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Food Price Crisis in Africa

Rising food prices mean higher poverty in Africa. Which policy responses most benefit the poor?

Rising food prices generate higher poverty in Africa because the adverse impact on households that are net food consumers outweighs benefits to net food producers. This is one finding of a series of recent papers assessing the potential impact of higher food prices. The series also examines common policy responses, to see which are likely to have the largest benefit for the poor.

Data from a dozen countries are used to simulate the poverty impact of higher food prices. Poverty impacts obtained when considering only the effect on consumers are considered as upper-bound estimates. Those also factoring in producer gains are considered as lower-bound estimates, because producers may not reap the full benefit of price increases (market intermediaries may keep part of the higher food prices to boost their margins or pay for higher transport costs, while producers face higher input costs that limit their profits). With a 50 percent increase in selected food prices, upper-bound increases in poverty measures range from 1.8 percentage points in Ghana to 9.6 points in Senegal. The average impact, considering both upper- and lower-bound estimates, is around 3.5 percentage points. For Africa as a whole, this would mean 30 million more poor people.

Poverty mapping techniques show that impacts vary within countries. This poses a dilemma in focusing policy responses, since the hardest-hit areas in a country often are not the poorest.

To deal with the crisis, governments have first reduced food taxes. Yet such tax cuts have large fiscal costs and are poorly targeted. For example, the share of rice consumed by the poorest 40 percent of the population ranges from 11 percent in Mali to 32 percent in Sierra Leone. Thus on average only about 20 cents out of every dollar of tax cut might benefit this group. In addition, if markets are dominated by a few traders, tax cuts may not be fully passed on to consumers. And lowering import tariffs may hurt domestic producers if prices of locally produced foods adjust to international prices.

Expanding social protection programs shows more promise. In Burundi and Liberia household survey data suggest that the poor are roughly as likely as the nonpoor to benefit from food aid. This does not constitute good targeting, but it is better than tax cuts. As for labor-intensive public works, simulations suggest that geographic targeting is required to avoid high leakage. The reason is that most African countries have large populations working without pay or at very low pay—so even among the nonpoor, participation in public works could be high even if wages are low. In addition, part of the wages paid through public works

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IN THIS ISSUE

FOCUS
The Doha Development Agenda

What does Doha offer? The complexity and detail of the proposals make it hard to judge. A new paper takes stock

Negotiations under the Doha Development Agenda have now been under way for almost seven years. In the areas where they are most advanced, the negotiations have generated complex and detailed proposals that seek to balance the interests of the 153 members of the World Trade Organization (WTO). But this complexity and detail make it difficult to judge what precisely Doha offers. Drawing on the results of a recent research project, a new paper by Martin and Mattoo takes stock of the proposals on the table at the WTO ministerial meeting in July 2008.

The proposals point to a potential Doha agreement that would include three key benefits:

- More secure market access in goods and services
- Some new market opening in agriculture and manufacturing
- More resources to deal with the trade problems of poor countries

Reduced scope for protection. The proposals imply significant reductions in legally bound levels of protection in goods and services. These cuts in bound rates are valuable because they limit the scope for future restrictive measures. Proposals under discussion would reduce the world average bound tariff for agricultural products from 40 percent to 30 percent, and that for nonagricultural goods from 8 percent to 5 percent.

The tiered formula under discussion for agriculture involves larger cuts in the higher tariffs and would, if implemented without exceptions, cut average bound tariffs almost in half—from 40.3 percent to 20.7 percent. But exceptions for "sensitive" and "special" products reduce the tariff cuts and allow many higher tariffs to be subjected to smaller cuts.

For most developing countries, bound rates would on average still be much higher than currently applied rates. In agriculture, for example, the larger developing countries would still have a margin of about 30 percentage points (compared with the actual tariff of 13 percent) to reverse liberalization; in manufacturing this margin would be 6.2 percentage points, slightly more than the actual tariff.

The negotiations on trade in services have yielded offers that would reduce the average gap between offers and actual policies by almost half—from 84 percent to 43 percent.

Some new market opening. Today's legal ceilings are in many cases much higher than applied levels of protection—so even drastic cuts in bound rates frequently result in only modest cuts in applied protection. But there are likely to be some real benefits for developing country exporters. The average farm tariffs they face would fall from 14.2 percent to 11.5 percent. The tariffs on their exports of manufactures would drop from 2.9 percent to 2.1 percent, with cuts in tariffs on highly protected products such as textiles and clothing being particularly important.

