



**Joint Meeting of the Executive Boards  
of UNDP/UNFPA, UNICEF and WFP  
15 and 18 January 2010**

# **Recovering from Economic and Financial Crisis: Food Security and Safety Nets**

**Background document prepared jointly by  
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## **Recovering from Economic and Financial Crisis: Food Security and Safety Nets**

1. This paper examines national and international efforts to address and recover from the impacts of the economic and financial crisis. Given the widespread and deepening impacts of the crisis on the world's hungry, the focus is on food security, and on the safety nets and related social protection interventions that national governments are striving to put in place to protect vulnerable populations. The need for such programmes is increasingly urgent. Hunger and food insecurity retard growth and development; large groups of vulnerable people raise risks of humanitarian crises, which undermine public and private investments. Examples of how the United Nations system as a whole, and UNDP, UNFPA, UNICEF, and WFP in particular, are working to support and strengthen national safety nets and related social protection interventions are provided. Strategic priorities for promoting food security and reducing vulnerability during the recovery are outlined, drawing implications for the four agencies and the United Nations system at large.

### *Vulnerability and food insecurity under the economic and financial crisis*

2. The economic crisis has rendered millions of people less able to meet their food, health care, and education needs. They are eating less, and they are eating less well. Vulnerable populations are switching to cheaper foods that fill them up and ease their hunger, but that are less nutritious. Many families are selling assets that will take at least a generation to rebuild. The poor must now draw on depleted assets even more deeply, potentially creating poverty traps and negatively affecting longer-term food security and well-being. Experience suggests that already high infant mortality rates could increase, with girls likely more affected than boys. Children who fail to get the correct nutrients and vitamins become more prone to illness, learn less and have poorer cognitive development and lower productivity in the long term.
3. Previous economic crises have typically been confined to individual countries or groups of countries in a region. Country-tailored responses such as exchange rate depreciation or increased reliance on remittances were thus possible and efficacious. The global scope of the current crisis limits such options.
4. The effects of the food and fuel crisis of 2007–2008 still linger. International commodity prices have fallen but remain above historical levels. But more important, domestic prices of staple foods in many developing countries remain high. FAO reports that at the end of 2008, domestic prices for staple foods remained, on average, 17 percent higher in real terms than two years earlier. The purchasing power of poor consumers who spend a substantial share of their income on staple foods thus remains severely curtailed. The urban poor are especially vulnerable. They were severely impacted by the food and fuel price crisis; they are now experiencing higher rates of unemployment and lower incomes due to lower export demand and reduced foreign direct investment.

Back-migration from urban to rural areas is occurring in many cases, further straining the resources of the rural poor.

5. Domestic food prices may eventually return to previous levels. But the impacts on poor households of the prolonged period of high prices will linger. The impacts of school drop-outs, delays in health care, increased violence, especially against girls and women, sexual trafficking, and other negative outcomes could be significant.

*National responses: social protection and safety nets for the hungry poor<sup>1</sup>*

6. Recognizing both short- and long-term implications of household responses to the crisis, countries are taking steps to establish social protection and safety net programmes that cushion the impact of the crisis on the poor and vulnerable, even under tight fiscal conditions. The most common response has been to scale up coverage or benefits, or to initiate new transfer programmes targeted to the chronically poor and food-insecure.<sup>2</sup>
7. Scaling up of school feeding and maternal and child feeding programmes has been an especially common response, particularly in countries that lack other direct transfer mechanisms. Examples include Afghanistan, Bhutan, Brazil, Burkina Faso, China, Cote d'Ivoire, Djibouti, Eritrea, Ghana, Haiti, Honduras, India, Kenya, Lesotho, Liberia, Madagascar, Maldives, Mexico, Mozambique, the Occupied Palestinian Territory, Pakistan, South Africa, Sri Lanka, Togo and Zimbabwe.
8. Many countries have expanded public works programmes, featuring either food or cash for work. Examples include Afghanistan, Angola, Bangladesh, Brazil, Cambodia, Egypt, Ethiopia, India, Lesotho, Madagascar, Mozambique and Nepal.
9. Some countries are using selective food subsidies targeted to poor consumers. Bangladesh, Egypt and Morocco are examples.
10. Many countries have initiated targeted cash transfer programmes, though many of the programmes remain small or in initial piloting or implementation phases, sometimes in combination with youth employment programmes. Examples include Brazil, China, Indonesia, Liberia, Mauritania, Mauritius, Mexico, Mozambique, Nepal and South Africa. Liberia and Sierra Leone are delivering cash for work via their Social Funds, using communities as centre-pieces of success.

