

UN GLOBAL CRISIS RESPONSE GROUP BRIEF NO. 2

GLOBAL IMPACT OF WAR IN UKRAINE ON FOOD, ENERGY AND FINANCE SYSTEMS: THE WORLD IS FACING A GLOBAL COST OF LIVING CRISIS

BUSINESS BRIEF

WHAT'S INSIDE?

SUMMARY & HIGHLIGHTS OF THE UN GCRG BRIEF NO. 2:

**The need for stability in global food and
energy markets**

**How to break the vicious cycle
of rising prices**

RECOMMENDATIONS TO POLICY MAKERS

**CALL TO ACTION FOR WBCSD
MEMBER COMPANIES**



Introduction

The UN Global Crisis Response Group (GCRG) published the “Global Impact of war in Ukraine on food, energy and finance systems – Brief No. 2” in June 2022. WBCSD has been participating and contributing to the work of the UN GCRG Food Taskforce and Energy Taskforce since their inception in March 2022. The UN GCRG Brief No. 2 report can be viewed [here](#).

WBCSD’s engagement has led to a stronger voice from the private sector in the highest political level engagements by the UN Secretary-General with heads of state and leaders of major institutions. The private sector’s voice contributed to enhancing the impact and relevance of the findings from the UN GCRG Brief No. 2.

WBCSD brought attention to global supply chain sensitivities and the needs of vulnerable populations within nations – notably women and children. WBCSD also highlighted the need to increase resilience in food systems as part of the crisis response, including through crop diversification and local production. WBCSD also emphasized the need for analysis of the urgent challenges with fertilizers and the ambivalent situation of farmers, particularly smallholder farmers, who are both critical actors in the global food system and stand as the most vulnerable to the effects of the crisis on their livelihoods and access to food.

This Business Brief summarizes the latest findings of the UN GCRG Brief No. 2 and highlights the key points to keep in mind. It also outlines opportunities for WBCSD member companies to act to respond to and mitigate the effects of the food crisis.

Six key take away business actions:

- Make collective contributions as a percentage of increased profits
- Identify market-ready, scalable solutions
- Using our platforms as business leaders to advocate for increased action
- Encourage and support a task force on land logistics
- Continue to support the UN taskforce
- Share individual company actions with [WBCSD](#)

Four key facts from the report:

- **Fast-growing numbers of hungry people are on the leading edge of the cost-of-living crisis.** Estimates indicate that up to 323 million people are likely to be acutely hungry in 2022, representing an additional 47 million people since the war in Ukraine.
- **By the end of 2021, the international food import bill was USD \$268 billion higher than pre-pandemic levels,** with nearly two-thirds of the increase concentrated in developing countries.
- **The fertilizer crunch leads to the threat of a broader and longer crisis.** Higher energy costs and a loss of supply from the Black Sea region have increased fertilizer prices even faster than food prices.
- **The Brief recommends a two-pronged approach to combat the cost-of-living crisis:**
 1. **Mitigating the impacts of the shock,** such as releasing strategic energy and food stockpiles to meet market needs or controlling hoarding and speculative behavior.
 2. **Increasing peoples’ and countries’ capacity to cope with it,** such as strengthening social protection systems and safety nets for urgent use and increasing fiscal spaces.

This new [UN GCRG Brief No. 2](#) was released in June 2022 and follows the [UN GCRG Brief No. 1](#) published in April 2022. The third UN GCRG Briefing will focus on energy system transformation and is expected in July or August 2022.

In March 2022, the UN Secretary-General announced the establishment of a Global Crisis Response Group on Food, Energy and Finance facilitated by the UN Secretariat to coordinate the global response to the worldwide impacts of the war in Ukraine on food, energy and finance systems.

This brief is the result of the collaborative work of the UN Global Crisis Response Taskforce Teams.

Summary of the UN GCRG Brief NO. 2

The report introduces the crisis and recommends two approaches in an Executive Summary, followed by the main report consisting of four key highlights on the ripple effects of the war, with a final section on policy recommendations following the two approaches.

