

FOOD SECURITY in **CENTRAL AMERICA, PANAMA,** **THE DOMINICAN REPUBLIC,** **MEXICO** and **HAITI**



Outlook and policy responses aimed at
guaranteeing food security in the region

María Cecilia Deza and Marta Ruiz-Arranz

TABLE of CONTENTS



CURRENT SITUATION AND PROSPECTS FOR FOOD SECURITY IN CENTRAL AMERICA, PANAMA, THE DOMINICAN REPUBLIC (CAPARD), MEXICO AND HAITI

María Cecilia Deza, Marta Ruiz-Arranz,
Arnoldo López, Melanie Jiménez,
Carlos Eggers

p. 02

I.
Food Security Outlook
for the Region
p. 03

II
Policy Responses
p. 15

III.
Perspectives and
recommendations
p. 17



ANNEX

Country Notes

p. 24



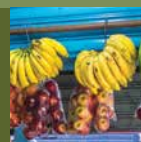
Belize
María Cecilia Deza

p. 25



Costa Rica
Pablo Vega and Josué Sibaja

p. 28



El Salvador
Juan José Barrios and Alejandro Gasteazoro

p. 30



Guatemala
Jordi Prat and Jorge Coj Sam

p. 34



Haiti
Laura Giles Alvarez and Nerlyne Jeanbaptiste

p. 38



Honduras
Jordi Prat, Ana Andino and Eduardo Camilo Pacheco

p. 42



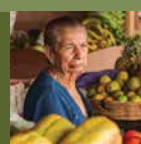
Mexico
Agustín Filippo and Miguel Ángel Jiménez

p. 46



Nicaragua
Julia Escobar and Gabriela Orozco

p. 49

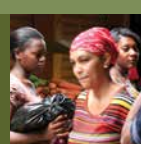


Panama
Carlos Garcimartín and Rubilú Rodríguez

p. 52

Dominican Republic
Juan Carlos López and Joaquín Zentner

p. 56



A man with a beard and a blue cap is carrying a large, heavy sack of grain on his shoulder. He is wearing a blue short-sleeved shirt and has a pained or strained expression on his face, with his eyes closed and a grimace. The background is a blurred green field under a cloudy sky. The image is partially covered by a dark brown curved overlay on the left side, which contains the title and authors' names.

CURRENT SITUATION AND PROSPECTS FOR FOOD SECURITY IN CENTRAL AMERICA, PANAMA, THE DOMINICAN REPUBLIC (CAPARD¹), MEXICO AND HAITI

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1 CAPARD includes: Belize, Costa Rica, El Salvador, the Dominican Republic, Guatemala, Honduras, Nicaragua and Panama.

I. Current Situation for Food Security in the Region

ENSURING FOOD SECURITY AND NUTRITION IS VITAL TO ACHIEVING THE SUSTAINABLE DEVELOPMENT GOAL OF ZERO HUNGER BY 2030.

The United Nations' Sustainable Development Goal 2 is to end hunger by 2030 by reducing the prevalence of undernourishment and ensuring food security and adequate nutrition for the population². Consuming food of adequate quality and on a regular basis is crucial to improve the productivity of individuals, protect their mental and physical health, reduce the probability of suffering from diseases, and effectively contribute to employment and income generation, promoting sustainable growth and development.

The prevalence of moderate or severe food insecurity in CAPARD exceeded the average for Latin America and the Caribbean (LAC).

The proportion of undernourishment³ and of population who suffer from moderate or severe food insecurity⁴ are indicators of access to food, one of the dimensions of food security as set out by the Food and Agriculture Organization of the United Nations (FAO). In 2019, 39% of the population of CAPARD faced moderate or severe food insecurity, higher than the LAC average (31.7%), making it the sub-region

with the highest percentage of population in these conditions (Figure 1). Haiti and Costa Rica are the countries with the highest and the lowest levels of food insecurity in all of LAC, respectively (Figure 2). CAPARD, Mexico and Haiti represent 31% of the LAC population and account for approximately 36% of the population in a situation of severe or moderate food insecurity. Similarly, the prevalence of undernourishment in CAPARD has remained above the typical LAC country and other sub-regions since 2015.

The onset of the COVID-19 pandemic reduced household incomes, affecting access to food.

The outbreak of the COVID-19 pandemic in early 2020 posed a threat to food security in CAPARD, Mexico and Haiti, as well as for LAC in general. The loss of household income due to long-term job destruction significantly reduced the ability to purchase basic foodstuffs. Unemployment in the region increased by 4 to 12 percentage points in 2020 and per capita income fell by 9.1% on average, in real terms.

Countries where data are available report that extreme poverty increased in 2020 and,

² <https://www.un.org/sustainabledevelopment/>

³ Undernourishment, or hunger, is defined by FAO as "an uncomfortable or painful physical sensation caused by insufficient consumption of dietary energy. It becomes chronic when the person does not consume a sufficient amount of calories (dietary energy) on a regular basis to lead a normal, active and healthy life."

⁴ The Food Insecurity Experience Scale (FIES) (mild, moderate, severe) is based on individual

responses to eight questions related to difficulties in regular access to food due to lack of resources. Moderate food insecurity occurs when the person had difficulty eating a healthy diet, their ability to access food was uncertain, and they occasionally skipped a meal or ran out of food due to lack of resources in the preceding 12 months. Severe food insecurity defines a situation in which the person went without food or went all day without eating several times during the year (source: FAO).

although it declined in 2021, it still remains above pre-pandemic levels.

At the height of the pandemic, more than 40% of households in Guatemala, Honduras and the Dominican Republic reported going without food due to a lack of income⁵. As a result, by 2020, the prevalence of food insecurity in CAPARD increased to 42.1%,

affecting 19 million people, and 62 million if we consider Mexico and Haiti (Figure 1).

The suspension of key food production and marketing activities during the confinement periods affected food availability.

FIGURE 1: Prevalence of moderate or severe food insecurity by region (percentage of the population)

SOURCE: FAO. THE CARIBBEAN DOES NOT INCLUDE HAITI.

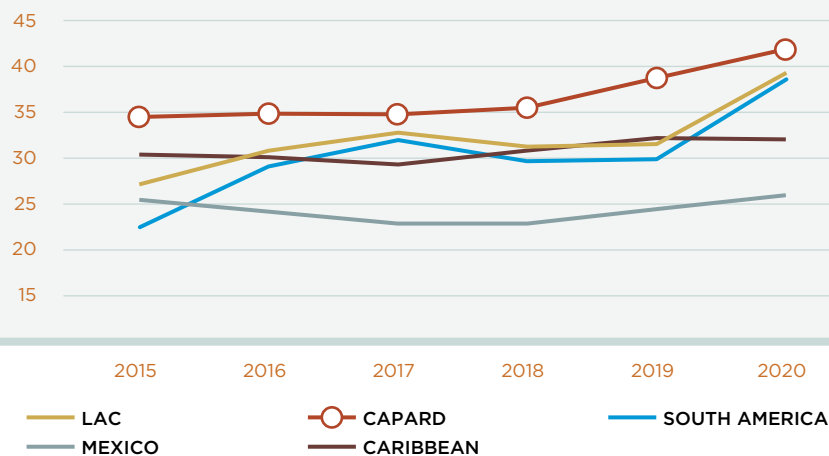
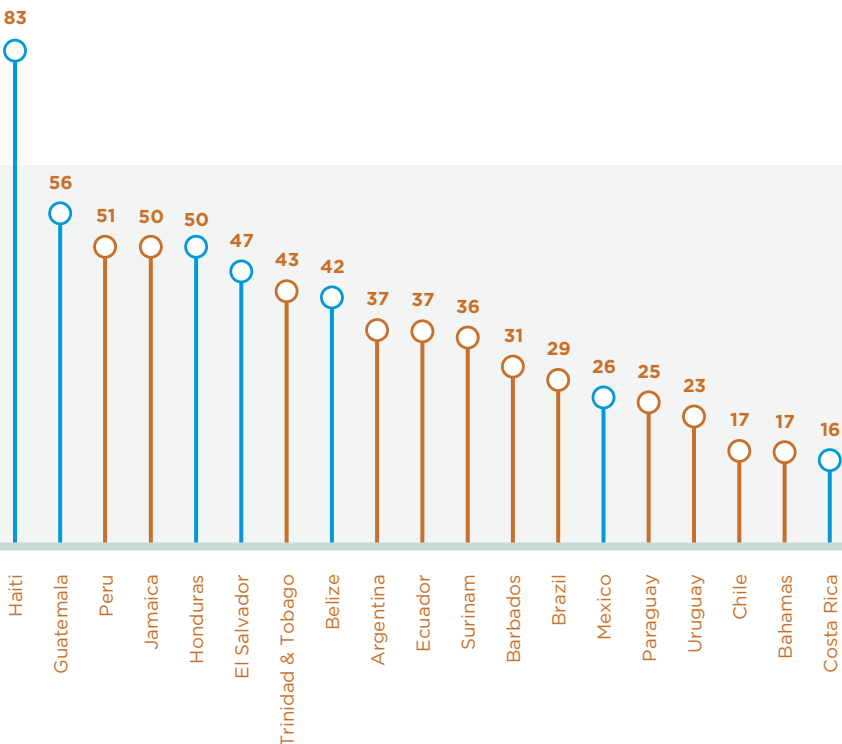


FIGURE 2: Prevalence of moderate or severe food insecurity in LAC, average for 2019-2021 (percentage of the population)

SOURCE: FAO.



5 World Bank COVID-19 Household Monitoring Dashboard: <https://www.worldbank.org/en/data/interactive/2020/11/11/covid-19-high-frequency-monitoring-dashboard>. Responses to the following question are reported: In the last 30 days, did you run out of food due to a lack of money or other resources?

LAC is generally characterized by an adequate availability of food. However, this was compromised by the stalling of most productive activities during the period of confinement, a measure adopted almost everywhere in the world to mitigate the spread of contagion, which was followed by all the countries in the region to a greater or lesser extent⁶. Although during the pandemic agricultural activity was one of the few sectors that were able to grow in several countries, the severe restrictions imposed on manufacturing, trade and transportation affected the supply of basic foodstuffs, mainly in urban areas. Although this was the general trend, there are exceptions such as Belize, where the pandemic crisis prompted the conversion of unemployed workers to agriculture, resulting in a significant increase in agricultural production (see country note in the Annex).

Disruptions to global supply chains caused by the pandemic initiated an inflationary escalation that has been exacerbated by the war between Russia and Ukraine.

The reopening of the economies and the progressive recovery of activities once the worst phase of the pandemic was over, took place in a context marked by distortions in labor supply, dramatic changes in demand, disruptions in supply chains resulting from repeated confinements in the main manufacturing markets, among others. The disruptions to food systems introduced by this new dynamic were exacerbated by the outbreak of the war between Russia and Ukraine in early 2022, resulting in escalating prices for energy and food commodities of which these countries are global suppliers⁷.

6 See more details of the measures adopted by the governments in: IDB 2020. The Impact of COVID-19 on the economies of Central America, Haiti, Mexico, Panama and the Dominican Republic.

7 Russia exports 10% of the world's oil, 14% of the world's wheat and 19% of the world's fertilizers. Ukraine accounts for 10% of the world wheat market and is the fifth largest exporter of wheat in the world.

The most affected commodities were oil, gas, maize, wheat, soybeans (Figure 3), as well as fertilizers.

Most of the CAPARD countries and Mexico depend on imports of the foodstuffs and inputs most affected by global inflation.

The increase in international energy and staple food prices was a significant negative supply shock for the countries in the region, for which the imports of these products account for a significant share of total foreign purchases. Maize and wheat imports represent between 15% and 20% of total food imports in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, and most countries are dependent on imports of staple grains for their consumption (Figure 4).

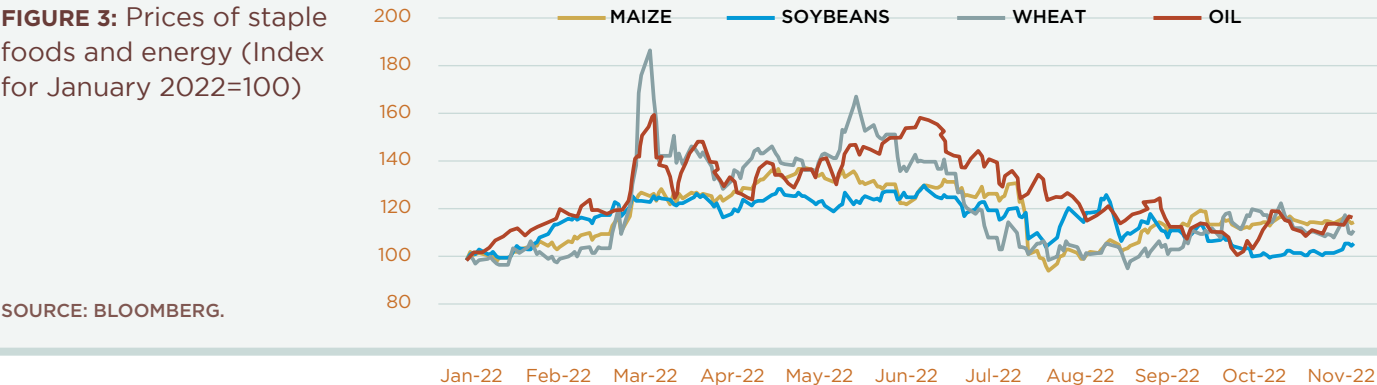
At the same time, rice and cereals account for more than 20% of the basic food basket in Costa Rica, Guatemala, Honduras, Nicaragua, Panama and El Salvador.

Finally, Costa Rica, Guatemala, Belize, the Dominican Republic and Honduras are more intensive in the use of fertilizers than the LAC and world average (Figure 5), which are mainly imported, while Panama imports all of the fertilizers required by its agricultural sector. In this context, food inflation averaged 11.7% in CAPARD, Haiti and Mexico⁸, reaching maximum figures in more than a decade (Figure 6). The higher costs of these inputs impact both directly on the prices of final goods that use them, and indirectly by pushing up the prices of other goods in the consumer basket and inflationary expectations⁹, this led to monetary policy responses by the region's Central Banks and other policies discussed below.

8 Data as of September 2022.

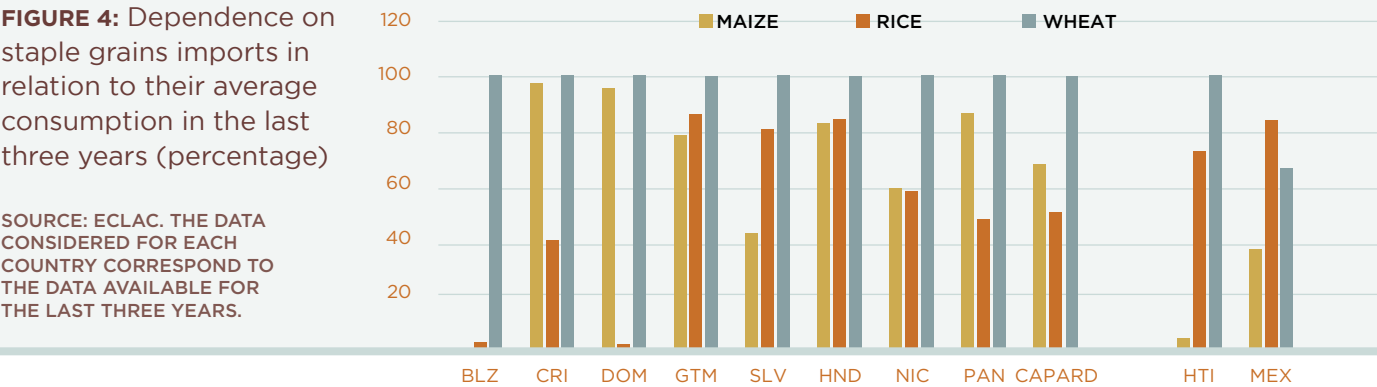
9 Source: Central American Monetary Council. Regional Monthly Inflation Report. July 2022.

FIGURE 3: Prices of staple foods and energy (Index for January 2022=100)



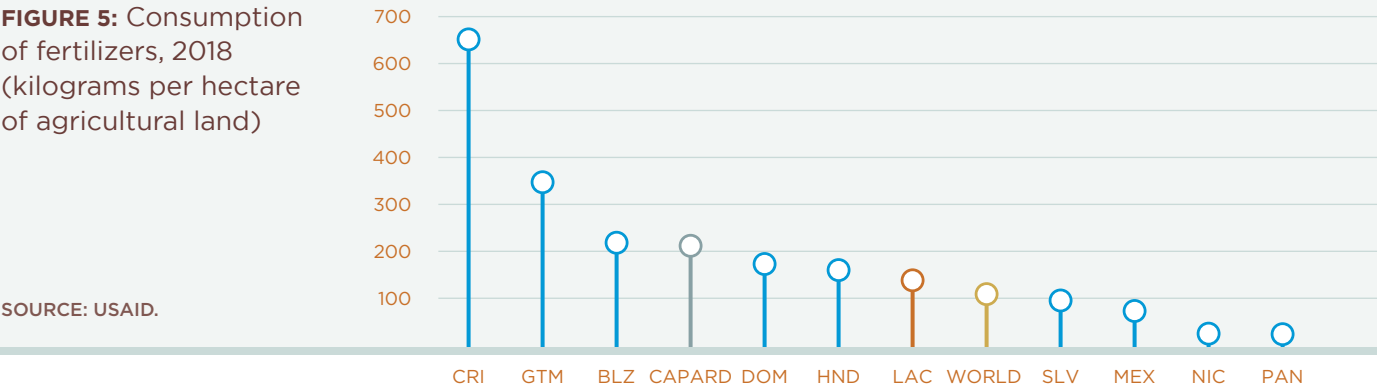
SOURCE: BLOOMBERG.

FIGURE 4: Dependence on staple grains imports in relation to their average consumption in the last three years (percentage)



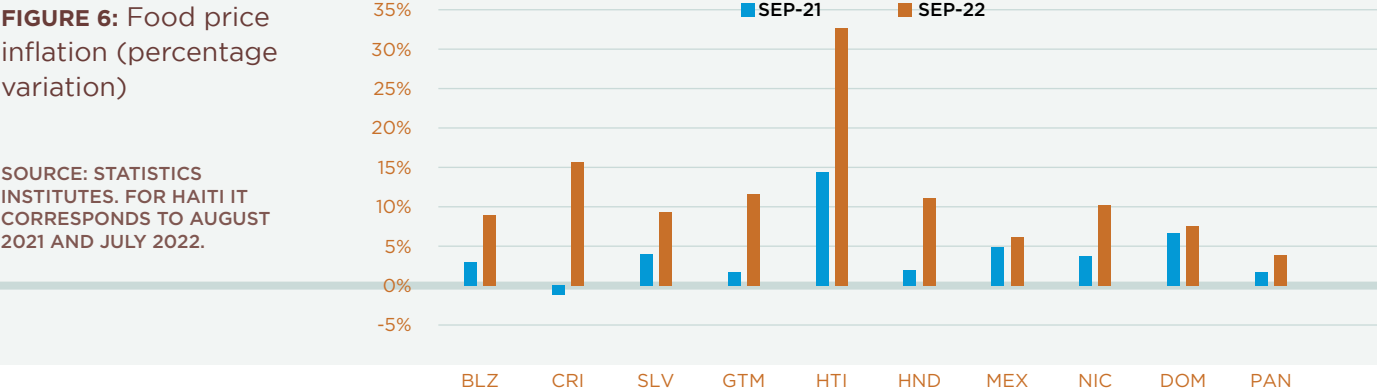
SOURCE: ECLAC. THE DATA CONSIDERED FOR EACH COUNTRY CORRESPOND TO THE DATA AVAILABLE FOR THE LAST THREE YEARS.

