

CALP MENA Regional Task Team - Ukraine impact UNHCR - reflections

Global economic implications (1)

Conflict will intensify global inflation:

- Before the war, IMF forecasted inflation in 2022 to be 5.9% in emerging markets and developing countries
- Disruption to fuel and food markets: OECD estimates that inflation may rise by a further 2%, bringing inflation in these markets to nearly 8% (wide variation by country).

Global economic implications (2)

Costs for fuel and other supplies will increase.

- Oil prices, likely high volatility in the coming months / year. Increase in price due to supply bottlenecks because of the Ukraine conflict. According to the US Energy Department, price of a barrel of oil expected to be 48% higher in 2022 (\$101 for crude oil) as compared to 2021 (\$68).
- If Western nations introduce sanctions for oil and gas exports from the Russian Federation, prices further increase with additional supply pressure.

Global economic implications (3)

Sanctions will result in critical supply chain disruptions, contributing to increased inflation and shortages of key Russian exports.

- Russian Federation critical producer of agricultural commodities and a net exporter of both foodstuffs and fertilizers. With Ukraine, among top three exporters of wheat, maize, rapeseed, sunflower seeds and sunflower oil.
- Leads the world in the export of various kinds of fertilizers. Many of these exports are likely to be disrupted, rendering import reliant countries vulnerable to shortages, increased prices and depressed yields.

Global economic implications (4)

The conflict will increase global food prices and disrupt key agricultural activities, with significant impacts on global food security.

- The conflict in Ukraine is likely to disrupt critical agricultural activities impacting on both harvesting winter crops and planting spring crops. Sanctions on Russian Federation likely to disrupt global food and fertilizer supply chains.
- Many of the countries that are most reliant on imported food and fertilizer fall into the Least Developed Country or Low-Income Food-Deficit Country groups, which had already been confronting high international food and fertilizer prices.

Global economic implications (5)

Impacts arising from the crisis will have an uneven impact across regions / countries:

- Around three fifths of the top 50 countries with the highest levels of vulnerability from the global ripple effects of the Ukraine situation are located in the MENA and Africa region.
- Among the most vulnerable countries, high or hyperinflation of food prices remains a critical concern. For example, both Sudan and Lebanon, are expected to see food inflation of more than 300% during 2022.
- Lebanon's large dependency on grain from Ukraine and Russia will exacerbate the economic effects of the crisis.

Implications for people of concern (1)

Uptick in tensions and conflict could undermine POC safety and security and might result in fresh waves of displacement.

- Socio-economic implications of COVID continue to be felt across the globe. Climate-related crises (e.g., drought and scarcity of resources) factor for increased social unrest and political instability.
- High food prices historically correlated with political instability and social tensions.. New increases in prices, and supply disruptions (e.g. in fertilizers) are already exacerbating tensions.

Implications for people of concern (2)

The crisis and its economic ramifications will both deepen existing vulnerabilities and generate new ones.

- *An increased number of PoCs will be unable to meet basic needs because of inflation and high food prices – **FAO Food Price Index** averaged 140.7 points in February 2022, up 5.3 points (3.9%) from January and as much as 24.1 points (20.7%) above its level a year ago. New all-time high*
- *Very high correlation between food insecurity and displacement.*
- High transportation costs : many POCs do not get access to various services, including medical services

Implications for people of concern (3)

- *Increased rates of malnutrition* –Most pronounced increases in Asia-Pacific, then sub-Saharan Africa, the Near East and North Africa.
- *The conflict will exacerbate an already precarious food security situation* Increased lead times and shipping costs will be incurred as they source alternative suppliers.
- *Costs for procurement is expected to rise globally.* Over the past six years, reduction in food assistance has been recorded across countries in MENA, EHAGL, West Africa and Southern Africa

Implications for people of concern (4)

Increased vulnerability will drive an uptick in protection risks and negative coping mechanisms.

- Increased levels of vulnerability and decreasing resilience from inflation and rising food costs -> more of UNHCR's POCs are likely to adopt negative coping mechanisms.
- Secondary “shadow” crises are likely to emerge including increased rates of GBV and CEFM and decreased school attendance.
- Increased pressure on refugees/IDPs – As the number of people in need of assistance increases, likely uptick in protection incidents, increased tension in camps, and increased pressure on refugees to return.

Implications for CBI programming

- Need to closely monitor the baskets of goods (MEBs/ SMEBs/ etc) adopted for the calculations of transfer values (MPCA / other)
- Close monitoring of the drivers of inflation (→ see CaLP Good Practice Review on Cash Assistance in Contexts of High Inflation and Depreciation) and definition of scenarios with the most appropriate response measures
- Budget increases are unlikely at this point in time. Possible ‘real word’ scenarios:

Scenario 1 = ZERO CBI budget variation ZERO change in targeting approaches

- ‘do nothing’ – everybody receives the same level of assistance = less purchasing power
OR
- Remodulation of transfer values based upon current vulnerable groups - including option of exclusion of the least vulnerable groups from assistance through changes in prioritization

Implications for CBI programming (2)

Scenario 2 = ZERO budget variation, REVISION of targeting approaches

- Remodulation of targeting approaches , such as in operations with 'simple' categorical targeting or universal targeting
- Any transition would have to be gradual, overlap of beneficiary base likely (if not recommended)

Scenario 3 = INCREASE in budget availability, likely associated with current targeting mechanisms (= ZERO change in targeting approaches)

Scenario 4 = CHANGE in MODALITIES = Modulation of cash assistance with in-kind support – extreme scenario under a combination of very high inflation to hyperinflation + systemic market failure, unlikely at this point in time

- Across the above and under conditions of strong devaluation / depreciation and depending upon context: renegotiation of exchange rates ←-----→ Dollarization of assistance

- HOST COMMUNITIES...?