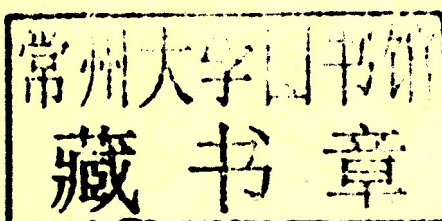


Global Monitoring Report 2012

# Food Prices, Nutrition, and the Millennium Development Goals



# Food Prices, Nutrition, and the Millennium Development Goals





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The painting on the cover is by Sue Hoppe, an artist based in South Africa. Titled "Resolution," the painting explores the idea that people who seem irreversibly divided and with little in common can unite if they focus on what they have in common instead of what divides them. Hoppe's work examines war, conflict, and the plight of children and women in Africa, but is also inspired by nature and architecture. To learn more about Sue Hoppe and her work, visit [www.southafricanartists.com/home/SueHoppe](http://www.southafricanartists.com/home/SueHoppe).

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Global Monitoring Report 2012

# **Food Prices, Nutrition, and the Millennium Development Goals**

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## Foreword

Every year, the *Global Monitoring Report* (GMR) gauges progress across the Millennium Development Goals (MDGs), so we can better understand whether we are delivering on basic global needs. These needs include affordable, nutritious food; access to health services and education; and the ability to tap natural resources sustainably—whether clean water, land for urban expansion, or renewable energy sources. We assess how well the world is doing by looking at income poverty, schooling levels, the health of mothers and children, and inroads in treating HIV/AIDS, malaria, and tuberculosis, as well as assessing how the international development community delivers aid. We also try to measure levels of malnutrition and hunger in the world. Food prices can affect all these indicators.

For these reasons, the *Global Monitoring Report 2012* takes the theme of “*Food Prices, Nutrition, and the Millennium Development Goals*.” This year’s edition highlights the need to help developing countries deal with the harmful effects of higher and more volatile food prices.

In 2007–08 and again in 2011, soaring food prices held back millions of households from escaping poverty. Poor people in cities remain especially vulnerable to higher food prices, as do households headed by women. Higher food prices also affect the quantity

and quality of nutrition—a critical factor for children in the first two years of life, when even a temporary reduction in nutritional intake can affect long-term development. This loss of nutrition can, in turn, set back a whole generation.

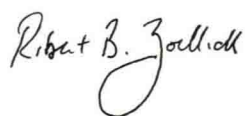
The GMR details some of the solutions for making countries and communities more resilient in the face of food price spikes. Strategies include using agricultural policies to encourage farmers to boost production; using social safety nets to improve resilience; strengthening nutritional policies to manage the implications of early childhood development; and designing trade policies to improve access to food markets, reduce food price volatility, and make productivity gains.

The implications of high and more volatile food prices vary widely at the regional and country levels. Large net importers of food—such as those in the Middle East, North Africa, and West Africa—face higher import bills, reduced fiscal space, and greater transmission of world prices to local prices for imported rice and wheat. Higher prices hurt consumers, who need to spend a greater share of their income on food, as is the case in much of Africa and Asia. Larger net exporting countries, such as those in Latin America, Eastern Europe, and Central Asia, stand to benefit. But they may also face internal pressure to help households that need to spend a large share of

their budgets on food. The sequencing and prioritization of policy initiatives depends critically on a country or region's initial situation.

Going forward, all of us—including traditional donors, new donors, philanthropists, and NGOs—must do better in fighting hunger, particularly by making more resources available for basic nutrition. For a start, this means including nutrition interventions in projects and programs when and wherever possible. At the same time, we need to design more effective policies, strengthen accountability, and ensure that recipients can absorb vital assistance.

The GMR's assessment of progress on the MDGs offers grounds for optimism. Global targets for overcoming extreme poverty and access to safe drinking water have been reached well ahead of schedule. Goals related to primary school completion rate and gender equality in primary and secondary education also appear within reach. Other goals, however, require a real push, particularly regarding child and maternal mortality, and access to improved sanitation facilities. MDG gaps are starker when the focus is on individual countries and achievements per region, where disparities persist.



Robert B. Zoellick  
President  
The World Bank Group

Macroeconomic performance will play a critical role in meeting the MDGs. Progress that was made possible by the relatively strong economic growth of developing countries prior to the global financial crisis has been set back. The recent weakening of the global economic environment has implications for overcoming poverty in emerging and developing economies, and it is important that the advanced economies undertake the necessary macroeconomic policies to bring about strong and stable global growth.