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<sup>1</sup> Comprehensive published information on national responses to the crisis is not available. This section draws from the experience of UNDP, UNFPA, UNICEF and WFP, and from two important grey literature sources from the World Bank: i) "G8 Hokkaido-Toyako Summit Double Jeopardy: Responding to High Food and Fuel Prices." Washington DC: World Bank; and ii) "Social Protection Responses to Three Waves of Crisis: Food, Fuel, and Financial – South-South Learning Forum 2009". The country examples are therefore illustrative, not definitive or exhaustive.

<sup>2</sup> In all countries, informal safety nets and charity are important elements of responses.

11. Initiatives to support people who have lost employment – such as unemployment insurance, active labor market programmes, and public works – are fewer in number than are transfer programmes but are still significant. Argentina and Jordan have invested in programmes that combine workfare with training and building of job skills. Chile and Jordan have introduced unemployment insurance savings accounts as mechanisms for extending temporary unemployment benefits to workers.
12. Some countries are operating food stamp and voucher programmes targeted to the hungry poor. Examples include Sri Lanka and Tunisia. Others, such as Bangladesh and India, are using social guarantees.
13. A large number of countries lacking large targeted programmes have sought to protect vulnerable groups by reducing import tariffs, value-added tax and other taxes on food grains. Examples include Afghanistan, Bolivia, Burundi, China, Indonesia, Kazakhstan, Moldova, Morocco, Pakistan, Tunisia, Turkey and Zambia.
14. Seeking to insure against delays and price volatility in international markets, and needing to respond quickly to food availability issues, some countries with capacity to manage food stocks are using strategic grain reserves as buffer stocks to stabilize and lower prices. Examples include India, Indonesia and Senegal.
15. Several countries have instituted price controls on strategic staples, or on trader margins. Examples include Cameroon, Congo, Egypt, Eritrea, Jamaica, Kazakhstan, Kyrgyzstan, Mauritius, Mongolia, Morocco, Pakistan, Panama, Sri Lanka, Tunisia, Venezuela, Yemen and Zimbabwe.

### *Strengthening national social protection systems and safety nets*

16. The United Nations system is contributing in several ways to the above-mentioned national responses to the crisis, both proactively and in response to specific requests.
17. In April 2008, the United Nations Secretary-General established a High-Level Task Force (HLTF) on the Global Food Security Crisis. Under his leadership, the HLTF brings together the Heads of the United Nations specialized agencies, funds and programmes, as well as relevant parts of the United Nations Secretariat, the World Bank, the International Monetary Fund, the Organisation for Economic Co-operation and Development and the World Trade Organization. In keeping with the Comprehensive Framework for Action, the HLTF endeavours to adopt a comprehensive and coordinated approach to short-term responses to the most urgent needs and long-term development of sustainable food systems that can withstand external shocks such as economic crises and climate change. To that end, and emphasizing the importance of country-led strategies, the HLTF is helping to mobilize resources to meet the assessed needs of food-insecure populations, in the context of national safety nets and social protection systems. It is also working on longer-term outcomes

that enable smallholder farmers, especially women, to benefit from higher productivity, new technologies and better nutrition.

