The significant rise in food prices, together with soaring fuel and fertilizer prices, is an additional threat, on top of the damage already caused by COVID-19 and prior increases in hunger and malnutrition, to achieving the UN Sustainable Development Goals (SDGs). The poor and vulnerable are those most affected by the increase in food prices. We, representatives of UN system agencies, other multilateral and bilateral development agencies, donor governments, and civil society observers that make up the Social Protection Inter-Agency Cooperation Board (SPIAC-B), are committed to the realization of SDG targets 1.3 (social protection systems for all), 2.1 (end hunger and ensure access by all people, in particular the poor and people in vulnerable situation), 3.8 (universal health coverage), and 10.4 (achieve greater equality). We call for social protection to be placed at the heart of national and international responses to the high food price crisis and for massively increasing efforts to achieve universal access to social protection by 2030.

Background

Food prices are at their highest level ever.

Food prices have been on the rise since 2020 and by August 2021, well before the outbreak of war in Ukraine, the FAO Food Price Index (FFPI) had reached a ten-year high. The outbreak of war in Ukraine caused an additional surge in prices and despite four consecutive months of declines in July 2022 the FAO Food Price Index was still 13.1% higher than its value at the same time last year (see Figure 1 below).

Figure 1: FAO Food Price Index (Release date 5 August 2022).

The rise in food prices since 2020 is a consequence of, and is compounded by, multiple factors including (i) logistical constraints due to COVID-19 combined with a strong demand for agricultural commodities after the end of lockdown restrictions; (ii) high energy and fertilizer prices, which also reduce profit margins for farmers; (iii) high ocean freight rates (linked to energy prices and logistic constraints); (iv) climate change and adverse weather in some major growing areas leading to reduced outputs; and (v) more recently (and following the outbreak of war in Ukraine) trade policy restrictions by some main exporting countries. Given the importance of Ukraine for grain and oilseed exports and Russia for wheat, energy and fertilizers, the war in Ukraine has added further pressure on already tight markets (AMIS, 2022; FAO, 2022a; Glauber et al., 2022; IPCC, 2021; Schmidhuber et al., 2021; Vos et al., 2022).

1 Energy prices rose by 66 percent between June-August 2020 and June-August 2021 (Schmidhuber et al. 2021) and they are expected to rise by a further 50% in 2022 compared to 2021 (World Bank, 2022)
2 Fertilizer prices are more than double the 2000-2020 average (UNCTAD Secretariat calculations, based on data from the International Food Policy Research Institute, In UN, 2022)
3 These are now three times higher than the pre-pandemic average (UNCTAD, forthcoming)
High food prices hit the poor and vulnerable hardest and undermine social and economic development as well as the recovery from the effects of COVID-19. Consumers have been facing high food prices for about two years. This comes on the back of already increasing food insecurity in the world, regular threats to food security (e.g. crop and livestock diseases, weather, in some places conflict) followed by the massive shock to incomes and livelihoods caused by COVID-19 that led to increases in global poverty and to rising global income inequality, for the first time in 20 years (Narayan, 2022).

The poor are disproportionately affected by high food prices because they spend a larger share of their income on food compared to richer households. In emerging and developing economies, the poorest 20% of households spend on average 53% of their income on food, compared to 20% among the richest 20% of households (UN, 2022). In the absence of effective support measures, poorer households are forced to engage in negative coping strategies that undermine their food security and nutrition and their livelihoods (e.g. reducing number and/or quality of meals, withdrawing children from schools, cutting back on health expenditures, selling productive assets), thus jeopardizing their future earnings which can lead to intergenerational poverty.

Notwithstanding differences in the severity of impacts across countries and livelihood groups, the hike in food prices is expected to cause a further increase in hunger and malnutrition, as well as in poverty and inequality worldwide. In 2020, between 720 and 811 million people in the world faced hunger. In 2022 the numbers could increase by between 7.6 and 13.1 million people due to the hike in food prices (FAO et al., 2021; FAO, 2022c). Children are particularly vulnerable to the impacts of higher food prices and malnutrition. 27 million children are living in severely food insecure contexts (Global Network Against Food Cries et al., 2022), and since the start of the global food and nutrition crisis in 2022, the number of children suffering from severe wasting in the 15 worst affected countries has increased at an unprecedented speed – one additional child with severe wasting every single minute, a form of undernutrition that increases children’s risk of death by up to 12 times (UNICEF, 2022).

As seen in previous crises, the impacts of high food prices differ across population groups. Already before the rise in food prices, women were more food insecure than men and this difference grew during COVID-19 (FAO et al., 2022).

Women are more affected than men by rises in food prices since they are among the first in the household to cut back on their consumption, to protect the food consumption of other household members at the expense of their own. This has negative repercussions on their health and development in the longer term, in particular for women who are pregnant or lactating and for their children (Quisumbing et al., 2008).

At an aggregate level, widespread poverty, hunger and malnutrition can reduce human capital accumulation and labour productivity and thereby undermine countries’ potential for economic growth in the long run (Fogel, 2004; Galtier, 2013; Timmer, 2011).

