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An Age of Crises

Prospects for inequality and division



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PATHFINDERS

FOR PEACEFUL, JUST AND INCLUSIVE SOCIETIES

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About the Grand Challenge

Inequality and exclusion are among the most pressing political issues of our age. They are on the rise and the anger felt by citizens towards elites perceived to be out-of-touch constitutes a potent political force. Policymakers and the public are clamouring for a set of policy options that can arrest and reverse this trend. The Grand Challenge on Inequality and Exclusion seeks to identify practical and politically viable solutions to meet the targets on equitable and inclusive societies in the Sustainable Development Goals. Our goal is for national governments, intergovernmental bodies,

multilateral organizations, and civil society groups to increase commitments and adopt solutions for equality and inclusion.

The Grand Challenge is an initiative of the Pathfinders, a multi-stakeholder partnership that brings together 43 member states, international organizations, civil society, and the private sector to accelerate delivery of the SDG targets for peace, justice and inclusion. Pathfinders is hosted at New York University's Center on International Cooperation.

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About this Publication

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Cover Photo: Mississippi River flooding in Davenport, United States, January 2017. © Kelly Sikkema via Unsplash, https://unsplash.com/photos/_whs7FPfkWQ.

Executive Summary

Inequalities can shape, drive, and amplify crises and at the same time, be the consequence of crises.¹ The double shock of the COVID-19 pandemic followed by the Russian invasion of Ukraine has been accompanied by an uptick in income and social inequalities. A world enveloped in a series of crises has become the grim backdrop for many of the current discourses on how to solve salient world problems. The complexity and force of how each individual crisis overlaps and interacts with, and sometimes worsens the impact of other crises—including rising levels of inequality and exclusion—is profound and damaging, requiring careful analysis of both consequences and solutions. For instance, surging inflation rates, which began in 2021, as well as the **food and energy crises** set off largely by the Russian invasion of Ukraine, have precipitated and worsened the **debt crisis in many lower income countries**. Combined with the existential threat of climate change and related and prevalent **extreme climate events**, a perfect and potent storm of events have been set in motion: even if aspects of today's **cost-of-living crisis** wane, their ripple effects will continue to reverberate, in some instances setting off **political instability and social unrest** in parts of the world. The lessons learned from these crises, and their interaction with inequality and exclusion will be critical to better prepare for the future, and to break the deadly spiral of crises and rising inequality. While disasters—both created by people and generated by nature—have increasingly become a daily reality for many in different parts of the world, policies at the global, regional, and national levels, have yet to catch up with this new reality.

How big is the problem?

Looking across six areas—food and fuel shortages, inflation, debt distress, extreme climate-related events, and political unrest—there are very few countries that escape the reach of at least one crisis. Alarming, many countries are exposed to multiple and compounding levels of economic, social, and environmental shock; which can intersect with underlying inequalities and vulnerabilities such that a vicious cycle of income inequality, increasing social stratification, and discontent spreads across societies and generations. For those countries for which complete data exists across six crises (90 in total), **eight countries are at risk for being impacted by all crises at the same time.**² **72 out of these 90 countries (or 80 percent) are at high or moderate risk³ of suffering from at least three crises at the same time.** If we limit the analysis

to five crises (food price shock, inflation, extreme climate events, debt distress, and protests), **10 out of the 134 countries with complete data are at high or moderate risk of suffering from all five crises and 86 countries (65 percent) from at least three crises.** This number may even be an underestimate as typically lower income countries have less capacity to collect data and tend to deal with multiple crises arising from debt and cost-of-living issues.

At the national level, the most obvious knock-on effect is on the financial health of a government. Currently, 58 percent of the world's poorest countries are in debt distress or at high risk of it, with the danger also spreading to some middle-income countries. In the Vulnerable Twenty (V20) Group of Ministers, which includes 55 climate vulnerable economies, total debt climbed from USD 464 billion in 2015 to USD 686 billion in 2020. For example, public debt had climbed above 100 percent of the gross domestic product (GDP) in Ghana by December 2022, with local and foreign interest payments comprising 70 to 100 percent of revenue.⁴ Annual inflation also hit 30 percent in June 2022, its highest value in 18 years. By December 2022, inflation had shot up further to 50 percent and the central bank was forced to raise its main interest rate to 27 percent. Moreover, the country suspended interest payment to foreign creditors the same month, in effect defaulting, pending talks, and was ultimately forced to go to the International Monetary Fund (IMF) to ask for a USD 3 billion bailout, comprising 4 percent of its GDP.⁵ Ghana is now in the midst of its worst economic crisis in a generation, and more than a thousand people took to the streets in November 2022, demanding for government change and denouncing the deal with the IMF, all while the cost of food and fuel spiraled.⁶

Analysis by the Pathfinders has found that many countries may be approaching a similar situation: at least **47 governments (out of a total of 144 with data) are at either high or moderate risk of finding themselves in the double bind of coping with high inflation, while not having the fiscal space to cushion their populations against the impacts of these price hikes.** This is because they also suffer from a heavy debt burden, which limits their ability to protect people from the more severe and immediate impacts of cascading crises, provide basic services, and promote social development. With an ever-shrinking pot of funds, social policies will likely be focused on those who are less poor and more easily reached—that is, low hanging fruit—leaving those who are the most marginalized outside the reach of a viable social safety net.

With respect to exposure to individual crises, the data availability changes by country, as well as the risk of exposure, though the numbers of countries that are at either high or moderate risk of experiencing a crisis remains high. For inflation, **69 countries (or 43 percent of all countries with data) have experienced inflation hikes of 10 percent or more—considered high risk—**

between June and August 2022. With respect to food inflation, **92 countries (or 60 percent of all countries with data) had experienced a price increase of 10 percent or more by August 2022. Twenty-one of these countries saw prices soar by more than 25 percent.** Furthermore, **16 countries (out of a total of 169 with data) were found to be at particularly high risk for experiencing extreme weather events. An additional 32 countries were found to be at moderate risk of exposure to extreme weather events.** In terms of energy, **19 countries (out of 97 with data) were found to be at high risk of experiencing some form of energy insecurity, and a further 68 countries at moderate risk.** Meanwhile, **40 countries (out of 160 with data) were found to be either already in debt distress or at high risk of facing debt risk. A further 43 countries face moderate debt risk.**

Exposure to multiple crises can in turn increase the likelihood of unrest and political violence. **The incidence of protest has increased by an average of 44 percent across the 179 countries with data between 2019 and 2022. 78 countries have seen increases in protest and political unrest between 2019 and 2022—of which, 31 have experienced at least a doubling or more. 64 countries experienced more than 500 protest events in 2022 alone. Of these, 42 countries endured food price hikes of 10 percent or more during the summer of 2022.**

In response, urgent, integrated, and coordinated policy interventions are needed, including even greater cooperation and commitment at the global level. Without a sharp change of course, **a renewed recommitment to multilateralism and bolder action to address root causes,** there will be little change for the better. There is an opportunity for committed countries to advocate for sustained and urgent action to respond to the immediate humanitarian needs of a great majority of the world's population. Policy solutions can be geared towards the shorter and longer terms. The first includes **an urgent set of instruments aimed at reducing suffering as soon as possible** and a second focused on **achieving longer-term structural transformation to reduce vulnerability and promote sustainability.**

Six key considerations must be addressed simultaneously:

- 1 the liquidity shortfall for countries that face debt distress;
- 2 supply chain constraints affecting food and fertilizer prices;
- 3 speculation and excess profit-making in the commodities market by monopolistic price-gouging firms;
- 4 investments in social protection measures and human capital;

- 5 potential short-term/long-term tradeoffs—that is, protecting people in the short-term without compromising long-term goals, and finally,
- 6 global solidarity measures to ensure policies aimed at addressing inflation, debt or climate change, do not harm particular—i.e. low- and middle-income—countries or the most vulnerable sections of all countries.

While extensive recommendations have already been made by various multilateral and civil society organizations in many of these areas, three spheres of work will be highlighted in this paper: **debt and financing, social protection measures and, the promotion of global solidarity policies that bring together countries—low- and middle-income, as well as high-income—to mitigate the impacts of crises around the world.** Key short-term and long-term policy interventions are provided in the table below.

In addition to these urgent policy responses, a fourth area is also critically important and is often a precursor for progress in other areas: **building and maintaining trust between people and institutions, as well as between different members and groups of a community.** Trust is an important element of social cohesion and social capital.⁷ It facilitates cooperation among groups and leads to not only socioeconomic benefits but also to better psychosocial outcomes, while also contributing to public trust in governance institutions. However, trust also fluctuates over time and according to different circumstances and contexts. In fact, the 2023 Edelman Trust Barometer, which came out after the Russian invasion of Ukraine and a cascading number of crises, found that the descent to distrust had created acute polarization in society.⁸ Interestingly, it was found that income-based inequalities had created two ‘trust realities’ with those in the top quartile of income holding a profoundly more positive view of institutions than the vast majority in the bottom quartile, potentially leading to a loss of shared identity and national purpose. The presence of multiple crises in this political environment only serves to further drive and amplify the underlying inequalities in society, and these in turn deepen crises. Therefore, trust must be constantly nurtured through governments responding to citizens’ concerns and tackling issues that are important to them; ensuring dialogue with different groups of people within a polity; and developing a new social contract that reimagines transformative policies premised on achieving greater social justice, strengthened solidarities and deeper multilateralism.⁹

Table 1

| Approach | Urgent policy instruments to mitigate the current crises | Longer-term structural transformation to reduce vulnerability and promote sustainability |
|--|--|--|
| Address the liquidity shortfall for countries in debt crisis | <ul style="list-style-type: none"> · Faster recycling of Special Drawing Rights (SDRs) and their distribution through multilateral development banks and other key prescribed holders. | <ul style="list-style-type: none"> · Reallocate SDRs such that countries that have the greatest need for additional international reserves receive them—that is, to emerging markets and developing countries, or to low-income countries. · Address the issues of capital adequacy in multilateral development banks (MDBs)—that is, add capital or initiate general capital increases (GCIs) to MDBs. · Restructure or reduce some sovereign debt owed by poorer and debt-burdened nations, including using debt swaps or climate reparations. |
| Assist countries to cope with the negative impacts of crises through investments in people via targeted support and the development of strong(er) social safety nets. | <ul style="list-style-type: none"> · Create national facilities to provide direct income support or social protections schemes (where they are inadequate) to low-income families who are hardest hit by high food and fuel prices. · Focus near-term social assistance on providing emergency food relief or cash transfers to the poor. · Invest in digital public infrastructure that can help governments deliver social assistance quickly and safely and bring additional people into the social protection and financial system. · Implement a windfall tax on large energy and food companies, which can in turn be used to help the most vulnerable populations, through for example, conditional cash transfers. | <ul style="list-style-type: none"> · Improve human capital development—that is the knowledge, skills, and health of those at the bottom end of the socioeconomic spectrum—to ensure the losses generated by economic, political, and environmental shocks, are not permanent and not entirely internalized by the most marginalized. · Accelerate a just, green transition that considers the types of jobs that will be lost and training required to ensure greening the economy occurs in as fair and inclusive ways as possible, creating jobs and opportunity to the most marginalized along the way · Develop more innovative approaches to domestic resource mobilization. |

| Approach | Urgent policy instruments to mitigate the current crises | Longer-term structural transformation to reduce vulnerability and promote sustainability |
|--|--|---|
| <p>Support global solidarity by ensuring policies aimed at addressing inflation, debt or climate change, does not harm particular—i.e. developing—countries or the most vulnerable sections of all countries.</p> | <ul style="list-style-type: none"> · Provide incentives to countries to limit export restrictions. · Speed up the implementation of the newly created climate change “loss and damage” fund. · Implement targeted subsidies and tax measures, where needed, to provide temporary relief. · Implement solidarity taxes for the wealthy. | <ul style="list-style-type: none"> · Recommit to the Sustainable Development Goals (SDGs) and longer-term development plans to building resilience and more equal, developed societies over the longer term. · Support a new financial pact between the global North and South, aimed at directing greater financial tools at low- and middle-income countries that need them, and creating a greater sense of solidarity between countries in solving world problems. |
| <p>Build greater trust (and counter mistrust) in governance structures around the world, foster a shared identity and renew the social contract between people and the state</p> | <ul style="list-style-type: none"> · Counter the rhetoric of fear, misinformation, radicalism, and polarization through developing a counter narrative of solidarity, sharing positive stories, and communicating a more expansive and inclusive vision for society. · Hold divisive forces accountable through pulling advertising money from media platforms that spread disinformation; combatting disinformation by providing trustworthy news content that is truthful (and backed by evidence), unbiased and reliable on a neutral platform. | <ul style="list-style-type: none"> · Make diversity, equity, and inclusion the cornerstone of public policies. · Create more opportunities (i.e., through conferring greater access to public resources such as housing, healthcare, and education) for those most left behind in the current socioeconomic system. · Develop policies that are a) highly visible and make a discernible impact in peoples’ daily lives (i.e., reskilling, improving public safety, housing, etc., b) secure greater credibility (i.e., tackling corruption); and c) build solidarity by tackling prejudice, build empathy between groups, and address disadvantages and historic wrongs (i.e., social dialogue).¹⁰ |

1 An Uncertain Future

A "perfect storm" of crises has led to an increasingly uncertain future

In September 2022, one-third of Pakistan was under water. While floods are not uncommon for the country, the crisis was unprecedented in scale and impact and almost certainly a result of climate change. By August 28, 2022, the Pakistani government declared a national emergency. But it was already too late as large swathes of the country was enveloped not just in cascading water, but also crises, with the floods being the culmination of a series of events that resulted in lost lives and livelihoods. The statistics are almost too extreme to comprehend: fifty submerged villages; over USD 10 billion in damage; nearly 1,500 people dead (a third of whom are children); over a million residences damaged or destroyed; 33 million people displaced; almost a million livestock dead; and three million children at high risk of disease and malnutrition.¹¹

Pakistan was already drowning in debt prior to the physical floods: rising prices, food insecurity, and a growing debt burden had made Islamabad's other challenges all the more pressing, particularly against the backdrop of the COVID-19 pandemic and Russia's invasion of Ukraine. The latter has further intensified negative trends in commodity markets such as catalyzing greater price rises in energy, food, and fertilizers; roiling already delayed and congested supply chains; and worsening inflation and financial conditions. While the country managed to repay its creditors—initially avoiding an economic catastrophe like that seen in Sri Lanka—it nevertheless led to multiple political and economic setbacks, as its foreign exchange reserves remained abysmally low, and inflation hit a 47-year high even prior to the floods. The resulting negative impact on economic growth, combined with the advent of an extreme weather event as wide-reaching as the recent floods, risks pushing the country into not only further debt, but also into a dire humanitarian crisis as prices—

particularly of food, electricity, and fertilizers—continue to rise and food production plunges, resulting in hunger, malnutrition, economic vulnerability, and political instability, possibly igniting further regional insecurity.¹² **The worsening economic situation, humanitarian disaster, and political polarization and unrest is not unique to Pakistan: countries around the world are dealing with seemingly disparate shocks that will interact in ever more negative ways leading to widespread suffering and political instability, without swift and bold policy intervention.**

While this is already a dire picture, it is just the tip of the disaster iceberg as the world is facing extremely difficult challenges to sustainable development that pose the risk of reversing gains in poverty alleviation: the food, energy, and debt crises, skyrocketing inflation rates, and the ever present and growing threat of climate change and related extreme climate events. This in turn can set off mass instability and social unrest. **And there is little end in sight: the winter of 2022-23 is likely to be marked by continuing uncertainty, and volatility in global food and energy markets, fueling a cost-of-living crisis that will affect nearly every country and adding to uncertainty, instability, and human insecurity.**

Against this context, multilateralism itself has failed to respond at the speed and scale required. Globalization has slowed and power competition between countries is increasing. As food and energy prices skyrocketed in the middle of 2022, many wealthier and more powerful countries began to reverse course into greater protectionism, focusing inwards as their populations were faced with higher bills, erecting trade barriers¹³ and sometimes triggering large opposition protests.¹⁴ The gulf between what is being done and what is needed is widening.