Proposals on the table in the Doha negotiations imply significant reductions in legally bound levels of protection in goods and services

Exporters of agricultural products from industrial countries would see the tariffs they face fall from 14.9 percent to 12.1 percent. Exporters of nonagricultural products from these countries would see tariffs decline from 3 percent to 2.4 percent.

Disciplines on agricultural subsidies. Agricultural export subsidies—a long-standing concern of developing countries—will be banned. This is important because it rules out the reemergence of wasteful and price-depressing export subsidies in the future.

The proposed rules on domestic subsidies involve sharp reductions in permitted aggregate support—by 70 percent in the European Union and 60 percent in the United States. New rules may not lead to significant cuts from current subsidy levels, which are at historically low levels because of high commodity prices. But the rules are likely to constrain industrial country subsidies, especially for such products as cotton, peanuts, and sugar, which are of particular export importance for many developing countries.

Trade problems of poor countries. Two key elements for poor countries are enhanced access and assistance. The proposed "duty free and quota free" initiative will lock in existing access to foreign markets for the least developed countries. But the initiative will add significantly to existing access only if industrial and developing country members do not exclude vital products such as garments. In most of the potential markets considered, just 3 percent of tariff lines with the highest burden of tariffs account for 90 percent of the tariffs paid by the poor countries.

The "aid for trade" initiative is playing a valuable catalytic role in promoting reform and mobilizing assistance. Trade-related assistance has already increased—to about $24 billion in 2006, according to WTO-OECD figures. The Enhanced Integrated Framework for Least Developed Countries is also slowly taking shape, with $240 million earmarked in 2007 for technical assistance programs. But substantial effort is still needed to translate these commitments into actual benefits.

Will Martin and Aaditya Mattoo. 2008. "The Doha Development Agenda: What's on the Table?" Policy Research Working Paper 4672, World Bank, Washington, DC.

When Is Deposit Insurance a Good Idea?

Whether deposit insurance benefits or harms a country depends on how well it is designed and administered

Recent financial turmoil and the bank runs in Germany and the United Kingdom have pushed deposit insurance systems back to the center of debates on regulatory policy in both developing and developed countries. A new book edited by Demirgüç-Kunt, Kane, and Laeven contributes powerfully to these debates by bringing together a collection of papers that construct and analyze a worldwide database on deposit insurance and assess the impact of deposit insurance and its design in individual developing countries.

Deposit insurance systems have been multiplying rapidly in the developing world. Although many recent adopters are transition economies of Eastern Europe that are seeking to comply with the European Union directive on deposit insurance, adopters can be found in every region of the world.

The book argues that this is an alarming trend—one that should not be interpreted as evidence that designing and operating an efficient deposit insurance system are straightforward tasks. To the contrary, the analysis it presents confirms that officials in many countries would do well to delay the implementation of a deposit insurance system. The message is timely: despite the rise of deposit insurance in recent decades, holdouts still outnumber adopters.

One reason for the surge in explicit deposit insurance schemes is that having such a scheme has come to be seen as one of the pillars of modern financial safety nets. Establishing explicit deposit insurance has become a principal feature of the policy advice on financial architecture that outside experts give to countries undergoing reform. The book challenges the wisdom of encouraging countries to adopt deposit insurance without first remedying observable weaknesses in their institutional environment.

An extensive body of economic theory analyzes the benefits and costs of deposit insurance and explores how balancing these benefits and costs can produce an optimal deposit insurance system. Starting from the premise that the main benefit of deposit insurance is to prevent wasteful liquidations of bank assets caused by deposit runs, the theoretical debate centers on the question of how effectively hypothetical variations in deposit insurance arrangements can curtail voluntary risk taking (that is, moral hazard).

Deposit insurance systems have been multiplying rapidly in the developing world. This does not mean that designing and operating an efficient deposit insurance system are straightforward tasks

In contrast, empirical evidence on the efficiency of real-world deposit insurance systems has been scarce, and the analysis limited to the experiences of developed countries. Because of lack of data, there has been little empirical evidence on what factors determine the adoption and design of deposit insurance or their impact on bank stability, market discipline, and financial development.