**Past and ongoing crisis responses**

Subsidies are still dominating the response to high prices. During the 2007/08 financial crisis, the large majority of responses to high food prices came in the form of subsidies (Demek et al., 2007). Similarly, policy responses to soaring food prices in 2022 so far are largely driven by subsidies to consumers and producers (food, fuel, fertilizers, fees) (Gentilini et al., 2022a). The proportion of direct social protection responses to the price shocks is low compared to the proportion of subsidy measures. By July 2022, 61% of policy responses to high prices of food, fuel and fertilizers were in the form of production and food subsidies while just 21% of responses were in the form of cash and in-kind transfers. In the Middle East and North Africa (38%), South Asia (38%) and Sub-Saharan Africa (24%), food subsidies constitute a large share of responses. Fuel subsidies a large part of the response in East Asia Pacific (27%) and Latin America and the Caribbean (39%), as well as in Sub-Saharan Africa (27%). Across all regions fees (e.g. tax exemptions/reductions, subsidies on energy bills and costs of transportation) are the most prevalent form of subsidy. Sixty percent of the cash and in-kind transfers were one-off payments and 40% were monthly instalments (Gentilini et al., 2022a).

Social protection programmes are more effective in mitigating the impacts of food prices shocks among the poor and vulnerable than subsidies. Universal subsidies can create market distortions, can be financially unsustainable in the long run – particularly in the context of indebtedness caused by COVID-19 and limited liquidity – and, depending on
the subsidy, can be regressive such that those who consume most (i.e. the non-poor) and who are less affected by the shock benefit more from the subsidies than the poor who consume less and are more affected by the shock (Timmer, 2011). Given that the poor spend a large part of their incomes on food, subsidies on basic food staples can be expected to benefit them most as compared with other types of subsidies (e.g. on energy or utilities).

Yet, evidence suggests that food subsidies fare poorly in mitigating the impacts of food price shocks when compared to social protection programmes. In Mexico, for instance, 50% of benefits of a cash transfer programme benefited the bottom two income deciles whereas only 20% of benefits from tariff waivers and food prices subsidies reached the bottom two deciles (IMF, 2008). Similarly, targeted cash transfers in Burkina Faso and Cameroon were more effective in reducing child monetary poverty compared to food price subsidies across the three years (2009, 2010 and 2011) for which this was measured (UNICEF, 2010). In Sudan, 78.6% and 21.4% of the total flatbread subsidy benefits non-poor and poor households respectively (Abay et al., 2022). Notwithstanding the greater effectiveness of social protection programmes relative to food subsidies, where countries lack core elements of a system of universal provisioning that can flex and adapt in response to price shocks, they may have to resort to subsidizing basic consumption items to protect households’ purchasing power and avoid an increase in hunger and food insecurity.

Responses to COVID-19 proved that social protection programmes can be massively scaled up to mitigate the impacts of far-reaching shocks.

In responding to COVID-19, most countries proved able to scale-up their social protection programmes, by expanding coverage and/or providing top-ups to the value of transfers. Between March 2020 and February 2022, 222 countries or territories had planned or implemented 3,856 social protection measures directly in response to COVID-19 (Gentilini et al., 2022b). Increasing the value of monetary or in-kind transfers through existing social protection programs provided the timeliest response (Gentilini et al., 2020). Emerging evidence indicates that social protection interventions had some success in mitigating the income shock caused by the pandemic. In Latin America and the Caribbean, social protection prevented 21 million people from becoming poor and another 20 million people from becoming extremely poor (CEPAL, 2020). Similar mitigating impacts of social protection were found in Ethiopia, Bolivia and Colombia (Abay et al., 2020; Bottan et al., 2021; Londoño-Vélez et al., 2021).

Despite the magnitude of this extraordinary response, there were gaps in the coverage, inclusiveness and adequacy of social protection responses to the socioeconomic impacts of COVID-19. Nearly 75% of the measures lasted three months or less – that is, far less than the reverberations of the pandemic (Oxfam International, 2021). The benefits that were provided were often too low to cover even basic needs and globally it took an average of 83 days to pay beneficiaries from the day the first set of “stay at home” restrictions were implemented in countries (Beazely et al., 2021). The measures were limited in addressing the specificities of vulnerable population groups, including those of women. Only 23% of responses to COVID-19 were gender sensitive (Roelen, 2022; UN Women, 2020). Without such gaps, social protection could have played an even greater role in mitigating the negative impacts of COVID-19 than it did.

The differing capacities of national social protection systems were apparent in responses to COVID-19. Countries with stronger social protection systems in place before COVID-19 were better able to provide more wide-reaching, inclusive, adequate and comprehensive responses to the pandemic. This includes countries with national ID coverage, high financial and technological inclusion; strong legal frameworks and available domestic financing; high coverage and high-quality social registries and information systems; and the ability to rapidly and safely scale-up programmes, which in the case of COVID-19 implied the ability to adopt digital solutions. On the other hand, in countries with less developed social protection systems there were larger shortfalls in the coverage, inclusiveness and adequacy of these responses (Beazely et al., 2021; Roelen, 2022).