These problems are complex and interlinked, but so too are the solutions: **they call for integrated, coordinated, bold, and urgent policy interventions that facilitate even greater cooperation and commitment to participation and inclusion, as well as to the ethos of leave no one behind.** Surveys—both by the Pathfinders¹⁵ and most recently, by the Open Society Foundation¹⁶—show a large proportion of people living in countries across the world support swift, ambitious, and global action in response to the spiral of crises enveloping the world, which also demonstrates that the people in the surveyed countries are more united and progressive than most of their leaders.

However, adequate responses require shedding further light on the following questions:

- How do the multiple crises interact with one another?
- What are some of the consequences of the crises, as well as short- and long-term solutions?
- Are there trade-offs to dealing with one crisis over another, or between interim measures and long-term solutions?
- And finally, in an era of fragmentation of global governance, how can the international community work together to implement a set of innovative policies that can help to not only stem the crises, but also deliver significant improvements in living standards across the globe, ameliorating suffering and inequality along the way?

The remainder of this paper will delve into these questions, ending in some policy recommendations for urgent action.

The devastating effects of Super Typhoon Odette (International name "Rai") in Lapu-Lapu City, Cebu, Philippines. January 2022, © Carl Kho, <https://unsplash.com/photos/anOXKqmqD28>.



2 A Brief Overview of Current Trends

The age of the polycrisis

Each of the multiple crises have wide-reaching impacts that cut across all regions and countries in the world. For instance, rising food, energy, and fertilizer prices have led to higher inflation rates. Higher inflation currently leads to hikes in the interest rate in many wealthier nations, which in turn makes it more expensive to borrow, thereby worsening the debt crisis in many parts of the world. The nature of type of interlocking crisis was explained most recently as:

“Any combination of three or more interacting systemic risks with the potential to cause a cascading, runaway failure of Earth’s natural and social systems that irreversibly and catastrophically degrades humanity’s prospects...A global polycrisis, should it occur, will inherit the four core properties of systemic risks—extreme complexity, high nonlinearity, transboundary causality, and deep uncertainty—while also exhibiting causal synchronization among risks.”¹⁷

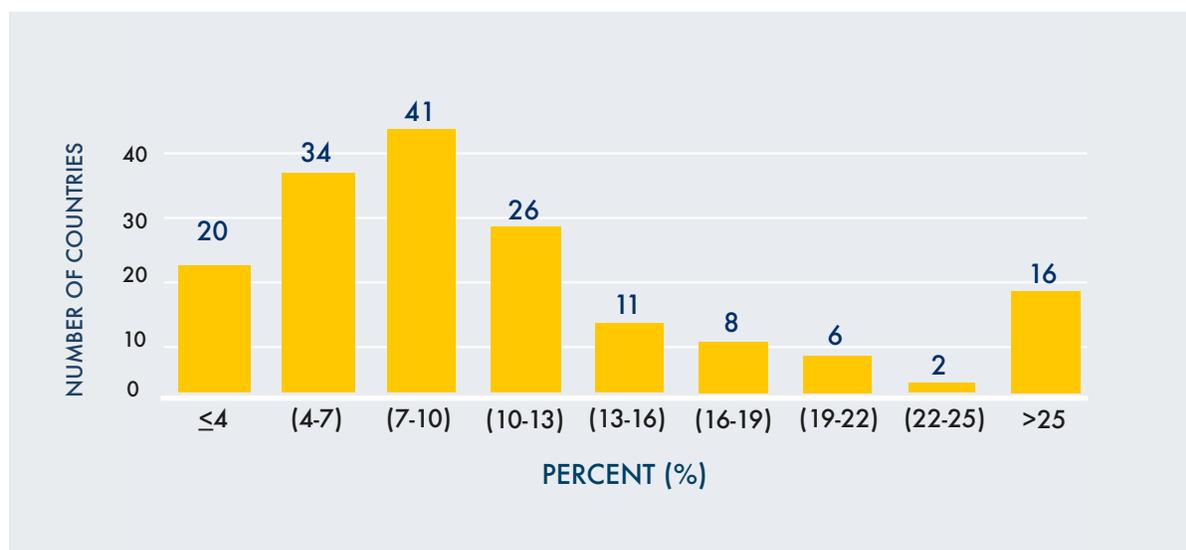
While there has been some criticism¹⁸ of this approach as being ‘overdetermined,’ it refers to the manner in which each disparate shock interacts with one another, causing harm greater than the sum of its parts and an overall (political, economic, environmental) systems failure. To understand how an overall failure—for example, of the State—could potentially occur from a series of individual shocks, it is first necessary to understand the breadth and scale of change in each area. These are outlined below.

2.1 Surging worldwide inflation

Between May and August 2022, 88.2 percent of low-income countries, 91.1 percent of lower-middle income countries, and 93 percent of upper-middle-income countries saw inflation levels above five percent. Many (69 of 164 countries, or 42 percent) experienced double-digit inflation (see Figure 1).¹⁹

It is estimated that the global rate of inflation closed out 2022 at roughly 9 percent.²⁰ High-income countries also saw inflation rise sharply, with the annual inflation rate in most Organisation for Economic Co-operation and Development (OECD) countries in the first quarter of 2022 being at least twice what it was in the first quarter of 2020.²¹ In the UK for instance, it reached a 40-year high of 10.1 percent between July 2021 and July 2022.²² Similarly, consumer prices are on track to have risen by approximately 7 percent in the USA and 10 percent in Germany in 2022—the latter’s first experience with double-digit inflation since 1951.²³

Figure 1 – Distribution of levels of inflation across countries (number of countries)



Source: The Pathfinders analysis based on data from June to August 2022 latest available data from: <https://tradingeconomics.com/country-list/food-inflation>, which reports official data from countries.

This surge in consumer price inflation has a large and negative impact on living standards, particularly for lower-income households, which spend a larger share of their income on food and other necessities. Therefore, households all over the world are being put in an ever more precarious financial situation, while growth and post-COVID recovery projections are weaker. To subdue inflation, central banks often raise interest rates, which in turn makes borrowing costs more expensive (and hence less attractive), thereby dampening investment. This can sometimes push a country into recession. Internationally, it also raises the cost of debt, as borrowers—including government borrowers—face a relentless increase in their interest payments. The resulting shrinking fiscal space in some countries impacts the most marginalized people in society the most—usually people already living in poverty, women in insecure economic situations, and children forced to work to provide for their families.

In fact, global inflation is expected to have peaked in the fourth quarter of 2022²⁴ and to decline to about three percent in mid-2023²⁵ as growth slows, monetary policy tightens, and fiscal support is withdrawn. At the same time, commodity prices are projected to finally level off (at a higher level) in 2023 and supply bottlenecks to ease.²⁶ This would still leave the inflation rate at about one percentage point above its average in 2019.²⁷ The US Federal Reserve expects it to return to its target of two percent only by 2025.²⁸ There is however always the risk that inflation predictions will ‘de-anchor’ from expectation, resulting in consistently above-target inflation and even repeated shocks. Based on current assumptions and projections, the US is expected to narrowly miss a recession in 2023, while the Eurozone and the UK will contract as a result of the ongoing energy crisis and tightening monetary policy. Meanwhile, the outlook for Asia is expected to be more positive, with China, Japan, and India helping to lead the way.²⁹

2.2 The rising cost of food

Record high food prices risks driving millions of people into extreme poverty, magnifying hunger and malnutrition in many parts of the world, and threatening to erase hard-won gains in development. The conflict in Ukraine and resulting supply chain disruptions further pushed up food prices to all-time highs in 2022. For instance, the Food and Agriculture Organization’s (FAO’s) food price index, which tracks international prices of the world’s most traded

food commodities, averaged 143.7 points in 2022, more than 14 percent above its 2021 average and the highest value recorded since the index started in 1990. The index had already gained 28 percent in 2021 as compared to the previous year as the world economy recovered from the impact of the pandemic. Over all of 2022, four of the FAO's five food sub-indexes—cereals, meat, dairy, and vegetable oils—had reached record highs, while the fifth, sugar, was at a 10-year high.³⁰

Elsewhere, the World Bank's Food Commodity Price Index reached a record high in nominal terms from March to April 2022, up by more than 80 percent from two years ago.³¹ The Index reported a decline of 12 percent in the third quarter of 2022, though it remains almost 20 percent higher than the previous year.³² However, in real terms, food prices remain elevated due to currency depreciations. Maize and wheat prices are also on average 20 percent higher than they were in January 2021—although some estimates indicate that the price of wheat has increased by as much as 54 percent in one year.³³

In terms of the rising cost of food, analysis by the Pathfinders, using data published by Trading Economics (which in turn publishes data from official government sources) found that of the 154 countries with data, **the average annual food price increase was 20 percent in 2022** (using latest data available between June and August). **For 92 countries, the percentage of increase in food prices was in the double digits. For 21 countries, the percentage increase exceeded 25 percent.**

Figure 2 – Rising cost of food across countries (number of countries)



Source: The Pathfinders analysis based on data from June to August 2022 latest available data from: <https://tradingeconomics.com/country-list/food-inflation>, which reports official data from countries

While the COVID-19 pandemic and the conflict in Ukraine have made issues in global agriculture supply chains worse, the current crisis is not only rooted in a global food shortage. Many argue that food production is sufficient to meet the world's demand, but an increasingly unequal and financialized global food system has resulted in financial speculation in the commodities market, leading to rising food prices. According to Jennifer Clapp, Vice-Chair of the High-Level Panel on Food Security and Nutrition:

“The [current] excessive price rises and fluctuations... are not based on market fundamentals. In just nine days in March 2022, the price of wheat on futures markets jumped 54 percent....Evidence suggests financial speculators are jumping into commodity investments and gambling on rising food prices.”³⁴

Financial speculation in the food market has yet to be adequately addressed in an action plan launched by the World Bank, International Monetary Fund, and international financial institutions (IFIs) in May 2022.³⁵ They instead focus on promoting open trade, mitigating fertilizer shortages, and supporting increased food production.

High food prices affect everyone, though they will have a greater impact on people in low- and middle-income countries, since they spend a larger share of their income on food than people in high-income countries. By June 2022, it was estimated that the number of acute food insecure people, defined as those whose access to food in the short term has been restricted such that their lives and livelihoods are at risk, increased to 345 million in 82 countries (up by 47 million people). The World Food Programme (WFP) and FAO³⁶ further estimate that acute food insecurity is likely to deteriorate in 19 countries between October 2022 and January 2023.

The countries at the highest level of alert, since they have populations facing or projected to face starvation (Catastrophe, IPC Phase 5), or are at risk of deterioration towards catastrophic conditions, as they already suffer from critical food insecurity (Emergency, IPC Phase 4), include: **Afghanistan, Ethiopia, Nigeria, South Sudan, Somalia, and Yemen**. Five countries—**Nigeria, Somalia, Ethiopia, Egypt, and Yemen**—are already feeling the painful effects of food shortages resulting from the grain crisis generated by the Russian invasion of, and subsequent blockade of grain exports from, Ukraine.³⁷

Rising food prices are also squeezing those at the bottom of the economic spectrum in wealthier countries. For example, some 44 percent of adults

polled in the UK recently stated they were buying less food.³⁸ Elsewhere, in Canada, food prices—which are estimated to have risen by 9.7 percent between April 2021 to April 2022—have led 20 percent of Canadians to report that over the next six months, they will likely be obtaining food or meals from community organizations, such as food banks, community centers, faith-based organizations, school programs, or community gardens.³⁹

Food prices are expected to fall five percent in 2023 before stabilizing in 2024. Despite expected declines in agricultural commodity prices from their March 2022 highs, they remain nearly nine percent high by historical standards.⁴⁰ The World Bank Commodity Markets Outlook from April 2022⁴¹ reports that the changes generated in global patterns of trade, production, and consumptions due to the war in Ukraine, will keep prices at historically high levels through to the end of 2024, which will continue to exacerbate food insecurity and inflation. Although food prices retreated from their 2022 second quarter peak, they remain high compared to the previous five years. Moreover, any escalation of the war resulting from the Russian invasion of Ukraine could quickly reverse the expected easing of food commodity prices in 2023 and 2024. Finally, failure to extend the UN-backed deal allowing exports of grains from the Black Sea, could also result in drastic food import disruptions in low-income countries, particularly in the Middle East and North Africa which depend heavily on grain imports from the Black Sea region.⁴²

2.3 Skyrocketing energy costs

The Russian invasion of Ukraine has interrupted global energy markets, creating the biggest surge in crude-oil prices since the 1970s. This will have significant impacts on global growth: the World Bank estimates higher energy prices on their own is likely to reduce global output by one percent by the end of 2023.⁴³ The Bank's energy price index also increased by 26.3 percent just between January and April 2022, in addition to a 50 percent increase between January 2020 and December 2021. This steep incline reflects sharp increases in the price of coal, oil, and natural gas. In nominal terms, crude oil prices have also increased by 350 percent in the two-year period between April 2020 and April 2022. In real terms, natural gas prices reached all-time highs in Europe and remain at that level. Coal prices are also close to their 2008 peak levels, though oil remains cheaper.

Higher-income households tend to use more fuel than lower-income households. They are also bigger users of gasoline compared to poorer households, the latter of which tend to consume more kerosene, particularly

in low-income countries. Regardless, analysis by the Pathfinders has found that **fuel prices have increased for all but four of the 113 countries with data. On average, prices increased by 78 percent between January 2021 and August 2022, and half of all countries experienced an increase of 48 percent between the same period**, sometimes resulting in long power cuts, closed businesses and lost livelihoods.

Figure 3 – Distribution of annual change in gasoline price (by number of countries), June to August 2022



Source: Pathfinders analysis of data from Global Petrol Prices (https://www.globalpetrolprices.com/gasoline_prices/).

In Lebanon alone, fuel prices rose by an astounding 2,028 percent between 2021 and 2022. This is a result of several factors: Lebanon’s central bank lifted its remaining subsidies on fuel, as it once cost the cash-strapped country some USD 3 billion annually. It now subsidizes 20 percent of the cost of fuel imports. The country is also in the throes of a crippling economic crisis that has decimated the value of the Lebanese pound against the dollar by 90 percent and plunged three quarters of its population into poverty. The World Bank describes the collapse as one of the worst in the world in the last 150 years.⁴⁴ Elsewhere in Zimbabwe, fuel prices rose by 653.1 percent between 2021 and 2022, whereas in Pakistan, fuel cost hikes approached 114 percent. While not as extreme, **the increases were significant in many other countries—19 in total experienced inflation of over 80 percent. Some, including Ghana, Lao PDR, Lesotho, Malawi, Pakistan, Sierra Leone, Suriname, Turkey, and the United Arab Emirates (UAE) saw prices rise over 100 percent but below 200 percent.**

The impact of fuel price increases on domestic consumers have sometimes been buffered by existing fuel subsidies, which are prevalent in several oil-exporting countries (for example, in Indonesia, Russia, Saudi Arabia, and the United States) as well as in China and India, among a few other countries.⁴⁵ Globally, fossil fuel subsidies amounted to USD 5.9 trillion or 6.8 percent of GDP in 2020 and are expected to increase to 7.4 percent of GDP by 2025.⁴⁶ In oil-exporting countries in particular, subsidies are often viewed as a mechanism to distribute the benefits of natural resource endowments to their populations, even as the capacity to administer targeted social programs is typically limited. The subsidies in this sense are leading to mounting fiscal costs and likely, future cuts in public services in many countries.

