

United Nations Development Programme

A photograph of a woman in a colorful patterned dress carrying a child on her back, walking on a dirt road. In the background, a person is riding a bicycle. The scene is set in a rural, arid environment with sparse vegetation and a clear sky. The bottom half of the image is overlaid with a solid blue gradient.

# MILITARY ESCALATION IN THE MIDDLE EAST: REVERSALS IN GLOBAL DEVELOPMENT, POLICY RESPONSE OPTIONS

13 APRIL 2026

# Contents

<b>Executive Summary</b> .....	<b>3</b>
<b>1 Global context: moving from acute to enduring effects</b> .....	<b>4</b>
1.1 Taking stock of acute effects .....	5
<b>2 Enduring effects: Growth, energy and food inflation impacts on poverty</b> .....	<b>6</b>
2.1. Net energy importers: Concentrated vulnerability .....	7
2.2. Global spillovers: Broad-based reversals .....	10
2.3. Fiscal implications and multiplier effects .....	10
<b>3 Asymmetric policy responses</b> .....	<b>12</b>
3.1 Country-level policy responses .....	13
3.2 Policy options to avoid reversals .....	16
<b>Conclusion</b> .....	<b>17</b>
<b>Annex A – Simulation results and assumptions</b> .....	<b>18</b>
<b>Annex B – Country Vulnerability Dashboard</b> .....	<b>23</b>

This policy brief was prepared by George Gray Molina ([george.gray.molina@undp.org](mailto:george.gray.molina@undp.org)), Chief Economist at the UNDP Bureau for Policy and Program Support (BPPS), Lars Jensen ([lars.jensen@undp.org](mailto:lars.jensen@undp.org)), Senior Economist at the UNDP Bureau for Policy and Program Support (BPPS), and Eduardo Ortiz-Juarez ([eduardo.ortizj@kcl.ac.uk](mailto:eduardo.ortizj@kcl.ac.uk)), Senior Economic Research Advisor and Lecturer in Development Economics at King's College London. This brief has benefited immensely from macroeconomic inputs by Mohamed Bchir, Senior Strategic Initiatives Adviser at UNDP Regional Bureau for Arab States (RBAS), and helpful comments by Philip Schellekens, Chief Economist at the UNDP Regional Bureau for Asia-Pacific (RBAP), Raymond Gilpin, Chief Economist and Head of Strategy at the UNDP Regional Bureau for Africa (RBA), Raquel Lagunas, Head of Gender Equality at the UNDP Bureau of Policy and Program Support, and Sebnem Sahin, Chief Economist at the UNDP Regional Bureau for Europe and the Commonwealth of Independent States (RBEC).

UNDP is the leading United Nations organization fighting to end the injustice of poverty, inequality, and climate change. Working with our broad network of experts and partners in 170 countries, we help nations to build integrated, lasting solutions for people and planet.

Learn more at [undp.org](http://undp.org) or follow at @UNDP.

The views expressed in this publication are those of the author(s) and do not necessarily represent those of the United Nations, including UNDP, or the UN Member States.

## Executive Summary

This policy brief builds on UNDP assessments of the impact of the military escalation in the Middle East on Iran, the Arab States region, Africa and Asia. As the conflict unfolds, development reversals will be felt unevenly around the globe, with as many as 32.5 million people falling into poverty globally by a triple shock of energy affordability and availability, food price increases, and GDP downturns. The analysis also presents results for a group of 37 net energy importing countries - in the Gulf region, Africa, Asia and Small Island Developing States - highlighting their unique and overlapping vulnerabilities.

While advanced economies are better able to mitigate the socio-economic impacts of the shock, many developing countries are not, due to severe fiscal and financial constraints. In addition to interim measures taken by some developing countries in recent weeks - including changing work schedules, extending energy subsidies, changing VAT and tax policy on fossil fuels, and releasing energy reserves - fiscally constrained economies can consider tailored policy options, including:

- (a) **Targeted and temporary cash transfers that protect poor and vulnerable households are the preferred policy response for fiscally constrained countries.** Equivalent cash transfers needed to neutralize shocks are estimated to be in the order of \$6 billion to cover 32.5 million people who may fall under the upper middle-income country poverty line.
- (b) **Second best interventions include temporary subsidies or vouchers for minimum “consumption blocks” of electricity or cooking gas.** These are designed to buffer the pass-through effects of higher energy costs to domestic electricity and liquid gas for poor and vulnerable households. Consumption blocks work best where comprehensive social registries are absent or administrative capabilities to reach poor and vulnerable households are weak.
- (c) **Avoid blanket energy subsidies (on gasoline, diesel or LNG) that lock-in benefits beyond the initial price surge.** Energy subsidies are widely used in developing economies, yet are both regressive, favouring richer households over poor and vulnerable households, and fiscally unsustainable over time.

The cost of inaction is significant. While the acute impacts of the escalation are already reversing human development gains in directly affected countries, the enduring economic effects are projected to push tens of millions into poverty globally. As shocks propagate through energy and food markets, fiscally constrained economies face difficult trade-offs between protecting vulnerable households and preserving long-term development investments. Timely, targeted, and coordinated policy responses will be essential to prevent temporary shocks from becoming lasting development setbacks.

Country context is critical for tailored policy responses. UNDP will roll out a new generation of **Social and Economic Impact Assessments (SEIAs)** in countries affected by the crisis, building on work during the Covid-19 response. Country assessments will allow governments and development partners to tailor to country context. UNDP will focus on both direct and indirect impacts: (a) country offices are mobilized, in coordination with governments and UN country teams, in acute crisis contexts to address immediate recovery, health and food responses; (b) country offices around the world will continue to monitor transmission channels and socio-economic impact, to assist authorities in designing policy responses to protect poor and vulnerable populations from the enduring effects of the crisis.

# 1 Global context: moving from acute to enduring effects

The military escalation in the Middle East is having acute effects over lives, livelihoods and development prospects in Gulf countries and will have enduring effects over the global economy. UNDP has documented human development, poverty and growth reversals in Iran<sup>1</sup>, the Arab Region<sup>2</sup>, Asia-Pacific and Africa<sup>3</sup> since February 28. Global energy prices have surged since then, with knock-on effects on fertilizer and food markets driven by higher energy costs and trade disruptions, shipping constraints, and supply chain bottlenecks. Downstream impacts are also visible across technology and industrial supply chains around the globe. Humanitarian, health and food impacts are ongoing and will lead to accelerated reversals in vulnerable regions and sub-regions.

This global policy brief takes stock of some of the most recent impacts and focuses on the enduring effects of the conflict around the globe. We model three scenarios of annualized conflict intensity represented by 4, 5 and 6 weeks of major disruptions to oil and gas production, decrease in productivity and increase in export costs from the conflicted-affected countries in the middle eastern region. Scenario results are used to project poverty effects over the world's most vulnerable and poor populations. The brief presents projections globally and zooms in on a group of 37 net energy importing

countries, some of which have unique, overlapping vulnerabilities.

While shocks are global, impacts are unevenly distributed. Advanced economies can absorb the effects of energy shocks in ways that are unattainable for low-income and some middle-income economies because of major differences in fiscal and financial constraints. Countries in the Gulf region, Asia, Sub-Saharan Africa and SIDS are uniquely vulnerable.

Preliminary regional assessments from Europe and Central Asia reinforce this asymmetry. Although aggregate GDP effects in parts of the region may appear limited, human development impacts could be substantial if shocks persist. A decline in HDI of just 0.005 points—half the magnitude observed during COVID-19 - would imply development setbacks ranging from under two years in some economies to more than seven years in more fragile contexts. This stresses that headline income levels do not necessarily equate with resilience, and that recovery capacity varies significantly across countries.<sup>4</sup>

We describe ongoing policy responses on the ground and lay out potential policy responses.

---

<sup>1</sup> See <https://www.undp.org/asia-pacific/publications/military-escalation-middle-east-economic-and-human-development-impacts-islamic-republic-iran>

<sup>2</sup> See <https://www.undp.org/arab-states/publications/military-escalation-middle-east-economic-and-social-implications-arab-states-region-assessment>

[economic-and-social-implications-arab-states-region-assessment](https://www.undp.org/arab-states/publications/military-escalation-middle-east-economic-and-social-implications-arab-states-region-assessment)

<sup>3</sup> See <https://www.undp.org/liberia/press-releases/impacts-middle-east-conflict-africa>

<sup>4</sup> UNDP RBEC Assessment of the Middle East Conflict on Europe and Central Asia, March 2026.

---

**Policy responses to the crisis are asymmetric. Advanced economies can address energy shocks in ways that are unattainable for low-income and some middle-income economies because of major differences in fiscal and financial constraints.**

---

## 1.1 Taking stock of acute effects

UNDP has analysed the effects of the first weeks of the military escalation in Iran, the Arab region, Asia and Africa. Iran's human toll includes loss of life and severe humanitarian disruption since February 28<sup>5</sup>; military escalation has resulted in loss of physical infrastructure, energy infrastructure and disrupted lives and livelihoods. Iran is projected to have lost one and a half years in human development progress in the first month of conflict.<sup>6</sup> Emerging evidence also points to disproportionate gendered effects. Iran already had one of the lowest female labour force participation rates globally (around 14 percent), and conflict-related disruptions risk widening gaps in girls' secondary school completion and maternal health outcomes. Preliminary projections suggest that prolonged instability could increase maternal mortality and reverse recent gains in girls' education, compounding human development losses beyond income effects alone.<sup>7</sup>

In the Arab states region, UNDP estimates that GDP is estimated to decline by approximately 3.7 to 6.0 percent, equivalent to a contraction of roughly \$120 billion to \$194 billion (in constant 2015

USD), with losses concentrated in the Gulf Cooperation Council (GCC) and Levant subregions.<sup>8</sup> The simulations suggest that nearly 4 million additional people could be pushed into poverty under high conflict intensity scenarios. Increases in poverty rates are concentrated in the Levant and fragile countries (Sudan and Yemen), where baseline vulnerability is highest and shocks translate more strongly into welfare losses.