The book's unified collection of papers mitigates some of the weaknesses in the literature. Drawing on its worldwide data set on deposit insurance systems and design features, the book examines the impact of deposit insurance on banking behavior and assesses the policy complications that emerge in developing countries. Chapters cover decisions about adopting, designing, and pricing deposit insurance and review individual country experiences with deposit insurance—including issues raised by the European Union's directive, banking reform in the Russian Federation, and policy efforts to protect depositors in China.

The evidence and analysis presented confirm that deposit insurance is strong medicine. Whether it benefits or harms a country depends on how well it is designed and administered. Deposit insurance can be a useful part of a country's overall system of bank regulation and financial markets, but research emphasizes the importance of promptly identifying and eliminating bank insolvencies, fostering informative accounting standards, and establishing reliable procedures for contract enforcement before adopting explicit deposit insurance. Research also underlines the importance of building in capacity and incentives for deposit insurance managers to adapt dynamically to financial changes.

For countries in the process of adopting deposit insurance, the book identifies six guiding principles of good design: limiting insurance coverage, making membership compulsory, involving the private sector in overseeing the scheme, ensuring that pricing is appropriate, restricting the fund's ability to shift losses to the taxpayer, and assigning explicit responsibility for resolving bank insolvencies.

The book's message complements and contributes to the broader debate on how adopting regulations considered appropriate in advanced economies often proves ineffective or even counterproductive in weak institutional environments.

Asli Demirgüç-Kunt, Edward J. Kane, and Luc Laeven, eds. 2008. Deposit Insurance around the World: Issues of Design and Implementation. *Cambridge*, MA: MIT *Press*.

Returns to Capital in Microenterprises

Small amounts of capital have big payoffs in microfirms—at least for those owned by men. It's a different story for those owned by women

Small, informal firms provide employment for half or more of the labor force in most developing countries. A central question for policy makers is whether these firms hold the potential for income growth for their owners—or whether they merely represent a source of subsistence income for low-productivity workers unable to find alternative employment.

Assessing the extent to which lack of capital is a constraint on business profitability is complicated by the fact that firms that have more capital stock or greater access to credit are likely to also differ in many other ways from firms with less capital stock. Firms with more capital may earn higher profits simply because their owners have better entrepreneurial skills than those owning firms with less capital or because they have increased their capital investments in response to growing demand for their products.

A recent randomized experiment in Sri Lanka provides a way to resolve this problem and credibly identify the return to capital. Grants of $100–200 were given to randomly selected microenterprises, making it possible to compare the profits of these firms with those of similar firms that did not receive this additional capital. The research finds real returns of 5 percent a month, much higher than market interest rates. But while returns to male-owned businesses are high, the average return to female-owned businesses is close to zero.

The results imply that, on average, microenterprises do have the ability to pay the high interest rates charged by some microfinance organizations—and that firms can start small, reinvest profits earned, and grow. The high returns to male-owned microenterprises suggest a need for the microfinance industry to develop products to better serve these enterprises. But the low average returns earned by female-owned enterprises are a puzzle, one that ongoing research is attempting to understand.

Suresh de Mel, David McKenzie, and Christopher Woodruff. Forthcoming. "Returns to Capital in Microenterprises: Evidence from a Field Experiment." Quarterly Journal of Economics.

New Global Poverty Estimates

Poverty rates are higher than previously thought. But there is also evidence of continual decline in poverty since the early 1980s

The last issue of the *Research Digest* (vol. 2, no. 4) reported on the new data on the cost of living in developing countries from the International Comparison Program. This new set of consumption purchasing power parities (PPPs), estimated from the 2005 round of price surveys, has been used by Chen and Ravallion to undertake a major overhaul of the World Bank's past estimates of global poverty.