Moreover, continued reliance on fossil fuels undercuts long-term efforts to transition to green energy. The increases have been felt most sharply in advanced economies. These energy price shocks have ripple effects on economic activity and inflation levels, occurring in both direct and indirect ways on energy-importing and exporting economies. The indirect effects occur through trade and other commodity markets, via monetary and fiscal responses, and through investment uncertainty. High energy prices in this way can have immediate impacts on fiscal and external balances, potentially leading to repeated inflationary shocks and tightening monetary policy—that is, increasing interest rates. In some cases, this could trigger a global recession, with many developing economies experiencing debt crises in the mist of higher borrowing costs. The consequent economic suffering, particularly among those on the bottom end of the socioeconomic spectrum in some countries, can also heighten social unrest.⁴⁷

Energy prices surged by about 60 percent on average in 2022.⁴⁸ While they are projected to decline by 11 percent in 2023, prices are still expected to be 75 percent above their average over the past five years.⁴⁹ While most commodity prices have retreated from their highs in the immediate aftermath of the post-pandemic demand surge and the Russian invasion of Ukraine, there have nevertheless been some divergent trends in individual commodities.

Moreover, currency depreciations in many countries have also resulted in higher commodity prices in local currency terms compared to prices in US dollars. For example, Brent crude oil prices are forecast to average USD 92 per barrel of crude oil (bbl) in 2023, which is down from a projected USD 100/bbl in 2022.⁵⁰ Relative to projections for January 2022, energy commodity prices are expected to be 46 percent higher on average in 2023, which could in turn impair global growth for years.

2.4 Financial insolvency and the debt situation in emerging markets and developing economies

The COVID-19 pandemic complicated an already fragile debt sustainability environment. Half of all low-income countries were assessed to be at high risk of, or already in, debt distress *before* the pandemic.⁵¹ But the steep growth slowdown accompanied by elevated inflation, the high expenditure required to fight the COVID-19 pandemic, and later, price spikes for food and fuel caused by Russia's invasion of Ukraine, along with market speculation⁵² have further raised concerns about the risk of debt crisis in emerging market and developing economies (EMDEs), particularly in the context of rising interest rates in wealthier countries. Global debt rose to a staggering USD 226 trillion in 2020 alone as the world was hit by the global health crisis and a deep recession.⁵³ In fact, the total debt of EMDEs—economies that account for 40 percent of global GDP—is already at a record high of 207 percent of GDP.⁵⁴ Global debt also rose by 28 percent to 256 percent of government revenues,⁵⁵ indicating that public debt in advanced economies rose significantly. Government debt in EMDEs—64 percent of GDP—is also at its highest in three decades, with about one-half of it denominated in foreign currency, and more than two-fifths held by non-residents in the median emerging market and developing economies.⁵⁶ Meanwhile, in the Vulnerable Twenty (V20) Group of Ministers, which includes 55 climate vulnerable economies, total debt climbed from USD 464 billion in 2015 to USD 686 billion in 2020.⁵⁷

Currently, 58 percent of the world's poorest countries are in debt distress or at high risk of it.⁵⁸ This danger is also spreading to some middle-income countries. **Sri Lanka is an example of a recently defaulting country, though Argentina, Egypt, El Salvador, Ethiopia, Ghana, Kenya, Tunisia, and Pakistan were all reported to be not far behind.⁵⁹ Lebanon, Russia, Suriname, and Zambia are already in default and Belarus on the brink.⁶⁰** Some estimate that as many as a dozen low-income countries might be unable to service their debt in the near future⁶¹—constituting the largest incidence of debt crises among these economies since the mid-1990s. Elsewhere, the IMF has published its list of debt sustainability analyses (DSA) for low-income countries (LIC) that are eligible for their Poverty Reduction and Growth Trust (PRGT) (see Annex 1).

Unlike previous iterations, the nature of debt in many developing countries is fundamentally riskier: By the end of 2020, low and middle-income countries owed five times as much to commercial creditors as they did to bilateral creditors. Much of this debt involves variable interest rates—meaning these

countries are at the mercy of rates that can change as quickly as they do on credit-card debt.⁶²

The future outlook for many poorer countries is bleak without a fundamental change in policy. While countries are put in the position of using scarce public finance to service a growing debt burden, they are unable to invest in other important areas to build a more resilient economy, including education, climate mitigation, and health services, among others. Tighter financial conditions—i.e., rising interest rates—in wealthy nations will only worsen problems for many emerging economies as rising interest rates push up the cost of financing debt for the dozens of low-income countries that borrow in foreign currency, particularly the US dollar. In fact, the Managing Director of the IMF has unequivocally stated:

“With tightening financial conditions, the debt service burden is a harsh—and for some countries, unbearable—burden.”⁶³

This not only potentially lowers the tax base and human development for many low- and middle-income countries for years to come, but also has boomerang effects for wealthier nations: American and European exports could be imperiled if foreign markets deteriorate, and a global economic downturn would also threaten the recovery of wealthier nations. Meanwhile, the likelihood of pressure-cooker like conditions—that is, increasing levels of debt combined with large fiscal adjustments that limits the ability of governments to protect residents—can lead to widespread unrest and rebellion, as already seen in several countries around the world ranging from Sri Lanka to Ecuador. In fact, analysis of protest-related data shows that countries eligible to participate in the G20 Debt Service Suspension Initiative (DSSI) during the COVID-19 pandemic experienced a sharp increase in the number of protests, indicating the G20 DSSI was unable to alleviate the social and economic strains caused by the pandemic.⁶⁴

2.5 Impending climate catastrophe, including rising incidences of extreme weather events

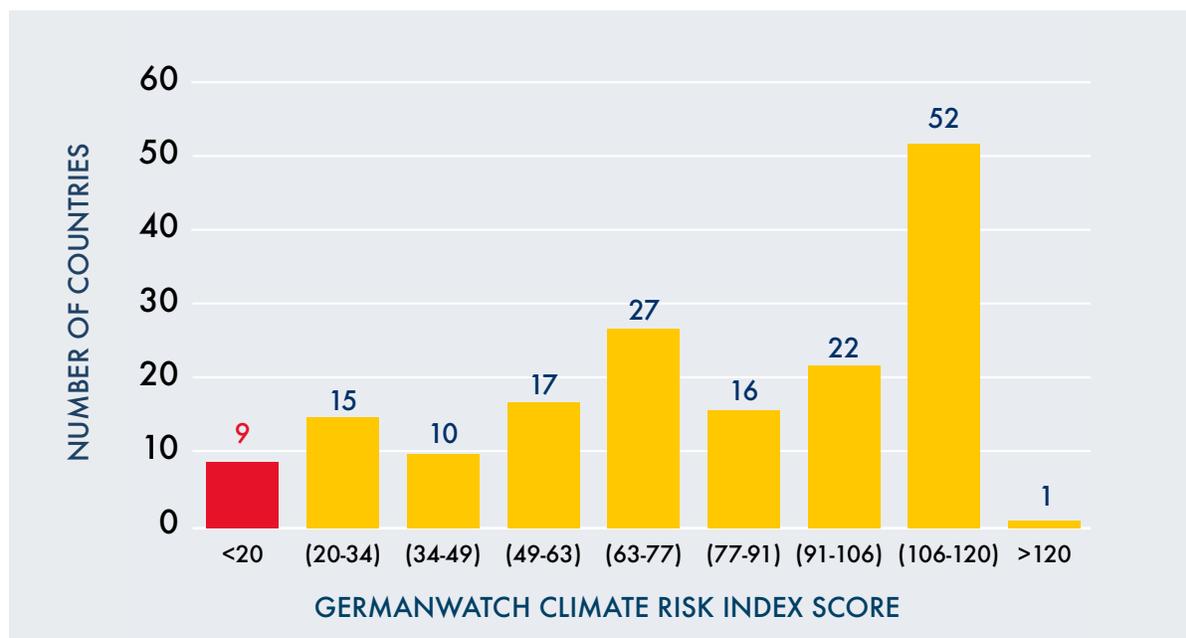
The latest (2022) IPCC Global Warming report was stark and devastating in its conclusions: the world is set to reach the 1.5 degree Celsius rise within the next two decades and only the most drastic cuts in carbon emission—at least a 45 percent reduction compared to 2010 levels by 2030—can help avert an environmental disaster. Even at this level of change, communities around the

world will have to contend with more devastating storms, floods, heatwaves, and droughts. However, if the planet heats up beyond 1.5 degrees, the impacts will be catastrophic, with abrupt changes set off that can have cataclysmic impacts on current agricultural, environmental, social, and political systems.

Many parts of the world have already begun feeling the impacts of climate change. Extreme heat, withering droughts, and record wildfires and floods have threatened food security and livelihoods for millions of people worldwide. Examples of extreme weather events are evident across the world, with at least 400 peer-reviewed studies that have examined everything from wildfires in the US to heatwaves in India and Pakistan to record-breaking temperatures and rainfall in the UK. Together, they indicate that human activity is now raising the risk of some types of extreme temperature, particularly those linked to heat.

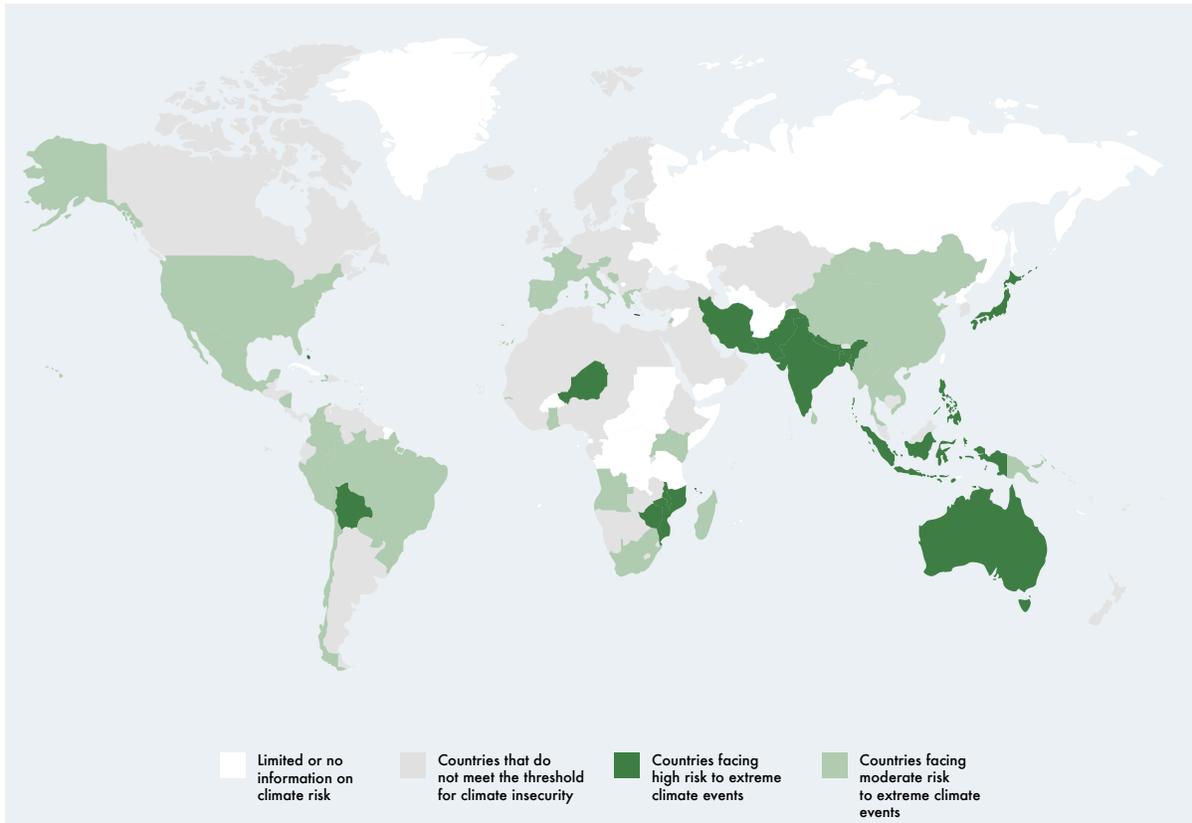
The Pathfinders analysis based on data compiled by Germanwatch has found that at least 49 countries were vulnerable to either high or moderate risk to extreme weather events in 2019. These range from nearly every country in South Asia,⁶⁵ several countries in sub-Saharan Africa, the Bahamas, and some large coastal or island nations—including Indonesia, the Philippines, and Japan.

Figure 4 – Distribution of Climate Risk Index Score, 2019;
The lower the score, the higher the risk



Source: Germanwatch, 2021 (data from 2019). Note that the x-axis of the histogram comprises the Global Climate Risk Index scores, which are derived from the following indicators: a) number of deaths, number of deaths per 100,000 inhabitants, sum of losses in USD in purchasing power parity (PPP) and losses per unit of Gross Domestic Product (GDP). A lower index score indicates countries with higher risk. (see Annex 1).

Figure 5 – Countries at high and moderate risk of experiencing extreme climate events



Source: Pathfinders analysis based on data by Germanwatch 2021. *Note: Pathfinders analysis based largely on data by Germanwatch 2021. Note: The data for the US is taken from official country sources, including from the US Environmental Protection Agency (see Annex 1 for details). The thresholds for high and moderate risk are provided in Annex 1.*

This has in turn generated secondary impacts: the threat of mass migration from forced displacement; the increasing prevalence of diseases as higher temperatures enable the spread of vector-borne diseases, such as West Nile virus, Lyme disease and Malaria, in addition to water-borne diseases like cholera; and extreme food and water shortages around the world as harvests fail—crop productivity growth in Africa has already shrunk by a third due to the changing climate—and wells dry up. The poorest and most vulnerable people the world over bear the brunt of these impacts, including direct destruction of their environments, though they contributed the least to the crisis.

2.6 Rising protest and political unrest

Analysis of data from demonstrations between 2006 and 2020 indicates that the number of protest movements around the world had more than tripled within just a 15-year period.⁶⁶ Every region saw an increase, with some of the largest protest movements ever recorded occurring in ever more recent years: the farmers' protest in India that began in 2020, the 2019 protests against then-President Jair Bolsonaro in Brazil and the ongoing Black Lives Matter protests around the world, but particularly in the US, beginning since 2013. However, even prior to this, protests were evident during the Arab Spring in the Middle East and social uprisings in Latin America, as well as the Yellow Vests and Occupy Wall Street movements, among many others.

Researchers have increasingly pointed to the fact that a majority of the protests were prompted by a perceived failure of representation or of democracy itself. In a study by Ortiz et al.,⁶⁷ which analyzed nearly 3,000 protests over a 15-year period, 54 percent were seen to be a result of the failure of political systems and 28 percent included demands for so-called "real democracy." Additional themes included: inequality, corruption, and the lack of action over climate change. Many of these demands were 'reasonable'—people demanding good jobs, public services, social protection, a sustainable planet for their children, or even a meaningful say in the decisions that affect their lives—all civic and social goals that governments claim to provide, yet have failed to deliver, particularly in recent years.⁶⁸

Most large and long-running demonstrations and related unrest have occurred in some advanced economies, including Canada, New Zealand, and the United States. Examples include the so-called "Freedom Convoy" protests in Canada and the Wellington protest in New Zealand. In addition, inflation and the rising cost-of-living have also sparked workers' strikes around the world, as employees pressured employers to engage in talks to raise wages to keep up with rising prices. Examples from the summer of 2022 alone include action by unionized workers in Belgium, railway workers in Britain, and nurses in Zimbabwe, amongst others.⁶⁹ Elsewhere in EMDEs, several coups and constitutional crises have led to general unrest. Rising food and fuel prices have been keenly felt, sparking demonstrations and social movements in places as diverse as Argentina, Greece, Guinea, Indonesia, Iran, Sri Lanka, and Tunisia.⁷⁰

It is important to recognize that at least some of this uptick in protest is due to the cascading series of crises already described above, as well as to the COVID-19 pandemic, which began in 2020 and its economic consequences. This has already been borne out by previous analyses: For instance, in the aftermath of the Arab Spring riots, scholars and complex systems specialists found that waves of protest unfold in response to sudden spikes in global food prices.⁷¹ The New England Complex Systems Institute were able to map factors that influence social unrest, finding in the process, the price threshold above which protests and even wars, become likely.⁷²

Street protest in Protest in Medellin, Colombia. January 2023, ©Rizvi Rahman, https://unsplash.com/photos/GXZH_Qh1V1U.