In Africa, UNDP, AUC, UNECA and AfDB highlight that the current shocks are transmitting faster and through more concentrated channels than during past global disruptions, leaving African economies with little time to adjust.<sup>9</sup> African economies and households are already affected, requiring rapid effective policy action. Twenty-nine currencies have weakened, raising the cost of servicing external debt and importing food, fuel, and fertilizer. Disruptions linked to Gulf energy supplies threaten access to ammonia and urea during the critical March–May planting season thus likely to decrease agricultural production, compounding risks of crisis and emergency levels of food insecurity, especially for low-income households and import-dependent economies.

---

<sup>5</sup> See <https://www.un.org/sg/en/content/sg/press-events/2026-04-02/secretary-generals-remarks-press-encounter-the-middle-east>

<sup>6</sup> See <https://www.undp.org/asia-pacific/publications/military-escalation-middle-east-economic-and-human-development-impacts-islamic-republic-iran>

<sup>7</sup> UNDP Conflict and Gender Inequality in Iran: A Scenario Analysis, March 2026.

<sup>8</sup> See <https://www.undp.org/arab-states/publications/military-escalation-middle-east-economic-and-social-implications-arab-states-region-assessment>

<sup>9</sup> See <https://www.undp.org/liberia/press-releases/impacts-middle-east-conflict-africa>

## 2 Enduring effects: Growth, energy and food inflation impacts on poverty

The military escalation generates enduring economic effects that extend beyond directly affected economies. Two transmission channels are particularly relevant for household welfare: falls in projected GDP growth and increases in food and energy prices. We simulate the combined impact of these channels on household income using income distributions covering 162 countries.<sup>10</sup>

The analysis is anchored in a dynamic CGE model analysis providing annual growth and price projections under three scenarios of annualized increasing conflict intensity.<sup>11</sup> Conflict intensity is modelled through three main interventions of various duration (scenario 1 = 4 weeks; scenario 2 = 5 weeks and scenario 3 = 6 weeks), and with immediate adjustment, applied to conflict-affected countries in the middle eastern region: i) a 50 percent decline in productivity across all sectors ii) a complete halt of oil and gas production iii) a tenfold increase in export costs.

To translate economy-wide growth changes into household outcomes, projected GDP growth under each scenario is applied to household income distributions. We assume that household incomes move broadly in line with national income, but not one-for-one: on average,

85 percent of changes in GDP per capita are passed through to households.<sup>12</sup> Food and energy price increases are translated into real income erosion by adjusting household purchasing power according to how much different income groups typically spend on food and energy, with poorer households allocating larger shares to these items.<sup>13</sup> Results should therefore be interpreted as first-round distributional stress tests, capturing the immediate mechanical effects of income and price changes, abstracting from behavioural responses and policy mitigation.

The CGE simulations provide country-specific growth and price projections for 51 economies with available income distribution. Among these, 37 are net importers of oil and gas and are analysed as a distinct group given their more direct exposure to energy price shocks. The remaining 14 modelled countries include non-net importers, whose welfare effects are driven primarily by output disruptions rather than price pass-through.

The global results extend beyond these 51 countries to all 162 economies with available income distributions. For countries with country-specific CGE projections, those estimates are used directly. For the remaining economies, our

---

<sup>10</sup> The analysis exploits binned distributions of per capita household income or consumption, reconstructed from the World Bank's Poverty and Inequality Platform (PIP) Stata package, for 162 countries covering approximately 97 percent of the world's population. See the Technical Note in Annex A for specific details.

<sup>11</sup> See the Technical Note in Annex A.

<sup>12</sup> See: Lakner, C., Mahler, D.G., Negre, M. et al. (2022), [How much does reducing inequality matter for global poverty?](#) *Journal of Economic Inequality*, 20: 559–585.

<sup>13</sup> Household expenditure shares for food and energy are calibrated using consumption patterns consistent with international household survey evidence. For the

lowest income bins, food shares are assumed to range from approximately 50 percent of total consumption in low-income countries (LICs) to 20 percent in high-income countries (HICs), with energy shares ranging from roughly 12 percent in LICs to 6 percent in HICs. Shares decline linearly across income bins within each country, reflecting Engel's Law. This specification is consistent with empirical patterns documented in: Artuc, E., Porto, G. and Rijkers, B. (2021), [Household impacts of tariffs: Data and results from agricultural trade protection](#). *The World Bank Economic Review*, 35(3): 563–585, and Mahler, D.G., Yonzan, N., Hill, R., Lakner, C., Wu, H. and Yoshida, N. (2022), [Pandemic, prices, and poverty](#). World Bank Blogs, 13 April.

CGE model provides aggregate projections for the Rest of the European Union (REU) and the Rest of the World (ROW); EU member states without individual modelling are assigned the REU growth and price deviations, while all other countries are assigned the ROW projections. This ensures global coverage while preserving country-level heterogeneity where available (see Annex

A for the list of countries and the REU/ROW growth and inflation projections).

Importantly, the simulations distinguish between the growth channel alone and the combined growth-plus-inflation channel, allowing us to isolate the contribution of commodity price shocks to poverty reversals.

---

**The group of 37 net energy importers of oil and gas for which growth and inflation estimates are available, includes some of the most vulnerable countries to the enduring effects of the energy shock – located in the Gulf region, Asia, and Africa (north and Sub-Saharan), as well as SIDS**

---

## 2.1. Net energy importers: Concentrated vulnerability

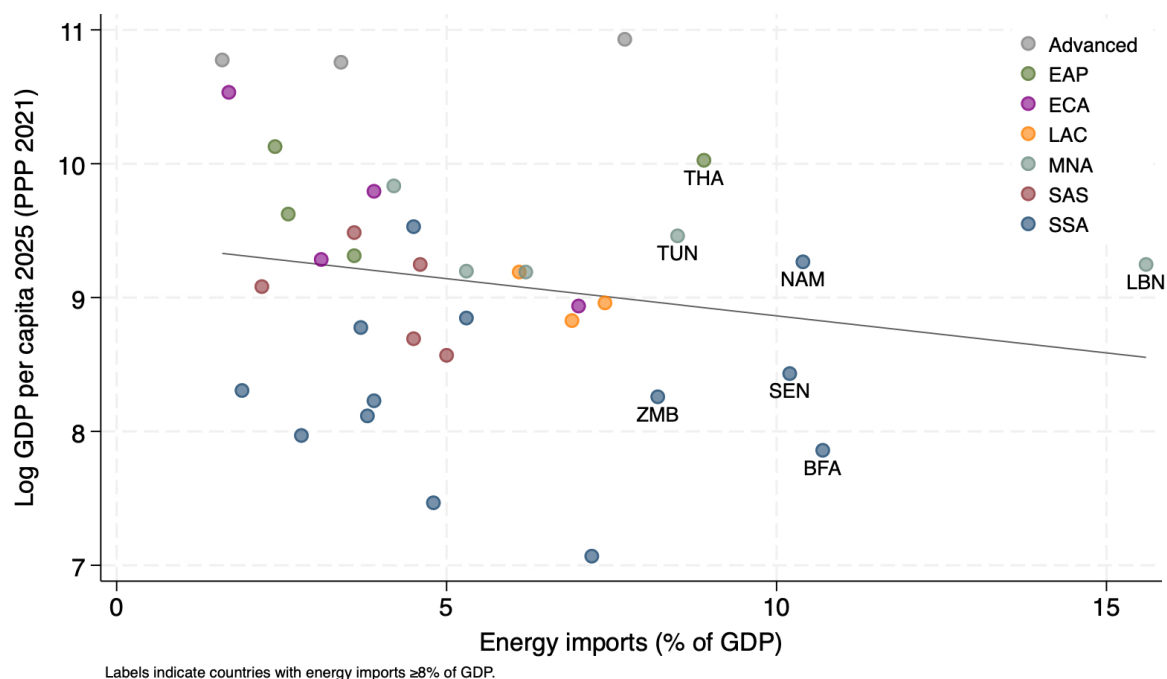
Among the 37 net importers of oil and gas for which we have growth and inflation estimates, vulnerability to energy price shocks is structurally uneven. Figure 1 illustrates that among this group, several lower-income economies—particularly in Sub-Saharan Africa—combine relatively high energy import dependence with

limited income buffers. The fitted relationship indicates that countries with lower levels of per capita income tend to face higher exposure to imported energy as a share of GDP. This combination of low income and high import reliance places some economies of this group in a structurally fragile position: external energy price shocks translate into proportionally larger macroeconomic and welfare pressures.<sup>14</sup>

---

<sup>14</sup> The population-weighted regression is statistically significant at the 1% ( $P = 0.006$ ).

