

# **Rising Food Prices: The Role of Social Safety Nets in Eastern Europe and Central Asia (ECA)**

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# Outline

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The role of social safety nets in crisis

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Overview of Safety Nets in ECA

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Readiness of safety nets in ECA to respond to crises

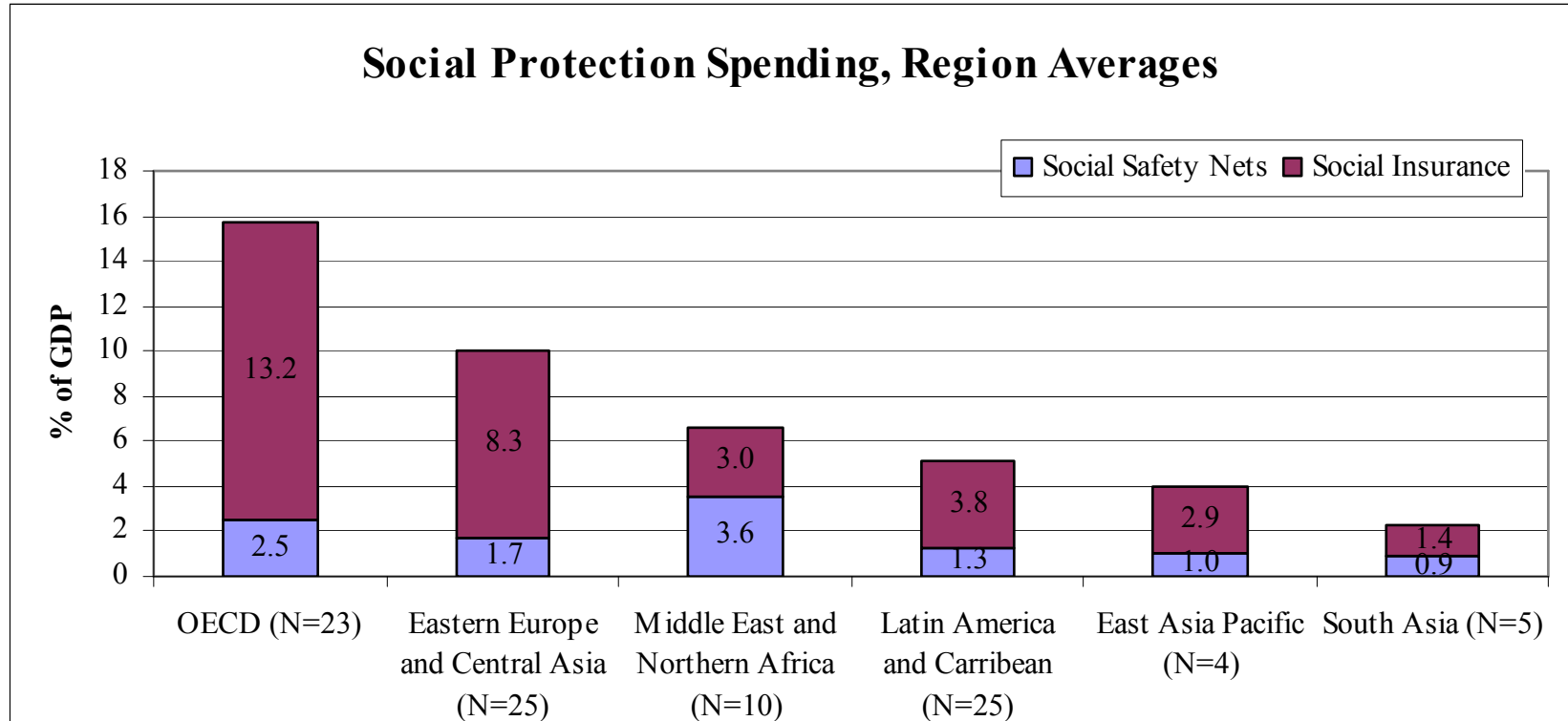
# Safety Nets in Times of Crisis

- Safety nets play “triple role” in response to rising food prices:
  - Reducing the potential increases in poverty and inequality
  - Protecting the poor against irreversible welfare losses
  - Helping maintain social equilibrium and avoiding distortionary policy alternatives
- “Automatic stabilizers” (counter-cyclical)....

# Challenges of social safety nets during crises

- When good social assistance programs exist:
  - Opportunity to expand
  - Need \$\$\$ and staffing for scaling-up
- When well-performing programs not available, response will be inefficient:
  - Costlier
  - Delayed response – takes time to start-up new programs
  - May be easier to distribute nutritional supplements (health actions)
- Targeting in crises can be challenging:
  - Family circumstances change often
  - Informal economy expands
  - Eligibility - recertification, more often
  - Which one to help: Old poor or new poor?