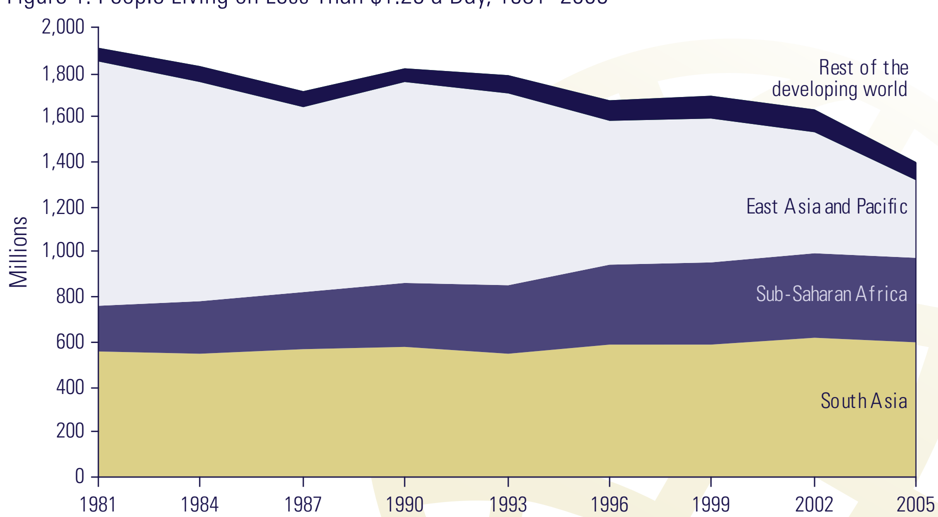
Extreme poverty—as judged by what poverty means in the world's poorest countries—is found to be more pervasive than previously thought. Yet the data also provide robust evidence of continual decline in the incidence and depth of poverty since the early 1980s. In 2005, 1.4 billion people, or a quarter of the population of the developing world, lived below an international line of $1.25 a day in 2005 prices; 25 years earlier there were 1.9 billion poor, or half the population (figure 1).

Progress was uneven across regions. The poverty rate in East Asia fell from 80 percent to less than 20 percent in 1981–2005. By contrast, the rate in Sub-Saharan Africa stayed at around 50 percent, though with signs of progress since the mid-1990s.

Because of lags in the availability of survey data, these estimates do not yet reflect the sharp rise in food prices since 2005.

Shaohua Chen and Martin Ravallion. 2008. "The Developing World Is Poorer Than We Thought, But No Less Successful in the Fight against Poverty." Policy Research Working Paper 4703, World Bank, Washington, DC.

Figure 1. People Living on Less Than $1.25 a Day, 1981–2005



Ports and Maritime Transport in West and Central Africa

Challenges in maritime transport in West and Central Africa offer an opportunity for reforms that could yield long-term benefits

Shipping remains the dominant mode of transport, accounting for almost two-thirds of world trade by value. In West and Central Africa, where road and air links remain weak, sea transport accounts for up to 90 percent of foreign trade by volume. Efficient maritime transport is therefore critical to the region's trade and income growth. But as Pálsson, Harding, and Raballand show in a recent paper, shipping and ports in this region lag behind global trends and standards.

Shipping and ports in West and Central Africa lag behind global trends and standards. The result is high trading costs. Reforms could sharply reduce those costs

This manifests itself in several ways. First, port concentration remains comparatively limited. No West or Central African port ranks among the top 70 worldwide. And there are no large ports serving as regional hubs, in part because of the limited land transport links and security risks. Second, unlike in most of the world's regions, in West and Central Africa ports are predominantly owned and run by the national public sector.

Third, port equipment is often inadequate or poorly maintained. The region's ports lack modern gantry cranes, for example, hindering the use of efficient container ships. Moreover, most ports cannot receive ships exceeding 2,500 twenty-foot equivalent units (TEUs), even though ships of more than 6,000 TEUs are now common on international routes. This has contributed to costly delays and congestion in ports. The share of total transport time spent in port is up to four times as large in Africa as in East Asia. Such inefficiencies are exacerbated by the persistent trade imbalances of many West and Central African countries; carriers are forced to leave the region with much empty space on their ships.

These factors have led to high trading costs. Shipping lines levy high freight rates, and to these they add significant inefficiency (congestion) surcharges for many West and Central African ports.

The potential consequences of the shortfalls in port administration and infrastructure are serious. Pálsson, Harding, and Raballand warn that if port efficiency is not improved, several coastal countries in West and Central Africa will forfeit much of the benefit they derive from access to the sea, in effect becoming landlocked. The authors emphasize the pernicious negative feedback effects that can result from high shipping tariffs: the costs keep traffic low, which in turn discourages trade and prevents the economies of scale that have been shown to play a crucial role in reducing costs.