3 Key Findings from Tracking Crises

The crises described above are inter-related, with many countries stuck in an alarming vicious cycle: while higher food and energy prices lead to greater inflation, this also increases the pressure to raise interest rates, which can devalue the currencies of many low-income countries. This in turn makes imports of food and fuel, as well as debt servicing, even more expensive. The net direct effect is to further increase the cost of key commodities (such as fertilizers) and reduce farm output, which pushes up food and energy prices again. These impacts are only exacerbated by climate change and debt distress.

The following section will provide further insights into the extent and scope of the emerging trends through providing an overview of the Pathfinders' study across crisis areas.

3.1 Tracking six crises: Approach and methodology of the Pathfinders study

The Pathfinders has begun to track how every country is faring with dealing with a set of emerging crises. Five primary transmission points for vulnerability were chosen: **Inflation, food insecurity, energy insecurity, debt distress, and climate change.** In addition, because economic downturns often impose hardships and undercut prospects for peace, stability, and sustainable development, **an additional sixth dimension—the incidence of protest and social unrest was also tracked.** The goal is to assess which countries are highly and moderately under threat of not only succumbing to individual and protracted crises, but also prone to experiencing multiple forms of human insecurity and political unrest, as measured by the prevalence of political violence and protest in each country. Through using a relatively simple traffic light benchmarking system (see Annex 1 for more information on high and

moderate crisis thresholds), a visual indicator of performance can be illustrated on several maps. In explaining the results, this paper will therefore make reference to “high risk for crisis”—indicating the highest level of alert—and “moderate risk for crisis,” referring to the incidence of the next highest level of alert.

A distinction also needs to be made between fast-moving and slow-moving indicators: while changes in food insecurity, energy insecurity and inflation can be measured relatively quickly using prices, proxy indicators for debt and climate change are slower moving. The data for political protest, taken from the Armed Conflict Location & Event Data (ACLED) Project, an initiative that collects real-time data on the location, dates, actors, and types of protests across the world, is also fast moving. Debt and climate change-related data tends to be slightly older and do not necessarily result in immediate reaction from the public until there is a discernible disaster. Data for extreme climate related events was taken from the latest Global Climate Risk Index by Germanwatch published in 2019, which analyzes the extent to which countries and regions have been affected by the impacts of weather-related loss events, which includes fatalities as well as direct economic losses. For debt, the IMF’s debt sustainability analyses (DSAs) for LICs and market access countries (MACs) was analyzed.⁷³ In addition, Moody’s credit ratings were also used to assess a country’s debt. While a full index of these different indicators was not created, the individual indicators across different crises areas provide important contextual information: for instance, it is likely that a country dealing with continual extreme weather events, while also spending the bulk of its public funds on debt servicing, is less likely to be able to protect its population from the impacts of food and fuel shortages and soaring prices.

It should further be noted that the study navigates low data coverage. Therefore, results for the countries experiencing multiple and compounding crises vary according to data availability. When analyzing across six separate crises simultaneously, data is available for only 90 countries. However, for five crises (all excluding energy insecurity), data is available for 134 countries. This means that out of a total of 193 countries, 60 have had to be excluded. Countries with missing data include many small island states (many of whom have been affected by both climate and economic shocks), as well as countries in conflict, such as the Russian Federation, Central African Republic, Syria, and Yemen, amongst others (see Annex 1). While a complete picture may not exist for these excluded countries, it can be expected that they are nevertheless impacted by crises.

3.2 A once-in-a-generation polycrisis of global proportions

Research by the UN Global Crisis Response Group on Food, Energy and Finance found that some 1.7 billion people live in countries that are under threat of suffering from at least one of three “channels of transmission” for suffering, which they define as food shortage, rising energy prices and tightening financial conditions. Of these, it has been estimated that 553 million already live in poverty and 215 million are malnourished.⁷⁴ This is not only threatening economic recovery with investment, trade, and growth negatively affected, it is also worsening inequality and human suffering, reversing previous gains in development, and increasing incidences of protest and democratic backsliding.

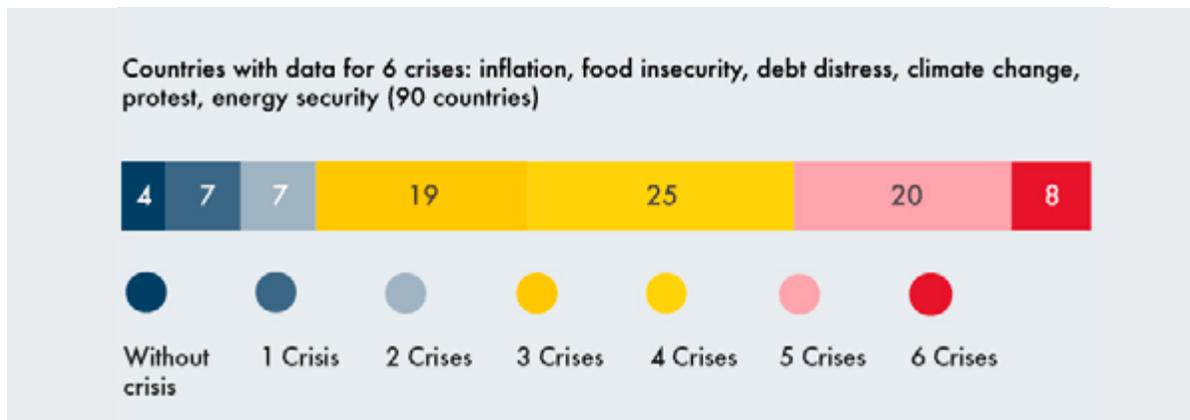
Economies facing downgrades include net importers of food and fuel—in Africa, the Middle East, Asia, and Europe. Hundreds of millions of families with lower incomes are already struggling with higher energy and food prices across all countries, with the UN Global Crisis Response Group estimating that 107 developing economies are highly exposed to at least one dimension of three core channels of transmission.

Analysis by the Pathfinders, has found that of 185 countries analyzed, only 14 countries (or 7 percent) are *not* at risk of a crisis, which means that the remaining 92.4 percent—**or 171 countries—are at risk of experiencing at least one crisis of six**. More importantly, **over half (57.1 percent or 104 countries) are at risk of experiencing three or more crises**. This translates to approximately 5.34 billion out of a total of 7.45 billion people (that is, 71.7 percent of the population for which there is data), who are exposed to three or more crises.

Where data is available for all six crises—that is, for 90 countries—**eight—Brazil, Kenya, Lebanon, Mexico, Mozambique, Pakistan, South Africa, and Sri Lanka—were found to be undergoing all six at the same time.** Twenty countries are at risk of undergoing five crises at the same time; 25 countries, of four simultaneously; 19 countries, three; seven countries, two; and finally, seven of experiencing one crisis. Only four countries out of the 90 did not meet the threshold for crises and altogether, 72 countries—that is, an astonishing 80 percent of all countries with data across six types of crises—were at either high or moderate risk of experiencing three or more crises at the same time.

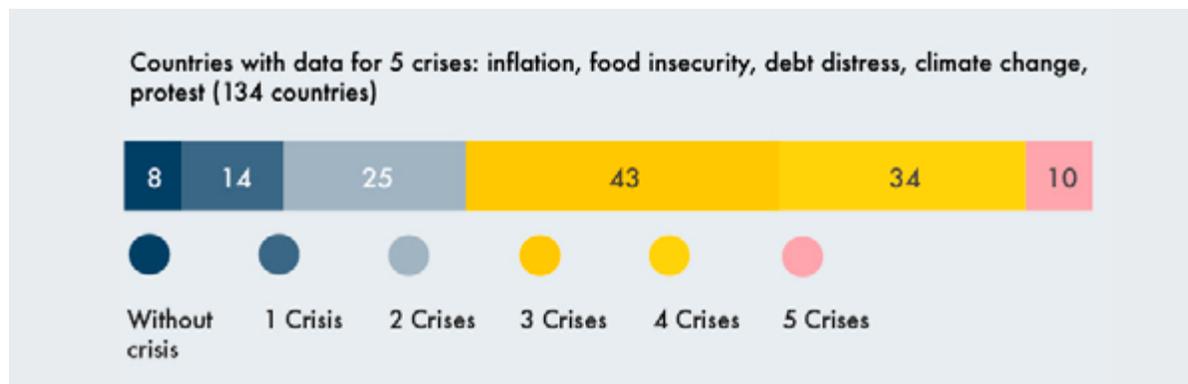
Where information is available on five crises (all crises except for energy insecurity)—that is, for 134 countries out of 185 analyzed—ten were found to be either experiencing or at risk of experiencing all five crises at the same time; 34 are already, or at risk of, experiencing four crises at the same time; 43 are at risk of undergoing three crises at the same time; 25 countries, two simultaneously; and 14 countries, one crisis. Only eight out of 134 countries did not meet the threshold for suffering from a single crisis. In total, 87 countries (or 65 percent of all countries with data for five crises) were at high or moderate risk of undergoing three or more crises at the same time.

Figure 6a – Countries with high and moderate risk of six multiple and compounding crises



Note: The Pathfinders analysis is based on data for food price shock, energy insecurity, inflation, climate risk, debt, and protest. See Annex 3 for full details on the methodology used for analyzing across six and five crises.

Figure 6b – Countries with high and moderate risk of experiencing five multiple and compounding crises—all except energy insecurity



Note: The Pathfinders analysis for five crises is based on data for food price shock, inflation, climate risk, debt, and protest. Note that an analysis of five crises increases data availability considerably across countries, therefore the total number and composition of countries undergoing 0 or more crises changes. See Annex 3 for full details on the methodology used.

Just one external shock is enough to set off a perfect storm of rippling crises, with a potential contagion effect across countries. In Somalia for instance, four consecutive failed rainy seasons added with political insecurity, the ripple effects of the invasion of Ukraine (and related impacts on food availability and prices), the climate crisis, and the pandemic's economic fallout have created the perfect storm for a humanitarian disaster. The country is now bracing for a fifth consecutive failed rainy season at the end of this year.⁷⁵ It is also facing an imminent threat of catastrophic food insecurity (IPC Phase 5), with over 200,000 people in famine-like conditions, leading to health-related dangers for current and future generations as children with acute malnutrition succumb more easily to diseases such as cholera, pneumonia, malaria, and measles. Water shortages are also exacerbating the existing health emergency and incidences of gender-based violence as women and girls are forced to walk longer distances to access water and shelter.⁷⁶ The resulting instability in a region already defined by hunger and conflict could set off general unrest that spills across cities, then borders, as leaders are left with very little room to provide a cushion to contain suffering, in the process losing the confidence of local people. A leadership vacuum in this way may open the door to populist, right-wing, or militant groups—such as *al-Shabab*—that capitalize on fear and uncertainty, further worsening security conditions in the region.

3.3 Regional trends

The most at-risk regions include those living in low and middle-income countries across South Asia, sub-Saharan Africa, and the Middle East and North Africa (MENA). Although nearly all the crises impact these regions, one or two crises are more prevalent in these regions than the others. In addition, small island developing states (SIDS) are particularly vulnerable to the impacts of climate change.

For instance, notwithstanding debt distress and bankruptcy in Sri Lanka, extreme climate events threaten nearly all of South Asia. This has already been demonstrated by the severe flooding seen in Pakistan and Bangladesh in 2022.⁷⁷ In India, the frequency and intensity of heat and cold waves, droughts, cyclones, floods, and landslides, are increasingly—with some estimates indicating that the country has seen close to a disaster every day in the first nine months of 2022.⁷⁸ The extreme weather is increasingly making parts of the country uncultivable, spelling another potential climate-induced disaster for the region, with catastrophic consequences for human suffering and displacement.⁷⁹ South Asia also faces the greatest number of disasters at the same time: **all the countries in the region with data on six crises (four countries excluding Afghanistan)⁸⁰ risk facing three or more crises at the same time.** Sri Lanka and Pakistan are also at risk of experiencing all six crises simultaneously. Where data is available on five crises, five out of seven countries in the region (only Bhutan and Maldives are excluded) face three or more crises at the same time. Astoundingly, analysis by the Pathfinders has found **1.876 billion people in the South Asia region—or 99.93 percent of the population with data—are at risk of being exposed to three or more crises at the same time.**

Elsewhere, the greatest number of countries are vulnerable to compounding and multiple crises in sub-Saharan Africa. Here, data is only available for 13 countries when analyzing six crises at the same time. Out of 13, at least 11 are experiencing at least three crises at the same time. Where data is available for five crises, 24 out of 38 countries are vulnerable to facing three or more crises. According to analysis by the Pathfinders, **1,013 million people in the region are exposed to at least one crisis; 990 million are exposed to at least two; and 834 million exposed to at least three.** This means that **94 percent of the population with data from this region is exposed to three crises or more.** The problems that are most relevant in this region are debt distress, combined with significant food and fuel shortages, a situation that has been made worse by intense drought in the Horn of Africa.