FIGURE 5: Consumption of fertilizers, 2018 (kilograms per hectare of agricultural land)



SOURCE: USAID.

FIGURE 6: Food price inflation (percentage variation)



SOURCE: STATISTICS INSTITUTES. FOR HAITI IT CORRESPONDS TO AUGUST 2021 AND JULY 2022.

The recent situation threatens the progress made in the other dimensions of food security and has revealed structural challenges.

In addition to access, the other food security dimensions of the FAO framework (Food availability, utilization and stability, Figure 7), have also been affected by the current situation:

A. UTILIZATION. Although the region has made progress in reducing malnutrition and stunting in children (Figure 8), some countries are beginning to report increases, such as an increase in cases of acute malnutrition in Guatemala (Figure 9). In most countries, around 30% of households report a decline in the quality of the food they consume¹⁰. Food utilization is also affected by an insufficient or deficient access to drinking water and sanitation, which can reach up to 20% of the population, as is the case of Haiti.

B. AVAILABILITY. The productivity of the agricultural sector in the typical CAPARD country is lower than the LAC average (Figure 10). The low productivity of the agricultural sector is explained by the fact that it is mainly based on small-scale production units, limited investments in development, agricultural innovation and rural infrastructure, and resilience to the risk of natural disasters and climate change events. All of this hinders the optimal availability of food in urban areas and puts farming households in rural areas, which depend on self-consumption, at risk.

C. STABILITY. The volatility of agricultural production leads to instability in food supply. Following an upward trend in 2020 and 2021, declines in agricultural production are beginning to be observed in several countries in 2022 (Figure 11). Pandemic-induced trade disruptions are also detrimental to food availability in countries that are highly dependent on imports, thus threatening food stability. In addition, natural disasters such as droughts, floods, earthquakes, among others, cause significant losses of crops and agricultural production. The droughts in the Central American “dry corridor”¹¹ of 2014-2015 and 2018-2019 as well as hurricanes Eta and Iota are recent examples of natural events that threaten food security¹².

The countries in the region, with the exception of Mexico and Panama, were among the 50 countries most affected by climate events in the 2000-2019 period according to the Global Climate Risk Index; Belize and Haiti being particularly vulnerable. Countries such as Guatemala face seasonal periods of food insecurity that can be exacerbated by climate events. Low agricultural productivity and its vulnerability to natural events make agricultural activity volatile¹³, and with it food stability.

10 World Bank COVID-19 Household Monitoring Dashboard: <https://www.worldbank.org/en/data/interactive/2020/11/11/covid-19-high-frequency-monitoring-dashboard>. Responses to the following question are reported: In the last 30 days, were you unable to eat healthy/nutritious or preferred food due to lack of resources?

11 The “dry corridor” is an area that includes parts of the territory of El Salvador, Guatemala, Honduras, Nicaragua and Costa Rica, which is home to around 10 million people, mainly dedicated to agriculture. This area is highly vulnerable, facing long periods of drought alternating with periods of heavy rainfall. This extreme climate variability generates potentially significant crop losses. Source: FAO.

12 In Nicaragua and Guatemala, agricultural losses reached 0.2% of GDP, while in Honduras they amounted to 1.2% of GDP.

13 The volatility of agricultural production, measured by the standard deviation of agricultural GDP growth, reached nearly three percentage points in recent years.

Finally, social unrest and political instability in some countries could affect

food supplies, both local and imported.

FIGURE 7: FAO Framework for Food Security

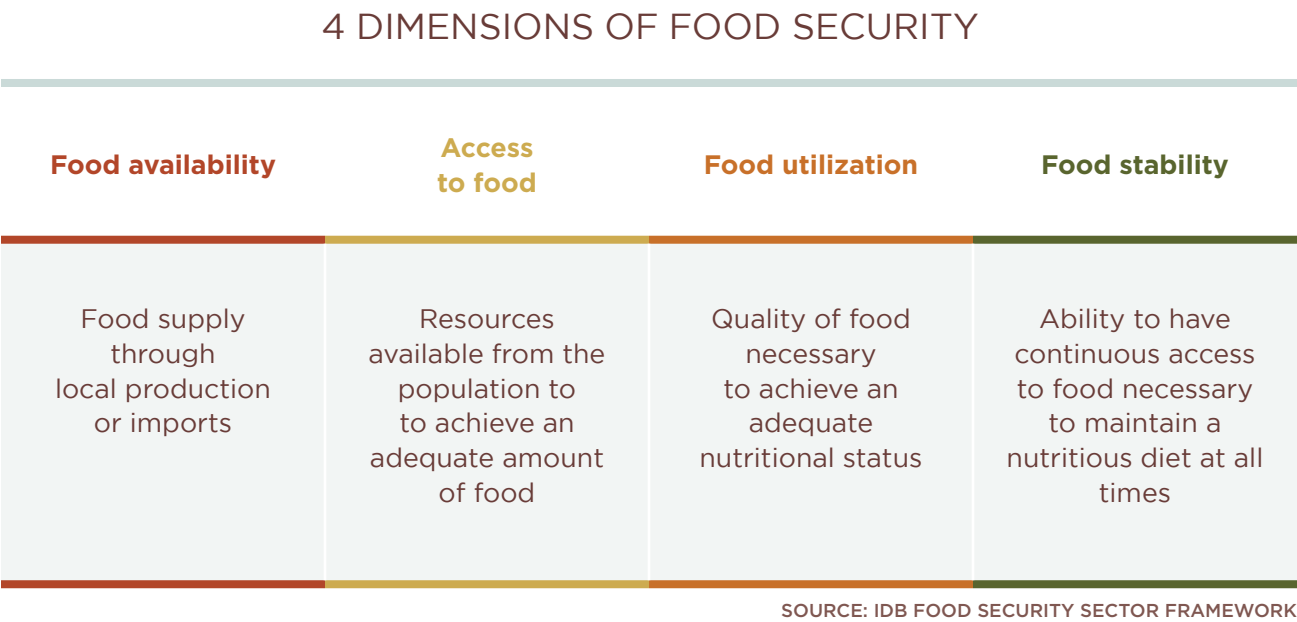


FIGURE 8: Percentage of children under 5 years of age with stunting (percentage)

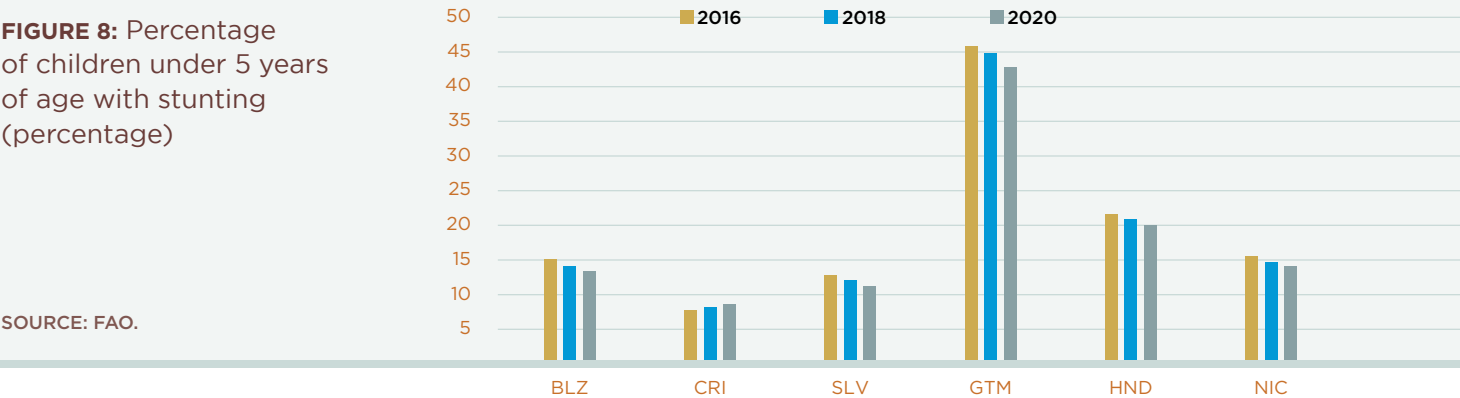


FIGURE 9: Cases of acute malnutrition in Guatemala (accumulated to October of each year)

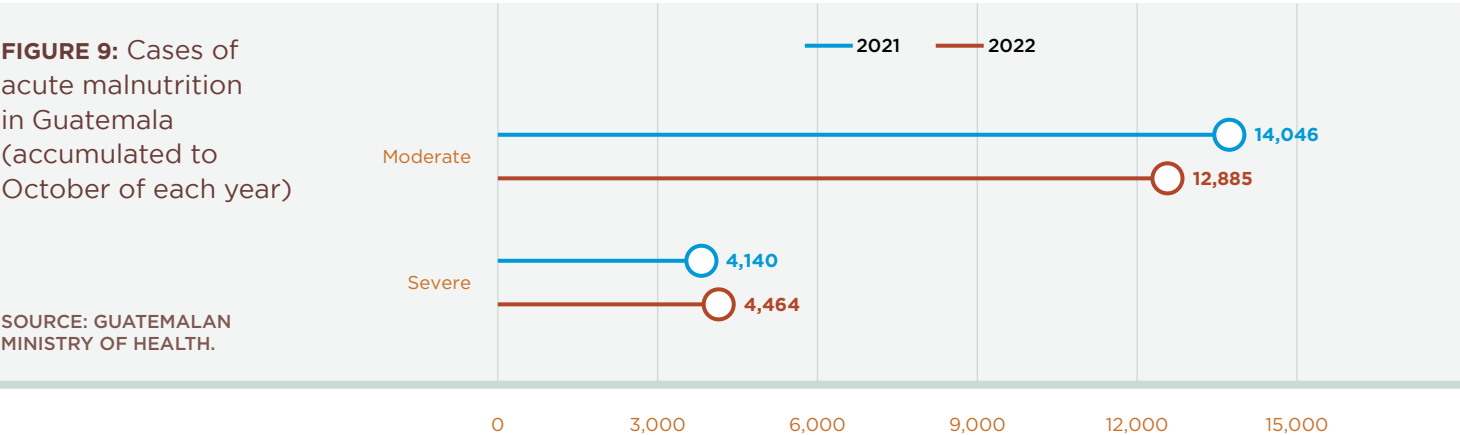
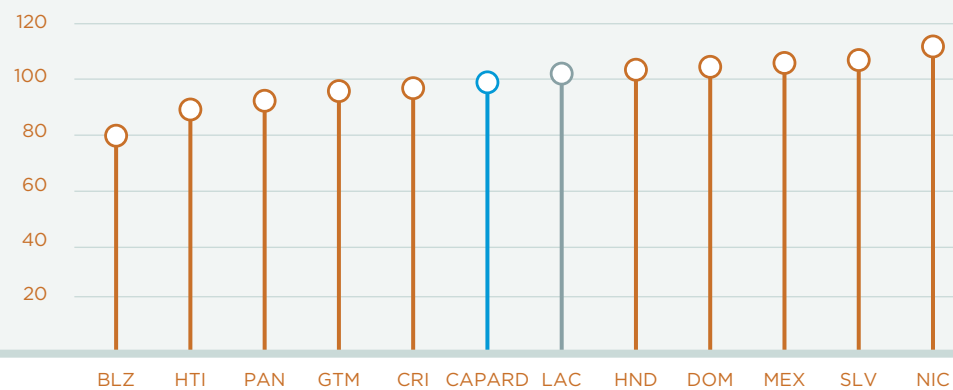
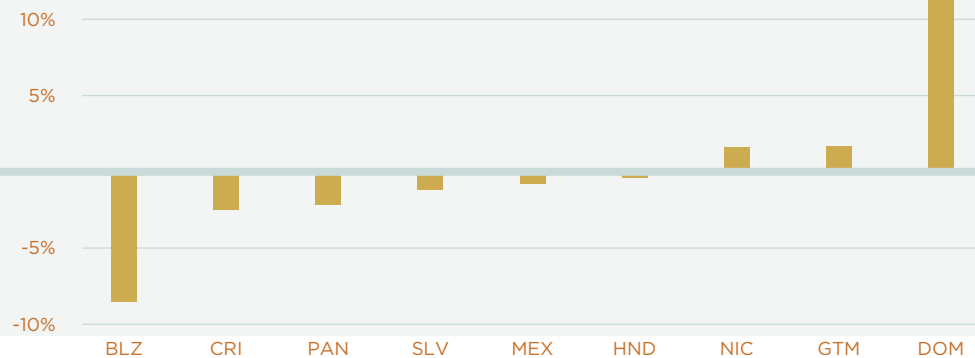


FIGURE 10: Agricultural productivity 2019 (index 2015=100)

SOURCE: U.S. DEPARTMENT OF AGRICULTURE. CORRESPONDS TO THE TOTAL FACTOR PRODUCTIVITY OF THE AGRICULTURE SECTOR.

**FIGURE 11:** Quarterly change in agricultural economic activity 2Q 2022 (seasonally adjusted)

SOURCE: CENTRAL BANKS OF EACH COUNTRY. FOR GUATEMALA THE DATA CORRESPOND TO 1Q 2022.



The CPI¹⁴ phased classification confirms that food insecurity conditions in the countries of the Northern Triangle have worsened.

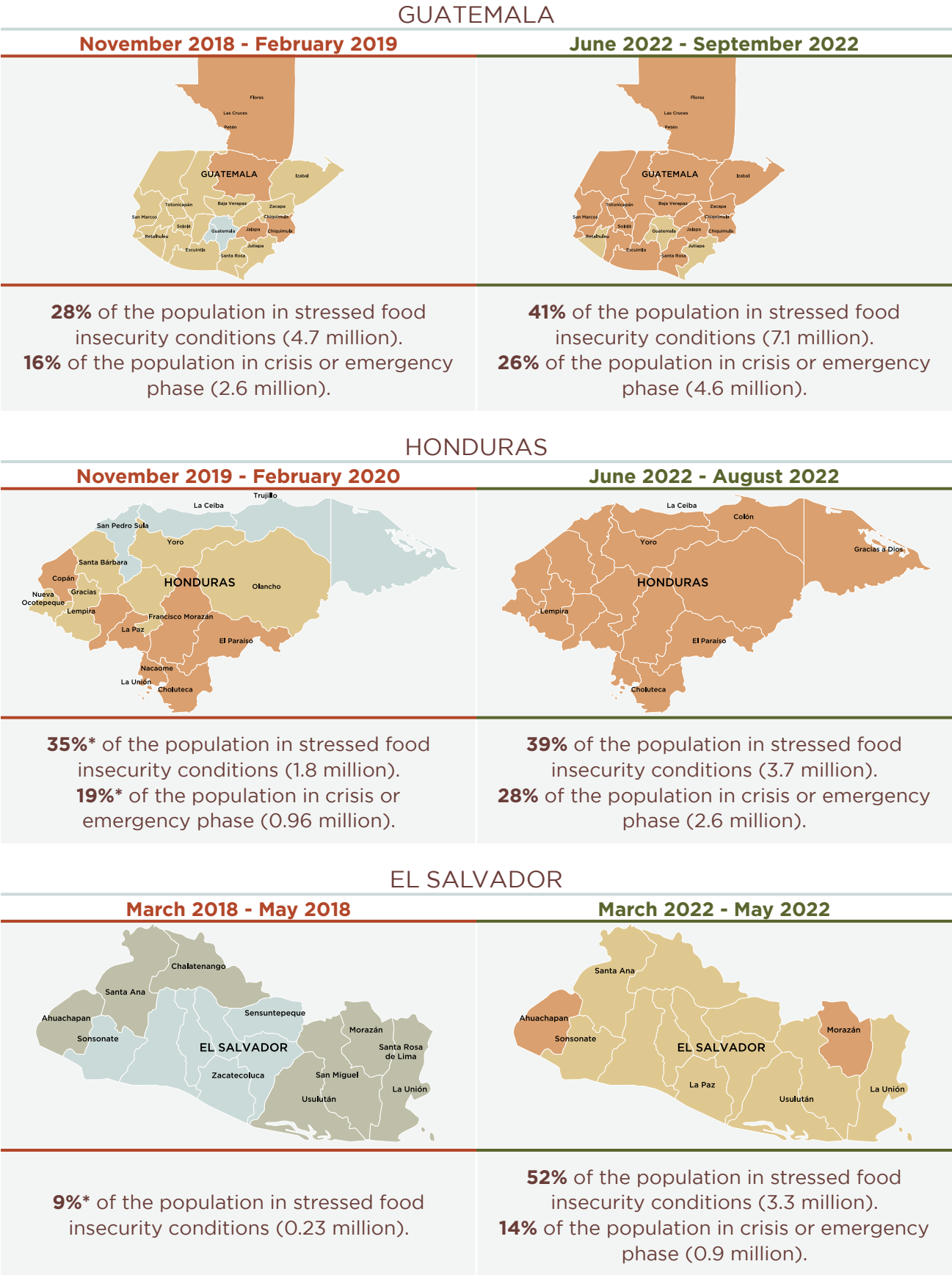
The most recent scenario reveals that between 40 and 50% of the population in Guatemala, Honduras and El Salvador were in stressed food insecurity conditions, which affected around 14 million people (Figure 12). Meanwhile, more than 25% of

the population in Guatemala and Honduras face a situation of food crisis or emergency (7.2 million people). This scenario reflects a considerable increase in food insecurity with respect to what was observed between 2018 and 2019.

14 The *Integrated Food Security Phase Classification* (IPC) measures food insecurity at a specific point in time and of a severity that threatens lives and/or livelihoods, regardless of causes, context or duration. The IPC breaks down food insecurity into 5 phases: minimal, stressed, crisis, emergency and famine. IPC data are only available for Guatemala, Honduras and El Salvador. **Stressed food insecurity:** The households have minimally adequate food consumption but are unable to afford some essential non-food expenditures without engaging in stress-coping strategies. **Crisis situation:** Households have food consumption gaps that are reflected by high

or above-usual acute malnutrition; or are marginally able to meet minimum food needs but only by depleting essential livelihood assets or through crisis-coping strategies. **Emergency situation:** households have large food consumption gaps which are reflected in very high acute malnutrition and excess mortality; or are able to mitigate large food consumption gaps but only by employing emergency livelihood strategies and asset liquidation. See more details at: <https://www.ipcinfo.org/>

FIGURE 12: Food security by phase in Guatemala, Honduras and El Salvador.