# ECA is second only to OECD in terms of spending on social protection



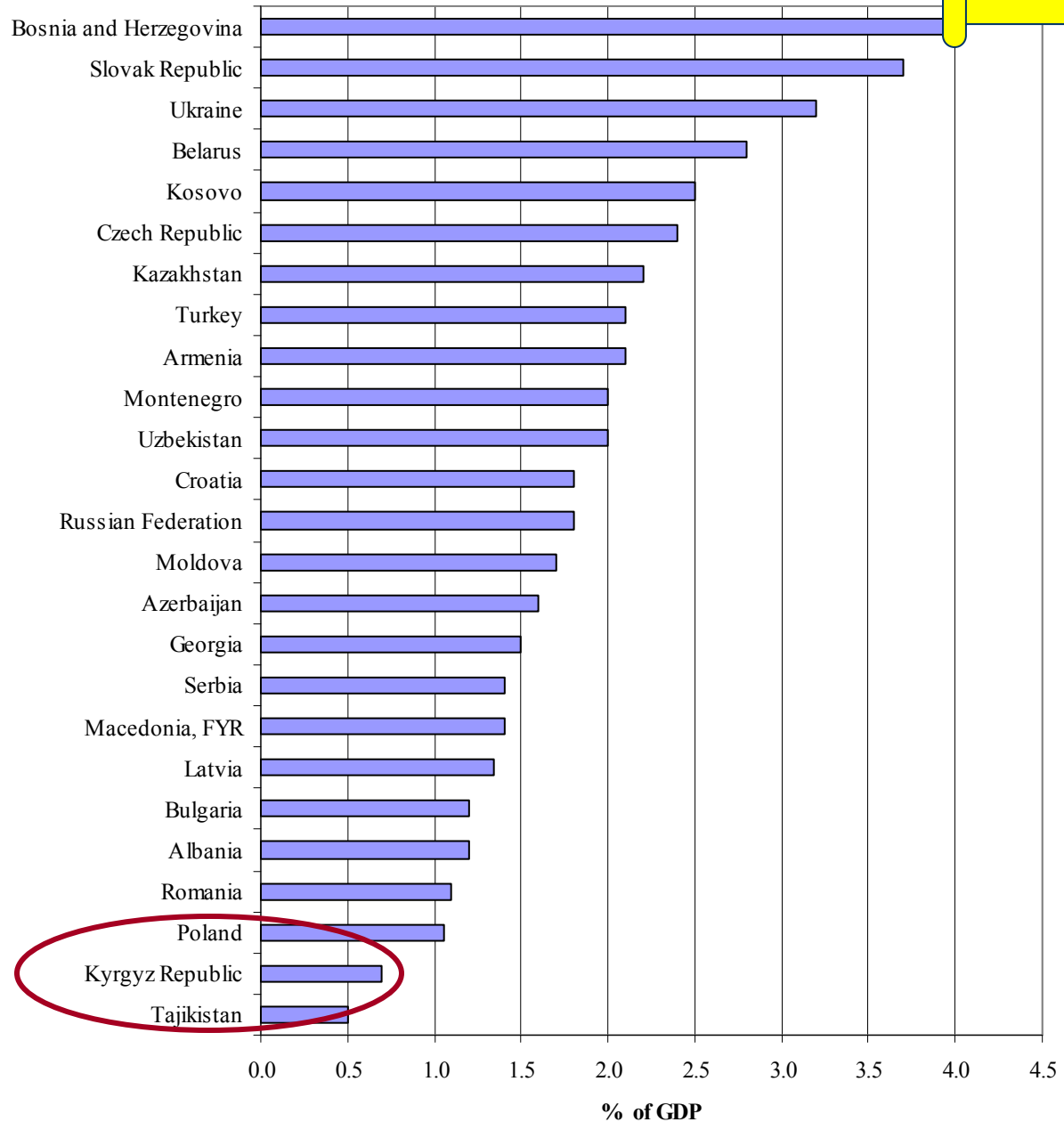
Notes: Data on 69 countries taken from WB Public expenditure reviews or other similar work. For OECD, data from the OECD Social Expenditure database (OECD, 2004). Different years, most data from 2000 to 2003.

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...in Europe and Central Asia, overall spending levels adequate, except for few low spenders

ECA Region: Social Safety Nets' Expenditures

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# Program mix

- The mix of programs in ECA is similar to OECD
  - Mostly cash transfers
  - Family allowances, social pensions, heating/housing allowances, targeted poverty programs
  - CCTs rare - Turkey (MK, BG, others interested)
  - Workfare, public works also rare
- Mix of “legacy programs” (privileges) and subsidies remain in some countries

