nutritional deficiency, is emerging as a growing problem especially in the upper income quintiles.

Economic Situation²⁶

²⁴ Source: DHS 2007. HIES 2006/2007. (www.statistics.gov.lk)

²⁵ Does not cover the Northern provinces. Hence these estimates err on the low side.

²⁶ Source: Central Bank of Sri Lanka Statistics (www.cbsl.gov.lk)

- The World Bank places Sri Lanka among the 28 countries most vulnerable to the food, fuel and financial crises of 2008 due to its high import dependence. Stabilizing the foreign-exchange position is likely to remain the most important policy concern during 2009 as the Sri Lanka Rupee is expected to depreciate by 10 percent during the fiscal year 2009/2010.
- Money supply expansion decelerated to 10.3 in August 2008, compared to the growth of 16.6 percent in December 2007 and 22.2 percent in August 2007.
- Inflation is very high in Sri Lanka and expected to remain at around 9-10 percent during fiscal year 2009/2010 creating pressure on wages and further fueling inflation in the years ahead.
- According to preliminary data for 2007, Sri Lanka's exports (mainly clothing, tea, rubber, gems and jewelry) were \$7.5 billion and imports (mainly oil, textiles, food, and machinery) were \$11.2 billion. Clothing accounts for about 45 percent of exports with the USA as the largest export destination. The recession in the USA is expected to severely affect the garment industry which contributes about 10 percent to GDP. Up to 40,000 jobs may be lost.
- Fiscal deficits are expected to rise to over 7 percent of GDP due to increased defense expenditures and less than expected revenue inflows.
- The government has announced 'fiscal stimulus' type packages, but these are aimed more at restoring liquidity in its shrinking credit markets.

Government response

- Food: Direct imports to meet demand shortfall. Advocating initiatives to achieve regional food security through SAARC; in October 2008, Ministry of Health Care and Nutrition unveils new National Nutrition Plan that proposes a multi-sector approach to nutrition and sets up a national nutrition surveillance system; on 15th December 2008, reduced price of milk powder
- Fuel: On 15th December 2008, the Supreme Court acting on many petitions from the public, orders government to work out a formula based pricing for petrol/fuel.
- Social assistance: Direct food assistance, poverty reduction programmes and health based interventions (integrated maternal and child health).

"Read Country Profiles at http://docs.google.com/View?id=dfhq4nhj_3gp6f8jhb"

KEY RESOURCES

UNICEF

www.UNICEF.org

UNDP

www.undp.org

International Monetary Fund

www.imf.org

- Economic Crisis Starts to Hit World's Poorest Countries
<http://www.imf.org/external/pubs/ft/survey/so/2009/NEW030309A.htm>
- Global Leaders to Assess Response to World Recession
<http://www.imf.org/external/pubs/ft/survey/so/2009/NEW042009A.htm>

The World Bank

www.worldbank.org

Asian Development Bank

www.adb.org

ODI

- ODI/UNICEF framework linking financial crisis to children
<http://www.UNICEF.org.uk/publications/pdf/odi-presentation.pdf>

Chatham House

- The Feeding of the Nine Billion
<http://www.globaldashboard.org/2009/01/26/the-feeding-of-the-nine-billion/>
Read country profile at www.

United Nations Children's Fund
Regional Office South Asia
Lekhnath Marg, Lainchour,
Kathmandu
Nepal
www.unicef.org/rosa

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