SOURCE: INTEGRATED FOOD SECURITY PHASE CLASSIFICATION (IPC).

*NOTE: PARTIAL COVERAGE OF THE COUNTRY.

The light blue color represents areas in phase 1; the cream color represents areas in phase 2 and the orange color represents areas in phase 3. Gray areas are those for which there is no information.

The impacts of COVID-19 and the recent inflationary escalation have become the main concerns of households, and their effects are felt more intensely by lower-income segments.

According to opinion polls, between 30% and 40% of households in Guatemala, El Salvador, Honduras, Costa Rica and Panama state that their main concern is their lack of money to cover basic needs, in a proportion that has been increasing (Figure 13)¹⁵. Since 2021, the percentage of households that feel that the cost of living has increased has accelerated, and by mid-2022, more than 70% of households in Costa Rica and Guatemala were feeling the impact of higher prices¹⁶.

Likewise, inflation has become the main concern of citizens in most LAC countries, including CAPARD. Between the end of 2021 and the beginning of 2022, the percentage of people who stated that inflation is their main concern doubled in Honduras, Nicaragua and Panama (from 10 to 20%)¹⁷. In addition, food security in a significant percentage of households in CAPARD and Mexico has been affected, with fewer resources to purchase food, reduced daily meals and the need to resort to mitigation measures (Box 1).

Given that the weight of food expenditure decreases with income, the lower income strata end up being the most affected by food inflation. An exercise carried out for El Salvador, but replicates in other countries, shows that the lowest income quintile spends between 45% and 50% of its consumption expenditure on food, while the richest quintile spends between 35 and 40% on these

products. In fact, ECLAC projections for 2022 for LAC show that the poorest income quintile will experience an 8.3% inflation, while for the richest quintile it will be 7.3%¹⁸.

Women, rural households, and informal workers are more likely to fall into poverty as a result of the shock, aggravating inequality.

In fact, in the period between 2019 and 2022 there are increases in the percentage of the population receiving an income below the price of the basic food basket, according to our own estimates based on information from household surveys. It is estimated that, in 2022, 32% of households in the region will have incomes below the cost of the basic food basket, which represents an increase of around 5.3 percentage points as compared to 2019.

The most affected groups are mainly made up of households where the head of household is female, or an informal worker, and rural households (Figure 14). In the period between 2019- 2021, the prevalence of moderate or severe food insecurity among women in CAPARD, Mexico and Haiti was eight percentage points higher than that of men. Consequently, poverty and inequality are expected to increase as a result of the inflationary shock.

Between 2007 and 2017, the reduction in inequality in the region was 30% lower than estimated, due to the impact of inflation¹⁹. The disproportionate distributional impact of inflation increases the risk of social conflict, which is already present in cases such as Haiti and Panama, deepening food insecurity in terms of access, availability and stability.

15 Source: CID-Gallup. Public opinion in the region. Matches the question: What is the main concern you and your family have?

16 Source: CID Gallup. 2020 corresponds to the latest available data and 2021 corresponds to the average data for the year.

17 Source: IPSOS and CID-Gallup (for Central America).

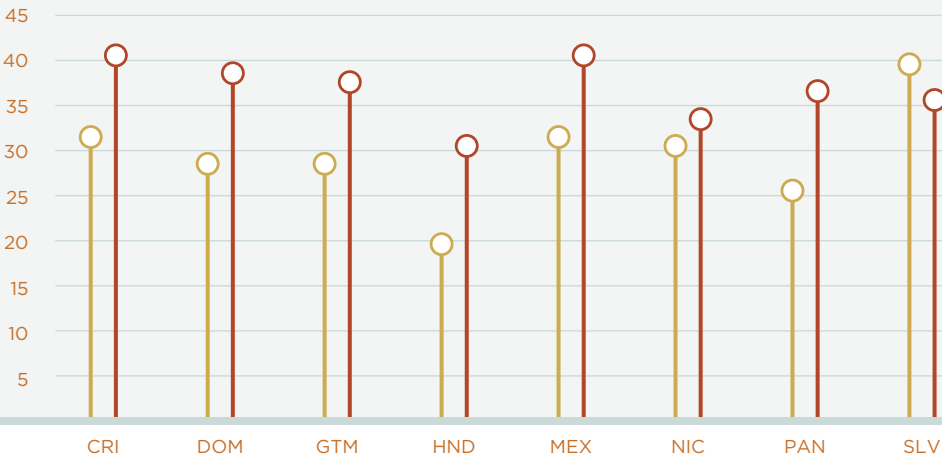
18 Source: ECLAC. Repercussions in Latin America and the Caribbean of the war in Ukraine: how should the region face this new crisis? June 2022.

19 Source: Garcimartin, C., Astudillo, J., and A. Martinez. *Inflation and income distribution in Central America, Mexico, Panama and the Dominican Republic*. Review of Development Economics. Volume 25, Issue 1. 2020.

FIGURE 13: Main concern in households in 2022: The cost of covering basic needs/there is not enough money

JANUARY 2022
MAY 2022

SOURCE: CID GALLUP.



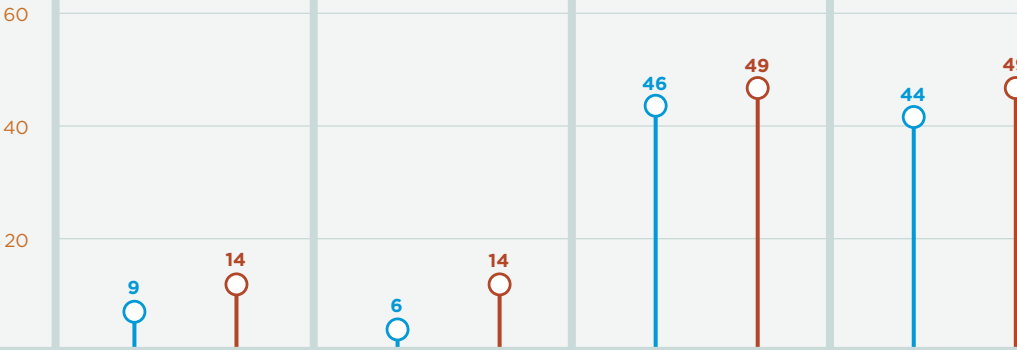
In addition, women working in agriculture are even more vulnerable to fall into poverty after an economic shock, given their lower productivity resulting from lower access to land ownership, financing, agricultural inputs and technical assistance. For example, the productivity of agricultural land worked by women is estimated to be 25% lower than that of land plowed by men²⁰, despite the high contribution of the former to production and employment in the sector.



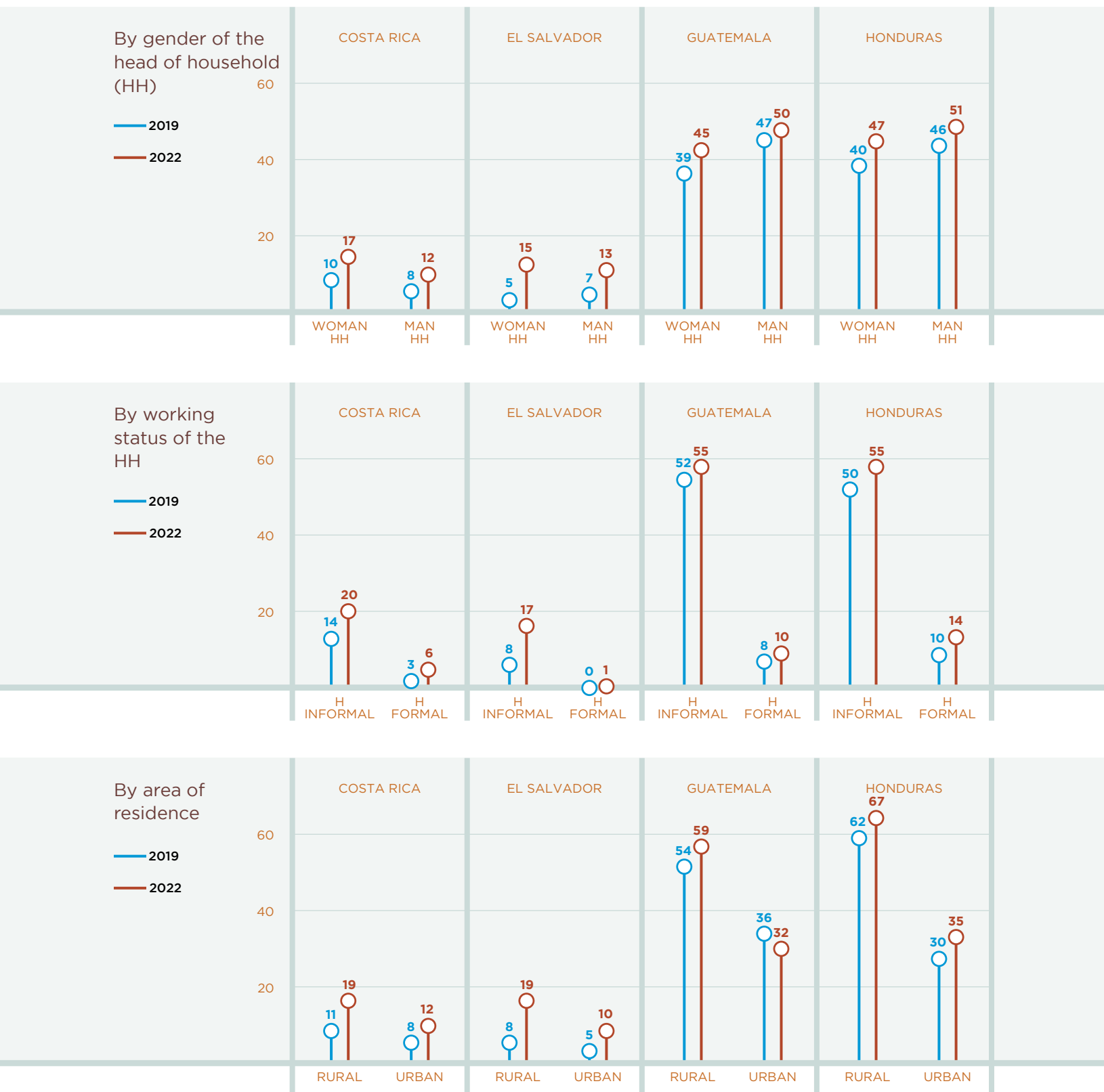
FIGURE 14: Percentage of households with incomes below the cost of the basic food basket, total and disaggregated by characteristics of the household head and the household (%)

Total COSTA RICA EL SALVADOR GUATEMALA HONDURAS

2019
2022



20 Peterman, Amber; Behrman, Julia and Quisumbing, Agnes. 2010. A review of empirical evidence on gender differences in nonland agricultural inputs, technology, and services in developing countries. IFPRI discussion papers 975. International Food Policy Research Institute (IFPRI).



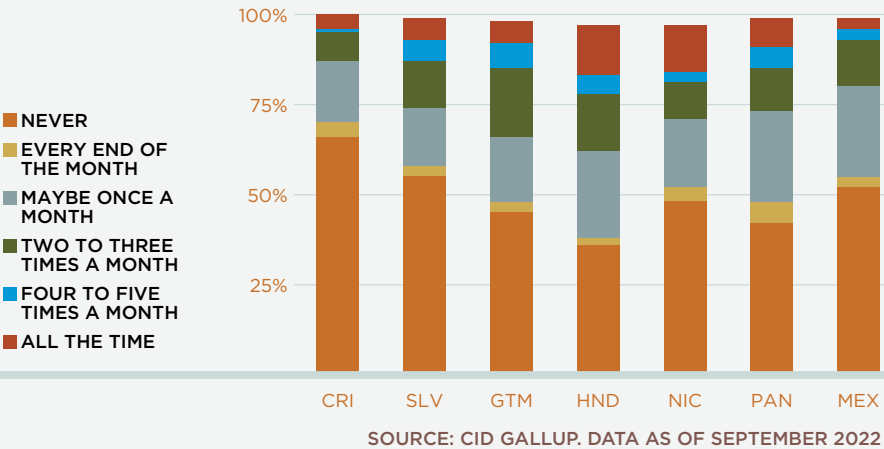
SOURCE: Own calculations. For this exercise, we consider all household income, monetary and non-monetary, labor and non-labor, reported in the relevant household surveys. The mid-2019 basic food basket price is combined with the 2019 surveys to calculate the percentage of households with incomes below the basic food basket. The same calculation is made for 2022 using 2021 surveys and the latest basic food basket price, except for Honduras, in which case the 2019 survey is used, where income is adjusted for the country's nominal income increase between 2019 and 2022, and 2021 basic food basket price data, adjusted for 2022 cumulative food inflation.

BOX 1: Results of public opinion surveys on food security.

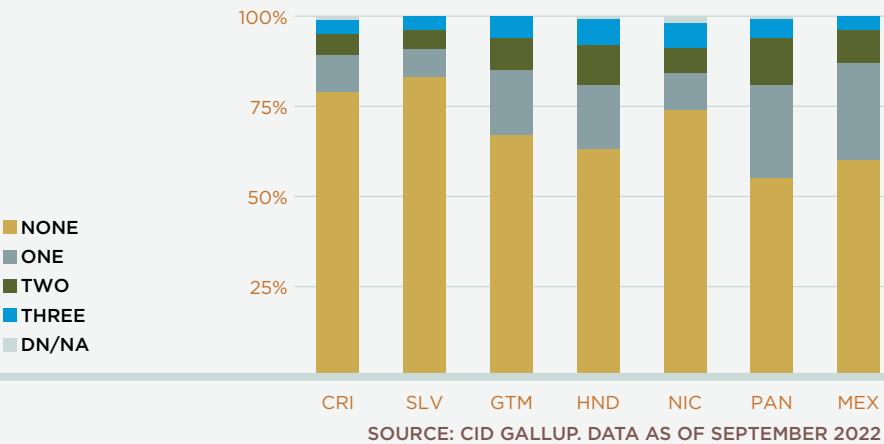
Higher food costs have impacted household purchasing power, and with it the amount of food consumed by households on a daily basis. According to information from public opinion surveys conducted by CID-Gallup, as of September 2022, more than 30% of those interviewed in CAPARD and Mexico stated that they had not had any money to buy food for their family at least once a month in the previous year. How? As a result, between 20 and 40% of the people surveyed reported having reduced at least one meal a day in the last four months.

Faced with a lack of money, between 40 and 60% of households took measures to smooth their family's food consumption. Among those who did so, most households resorted to credit. Other options used were: (i) the reduction of significant expenses such as health care, which may have long-term consequences on the welfare of the household members; (ii) the sale of assets, such as work tools, with potential impacts on employment and household income; (iii) seeking external sources of food, among others. Although it has not been measured directly, it is to expect that, in the case of families who have seen a reduction in the number of meals consumed, the quality of their food has also been compromised, extending the problem to other dimensions of food insecurity.

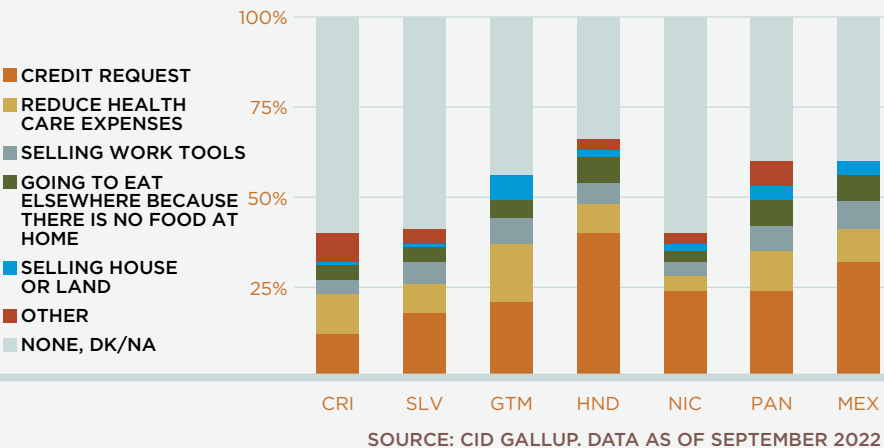
Had no money to buy food for the family in the last 12 months



The number of meals per day have been reduced in your household in the last 4 months.



Measures you have had to take in order to meet your direct family's food needs;



II. Policy responses

COUNTRIES IN THE REGION ADOPTED VARIOUS POLICY MEASURES TO MITIGATE THE IMPACTS OF GLOBAL INFLATION.

The response to the food price shock varied in size for the different countries in the region (Table 1). The Dominican Republic and Guatemala reacted with a wide range of measures, while in Nicaragua, Belize, Costa Rica, Honduras and Panama the responses were more limited. Despite this heterogeneity, there are certain similarities in the types of policies implemented (the details of the policy responses can be found in the country notes in the Annex):

- Price controls or price freezes and the subsequent granting of subsidies to offset higher production costs became the most widely used measures, adopted in 9 of the 10 countries in the region, despite the depleted fiscal spaces left by the pandemic. Among the subsidies with the highest fiscal cost were those granted to the transportation and energy sectors, as a result of higher fuel prices. Most of these subsidies were general and not targeted²¹.
- Another measure, which was adopted by 7 of the 10 countries in the region, was the provision of direct financial and in-kind support to the agricultural sector to stimulate local production.
- Most countries used tax cuts (7 out of

10), mainly tariffs on imports of specific products in the food basket, as well as reductions in indirect taxes, especially selective taxes on fuels.

- Furthermore, 4 of the countries in the region provided significant support to households in the form of vouchers and monetary transfers, mostly unconditional, either under existing social security programs or through the granting of extraordinary vouchers.
- Similarly, trade liberalization measures, such as facilitating imports of staple foods and removing barriers to trade, were implemented in only 4 countries.
- 3 countries granted in-kind transfers to households or supported direct food supply.
- In Haiti, the minimum wage was raised unilaterally with a view to improving households' ability to access food.

15

The fiscal costs of policy responses are 1.1% of GDP on average for the region.

These costs correspond to estimates in the packages, plans of measures or budgets approved by the governments considering the original deadlines²². It is worth noting

21 See details of government measures to alleviate fuel price increases and their fiscal impacts in Garcimartín, C. and J. Roca. 2022. Fiscal and distributional impact of measures taken to address the energy crisis in Central America, Panama and the Dominican Republic. Technical Note No. IDB-TN-2588.

22 With the exception of Honduras, which also includes the cost of some measures implemented as of the date of preparation of this document (see details in the country note in the Annex).

that there are vast differences between countries, with costs ranging from 0.1% (Costa Rica) to 2% of GDP (Mexico). In Honduras, the Dominican Republic, El Salvador and Nicaragua, fiscal impacts ranged from 1.3% to 1.8% of GDP. Despite

their fiscal cost, the measures adopted are generally considered to have been compensatory in nature and so far have not had a major impact on food inflation. Details of the policy responses can be found in the country notes (Annex).