18. In April 2009, the United Nations System Chief Executives Board for Coordination agreed to establish a Social Protection Floor (SPF). as one of its initiatives to cope with the global crisis. Focusing on both essential *services* and essential *social transfers*, the SPF will support governments by providing them with a menu of core vulnerability-reducing activities from which to select, including: diagnostics and needs assessments; review and appraisal of existing programmes; recommendations on programme adjustments and implementation plans; and funding opportunities and modalities. Support for capacity-building and advocacy will also be provided.
19. United Nations agencies are cooperating in the design and launch of a Global Impact and Vulnerability Alert System (GIVAS). The GIVAS will fill the information gap that currently exists between the point when a global crisis impacts vulnerable populations and when solid quantitative information and analysis reaches decision- makers. The value added by the GIVAS will be the compilation of real-time data and analysis from a variety of reliable sources covering multiple dimensions of vulnerability that will help the international community and national governments respond in a more effective and timely fashion.
20. UNDP, UNFPA, UNICEF, and WFP are making important contributions to these system-wide initiatives. Within their respective mandate areas, they have also been working with partners to support national efforts to reduce vulnerability and enhance resilience.
21. UNDP is helping to put together and implement a joint programme on food security in Liberia to support the Government's food security strategy, and assisting the Governments of Djibouti and Jordan develop their national food security strategies. It is working with India to improve the implementation and efficacy of its national employment guarantee programme; supporting the design and implementation of conditional cash transfer programmes in Egypt; piloting programmes to help improve resilience in mono-enterprise towns in Belarus, the Russian Federation and other countries in the Commonwealth of Independent States region. UNDP is assisting the Indonesian Government with setting up a multi-indicator monitoring framework for ongoing monitoring and response.
22. UNFPA has identified five key strategies to support member states in mitigating the effect of the global crisis on population and development in general, and specifically sexual and reproductive health, including maternal and newborn health and nutrition: i) advocating for increased investments in health; ii) identifying priorities within the basic reproductive health package, and exchange of good practices in financing including risk pooling, to enable women, adolescent girls and pregnant women access to micronutrients and folates; iii) using technology and data to target the poor, monitor impact and support technical assistance; iv) promoting rights-based approaches to increase demand and community delivery; and v) harmonizing approaches through United Nations reform, partnerships and national capacity development.

UNFPA is capitalizing on its support for building national commodity security monitoring systems to use them for monitoring changes stemming from the economic crisis.

23. UNICEF has significantly increased investments in nutrition interventions since the beginning of the food and fuel price crises. Additionally, UNICEF is supporting 124 social protection programmes in more than 60 countries. UNICEF engagement in national social protection systems is grounded in child rights and pro-poor development. For example, UNICEF is supporting the design, development and roll-out of cash transfer programmes for vulnerable children in countries such as Kenya and Nepal. Other UNICEF interventions focus on families and households. For instance, in Malawi, UNICEF supports cash transfers for the very poor and employment-constrained households, a programme model now being replicated in Liberia. In Madagascar, UNICEF is working in partnership with UNDP and WFP to support the Government in establishing an emergency cash transfer scheme for the most vulnerable families in urban areas to quickly stabilize their income. Moreover, UNICEF is assisting social and economic recovery in developing countries by supporting social budgeting exercises, to ensure that essential expenditures are protected and social protection scaled up, for example in Ecuador, Ghana and Moldova – a much-needed “recovery with a human face”.
24. Over the last 18 months, WFP has increased food and nutrition assistance programmes to serve an additional 30 million people, helping governments across the developing world meet the hunger needs of more than 100 million people. The programmes put in place to protect the vulnerable and help them rebuild their livelihoods include: extending school feeding to children through school holidays and using schools as platforms to provide take-home rations to vulnerable families; providing supplementary rations of nutritious food to malnourished children and women; accelerating cash and voucher programmes to enable people to access food through the market; expanding food-for-work programmes in support of government and FAO efforts to increase agricultural production; extending food assistance to urban areas where food is unaffordable; and, through the Purchase for Progress initiative, linking support for local food production with safety net programmes that provide outlets for farm produce.

### *Strategic priorities for promoting resilience during recovery*

25. Expanded and strengthened social protection systems and hunger safety nets open the possibility of leveraging short-term investments to enhance resilience for longer-term development gain. Several requirements in design, implementation and advocacy must be met. Country contexts differ widely, but a number of strategic priorities emerge for enhancing resilience during the expected recovery.
26. A comprehensive approach is crucial. The United Nations system must continue to promote strategies that combine measures to tackle hunger affecting the most vulnerable with medium- and long-term investments in sustainable agriculture, food security, nutrition and rural development that eliminate the root causes of

hunger and poverty, including the progressive realization of the right to adequate food. Additionally, social protection is essential for accelerating progress towards the Millennium Development Goals.