# Targeting Accuracy

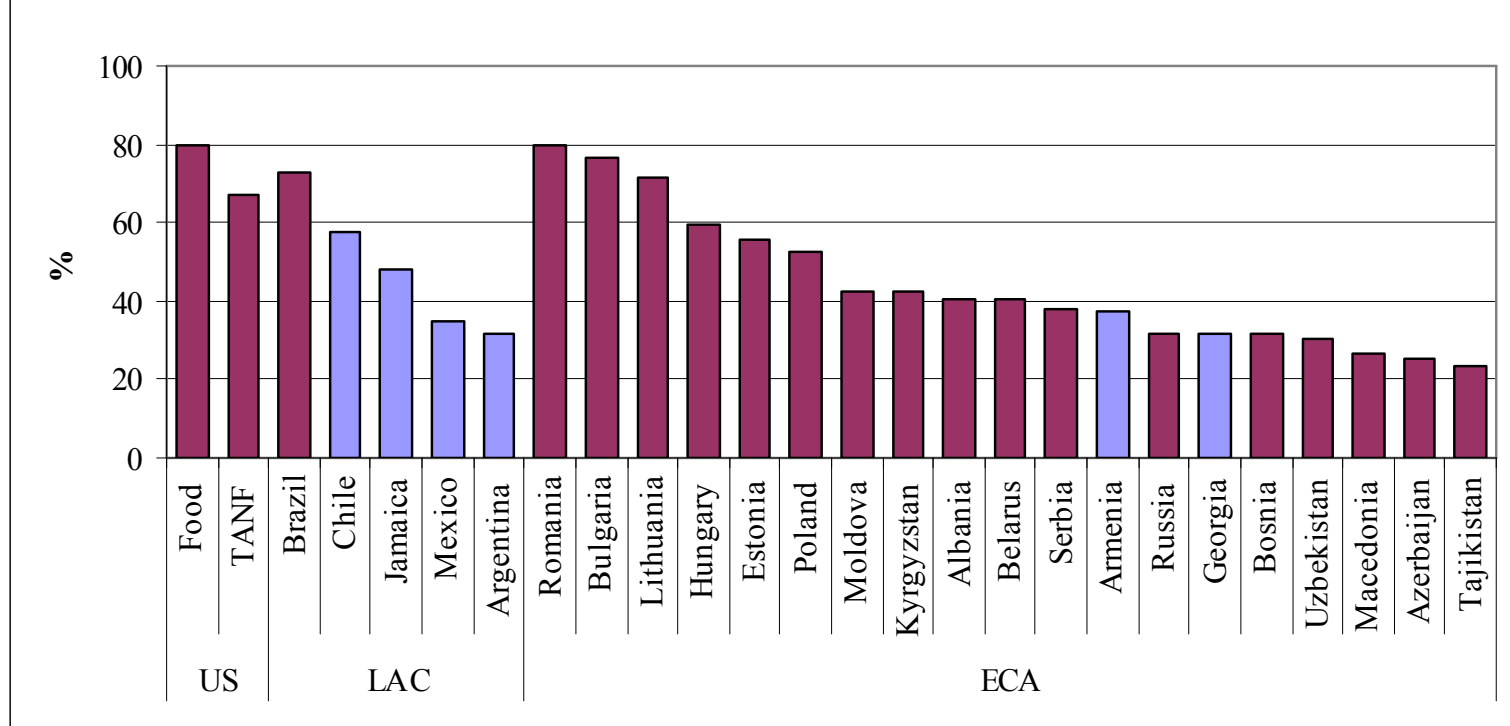
- Approaching OECD standards in best of cases;
- But remains mediocre in many others

Programs using:

Income testing

Proxy-means testing

**Share of Beneficiaries from the Poorest Quintile**  
Non-contributory cash transfers in US, LAC and ECA



## Many ECA countries have the necessary SSN in place....

- Automatic stabilizers operating effectively in some countries:
  - Unemployment programs
  - Some well-targeted “last resort” programs
  - Challenge: given \$\$\$ and increased in staff
- Middle-Income Countries (Bulgaria, Lithuania, Romania)
  - Wider range of safety net programs
  - Usually with one well-targeted anti-poverty program (“last resort”)
  - Emphasis on exit policies, links with employment / labor offices
- Lower-income countries (Armenia, Albania, Kyrgyz Republic)
  - Safety net usually focused on one well-targeted program
  - Less emphasis on exit policies, labor linkages

## ... but not all ECA countries have found a cost-effective SSN model

- Some countries are marred by:
  - Ineffective programs (legacy ...)
  - Unclear objectives
  - Poor design
  - Understaffing
  - Underfunding
  - Weak targeting
  - Inexistent or poor monitoring, oversight, evaluation
- The remaining challenge is to get these countries prepared

## Using Safety Nets in Times of Crisis: Example from Kyrgyzstan (current food price crisis)

- Well-targeted cash assistance program (UMB)
- Evidence already available on targeting, impacts
- Able to “top-up” monthly benefits with additional amounts to help off-set rising food costs
- Allowed for very quick response to food crisis – readiness role of safety nets
- Temporary “top-up” but possibility of extending this