**Figure 1. Energy import dependence and income levels among net energy-importing economies**

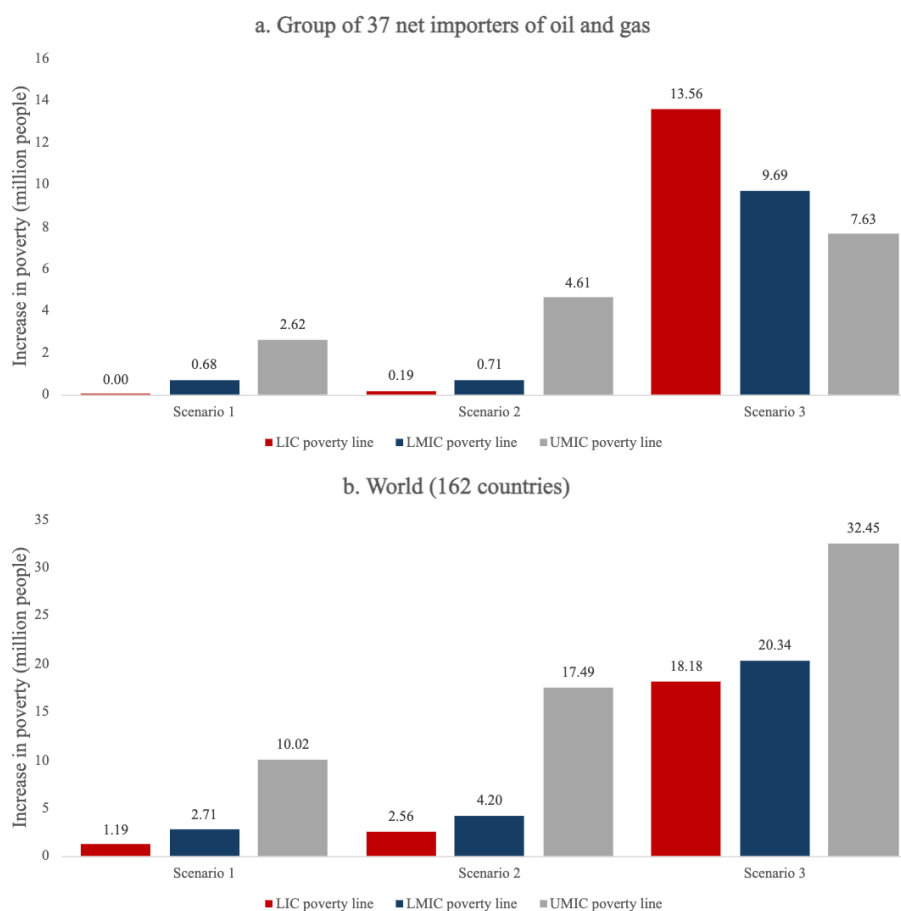


Source: Own elaboration based on IMF World Economic Outlook, October 2025 for GDP per capita, and World Bank World Development Indicators for energy imports as share of the GDP.

This structural fragility provides the context for interpreting the simulation results. The simulations allow us to separate the growth channel from the price channel and assess their respective contributions. Turning first to the growth channel alone, poverty effects remain relatively modest even under our highest conflict intensity scenario (see Table A1 for detailed growth-only results). Under Scenario 3, GDP deviations by themselves increase extreme poverty by only 0.2 million people relative to the no-war baseline. At higher thresholds, growth-only impacts remain limited: poverty at the upper-middle-income threshold rises by 4.9 million, and 6.7 million additional individuals fall below the vulnerability threshold (see Table A1).

However, once food and energy inflation is layered onto output losses, reversals become substantially larger. Under our highest conflict intensity scenario 3, extreme poverty increases by 13.6 million people - more than sixty times the increase generated by growth alone. At the upper-middle-income poverty line, the combined shock pushes 7.6 million people into poverty, while 17.2 million fall below the vulnerability threshold (see Table A1 for the full breakdown across thresholds). This distribution of impacts reflects the underlying income structure of the group: among net importers, a larger share of households is clustered close to the lowest poverty threshold, making extreme poverty particularly sensitive to price shocks. Figure 2, panel a, illustrates the escalation in poverty as conflict intensity increases.

**Figure 2. Poverty reversals accelerate sharply as conflict intensity increases**



Notes: Increase in poverty (million people) relative to the 2026 no-war baseline under three scenarios. Panel a shows 37 net energy importers; Panel b shows all 162 countries. Results reflect the combined growth and inflation channel. Poverty lines correspond to the LIC, LMIC, and UMIC international standards.

This amplification reflects the regressive nature of food and energy inflation. Lower-income households allocate a larger share of their expenditures to these categories; when prices rise, their purchasing power falls more sharply, compounding aggregate output losses. These effects are also likely to have a gender dimension. Women are overrepresented in informal and low-income segments of the labour market and bear a disproportionate share of unpaid care work. Rising food and energy prices increase household time and resource burdens, particularly in contexts where women manage food

provisioning and energy access, thereby amplifying welfare losses beyond measured income effects.<sup>15</sup>

The contrast between the growth-only and combined scenarios demonstrates that inflation - not GDP contraction alone - is the primary driver of welfare reversals among this group of net importers. Under Scenario 1, the extreme poverty rate among net importers remains effectively unchanged under both channels. Only a very small number of individuals newly fall below the extreme poverty line, and the associated fiscal cost of restoring them to

<sup>15</sup> UNDP Conflict and Gender Inequality in Iran: A Scenario Analysis, March 2026.

the no-war baseline is negligible. However, as conflict intensity increases, poverty reversals quickly become significant. Under Scenario 3, the fiscal cost of offsetting war-induced income losses rises to nearly \$27 million annually at the extreme poverty line, approximately \$420 million at the upper-middle-income poverty line, and exceeds \$2.3 billion annually at

the vulnerability threshold (see Table 1 and Table A1 for detailed fiscal cost estimates).

These figures underline that persistent price shocks amplify welfare losses disproportionately. Once shocks are perceived as non-temporary, reversals extend well beyond extreme poverty and into the lower-middle and vulnerable segments of the population.

## 2.2. Global spillovers: Broad-based reversals

---

**In our highest intensity conflict scenario, by the end of the year, approximately 32.5 million people around the globe are expected to have fallen below the Upper Middle Income (UMIC) poverty line. Half of the global poverty increase is occurring in the group of 37 net energy importing countries for which we have country-specific scenario estimates.**

---

Extending the simulation to all 162 countries—applying country-specific CGE projections where available and regional averages (REU/ROW) elsewhere—reveals broader but uneven effects (see Figure 2, panel b, and Table A1).

Under the growth channel alone, global poverty increases remain moderate even in the prolonged scenario. Extreme poverty rises by 3 million people, while poverty at the lower- and upper-middle-income thresholds increases by 5.7 million and 24 million, respectively (see Table A1).

Once inflation is incorporated, however, impacts deepen substantially. Under Scenario 3, extreme poverty increases by 18.2 million people globally. Poverty at the lower- and upper-middle-income standards rises by 20.3 million and 32.5 million, respectively. Most strikingly, 38.5 million people fall below the vulnerability threshold (see Table A1 for full threshold comparisons).

The comparison across channels highlights that price pressures - rather than output losses alone - drive much of the additional poverty increase. While GDP contraction contributes to poverty increases, food and energy price shocks significantly amplify these effects, particularly for households clustered near extreme and lower-middle-income thresholds.

## 2.3. Fiscal implications and multiplier effects

The fiscal implications are significant. Table 1 reports the annual fiscal cost required to offset war-induced income shortfalls under each scenario and poverty threshold. Under Scenario 3, fully offsetting these income losses would require approximately \$123 million annually at the extreme poverty line, \$903 million at the lower-middle-income poverty line, and \$6 billion at the upper-middle-income poverty line across all 162

countries—and nearly \$13 billion at the vulnerability threshold (see Table A1).

**Table 1. Annual fiscal cost of offsetting war-induced poverty increases (TBI equivalent, millions of 2017 PPP dollars)**

	LIC poverty line	LMIC poverty line	UMIC poverty line
<b>37 net importers</b>			
<i>Scenario 1</i>	\$ 0.02	\$ 5.13	\$ 34.13
<i>Scenario 2</i>	\$ 1.62	\$ 12.72	\$ 106.64
<i>Scenario 3</i>	\$ 26.98	\$ 51.75	\$ 420.00
<b>World (162 countries)</b>			
<i>Scenario 1</i>	\$ 9.09	\$ 81.78	\$ 543.86
<i>Scenario 2</i>	\$ 27.92	\$ 232.88	\$ 1,637.90
<i>Scenario 3</i>	\$ 123.03	\$ 903.46	\$ 6,020.28

*Notes:* Annual cash-equivalent Temporary Basic Income (TBI) required to restore individuals newly pushed below each poverty threshold to their pre-war 2026 baseline income. Estimates reflect the combined growth and inflation channel. Figures are expressed in 2017 PPP dollars (millions). Results are shown for the group of 37 net energy importers and for the global sample of 162 countries.

These estimates represent the annual cash-equivalent Temporary Basic Income (TBI) required to bring newly affected individuals back to their projected 2026 no-war income level. Importantly, the fiscal burden increases sharply as conflict intensity deepens. This reflects a multiplier effect of persistence: as real incomes fall and price shocks endure, more households near poverty thresholds are pushed below them.

Comparing scenarios underscores this dynamic. Short-lived disruptions generate limited poverty increases. However, as major disruptions extend even marginally, poverty reversals accelerate sharply - both the number of affected individuals and the fiscal resources required to mitigate the shock.

---

**The cash-transfer equivalent required to neutralize poverty effects are in the order of \$6 billion for 32.5 million people falling under the UMIC line.**

---

### 3 Asymmetric policy responses

The effects of the Middle East military escalation are projected to have enduring effects around the world. By the end of the year, approximately 32.5 million people are expected to fall below the upper-middle-income country (UMIC) poverty line. The annual cash-transfer equivalent required to neutralize these effects is in the order of \$6 billion.

Developing countries are already absorbing the energy price shock and taking actions: changing work schedules, extending energy subsidies, changing VAT and tax policy on fossil fuels, releasing energy reserves and more. Some of these policy responses will lead to further fiscal burdens, and/or to continued inflationary pressures. Many developing countries are caught between a rock and a hard place.

How to address global asymmetries in the policy response? This final section describes country-level responses, as they absorb the rippling effects of the energy shock –and makes a call for action to pre-empt the enduring effects of this conflict across the most vulnerable economies around the globe.

Evidence from Europe and Central Asia illustrates that similar aggregate shocks can produce markedly different development trajectories, depending on fiscal space, exposure to energy imports, and institutional capacity. Even where GDP impacts appear moderate, human development setbacks may be significant if shocks persist.<sup>16</sup>

Annex B provides a vulnerability mapping of 97 net energy importing developing economies with data available on key exposure and resilience indicators.

---

**We have learnt from the Covid-19 and 2022 cost-of-living crises. Advanced economies have the fiscal and financial means to buffer shocks; low-income and many middle-income countries often do not. They will see intensifying development reversals in the absence of multilateral action**

---

---

<sup>16</sup> UNDP RBEC Assessment of the Middle East Conflict on Europe and Central Asia, March 2026.