TABLE 1: Measures implemented to mitigate the effect of inflation on food security.

MEASURE	BEL	CRI	SLV	GTM	HON	HTI	MEX	NIC	PAN	DOM	TOTAL
Fiscal											
Cash transfers to vulnerable households		x		x		x				x	4
Transfers in kind (food vouchers, canteens, school meals, among others)				x	x				x		3
Tax cuts	x	x	x		x		x		x	x	7
Spending cuts to generate fiscal space						x					1
Trade											
Import facilitation			x	x			x			x	4
Prices and salaries											
Price controls or price freezes/subsidies/stabilization mechanisms	x	x	x	x	x		x	x	x	x	9
Increase in minimum wage						x					1
Real											
Support to the agricultural sector (seeds, fertilizers, support to agricultural campaign, training, financing, among others)	x		x	x	x	x	x			x	7
Support for marketing and food supply (e.g., strategic food reserves)				x			x			x	3
Support from donors						x		x		x	3
Number of measures	3	3	4	6	4	5	5	2	3	7	
FISCAL COST (AS PERCENTAGE OF GDP)	1.2%	0.1%	1.6%	0.5%	1.8%	0.8%	2.0%	1.3%	NA*	1.5%	1.1%

*Complete information on the fiscal cost of the measures is not available for Panama.

III. Prospects and recommendations

RECENT FIGURES SHOW A CORRECTION IN INTERNATIONAL FOOD PRICES, BUT UPSIDE RISKS PERSIST.

After reaching an all-time high in March 2022, the FAO food price index fell for the sixth consecutive month in September; however, the drop was more moderate than in previous months (-1.1% m/m in August versus -8.6% in July), and in October the index remained unchanged. The main determinant has been the progressive normalization of grain prices, which responds to both supply and demand factors.

On the supply side, the reopening of grain trade across the Black Sea as a result of the agreement entered into between Russia and Ukraine in July and recently extended for four months, better harvests and the appreciation of the US dollar are lowering the price of these inputs, while the prospects of a global economic slowdown are reducing the demand for these products worldwide. However, the agreement between the two countries is being cautiously monitored by the international community and, should the conflict continue or escalate in violence, food prices could rise again, as could the price of oil and natural gas, which are key for fertilizer production. Finally, restrictions on wheat and rice exports imposed in India—a key global supplier—due to weather conditions, may continue to affect food security worldwide.

Projections for energy and food input prices remain above pre-pandemic levels.

In the second half of 2022, international prices for commodities such as oil, maize and wheat experienced a decrease ranging

between 12% and 30% from the high levels recorded in the first half of the year, while the price of natural gas has not yet shown any signs of normalization. The correction would continue into 2023, but recent projections suggest that they would remain above the 2017-2019 pre-pandemic average price (Table 2 and Figure 15). Similarly, fertilizer prices remain at historically high levels, and upside risks persist, stemming from high input costs, particularly energy, the developing conflict between Russia and Ukraine, export restrictions in China, among other factors.

Disasters and climate change aggravate food insecurity.

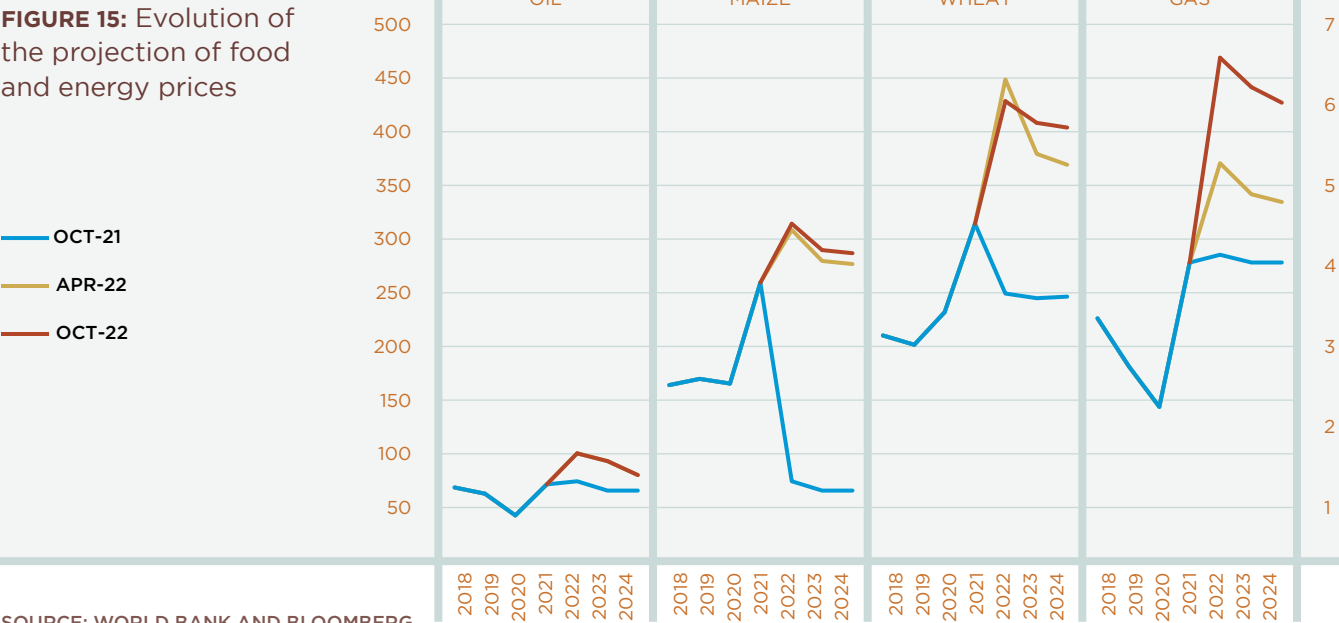
By the second half of 2022, food insecurity will have worsened, particularly in the Central American “dry corridor,” initiating a crisis phase for the poorest households in Honduras and Guatemala, which already suffered significant agricultural losses in 2021 as a result of hurricanes Eta and Iota in late 2020. As the lean season progresses, labor opportunities decrease, reducing income and, with it, the possibilities of access to food.

TABLE 2: Projected commodity and food prices.

FOOD AND ENERGY PRICES (ANNUAL AVERAGE IN USD)			
	Average	Projection	
	2017-2019	2022	2023
WTI oil (USD/barrel)	58	100	92
Gas (USD/mmbtu)	2.9	6.6	6.2
Maize (USD/mt)	163	315	290
Wheat (USD/mt)	195	430	410

SOURCE: SOURCE: WORLD BANK, COMMODITY PRICE FORECASTS (OCTOBER 2022)

FIGURE 15: Evolution of the projection of food and energy prices



SOURCE: WORLD BANK AND BLOOMBERG.

Preserving food security requires short-term responses to crises.

In the event of a food crisis, the most affected sectors will need support. The current commodity price shock —the third one in the last 20 years²³— comes at a

23 IMF. 2022. *Fiscal Policy for Mitigating the Social Impact of High Energy and Food Prices*. Note, 2022/ 001.

time when there is very limited room for countercyclical fiscal policies to provide relief to vulnerable households, and restrictive monetary policies could induce a further slowdown, making access to food more difficult. It is therefore important that government support be temporary and targeted to the most vulnerable segments of the population. Although the optimal responses are particular to the conditions of each country, some general recommendations can be established:

On the demand side:

- A. Supporting access to food by strengthening social safety nets,** through conditional or unconditional cash transfers. Social safety nets in the countries of the region have gaps in coverage or targeting, so increasing both the intensive margin (by increasing the amount of transfers) and the extensive margin (by increasing the amount of transfers) must go hand in hand with improvements in administrative, targeting and coverage mechanisms. Post-pandemic budget constraints will require that programs be targeted to populations most at risk of falling into poverty or of sinking deeper in poverty as a result of the current situation, with special emphasis on women, minorities and migrants, as well as hard-to-reach populations in rural areas. Simplifying aid delivery procedures and the search for innovative solutions, following the experience of using digital tools after the pandemic, will allow for greater efficiency and effectiveness of the policy.
- B. Creating information systems and synergies between existing systems** to identify the population at risk of food insecurity and to carry out rapid and adequate targeting for the vertical and horizontal expansion of social protection programs.
- C. Supplementing cash transfers with other options** that are considered effective to support demand and access to food, such as **food vouchers**²⁴, which mitigate possible inflationary effects, as they are directed exclusively to the purchase of food.

- D. Strengthening food supply programs,** such as kitchens, nutritional programs for school-age children, and programs which deliver staple foods to vulnerable segments.

On the supply side:

- A. Supporting local food production** through **technical assistance** to small agricultural producers to sustain self-consumption and income generation.
- B. Reduce the liquidity constraints of small and medium-sized farmers** by providing small farmers with **agricultural vouchers** that allow them to access financing for fertilizers and other investments under market mechanisms, alleviating liquidity constraints and allowing them to maintain their regular production cycles as much as possible.
- C. Diversification of local production,** sources of food supply in international markets, and sources of supply of agricultural inputs.
- D. Promoting fertilizer production at the local level, as well as their efficient use,** including the encouragement of alternative and organic fertilizer production.
- E. Temporary reduction of import tariffs and other taxes on basic foods and agricultural inputs,** a measure that has been adopted in several countries in the region and which depends on the fiscal space available in each country, preferably within the framework of broader strategies to facilitate trade and promote investment in the sector.
- F. In places where there is little or no fiscal space, and food insecurity conditions are severe, the involvement of donors, development agencies or non-governmental organizations (NGOs)** in financing and supporting food security

programs or even in the direct provision of food or agricultural inputs becomes a viable alternative.

The above measures are more advisable than: (i) across-the-board tax cuts with no set expiration dates, (ii) price controls or ceilings that introduce distortions to the operation of markets and have a high fiscal cost, (iii) generalized subsidies that, in addition to imposing a significant fiscal cost, may end up being regressive by benefiting proportionally more high-income household²⁵, or (iv) trade restrictions, which would aggravate a potential food crisis.

In addition to short-term measures, structural policies are needed to strengthen food systems and prevent future crises.

In addition to short-term measures, the pandemic and the inflationary context have highlighted the need to adopt policies with a more structural approach, such as the following:

A. Boosting investments in public goods, such as rural transportation infrastructure with a focus on rural roads, sustainable and climate change resilient infrastructure, irrigation, land ownership, access to information, among others.

B. Closing gaps in access to credit for the agricultural and livestock sector, which will make it possible to finance productive investments, such as technologies for climate-smart agriculture, as well as research, development and innovation in the industry, in areas such as the efficient

use of fertilizers, climate change mitigation and adaptation, soil quality, among others. This policy must be designed with a focus on gender and diversity, taking into account the financial inclusion gap for women and populations in rural areas.

C. Strengthening agricultural innovation and research networks with the participation of leading international institutions.

D. Promoting openness to international trade to increase the availability of food when emergencies or conditions affecting local supplies occur. This can be achieved by reducing both tariff and non-tariff barriers to basic food basket items. Average customs tariffs on cereals in CAPARD (11.7%) are higher than the LAC average (7.3%)²⁶. Trade facilitation also involves the elimination of non-tariff barriers by facilitating the necessary requirements for importing basic inputs. Some countries in the region have taken steps in this direction (see Annex). Among other aspects, the implementation of these measures should take into consideration the net effects that these barriers have on lower-income consumers.

E. Encouraging the participation of the private sector in the access and availability of quality food, lifting barriers that hinder the free functioning of the markets and adequately monitoring the quality of the food supply.

F. Developing food information systems to generate early warnings of possible food crises and monitor food insecurity hotspots. In countries where there is

25 Garcimartín, C. and J. Roca (2022). Fiscal and distributive impact of the measures adopted to address the energy crisis in Central America, Panama and the Dominican Republic.

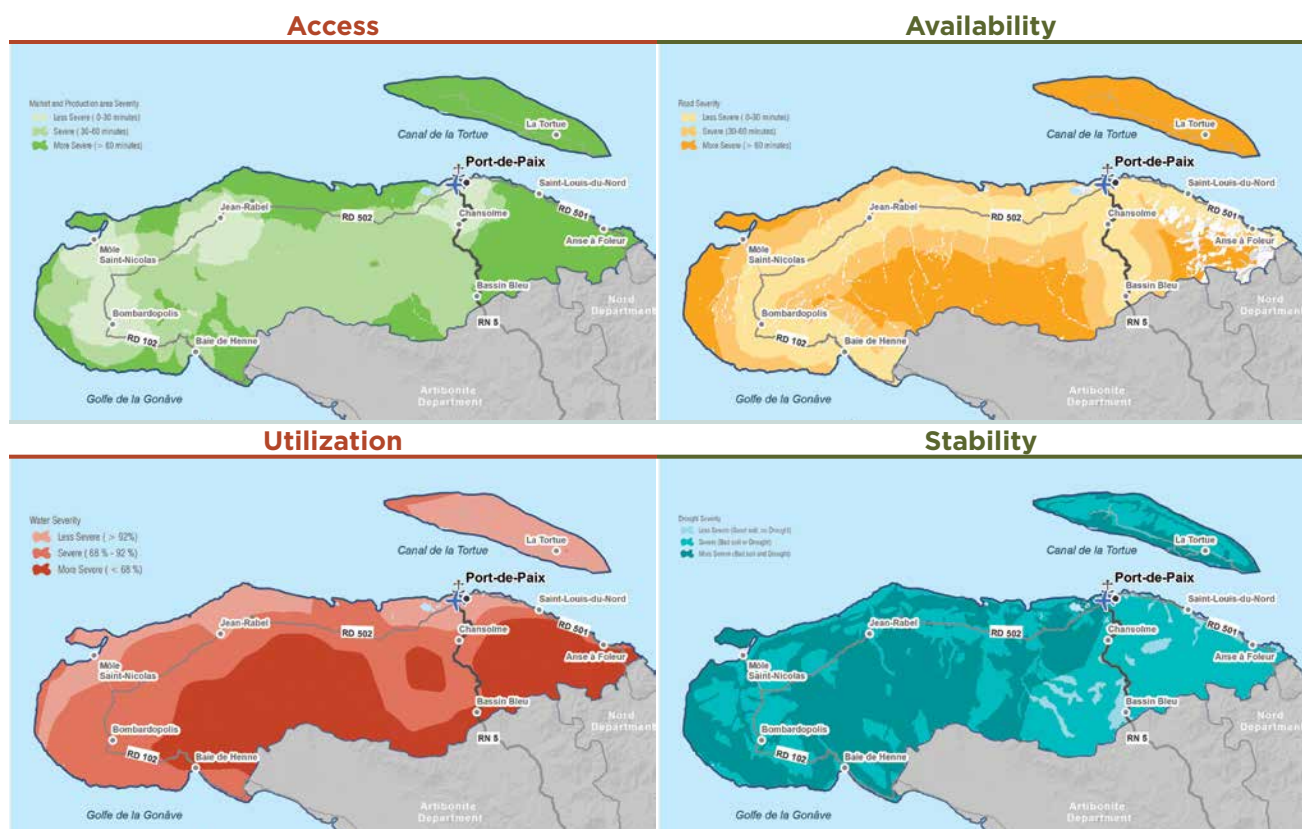
26 Source: World Trade Organization (WTO). Corresponds to the Most Favored Nation (MFN) tariffs of 2020.

limited information, the use of geo-referenced solutions can provide granular information on the areas most exposed to food insecurity and provide valuable inputs for interventions. For example, in Haiti, geo-spatial technology was used to identify areas of food insecurity (Figure 16), in the north-west area, which suffers the most acute levels of food insecurity in each of its dimensions.

- G. Other more sophisticated options are the **procurement of hedging instruments** to prevent food price increases, such as futures and options markets and insurance, instruments that are not yet well developed in the region.

- H. Given that women are more vulnerable to the effects of economic and climate shocks on agricultural production, food security, health, water and energy resources, it is advisable to **support women's empowerment** through access to comprehensive services such as financing, training, capacity building, job opportunities for income generation, access to property titles and food processing tools to create added value, among others. The IDB has provided support to Honduras, El Salvador, Mexico, and the Dominican Republic for the development of a model of comprehensive services for women.

FIGURE 16: Geospatial approach to food security in Haiti.



SOURCE: GILES ALVAREZ, JEAN-BAPTISTE AND MORENO (2022).

Multilateral organizations play a key role in preserving food security in the region, and the IDB has positioned itself as a strategic partner in this area.

The restricted fiscal space left by the pandemic years reduces the leeway for the governments in the region to intervene in food emergencies. In addition, the multidimensional nature of food security requires a combination of efforts and optimal implementation capacity. For this reason, international organizations play a key role in mobilizing resources from donor partners and supporting governments in food emergencies. The funds from international agencies make it possible to fund short-term measures and access to rapid and effective

technical assistance to design long-term policies aimed at preventing future crises.

During the 2008-2009 food crisis, the IDB played a key role in the region, and thanks to its competitive advantage, in recent years the Bank has consolidated its presence in sectors relevant to food security (Box 2), with a significant portfolio of investments and supporting knowledge creation. In recent years, the IDB has approved programs in several countries in the region —Belize, Haiti, Panama, Dominican Republic— aimed at supporting the sustainability of the agricultural and food production industries. This positioning allows the IDB to be a strategic ally in mitigating the effects of a potential food crisis resulting from the pandemic and the current cycle of rising food prices.



BOX 2: The IDB's role in food security in the region

In 2008, the Bank created two mechanisms to respond to the food price crisis.

The first was a credit facility to: (i) provide expedited access to loans to address pressing social needs and projects to expand production; (ii) create funds for USD 500 million (maximum amount of USD 50 million per operation); and (iii) establish a revolving fund of up to 20% of the amounts on loan. The second was a strategic thematic fund to provide rapid and effective non-reimbursable technical cooperation assistance (a USD 15 million quota was allocated in 2008). Between 2008 and 2011, 99% of this fund's resources were used, of which 68% were directed to small and vulnerable countries. Most of it was used to increase the availability of food supplies through improvements in production and productivity. The fund's resources supported long-term interventions through 10 loan operations.

From the evaluation of the agricultural sector portfolio conducted by the IDB Office of Evaluation (OVE), there arises that the Bank's interventions have been successful in increasing the availability of food in the region, reducing the barriers that hinder the full use of its productive and commercial potential, and in several cases contributing to the stability of food in the medium and long term. Likewise, almost 40% of the Bank's portfolio has been aimed at supporting access to food for the poorest population. Finally, there is an opportunity to strengthen support for food utilization.

Under the current *status-quo*, the Bank has financial and non-financial instruments to support food security in the region, both in terms of execution and preparation. In addition, in the event of a food crisis, alternatives can be explored, such as reallocating funds from existing projects and providing contingency funding, such as that which has been used to help mitigate the impacts of natural disasters and, subsequently, the COVID-19 pandemic. In addition, rapid disbursement instruments can be offered, supplemented with technical assistance.

