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On World Food Day IMF Urges Donors Not to Forget the Food and Fuel Crisis

IMF Managing Director Dominique Strauss-Kahn called on world leaders to take decisive action to address the continued debilitating impact of food and fuel price hikes on many of the world's poorest countries. Even while actively working to resolve the global financial crisis, world leaders must not forget the other crisis, he said.

“While food and fuel prices have eased somewhat in recent months, they remain well above their levels at the onset of the recent price surges,” Mr. Strauss-Kahn said. “What this means for a large number of countries—particularly in Africa—is a significant shock.”

Marking the celebration of World Food Day, Mr. Strauss-Kahn noted that the impact of the two crises will be severe on many developing countries and renewed his call for bolder action from the international community—in particular, faster delivery of additional aid to help vulnerable countries.

In a report released last month, the IMF shows that the impact of food and fuel price increases on developing countries has continued to mount. Net fuel-importing low-income countries are facing an increase in their fuel bill equivalent to 3.2 percent of their 2008 GDP relative to 2007—or US\$60 billion. For 43 net food-importing countries, the rise in their food bill this year amounts to 0.8 percent of GDP—or US\$7.2 billion.

Developing countries are making efforts to cope with the crisis, but they also need help from others. Donors have pledged additional aid, but delivery has been slow, he noted. “One complication is that the budgets of advanced countries will be under more strain because of the financial crisis. It is very important that they do not respond to the crisis by cutting aid—which goes to the poorest and most vulnerable people in the world,” Mr. Strauss-Kahn said.

The IMF is also helping with advice and technical assistance and has augmented its assistance to 15 affected countries. In addition, the Fund has also reformed an existing credit line—the Exogenous Shocks Facility—to make it easier and faster for affected countries to receive the financial support they need.