### 3.1 Country-level policy responses

We have learnt from the Covid-19 and 2022 cost-of-living crises.<sup>17</sup> Advanced economies have the fiscal and financial means to buffer shocks; low-income and many middle-income countries often do not. A significant number of developing economies are already constrained by fiscal space, including from high levels of debt, leaving them with minimal capacity to mitigate the shock. Faced with a surging energy import bill<sup>18</sup>, these countries must – governed by their level of resilience – draw on reserves, seek additional hard currency borrowing, or resort to import compression.

First, countries burdened by high debt, restricted market access, and low reserves are vulnerable to balance of payments crises unless they can secure liquidity support from official multilateral or bilateral sources. Even if a crisis can be averted, development trade-offs are severe. Increased borrowing to finance the current account deficit compounds the existing debt-service burden. Simultaneously, a weakening currency pushes up the local-currency cost of the external debt burden, crowding out revenue essential for financing long-term development goals. Furthermore, many countries face a ‘double hit’ as their export sectors stagger under the weight of energy shortages and higher input and transportation costs.

Second, the energy shock will compel advanced economy central banks to slow down rate cuts, or even tighten

monetary policy, to prevent energy-led inflation from de-anchoring inflation expectations. Expectations of a delayed monetary easing have already sent US treasury yields and the dollar higher. This combination will increase debt servicing costs and further add to import costs across developing economies.

Thirdly, in many developing economies, broad-based energy and food subsidies function as the primary social safety net. Governments now face a destabilizing dilemma: maintaining subsidies threatens fiscal sustainability and debt targets, while removing them risks severe poverty spikes and the kind of social unrest witnessed during the 2022 crisis. While high-income nations may possess the fiscal depth to absorb these costs, poorer countries face starker trade-offs, often at the expense of long-term development investments.

Domestic policy responses to the 2026 energy crisis fall into three broad categories: price cushioning, administrative controls and fuel switching. Higher-income countries rely more heavily on price cushioning measures - such as fuel-tax and VAT cuts, direct subsidies, energy bill and targeted income support, and the release of strategic energy reserves - to dampen the impact on businesses and households.

Developing countries with less fiscal space deploy a mix of both price cushioning and harder administrative controls. The latter includes fuel export bans, rationing, and mandatory demand-reduction tactics such as

---

<sup>17</sup> See <https://www.undp.org/press-releases/global-cost-living-crisis-catalyzed-war-ukraine-sending-tens-millions-poverty-warns-un-development-programme>

<sup>18</sup> <https://data.undp.org/insights/debt-in-developing-economies>

reduced work weeks and school closures. As with the response to the 2022 energy shock, there is a risk that massive subsidies in richer countries will keep energy demand and thus energy prices higher for longer further increasing the economic damages in countries with less fiscal space. Finally,

major Asian importers have initiated fuel-switching strategies by increasing nuclear and coal utilization to offset the scarcity and volatility of LNG supplies, and several countries are trying to secure new oil supplies from outside the middle eastern region, primarily benefitting Russia.

**BOX 1: THAILAND AND ZAMBIA: SIMILAR LEVEL OF EXPOSURE, DIFFERENT RESPONSES NEEDED**

Thailand and Zambia are both net fuel importers with a similar level of exposure to the energy shock. Fuel imports are roughly 10 percent of GDP in both countries, and they rely heavily on oil and gas supplies from the Gulf: Zambia gets about 45 percent, and Thailand 52 percent, of total oil and gas imports from the region.<sup>19</sup> But despite their similar levels of exposure, they do not share the same level of resilience and therefore also not the same level of vulnerability. Whereas more than 75 percent of the population in Zambia live below \$4.20/day (2021 PPP) this is less than 1 percent of the Thai population. Inflation is already (before this shock) estimated at about 11 percent in Zambia compared to less than 1 percent in Thailand. Zambia’s currency reserves cover about 4.3 months of imports, but Thailand doubles that with 8.6 months. After defaulting during COVID-19 and later restructuring, Zambia’s fiscal outlook remains highly fragile, market access limited, and debt servicing costs extremely high. Despite its debt restructuring, it is estimated that Zambia still spends more than a quarter of government revenue on interest payments alone and the country has no functional access to the international capital market: Zambia only cleared its default rating late last year and has seen little ratings improvement since. On the contrary, Thailand spends an estimated 6 percent of revenue on interest payments and have access to international capital markets with an investment-grade credit rating.

	Exposure		Resilience				
	Fuel imports (% of GDP)	Oil & gas imports from the Gulf (% of total)	Reserves (months of imports)	\$4.2/day poverty rate	Inflation	Interest payments (% of revenue)	Credit rating
<b>Thailand</b>	9.8	52	4.3	76.5%	>10%	28.1	BBB+
<b>Zambia</b>	10.1	45	8.6	0.5%	<1%	6.2	CCC+

**BOX 2: POLICY RESPONSES AROUND THE GLOBE**

**Japan:** Released national oil reserves; committed about 50 days of national oil use; added ¥800 billion in subsidies to cap gasoline prices; temporarily relaxed rules to allow greater use of lower-efficiency coal plants to save LNG.<sup>20</sup>

**South Korea:** Expanded fuel tax cuts, raised the fuel price cap, proposed a 25 trillion won supplementary budget, launched a 5 trillion won bond buyback, increased nuclear utilization, removed caps on coal generation, and imposed five-month export controls on naphtha.<sup>21</sup>

**Spain:** Proposed a €5 billion package including VAT cuts on electricity bills, fuel-price cuts, and fuel subsidies for farming and transport; Government will vote on relief including fuel and electricity tax cuts and subsidies for vulnerable sectors.

<sup>19</sup> Based on 2024 data from UN COMTRADE. Gulf countries here refer to: Iran, Iraq, Bahrain, Qatar, UAE, Saudi Arabia, Kuwait and Oman.  
<sup>20</sup> <https://www.reuters.com/business/energy/japan-considers-increasing-coal-fired-power-war->

[disrupts-lng-imports-2026-03-27/?utm\\_source=chatgpt.com](https://www.reuters.com/business/energy/south-korea-raise-fuel-price-cap-expand-tax-break-cushion-blow-iran-conflict-2026-03-26/?utm_source=chatgpt.com)  
<sup>21</sup> [https://www.reuters.com/business/energy/south-korea-raise-fuel-price-cap-expand-tax-break-cushion-blow-iran-conflict-2026-03-26/?utm\\_source=chatgpt.com](https://www.reuters.com/business/energy/south-korea-raise-fuel-price-cap-expand-tax-break-cushion-blow-iran-conflict-2026-03-26/?utm_source=chatgpt.com)

**European Commission:** The Commission has urged early gas-storage filling, allowed flexibility to lower the storage target from 90% to 80% if needed, and is coordinating discussion of targeted relief, limited electricity tax cuts, tiered pricing, more ETS permit supply, and possible windfall taxes.

**India:** Reviewing fuel exports if needed; only approving fuel supply to neighbors if surplus volumes exist; invoked emergency powers to maximize LPG production; cut LPG sales to industry to protect household supply; cut excise duties on petrol and diesel; imposed windfall taxes on diesel and aviation-fuel exports.<sup>22</sup>

**Philippines:** Declared a state of national energy emergency; suspended the Wholesale Electricity Spot Market; preparing a modified tariff/pricing regime; boosting coal generation; regulating electricity tariffs; activated a 20 billion peso emergency fund; seeking waivers/exemptions to access oil from sanctioned countries.<sup>23</sup>

**Bangladesh:** Suspended earlier fuel rationing for Eid travel; seeking billions in external financing to secure fuel and LNG imports; trying to secure additional fuel cargoes from India, China and others.<sup>24</sup>

**Namibia:** Temporarily reducing fuel levies by 50% for at least three months, through end-June.<sup>25</sup>

**Kenya:** Regulator kept pump prices unchanged for 30 days despite higher crude prices; retailers are also pressing for a shift from government-to-government supply deals toward private supply options as a contingency.<sup>26</sup>

**South Sudan:** Began electricity rationing in Juba.<sup>27</sup>

**Brazil:** Scrapped federal diesel taxes earlier in March; imposed a 12% tax on oil exports; then proposed a new plan under which federal and state governments would each subsidize 0.60 reais/litre of imported diesel through May, replacing the earlier ICMS-tax-waiver idea.<sup>28</sup>

**Chile:** Activated a clause in its fuel stabilization mechanism to pass through higher international prices more quickly because public finances could no longer absorb the full shock; at the same time announced price controls for public transit fares and kerosene.<sup>29</sup>

---

<sup>22</sup> <https://www.reuters.com/sustainability/boards-policy-regulation/governments-worldwide-shield-households-rising-energy-costs-2026-03-27/>

<sup>23</sup> <https://www.reuters.com/business/energy/philippines-suspends-electricity-market-due-middle-east-conflict-2026-03-26/>

<sup>24</sup> <https://www.reuters.com/business/energy/governments-actions-response-oil-price-surge-escalating-middle-east-conflict-2026-03-16/>

<sup>25</sup> <https://www.reuters.com/sustainability/boards-policy-regulation/governments-worldwide-shield-households-rising-energy-costs-2026-03-27/>

<sup>26</sup> <https://www.reuters.com/sustainability/boards-policy-regulation/kenya-fuel-retailers-running-short-supplies-due-middle-east-war-2026-03-24/>

<sup>27</sup> [https://www.reuters.com/sustainability/boards-policy-regulation/africa-grapples-with-energy-crisis-iran-war-disrupts-fuel-supplies-2026-03-25/?utm\\_source=chatgpt.com](https://www.reuters.com/sustainability/boards-policy-regulation/africa-grapples-with-energy-crisis-iran-war-disrupts-fuel-supplies-2026-03-25/?utm_source=chatgpt.com)

<sup>28</sup> <https://www.reuters.com/business/energy/brazil-proposes-new-plan-diesel-subsidies-prices-jump-2026-03-24/>

<sup>29</sup> <https://www.reuters.com/business/energy/chiles-fuel-prices-jump-global-oil-shock-strains-public-finances-2026-03-24/>

## 3.2 Policy options to avoid reversals

As policymakers grapple with the immediate response, they can also foresee a succession of shocks over the next few months. Energy prices surged from about \$71/barrel (Brent) on February 28, to over \$110/barrel in April. As these energy prices pass-through to domestic electricity and LNG prices they start to hurt consumers directly; in a few months, the effects of higher fertilizer prices will feed into a round of food price shocks. Together, energy prices and food prices deliver a double blow to poor and vulnerable households.