In Latin America and the Caribbean, 15 out of 17 countries with data for six crises, and 19 out of 23 countries with data for five crises, are exposed to three crises or more. **In total, at least 611 million people—or 94 percent of the population with data—in this region are at risk of being exposed to three or more crises simultaneously.** Latin America has been particularly affected by higher inflation, which has affected real incomes, especially of the most marginalized people.⁸¹ This is expected to further cool economic growth in the region (estimated to be around 1.4 percent in 2023) and result in slower employment creation—all key concerns in the region.⁸²

Those living in the MENA region have to contend with food and energy shortages, despite the region's energy exports. The Pathfinders analysis has found that **86 percent of the population (with data) in the region—or 371 million people—are exposed to at least one crisis. Seventy (70) percent of the population (with data)—or 300 million people— are vulnerable to at least three crises at the same time.**

The data also shows countries in Eastern Europe and Central Asia are at risk of exposure to energy and debt crises, largely stemming from their reliance on energy exports from the Russian Federation.⁸³ **Nearly all the countries in the region with data (47 out of 50) are at risk of being exposed to at least one crisis, with 39 countries at risk of being exposed to at least three crises at the same time. 672 million people from this region—or 89 percent of the population with data—are under threat of experiencing three crises or more at the same time.**

Finally, East Asia and the Pacific region is fairing slightly better with three countries out of 12 with data across six crises experiencing three crises and one experiencing four. When analyzing only five crises at the same time, the number of countries with data in the region jumps to 17 and six countries are found to be either experiencing or vulnerable to three crises at the same time and four from four crises. In total, approximately **419 million people—or 18 percent of the population from this region with data—are vulnerable to experiencing three crises at the same time.**

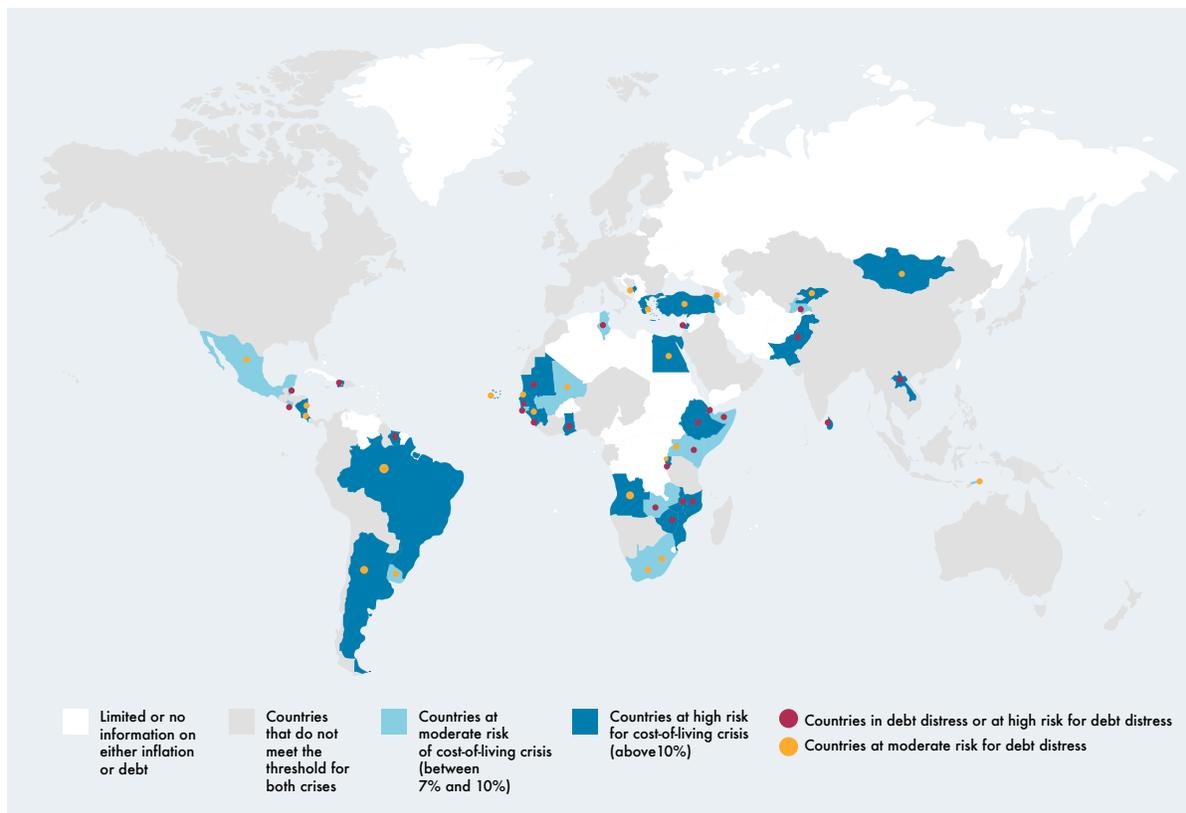
Taken together, 5.5 billion people across the world are at risk of being exposed to three or more crises at the same time. This includes people from high income, middle income and low-income countries, as well as from large and small states.

3.4 Countries in a double bind, fueling a global “regime of risk”

Crucially, several countries—particularly low-income countries—facing inflation, as well as high food and fuel prices, are also in debt distress. Figure 7 shows the countries that are currently experiencing high to moderate levels of inflation, as well as debt risk (both high and moderate). In total, 47 countries are facing high and moderate levels of exposure to both debt crisis and inflationary pressures. Of these, 17 countries have met the threshold for being at high risk for both debt distress and high inflation. They include: **Burundi, Djibouti, Ethiopia, the Gambia, Ghana, Haiti, Lao PDR, Lebanon, Malawi, Mauritania, Mozambique, Pakistan, Sao Tome and Principe, Sierra Leone, Sri Lanka, Suriname, and Zimbabwe.** While many of these countries are located in sub-Saharan Africa, some countries in Asia as well as Latin America and the Caribbean are also experiencing shrinking financial headroom in the context of inflation. These countries are now in a double bind: they have to contend with debt and high inflation without a way to cushion their populations against the impacts of price hikes due to restricted fiscal space. This in turn increases the likelihood of unrest and political violence.

In fact, many low- and middle-income countries are increasingly finding themselves in a similar situation: they have fallen into excessive debt due to a multiplicity of factors, which has in turn significantly limited their ability to promote social development, provide basic services to enable the realization of universal human rights, and protect people from the more severe and immediate impacts of cascading crises. All of this continues to occur against the backdrop of a continuing health emergency—the COVID-19 pandemic—and its resulting economic fall-out. Despite repeated rescheduling of debt, many of the poorest countries—54 according to the United Nations⁸⁴—remain in debt and often pay out more each year than the amount they receive in official development assistance (ODA). This scenario is not only unsustainable, but also unethical, as it presents one of the greatest obstacles to developing sustainably, to eradicating poverty, and mitigating inequality.

Figure 7 – Countries which faced high and moderate risk of a cost-of-living crisis (inflation) and debt distress, 2022



Source: Data on inflation based on Consumer Price Index from Trading Economics (latest between June and August 2022); Data on debt from IMF-World Bank's list of DSAs for LICs and MACs, as well as the Moody's ratings. Some judgement was also used for limited countries (see Annex 1 for details).

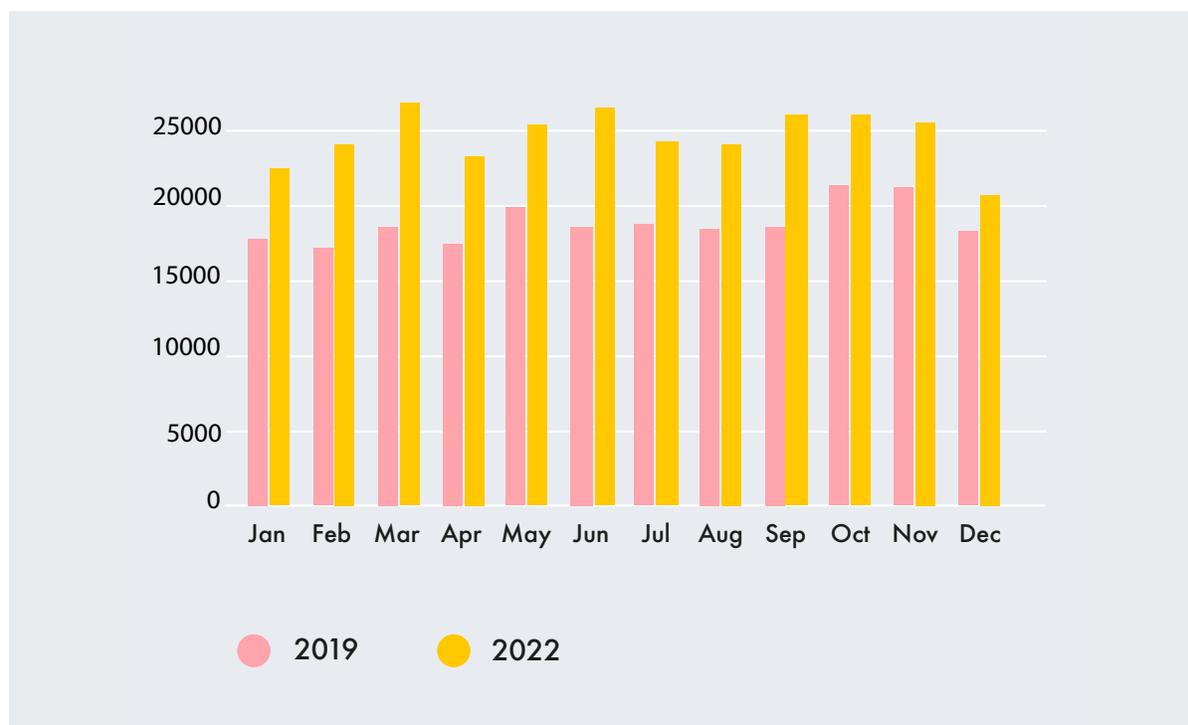
Many countries, particularly those that are indebted and at risk of experiencing one or more major shock—whether this is economic, political, or environmental—are also at high risk for falling victim to demagoguery, and the impacts of political strife. For example, in Syria, the epicenter of the most complex conflict to emerge from the 2011 Arab Spring movement, there is evidence that a multi-year drought in the eastern part of the country contributed to socioeconomic pressures as unrest boiled over in 2011.⁸⁵ This resulted in almost a complete disruption of the social order, resulting in large loss of life and a significant refugee crisis.

3.5 The rise of wide-scale political unrest

While measuring levels of social unrest is difficult, the Armed Conflict Location and Event Data Project (ACLED) collects real-time data on the locations, dates, actors, fatalities, and types of reported political violence and protest events around the world on a weekly basis. **Analysis of incidences of protests between January 1 and December 31, 2022 show that in at least 64 countries in the world, the incidence of protest and violence crossed 500. An additional 19 countries experienced between 300 and 500 incidences of protest in the same period.** In fact, given the extremely high numbers of protests in some parts of the world, the average number of protests across countries was 1,200. This applies to countries across income categories.

Meanwhile, **analysis of data between 2019 and 2022 demonstrates that there was an overall increase of 44 percent in the incidences of protests around the world. In 31 countries, there was at least a doubling in the number of protests.** These countries include (in order of the highest rise in protest): **Cuba, the United Arab Emirates, Myanmar, St. Lucia, Suriname, Eswatini, Ethiopia, Kenya, Senegal, Lesotho, Korea (Democratic People’s Republic), Benin, the Dominican Republic, Ecuador, Eritrea, Angola, Guinea-Bissau, Peru, Niger, Qatar, the Bahamas, Zambia, Antigua and Barbuda, Mali, Trinidad and Tobago, Indonesia, Cyprus, Argentina, Montenegro, Iraq, and Paraguay.** In a further 23 countries, protests increased between 50 percent and 100 percent, and in 72 countries the increase was under 50 percent as compared to 2019 levels. Even some high-income countries reported significant increases in protests and political violence. For example, Sweden saw a 52 percent increase in protests between 2020 and 2022 and France experienced an increase of 24 percent (data for 2019 was unavailable). Between 2019 and 2022, the Republic of Korea saw an increase of 10 percent, while in Japan, there was an increase of 21 percent.

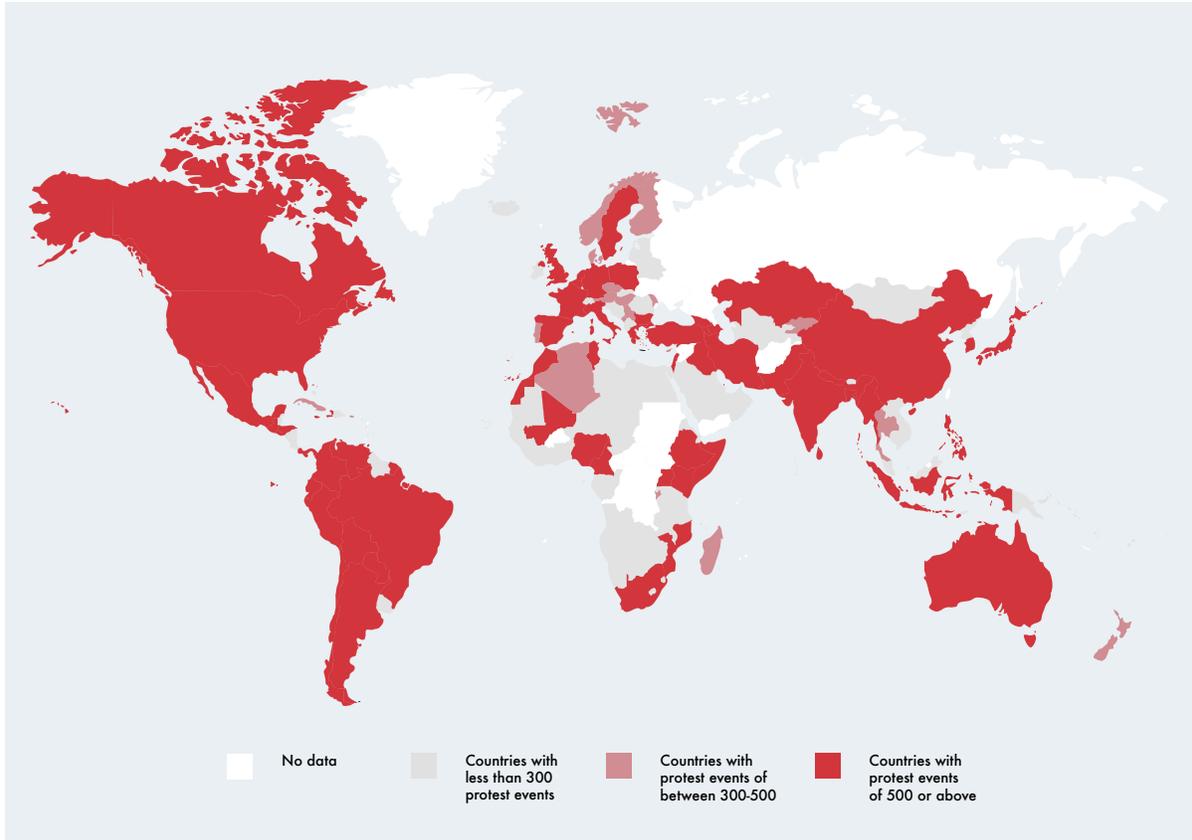
Figure 8 – Total number of protests by month, in 2019 and 2022, globally



Source: ACLED 2019, 2022.

While the reasons for this may be varied, the sheer prevalence of the number of protests and violent incidences indicate an underlying level of dissatisfaction and unrest within these countries. It may also be an understatement as several countries severely limit protest and political activism, limiting the ability of a data collection mechanisms such as ACLED to map the actors, locations, types, or incidences of political violence or protest events in these regions. In fact, it should be noted the data collected and analyzed from ACLED also showed that there was a decrease in protest in 45 countries between 2019 and 2022, including in countries such as Egypt and Thailand. Qualitative evidence however, shows that anti-government protests have occurred in additional countries such as Egypt,⁸⁶ Sudan,⁸⁷ and Thailand,⁸⁸ among several others, despite what may be being reported. When viewing this information in the context of the other running crises in the world, it becomes clear that at least some of the unrest in these countries are related to the cost-of-living crisis, including inflation and food and fuel price shocks.