Urgent action is required to avert a global cost of living crisis due to rapidly rising food and energy costs. Serious attention is needed on the accelerating food crisis that could extend into 2023 and cascade into multiple crops with catastrophic consequences for billions of people.

The war in Ukraine is unfolding as a human tragedy with far-reaching global consequences. This comes on the heels of the Covid-19 crisis, which weakened the world economy. The results are unfolding as a global cost-of-living crisis. Consequently, lives, livelihoods, and aspirations for a more inclusive, climate-neutral and nature-positive world are at risk.

As the global consequences of the war unfold, the compounding effects of the financial crises, fuel and food are playing out. Rising fuel and fertilizer prices are deeply affecting farmers' abilities to produce and will likely reduce farm yields, affecting farmers' livelihoods and stoking further food price rises. In turn, household finances are concerned, rising food poverty levels, putting pressure on interest rates, and ultimately, state finances.

RECOMMENDED APPROACHES

The UN GCRG Brief No. 2 calls for two broad approaches to be taken simultaneously:

1. Bring stability to global markets, reduce volatility and tackle the uncertainty of commodity prices and the rising cost of debt.
2. Increase people and countries' capacity to cope.

The report emphasizes the current situation is a crisis of access, in which there is enough of everything but at the wrong price, in the wrong place, and at the wrong time. Tomorrow, the world may face a crisis of availability, where there are not enough essential supplies, no matter where, when, and at what price.

"This crisis touches upon all of us. It is everyone's problem and a common responsibility. We must accept that not everyone is affected equally. Some countries, communities and people are more vulnerable than others, and those need to be assisted first. It takes a world to fix a world; what is needed now is to start."

REPORT SNAPSHOT

Two broad approaches:

- Bring stability to global markets
- Increase global capacity to cope

Four key highlights:

1. The largest cost-of-living crisis of the twenty-first century to date
2. Impacts of the cost-of-living crisis on people
3. A fertilizer crisis and trade restrictions threaten to exacerbate the crisis
4. This is a global crisis, not confined to any one region

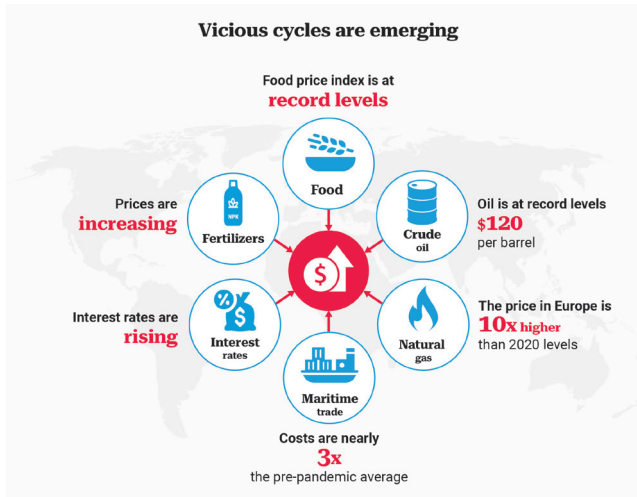
Policy recommendations

FOUR KEY REPORT HIGHLIGHTS

1. The largest cost-of-living crisis of the twenty-first century to date

Severe price shocks have led to the largest cost-of-living crisis of the 21st century. As vicious cycles emerge, people and countries are left with a decreased capacity to cope.

Figure 1: Vicious cycles emerge



Source: Global Crisis Response Group.

Figure 2: Countries' ability to cope with multifaceted crises continues to erode



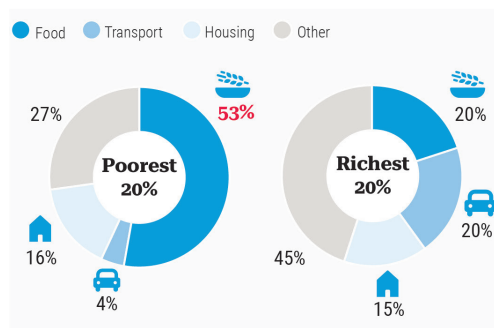
Source: Global Crisis Response Group.