The IDB has relevant experience to support governments in strengthening food systems through medium-term strategies to prevent future crises, incorporating a focus on closing gender gaps and paying special attention to disproportionately affected populations.

ANNEX - COUNTRY NOTES



BELIZE

María Cecilia Deza



1. Food Security Outlook

The prevalence of food insecurity in Belize was higher than the LAC average before the pandemic, and the health crisis made it worse.

Prior to the pandemic (2017-2019), moderate and severe food insecurity in Belize affected 35.7% of the population, more than the LAC average. The outbreak of the health crisis raised this proportion to 42% in the period between 2019 and 2021. However, the percentage of the population in severe food insecurity remained stable at around 6%.

The increase in food insecurity was a result of falling household incomes, which compromised access to food.

In 2020, per capita income declined by 20% (in constant dollars) and unemployment rose to 13.7% in the same year, undermining the purchasing power of the population.

According to data from telephone surveys conducted by the World Bank in 2021: (i) 50% of Belizean households reported having run out of food in the preceding month, and (ii) 21% of households went without eating for a whole day due to lack of money. In addition, according to the Caribbean COVID-19 Food Security and Livelihoods Impact Survey, between April 2020 and February 2021, the proportion of people who reported skipping meals increased from 24% to 37%; households without food reserves or with reserves for less than a week increased from 28% to 75%; and 78% of households met their food needs by spending their savings during the pandemic.

The impacts of the pandemic on food security were mitigated by a low dependence on food imports, while increased local production supported food availability during the emergency.

Agriculture was one of the few sectors that grew during the pandemic (+1.8% in 2020) and recovered more strongly in 2021 (+16%). In fact, many people who became unemployed during the near-total cessation of tourism activity became farmers. Disruptions in the global supply chain also stimulated the demand for local products. Consequently, new and existing farmers increased production, resulting in an abundance of food in 2021. In addition, the dependency ratio for rice and cereal imports is less than 30%, and the country is a net exporter of fruits.

The recent increase in international food and energy prices aggravates the food insecurity problem.

In line with the global trend, food and beverage inflation in Belize reached 9.4% in September 2022, the highest figure since the 2006-2008 food crisis; this is also unusual in Belize, a country with a long-standing fixed exchange rate that has contributed to price stability. The products with the highest increases are rice, flour and vegetable oil. Inflation reached 20% for the transport industry, affecting the production and transport costs of goods, including food. Both items represent more than 40% of the IPC basket and account for three quarters of the inflation recorded in September. More than 20% of household final consumption spending goes to food, and although data are not available, food spending is expected to be higher in the poorer segments. As a result, the poverty rate can be expected to have increased in 2021 and 2022 (the poverty rate reached 52% in 2018, up from 41% in 2009²⁷).

Other FAO food security framework indicators related to availability, utilization and stability have shown a more favorable evolution, but there is evidence that they too have been affected by the health emergency and current inflation.

Belize is above the LAC mean and median for food energy supply (availability), political stability (stability), prevalence of malnutrition (access), and access to safe water and sanitation services (utilization), and variability in per capita food consumption (stability). However, according to World Bank data based on the surveys mentioned above, during the pandemic, 33% of households in Belize were unable to eat healthy or nutritious food, indicating that in addition to access, availability of quality food was also affected.

2. Policy responses

In early 2022, the government approved economic measures to support inflation-affected sectors arising to an estimated 1.24% of GDP.

In Belize, price controls are in place for staple foods such as rice, beans, sugar, bread and flour²⁸. As a result of the increase in the international price of wheat and, consequently, in the local price of flour, bakeries were forced to increase the price of bread to the final consumer. Given the price control scheme, the government imposed a ceiling on the price of bread at 16 ounces, offsetting the loss of income with a direct subsidy to the bakeries. The subsidy rate would be 25 cents per loaf of bread, based on the sacks of flour used at the production stage. The conversion rate applied in this case is 120 loaves of bread per sack of flour. The program was designed to run

²⁸ *Supplies Control (Amendment) Regulations*. Staple foods are also taxed a 0% general sales tax (GST) rate.

²⁷ Source: *Statistical Institute of Belize*.

from June 2022 to December 2022, and it is estimated that 70% of the production will be subsidized. The fiscal cost of the subsidy amounts to USD 0.75 million and to date the subsidies for June and July have been disbursed. To mitigate the consequences of the increase in energy prices, which indirectly impacts food transportation costs, the government reduced excise taxes and import tariffs, and approved direct subsidies for transport and tourism operators for 6 months. The total estimated fiscal cost of the policy responses amounts to about USD 32 million (1.24% of GDP).

Measures were also taken to mitigate the impact of rising food and agricultural input prices for the different sectors.

These include strengthening the price control framework and increased supervision to ensure food accessibility and prevent speculation. In addition, the government launched a campaign to encourage citizens to substitute imported inputs for local products and to exploit the relationship with the tourism sector. Other measures proposed include the use of natural fertilizers and pesticides, incentives for home production, the use of irrigation systems, access to information to determine food availability and ensure local supply, among others. Farmers were also trained in the use of biofertilizers and biopesticides, and integrated pest control management. In terms of donor support, Belize signed an insurance policy against climate risk and food security with the United Nations World Food Programme (WFP) for USD 100,000 per year to provide assistance to populations at risk of food insecurity due to storms and hurricanes.

Short-term crisis management mechanisms are limited given the restricted fiscal space.

The country has a limited food security network, with only one food program, the Grocery Bag Program, a merger between the discontinued Food Pantry and Food Assistance Programs, under the Ministry of Human Development, Families and Indigenous Peoples Affairs. The program operated in Belize City and covered approximately 10% of the target population. The program was discontinued after providing temporary relief during the pandemic, along with the COVID-19 food assistance program. The FY 2022/23 budget allocated USD 3 million for food assistance.

The country faces structural challenges that impact food security.

Despite contributing almost 10% of GDP and generating 17% of employment (primary industries), the agricultural sector in Belize is volatile, it has a low productivity, and it is highly vulnerable to natural disasters and climate change events. The volatility of agricultural production has been around nine percentage points over the last 10 years and, after growing in the last two years, it fell 2.2% year-on-year in the first half of 2022. Agricultural labor productivity is low, with a value added per worker 33% below the LAC average. Finally, the agricultural sector is vulnerable to natural disasters and climate change events, such as prolonged droughts, precipitation and extreme temperatures²⁹.

29 For more details, see the *Country Development Challenges* document for Belize.

COSTA RICA

Pablo Vega and Josué Sibaja



28

1. Food Security Outlook

Food insecurity levels in Costa Rica were below the global and LAC average prior to the pandemic.

According to FAO data, between 2017 and 2019, moderate or severe food insecurity affected 14.5% of the population (724,100 people), and severe insecurity affected 2.4% of the population (119,300 people). Although these values are below the global and LAC levels of prevalence, recent years have shown an upward trend (12.2% and 1.8%, respectively, during the 2014-2016 period).

Food insecurity worsened during the pandemic as a consequence of increased unemployment and poverty.

In 2020, the 4.1% economic downturn raised the unemployment rates to historic highs (24.4% nationally and 40.0% among poor households), poverty (26.2%) and extreme

poverty (7%).³⁰ As a result, the prevalence of moderate or severe food insecurity between 2019 and 2021 increased to 15.9% (810,800 people), with severe food insecurity at 2.8% (143,500 people), although it remained below the global and LAC prevalence.³¹

International inflationary pressures and dependence on imports to supply the consumption of certain basic foodstuffs pose the main risks to food security.

Annual inflation in September was 10.4%, driven by the transport industry (18.2%) and food and non-alcoholic beverages (20.7%).

³⁰ In 2019, the unemployment rate was 11.8%, the poverty rate was 15.1% and the extreme poverty rate was 5.8%.

³¹ According to the 2020 National Household Survey (ENAH), 47.6% of the country's households experienced some degree of food insecurity during 2020.

In 2022 (September), the price of widely consumed staple foods such as potatoes, beans and flour increased by 73%, 25% and 21%, respectively. In turn, during the 2016-2018 period, the degree of import dependence for major grains was 40% for rice, 66% for beans and 97% for maize.

2. Policy responses

Policy responses to date have had a fiscal impact of 0.1% of GDP.

Costa Rica is the country in the region that has allocated the least resources to counteract rising fuel and food prices. So far, the measures have had a low fiscal impact as a result of the application of the fiscal rule, which limits the increase in public spending. These measures have mainly consisted of executive decrees focusing on regulatory changes (freezing and reducing taxes and eliminating minimum prices) and the approval of a subsidy for lower-income households.

The government approved a subsidy for people living in poverty equivalent to 0.08% of GDP.

In August, the government signed a decree creating an “inflation allowance”, which amounted to 60,000 colones (USD 90) per month for 111,000 households living in poverty, for a period of three months, which could be extended to two more. The cost of this measure was USD 50 million (0.08% of GDP).

In order to lower the price of rice, the minimum price was abolished, and the import tax was reduced.

In August, the government abolished the minimum price for rice and reduced its import tax from 35% to 4%. In order to

offset the impact of these measures on producers, the government is preparing a bill to indemnify the country's 440 rice producers with approximately USD 4,300, on a one-time basis. The estimated cost of this measure would be USD 1.9 million (0.003% of GDP).

The government fixed the fuel tax to mitigate price increases and is preparing new measures.

In July, the government passed a law freezing the fuel tax for a period of six months. The estimated cost of this measure is USD 22 million (0.03% of GDP). In addition, the government submitted a bill to cap fuel prices, which had to be passed by Congress, at an approximate cost (taking into account September prices) of USD 24 million (0.04% of GDP).

EL SALVADOR

Juan José Barrios and Alejandro Gasteazoro



1. Food Security Outlook

Food security indicators improved between 2017 and 2019, but successive shocks in recent years, from the onset of the pandemic to the food price hike, have reversed this trend.

The food security situation had a positive trend before the COVID-19 pandemic, according to different food security indicators (quality and access). For example, undernourishment showed some improvement. However, progress has been slowed by successive exogenous shocks, especially the recent escalation of inflation (mainly in food). Data as of September mostly show a deterioration in the food security situation by 2022.

The increase in household income contributed to the improvement of the food security situation during the pre-pandemic years.

From 2016 to 2019, the percentage of food insecure households decreased from 19.2% to 16%³². This is largely related to the fact that the percentage of households with incomes below the cost of the basic food basket (equivalent to the definition of extreme poverty) was reduced to almost half, going from 7.6% to 4.5% of the total (a reduction of 3.1 percentage points), according to official estimates³³, reflecting an improved economic capacity. Among other things, the above could be the result of a significant raise in the minimum wage in 2017, which increased to USD 200 in the agricultural sector, between 30% (seasonal agricultural industries) and 100% (cotton and sugar harvesting). However, the scopes of such increase are restricted due to the significant number of informally employed (around 70%).

32 Multipurpose Household Surveys El Salvador, DIGESTYC (various years).

33 Multipurpose Household Surveys El Salvador, DIGESTYC (various years).

Other food security indicators (such as undernourishment) also improved prior to the pandemic.

According to data reported by FAO³⁴, the prevalence of undernourishment decreased from 10.6% on average during 2014-2016 to 8.3% during 2017-2019. On the other hand, the percentage of children under five years of age with stunting also decreased from 12.8% in 2016 to 11.6% in 2019. Finally, the dietary energy supply (kilocalorie per person per day) increased by 3.8% in 2017-2019 compared to 2014-2016.

There are indications of a deterioration in food security mainly linked to the overall increase in food prices during 2021-2022.

As of August 2022, food prices have seen a significant year-on-year increase (14.5%), above headline inflation (7.7%)³⁵. In contrast, in the pre-pandemic years El Salvador recorded low inflation levels (largely related to the official dollarization of the economy), so that (at least) from 2012 to 2021 food price inflation had never exceeded 6%, and the average in the 2012-2019 period was 1.1%. On the other hand, although El Salvador has one of the lowest year-on-year inflation rates in Central America as of July (it is the second lowest of seven countries), food inflation stands out for being relatively high (fourth out of seven countries)³⁶.

Global inflation affects the prices of several food items imported by El Salvador.

During the 2015-2019 period, agriculture was not very significant as compared to other domestic industries in El Salvador (5.4%), and in contrast with the average of the other CAPARD countries (7.8%). This explains the deficit in the trade balance in food³⁷, making it one of the three CAPARD countries in this situation. In more detail, while for the 2015-2019 period, food exports as a percentage of total exports for the other CAPARD countries represented around 40%, for El Salvador such exports represented 18.6%. On the other hand, food imports as a percentage of total imports in the 2015-2019 period represented about 14.4% for the other CAPARD countries, while for El Salvador it was 17.6%. The Superintendence of Competition (2015) studied specific products of the Basic Food Basket, and identified that 52% of the volume of such products are imported: 93% for vegetables, 62% for cereals, 55% for fruits and 46% for beef. According to the FAO indicator of dependence on cereal imports³⁸, El Salvador (51.9%) is located around the regional average (55.6%).

The number of people in food crisis could have increased by more than 66 thousand by May 2022 (from 13.3% of the population to 14.3%).

The above forecasts were initially made in September 2021 based on the CPI³⁹. They therefore do not include the current magnitude of the food price hike, and rather capture the vulnerability that ensues from the seasonal drought that characterizes. The region's food insecurity, which affects the agricultural sector (see definition of "dry corridor" below), is likely to worsen with the

34 FAO: <https://www.fao.org/faostat/es/#data>

35 Central Reserve Bank of El Salvador: <https://www.bcr.gob.sv/bcrsite/?cdr=123&lang=es>

36 SECMCA data: <https://www.secmca.org/params/?cid=0&scid=0&data=IPC&parent=Precios&son=%C3%8Dndice%20de%20precios%20al%20consumidor&list>

37 WITS-Comtrade.

38 It assesses how much of the food grain availability comes from imports and is calculated as: (imports - exports) / (domestic production + imports - exports).

39 <https://www.ipcinfo.org/ipc-country-analysis/details-map/en/c/1155106/>

current rise in food prices. Thus, due to the current rise in food prices, the increase in the number of food insecure people is likely to be greater. A more recent analysis (July 7, 2022) conducted by the same agency, which focused on a border area between El Salvador, Guatemala and Honduras, predicted that the number of people in a situation of food crisis or emergency would double (from 15% of the population to 29%)⁴⁰.

Droughts are another relevant factor affecting food insecurity.

According to FAO, the “dry corridor” is an area that includes parts of the territories of El Salvador, Guatemala, Honduras, Nicaragua and Costa Rica, with approximately 10 million people, many of whom work in agriculture. It is a highly vulnerable area, as it is characterized by long periods of drought alternating with periods of heavy rainfall. This situation generates a significant loss of crops due to extreme weather conditions, aggravated by climate change. For example, it is estimated that the “El Niño” climatic phenomenon, which generates more drought (but could also exacerbate the occurrence of rains in a shorter period of time), caused losses of up to 60% of the production of corn in 2015⁴¹. As a result, El Salvador is ranked 28th out of 180 countries in the Global Climate Risk Index 2021⁴². This is aggravated by the fact that El Salvador is one of the countries in the region with the lowest percentage of arable land equipped for irrigation (6.3%), compared to the average of 24% in the region⁴³. On the other hand, according to the 4th Agricultural Census

2008, around 82% of agricultural producers carry out subsistence farming activities, which employ mainly family members and allocate production to self-consumption. This makes these people more vulnerable in the event of crop losses.

Additional vulnerabilities might ensue from a potential economic slowdown in the United States.

The American economy has been showing signs of a slowdown since early 2022 that could be exacerbated by recent increases in benchmark interest rates by the Federal Reserve. This would affect El Salvador, given its strong relationship with the United States through trade flows and remittances.

2. Policy responses

Since March, measures have been implemented for an estimated cost of USD 513.8 million (1.6% of GDP).

The first measures were approved on March 13 and can be divided between measures with a direct impact on food security, and others with an indirect effect. The measures that directly contribute to the food security objective include the supply of inputs and support to the agricultural sector as well as trade measures. Among the measures considered by the authorities as indirect are the freezing of fuel and gas prices.

The cost of direct measures is estimated at USD 63.8 million (0.2% of GDP).

There are two types of direct measures: first, budgetary reinforcement of programs established by previous administrations related to the delivery of seed packages, in order to increase the production of staple grains, and, second, measures to increase the

40 <https://www.ipcinfo.org/ipc-country-analysis/details-map/en/c/1155391/?iso3=SLV>

41 FAO: <https://www.fao.org/americas/prioridades/corredor-seco/es/>

42 Germanwatch: https://www.germanwatch.org/sites/default/files/Global%20Climate%20Risk%20Index%202021_2.pdf

43 FAOSTAT.

imports of agricultural products through tariff reductions and permit requirements. The measures are described in more detail below.

- A.** The amount of the agricultural package program was increased through three budgetary reinforcements, to increase staple grain production (purchase and delivery of improved bean and maize seeds, fertilizers, among others). A total amount of USD 45.8 million has been approved for the reinforcement of this program (March 22, May 11 and June 14), which are additional to the approved USD 19.3 million budget. In contrast, in 2019 the budget for that program was USD 25.6 million;
- B.** the Import Tariff Duty and some import requirements were removed for a variety of products until March 2023; from March, for 20 products of the basic food basket (sugar, beans, maize, corn flour and wheat, among others) and from June for beef, which is estimated to represent a fiscal cost of USD 18 million. However, given that a large part of the above products are imported from Central American Common Market member countries or from other countries with free trade agreements, the reduction of tariffs does not imply a significant economic incentive. Rather, this measure has the potential to encourage imports from other regions, and favors the existence of a greater supply of products by reducing permit requirements.

Measures that indirectly contribute to the food security objective are the fuel and gas subsidy (USD 450 million, 1.4% of GDP).

The authorities argue that the fuel and gas subsidy contributes to the food security objective, as it implies a price freeze, thus, helping to reduce the cost of food transportation and preparation. According to

official data, only 24.5% of urban households and 12.9% of rural households own at least one vehicle. Both subsidies will be in effect until December 31, 2022, after the last fuel subsidy extension was approved by Congress in October 2022.

Prior to the inflationary shock, a 20% increase in the minimum wage was approved, as well as a 12-month subsidy to support micro and small businesses.

The program allocated USD 60.5 million to support 14,700 micro and small businesses, since in these cases the subsidy absorbed the increase in the minimum wage. Although this measure was not taken to combat inflation, it favored a segment of MSEs that could have been affected by the price increases.

GUATEMALA

Jordi Prat and Jorge Coj Sam



1. Food Security Outlook

Guatemala's high food insecurity has had a strong impact on social indicators.