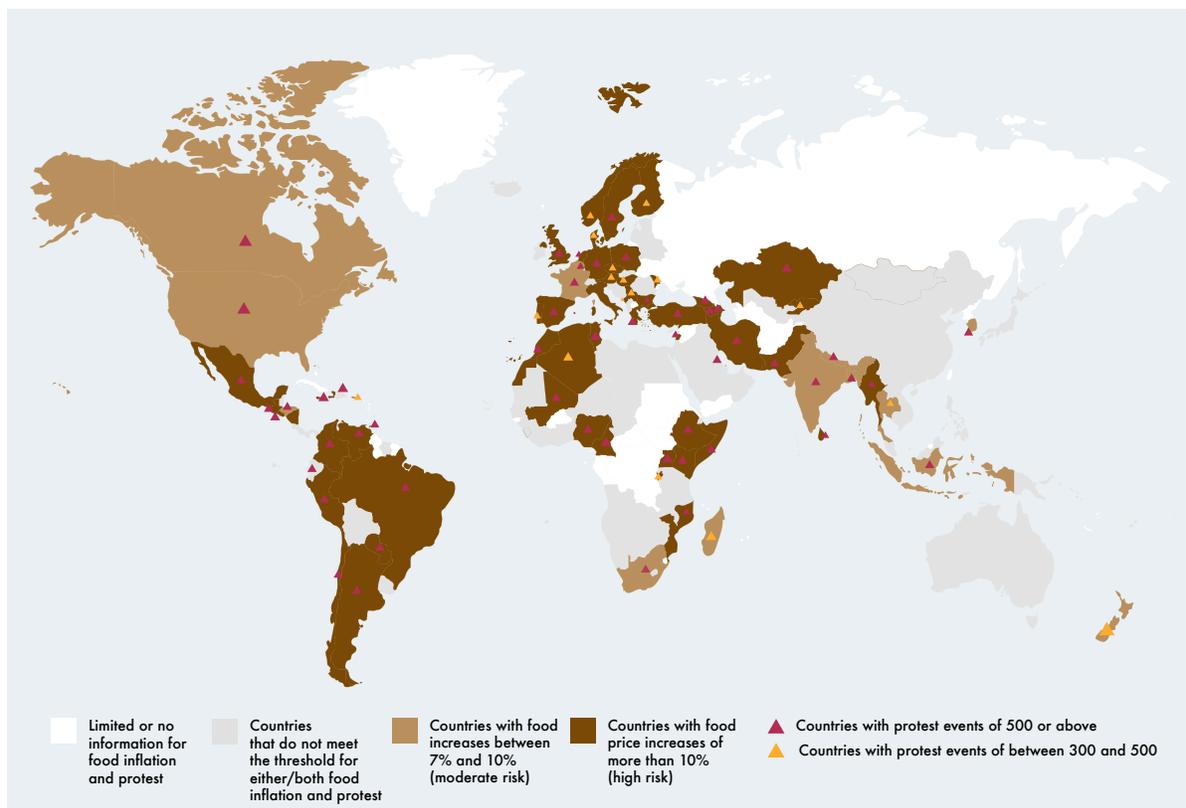
Figure 9 – Incidence of protest in 2022



Source: ACLED, 2022.

For example, 64 countries face both high and moderate levels of inflation, as well as high and moderate levels of risk to protest. Of these, **27 countries fall into the high-risk category for both inflation and protest. They include Argentina, Azerbaijan, Brazil, Bulgaria, Chile, Colombia, Ethiopia, Georgia, Greece, Haiti, Honduras, Iran, Jamaica, Kazakhstan, Lebanon, Mozambique, Myanmar, the Netherlands, Nigeria, Pakistan, Paraguay, Poland, Spain, Sri Lanka, Türkiye, the United Kingdom, and Venezuela.** Some of these countries are advanced economies, indicating unrest that coincides with rising prices even in relatively better off parts of the world.

Figure 10 – Countries which faced high and moderate risk of food insecurity and incidence of protest, 2022



Source: Trading Economics (annual increase of food prices based on Consumer Price Index between June and August 2022) and ACLED, 2022.

At the ground level, when food and fuel prices spike, it negatively affects most people's ability to feed their families. Even as recently as 2007-08, this resulted in riots—and eventually the Arab Spring—as the situation became increasingly untenable for people. In the current climate, food prices were already high before the Ukraine war, indicating an underlying risk of political instability in these countries. However, the possibility of riots or protest is also influenced by additional factors such as the pandemic and the presence of other stressors—the high cost of fuel and the lack of social services as a result of high debt payments and major weather events are examples.

Currently at least 54 countries that have experienced either high or moderate risk for food inflation have also had high levels of protest—that is incidences of over 500 or more in 2022 alone. The highest incidence of protests coincide with the highest levels of food price increase—in other words, **42 countries**

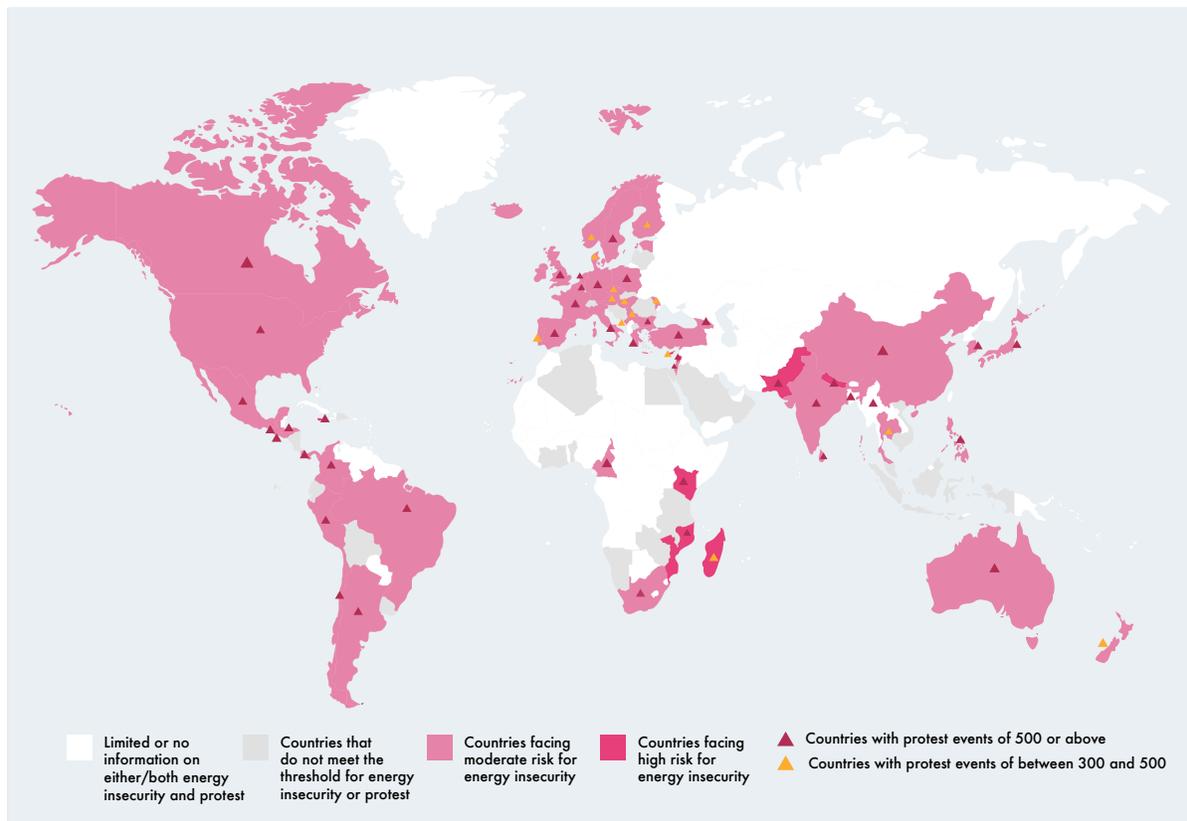
have met the threshold of high risk for both sets of indicators: Argentina, Armenia, Azerbaijan, Brazil, Bulgaria, Cameroon, Chile, Colombia, El Salvador, Ethiopia, Georgia, Germany, Greece, Guatemala, Haiti, Iran (Islamic Republic of), Italy, Jamaica, Kazakhstan, Kenya, Lebanon, Mali, Mexico, Morocco, Mozambique, Myanmar, the Netherlands, Nigeria, Pakistan, Paraguay, Peru, Poland, Somalia, Spain, Sri Lanka, Sweden, Tunisia, Türkiye, Uganda, the United Kingdom, the United States, and Venezuela.

Finally, the increase in protest is also significant when analyzed against the presence of additional crises in some regions of the world: For example, on the highest end of the scale, Zimbabwe’s hyperinflation levels have climbed to 285 percent by August 2022. This has coincided with a significant rise in protest—45 percent between 2021 and 2022. At the same time, Ecuador reported one of the lowest inflation rates (3.77 percent) among these countries (colored gray in the map), but rising prices have nevertheless resulted in ‘inflation rebellion’ in the country—that is, large-scale protests against surging prices for food and fuel.⁸⁹ Similarly, data indicates that rises in food prices have resulted in an increase in protest in parts of the world, particularly in Latin American and the Caribbean, sub-Saharan Africa, and several countries in Europe.

While the impact is less pronounced (as compared to food inflation), fuel price increases also coincide with incidences of protest across several countries. Analysis indicates that at least 55 countries experiencing high or moderate risk to energy insecurity also saw protest that exceeded 300 occurrences in 2022.

Finally, the rising risk of extreme weather events also coincide with the prevalence of political protest and unrest. Thirty-five countries have high or moderate risk of experiencing extreme climate events, together with at least 300 or more incidences of protests. Of these, **12 are at high risk (i.e., have a climate index score of 30 or less) of exposure to extreme climate events and have also experienced at least 300 incidences of protests in 2022: Australia, Bangladesh, Bolivia, India, Indonesia, Iran, Japan, Mozambique, Nepal, Niger, Pakistan, and the Philippines.**

Figure 11 – Countries which faced high and moderate risk energy insecurity and incidence of protest, 2022



Source: The Pathfinders analysis of energy insecurity (see Annex 1 on details on the composition of the index); ACLED 2022.

4 Innovative and Bold Policy Responses

Innovative and bold policy responses for a once-in-generation "perfect storm" of crises

The advent of multiple crises—or the polycrisis—has led to many countries becoming trapped in a cycle of firefighting against major events, as they lurch from crisis to crisis, instead of tackling the roots of the problem. Without a sharp change of course, a renewed recommitment to multilateralism and bolder action to address root causes, there will be little change for the better.

Moreover, the response to the polycrisis can have impacts on inequality. Policies and interventions aimed at mitigating the effects of the crises may have differing impact on different groups of people. A negative example is a badly targeted government stimulus package, which disproportionately benefits large corporations over small businesses or individuals who may be struggling to make ends meet during a cost-of-living crisis. Therefore, there is a need to develop effective policies targeted towards the people who need them most in order to both address different areas of crises and reduce inequalities at the same time. To this end, the Pathfinders' flagship report, [From Rhetoric to Action](#), outlines three key types of policies. They include policies that are:

- highly visible and make a discernible impact in peoples' daily lives (i.e., reskilling, improving public safety, housing, etc.,
- secure greater credibility (i.e., tackling corruption); and c) build solidarity by tackling prejudice, build empathy between groups, and
- address disadvantages and historic wrongs (i.e., social dialogue).

The following sections will examine current responses to date, what is required and the specific areas around which solidarity can be built, and action catalyzed.

4.1 Responses to date

While the world has grappled with multiple and serious crises, there have been some attempts to design policy responses that help countries cope. At the Ministerial Roundtable during the 2022 Spring Meetings of the World Bank Group and IMF, the President of the World Bank had outlined how the World Bank has mobilized more than USD three billion for Ukraine, inclusive of grants, guarantees, and parallel financing from donor countries. This was for the continuation of essential government services. In addition, he stated that the Bank was working on a crisis response of around USD 170 billion in financing capacity to address wide-ranging needs of client countries between April 2022 and June 2023. This mirrored the rapid increase in financing the Bank provided in response to COVID-19, which raised USD 157 billion over a 15-month period to help countries cope with the health, economic, and social impacts of the pandemic.⁹⁰

However, as both public and private donations to Ukraine increased rapidly in response to the resulting humanitarian crisis, there were allegations that support for other equally urgent causes had either been forgotten or left behind.⁹¹ This has been an especially contentious point as ODA has in the past been diverted from vulnerable populations in other parts of the world in order to channel immediate funds to Ukraine.⁹² For example, in the wake of the annexation of Crimea in 2014, aid from the OECD Development Assistance Committee members to Ukraine increased by 145 percent, while aid to sub-Saharan Africa dipped by more than 5 percent (constituting the largest decrease in a decade).⁹³ Currently, many African countries are facing continuing high debt levels (even as interest rates rise), and almost no fiscal headroom, due to the impacts of a pandemic-induced recession. Therefore, any diversion of funds would be even more damaging. The double-standard in charitable giving (including ODA) has led to some level of loss of trust among some low- and middle-income countries.

4.1.1 Debt and financing

In terms of debt, the main global mechanisms available to tackle debt and insolvency were not designed for current conditions. These must be updated. With the advent of COVID-19, the G20 initially moved quickly to set up the Debt Service Suspension Initiative (DSSI) at the urging of the World Bank and IMF. The initiative brought together Paris Club members as well as non-members to provide about USD 13 billion in suspension of debt payments for nearly 50 countries. However, this was a temporary safety net that expired at the end of 2021, just as the COVID-19 economic recovery had begun to run out of steam. After the DSSI, the G20 established the Common Framework

for Debt Treatments beyond the DSSI. So far, just three countries have applied and progress on restructuring their debts has been slow. There have also been initial efforts from the G20 to suspend some country debt but this has been largely insufficient. Efforts have not been far-reaching enough and have even sometimes included austerity stipulations like requiring countries to cut public sector wages.

Elsewhere, the IMF recently operationalized its Resilience and Sustainability Trust (RST) in October 2022. They expect donors to announce significant contributions, with the ultimate goal of working with a deposit of USD 45 billion, most of which would be rechanneled funds from Special Drawing Rights (SDRs) from wealthy IMF members. Thus far, Australia, Canada, China, Germany, Japan, and Spain have provided the first round of resource contributions amounting to a total of SDR 15.3 billion (USD 20 billion). Further contributions are expected in 2023. The fund is meant to support low- and vulnerable middle-income countries and build resilience to shocks by providing longer-term financing goals through the provision of low-interest loans.⁹⁴ There are some questions over the exact manner in which the fund will become operational, how deals are structured, and the ability of the IMF to receive a critical mass of resources. However, there is some agreement that initial support for the program would be centered on climate change adaptation and pandemic preparedness.⁹⁵

4.1.2 Trade-offs in controlling inflation using monetary policy

The task of controlling inflation has been largely left to central banks through implementing monetary policy, which in real term means raising interest rates—a response that is not expected to be positive for emerging economies in the short term due to the concomitant increase in the cost of debt. Consequently, many low and middle-income countries have to contend with higher borrowing costs, and debt distress could become significantly more likely. Again, a policy response designed to address one crisis may be worsening another in the longer term for a set of countries, ultimately creating greater strife and distrust between countries.

4.1.3 Supply-chain disruptions, speculation on the commodities market and trade restrictions

In the meantime, there remains an absence of global policy options to resolve supply-chain disruptions, in addition to a lack of interventions to control speculation on the commodities market. The World Bank, IMF, and

multilaterals have remained relatively silent over the impact of speculation in the commodities market.⁹⁶ The trade response to the COVID-19 pandemic took several forms: tariffs, regulation, and ‘vaccine nationalism,’ wherein some governments implemented temporary measures to restrict exports of medical supplies. Open trade policies, some of which were already under pressure in important markets even before the pandemic, quickly gave way to restrictive changes aimed, at least on the surface, of protecting citizens and national interests. Instead of collaboration, many countries have resorted to protectionism: global supply chains were shocked by the advent of the pandemic. Major exporting and importing countries suddenly shut down and just as they suddenly reopened, only to shut down again—and on differing schedules. High worldwide demand, economies’ reopening, retailer stockpiling, and increased consumer appetite in some countries for goods, were confronted with finite production and transportation capacities, low inventories, and labor shortages.

Countries began calling for increased national self-sufficiency, near-shoring of supply chains, and permanent shifts to prepare for future disruptions. This set the stage for trade restrictions: once prices began to rise, the global food crisis was made worse by the growing number of food trade restrictions put in place by countries bent on increasing domestic supply and reducing prices. Data collected by the World Bank and the Global Trade Alert found that from the beginning of 2022 to June 2, 2022, 135 policy measures were implemented affecting trade in food and fertilizers. While some of these were liberalizing, the large majority—74—were restricting exports, two-third of which were full export bans.⁹⁷ Export bans generally make a price problem worse.