2. Impacts of the cost-of-living crisis on people

The poorest in every country will be the hardest hit as food prices rise. The war in Ukraine is worsening food security rapidly and pushing people to the brink of famine:

- Fast-growing numbers of hungry people are on the leading edge of the cost-of-living crisis. Estimates indicate that up to 323 million people are likely to be acutely hungry in 2022, representing an additional 47 million people

Figure 3: The poorest will be the hardest hit as food prices rise: Composition of consumption expenditure by household, emerging and developing economies



Source: Global Crisis Response Group, based on World Bank, 2019

In March-May 2022, almost 5 million more people have faced severe hunger emergencies, totaling 49 million.

People are setting in place various coping mechanisms with long-term adverse effects on health especially. People are coping with the crisis on a day-to-day basis through actions that will have long-term consequences for nutrition and early childhood development. Such efforts include eating less, cutting back on cooking fuel and health visits and removing children from school or for certain families going into more debt at higher interest rates.

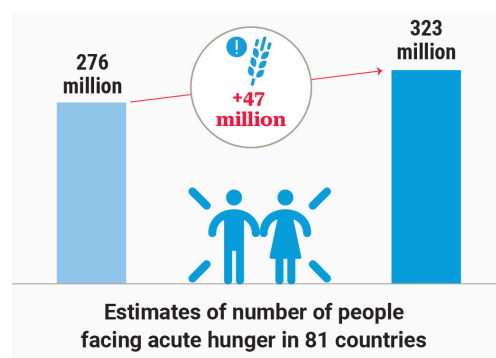
The cost of importing food keeps rising. Before the war, food import bills across developing countries had been increased due to higher prices in global markets. By the end of 2021, the international food import bill was USD \$268 billion higher than pre-pandemic levels, with nearly two-thirds of the increase concentrated in developing countries.

since the war in Ukraine. This is a risk for low-income people in every country.

- Between March and May 2022, almost [5 million more people have faced severe hunger](#) emergencies, totaling 49 million.

From March-May 2022, 180,000 more people in the world have been facing famine-like conditions due to several factors, including the war and the other conflicts, drought, the pandemic and economic crises, bringing the total number of people facing famine-like conditions to 750,000.

Figure 4: Ripple effects of the war on food security in 2022



Source: [Global Crisis Response Group](#), based on data

Figure 5: The rise in the price of fertilizers outpaces the rise in the price of food: Changes in fertilizer and grain prices, January 2018–April 2022



Source: Global Crisis Response Group, based on data from the International Food Policy Research Institute.

3. A fertilizer crisis and trade restrictions threaten to exacerbate the crisis

A fertilizer crisis and a rise in trade restrictions threaten to exacerbate the problem into 2023. One in every two people worldwide depends on fertilizers agricultural products. Higher energy costs and a loss of supply from the Black Sea region have increased fertilizer prices even faster than food prices. We learned from the 2007/2008 food crisis that increasing trade restrictions could worsen the food price hikes. Since 24 February 2022, more than 200 trade-related policy measures have been recorded, both trade-facilitating and trade-restricting measures.

Figure 6: Fertilizers are fast becoming unaffordable for farmers: Affordability of fertilizers as the ratio of food

Commodity	Jan. 2021–Feb. 2022	Change
FAO food price index	1.3 → 0.6	▼ 50%
Rice	1.2 → 0.5	▼ 61%
Cereals	1.4 → 0.7	▼ 53%
Sugar	1.1 → 0.5	▼ 53%
Palm oil	1.6 → 1	▼ 40%

Source: Global Crisis Response Group, based on data from FAO.