In the case of Guatemala, the country has one of the highest prevalences of chronic malnutrition in the world, where the percentage of children under five years of age with a delay in growth for their age reaches 46%, similar to countries such as Burundi, Timor-Leste, Yemen and the Democratic Republic of Congo⁴⁴. This indicator is higher in indigenous groups (58%), in children with uneducated mothers (67%) and in children with no education (67%) and in families in the lowest wealth quintile (65%)⁴⁵. The prevalence of chronic

malnutrition stands out in the departments of Totonicapán (70%), Quiché (69%), Huehuetenango (68%) and Sololá (66%). In addition, periods of seasonal hunger lead to a higher incidence of acute malnutrition, which increases the likelihood of child mortality⁴⁶. Although in 2015 the country reported a 0.8% national prevalence of acute malnutrition, lower than the most recent 1.3% estimate for the LAC region⁴⁷, its prevalence is higher in the departments of Izabal (1.2%), Retalhuleu and Suchitepéquez (1.1%)⁴⁸. The levels of chronic and acute malnutrition explain the high rates of infant mortality (24 per 1,000 live births) higher than the LAC average (17)⁴⁹.

44 World Bank, "World Development Indicators | DataBank".

45 Ministry of Public Health and Social Assistance and National Institute of Statistics, "VI National Survey of Maternal and Child Health 2014-2015: Final Report".

46 Secretariat of Food and Nutritional Security, National Food and Nutritional Security Information System [*Sistema de Información Nacional de Seguridad Alimentaria y Nutricional*].

47 FAO, FAOSTAT.

48 Ministry of Public Health and Social Assistance and National Institute of Statistics.

49 World Bank.

Seasonal food insecurity in the country runs from April to September, although it sometimes lasts longer due to the country's climate vulnerability.

During this period, vulnerable households experience a predictable and recurrent deterioration of their food situation, caused by the period between planting and harvesting, the low demand for labor and the recurrence of natural phenomena. In addition, the country ranked 16th out of 180 countries, as one of the countries most affected by the effects of climate change in the period between 2000 and 2019⁵⁰. Despite the fact that it represents 9% of GDP, the agricultural sector employs 30% of the working population, much of the production being small-scale and low-productivity. This makes the sector highly sensitive to the effects of climate change and threatens the livelihoods of families, therefore constituting a key element in the evolution of food insecurity.⁵¹

Prior to the pandemic, levels of food insecurity experienced an improvement.

This is clear in the evolution of the Global Hunger Index between 2000 and 2019, according to which it moved from severe to moderate hunger⁵². In addition, according to the IPC classification, in 2019 the country recorded 18.4% of its population at risk of food insecurity. The highest levels of food insecurity were concentrated in the departments of Chiquimula (49%), Alta Verapaz (38%), Quiché (30%), Jalapa (27%), Baja Verapaz (23%) and Santa Rosa (20%).

The pandemic caused an increase in the number of people at risk of food insecurity, with territorial inequalities.

Between the months of August and October 2020, the Secretariat of Food and Nutritional Security (SESAN) estimated 3.7 million people (22% of the population) at risk of insecurity, an increase of 700 thousand people compared to 2019. In addition to this, 16 departments registered rates higher than 20% of their population at risk of food insecurity. However, in the department of Guatemala, only 10% of the households were in the stressed phase of food insecurity. This increase was caused by increased difficulties in accessing markets, loss of income and higher food prices for various reasons, as well as the difficulties experienced by production chains.

In addition to the impact of the pandemic, the country was also hit by two tropical storms in 2020 that affected areas with high levels of food insecurity.

Tropical storms Eta and Iota impacted mainly the regions of Alta Verapaz, Quiché, Izabal and Huehuetenango⁵³. These storms left more than 1.8 million people affected, 311,000 evacuated, 100 people missing and 61 dead⁵⁴. At the same time, damages were quantified at USD 779 million, of which USD 157 million in the agricultural sector. As a result, and despite the country's good economic performance in 2021, the number of people at risk of food insecurity remained practically unchanged, going from 22% of the population in 2020 to 20% in 2021, reflecting climate vulnerability in food security.

50 Eckstein, Künzel, and Schafer, "Global Climate Risk Index 2021".

51 Garrido and Ochoa, "Agriculture and Food Security".

52 Global Hunger Index, "Global Hunger Index".

53 ECLAC, "Evaluación de los efectos e impactos de las depresiones tropicales Eta y Iota en Guatemala".

54 CONRED, "Respuesta ETA-IOTA".

Price increases during 2022 exacerbated the food insecurity situation.

The Russia-Ukraine conflict has had a strong effect on the international price of raw materials, including food. Although the country has a limited trade relationship with the countries in conflict, the main transmission channel is the increase in the international price of oil derivatives and cereals, of which the country is a net importer. In addition, the country has one of the highest percentages of people whose income does not cover the cost of the basic food basket. It is estimated that 49% of households are not able to cover the cost of the basic food basket (46 in 2021). The higher costs of the food basket are associated with the consumption of cereals, especially those derived from maize and wheat, which have seen average price increases between 10 and 14%. Thus, a significant percentage of households state that the cost of living has increased significantly (72%), and, therefore, 39% of households consider not being able to cover their basic needs to be their main challenge at the moment⁵⁵. As a result, SESAN estimates that 4.6 million people (26% of the population) would be in a situation of food insecurity crisis or emergency at the end of the seasonal hunger period, 40% higher than the pre-pandemic level.

2. Policy responses

Given the context of malnutrition and food insecurity in the country, the government has considered it a priority from the beginning.

In this sense, it introduced the “Great National Crusade for Nutrition” [Gran

Cruzada Nacional por la Nutrición] when it took office. The plan is based on five lines of action: Health and Nutrition; Availability and Access to Healthy Food; Social Protection; Safe Water, Sanitation and Hygiene; and Communication for Social and Behavioral Change. In addition, SESAN has an Annual Operational Plan for Food and Nutritional Security (POASAN) which establishes various interventions in communities classified as highly vulnerable to food insecurity and has a budget of USD 1,183 million for 110 activities by 2022.

The government prepared its 2022 National Emergency Program with actions aimed at guaranteeing food security and reducing the impact of the Russia-Ukraine conflict in the country.

It consists of 30 actions in the areas of fiscal policy, social protection, food security, energy and fuel, monetary policy and international cooperation. The main components include: a fuel⁵⁶ and propane gas⁵⁷, subsidy program, the extension of the social tariff to electricity⁵⁸. It also considers the expansion of several programs such as:

56 The program was created by means of decree 15-2021 and has been extended three times by virtue of decrees 17-2022, 33-2022 and 45-2022, which provide subsidies equivalent to approximately 5% of the value of propane gas, thus benefiting the country's energy sector.

57 Approved by decree 20-2022 and has been extended twice with decrees 28-2022 and 42-2022, in each extension the type of fuel and subsidy amounts have changed. At the beginning it only covered regular and diesel fuels for USD 0.64 per gallon, later the coverage was extended to premium fuel and the subsidy for diesel fuel was also increased to USD 0.91 per gallon, finally in the third extension the coverage was reduced to diesel fuel only.

58 This measure was approved by Decree 25-2022 and extended by Decree 43-2022. The first approval broadened the benefits of the social tariff, reducing by 4% the cost per kWh, to users with a monthly consumption of 89 kWh to 100 kWh. In the extension, the number of beneficiaries was increased to include households consuming between 101 and 125 kWh.

55 CID Gallup, “Estudio de Opinión Pública Guatemala #95”.

i) Cash transfers, prioritizing families with acutely malnourished children, it is expected to incorporate 15,000 families; ii) Expansion of the Food Endowment Program of the Social Development Fund (FODES) to deliver 300 thousand bags of food for 15 days; iii) Extension of the Fortified Complementary Food program “Nutriniños” for the purchase of 3.9 million units of fortified food; iv) Implementation of the National Reserve of staple grains to serve 400 thousand families; v) Expansion of the coverage of the Food Assistance program; vi) Implementation of the Agricultural Development Stipends Program; vii) Authorization for the opening of new quotas for the import of yellow corn (100 thousand MT), white corn (50 thousand MT), rice (65 thousand MT) and black beans (5 thousand MT).

A 0.5% of the GDP was allocated to the implementation of the National Emergency Program 2022.

Of these resources, 61% were allocated to the fuel subsidy program (USD 293 million), 6% to the expansion of the social tariff (USD 29 million), 9% to the propane gas subsidy (USD 28 million) and 3% to the agricultural development stipend program (USD 12 million). As of July, the programs have achieved, on average, an execution rate of 62%, with marked differences depending on the type of program. While the extension of the social tariff reached 100% execution, the fuel and propane gas subsidies had 97% and 98% execution, respectively. The government has financed this program using cash balances from 2021.

HAITI

Laura Giles Alvarez and Nerlyne Jeanbaptiste



1. Food Security Outlook

Haiti is one of the most food insecure countries in the world.

Haiti ranks 109th out of 116 countries in the Global Hunger Index (2021), and is ranked among the ten least food secure countries in the world, according to the 2022 edition of The State of Food Security and Nutrition in the World (SOFI) report. In the second half of 2022, 15 of the country's 32 regions were classified by the Integrated Food Security Phase Classification (IPC) as in a state of emergency, and the rest were classified as in crisis⁵⁹.

The state of food insecurity in Haiti has been worsening in recent years, as a consequence of deteriorating security and difficult access to fuel and land access to the capital,

⁵⁹ The regions are mostly located in the Northwest, Northeast, Southeast, South, Grande Anse and around the metropolitan area. More information at: <https://www.ipcinfo.org/ipc-country-analysis/details-map/en/c/1155963/?iso3=HTI>

disasters related to extreme natural events, and the global effects of the pandemic and the war in Ukraine. The proportion of people facing acute food insecurity has increased substantially, from one in three people in 2018 to nearly one in two in 2022.

Food availability has declined in recent years due to several factors at the national and international levels.

The food availability dimension assesses the supply of food, whether through domestic production, imports or international aid:

Domestic production: Agriculture is one of the most important economic sectors in Haiti, generating 18% of GDP and around 50% of employment. However, due to several factors, agricultural productivity is low by international standards.

Firstly, Haiti shows gaps in the availability of food production and distribution

infrastructure, particularly in roads, irrigation systems, and production centers. For example, 68.2% of the country and 42.1% of the population are affected by gaps in access to roads, and 44.3% of the country and 21.1% of the population are affected by deficiencies in access to agricultural infrastructure (including irrigation systems and production facilities).

Secondly, agricultural productivity is constrained by insufficient public funding, the pandemic and security problems, linked to increasing violence in the country and frequent protests. Despite agriculture being one of the country's main economic sectors, only 2.5% of the FY2022 state budget (0.2% of GDP) was allocated to the sector, far below donor funding. The pandemic, social unrest, and increased insecurity have also hampered domestic production, with reduced access to production inputs and financing by farmers, as well as limited access to technical assistance programs and distribution due to travel and mobility restrictions.

Thirdly, poor mechanization of farming practices and lack of economies of scale limit the sector's potential yields. Finally, disasters related to extreme natural phenomena, which recurrently affect the country—droughts, floods, storms and earthquakes—hinder production capacity and crop yields (This point is discussed in more detail in the section on “food stability”).

Food imports: Haiti relies heavily on imported food products, which accounted for an average of 19.6% of imported goods between 2016 and 2020. During the pandemic, disruptions in global supply chains led to unprecedented strains in food supply and contributed to higher food prices. Geopolitical tensions stemming from the war in Ukraine have further hindered global food supply, pushing prices higher and reducing supply, which is having devastating effects on food-importing countries such as Haiti.

Development aid: Haiti relies heavily on international cooperation funds, which reached an estimated 2.7% of GDP in FY2022, almost half of the government's revenue collection for that year. However, this type of funding has been declining since the 2010 earthquake, falling from 5.7% of GDP on average in FY2011 and FY2012 to 1.8% of GDP on average in FY2021 and FY2022. Donor spending in the agriculture sector accounted for an average of 9.4% of international aid (0.5% of GDP), between 2010 and 2020. This is more than double the amount stipulated in government budgets in FY2022 for the sector.

Access to food is hampered by high levels of poverty and rising prices, as well as reduced mobility.

Access depends on the ability of households to obtain and purchase food. Geographical isolation, poor transport infrastructure, insecurity and vulnerability to disasters related to extreme natural events (which are discussed in more detail in other sections), hinder people's ability to access food. For example, 14.9% of the population is affected by poor access to markets in food insecure areas.

Worsening safety conditions also makes it difficult to access food products, both domestic and imported. At the national level, 33% and 66% of the population identified armed violence and kidnappings as the main reasons, respectively, that impeded access to markets in 2019. Since then, security has deteriorated further. International food prices have also risen sharply as a result of disruptions in supply chains during the pandemic and the effects of the war in Ukraine.

This has come hand in hand with a depreciation of the national currency. The annual inflation rate of imported products reached 41.7% in June 2022, up from 14.2% in June 2021, and the annual inflation

rate for food products was 30.7% in June 2022, up from 15% in June 2021. High levels of poverty, rising prices and insufficient stable sources of income have reduced the purchasing power of households in Haiti. The poverty rate exceeds 58% and household purchasing power has been eroded in recent years by high inflation, which has remained in double digits since 2015.

Food utilization is affected by limited access to water and sanitation infrastructure and a lack of dietary diversity.

Haiti has gaps in access to adequate water and sanitation facilities, especially in rural areas. Recent estimates suggest that 12.3% of the population is affected by gaps in access to potable water. In addition, 20.2% of the population lacks access to sanitation facilities⁶⁰. Haiti also has high levels of stunting and health issues linked to a diet lacking sufficient dietary diversity. According to the 2016/17 demographic and health survey, 21.9% of children under 5 years of age are stunted, 49% of children under 5 and 66.3% of women aged 15-49 suffer from anaemia, and only 25.4% of children aged 6-23 months received a minimally diversified diet⁶¹.

Food stability is compromised by supply chain disruptions, reduced mobility due to insecurity and natural disasters.

⁶⁰ Estimates can be found in: <https://publications.iadb.org/en/maps-gaps-geospatial-approach-estimating-development-gaps-haiti>

⁶¹ Children fed food from at least four groups containing: a. commercial infant formulas, non-breast milk, cheese, yogurt or other dairy products; b. cereal, root or tuber-based formulas and fortified cereal-based formulas for infants; c. fruits and vegetables rich in vitamin A; d. other fruits and vegetables; e. eggs; f. meat, poultry, fish and seafood (and offal); g. legumes and nuts, fish and seafood; g. legumes and nuts. <https://www.dhsprogram.com/pubs/pdf/FR326/FR326.pdf>

Food stability refers to the ability to maintain an adequate food supply in the face of unexpected shocks. In addition to international supply chain disruptions in recent years, domestic violence and roadblocks continue to hamper domestic supply chains and have also hindered the delivery of imports and humanitarian aid. The latter point was highlighted during the 2021 earthquake response, when the distribution of humanitarian aid was hindered by the roadblocks set up by armed gangs in the suburbs of Port-au-Prince, which prevented the distribution of aid southward for several weeks.

Disasters related to natural phenomena also contribute greatly to food insecurity, as they disrupt both the availability and stability of food. According to the Global Climate Risk Index 2021, Haiti was among the top three countries most affected by the impacts of extreme weather events worldwide between 2000 and 2019. During that time, Haiti suffered a negative impact of 0.8% of GDP per year. Floods, storms, droughts and earthquakes are recurrent in Haiti, all of which negatively affect crop production and food distribution. For example, the agricultural sector lost up to 70% of its production in certain regions of the country during the 2015- 2016 drought⁶².

2. Policy responses

The government has recently implemented measures to combat food insecurity and inflation in addition to existing programs.

Prior to the global food supply challenges that emerged in recent months, Haiti already had a serious food insecurity problem. The country therefore, had several food security programs in place, funded by both

⁶² <https://reliefweb.int/report/haiti/haiti-agriculture-country-hit-worst-drought-35-years>

the government and donors. In response to rising inflation and the effects of geopolitical tensions from the war in Ukraine, the government announced a series of additional measures, which are described in detail in the following paragraphs.

The IDB and the World Bank have also supported these measures with a number of projects, both from the agricultural and the social and education sectors to improve the food security situation in the country. The estimated fiscal cost as of mid-September 2022 is USD 170 million (0.8% of GDP)⁶³. From 2022 several donors also approved additional food security projects. For example, the European Union and Canada approved EUR 70 million (approximately 0.3% of GDP) and USD 160 million (0.8% of GDP) respectively for food security in January 2022⁶⁴.

I. Fiscal measures: Cash transfer programs for poor and vulnerable people were increased to combat inflation and food insecurity (around USD 28 million or 0.1% of GDP budgeted for FY 2022). In the FY2023 budget, the government also proposes a program to reduce non-essential expenditures to open fiscal space for social spending. In addition, the government signed a new social protection program with the IDB, which will allocate around USD 40 million (0.2% of GDP) to transfer programs, with the objective of improving food security.

II. Wage measures: The government increased the minimum wage in

February 2022, from USD 2.40-USD 5.29 an hour to USD 3.37-USD 7.40 an hour, depending on the sector. This increase ranged between 37% and 40%, depending on the sector.

III. Agricultural sector measures: Financing for agricultural campaigns (as part of the USD 28 million package in the FY2022 budget), the World Bank also approved a USD 102 million program in March (0.5% of GDP) to support the agricultural sector⁶⁵.

⁶³ These estimates include the cost of programs highlighted in the FY22 government budget (budgeted for May-September 2022) and approved IDB and World Bank programs as of September 16, 2022. They do not include the cost of programs highlighted in the FY23 budget or the cost of programs from other donors or the minimum wage increase.

⁶⁴ These are some examples of major grants recorded in the first half of 2022.

⁶⁵ These measures only include programs approved as of the 2022 global price increase.

HONDURAS

Jordi Prat, Ana Andino and Eduardo Camilo Pacheco



1. Food Security Outlook

Food insecurity affects a significant percentage of the Honduran population.

This is a reflection of the high levels of poverty, as despite the actions implemented between 2014 and 2019, at least 40% of the Honduran population lived in poverty prior to the pandemic.⁶⁶ It is also associated with the country's high vulnerability to extreme weather events, as Honduras was affected, between 1998 and 2019, by at least 65 weather events of moderate and extreme impact, including several droughts between 2014 and 2019.

⁶⁶ According to data from the National Institute of Statistics (INE), using the above methodology, overall poverty decreased by 3.6 p.p by going from 43.7% in 2014 to 40.1% in 2019, and extreme poverty decreased by 1.1 p.p from 20.6% to 19.5% over the same period.

Prior to the COVID-19 pandemic, close to 962,000 people in 13 departments were in a situation of critical or emergency food insecurity in Honduras.

According to the IPC analysis⁶⁷ of acute food insecurity published by the Technical Unit for Food and Nutritional Security (UTSAN, for its Spanish acronym) (2019)⁶⁸, 18% of the population in 13 departments (out of 18) of the country were in a situation of severe food insecurity. The departments classified in Phase 3 or worse⁶⁹ as of February 2020 were El Paraíso, Francisco Morazán (with the exception of Distrito Central), Intibucá,

⁶⁷ Integrated Food Security Phase Classification (IPC).