A key concern lies with the low-income countries, where macroeconomic policy buffers—such as fiscal, debt, and current account positions—have not yet been rebuilt to levels before the crisis. If they have to confront another sharp global slowdown or another surge in food or fuel prices, these countries would start from a weaker position.

We have made important progress in pushing forward toward meeting the MDGs—but the year 2015 is just around the corner. We have three years to ensure that billions more people will have the opportunity to benefit from the global economy. The need for cooperation on focused steps to achieve these goals has never been greater.



Christine Lagarde  
Managing Director  
International Monetary Fund



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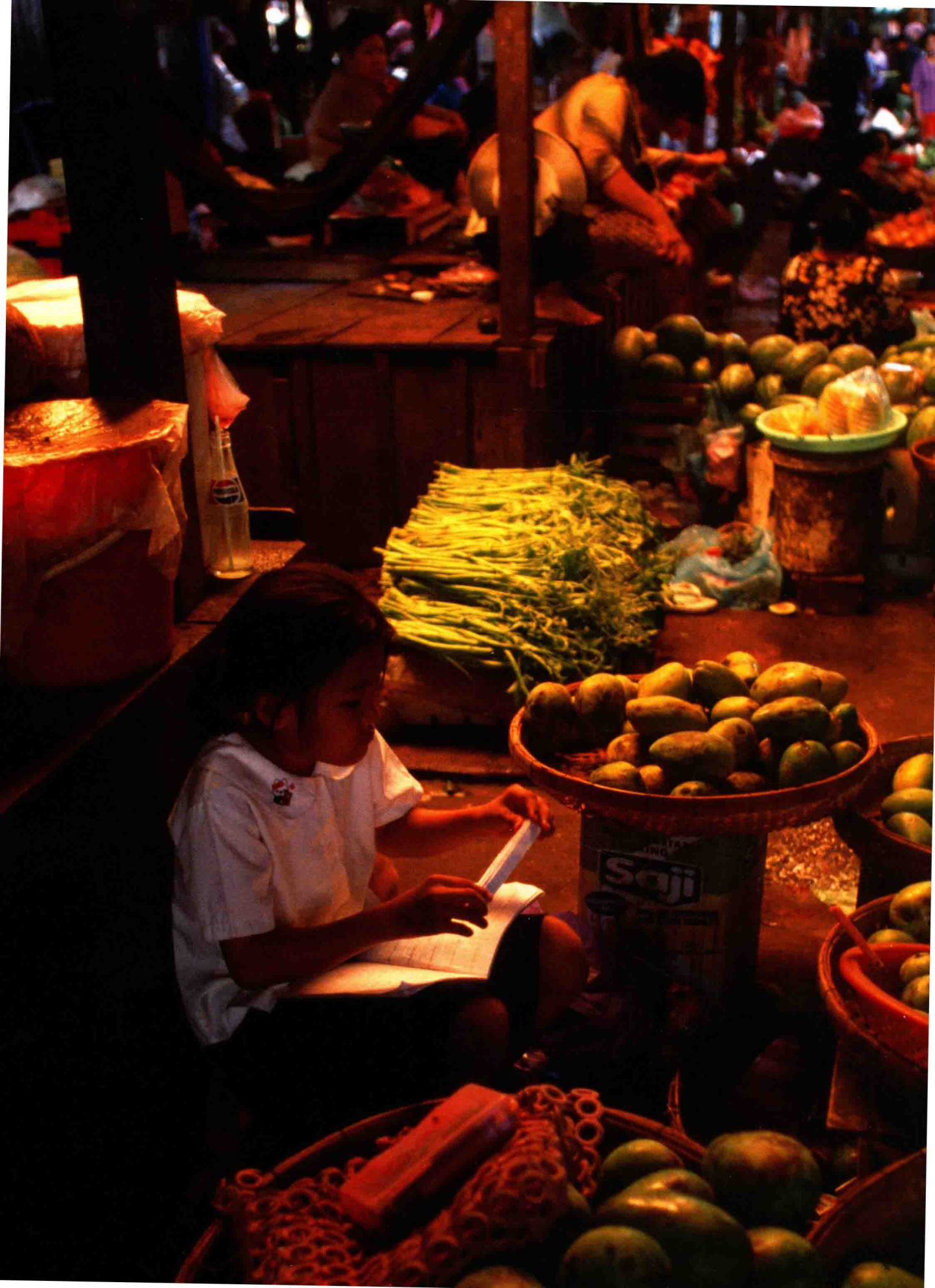
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# Abbreviations and Acronyms