What are the options available to fiscally constrained low-income and middle-income countries? Previous cost-of-living surges suggest a best-practice roadmap:

- Targeted and temporary cash transfers (TBIs) that protect poor and vulnerable household are the preferred policy response for fiscally constrained countries. Equivalent cash transfers needed to neutralize energy and food inflation, as well as GDP shocks, are estimated to be in the order of \$903 million covering 20.3 million people who may fall below the low-middle income country (LMIC) poverty line; and up to \$6 billion to cover 32.5 million people who fall under the upper-middle-income country (UMIC) poverty line. Targeted and temporary cash transfers have worked successfully since

2020.<sup>30</sup> Previous UNDP analysis during the cost-of-living crisis found that targeted cash transfers significantly outperformed blanket energy subsidies in protecting poor and vulnerable households at comparable fiscal cost. Transfers are more progressive and mitigate a larger share of poverty increases—and help to avoid the environmentally distortionary effects associated with universal price subsidies.<sup>31</sup>

- Second best interventions may include temporary subsidies or vouchers for a minimum “consumption block” of electricity or cooking gas. These are designed to buffer the pass-through effects of higher energy costs to domestic electricity and liquid gas for poor and vulnerable households. They typically cover only a limited quota of consumption: the first 30–100 kWh per household per month, or the first cylinder of cooking gas/LPG or monthly equivalent for cooking. This option may be more appropriate for countries that do not have comprehensive social registries or administrative capacity to reach poor households in the short run.
- Policymakers should avoid blanket energy subsidies (on gasoline, diesel or LNG) that lock-in benefits beyond the initial price surge. Energy subsidies are used widely in developing economies, yet are both regressive, favouring richer households over poor and

---

<sup>30</sup> See <https://www.undp.org/library/dfs-mitigating-poverty-global-estimates-impact-income-support-during-pandemic>

<sup>31</sup> See <https://www.undp.org/publications/addressing-cost-of-living-crisis-developing-countries-poverty-and-vulnerability-projections-and-policy-responses>

vulnerable households, and fiscally unsustainable over time. The politics of unwinding blanket energy subsidies are complex; few countries have successfully to adaptive or temporary relief schemes in recent years. Energy security and transitions to renewable energy are ongoing challenges around the globe and also require policy coherence moving forward.

Not all effects of the military escalation in the Middle East can be contained by countries acting alone. Some require multilateral action. These play out at multiple levels: actions that counter energy supply constraints through release of physical oil reserves – recently addressed by IEA and G7 countries<sup>32</sup>; actions that counter the growth/inflationary impact of enduring shocks – with eyes on the US Federal Reserve and the European Central Bank on whether inflationary pressures de-anchor expectations and trigger interest rate hikes<sup>33</sup>; and actions that help developing economies acquire hard currency liquidity to deal with the multiple policy responses described above.

## Conclusion

This brief has shared global projections and zoomed in on 37 net energy importers in the world –affecting countries across the Gulf region, Asia, North and Sub-Sahara Africa and SIDS. They display overlapping vulnerabilities that will require multiple policy responses to counter the shock. UNDP will roll out a new generation of Social

and Economic Impact Assessments (SEIAs) in vulnerable countries as we did during the Covid-19 crisis in 2020. Country assessments will allow governments and development partners to tailor to country context. UNDP will focus on both direct and indirect impacts:

- Direct impacts: UNDP country offices have mobilized, in coordination with governments and UN country teams, in gulf country offices to address immediate crisis, health and food responses.
- Indirect impacts: UNDP country offices will continue to monitor transmission channels and impact, to assist authorities in designing policy responses to protect poor and vulnerable populations from the enduring effects of the crisis.

The cost of inaction is large. The acute impact of the military escalation is affecting millions in the Gulf region - reversing human development and poverty progress during the conflict. It is also impacting tens of millions of people around the globe through enduring effects over energy and food prices. As developing economies move between acute and enduring effects, policy responses need to be both timely and appropriate to the challenges at hand.

---

<sup>32</sup> See <https://www.iaea.org/news/iea-member-countries-to-carry-out-largest-ever-oil-stock-release-amid-market-disruptions-from-middle-east-conflict>

<sup>33</sup> See <https://www.politico.com/news/2026/03/18/iran-central-banks-energy-inflation-fed-ecb-boe-outlook-00833322>

## Annex A – Simulation results and assumptions

Table A1. Poverty and fiscal impacts under alternative growth and inflation scenarios relative to the 2026 no-war baseline

	LIC poverty line				LMIC poverty line				UMIC poverty line				Vulnerability threshold			
	Count	Rate	Diff	TBI (annual)	Count	Rate	Diff	TBI (annual)	Count	Rate	Diff	TBI (annual)	Count	Rate	Diff	TBI (annual)
<b>a. Group of 37 net importers of oil and gas</b>																
<i>Baseline</i>	186.4	3.89%	--	--	805.1	16.82%	--	--	2,228.7	46.56%	--	--	3525.2	73.65%	--	--
<i>Growth channel only</i>																
<i>Scenario 1</i>	186.4	3.89%	0.00	--	805.1	16.82%	0.07	--	2,230.9	46.61%	2.30	--	3526.2	73.67%	1.04	--
<i>Scenario 2</i>	186.4	3.89%	0.03	--	805.1	16.82%	0.09	--	2,231.2	46.62%	2.60	--	3527.6	73.70%	2.40	--
<i>Scenario 3</i>	186.6	3.90%	0.20	--	805.2	16.82%	0.17	--	2,233.6	46.67%	4.91	--	3531.8	73.79%	6.69	--
<i>Growth + inflation</i>																
<i>Scenario 1</i>	186.4	3.89%	0.00	\$ 19,188	805.7	16.83%	0.68	\$ 5,132,644	2,231.3	46.62%	2.62	\$ 34,134,188	3527.1	73.69%	1.94	\$ 161,023,456
<i>Scenario 2</i>	186.6	3.90%	0.19	\$ 1,623,813	805.8	16.83%	0.71	\$ 12,716,176	2,233.3	46.66%	4.61	\$ 106,635,040	3529.3	73.74%	4.12	\$ 564,819,200
<i>Scenario 3</i>	199.9	4.18%	13.56	\$ 26,984,958	814.7	17.02%	9.69	\$ 51,754,792	2,236.3	46.72%	7.63	\$ 419,995,136	3542.4	74.01%	17.20	\$ 2,362,771,200
<b>b. World (162 countries)</b>																
<i>Baseline</i>	557.8	7.06%	--	--	1,477.8	18.71%	--	--	3,321.1	42.04%	--	--	5134.1	65.00%	--	--
<i>Growth channel only</i>																
<i>Scenario 1</i>	558.9	7.08%	1.11	--	1479.3	18.73%	1.46	--	3,328.4	42.14%	7.32	--	5140.7	65.08%	6.56	--
<i>Scenario 2</i>	560.1	7.09%	2.32	--	1480.6	18.74%	2.79	--	3,333.5	42.20%	12.37	--	5145.2	65.14%	11.07	--
<i>Scenario 3</i>	560.8	7.10%	3.01	--	1483.5	18.78%	5.74	--	3,345.1	42.35%	24.00	--	5157.0	65.29%	22.82	--
<i>Growth + inflation</i>																
<i>Scenario 1</i>	559.0	7.08%	1.19	\$ 9,085,340	1480.5	18.74%	2.71	\$ 81,782,368	3,331.1	42.17%	10.02	\$ 543,864,064	5142.7	65.11%	8.53	\$ 1,332,236,032
<i>Scenario 2</i>	560.4	7.09%	2.56	\$ 27,918,872	1482.0	18.76%	4.20	\$ 232,883,536	3,338.6	42.27%	17.49	\$ 1,637,895,936	5150.2	65.20%	16.02	\$ 3,747,314,432
<i>Scenario 3</i>	576.0	7.29%	18.18	\$ 123,025,872	1498.1	18.97%	20.34	\$ 903,459,136	3,353.6	42.46%	32.45	\$ 6,020,281,344	5172.6	65.48%	38.48	\$ 12,717,448,192

Source: Own calculations based on binned income distributions for 162 countries reconstructed from the World Bank’s Poverty and Inequality Platform, projected to 2025 using the growth rate of per capita GDP and population from the IMF World Economic Outlook, October 2025, and GGE simulations of growth and inflation in 2026 for 51 countries with available income distributions.

Notes: The “Count” and “Diff” columns are expressed in million people; the “Diff” column shows the difference in the count of poor people between the corresponding scenario and the baseline; the “TBI (annual)” column is expressed in 2017 PPP dollars and indicates the total annual fiscal transfer required to fully offset the war-induced income shortfall of individuals who fall below a given poverty (or vulnerability) line, relative to the no-war 2026 baseline. The baseline corresponds to the situation that could have been expected in the absence of war.

## Technical Note: Analytical framework and assumptions

To assess the distributional consequences of the conflict beyond directly affected economies, we simulate the joint impact of scenario-specific GDP growth projections and real food and energy price shocks on household income distributions and poverty outcomes. The exercise is designed as a first-round distributional stress test. It isolates income and price channels and does not model behavioural responses, substitution effects, wage adjustments, or policy mitigation.