The authors outline a series of reforms aimed at increasing the efficiency of port and maritime transport operations in West and Central Africa. Since efficiency problems are often port specific, the authors urge authorities to carry out careful cost-benefit analyses of particularly costly harbors. More generally, they recommend streamlining procedures and controls to reduce handling costs, turnaround, and dwell times. The authors also encourage public port authorities to increase private participation in cargo terminal operations in order to stimulate market discipline, the transfer of know-how, and private investment in new installations and equipment. A shift toward greater private involvement should lead to a reduction in overstaffing, for which the authors emphasize the need for remedial measures, to guarantee social stability.

The recent reform of the Nigerian port sector offers an example for other West and Central African countries. The reform created autonomous port authorities, reducing meddling by the central government. Responsibility for superstructure, equipment, and marine and terminal operations was transferred to private operators. Labor redundancies with severance packages reduced the Nigerian Port Authority staff from 13,000 to 3,000. While it is still too soon to judge the long-term effects of the reform, the first few months saw productivity rise and delays vanish. In response, shipping lines reduced their congestion surcharges by more than 85 percent.

However successful port reforms may be, ports are not self-contained entities but nodes in larger logistics systems. Thus reforms need to go beyond improving the efficiency of ports alone and work toward integrating the ports more efficiently into the broader economy. This means, most importantly, guaranteeing well-functioning, multimodal (road, rail, air) transport links to the port and easing restrictions on commerce on the main trade corridors in its catchment area.

If reforms are successfully implemented, transport costs for West and Central African countries should drop significantly. The region's larger ports might compete successfully for international trade as regional hubs and transshipment centers. And the increasing differentiation between the hub ports attracting global megacarriers and the smaller ports for local distribution could create opportunities for national shipowners to provide "feeder" services between the two.

Gylfi Pálsson, Alan Harding, and Gaël Raballand. 2007. *"Port and Maritime Transport Challenges in West and Central Africa." Sub-Saharan Africa Transport Policy Program Working Paper* 84, *World Bank, Washington,* DC.

The Consequences of Child Labor

Evidence from longitudinal data in rural Tanzania shows that child labor has consequences that carry over into adulthood

While the popular perception of child labor is strongly negative, it is unclear from a theoretical perspective to what extent child labor is harmful. Most of the world's child labor occurs in the rural areas of developing countries, where it tends to involve moderate-intensity activities rather than the "hazardous" forms emphasized by the International Labor Organization (ILO) and the media. The consequences of this type of child labor are not self-evident. For example, while it may result in less schooling, it may also provide work experience that offsets some of the schooling losses.

Identifying the consequences of child labor is analytically challenging. Simply observing a difference in outcomes for working children does not indicate a causal impact. The decision to send a child to work involves many factors, both observable and unobservable. Moreover, the consequences of child labor may evolve over time. A child working today may not attend less school now, but may be less likely to advance to subsequent grades or levels later. Assessing this link therefore requires longitudinal data.

In a new paper Beegle, Dehejia, Gatti, and Krutikova use unique data from a panel survey in Tanzania to overcome the analytical difficulties in exploring the effects of child labor. The authors use the Kagera Health and Development Survey, spanning 13 years, to study the relationship between working as a child in 1991–94 and outcomes as a young adult in 2004 in a robust causal framework. In contrast with data used in earlier studies, these data provide measures of child labor as it occurs, rather than retrospectively, and outcomes as young adults. To tackle the issue of causality, the authors use information on agricultural shocks and rainfall patterns in the early years to predict child labor.

The population of the overwhelmingly rural Kagera region depends primarily on agriculture for income. Reflecting the region's economic realities, and following the ILO standard for defining child labor, the study measures child labor as the total hours spent working in economic activities and chores in the previous week. Economic activities for children consist mainly of farming, including tending crops in the field, processing crops, and tending livestock. Chores consist of fetching water and firewood, preparing meals, and cleaning the house. Children in the sample work on average 16.8 hours a week, 10 of which are spent on chores. Girls spend on average 2.5 hours more than boys on household chores.

To capture the range of potential impacts, a number of outcomes are analyzed. The two measures of education are years of schooling and an indicator variable for having completed seven or more years of education (primary level). Economic activity indicators include having a salaried job (nonfarm income), farming, and growing a cash crop. In the Kagera region, because the economy is based mainly on extensive farming, earning a salary or being involved in cash cropping (rather than subsistence farming) is an important indicator of success. The study also examines the probability of migrating from the village, since internal migration in Tanzania is associated with large income gains. It is possible that child labor contributes to farm-specific experience and improvements in farm productivity, in which case child labor would be associated with a higher likelihood of farming and lower individual mobility.