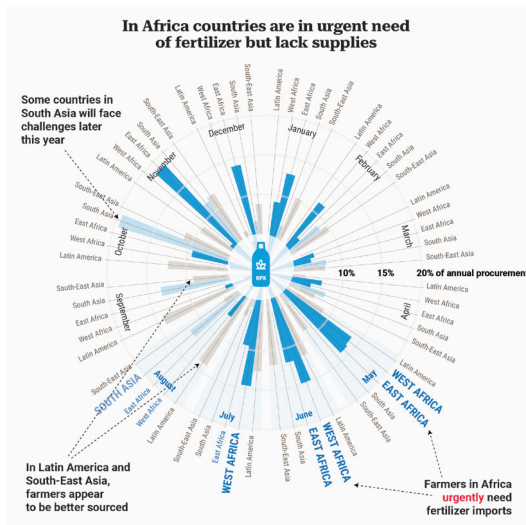
The fertilizer crunch leads to the threat of a broader and longer crisis. Higher energy costs and a loss of supply from the Black Sea region have increased fertilizer prices even faster than food prices. Rising fertilizer costs mean many farmers can no longer afford to use fertilizers on crops and cannot increase production to meet global demand.

The decline in fertilizer affordability among farmers is even more significant in crops for which there have not been price increases, such as rice, which is 4.6 percent lower than in the same period in 2021. For example, rice farmers find it more challenging to offset rising fertilizer costs with higher sell-side prices. Trade restrictions on key agricultural inputs could worsen this crisis. The scale of current restrictions has now surpassed that experienced during the food price crisis in 2007/08, affecting 17.3 percent of total calories traded globally.

4. This is a global crisis, not confined to any one region

The planting season will start in many areas of the world. As such, the lack of affordable fertilizer resources will have varying effects worldwide and put millions of people’s livelihoods at risk. One area of particular worry is West Africa, which faces a shortage of fertilizers ahead of their planting season starting in May and June.

Figure 7: In Africa countries are in urgent need of fertilizer but lack supplies



Source: Global Crisis Response Group calculations, based on data from FAO, the International Fertilizer Association, the International Fertilizer Development Centre, the International Food Policy Research Institute and WBCSD.

Recommendations to policymakers

THE UN Brief No.2 emphasizes the systemic nature of this crisis which will require strong political will and coordinated actions on a triple front: food, energy and finance. A narrow focus on the short-term humanitarian response to the food crisis is misguided. A preventative approach that includes a broader group of vulnerable people is needed. This involves poorer families, women and girls, smallholders and other populations already weakened by COVID-19 and adverse climate events, such as drought and extreme heat. This also includes immediate direct support for MSMEs in the agri-food sectors going out of business due to the crisis across the developing world.

The Brief recommends breaking the vicious cycles that feed and accelerate this cost-of-living crisis through a two-pronged approach: **mitigating the impacts of the shock and increasing peoples' and countries' capacity to cope with it.**

MITIGATING THE IMPACTS OF THE SHOCK

The Brief recommends restoring market stability, debt and commodity prices. This is critical for immediately rebuilding food availability for all people and countries to realize their right to food with equitable and adequate supplies at accessible prices. In particular, there will be no practical solution to the food crisis without reintegrating Ukraine's food production and the food and fertilizer produced by the Russian Federation into world markets – despite the war. Other initiatives include releasing strategic energy and food stockpiles to meet market needs, controlling hoarding and speculative behavior, removing unnecessary trade restrictions and committing to increased efficiency in energy use in advanced countries.

According to the Brief, other measures to improve the availability of food while also building resilience can include:

- Increasing local production of different food commodities (encouraging consumption of unfamiliar varieties)

- Diversifying sources of imported foods (receiving support, when available, for higher food import bills), reducing food loss and waste
- Improving availability of, and farmer access to fertilizer
- Sustaining the transition to sustainable production as the 2021 Food Systems Summit promoted.

INCREASING PEOPLES' AND COUNTRIES' CAPACITY TO COPE WITH IT

To increase people's and countries' capacity to cope, social protection systems and safety nets must be widened and strengthened for urgent use, and fiscal spaces must be increased. These should be multi-layered social protection initiatives with targeted safety nets that reflect that this is a cost-of-living crisis designed for i) nutrition and well-being of poor urban people – especially women and children, ii) protection for smallholder farmers and agricultural laborers in difficulty, as well as iii) rescue packages for SMEs and distressed rural communities.