The analysis exploits binned distributions of per capita household income or consumption, reconstructed from the World Bank's Poverty and Inequality Platform (PIP) Stata package, for 162 countries covering approximately 97 percent of the world's population. To retrieve each country's income distribution, an algorithm computes the cumulative share of the population with per capita income or consumption below a sequence of poverty lines defined in increments of \$0.10 per day, starting at \$0.10 and extending to a level that captures 99.9 percent of the population. From these cumulative shares, individuals within each \$0.10 interval are isolated and assigned the midpoint value of their bin as their daily per capita income or consumption. For example, individuals within the interval [\$0.00, \$0.10] are assigned \$0.05, those within [\$0.10, \$0.20] are assigned \$0.15, and so forth. These binned distributions are projected forward from their most recent survey year to 2025 using IMF World Economic Outlook (October 2025) projections of GDP per capita growth and population growth, assuming an 85 percent pass-through from GDP per capita growth to household income and distribution-neutral transmission.

The analysis relies on a MIRAGE dynamic CGE model for three macro scenarios for 2026 each representing an increase in conflict intensity modelled as a 4-, 5- and 6-week duration of major economic disruption, with immediate adjustment, in the conflict-affected countries in the middle eastern region. The economic disruptions are modelled through three effects/interventions: i) a 50 percent decline in productivity across all sectors ii) a complete halt in oil and gas production iii) a tenfold increase in export trade costs. Furthermore, the scenarios assume a destruction of capital across sectors of 5 percent in Iran and Lebanon, and 1 percent in Israel.

For the 51 countries with both macro projections and income distributions, scenario-specific GDP growth and real price changes for food, oil, and gas are applied directly.

*Income channel: GDP shock transmission*

For each country, scenario-specific GDP growth projections are applied to bin-level household per capita incomes as of 2025 in the income distribution dataset using an 85 percent pass-through from GDP per capita to household income. Formally:

$$Y_{i,s} = Y_{i,2025} \times (1 + 0.85 \cdot g_s)$$

where  $Y_{i,s}$  is income in bin  $i$  under scenario  $s$  and  $g_s$  is the projected GDP per capita growth rate under scenario  $s$ .

This approach assumes distribution-neutral transmission of aggregate contraction.

Applying the baseline (no-war) growth rate yields the 2026 no-war income distribution, while applying the alternative scenario growth rates generates the corresponding 2026 counterfactual distributions under Scenarios 1-3.

*Price channel: Food and energy inflation*

Model output provides scenario-specific percentage changes in real food, oil, and gas prices relative to the no-war baseline. These scenario-level real price changes are translated into household-level real income erosion in two steps.

Energy price shocks are first constructed as a weighted average of oil and gas price changes under each scenario:

$$P_{energy,s} = 0.6 \cdot P_{oil,s} + 0.4 \cdot P_{gas,s}$$

where  $P_{oil,s}$  and  $P_{gas,s}$  denote the scenario-specific percentage changes in oil and gas prices. In the absence of country-level household energy consumption breakdowns, oil and gas price changes are combined using a fixed 60/40 weight to construct a single energy price shock for simulation purposes. The exact split is not central to the results. The key driver is the overall magnitude of the energy shock. Alternative weights yield similar directional effects, as the food channel dominates at lower poverty thresholds.

In the second step, for each income bin  $i$ , real income erosion is computed as:

$$Real\ income\ loss_i = (\alpha_i \cdot P_{food,s}) + (\beta_i \cdot P_{energy,s})$$

where  $P_{food,s}$  is the scenario-specific percentage change in food prices, and  $\alpha_i$  and  $\beta_i$  are bin-level food and energy expenditure shares. Shares decline with income, reflecting the regressive burden of food and energy consumption.

The resulting proportional income loss is applied to scenario-specific incomes after incorporating GDP growth projections. Final real income therefore reflects both scenario-specific projected GDP growth rates (income channel), and scenario-specific real commodity price changes (inflation channel). Poverty and vulnerability headcount changes are assessed by comparing each scenario-specific 2026 income distribution—after applying the relevant growth and price adjustments—to the corresponding 2026 no-war baseline.

#### *Calibration of expenditure shares*

Expenditure shares are calibrated using consumption patterns consistent with international evidence, which document that food and energy shares are substantially higher among poorer households and decline systematically with income, consistent with Engel's Law.<sup>34</sup>

Baseline expenditure shares for the lowest income bins are assumed to range from 50 percent for food and 12 percent for energy in low-income countries (LICs), 40 percent and 10 percent in lower-middle-income countries (LMICs), 30 percent and 8 percent in upper-middle-income countries (UMICs), and 20 percent and 6 percent in high-income countries (HICs). For the highest income bins within each country, these shares decline to 25 percent for food and 6 percent for energy in LICs, 20 percent and 5 percent in LMICs, 15 percent and 4 percent in UMICs, and 10 percent and 3 percent in HICs. Within each country, food and energy shares are assumed to decline linearly across cumulative income bins from bottom to top, capturing the regressive exposure of lower-income households while maintaining a parsimonious structure.

---

<sup>34</sup> See, for instance, Artuc, E., Porto, G. and Rijkers, B. (2021), [Household impacts of tariffs: Data and results from agricultural trade protection](#), *The World Bank Economic Review*, 35(3): 563–585, and Mahler, D.G., Yonzan, N., Hill, R., Lakner, C., Wu, H. and Yoshida, N. (2022), [Pandemic, prices, and poverty](#). World Bank Blogs, 13 April.

### *Cash-equivalent Temporary Basic Income (TBI)*

To assess the fiscal cost of mitigating the shock, we compute the annual cash-equivalent transfer required to restore individuals newly pushed below each poverty threshold to their pre-war 2026 income trajectory. The TBI estimate identifies individuals who fall below each threshold due to the shock, calculates the income shortfall relative to the threshold, aggregates shortfalls across affected populations, and expresses total cost in annual PPP terms. These figures represent order-of-magnitude estimates of the fiscal envelope required to offset first-round welfare losses.