Finally, the study explores whether child labor significantly affects age at marriage. Earlier marriage has been shown to be associated with worse outcomes for women and their children, including greater health risks.

The results show that working in childhood has particularly strong effects on education level and marriage patterns. A one-standard-deviation increase in weekly workload (5.7 hours) in childhood causes a loss of nearly half a year of schooling 10 years later. And working at an average level (16.8 hours a week) as a child reduces the probability of completing primary school by as much as 20 percentage points. In addition, the more children work, the more likely they are to marry at an earlier age. A one-standard-deviation increase in child labor increases the probability of being married 10 years later by 21 percentage points.

The authors also examine gender-specific effects of child labor. While establishing these robustly is more challenging, because the empirical framework emphasizes the whole sample, some interesting trends emerge. The negative effect of child labor on educational outcomes appears to be predominantly relevant to boys. Working in childhood has another occupational impact for boys: working an average amount (16.8 hours a week) as a child increases the probability of farming as the main occupation 10 years later by 40 percentage points.

Earlier marriage occurs for both working boys and working girls. Strikingly, however, working as a child has no significant effects on education or labor market activities for young women. A possible explanation for this finding is that, in response to shocks, girls' time on chores increases rather than their time on agricultural work. Chores might pose weaker competition for time relative to education than agricultural work does (thus the lack of impact on subsequent schooling). And girls might not benefit from accumulated experience in agricultural work that could result in labor market impacts once an adult.

Kathleen Beegle, Rajeev Dehejia, Roberta Gatti, and Sofya Krutikova. 2008. "The Consequences of Child Labor: Evidence from Longitudinal Data in Rural Tanzania." Policy Research Working Paper 4677, World Bank, Washington, DC.

Gender and Asset Ownership

Collecting data on assets at both household and individual levels can help shed light on important policy issues

Ownership and control over assets such as land and housing provide multiple benefits to individuals and households, including a secure place to live, livelihoods, protection during emergencies, and collateral. Many studies demonstrate the important relationship between asset ownership, poverty reduction, and growth. Few studies, at either the micro or the macro level, examine the gender dimensions of asset ownership.

To allow a gender analysis of assets, data would have to be collected at the individual level rather than only at the household level. While individual-level income data are now routinely collected, assets are assumed to be owned collectively by household members. Yet in most modern legal systems property rights are granted to individuals, not households. In addition, because men and women often own different assets and acquire them through different channels, it is critical to collect data on a full range of assets.

From an analysis of numerous instruments used by the Living Standards Measurement Study (LSMS) household surveys and others, a new paper by Doss, Grown, and Deere develops a set of best practices for data collection on assets at both the household and the individual level. Many LSMS surveys collect household-level data on the incidence of ownership of consumer durables (including vehicles), housing, land, and livestock. Fewer collect data on farm equipment, business assets, and savings. Without data on the range of assets, it is not possible to analyze how they interact to reduce poverty and vulnerability. Moreover, data on the value of assets are skimpy and measured in different ways.

Far fewer surveys collect data on asset ownership at the individual level. At a minimum surveys should ask who owns each major asset and allow for multiple owners of an asset. In most multipurpose surveys this requires only one additional question. For agricultural land, surveys should ask about ownership for each plot. For both land and housing, questions about whether there is an ownership document, such as a deed, should be asked after ownership has been determined and followed by a question about whose names are on the document. For livestock, it may not always be feasible to collect data on who owns each animal, but at a minimum surveys can ask which household members own each type of animal.

To develop policies to promote the accumulation of assets, it is critical to understand how assets are acquired and whether acquisition patterns differ for males and females

For household enterprises, surveys should identify both the owner of the enterprise (joint or individual) and the manager. For consumer durables, while it may not be feasible to ask individual ownership questions about all, surveys should ask about the ownership of key consumer durables and other physical assets important in the context, such as household appliances, vehicles, and jewelry.

Including these few questions will have a high payoff and should be routinely done. To obtain data on the value of assets owned, the best practice is to specify either a potential sales price or the replacement price.

To develop policies to promote the accumulation of assets, it is critical to understand how assets are acquired and whether acquisition patterns differ for males and females. Adding a single question to surveys about how the asset was acquired (purchased outright, purchased over time, inherited, or received as a gift) is a first step in understanding the process of asset accumulation.