In response to the food shortage emergency after Russia’s invasion of Ukraine, the United Nations, and Turkey brokered a grain initiative in July 2022, which saw the establishment of a humanitarian corridor in the Black Sea, allowing for the export of over 9.5 million tons of wheat, corn, sunflower products, rapeseed, and barley—helping to lower food prices around the world. This prevented millions of people from falling into hunger and extreme poverty. The deal was subsequently extended by 120 days in November 2022.

4.1.4 Little control over energy prices, increasing oil production, and perverse impacts on climate policy

In the energy sector, strong increases in natural gas prices prompted substantial switching to the use of coal rather than natural gas to generate electricity in key markets, including the United States, Europe, and Asia. The increased use of coal is in turn driving up CO₂ emissions from electricity generation globally.⁹⁸ Some governments have also taken measures to alleviate electricity

bills, especially for vulnerable consumers. Others (especially oil-exporting countries) have subsidized fuel (oil) costs. In addition, to fill the gap in imports from the Russian Federation and the subsequent increase in demand at home and in Europe, US oil producers have been rapidly increasing production. The US Energy Information Administration (EIA) projected that oil production would reach 11.9 million barrels a day (b/d) by the end of 2022. In 2023, the agency expects the 2019 record of 12.3 million b/d to be broken, with production hitting an average of 12.7 million b/d.⁹⁹ Global oil supply is set to hit an annual record of 101.1 mb/d in 2023. Moreover, the Russian Federation's war on Ukraine and the ensuing energy crisis caused many high-income countries to backslide on their GHG reduction commitments and the United States to negotiate a short-term increase in natural gas exports to help the EU through the crisis.

These record-shattering projections come after the US Senate adopted the USD 369 billion Inflation Reduction Act, its most significant package to combat climate change to date.¹⁰⁰ Ironically, short-term measures to drive down oil prices and demand are expected to ultimately increase the current emissions reduction trajectory to up to forty percent from around twenty-five percent, compared to 2005 levels. In terms of funds pledged to combat climate change, the international community agreed to channel USD 100 billion a year by 2020 at a climate summit in Copenhagen in 2009, in order to assist low- and middle-income countries with their clean energy transitions and adaptation plans. This has not yet occurred, as many high-income countries have failed to meet their climate finance commitments. While the actual amount contributed has wavered by year, in 2019, wealthy countries contributed approximately USD 80 billion in climate finance to developing countries. Most of this money came from public grants or loans, either through bilateral transfers or through multilateral development banks.¹⁰¹ However, in a breakthrough in climate finance, agreement was reached in Sharm el-Sheikh during marathon negotiation sessions at COP27, on creating a loss and damage fund for vulnerable countries suffering from the effects of extreme weather events. While the exact terms of the deal are still being worked out, a fund will be set up by wealthier nations for the rescue and rebuilding of vulnerable areas stricken by climate disaster.

4.2 Tackling the current crises requires innovative policy options and bold commitments and compromises

While some action has been taken at the global level, given the scale and scope of the worldwide cascading set of crises, current responses remain inadequate, particularly for those countries that are suffering most acutely. This moment brings opportunities to work collectively, decisively and urgently to lay the foundations for a more stable, just, inclusive, and prosperous future for everyone. It requires first dealing with the fragmentation of global governance, which is possibly one of the most serious challenges to the rules-based framework that has governed international and economic relations for nearly a century and deliver significant improvements in living standards around the world. Without greater commitment to multilateralism and its ability to catalyze ‘transformational change,’ little can be achieved. Leadership from high-income countries is also required in multiple arenas—from easing the economic pain of high prices by working actively to expand availability of goods and services (and not just implement contractionary monetary policy) to investing in the development of sustainable sources of energy.

While some short- versus long-term tradeoffs may be unavoidable—for example, expanding the global production of energy through some level of fossil fuel extraction in the near term—there is a need for both an immediate short-term plan that prioritizes both the short and long-term. In the short term, this includes releasing the debt pressure that many countries are facing in the context of rising and multiplying crises, and in the longer-term, it entails tackling the underlying inequality drivers of crises, which includes a resilience-building strategy of investing heavily in sustainable sources of energy, and in measures that build human capital. Where possible, potential solutions must be aimed at dealing with the multiple crises holistically—that is, they must go beyond just food, fuel and energy—in order to tackle climate change, debt distress, inflation, etc. at the same time. This also means that when dealing with the food crisis, for example, elements that go beyond food (for example, climate change and/or inflation) must be considered.

Therefore, six key considerations must be addressed simultaneously in order to effectively deal with the polycrisis:

- 1 the liquidity shortfall for countries that face debt distress
- 2 supply chain constraints affecting food and fertilizer prices

- 3 speculation and excess profit-making in the commodities market by some price-gauging actors
- 4 investments in social protection measures and in human capital to mitigate negative impacts on the most vulnerable people
- 5 potential short-term/long-term tradeoffs—that is, protecting people in the short-term without compromising long-term goals
- 6 global solidarity measures to ensure policies aimed at addressing inflation, debt, or climate change, do not harm particular—i.e., low-income—countries or the most vulnerable sections of all countries.

Many of these issues have already been discussed in previous sections and have been extensively deliberated in existing literature. However, three areas deserve special attention: **policies aimed at creating fiscal headroom or capital liquidity in low and middle-income countries**, particularly in an era where crises are the norm, not the exception; **social protections measures that seek to protect the most vulnerable in the short-term and create resilience in the long-term**; and finally, **global solidarity measures that aim to ensure all countries—rich and poor—are able to work together**. These rough categories have been further separated into policy areas requiring urgent action and coordination and separately, areas where longer-term structural transformation is required.

In addition to these urgent policy responses, another area of critical importance and one that is often a precursor for progress in other areas is **building and maintaining trust between people and institutions**, as well as between different members and groups of a community. Trust is a key element of social cohesion and social capital.¹⁰² It facilitates cooperation among groups and leads to not only socioeconomic benefits, but also to better psychosocial outcomes, while also contributing to public trust in governance institutions. However, trust also fluctuates over time and according to different circumstances and contexts. In fact, a 2020 Edelman Trust Barometer poll found that a significant number of people around the globe perceive their governments as incompetent and unethical.¹⁰³ It further showed that none of the four societal institutions that the study measures—government, business, non-governmental organizations, and media—is trusted and importantly, trust was being undermined by a growing sense of inequity. Just three years later, the situation had significantly deteriorated: the 2023 Edelman Trust Barometer, which came out after the Russian invasion of Ukraine and in the midst of a cascading number of crises, found that the descent to distrust had created acute polarization in society.¹⁰⁴ Interestingly, income-based inequalities had created two ‘trust realities’ with those in the top quartile of income holding a profoundly more positive view of institutions than the vast majority in the bottom quartile, potentially leading

to a loss of shared identity and national purpose. The presence of multiple crises in this political environment only serves to further drive and amplify the underlying inequalities and these in turn deepen crises. Therefore, trust must be constantly nurtured through governments responding to citizens' concerns and tackling issues that are important to them; ensuring dialogue with different groups of people within a polity; and developing a new social contract that reimagines transformative policies premised on achieving greater social justice, strengthened solidarities and deeper multilateralism.¹⁰⁵

Urgent policy instruments to mitigate current crises and humanitarian emergency

In the shorter term, countries can affirm their support and commitment to:

- 1 **Rapidly opening up the fiscal headroom in low and middle-income countries to deal with the impacts of impending crises.** This entails, in the short-term, advanced economies committing to rapidly channeling at least 30 percent of their allocated SDRs to reach a global USD 100 billion ambition. These commitments in turn should be recorded and made accessible by the IMF for independent tracking. Once these mechanisms are in place, further negotiations could be held to recycle more SDRs, depending on the need in low- and middle-income countries. Some of the reallocated SDRs are currently being channeled to the IMF's PRGT and RST. While the RST became operational in October 2022 and has received a first round of contributions amounting to USD 20 billion, there are some questions over the capacity of the facilities to absorb funds beyond USD 65 billion. Therefore, the G20 needs to urgently explore (and approve) further options for channeling the reallocated SDRs through prescribed holders such as the African Development Bank (AfDB) and the International Fund for Agricultural Development (IFAD), in order to enable countries to respond to the negative impacts of multiple crises, such as the costs of extreme climate events, debt distress, and food price hikes.
- 2 **Implementing a global windfall tax for large energy companies.** In the first quarter of 2022, the largest energy companies made a combined profit of USD 100 billion. This occurred at not only massive cost to the climate but also as global poverty and inequality rates were increasing. These excessive profits could be taxed, and the funds used to support the poorest and those at highest risk to exposure to multiple crises threats. In fact, UN secretary-general António Guterres recently called for such a windfall tax to be implemented by high-income economies on oil and gas companies in order to redirect some of the revenues to assist countries affected by

climate disasters, as well as to those struggling under the weight of rising food and energy prices.

- 3 Implementing a temporary solidarity tax on high-net individuals.** Some countries, such as Argentina, Colombia, and Spain, implemented this new tax complementary to a wealth tax, during the COVID-19 pandemic. Germany also levied a similar tax in 1991 for one year in order to help integrate the former GDR after the fall of the Berlin Wall, with a flat rate of 7.5 percent on top of corporate or personal income tax. In moments of immediate crisis, a solidarity levy could raise much needed resources for health and social spending, as well as to tackle the energy and cost-of-living crisis for all of society.¹⁰⁶
- 4 Investing in digital public infrastructure to help governments deliver social assistance quickly and safely and bring additional people into the social protection and financial system.** The COVID-19 has triggered a significant expansion of social protection programs and systems around the world, which included a rapid expansion of digital infrastructure to extend social protection coverage in some parts of the world. Data information systems could be further developed and used in routine and shock-responsive social protection in the emerging era of multiple crises. It might ensure that more people are able to access the assistance they require. Care, however, must be taken to ensure that more inclusive systems are built.¹⁰⁷
- 5 Providing incentives to some countries to limit export restrictions.** Export restrictions may need to be controlled through existing trade policy tools and new commitments at the multilateral, regional, or bilateral level.
- 6 Rapidly implementing the loss and damage fund for climate change.** While the new Loss and Damage Fund agreed to at COP27 is a huge step forward in assisting communities that contribute the least to carbon emissions but bear the brunt of the burden of climate change, further work is needed to agree on important details, including how to source additional public funds, and potential innovative sources of finance. Issues such as which formula to use to channel funds to which countries under what conditions must also be further fleshed out. This work cannot be left to the backburner.

Longer-term structural transformation to reduce vulnerability and promote sustainability:

In the longer term, investments in renewable resources, sustainable food systems, and human capital are paramount. They include:

- 7 **Reallocating SDRs such that countries that have the greatest need for additional international reserves receive them—that is, to emerging market and developing countries or to low-income countries.** While the debate on SDR recycling is gaining traction, the deeper issue of how SDRs are allocated in the first place requires revisiting. Currently, they are allocated based on their individual IMF quotas and these are based broadly on the relative economic position of the country in the world economy. This means that most of the available SDRs go to wealthy countries that do not need them, with only a small portion going to low-income countries that could use them. Therefore, there is room to reassess the reserve asset theory applied to SDRs and potentially double the quota share for low-income members of the IMF in the 2023 quota. Other approaches could include expanding the list of feely usable currencies and their use in the Voluntary Trading Agreements (VTAs) or to channel SDRs to multilateral development banks or another approved holder without strings attached to allow low-income countries to borrow funds at a low interest rate.
- 8 **Encouraging continued investments in human capital. Sustained political commitment and financing is required to ensure that the losses generated by economic, political, and environmental shocks are not permanent.** Those at the bottom end of the socioeconomic spectrum need investments in their knowledge, skills, and health in order to achieve their potential. This can be linked with parallel efforts to scale up the green energy transition, for example: undertake a large-scale mapping of the potential jobs that may be created through a green transition and prioritize the related training required, so that greening the economy occurs in as fair and inclusive way as possible, creating jobs and opportunity for the most marginalized along the way.
- 9 **Undertaking a program of ‘debt swapping’ or ‘climate reparations.’** This might include an agreement to ensure a level of debt restructuring, in return for investments in climate-related adaptation infrastructure and in more renewable sources of energy. While the mix of lenders is more complicated in the present age, a precedent already exists in the Heavily Indebted Poor Countries Initiative (HIPC) and related Multilateral Debt Relief Initiative (MDRI)—an effort that was initiated by the World Bank, IMF, and other multilateral, bilateral and commercial creditors in 1996. With more than USD 76 billion written off by the IMF and wealthy

creditors for 37 countries, their debt payments dropped by 1.5 percent of GDP between 2001 and 2015. Studies have demonstrated that debt relief under the initiatives has alleviated not only the debt burdens in recipient countries, but also enabled them to increase their poverty-reducing expenditure. Similarly, under a renewed program, the goal would be to free some fiscal space for these countries to invest in renewables and where necessary, poverty alleviation programs. A fairer system for future borrowing could also be created.

10 Begin planning for a financial fund or facility (funded by wealthy nations) to provide direct income support or fund social protection schemes to low-income countries who are hardest hit by high gasoline and food prices.

In the world's poorest countries, four out of five people living in poverty are not covered by a social safety net, leaving them extremely vulnerable to shocks.¹⁰⁸ At the same time, there is strong evidence that social safety net programs—which include cash and in-kind transfers, social pensions, public works, school feeding programs, among others—lower inequality and reduce the poverty gap by 45 percent. Thus, there is a profound need for coordinated and targeted support to the most vulnerable groups, as well as for stronger social safety nets. Ensuring people have money (provided through cash transfers garnered from international aid, for example) to cope with prevailing high prices, while allowing the same prices to suppress demand for energy may be a more sustainable long-term economic solution than subsidizing oil or gas. In the longer term, the fund could also contribute to financing more sustainable food systems in many low and middle-income countries. This includes measures that target farming, nutrition, social protection, water, and irrigation. It may also entail support for alternative jobs and livelihoods.

11 Supporting a new financial pact between the global North and South.

This would be aimed at directing more financial help towards developing countries that need it and creating a greater sense of solidarity between countries in solving world problems. This includes discussions over reform of international financial institutions, such that mechanisms such as the new loss and damage fund are not ignored in the international financial architecture and strong focus is placed on how SDRs can be leveraged to direct finance to developing countries. This proposal has already been put forth by France during COP27 and needs additional backing and advocacy on the part of low- and middle-income countries and multilateral organizations.

Conclusion

Lifting the pressure to alleviate suffering requires concerted investment and coordination

Efforts to end the war in Ukraine and striking a deal to get more of Ukraine's trapped exports back on to the global market will go a long way towards lifting inflationary pressures on households worldwide. However, it is clear that the era of crises goes beyond individual events, with at the very least, the existential threat of climate change and its related impacts becoming a fact of life. The problems—and related solutions—require interlocking policy interventions that go beyond ending one war or even a global pandemic. They necessitate concerted efforts across the world to allow the countries that have been the most squeezed by multiple and cascading crises—most seriously the combination of a cost-of-living crises and debt distress—to emerge from a terrible situation, as well as efforts to achieve greater global solidarity.

While many approaches need to be taken at the same time, the three key areas requiring immediate action include:

- **filling the liquidity gap for countries that face debt distress;**
- **investing in social protection measures and human capital** such that the poorest and most vulnerable in countries around the world are able to cope with the worst effects of crises;
- **fostering greater global solidarity** by ensuring policies aimed at addressing inflation, debt or climate change, do not harm particular countries or the most vulnerable sections of all countries.