There is no answer to the cost-of-living crisis without a solution to the financial crisis in developing countries. Existing international financing mechanisms to support strong national fiscal responses must be fully funded and operationalized quickly. The commitments made by the World Bank to invest in a global response to the ongoing food security crisis, with up to USD \$30 billion in existing and new projects in areas such as agriculture, nutrition, social protection, water and irrigation, is a significant step forward. However, these financial commitments are not yet enough to combat the consequences of the war. We will need all actors to mobilize, including the Multilateral development banks (MDBs).

Call to action for WBCSD member companies

Actions the business community can take now, are summarized as follows:

- 1. Make collective contributions as a percentage of increased profits** to demonstrate leading corporate action in times of high profits during a crisis. We will explore funding avenues and linkages to regenerative agricultural practices. Several members are already developing concepts that will be shared for further engagement.
- 2. Identify market-ready, scalable solutions** which will help address the food crisis, especially with interventions at the farm-level with smallholders & small commercial operations.
- 3. Using our platforms as business leaders to advocate for increased action** should include the call to action that "food is not a weapon of war." Our messaging should be farmer-focused, including supporting farmers in Ukraine and Russia and emphasizing the need for supporting smallholder farmers, especially in emerging markets. We will further explore with our members the possibility of doing this through a signed letter/Op-Ed.
- 4. Encourage and support a task force on land logistics** to focus on moving agriculture products from Ukraine and Russia in the next 4-6 weeks and beyond. The COVID-19 [Green Lanes](#) could be repurposed to prioritize food and agriculture inputs to be moved. We should advocate for these products to be moved with no sanctions. We will also involve the shipping community to emphasize the need to prioritize food and agriculture inputs above other products, which might be more profitable to move.
- 5. Continue to support the UN task force;** **WBCSD** will continue to share information from your insights and provided by the task force. We encourage our members to help fund David Nabarro's work leading the UN Food task force, which the UN does not fund. WBCSD can channel funding to his organization (4SD), as they can't accept individual company funding.
- 6. Share individual company actions with WBCSD** so that positive action taken by our members is showcased on [our website](#).

CREDITS

We thank DSM and Yara International for providing secondment support into the UN Food Taskforce.

WBCSD is a member of the UN GCRG Food Taskforce and Energy Taskforce and would like to thank all other participants.

CONTACT

For further information and to engage more directly on this topic, please contact [Diane Holdorf](#), Executive Vice President, WBCSD.

WHAT'S NEXT?

Support for the UN GRCG Briefing No. 3 and more information on WBCSD's consent to the Energy Working Group

The 3rd UN GCRG Briefing will focus on energy system transformation and is expected for July / August.

WBCSD will be supporting content development on renewable energy supply chains. WBCSD's contribution will focus on two parts of the report: supply chain obstacles for materials in ramping up the renewable energy supply chain and regional and global implications of the shock to oil & gas market demand and supply. Member insights and data contributions are welcome.

ABOUT THE WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (WBCSD)

WBCSD is the premier global, CEO-led community of over 200 of the world's leading sustainable businesses working collectively to accelerate the system transformations needed for a net zero, nature positive, and more equitable future.

We do this by engaging executives and sustainability leaders from business and elsewhere to share practical insights on the obstacles and opportunities we currently face in tackling the integrated climate, nature and inequality sustainability challenge; by co-developing "how-to" CEO-guides from these insights; by providing science-based target guidance including standards and protocols; and by developing tools and platforms to help leading businesses in sustainability drive integrated actions to tackle climate, nature and inequality challenges across sectors and geographical regions

Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD \$8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled reach across the globe. Since 1995, WBCSD has been uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, we are the leading voice of business for sustainability, united by our vision of creating a world in which 9+ billion people are living well, within planetary boundaries, by mid-century.

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