|       |   |        |  |
|-------|---|--------|--|
| ADB   | Asian Development Bank                                    | HIV    | human immunodeficiency virus                       |
| AfDB  | African Development Bank                                  | IDB    | Inter-American Development Bank                    |
| AIDS  | acquired immune deficiency syndrome                       | IFC    | International Finance Corporation                  |
| AMIS  | Agricultural Market Information System                    | IFI    | international financial institution                |
| BMI   | body mass index   | IFPRI  | International Food Policy Research Institute       |
| BRICS | Brazil, Russia, India, China, and South Africa            | LSMS   | Living Standards Measurement Study                 |
| CGIAR | Consultative Group on International Agricultural Research | MAMS   | maquette for MDG simulations                       |
| CPA   | country programmable aid                                  | MDB    | multilateral development bank                      |
| DAC   | Development Assistance Committee                          | NTM    | non-tariff measure                                 |
| DFID  | Department for International Development (U.K.)           | OAP    | Open Aid Partnership                               |
| EBRD  | European Bank for Reconstruction and Development          | ODA    | official development assistance                    |
| EU    | European Union  | OECD   | Organisation for Co-operation and Development      |
| FAO   | Food and Agriculture Organization (of the United Nations) | PFM    | public finance management                          |
| FDI   | foreign direct investment                                 | PPP    | purchasing power parity                            |
| G-8   | Group of Eight  | PSE    | producer support estimates                         |
| G-20  | Group of 20   | PSI    | pre-shipment instructions                          |
| GATT  | General Agreement on Tariffs and Trade                    | REPO   | repurchase option                                  |
| GFRP  | Global Food Crisis Response Program                       | RTA    | regional trade agreement                           |
| GIDD  | Global Income Distribution Dynamics                       | SPS    | sanitary and phytosanitary                         |
| GMR   | <i>Global Monitoring Report</i>                           | SUN    | Scaling Up Nutrition                               |
| GNI   | gross national income                                     | TBT    | technical barriers to trade                        |
| GTAP  | Global Trade Analysis Project                             | UNCTAD | United Nations Conference on Trade and Development |
|       |   | WFP    | World Food Programme                               |
|       |   | WTO    | World Trade Organization                           |

*All amounts are presented in U.S. dollars, unless otherwise indicated.*



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# Overview

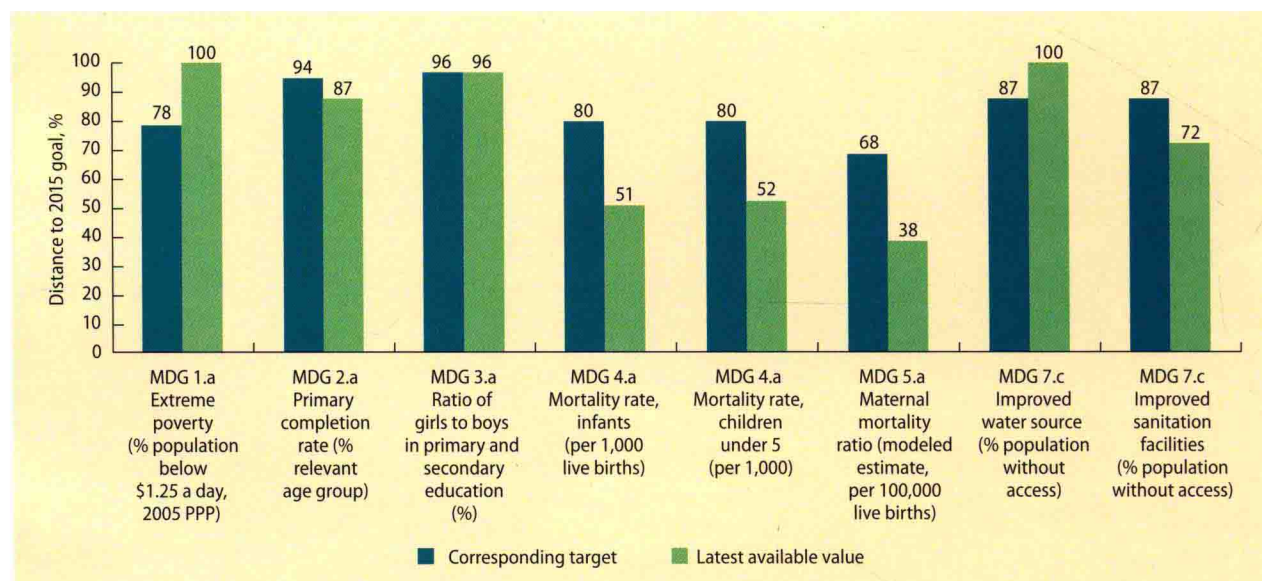
What has been the impact of yet another food price spike on the ability of developing countries to make progress toward the Millennium Development Goals (MDGs)? How many poor people were prevented from lifting themselves out of poverty? How many people, and how many children, saw their personal growth and development permanently harmed because their families could not afford to buy food? How did countries react to the last two food price spikes of 2007–08 and 2010–11, and how did their reaction affect their progress toward the MDGs? And what can countries do to respond to higher and more volatile food prices? The 2012 *Global Monitoring Report* (GMR) addresses these basic questions. It summarizes effects of food prices on several MDGs. It reviews policy responses—including domestic social safety nets, nutritional programs, agricultural policies, regional trade policies, and support by the international community. And it outlines future prospects.