⁶⁸ UTSAN (2019): https://www.ipcinfo.org/fileadmin/user_upload/ipcinfo/docs/IPC_Honduras_AcuteFoodSec_2019Nov2020June_Spanish.pdf

⁶⁹ People in crisis (phase 3) and people in emergency (phase 4).

La Paz, Copán, Choluteca and Valle. The population that was worst off prior to the pandemic were subsistence farmers who had production losses in staple grains amounting to more than 50% of the crop planned for the second half of 2019.

The causes of pre-pandemic food insecurity were mainly associated with agricultural activities.

The factors causing food insecurity in 2019 were: i) a prolonged drought on that specific year, which caused losses in bean and maize harvests and reduced household food availability; ii) the reduction in international coffee prices, which affected the income of coffee producers and people working in this industry; and iii) the rise in staple grain prices, which affected household purchasing capacity.

The COVID-19 pandemic exacerbated food insecurity.

Measures to mitigate the health emergency, such as restrictions on the movement of people and goods, limited access to workplaces, markets and cross-border trade. This led to a drop in household incomes and loss of employment. In addition, food prices increased due to the rising costs of international supply chains, affecting the purchasing power of Honduran households.

Hurricanes Eta and Iota affected the livelihoods of the rural population, exacerbating food insecurity during the pandemic.

In November 2020, the country's northern Atlantic region was affected by hurricanes Eta and Iota, which caused losses in agriculture and livestock, as well as in infrastructure used for production. This led to an increase in food prices. The storms caused

damages equivalent to 8% of GDP⁷⁰ (ECLAC, 2021⁷¹) and poverty at household level increased 14 percentage points between 2019 and 2020.⁷²

Food insecurity increased during the pandemic.

The Technical Unit for Food and Nutritional Security (UTSAN) (2022)⁷³ estimates that, between June and August 2022, 3.7 million people were acutely food insecure and 2.6 million people were food insecure in crisis or emergency conditions in Honduras. Severe food insecurity is affecting 28% of the total population (2.6 million) and is increasing compared to the estimates for the period between December 2021 and February 2022 (2.2 million people affected). According to the CIF analysis, the most affected departments are Gracias a Dios (43%), Lempira (32%) and La Paz (30%), which produce staple subsistence grains and coffee.

The increase in food insecurity in the country is due to multiple factors.

Firstly, the economy has not yet fully recovered from the effects of the pandemic and hurricanes Eta and Iota. Secondly, losses in the production of staple grains (mainly beans and maize) have reached up to 50% of

70 ECLAC's DALA methodology was applied to quantify the damage, losses and additional costs caused by storms Eta and Iota, which totaled approximately USD 1.8 billion.

71 Economic Commission for Latin America and the Caribbean (ECLAC) (2021). Evaluación de los efectos e impactos de la tormenta tropical Eta y el huracán Iota en Honduras. Technical Note No IDB- TN-2168. Available at: https://repositorio.cepal.org/bitstream/handle/11362/46853/S2100044_es.pdf?sequence=3&isAllowed=y

72 National Statistics Institute (INE).

73 UTSAN (2022): https://www.ipcinfo.org/fileadmin/user_upload/ipcinfo/docs/IPC_Honduras_Acute_Food_Insec_2021Dec2022Aug_Report_Spanish.pdf

the total production. Finally, the rise in food prices, due to production losses, depletion of reserves in the market, increase in production costs (rise in fertilizer prices) and the crisis in international supply chains, limit the purchasing power of households.

The rise in international food and input prices affects the products that the country imports, such as staple grains and fertilizers, impacting food availability.

Maize and wheat imports represent 16% of total food imports, according to SIECA data. Fertilizer consumption in 2018 was 184.2 kilograms per hectare of arable land (LAC: 171.2 kg), according to World Bank data.⁷⁴ The degree of dependence on imports of staple grains in relation to their consumption in the last three years is 80% for rice and maize, and 100% for wheat, according to ECLAC data.⁷⁵

The aforementioned factors have put upward pressure on food inflation since mid-2021.

Food inflation (year-on-year) has grown steadily since August 2021 (0.5%), reaching 17.2% in September 2022⁷⁶. Food inflation is 7.2 percentage points higher than headline inflation.

Access to food has become more difficult since the early 2020s.

⁷⁴ World Bank data: <https://data.worldbank.org/indicator/AG.CON.FERT.ZS>

⁷⁵ CEPALSTAT: <https://statistics.cepal.org/portal/cepalstat/index.html>

⁷⁶ Honduran Central Bank: <https://www.bch.hn/estadisticas-y-publicaciones-economicas/publicaciones-de-precios/indice-de-precios-al-consumidor>

People with lower incomes allocate a higher percentage of their expenditure to food. In a country with a high incidence of poverty and a situation which deteriorated during the pandemic, as is the case of Honduras, the increase in food prices makes it even more difficult to acquire food. Data from CID Gallup (2022)⁷⁷ reflect that the percentage of the population which believes that the cost of living has risen dramatically has increased, going from 52% in September 2021 to 58% in September 2022.

In fact, according to CID Gallup, in September 2022 the second concern in Honduran households was the cost of covering basic needs (20%). The cost of living affects food security in families, since for 64% of Hondurans there has been some occasion during the last year where they did not have money to buy food.

Food insecurity is reflected in malnutrition data.

According to data from the National Demographic and Health Survey/Multiple Indicator Cluster Survey (ENDESA/ MICS)⁷⁸, chronic malnutrition in 2019 affected 19% of children under five years of age, this situation being more critical in the dry corridor. Of this proportion, 4% suffered severe chronic malnutrition.

2. Policy responses

The government of Honduras declared a State of Food Emergency in May 2022.

⁷⁷ CID Gallup (2022). Honduras Public Opinion Study #113. September, 2022.

⁷⁸ ENDESA / MICS 2019: <https://www.ine.gob.hn/V3/imag-doc/2021/10/Informe-ENDESA-MICS-2019.pdf>

The state of emergency was declared for the entire national territory and covered the rest of 2022. Executive Decree PCM-10-2022 ordered the economic and financial reactivation of the National Agricultural Development Bank (BANADESA), the entity in charge of dealing with the emergency, and allowed it to urgently hire agronomists, administrative and financial personnel to respond to the crisis in a timely manner and at the best possible cost.

A package of measures to combat food insecurity was announced, with an estimated fiscal impact of approximately 1.1% of GDP.

Through the solidarity network and other government entities, the Ministry of Development and Inclusion (SEDESOL) would allocate a portfolio of programs amounting to approximately L 8 billion (USD 326.5 million), which were broken down between: i) school snacks (USD 53 million), ii) implementation of various strategies such as rural retirement funds and new business ventures in areas of extreme poverty (USD 200 million), iii) Other programs to support households living in extreme poverty due to factors such as climate change, unemployment and reduced purchasing power due to inflation (USD 16.3 million); iv) Productive Technology Bond (BTP)⁷⁹, as access to agricultural financing is limited (USD 28.6 million), and v) to subsidize the cost of fuel to BANADESA to reduce production costs (USD 40.8 million).

⁷⁹ The packages contain improved seed, fertilizers and inputs to combat pests and diseases for the first harvest, mainly for the production of staple grains (maize, beans and rice), and are scheduled to support 120,000 small producers in the first stage of delivery.

BANADESA announced a new line of credit for the cattle rearing sector.

BANADESA announced credits of up to USD 81,600 with a 7% interest rate for the swine, sheep and bovine cattle breeding sector. To date, BANADESA has placed approximately USD 13 million in loans.

The government has also taken other anti-inflationary measures in addition to the package of programs designed to combat food insecurity for 0.73% of GDP.

Among the most noteworthy: i) the extension of the subsidy to maritime freight during the first six months of 2022 to contain high costs (cost of 0.07% of GDP); ii) reduction of the fuel tax (0.38% of GDP); iii) 50% subsidy to the increase of diesel prices⁸⁰; iv) subsidy to the 11% increase of the electricity tariff for the third quarter of the year (0.26% of GDP); v) freezing of the current price of gasoline in June and July (0.02% of GDP); and vi) fixing the price of certain foods such as white corn, beans and processed milk, and the pricing of other food items in the basic food basket is currently under consideration.

⁸⁰ The subsidy became effective in March and would remain in effect until the global upward trend reasonably ceases. As of June 2022, the government had already subsidized USD18.2 million (0.06% of GDP).

MEXICO

Agustín Filippo and Miguel Ángel Jiménez



1. Food Security Outlook

Mexico has been gradually recovering from the shock of the pandemic but has exposed households to food insecurity.

Mexico's GDP recorded a 4.8% growth in 2021, following an 8.1% drop in 2020. However, the economy has not yet fully recovered (it is at a level similar to that prevailing in 2017), and significant challenges remain in a number of areas. Among them is the fact that the population in working poverty (those whose labor income is insufficient to afford the basic food basket) increased considerably as a result of the pandemic shock, which, together with the current high levels of inflation, continued supply disruptions, and energy market pressures, has exposed more households to some degree of food insecurity.

Prior to the pandemic, Mexico had made progress in reducing working poverty.

From the last quarter of 2014 to the first quarter of 2020, the country recorded a 19.5% reduction in the percentage of the population with labor income below the cost of the food basket, going from 45.5% to 36.6% of the population. However, the pandemic halted this progress and, after the worst of the crisis, the percentage of the population in working poverty increased significantly to 46% (third quarter of 2020). Although the recovery of economic activity and the post-pandemic labor market have contributed to more people earning an income, the percentage of the population in working poverty is still above its pre-crisis levels (it stood at 38.3% in the second quarter of 2022), making a greater number of people vulnerable to price pressures.

Inflation in Mexico has reached levels not seen since 2000, with significant pressures on food prices.

Inflation in Mexico stood at 8.70% in September 2022, its highest level since December 2000, when it reached 8.96%, 19 consecutive months outside of the Bank of Mexico's target range (3% +/- one percentage point). Inflationary pressures have been particularly strong on foodstuffs and, in August, it was these products that registered the highest increases: 13.38% in food, beverages and tobacco, 14.18% in fruits and vegetables, and 15.79% in livestock products.

Mexico has seen a slight decline in most of its nutrition and food security indicators.

According to FAO (2022), the prevalence of food insecurity (moderate or severe) in Mexico increased from 25.6% between 2014 and 2016 to 26.1% between 2019 and 2021. Meanwhile, the prevalence of severe food insecurity increased from 3.6% to 3.7% during the same period. On the other hand, the latest poverty survey conducted by CONEVAL (2020) yielded similar results by registering a slight increase in the percentage of the population lacking access to nutritious and quality food, which went from 22.2% in 2018 to 22.5% in 2020 (the figure was 21.9% in 2016). At the same time, according to FAO data, other indicators such as malnutrition and obesity also registered setbacks, going from 4.4 to 6.1% (from 2004-2006 to 2019-2021) and from 26.8 to 28.9% (from 2012 to 2016), respectively. Obesity and overweight are one of the main public health challenges and, according to OECD data (2022), 75.2% of the Mexican population is overweight in some way (including obese people). Although the decline in most of the indicators is not as significant as that observed in other countries in the region, they reflect a significant deterioration in

the progress achieved in terms of food security in the country. As an example, the percentage of the population who was not able to afford a healthy diet had been following a downward trend, going from 26.1% in 2017 to 24.9% in 2018, to reach 23.7% in 2019. However, as a result of the crisis, this indicator regressed to stand at 26.3% in 2020 (above its 2017 level).

The decline in food security has been mainly the result of an increase in working poverty coupled with high levels of inflation.

Mexico's primary sector showed particular resilience in the face of the pandemic shock, as it was the only country whose GDP fell below its pre-crisis level for one quarter only. Similarly, the impact of the pandemic on agricultural production was low, and at the end of 2021, Mexico's agricultural production reached 268.4 million tons of food (1.3% higher than in 2020). This is also reflected in the FAO indicators of availability and variability of per capita food supply, according to which food availability remained unchanged in the face of the pandemic.

Although the trade balance of agricultural and agro-industrial products has maintained positive balances, apparently indicating little dependence on imports of this type, the aggregate data do not reflect a high dependence on products such as grains and cereals. In the case of Mexico, the decline in food security has been mainly due to the impacts of the global convergence of high inflation, pressures on energy prices and global supply disruptions.

2. Policy responses

The Mexican government launched a series of measures aimed at containing inflation, with direct and indirect impacts on food security.

In May, the government announced the launch of the Anti-Inflation and Food Price Increase Package (PACIC). The package responds to the government's efforts to control the high levels of inflation in the country. The package includes a gasoline subsidy (which has an indirect impact on food prices), the elimination of import tariffs on 21 basic food basket products and five strategic inputs (the measure is temporary for six months), and the elimination of the countervailing duty on ammonium sulfate imports. The package also includes support for the "Sembrando Vida" [Harvesting life] and "Producción para el Bienestar" [Production for wellbeing] programs, as well as the delivery of fertilizers (although it should be noted that these programs were already part of government actions before the crisis). Likewise, under PACIC, a strategic reserve of maize was also created and efforts were made to make logistics more efficient and thus reduce costs.

In October 2022, the government announced supplementary measures to strengthen PACIC. The new measures include the temporary cancellation of the export of white corn, beans, sardines, and aluminum and steel scrap used in food packaging; the granting of a Single Universal License to the companies that subscribe to the agreement, which will exempt them from any procedure or permit for the import and distribution of food and inputs; and the freezing of corn prices and highway fares.

The cost of the PACIC package is estimated to be close to 2% of the GDP.

This according to information released by the Ministry of Finance in August. The fiscal cost of containing inflation will be 574.6 billion pesos (USD 28 billion) in 2022, deriving, mainly, from subsidies for gasoline and electricity, as well as other measures in the anti-inflation package (PACIC). The largest cost will come from gasoline subsidies, accounting for close to 75% of the total, followed by electricity subsidies (13%), as well as other measures aimed at containing food price hikes (12%).

To date, most of the PACIC measures have not succeeded in lowering food prices. However, gasoline subsidies have managed to contain fuel prices and prevent a further inflationary spiral.

NICARAGUA

Julia Escobar and Gabriela Orozco



1. Food Security Outlook

Nicaragua's economic structure depends on agricultural activity, representing almost 15% of the real Gross Domestic Product.

About 80% of the productive units are composed of small and medium producers, focused on supplying local markets or self-consumption, which is key to the country's food security, particularly in rural areas. The remaining share of the market is in the hands of agribusinesses, which control 75% of the agricultural lands in the country (CENAGRO, 2011).

Climate change and natural disasters affect food security levels.

According to the long-term Climate Risk Index, Nicaragua ranks 35th out of 177 countries affected by climate change in the 2000 - 2019 period (Germanwatch, 2021). Acute droughts in the Central American Dry

Corridor between 2018 and 2019 damaged the livelihoods of the population that was barely managing to recover from the 2014 and 2015 droughts, triggering moderate or severe food insecurity for more than 70% of subsistence farmers in the country in 2019.

Hunger is stressed in the dry corridor, especially in the area that is home to three indigenous peoples.

According to 2018 World Food Program (WFP) data, 22 municipalities in the Dry Corridor had been identified with 85,000 preschool and primary school-aged children at risk of food insecurity, many of whom belong to Chorotega, Xiu, and Nahoa indigenous populations.

Policy efforts have been made to address the problem, which particularly affects remote populations.

The Ministry of Health (MINSA) has implemented several activities⁸¹ aimed at improving nutrition levels, particularly for children under the age of six, a group in which chronic malnutrition and acute malnutrition have been found to have dropped by 32% and 25% respectively by 2021 compared to 2016⁸². However, accessibility challenges persist (rural areas, Dry Corridor and the Caribbean) that prevent the improvement of the poverty and malnutrition conditions of 35% of children (FIDEG, 2020).

In addition to the pre-existing challenges, the COVID-19 pandemic and hurricanes Eta and Iota in 2020 exacerbated the food insecurity situation.

The confinement measures implemented during the COVID-19 pandemic generated a significant loss of revenue that affected many countries as well as global trade. This triggered increased levels of hunger and food insecurity in the world. In 2020, the prevalence of hunger in LAC was 9.1% (the highest figure in the last fifteen years) and in the case of Nicaragua it was 19.3% (1.3 million Nicaraguans), making it one of the countries with the highest prevalence of undernourishment. Hurricanes Eta and Iota added to the effects of the pandemic. The impact of these hurricanes caused a loss of crops, many of them for self-consumption

81 MINSA's policies, have included the implementation of activities aimed at improving nutrition levels, including i) delivery of micronutrients in powder form, ii) delivery of zinc tablets for children with diarrheal periods, and iii) continuity of programs such as the "Love for the little ones program."

82 MINSA 11 de febrero 2022

(beans, maize, rice), which aggravated food insecurity in the Central and Caribbean Coast areas.

As a result of disruptions in global supply chains and the war in Ukraine in 2022, price levels have reached historic highs, directly affecting households.

In 2021, inflation in Nicaragua closed at 7.2%, the highest in the last 10 years, as a result of the recovery of economic activity worldwide and supply chain problems that worsened in the second half of that year. By 2022, various external factors, such as the Russia-Ukraine war, had generated additional pressures that caused inflation to reach 11.5% in July 2022, the second highest for Central America. The sector that showed the highest increase in prices was food and non-alcoholic beverages (17%), which represent close to 70% of the total cost of the basic food basket, which has caused the basic food basket to increase 16.9% between July 2021 and 2022. This has meant a significant increase in household basic consumption expenditures.

Households have lost their purchasing power, and this is limiting their access to food.

By June 2022, the real wage for formal employment had decreased by 8.3% compared to June 2021. Despite the upturn in economic activity since 2021, wages not yet reached pre-2018 levels, and suffered an 18.3% reduction between January 2018 and June 2022. In this regard, in 2021 the GDP per capita reached USD 2,102.8 after dropping for three consecutive years and has not yet reached 2017 levels (USD 2,156.1).

Other factors could aggravate food insecurity in the future.

In addition to the direct effect caused by the cost of the food basket, there is also

the indirect effect of lower incomes due to production difficulties in the agricultural sector and in the production of food for self-consumption. As of June 2022, the Monthly Index of Economic Activity (IMAE) grew 4.0%; where the agricultural and livestock sectors experienced a 2.2% and 0.2% year-on-year growth, respectively.

According to the National Consumption Plan 2022/23, production is expected to grow with respect to the 2021/22 cycle, particularly pork (6%), beef (5%) and milk collection (4%); it is worth noting that staple grains are projected to grow by 3.2% in this cycle. But the high costs of agricultural inputs, mainly fertilizers, plus climatic conditions could affect the industry's performance in 2023 and aggravate the country's food situation.

2. Policy responses

As a support measure to reduce the impact of oil prices, the government of Nicaragua froze fuel prices for 24 weeks.