In responding to COVID-19, central banks and international financial institutions (IFIs) encouraged higher-income countries to spend and pursue expansionary fiscal measures to avert economic contraction. However, this policy recommendation was not applied to developing countries and compounded concerns about the insufficient availability of financing for lower income countries to navigate COVID-19 (GalloglySwan 2020; UNCTAD 2020) and was incompatible with an inclusive, human-centered recovery and development.

**Recommended actions**

Expand social protection programmes giving priority to reaching the poor and most vulnerable.

Countries should expand their social protection programmes by increasing the value of transfers so as to protect households’ purchasing power and/or by expanding the coverage of existing programmes.

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4 Using the five food products that have the largest weight in the national consumption basket
In doing so, priority must be given to reaching the poor and most vulnerable who are least able to absorb, and so are most affected by, the increase in the costs of food and other items. Building on the lessons learnt from COVID-19, the design and implementation of programmes must be responsive to the characteristics of populations groups living in conditions of vulnerability. Given the devastating effect of malnutrition on children, reaching families with children is particularly urgent, with vulnerable groups also including women, older persons, people with disabilities, Indigenous Peoples, ethnic minorities, migrants, the forcibly displaced and informal economy workers. In addition, the response must be fast and last for as long as food prices remain high, while the value of the transfers should be commensurate with the increase in the cost of a healthy diet.

**Leverage humanitarian responses to rapidly expand coverage and strengthen social protection systems.**

Social protection and humanitarian actors need to work together in urgently meeting the needs of the poor and most vulnerable by leveraging on each other’s strengths. While the specific modalities will vary depending on the specific country contexts, broad strategies for linking the two sectors include i) clearly defining roles and respective responsibilities of different actors; ii) aligning the design and implementation of social protection and humanitarian interventions and vice versa. This can include, for instance, aligning transfer values, targeting criteria, registration processes etc.; iii) coordinating social protection and humanitarian responses so that these expand coverage (e.g. each covering different areas and/or groups) and deliver more adequate and comprehensive responses (e.g. topping up transfers, providing complementary forms of assistance to the same households; and iv) building on each other’s systems such as the humanitarian sector making use of the social/integrated registries and/or payment modalities of social protection systems and vice-versa, i.e. social protection interventions leveraging on the capacities and tools of the humanitarian sector to deliver assistance and using these to develop the longer-term capacities of social protection systems (Longhurst et al, 2020).

**Place social protection at the heart of global responses to the crisis and create fiscal space.**

The UN Global Crisis Response Group on Food, Energy and Finance includes social protection among its recommended responses to the crisis (UN, 2022). SPIAC-B and USP 2030 and their members should help ensure that social protection is placed at the heart of other similar coordinated responses, including the Global Alliance for Food Security that was convened by the Group of Seven (G7) Presidency and the World Bank Group to “catalyse an immediate and concerted response to the unfolding global hunger crisis” (G7 and World Bank, 2022).

Placing social protection at the heart of the response to the ongoing crisis includes prioritising domestic resource mobilisation for a sustainable social protection response, but also recognising that the value of developing countries’ currencies and their ability to borrow on foreign markets have been eroded by rising interest rates and growing investor uncertainty. International Financial Institutions should support the countries that are most severely exposed to the cost of living crisis in expanding their fiscal space and accessing liquidity so as to enable them to immediately finance the expansion of coverage of social protection programmes (UN, 2022).

**Continue to invest in strengthening sustainable social protection systems.**

COVID has demonstrated that strong social protection systems with high coverage are better able to respond to shocks. It is imperative to shift from temporary emergency responses to substantially increasing investments in social protection systems that provide equitable access to all, especially to the poor and most vulnerable. As stated in the UN Secretary-General’s initiative for a “Global Accelerator for Jobs and Social Protection for a Just Transition”, and as supported by the G7 (G7, 2022), we need coordinated efforts, consisting of financial and technical assistance, to help countries extend social protection coverage to the 4 billion people currently excluded. These efforts are vital to poverty reduction and to achieving the SDGs as a whole.

Food price volatility should be taken as a given and measures are needed to better prepare national social protection systems to support people in managing these. This includes channelling food price information to national social protection systems and using this information to trigger responses by these systems when prices surpass a specified threshold as well as building contingency financing into social protection systems so that social protection programmes can be scaled up in the face of food price shocks.

The Food Systems Summit, and associated national food systems pathways, recognises social protection as a key instrument for achieving more inclusive, resilient and sustainable food systems transformations. This requires expanding access to social protection and placing it at the heart of national food security and nutrition policies. The Universal Social Protection 2030 Working Group on “Social Protection and Food Systems” can support national governments in recognising these linkages within their food security and nutrition policies and investments, as well as in their social protection policies.
References


The SPIAC-B will continue to support global and national responses to the COVID-19 pandemic and recovery efforts by monitoring and aggregating emerging evidence and practices from SPIAC-B members and their constituents. We will facilitate rapid learning from the pandemic so that countries can continue to strengthen their social protection systems. Learning is further facilitated by the range of social, political and international partners providing information on the latest challenges, crafting effective responses and supporting implementation.