This requires enacting a combination of policies aimed at better debt maintenance (or ideally, structuring), raising additional funds via a windfall tax or innovative financing and committing these to human capital development,

and finally ensuring that interest rates are not so high as to strangle the economies of low and middle-income countries already struggling to survive in the current context. The goal is to ultimately allow all countries to effectively deal with multiple running crises, including the climate emergency, in a way that reduces inequality and exclusion.

Underlying these policy prescriptions is the need to build and maintain trust between people and institutions across countries, and between different members within a community. This entails rapidly countering the rhetoric of fear, misinformation, radicalism and polarization that is increasingly spreading across countries, particularly in times of crisis, and more deliberately developing a counter narrative of solidarity through communicating a more expansive and inclusive vision for society. This, in turn, must be backed up by longer-term policies aimed both at prioritizing diversity, equity and inclusion across society, and also creating more opportunities and access to public resources for those most left behind in the current socioeconomic system. Only these types of investments can stem the flow of suffering, and quell the likelihood of mass unrest and instability.

Annex 1

Overview of Methodology for Calculating Variables

Altogether 185 countries were included as part of this study. However, ten countries that are in active conflict or have limited or very skewed data were largely taken out of the analysis. They include: Afghanistan, Burkina Faso, Central African Republic, Democratic Republic of Congo (DRC), Russian Federation, South Sudan, Sudan, Syria, Ukraine, and Yemen. Of 185 countries, complete data was available for 89 countries across six crises, and for 133 countries across five areas of crises (excluding vulnerability to energy insecurity).

The analysis includes data on six variables: inflation, food security, energy insecurity, climate change, and debt distress. Four of the variables—inflation, food insecurity, climate change, and protests—were tracked using a single indicator (or an existing index from Germanwatch, as was the case with extreme climate events). To determine energy security, three indicators were combined into an index: the change in the price of gasoline between January 2021 to August 2022 across countries with available data, as well as two components of an existing index from the World Energy Council: an energy security ranking and energy equity ranking. Together, they provide information on the vulnerability of a country to an energy crisis.

In the analysis of debt crisis, due consideration was given to the IMF-World Bank's expertise in this area. Therefore, every effort was made to incorporate the IMF-World Bank's debt sustainability framework (DSF) into the analysis. Debt distress was assessed using a combination of sources: first the IMF-World Bank's debt sustainability analyses (DSAs) for low-income countries (LICs) that are PRGT-eligible was consulted. To assess debt sustainability, the IMF utilizes both risk signals from the framework and judgement from various sources. Risk signals are derived by comparing debt burden indicators with indicative thresholds, over a projection period. There are four ratings for the risk of external public debt distress:

- **low risk**, if none of the debt burden indicators breach their respective thresholds under the baseline and stress tests;

- **moderate risk**, if none of the debt burden indicators breach their thresholds under the baseline scenario, but at least one indicator breaches its threshold under the stress tests;
- **high risk**, if any of the external debt burden indicators breaches its threshold under the baseline scenario, but the country does not currently face any repayment difficulties; or
- **in debt distress**, when the country is already experiencing difficulties in servicing its debt, as evidenced, for example, by the existence of arrears, ongoing or impending debt restructuring, or indications of a high probability of a future debt distress event (e.g., debt and debt service indicators show large near-term breaches, or significant or sustained breach of thresholds).

The ‘high risk’ and ‘in debt distress’ categories by the IMF were amalgamated into one category for this analysis: high risk. A rating of moderate risk by the IMF was similarly translated into moderate risk. Low risk countries were treated as not having met the threshold for risk.

List of the IMF’s LIC DSAs for countries that are PRGT-eligible, as of 31 January 2023

| Countries in debt distress | High risk for debt distress | Moderate risk for debt distress | Low risk for debt distress |
|--|---|--|---|
| Congo (Republic of), Grenada, Malawi, Mozambique, Sao Tome and Principe, Somalia, Zambia, Zimbabwe | Afghanistan, Burundi, Central African Republic, Chad, Comoros, Djibouti, Dominica, Ethiopia, Gambia (the), Ghana, GuineaBissau, Haiti, Kenya, Kiribati, Lao PDR, Maldives, Marshall Islands, Mauritania, Micronesia, Papua New Guinea, Samoa, Sierra Leone, South Sudan, St Vincent and the Grenadines, Tajikistan, Tonga, Tuvalu | Benin, Bhutan, Burkina Faso, Cabo Verde, Congo (Democratic Republic of), Cote d’Ivoire, Guinea, Guyana, Kyrgyz Republic, Lesotho, Liberia, Madagascar, Mali, Nicaragua, Niger, Rwanda, Senegal, Solomon Islands, St Lucia, Tanzania, Timor Leste, Togo, Uganda, Vanuatu, Yemen | Bangladesh, Cambodia, Honduras, Moldova, Myanmar, Nepal, Uzbekistan |

Source: International Monetary Fund data set, <https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf>.

Second, the IMF’s DSAs for market access countries (MACs) was examined. The Fund’s approach to debt sustainability analysis differs between market-access countries (MACs), that typically have significant access to international capital markets, and low-income countries (LICs), which meet their external financing needs mostly through concessional resources. The assessments of public and external debt sustainability are conducted in the context of both IMF program design and reviews, and Article IV surveillance. Therefore, an assessment of the debt sustainability of these countries was completed by individually examining these reports and placing them in the categories of: “high risk,” “moderate risk,” and “does not meet the threshold of risk” depending on the recommendation by the Fund.

Finally, the Moody risk ratings was consulted. If a country was given a rating of Baa and above, a value of 0 (or not meeting the threshold for risk) was assigned, indicating that the country would not be at risk for defaulting. In addition, several high-income, oil-exporting countries in the MENA region—i.e. Qatar, United Arab Emirates and Saudi Arabia—were given a value of zero as their probability to default was deemed as being low.

The indicators used for each variable, details on the manner in which the indexes were constructed and thresholds for what constitutes high risk and moderate risk are provided below.

Indicators

| No. | Variable | Indicators used | Unit | Source | Time period | Countries for which data is available | Threshold for high risk | Threshold for moderate risk |
|-----------------------------------|-----------------|--|----------------------------|--|---|---------------------------------------|-------------------------|-----------------------------|
| Single variable indicators | | | | | | | | |
| 1 | Inflation | Annual inflation based on Consumer Price Index | Percentage of increase (%) | Trading Economics (data taken from government sources) | Latest available between June and August 2022 | 164 out of 185 (89%) | Change above 10 % | Change between 7% and 10 % |
| 2 | Food insecurity | Annual increase in food prices based on Consumer Price Index | Percentage of increase (%) | Trading Economics (data taken from government sources) | Latest available between June and August 2022 | 154 out of 185 countries (83%) | Change above 10 % | Change between 7 % and 10 % |

| | | | | | | | | |
|----|----------------|---|---|------------------------------|--|--------------------------------|---|--|
| 3 | Climate change | Climate Risk Index score | Score ranging from 2.67 to 156.17 based on four variables | Germanwatch | 2019 | 170 out of 185 countries (91%) | Score below 30 | Score between 30 and 60 |
| 4 | Protest | Political instability | Incidence of protest | ACLED | 1 January to 31 December 2022; 1 January to 31 December 2019 | 179 out of 185 (97%) | More than 500 protest events | Between 300 and 500 protest events |
| 5 | Debt distress | Construction method: Sum of values assigned to variables used. | | | | 160 out of 185 (86%) | Debt risk index of a value of 4, 5 or 6 | Debt risk index with value of 2 or 3 |
| a) | | Moody rating | Category ratings that go from Aaa to C (21 categories) | Moody rating | Latest available | 131 out of 185 countries (71%) | Ba or lower | No moderate risk for this indicator. Ratings of Aaa, Aa, A were considered low risk indicators and all others, high risk. Moderate and high risk countries were determined by examining the IMF's DSAs for LICs and MACs |
| b) | | Risk of debt distress, based on the IMF's list of DSAs for LICs for PRGT eligible countries | 4 category ratings: low, moderate, high, debt distress | IMF | As of 31 January 2023 | 67 out of 185 countries (36%) | Countries under each thresholds already provided by IMF. Countries in debt distress were given a ranking of 6; those at high risk were given a ranking of 5 | Countries under each threshold already provided by IMF. Countries at moderate risk were given a ranking of 3 |

| | | | | | | | | |
|---|----------------------------|---|---|--|--|--------------------------------|--|---|
| | c) | Risk of debt distress, based on the IMF's list of DSAs for MACs | 6 category ratings: MAC low, MAC sustainable, MAC sustainable subject to risks, MAC moderate, MAC high, MAC unsustainable | IMF | Various but latest reports (from 2022 and 2023) used | 55 out of 185 (30%) | Countries roughly under each thresholds already provided by IMF. Countries considered MAC high were given a score of 6; those considered MAC unsustainable, a score of 5 | MAC moderate countries were given a score of 3; Those MAC countries deemed "sustainable, but subject to risk" a score of 2 (the lower end of moderate risk) |
| 6 | Energy vulnerability index | Construction method: Sum of values assigned to variables used | Index ranging from 0 (low vulnerability) to 6 (highest vulnerability) | | | 97 out of 185 countries (52%) | Vulnerability index with value of 4 or higher | Vulnerability index with value of 2 or 3 |
| | a) | Gasoline price | Percentage change of annual price | Global Petroleum Prices | January 2021 to August 2022 | 114 out of 185 countries (62%) | Change in price above 50% | Change in price between 35% and 50% |
| | b) | Energy security ranking | Level of risk as per energy security ranking [0 to 2] | One component of World Energy Council's Energy Trilemma Index tool | 2021 | 124 out of 185 countries (67%) | Ranking above 81 (countries in top 15%) | Ranking between 66 and 81 (countries in middle 70% to 85%) |
| | c) | Energy equity ranking | Level of risk as per energy equity ranking [0 to 2] | One component of World Energy Council's Energy Trilemma Index tool | 2021 | 124 out of 185 countries (67%) | Ranking above 91 (countries in top 15%) | Ranking between 75 and 91 (countries in middle 70% to 85%) |

Annex 2

Countries excluded due to lack of data or political exigencies

For six crises (Inflation, food inflation, extreme climate events, energy insecurity, debt distress, protest)

| | | | | |
|---------------------|------------------------------------|---|------------------|--------------------------------|
| Afghanistan | Central African Republic (CAR) | Haiti | Namibia | St. Lucia |
| Albania | Chad | Iran (Islamic Republic of) | Nauru | St. Vincent and the Grenadines |
| Algeria | Comoros (the) | Iraq | Niger (the) | Sudan |
| Andorra | Congo, Republic of (Brazzaville) | Kazakhstan | Nigeria | Suriname |
| Angola | Cuba | Kiribati | North Macedonia | Syria |
| Antigua and Barbuda | Cyprus | Korea, Democratic People's Republic (North) | Oman | Tajikistan |
| Armenia | Democratic Republic of Congo (DRC) | Kosovo | Palau | Togo |
| Aruba | Djibouti | Kyrgyz Republic | Papua New Guinea | Tonga |
| Azerbaijan | Dominica | Lao PDR | Paraguay | Trinidad and Tobago |

| | | | | |
|-------------------|-------------------|----------------------------------|-----------------------|------------------------------------|
| Bahamas (the) | East Timor | Lesotho | Puerto Rico | Tunisia |
| Bahrain | Equatorial Guinea | Liberia | Russian Federation | Turkmenistan |
| Bangladesh | Eritrea | Libya | Rwanda | Tuvalu |
| Barbados | Eswatini | Liechtenstein | Samoa | Uganda |
| Belarus | Estonia | Maldives | Sao Tome and Principe | Ukraine |
| Belize | Ethiopia | Mali | Senegal | Uzbekistan |
| Bhutan | Fiji | Marshall Islands (the) | Serbia | Vanuatu |
| Botswana | Gabon | Mauritania | Seychelles | Venezuela (Bolivarian Republic of) |
| Brunei Darussalam | Gambia (the) | Micronesia (Federated States of) | Sierra Leone | Yemen |
| Burkina Faso | Grenada | Monaco | Solomon Islands | |
| Burundi | Guinea | Mongolia | Somalia | |
| Cabo Verde | Guinea-Bissau | Morocco | South Sudan | |
| Cameroon | Guyana | Myanmar | St. Kitts and Nevis | |

For five crises (Inflation, food inflation, extreme climate events, debt distress, protest)

| | | | | |
|--------------------------|------------------------------------|---|--------------------------------|------------------------------------|
| Afghanistan | Comoros (the) | Grenada | North Macedonia | Sudan |
| Albania | Congo, Republic of (Brazzaville) | Guinea-Bissau | Puerto Rico | Syria |
| Algeria | Croatia | Iran (Islamic Republic of) | Russian Federation | Tonga |
| Andorra | Cuba | Kiribati | Samoa | Turkmenistan |
| Antigua and Barbuda | Cyprus | Korea, Democratic People's Republic (North) | Sao Tome and Principe | Tuvalu |
| Aruba | Democratic Republic of Congo (DRC) | Kosovo | Somalia | Ukraine |
| Bahamas (the) | Dominica | Libya | South Sudan | Vanuatu |
| Barbados | East Timor | Liechtenstein | St. Kitts and Nevis | Venezuela (Bolivarian Republic of) |
| Belarus | Equatorial Guinea | Marshall Islands (the) | St. Lucia | Yemen |
| Brunei Darussalam | Eritrea | Micronesia (Federated States of) | Serbia | |
| Burkina Faso | Estonia | Monaco | St. Vincent and the Grenadines | |
| Cameroon | Eswatini | Palau | Seychelles | |
| Central African Republic | Gabon | Nauru | Solomon Islands | |

Annex 3

Methodology for six crises and five crises analysis

Six crises methodology

The Pathfinders analysis for six crises is based on having complete data across six crises areas: energy insecurity, food price shock, inflation, climate-related risk, debt, and protest. A country having data on any combination of 1, 2, 3, 4, 5, or 6 crises among the 90 countries with complete data across these six areas, is listed here. Therefore, using the country example of Thailand, data is available for all six areas of crises (and it meets the threshold for moderate risk of crisis for five areas—all but debt). This means that under this methodology, the country has data for six crises, and is at risk for suffering from five. However, a country like Haiti has data on five areas—all except energy insecurity—and similarly has moderate to high exposure to all five areas with data. Yet, it would be listed as having incomplete data under this methodology and fall out of our analysis.

Five crises methodology

The Pathfinders analysis for five countries is based on having complete data across five crises areas: food price shock, inflation, climate-related risk, debt, and protest. The methodology used for five countries necessarily drops energy insecurity (the crisis with the least amount of data) from the analysis. This increases data availability from 90 to 134 countries. However, it also changes the number and composition of countries exposed to 0 to 5 crises (as compared to the six crises methodology). For example, under this methodology, ten countries are listed as either undergoing or being at risk of suffering from all five crises at the same time. They include: all eight countries undergoing six crises under the six crises methodology, plus countries undergoing five crises in the exact combination of having data for all crises

areas except energy insecurity (and not just any combination of five crises under the six crises methodology). There are only two additional countries that have this combination of both having data across the five areas in this methodology **AND** are exposed to these five crises (that is, all crises outside of energy insecurity): Haiti and Uganda. Meanwhile, some of the countries that were exposed to five crises under the six crises methodology fall into being exposed to four crises under the five crises methodology. So for instance, using the example of Thailand above, it has data for all five crises, but does not meet the threshold for crisis for debt, which would mean it is at moderate risk for four crises at the same time under this methodology (as opposed to five in the methodology for six crises). In the case of Haiti, it has data on all five areas under this methodology (and meets the threshold for crises in all five areas). Hence, it would be included in the analysis (as opposed to being dropped from the analysis under the six crises methodology).

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