For a full analysis of the role of assets in reducing vulnerability and poverty, data on the specific individual rights over assets are required, such as the right to sell, mortgage, rent, and keep the revenue generated by the asset. It is also important to know who makes the decisions about the use of assets, such as which crops to plant.

Implementing these best practices for data collection can yield answers to important policy questions. Individual-level information is important for reform of key laws, especially those on divorce and inheritance. One of the key sources of vulnerability for many women is the dissolution of their household. Women's ability to retain ownership and control over assets when the household dissolves not only affects their vulnerability; it also affects their bargaining power during marriage. Individual-level data on assets also are essential for programs aimed at asset accumulation, such as land redistribution or titling programs or those promoting homeownership. Such data also can illuminate other key development policy issues, such as the empowerment of women, poverty reduction, social protection, and the promotion of pro-poor economic growth.

Adding a very few additional questions to survey data could allow researchers and policy makers to calculate the gender asset gap, to better understand the patterns of asset accumulation and use, and to develop policies that recognize the relationships between household formation and dissolution and asset accumulation and poverty. The potential benefits are great, leaving no excuse not to do so.

Cheryl Doss, Caren Grown, and Carmen Diana Deere. 2008. "*Gender and Asset Ownership*: A *Guide to Collecting Individual-Level Data*." *Policy Research Working Paper* 4704, *World Bank*, *Washington*, DC.

(continued from page 1)

may not reduce poverty because of substitution effects (participants typically have to give up some sources of income to enroll in the programs).

The most promising interventions are those boosting agricultural productivity. Mali's rice initiative aims to increase production by 50 percent. Using a dynamic computable general equilibrium model for Mali, analysis shows that a 15 percent increase in productivity could generate a large increase in rice production that would ultimately reduce poverty despite the increase in international rice prices. By contrast, the model suggests that import tax cuts would not reduce poverty by much. Another finding is that the general equilibrium effect of the increase in international rice prices is about half the impact predicted using household surveys. This suggests that without policy interventions, behavioral changes following price increases could help offset part, but certainly not all, of the adverse impact on the poor.

Another general equilibrium finding relates to the relative effects on households of oil and food price increases. Using social accounting matrices, analysis shows that in some countries the indirect multiplier effect of higher oil prices may be more severe than that of higher food prices. This suggests that even though the food price crisis has recently attracted more attention, the effects of the oil price crisis must also be dealt with.

Harold Coulombe and Quentin Wodon. 2008. "Assessing the Geographic Impact of Higher Food Prices in Guinea." Policy Research Working Paper 4743, World Bank, Washington, DC.

George Joseph and Quentin Wodon. 2008. "Assessing the Potential Impact on Poverty of Rising Cereals Prices: The Case of Mali." Policy Research Working Paper 4744, World Bank, Washington, DC.

Kofi Nouve and Quentin Wodon. 2008. "Impact of Rising Rice Prices and Policy Responses in Mali: Simulations with a Dynamic CGE Model." Policy Research Working Paper 4739, World Bank, Washington, DC.

Juan Carlos Parra and Quentin Wodon. 2008. "Comparing the Impact of Food and Energy Price Shocks on Consumers: A Social Accounting Matrix Analysis for Ghana." Policy Research Working Paper 4741, World Bank, Washington, DC.

Clarence Tsimpo and Quentin Wodon. 2008. "Rice Prices and Poverty in Liberia." Policy Research Working Paper 4742, World Bank, Washington, DC.

Quentin Wodon and Hassan Zaman. 2008. "Rising Food Prices in Sub-Saharan Africa: Poverty Impact and Policy Responses." Policy Research Working Paper 4738, World Bank, Washington, DC.

Quentin Wodon, Clarence Tsimpo, and Harold Coulombe. 2008. "Assessing the Potential Impact on Poverty of Rising Cereals Prices: The Case of Ghana." Policy Research Working Paper 4740, World Bank, Washington, DC.

Quentin Wodon, Clarence Tsimpo, Prospere Backiny-Yetna, George Joseph, Franck Adoho, and Harold Coulombe. 2008. "Potential Impact of Higher Food Prices on Poverty: Summary Estimates for a Dozen West and Central African Countries." Policy Research Working Paper 4745, World Bank, Washington, DC.

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