27. There is a need to build upon and strengthen existing schemes, with a particular focus on how to reach newly vulnerable groups and how to help governments to identify fiscal space to make programmes sustainable. Determining the strengths of existing programmes, and anticipating challenges ahead, are crucial. Technical imperatives loom large. Several interrelated choices encompassing analysis, design, implementation and evaluation must be made. These choices must be informed by solid lessons and evidence; the United Nations system has an important role to play in this respect.
28. National debates are starting around what constitutes adequate recovery from crisis. In the past, fiscal policy in developing countries was typically procyclical – that is, social spending was stagnant or curtailed at a time when it was most needed, during periods of economic contraction. It is now clear that “recovery with a human face” requires counter-cyclical social spending. In addition, as important as scaling up quick-impact social protection interventions and maintaining core social expenditures is the need to invest in pro-poor growth and in programmes aimed at the economic recovery of a country, such as those that promote agriculture and livestock.
29. Effective targeting is crucial for maximizing programme impact and minimizing leakages. A number of targeting methods exist – means-tested, categorical, geographical and community-based, among others – with pros and cons in each context. United Nations agencies can help countries strike the right balance between ensuring that benefits reach the most vulnerable populations, and avoiding artificial boundaries among and within almost equally vulnerable communities.
30. The choice of the most appropriate safety net transfers – in cash, food or vouchers – hinges on proper assessment of context-specific factors. These include programme objectives (such as improved nutrition or income transfer), the functioning of markets, the availability of implementation capacities and delivery mechanisms, cost-efficiency analysis and beneficiary preferences. United Nations agencies have considerable experience and capacity in these areas, which can be brought to the services of Member States. The SPF initiative is useful in this respect.
31. Countries have followed different pathways to introduce and expand social protection and safety net systems. Resilience-enhancement programmes must therefore be compatible with prevailing cultural, social and economic factors. Context-specific factors should be fully recognized and approaches tailored accordingly. There is considerable scope for countries to learn from one another. The United Nations system is well placed to help countries build understanding of the generic nature of many of the challenges they face, while aiming also to identify best practices from regional and international experience, and tailor responses to specific needs.

## **Acronyms Used in the Document**

GIVAS	Global Impact and Vulnerability Alert System
HLTF	High-Level Task Force
SPF	Social Protection Floor



## Annex: Ethiopia's Productive Safety Net Programme

Chronic food insecurity is a salient feature of rural Ethiopia in any year, irrespective of the presence of unusual climatic or economic shocks. The major causes of food insecurity in Ethiopia include land degradation, recurrent drought, poor and inadequate management of risk, population pressure, and subsistence agricultural practices dominated by rain-fed farming and characterized by low inputs and low outputs.

Over the course of the last decade, Ethiopia has received an average of 700,000 mt of food aid annually, and the figure has risen dramatically in recent crisis years (since 1996, appeals for food aid have increased by 450 percent while beneficiaries have increased six fold). Both predictable (chronic) and unpredictable (acute or transitory) needs have largely been met through emergency relief. While this mechanism has saved millions of lives in Ethiopia over the last two decades (and continues to do so) it has failed to protect livelihoods and assets. The unpredictable timing and level of relief resources flowing through the emergency channel means there are few opportunities to do more than address humanitarian needs.

The Productive Safety Net Programme (PSNP), which began in 2005, is the Government's response to the above scenario. Its objectives are to provide transfers to the chronically food insecure population in a way that prevents asset depletion at the household level and creates productive assets at the community level. The multi-annual nature of the programme will make it predictable, so that timing of payments and planning of interventions will be improved, helping to prevent asset depletion and allow better planning of community sub-projects. This will allow the transition away from the present emergency relief system yet still ensure that chronic and predictable needs are met.

The beneficiaries of the PSNP are the identified households in the 262 food-insecure *woredas* in eight regions: Tigray, Amhara, Oromiya, and Southern Nations, Nationalities and Peoples Region were included from 2005. The programme expanded into Afar in 2006 and will expand into Somali in 2007.

Households are considered chronically food-insecure if they have received food aid assistance over the last three years. It is estimated that there are at least 8 million people in this category and they constitute some of the poorest and most vulnerable members of the population.

The project has two components. The first component is **projects** determined locally by beneficiary communities through an annual, participatory planning process. Communities use a watershed planning approach for determining appropriate projects. This aims to ensure that projects and sub-projects are carefully integrated so that many of the assets communities create will help to sustainably rehabilitate the highly degraded environments which are one of the causes of food insecurity. The second component of the programme is **direct support**, which provides grants to households which are labour-poor and unable to undertake public works.

Emerging evidence suggests that PSNP beneficiary households experience significant improvements in food security. Households with access to the PSNP and additional agricultural support are more likely to be food-secure than are households without such support, and able to borrow for productive purposes, to use improved agricultural technologies, and to operate their own non-farm business activities.<sup>3</sup>

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<sup>3</sup> Gilligan D., Hoddinott J. and Taffesse A. 2009. "The Impact of Ethiopia's Productive Safety Net Programme and its Linkages". *Journal of Development Studies* 45(10): 1684-1706.