**Table A2. CGE-modelled countries with income distributions and regional (REU/ROW) projection parameters**

country	iso	GDP growth			Food prices			Oil prices			Gas prices			
		No war	Scenario 1	Scenario 2	Scenario 3	Scenario 1	Scenario 2	Scenario 3	Scenario 1	Scenario 2	Scenario 3	Scenario 1	Scenario 2	Scenario 3
Algeria	DZA	1.88	2.3	2.69	3.46	0.46	0.88	1.73	2.89	5.82	11.97	2.03	3.80	7.31
Azerbaijan	AZE	2.51	4.79	7.06	11.85	0.87	1.71	3.45	2.72	5.43	11.10	2.35	4.35	8.28
Bangladesh	BGD	7.1	7.05	7.01	6.95	-0.02	-0.03	-0.05	2.94	5.93	12.32	0.22	0.44	0.91
Benin	BEN	6.01	5.84	5.69	5.38	-0.04	-0.07	-0.12	2.53	4.97	9.82	2.06	3.81	6.00
Bolivia	BOL	2.2	2.5	2.76	3.28	0.24	0.45	0.91	0.59	1.17	2.35	2.16	4.00	7.53
Burkina Faso	BFA	5.65	5.6	5.56	5.47	-0.03	-0.08	-0.13	2.56	5.11	10.50	0.94	1.58	2.14
Central African Republic	CAF	3.79	3.7	3.62	3.47	-0.04	-0.08	-0.14	-0.06	-0.14	-0.25	1.27	2.24	3.21
China	CHN	4.07	3.96	3.87	3.69	-0.02	-0.03	-0.04	3.41	6.80	13.86	2.06	3.84	7.28
Cote d'Ivoire	CIV	6.3	6.32	6.34	6.4	0.02	0.05	0.11	2.86	5.68	11.45	0.44	0.82	1.57
Egypt, Arab Rep.	EGY	5.41	5.29	5.17	4.96	0.04	0.09	0.26	2.90	5.77	11.69	2.44	4.53	8.24
Honduras	HND	3.73	3.73	3.73	3.75	0.02	0.04	0.12	0.88	1.75	3.56	0.47	0.90	1.71
India	IND	6.32	6.01	5.71	5.11	-0.17	-0.32	-0.64	3.84	7.72	15.97	2.37	4.45	8.43
Indonesia	IDN	4.95	4.93	4.92	4.9	0.00	0.00	0.02	3.19	6.36	12.97	2.37	4.36	8.15
Iran, Islamic Rep.	IRN	2	-7.73	-12.96	-23.22	0.40	0.22	-0.50	3.25	6.44	13.99	-3.28	-7.02	-14.09
Iraq	IRQ	3.6	-3.46	-10.48	-24.4	0.58	0.98	1.18	2.70	5.57	12.31	2.65	4.89	8.09
Israel	ISR	3.63	-5.46	-13.34	-27.81	1.09	2.19	4.64	2.82	5.61	11.44	1.99	3.76	7.43
Japan	JPN	0.49	0.4	0.31	0.13	-0.05	-0.10	-0.20	4.30	8.77	18.64	2.39	4.27	7.78
Jordan	JOR	3	-2.45	-7.77	-18.04	0.68	1.41	2.93	4.50	9.25	20.04	4.03	6.03	9.41
Kazakhstan	KAZ	1.85	2.31	2.79	3.83	0.73	1.49	3.17	3.00	5.99	12.25	1.95	3.62	6.89
Kenya	KEN	5.36	5.32	5.29	5.23	-0.02	-0.04	-0.05	3.52	6.68	12.47	1.08	2.09	3.61
Korea, Rep.	KOR	2.25	2.02	1.8	1.33	-0.07	-0.13	-0.26	4.13	8.36	17.55	2.34	4.36	8.18
Kyrgyz Republic	KGZ	3.95	3.84	3.74	3.56	0.27	0.55	1.18	2.67	5.35	10.99	1.93	3.59	6.83
Lao PDR	LAO	4.19	4.13	4.07	3.96	-0.04	-0.07	-0.13	0.50	0.97	1.90	0.82	1.52	3.58
Lebanon	LBN	2	-6.79	-12.22	-22.59	0.93	1.44	2.54	2.97	6.72	16.68	2.43	4.73	9.21
Madagascar	MDG	4.7	4.67	4.64	4.6	-0.01	-0.02	-0.02	2.17	4.28	8.52	0.24	0.47	0.87
Malaysia	MYS	4.41	4.44	4.46	4.53	0.01	0.02	0.05	3.04	6.06	12.29	2.33	4.30	7.98
Morocco	MAR	3.24	3.2	3.16	3.07	0.01	0.01	0.03	2.51	4.99	10.09	1.97	3.67	7.04
Namibia	NAM	2.65	2.56	2.48	2.32	-0.07	-0.12	-0.21	0.46	0.92	1.92	1.59	2.93	5.25
Nepal	NPL	5.07	4.88	4.69	4.33	-0.17	-0.34	-0.64	2.92	5.82	11.84	1.17	2.05	2.60
Nicaragua	NIC	3.5	3.36	3.24	3	-0.01	-0.02	-0.01	2.89	5.75	11.56	-0.18	-0.45	-0.96
Pakistan	PAK	4.5	4.38	4.27	4.06	-0.13	-0.25	-0.46	4.25	8.68	18.46	3.98	7.37	12.56
Philippines	PHL	6.21	6.12	6.02	5.83	-0.10	-0.19	-0.37	4.35	8.89	19.00	-0.06	-0.17	-0.36
Russian Federation	RUS	0.95	1.14	1.33	1.75	0.44	0.90	1.91	2.95	5.89	12.08	2.05	3.81	7.27
Senegal	SEN	5.16	5.08	5.01	4.87	-0.06	-0.10	-0.20	3.08	6.13	12.42	0.93	1.62	2.65
South Africa	ZAF	1.4	1.28	1.17	0.94	-0.04	-0.09	-0.17	3.80	7.65	15.78	2.06	3.82	7.19
Sri Lanka	LKA	3	2.93	2.87	2.74	-0.13	-0.24	-0.49	4.55	9.35	20.20	0.60	1.07	1.21
Sudan	SDN	4.7	4.51	4.32	3.93	-0.32	-0.65	-1.34	2.82	5.50	10.63	0.94	1.87	3.83
Tanzania	TZA	6.82	6.72	6.62	6.43	-0.04	-0.07	-0.14	0.60	1.17	2.37	-0.01	-0.02	-0.03
Thailand	THA	3	2.87	2.74	2.49	-0.06	-0.11	-0.19	3.76	7.58	15.60	2.11	3.92	7.40
Togo	TGO	5.5	5.19	4.9	4.32	-0.08	-0.15	-0.28	3.00	5.98	12.11	2.12	3.89	4.91
Tunisia	TUN	2.6	2.6	2.6	2.62	0.01	0.04	0.10	2.77	5.50	11.13	1.95	3.65	7.03
Turkiye	TUR	3.22	3.07	2.92	2.62	-0.21	-0.41	-0.85	4.13	8.27	17.28	2.29	4.21	7.94
Uganda	UGA	6.81	6.76	6.71	6.62	-0.05	-0.10	-0.16	0.64	1.28	2.59	0.90	1.51	2.38
Ukraine	UKR	5	4.85	4.73	4.47	-0.01	-0.01	0.00	2.67	5.31	10.74	1.92	3.57	6.80
United Arab Emirates	ARE	4.27	-1.59	-7.34	-18.53	0.20	0.42	0.78	3.09	6.42	14.39	3.38	7.59	14.73
United States	USA	2.06	2.02	1.98	1.92	0.00	0.01	0.05	3.02	6.01	12.08	2.16	4.00	7.54
Uzbekistan	UZB	5.48	5.43	5.4	5.34	0.17	0.37	0.79	2.19	4.28	8.40	1.89	3.53	6.70
Vietnam	VNM	6.84	6.69	6.56	6.29	0.01	0.02	0.05	3.00	5.98	12.22	0.08	0.16	0.32
West Bank and Gaza	PSE	2	1.85	1.71	1.45	0.58	1.12	2.18	0.49	0.96	1.97	8.64	16.90	28.48
Yemen, Rep.	YEM	6.5	6.19	5.89	5.27	0.04	0.08	0.11	1.06	2.14	4.53	0.12	0.20	0.34
Zambia	ZMB	4.66	4.47	4.29	3.92	-0.09	-0.18	-0.36	4.43	9.06	19.51	-0.24	-0.59	-1.56
<b>Rest of the World (ROW)</b>		<b>2.42</b>	<b>2.41</b>	<b>2.4</b>	<b>2.39</b>	<b>0.02</b>	<b>0.06</b>	<b>0.16</b>	<b>3.40</b>	<b>6.78</b>	<b>13.79</b>	<b>2.18</b>	<b>4.03</b>	<b>7.60</b>
<b>Rest of European Union (UE)</b>		<b>1.89</b>	<b>1.86</b>	<b>1.83</b>	<b>1.77</b>	<b>-0.03</b>	<b>-0.04</b>	<b>-0.08</b>	<b>3.20</b>	<b>6.38</b>	<b>13.01</b>	<b>1.94</b>	<b>3.65</b>	<b>6.98</b>

## Annex B – Country Vulnerability Dashboard

Notwithstanding the devastating impacts on countries directly affected by the conflict, countries that have the highest second-order economic exposure are those that rely heavily on energy, and then fertilizer and food imports. For countries with similar exposure, socio-economic outcomes will depend crucially on the resilience of the population to economic shocks and the policy space available to governments which is critically determined by current economic conditions and fiscal and financial buffers - here importantly also the support available from multilateral financial institutions.

The below Table B1 provides a simple vulnerability dashboard of 97 net energy importing developing economies to the current global energy supply shocks.<sup>35</sup> Exposure is measured first based on the size of energy and then food imports (in percent of GDP), and resilience based on seven indicators: the prevailing poverty rate, inflation rate, currency reserves, government interest payments, debt sustainability analysis (DSA) rating, credit rating, and finally the size of fuel subsidies. Box 1 in the main text provides a comparative description of two countries from the dashboard.

The structural fragility is evident: More than one third of countries in the dashboard have currency reserves less than 5 months' worth of imports; 16 countries already spend more than one fifth of government revenue on interest payments; of the 55 poorest net energy importing countries with an IMF/World Bank DSA debt rating, close to half are already rated in or at high risk of external debt distress; similarly, of 57 countries with a credit rating, over half are classified as 'highly speculative' or worse, and only nine 'investment grade'.

---

<sup>35</sup> Developing here refers to all low, lower- and upper-middle income countries

**TABLE B1: VULNERABILITY DASHBOARD – NET ENERGY IMPORTING DEVELOPING ECONOMIES**

Country	Income <sup>1</sup>	Region <sup>2</sup>	Exposure		Resilience						
			Fuel imports (% of GDP) <sup>3</sup>	Food imports (% of GDP) <sup>3</sup>	Reserves (mo. of imports) <sup>4</sup>	Poverty <sup>5</sup>	Inflation <sup>6</sup>	Interest payments (% of revenue) <sup>7</sup>	DSA rating <sup>8</sup>	Credit rating <sup>9</sup>	Fuel subsidies (% of GDP) <sup>10</sup>
CUB	UMC	LAC	..	..	..	..	..	..	n.a.	n.a.	..
GIN	LMC	SSA	..	..	1.85	34.14	3.00	7.4	Moderate	n.a.	0.1
GNB	LIC	SSA	..	..	6.00	47.26	2.00	19.8	High	n.a.	0.7
HTI	LMC	SSA	..	..	7.87	64.16	26.17	3.6	High	n.a.	0.7
LBN	LMC	MENA	..	..	..	0.43	..	..	n.a.	SD	13.6
SOM	LIC	SSA	..	..	..	..	3.50	0.7	Moderate	n.a.	..
YEM	LIC	MENA	..	..	..	90.52	18.52	36.5	Moderate	n.a.	0.0
CPV	UMC	SSA	34.1	14.8	10.27	11.18	2.00	7.6	n.a.	B+	0.4
GMB	LIC	SSA	19.9	13.8	4.40	33.72	4.90	12.6	High	n.a.	0.0
MRT	LMC	SSA	15.3	10.5	6.00	17.12	3.55	3.4	Moderate	n.a.	3.3
LBR	LIC	SSA	15.0	10.9	2.30	62.12	7.69	5.8	Moderate	n.a.	1.0
COD	LIC	SSA	13.3	1.7	..	80.67	7.14	3.3	Moderate	B-	0.0
LSO	LMC	SSA	12.5	18.7	6.07	56.90	4.85	2.8	Moderate	n.a.	0.0
FJI	UMC	EPA	11.9	9.8	5.16	10.21	1.10	14.4	n.a.	B+	0.0
MYS	UMC	EPA	11.6	6.0	5.17	0.06	2.20	10.6	n.a.	A-	1.7
BFA	LIC	SSA	11.4	3.1	6.00	55.62	2.40	10.5	Moderate	CCC+	1.0
SEN	LMC	SSA	11.3	6.8	6.00	30.54	2.02	22.6	Moderate	CCC+	0.0
BLR	UMC	ECA	10.9	6.1	1.56	0.00	7.54	3.3	n.a.	n.a.	5.4
DJI	LMC	MENA	10.7	52.4	1.65	29.88	1.43	1.4	In distress	n.a.	0.0
MDV	UMC	SAR	10.7	10.9	2.20	0.01	2.50	11.1	High	n.a.	1.8
NAM	LMC	SSA	10.5	8.8	4.03	37.15	3.57	15.2	n.a.	n.a.	0.0
STP	LMC	SSA	10.4	9.9	..	44.47	6.95	3.9	In distress	n.a.	1.1
MLI	LIC	SSA	10.2	3.8	6.00	46.48	2.00	7.2	Moderate	n.a.	2.0
ZMB	LMC	SSA	10.1	3.5	4.30	76.47	9.16	28.1	High	CCC+	0.3
MUS	UMC	SSA	9.9	9.7	11.92	1.03	3.60	9.9	n.a.	n.a.	0.8
THA	UMC	EPA	9.8	3.8	8.55	0.47	0.71	6.2	n.a.	BBB+	0.3
JAM	UMC	LAC	9.5	7.3	7.94	5.80	5.02	16.0	n.a.	BB	1.0
TUN	LMC	MENA	9.4	7.1	4.55	1.96	6.10	11.4	n.a.	n.a.	5.0
TLS	LMC	EPA	9.3	12.3	7.75	42.99	1.80	0.9	Moderate	n.a.	0.0
LAO	LMC	EPA	9.1	6.1	2.40	27.16	5.50	21.3	In distress	CCC+	2.3
MDA	UMC	ECA	8.6	7.7	6.90	0.25	5.47	3.8	Low	BB-	0.9
HND	LMC	LAC	8.5	9.3	6.31	24.60	4.24	2.6	Low	BB-	0.1
DMA	UMC	LAC	8.5	11.5	4.01	..	2.34	4.5	Moderate	n.a.	0.2
MKD	UMC	ECA	8.3	8.3	4.13	5.99	3.00	6.0	n.a.	BB-	0.0
KHM	LMC	EPA	8.3	4.6	6.95	..	1.82	1.0	Low	n.a.	0.2
SWZ	LMC	SSA	8.3	8.6	2.86	54.53	4.00	12.3	n.a.	n.a.	0.0
AFG	LIC	MENA	8.2	9.7	..	..	..	..	High	n.a.	1.4
WSM	UMC	EPA	8.1	12.3	12.09	5.07	3.25	..	Moderate	n.a.	0.0
BTN	LMC	SAR	8.1	7.8	9.19	3.49	3.40	6.8	Moderate	n.a.	0.0
MAR	LMC	MENA	8.0	6.6	6.75	4.56	1.84	8.3	n.a.	BBB-	1.9
KIR	LMC	EPA	7.7	25.6	29.00	13.42	3.50	0.1	High	n.a.	..
BDI	LIC	SSA	7.7	4.8	..	90.46	26.29	7.6	High	n.a.	0.2
NPL	LMC	SAR	7.7	6.0	16.64	16.22	4.15	5.6	Low	n.a.	0.0
GRD	UMC	LAC	7.7	11.2	4.77	..	1.05	12.2	In distress	SD	0.1
TON	UMC	EPA	7.5	12.6	11.78	6.18	2.24	0.7	High	n.a.	0.0
KGZ	LMC	ECA	7.5	6.3	5.20	5.09	6.90	3.3	Moderate	B+	2.1
NIC	LMC	LAC	7.5	9.6	8.73	9.87	2.70	6.8	Moderate	B+	0.2
BWA	UMC	SSA	6.9	5.4	5.59	36.09	4.75	6.6	n.a.	BBB-	0.3