The measure sought to reduce the impact of the increase in the prices of oil and its derivatives on the Nicaraguan economy. It was announced as of April 3, 2022, and applied to the prices of super and regular gasoline and diesel. The government stated⁸³ that the cost of the measure was approximately USD 4 million per week, which amounts to around USD 96 million (0.6% of the GDP)⁸⁴ to this date. In addition, the Government has opted to freeze the prices of liquefied petroleum gas. However, the fiscal impact of this measure is unknown.

⁸³ President Ortega has mentioned that the cost of maintaining these prices ranges from USD 4 to USD 6 million per week.

⁸⁴ As of September 25, 2022 (INE, 2022).

A CABEL loan for USD 200 million has been subscribed in order to fund this measure.

On July 12, 2022, the Nicaraguan Parliament approved a USD 200 million loan agreement with the Central American Bank for Economic Integration (CABEL), to finance the implementation of the "Temporary Support Program for the Fuel Crisis in Nicaragua"⁸⁵.

⁸⁵ The National Assembly ratifies loan with CABEL aimed at reducing the impact of oil prices. The following conditions were set out for the loan: "at five (5) years for each disbursement counted as of the date of each loan disbursement; six-month LIBOR interest rate, (6) reviewable and adjustable semiannually, plus a margin established by CABEL which initially will be one hundred and sixty-five (165) basis points, reviewable and adjustable quarterly, during the term of the loan." Congress Decree No 8813

PANAMA

Carlos Garcimartín and Rubilú Rodríguez



1. Food Security Outlook

The situation of undernourishment and malnutrition of the population had improved before and continued to do so after the pandemic.

According to FAO data, the prevalence of undernourishment in Panama decreased significantly between the 2000- 2002 period and 2017-2019, going from 24.5% of the population to 7.4%. Despite the steady decline, the level of undernourishment in Panama remained higher than the LAC average of 6.8%. After the pandemic, with the economic recovery and the creation of new programs to mitigate the effects of the COVID-19 crisis, the prevalence of undernourishment decreased in Panama to 5.8%. Regarding the nutritional status of children under five years of age, the percentage of children suffering malnutrition in 2019 was 15.8%, mainly affecting children under two years of age. There was a significant drop in undernutrition and malnutrition since 2003, when it was

22.2%. Children under five years of age in the indigenous area reported the largest reduction (-20%). However, they continue to be the most vulnerable population to suffer from chronic malnutrition, reaching figures three times higher than children in urban and rural areas, with a prevalence of 39%⁸⁶.

Despite the fact that malnutrition has decreased, according to FAO, Panama is the country with the fourth highest percentage of malnourished children in the region, and the prevalence is even higher than the regional average (11.4%).

At the national level, malnutrition is a moderate and decreasing public health issue. However, but the problem of excess body weight has grown considerably in recent years.

86 National Health Survey of Panama (ENSPA) 2019.

In 2019, excess weight (obesity and overweight) in adults reached an incidence of 71.7%, mainly among people in their 30s and 40s. Excess malnutrition is primarily found in the metropolitan area. However, it is also considerably high in other regions, such as in the province of Bocas del Toro and the Ngäbe Buglé district (87 and 69%, respectively). In fact, in the last 16 years, the districts have registered the greatest increases in obesity, approaching levels similar to those found in urban and national areas⁸⁷. This is the main public health issue in terms of growth: from 2003 to 2019, the prevalence of excess weight remained relatively constant, while that of obesity increased 17%.

International fuel prices were the main cause for the decline of the overall price level in 2020 and its rebound in 2021, which has continued to rise in 2022.

With the fall in international fuel prices during the pandemic, Panama experienced a -1.5% deflation in 2020. However, inflation has been rising steadily since March 2021. The growth of the overall Consumer Price Index (CPI) has outpaced the growth of the CPI for food since March, 2021, contrary to the general trend in the countries of the region. Specifically, the highest level of inflation since 2012 was recorded in June 2022 when it grew 5.2% year-on-year, while the transport component (which includes fuels) grew 20.4%, and food and non-alcoholic beverages increased only by 4.2%. On the other hand, since January 2022, the cost of the basic food basket⁸⁸ has increased

constantly above the CPI. In June 2022, the cost of the basic food basket increased by 6.5% year-on-year, mainly due to increases in the prices of products such as cassava, lentils, fish, eggs and margarine.

Panama depends on imports for the main foods consumed by the population.

According to ECLAC, along with Belize, El Salvador, Haiti, the Dominican Republic and Venezuela, Panama is one of the countries with a food trade deficit, amounting to USD -2,857 million. Specifically, food imports as a percentage of total imports before the pandemic remained constant at 10% and then increased to 18% in 2021, above the LAC average of 8.4%⁸⁹. According to FAO, in 2019 Panama was highly dependent on cereal imports (67%).

It is also worth noting that there is a high dependence on imports of products that hold an important place in the diet of the population, according to the basic food basket, as calculated based on the Income and Expenditure Survey of the National Institute of Statistics and Census (INEC). In 2018, 75% or more of the amount of lentils, garlic, beans, onions, canned tuna and sardines, and vegetable oils available for consumption were imported, while other products that are also a priority in the diet of Panamanians, such as rice, potatoes, beans, and onions were imported by 50%⁹⁰. Panama is also highly dependent on fertilizers. Panama does not produce any type of fertilizers, and it is totally dependent on foreign purchases.

⁸⁷ *Ibid.*

⁸⁸ The cost of the basic food basket is calculated by the Authority for Consumer Protection and Defence of Competition (ACODECO), based on the lowest market prices of products selected using the criteria of universality, energy contribution and percentage share of expenditure. ACODECO visits supermarkets, mini-markets and grocery stores and calculates the cost of the basket for each type of business.

⁸⁹ World Bank Indicators, 2022. <https://data.worldbank.org/indicator/TM.VAL.FOOD.ZS.UN>

⁹⁰ National Statistics and Census Institute (INEC). Food Balance Sheet, 2018. https://www.inec.gob.pa/publicaciones/Default3.aspx?ID_PUBLICACION=1063&ID_CATEGORIA=4&ID_SUBCATEGORIA=33

2. Policy responses

Social unrest increased as a result of rising prices, among other factors, causing protests and the paralysis of several economic activities in the country, which led to government action.

Riots and protests started in different parts of the country in the month of May, with demonstrators demanding control of fuel prices, the execution of investments unfulfilled by the government, and jobs. In July, new protests were held throughout the country, demanding more transparency; control of spending; reduction of food and fuel prices; and improvements to public health, education and social security policies. The road closures and demonstrations that continued for approximately three weeks caused serious damage to the supply chain of agricultural products and economic losses. In response to these protests, the Government created a round table with the main social stakeholders leading the protests to negotiate, among other things, a series of measures aimed at lowering the costs of the basic food basket, energy and fuel. In addition, prior to the protests, the Government had approved other measures to avoid the increase in public transport fares.

The government implemented several measures to reduce the price of food.

Since before the protests (April 2022), the Ministry of Agricultural Development had approved temporary support measures for rice producers, to guarantee the harvest of the 2022-2023 agricultural cycle. In particular, the government agreed to pay rice producers USD 8.50 per harvested quintal (wet and dirty) as a transitory and non-extendable support measure; this was meant to avoid shortages and to maintain the country's food security after the disruption of international markets ensuing from the

pandemic and the war between Russia and Ukraine. On the other hand, following the protests, and in order to lower the cost of the basic food basket, different measures were implemented regarding 71 food and personal hygiene products. On the one hand, ten additional products were included in the basic food basket price control program⁹¹. On the other hand, the government subsidized 36 national products that it purchased directly from domestic producers, to then sell them in state-run markets nationwide and in district stores, mini-markets and grocery stores, at a 25% discount. The third measure consisted of setting a 15% to 20% ceiling on the retail marketing margin for 17 products, (depending on the type of product). Each of these measures represents approximately one third of the total household consumption of the basic food basket.

The government also implemented measures to contain the increase in fuel prices, which have an impact on food prices, and which was subsequently extended until January 15, 2023.

Since June 3, the government temporarily fixed the price of a gallon of gasoline and diesel at USD 3.95 for public passenger transport and commercial and industrial transport, for a period of three months, which may be extended. It also established a fuel voucher for agricultural machinery and the small-scale artisanal fishing fleet. Following the protests, on July 15 this measure was extended to all cars with private registration plates and, as of July 18, the price ceiling was lowered to USD 3.25 for three months. As a

⁹¹ Program established on July 1, 2014 to mitigate the impact of inflation at that time. The prices of 22 out of the 59 items which make up the basic food basket were capped in 2014. Since then, the government evaluates every six months whether to exclude or include products according to the evolution of prices and the behavior of the economy. In the last evaluation (December 30, 2021), the program counted 14 products, and six were removed.

result, in the month of July, inflation recorded a -1.2% drop as compared to the previous month, while year-on-year inflation was 3.5%; the first monthly decrease so far this year.

The budgeted fiscal cost of fuel subsidies amounted to 0.4% of GDP.

As for the fuel subsidy, the government allocated USD 320 million (0.4% of GDP) to it. Furthermore, the authorities claimed that the government would lose USD 18 million per year (0.03% of GDP) due to the removal of tariffs on products subject to regulation.

The IDB has provided support to Panama by means of a project aimed at improving food security and increasing the income of small family farmers.

These objectives are to be achieved through the transfer of knowledge, innovation and agroecological research, as well as by building the management capacity of the agencies in charge of agricultural policies in Panama. The project also aims to reduce post-harvest losses, add value to products, and improve market access.

DOMINICAN REPUBLIC

Juan Carlos López and Joaquín Zentner⁹²



1. Food Security Outlook

In the Dominican Republic, food security is a priority, as set out in the legal framework in force.

Pursuant to Article 54 of the Constitution, food security is an economic and social right: “The State shall promote research and technology transfer for the production of food and raw materials of agricultural origin, with the purpose of increasing productivity and guaranteeing food security.” In July 2016, Law 589-16 on Food and Nutritional Security and Sovereignty (SSAN) was passed, with the aim of giving stability, institutionality and continuity to these initiatives, which resulted from a participatory and consensual process. The law was enacted and the National Plan for Food and Nutritional Sovereignty and Security 2019-2022 (SSAN Plan) was published in 2018.

⁹² We gratefully acknowledge the comments made by Luis de los Santos, Bruno Jacquet, and Gilles Damais.

Over the past 20 years, economic growth and improvements in food production have led to advances in food and nutritional security⁹³.

According to the SSAN Plan, by 2014-2017 there had been a 52%-60% reduction in people suffering from hunger compared to 1990-1992 levels, as measured by FAO and IFPRI. In fact, it is argued that the progressive decline observed made it possible to meet the MDG target for 2010-2012. In addition, it was found that for the period 2014-2016 the country’s food supply was 109% higher than the average caloric needs of the population. This results from a 3.7% average growth in net food supply per year during the 2004-2014 period, and a 2.4% growth in per capita terms for the same period. Similarly,

⁹³ An issue in terms of nutritional balance is the prevalence of excess weight or obesity, which according to an MSP study in 2021 hovered around 70%.

data from the Ministry of Agriculture of the Dominican Republic reflect that by 2017, domestic production represented a share of more than 95% in the apparent consumption of staple agricultural products in the Dominican diet, such as rice, chicken meat, eggs, musaceae and tubers.

Malnutrition has shown a decreasing trend in the first decade of the 21st century.

The evolution of the indicator of the prevalence of malnutrition in the population has decreased, going from an average of 22.4% in 2000-2005 to 11.1% in 2010-2012. Thus, between 2005 and 2012, the number of malnourished people was cut by half, dropping from 2.1 million to 1 million (FAO). In subsequent years, the prevalence continued to drop, from an average of 8.9% in 2011-2015 to 6.1% in 2017-2019. The malnutrition indicator increased to 6.7% in 2019-2021 due to the pandemic. However, the Dominican Republic has had lower (improved) levels compared to the regional average for Latin America and the Caribbean since 2016-2018. This is the result of the implementation of social programs and the moderation in persistent poverty levels that are directly related to undernutrition.

The Covid-19 pandemic increased the incidence of food insecurity in all its dimensions.

According to the World Bank's household monitoring, in May 2020, 44% of households reported going without food at some point due to a lack of income; of which 33% stated that they had experienced hunger. In July-August 2020, 11.9%-12.4% of households claimed to have gone a full day without food in the month due to a lack of resources, a proportion that rose to 17.4% in June 2021. According to the same World Bank source, another indicator of stability and access is being forced to skip meals; this was reported

by between 32% and 38% of households in May-August 2020. Regarding food utilization, in June 2021, 30% of households were unable to eat healthy, nutritious or preferred meals due to a lack of resources.

The value added of the agricultural sector has grown at a slower pace than the rest of the economy, thus lowering its relative share of GDP from 10% in 1994 to 6.7% in 2000, and to 5.2% in 2014.

In the recent nine quarters (Jul. 2020-Sep. 2022) year-on-year growth has averaged 2.6%, about half that of the previous period (4.8%, Apr. 2018-Jun. 2020) and than the 1992-2017 average (4.5%). This performance was verified despite the fact that the average productivity per worker in the sector grew 3.2% annually between 1991 and 2014, with a relatively low degree of linkage to the rest of the economy.

The global scenario of rising commodity prices has had an impact on local prices, the main concern of the population in opinion polls.

At the domestic level, food and non-alcoholic beverage inflation is expected to reach 10.4% between August 2021 and August 2022, similar to the figures recorded a year ago (10.7% with respect to August 2020); the 2009-2019 average was 4.4%. Regarding perception, the SEIA-Red Actúa survey, last conducted in April-May 2021, shows that at that time: 76.8% of the population was concerned that their household did not have enough food; 30.87% of the population had not recovered their pre-pandemic level of well-being in terms of food; 36% reduced portion sizes or the amount of food served and 25% reduced the daily frequency (number) of meals.

In the medium term, if no drastic control and prevention measures are implemented, the

current zoonotic and phytosanitary threats (African swine fever, banana, cocoa) could directly and indirectly impact the level of food security of vulnerable rural households and increase the price of bananas for urban consumers.

2. Policy responses

To guarantee the country's food security and price stability, President Luis Abinader announced the implementation of 10 measures.

On February 27, the President of the Republic announced a new subsidy package aimed at the poor, in response to rising inflation and the economic threat posed by the war in Ukraine. The new economic package is aimed at least 300,000 people who will benefit from a variety of social programs (with the challenge of targeting), including direct aid, LPG subsidies and the doubling of the number of soup kitchens, which will serve 136,000 people per day. Measures include:

- **Direct transfers of support to those most in need**, such as special food vending programs, including an increase in transfers to the *Supérate* card (which were doubled to DOP 1,650 for the *Alimentate* component, and its coverage was extended in 2021), the increase in the Gas Voucher subsidy (from DOP 228 to DOP 470), the enlargement of food rations in subsidized community diners, the establishment of more INESPRES popular markets and the doubling of its warehouses for the direct sale of products in the country.
- **Support for production supply**, through subsidies for the import of maize, wheat, soybeans, flour and vegetable fat, subsidies for rice and chicken production, the purchase of certified seeds, Law 6-22, which eliminated

customs duties temporarily for six months for 67 tariff subcategories of goods that affect the cost of the basic family basket. The Commission for Agricultural Imports, steered by the Ministry of Agriculture together with other government agencies, has issued authorizations for the import of garlic, chicken wings, pork belly, pork meat, pork cheeks, vegetable fat, black beans, pinto beans, powdered milk, chicken thigh, chicken legs uncooked pasta, chicken breast, pork leg and frozen whole chickens.

The resources allocated by the government to the production or commercialization of food amounted to DOP 2,678.8 million in the first semester of 2022.

Of this amount, DOP 1,223.8 million were allocated to the fertilizer subsidy and DOP 828.1 million to flour. Furthermore, DOP 200.9 million was allocated to help chicken producers, and the remaining DOP 426 million was used through the Price Stabilization Institute (INESPRE) for the sale of food combos.

The scope (target population) and extension (validity) of the measures were progressively expanded, with a horizon of a full year.

Initially, some measures (such as the expansion of the coverage of *Supérate*) had been under consideration since 2021, as had the fuel subsidies; others, such as the 0 tariff, were strictly temporary in view of the scenario, and would not remain in place until 2023.

Halfway through the year, the IMF proposed (according to the national authorities) a cost of 0.6% of GDP, including 0.3% of GDP to freeze hydrocarbon prices for four months (as originally announced, contingent upon international prices), and 0.2% of GDP for

food-related measures. Until the first half of October, DIGEPRES reports a budget execution of the measures (including fuel, energy and transportation subsidies) of DOP 58,599.2 MM, of which RD7,078.8 MM were directly related to food. The reformulated budget bill includes DOP 92,305.8 MM for the measures taken, which represents 1.5% of the GDP; of this total, the food component would be DOP 17,511.1 MM, 0.3% of the GDP.

In addition, in July, the government announced the creation of a Family Support Voucher which gave DOP 1,500 (USD27.5) to one million families.

This is part of the measures stated in the reformulation of the budget: DOP 5,925 million (USD 107.2 MM) for the expansion of *Supérate*; DOP 4,516 MM for subsidies for products that impact the basic food basket; DOP 2,490 MM for subsidies for fertilizers; DOP 1,871 MM for new subsidized community diners; an additional DOP 1,209 MM for the Social Plan. In addition, an significant part of the fuel subsidy —frozen prices since the second week of March— has been earmarked for diesel, an important input for production.

The IDB is supporting food security in the country with a variety of types of financing.

At the request of the agricultural bank, financing is being prepared for the procurement of new agricultural technology. Recently, at the closing of the XIII National Meeting of Leaders of the Agricultural Sector organized by the Dominican Agribusiness Board (JAD, for its Spanish acronym), President Luis Abinader reiterated his support to domestic production, to guarantee the food security of the Dominican people. He also added that the loan that the the Government was planning on undertaking with the Inter-American Development Bank (IDB) for USD 120 million

for the acquisition of new technologies for the agricultural sector, was ready to be submitted to the National Congress for its consideration.

The Agrifood health and innovation program (USD 50 million) is under execution and seeks to build the country's capacity to prevent and mitigate the impact of zoonotic and phytosanitary diseases on both food production and the income of vulnerable rural families.

On the demand side, the IDB finances the *Supérate* program executed by the Social Policy Cabinet. The program includes a significant component of cash transfers to vulnerable households and a component to strengthen the management and targeting system of the instrument. This flexible instrument makes it possible to adjust the level and scope of monetary subsidies very quickly in situations of cyclical crisis, as was the case with the COVID epidemic.

The IDB also finances the agroforestry program, which contributes to increasing the agricultural income of small farmers in mountainous areas of the Dominican Republic, thus improving access to food for vulnerable families.



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FOOD SECURITY
in **CENTRAL AMERICA, PANAMA,**
THE DOMINICAN REPUBLIC,
MEXICO and **HAITI**