The world has met two MDGs, while global progress varies across the other MDGs (figure 1). Preliminary survey-based estimates for MDG 1.a in 2010—based on a smaller sample than the global update in box 1—indicate that the \$1.25 a day poverty rate (2005 purchasing power parity, or PPP)

had fallen below half its 1990 value in 2010. Also in 2010, the world met MDG 7.c—to halve the proportion of people with no safe drinking water—well ahead of the 2015 deadline. And global progress on various MDGs is on track or within 10 percent of the on-track trajectory. MDG 3.a (gender parity in school enrollment) is on track, and MDG 2.a (primary school completion) is close to being on track. But the MDGs closely linked to food and nutrition are lagging, particularly child mortality (MDG 4) and maternal mortality (MDG 5). The same is true for country progress: 105 countries of the 144 monitored are not expected to reach MDG 4, and 94 are off track on MDG 5.

## Food prices spike once again

In 2011 international food prices spiked for the second time in three years, igniting concerns about a repeat of the 2008 food price crisis and its consequences for the poor. The World Bank Food Price Index rose 184 percent from January 2000 to June 2008 (figure 2). In February 2011 it again reached the 2008 peak, after a sharp decline in 2009, and stayed close to that peak through September. The international food price spike in 2007–08 is estimated to have kept or pushed 105

**FIGURE 1 Global progress toward the MDGs varies***Developing countries, weighted by population*

Source: World Bank staff calculations based on data from the World Development Indicators database.

Note: A value of 100 percent means that the respective MDG has been reached. "Corresponding target" indicates progress currently needed to reach the goal by 2015. "Latest available value" denotes current progress as illustrated by the most recent available data: extreme poverty, 2010; primary completion rate, total, 2009; ratio of girls to boys in primary and secondary education, 2009; mortality rate, infants, 2010; mortality rate, children under 5, 2010; maternal mortality ratio, 2008; improved water source, 2010; improved sanitation facilities, 2008. PPP stands for purchasing power parity.

## BOX 1 The MDG target of halving extreme poverty—reached in 2010!

The World Bank has been regularly monitoring the progress of developing countries in reducing extreme poverty. Drawing on data and expertise from all regions, the Bank has updated the global and regional poverty numbers for 1981–2008 and prepared preliminary estimates (for a smaller sample) for 2010. The latest estimates draw on more than 850 household surveys for almost 130 developing countries, with 90 percent of the developing world population. Mostly produced by national statistical offices, the results for 2005 and 2008 are based on interviews with 1.23 million randomly sampled households.

An estimated 1.29 billion people in 2008 lived on less than \$1.25 a day, equivalent to 22.4 percent of the developing world population (see the box table on the next page). Contrast that with 1.9 billion people in 1990, or 43.1 percent.

Preliminary survey-based estimates for 2010—based on a smaller sample than the global update—indicate that the \$1.25 a day poverty rate had fallen

to less than half of its 1990 value by 2010. So the first MDG target of halving extreme poverty has been achieved well before the 2015 deadline. East Asia and Pacific, Middle East and North Africa, and Europe and Central Asia have attained MDG 1.a, while poverty in South Asia and Sub-Saharan Africa remains in double digits. Current estimates for 2015 show that poverty will further decline to 16.3 percent for the world as a whole.

Looking back to 1990, East Asia and Pacific was the region with the highest number of poor people in the world, with 926 million living below \$1.25 a day. By 2008 that level had fallen to 284.4 million. In China alone, 510 million fewer people were living in poverty by the \$1.25 standard. In 2008, 13 percent (173 million people) of China's population still lived below \$1.25 a day. In South Asia, the \$1.25 a day poverty rate fell from 54 percent to 36 percent between 1990 and 2008. The proportion of poor is lower now in South Asia than at any time since 1981.