[Table B1 continued]

JOR	LMC	MENA	6.7	10.2	6.21	0.15	2.59	21.3	n.a.	BB-	1.0
SLV	UMC	LAC	6.7	9.1	2.98	4.89	1.00	17.3	n.a.	B-	0.7
BIH	UMC	ECA	6.5	9.3	6.90	0.20	2.56	2.1	n.a.	B+	0.2
BLZ	UMC	LAC	6.5	8.4	3.89	36.60	1.91	9.3	n.a.	B-	0.8
MDG	LIC	SSA	6.3	5.5	6.92	92.17	7.22	7.8	Moderate	B-	0.3
MMR	LMC	EPA	6.1	1.6	..	26.24	28.00	17.5	Low	n.a.	1.3
ZAF	UMC	SSA	6.0	2.2	5.85	42.26	3.66	19.1	n.a.	BB	0.0
VNM	LMC	EPA	5.9	6.6	2.58	2.36	3.16	4.6	n.a.	BB+	0.6
IND	LMC	SAR	5.8	0.9	7.49	25.52	4.05	26.4	n.a.	BBB	0.9
GHA	LMC	SSA	5.6	2.4	2.63	38.96	9.88	25.9	High	B-	0.5
MNE	UMC	ECA	5.6	12.6	4.29	5.00	2.29	5.3	n.a.	B+	0.0
GEO	UMC	ECA	5.5	6.1	3.25	7.88	3.40	6.6	n.a.	BB	2.1
BOL	LMC	LAC	5.3	1.4	0.61	5.83	..	12.7	n.a.	CCC-	4.9
CIV	LMC	SSA	5.2	4.0	6.00	30.62	1.50	15.9	Moderate	BB	0.3
RWA	LIC	SSA	5.1	7.5	3.60	64.02	4.68	12.2	Moderate	B+	0.1
CAF	LIC	SSA	5.1	4.1	4.20	84.86	3.28	7.3	High	n.a.	0.0
SUR	UMC	LAC	5.1	6.1	6.75	..	9.61	13.9	n.a.	CCC+	4.3
PRY	UMC	LAC	5.1	3.0	5.92	4.18	3.73	10.8	n.a.	BBB-	1.0
TGO	LIC	SSA	4.9	5.8	6.00	49.17	4.51	14.0	Moderate	B+	0.0
ZWE	LMC	SSA	4.8	4.3	0.69	62.64	18.23	4.4	In distress	n.a.	1.1
PAK	LMC	MENA	4.8	2.1	2.80	37.09	6.04	49.2	n.a.	B-	1.0
MWI	LIC	SSA	4.7	3.4	2.40	89.45	24.10	38.6	In distress	n.a.	0.0
UKR	UMC	ECA	4.6	3.9	6.72	0.32	7.63	11.9	n.a.	CCC+	2.3
GTM	UMC	LAC	4.4	5.0	10.43	17.97	3.34	13.6	n.a.	BB+	0.2
PHL	LMC	EPA	4.4	4.4	6.58	19.11	2.55	13.0	n.a.	BBB+	0.1
VCT	UMC	LAC	4.3	11.1	4.90	..	2.15	9.6	High	n.a.	0.0
ARM	UMC	ECA	4.2	5.5	3.08	4.54	2.79	13.5	n.a.	BB-	0.0
UGA	LIC	SSA	4.1	2.8	3.84	66.88	4.27	27.7	Moderate	B-	0.0
LKA	LMC	SAR	4.1	2.9	..	13.35	..	..	n.a.	CCC+	0.3
DOM	UMC	LAC	4.0	4.1	4.88	2.51	4.17	22.7	n.a.	BB	1.1
EGY	LMC	MENA	4.0	4.5	3.67	14.64	11.79	89.2	n.a.	B	12.5
KEN	LMC	SSA	3.9	2.7	5.22	47.68	5.24	31.6	High	B	0.0
LCA	UMC	LAC	3.8	9.3	3.53	9.37	1.49	14.5	n.a.	n.a.	0.2
TZA	LMC	SSA	3.6	1.7	..	68.43	3.54	15.1	Moderate	n.a.	0.0
UZB	LMC	ECA	3.4	3.8	..	55.08	7.27	2.9	Low	BB	12.1
BEN	LMC	SSA	3.3	8.1	6.00	41.36	2.00	12.1	Moderate	BB-	0.0
PER	UMC	LAC	3.1	2.3	15.28	9.41	1.87	8.0	n.a.	BBB-	0.0
SDN	LIC	SSA	3.1	7.3	..	87.61	54.58	7.6	In distress	n.a.	0.0
ALB	UMC	ECA	3.1	5.9	8.34	0.24	2.81	7.3	n.a.	BB	0.0
CHN	UMC	EPA	2.8	1.1	12.63	0.80	0.68	4.9	n.a.	A+	0.2
COM	LMC	SSA	2.8	11.4	8.77	38.10	1.86	1.5	High	n.a.	0.0
TJK	LMC	ECA	2.4	12.7	6.02	6.90	4.50	2.2	High	B	1.1
TUR	UMC	ECA	2.2	1.6	2.33	1.06	24.74	9.8	n.a.	BB-	0.5
ETH	LIC	SSA	1.9	1.7	..	34.88	9.44	10.3	In distress	SD	0.1
BGD	LMC	SAR	1.9	2.4	3.95	23.85	8.75	28.5	Moderate	B+	2.5
MEX	UMC	LAC	1.6	2.3	3.88	8.88	3.35	24.0	n.a.	BBB	0.6
NER	LIC	SSA	1.4	3.8	6.00	76.57	3.20	15.2	High	n.a.	0.9
ARG	UMC	LAC	1.2	1.2	4.83	2.89	16.38	4.3	n.a.	CCC+	2.2
SLE	LIC	SSA	0.2	6.8	..	55.86	10.50	38.6	High	n.a.	0.1

<b>Table B1 notes:</b>		
<sup>1</sup> Based on World Bank income classification: LIC = Low income, LMC = Lower-middle income, UMC = Upper-middle income.		
<sup>2</sup> Based on World Bank regional classification.		
<sup>3</sup> Based on latest fuel or food import/export data from WDI. Color code used: Green <3%; yellow 3%<6%; orange 6%<10%; Red>10%.		
<sup>4</sup> Based on- latest data from IMF Balance of Payments (BOP) and International Liquidity (IL) databases, or when missing national sources. Reserves are 'Total reserves excluding gold'. Imports are 'total imports of goods and services'. Color code used: Red<3; orange 3-5; yellow 5-8; green>8.		
<sup>5</sup> Based on the \$4.20 (2021 PPP)/day poverty line. Color code used: green <5; yellow 5-25; orange 25-50; red>50.		
<sup>6</sup> IMF's estimated inflation rate for 2026 from WEO October 2025. Color code used: green <3; yellow 3-7; orange 7-12; red>12.		
<sup>7</sup> Net interest payments are calculated as the difference between the government's overall and primary balance using IMF WEO database. Color code used: green<5; yellow 5-10; orange 10-20; red > 20.		
<sup>8</sup> Based on latest Debt Sustainability Analysis (DSA) from the IMF and World Bank		
<sup>9</sup> Based on S&P. Color code used: red CCC+ or lower; orange BB+ to B-; yellow BBB+ to BBB-; green A- or higher.		
<sup>10</sup> Based on IMF fuel subsidy database. Subsidies are 'all explicit subsidies' in 2024.		



Copyright © UNDP 2024. All rights reserved.  
One United Nations Plaza, NEW YORK, NY10017, US