How Ready are Latin American and Caribbean Safety Nets for Food Price Increases?

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How Ready are Latin American and Caribbean Safety Nets for Food Price Increases?
Introduction

How important is access to a social safety net? For Salvadoran children born during the 2008 food crisis, it has been critical. Preliminary evidence shows that Salvadoran low-income children living in households receiving as little as a $15 dollar monthly stipend from the government have met or exceeded their expected weight and height. Children not covered, as food prices rose precipitously to record highs, have only met their anticipated weight but not their height.

The role of safety nets to help avert declines in human development outcomes, has had the attention of the international community and local policymakers in many countries as food prices began to rise again last year. This World Bank report takes a look at the readiness of such programs in Latin America and the Caribbean to ameliorate the nutrition and poverty impact of increases in food prices on households.

We focus on 14 identified as most at risk due to structural features of high poverty or malnutrition and relatively high food imports. With the exception of Mexico and Bolivia, they represent the smaller countries of Central America and the Caribbean.

We assess whether these countries currently have the capacity to mount sufficient responses. Our assessment criteria considers the presence of an appropriate transfer program (with high coverage of the poor), sound administrative systems, and to a lesser degree, progressive targeting. This assessment relates to the particular problem of rising food prices and does not represent a general assessment of safety nets.

Based on our assessment, we conclude that there is a strong basis for response in Mexico; a moderate base in Bolivia, Dominica, the Dominican Republic, El Salvador, Jamaica, Guatemala, Honduras; a weak base in Belize, Grenada, Nicaragua, St. Lucia, and St. Vincent and the Grenadines; and Haiti is unprepared. For Guyana and Suriname we have insufficient information to make an assessment. There is a strong rationale therefore for the continued investment in and increased capacity of safety nets in order to mitigate poverty impacts and help prevent long term setbacks in nutrition and poverty.

Overall, most countries on the watchlist are more prepared in 2011 than they were in 2008 to help their populations cope with rising food prices. A country by country detailed analysis in the appendices also shows a very dynamic picture of increasing safety net capacity, but indicates that there are still serious gaps to fill.

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1 This paper was drafted by Margaret Grosh, Francisco Ochoa and Lucy Bassett with contributions from Helena Ribe, Sector Manager for Social Protection in Latin America and the Caribbean at the World Bank. Helpful suggestions on storyline were made by Colin Andrews, Anna Fruttero, Ludovic Subran, Ruslan Yemtsov and Hassan Zaman. In addition to published materials, the country profiles benefitted from inputs generously provided by country teams: Gaston Blanco, Timothy Cheston, Carine Cler, Francesca Lamanza, Theresa Jones, Karla McEvoy, Miriam Montenegro, Edmundo Murugarsa and, Maria Concepcion Sela. All errors are the responsibility of the authors. The paper builds on a similar global note (Grosh, Andrews, Quintana and Rodriguez-Alas, 2011) and the guidance note for Human Development responses to food and fuel price crises, which remains valid (World Bank, 2008 - see annex 1 for the executive summary).
After sharp accelerations in the fall of 2010, continuing into the spring of 2011, world food price levels once again reached those of 2007/8 (see Figure 1). In February, The World Bank’s food price index was 3 percent below its 2008 peak, with crucial grain prices remaining 16 percent below their peaks (World Bank, 2011a). Still, there were sharp increases in the international prices of wheat, maize, sugar and oils.

As a result of this new spike in food prices, the estimated increase in extreme poverty is about 44 million people, or 0.8 percent of the population in low and middle income countries (Ivanic, Martin and Zaman, 2011). Several of the same factors that contributed to the spike in 2007/8 are present now as well – weather-related crop losses, export restrictions, high oil prices, and a depreciating US dollar, against a background of continuing tight supply-demand balance.

What’s more, rising food prices may negatively affect human development in four dimensions: by increasing poverty; worsening nutrition; reducing the use of education and health services; and depleting the productive assets of the poor. Disinvestment by the poor in their human and physical capital will have large and lasting effects, which are well documented and quantified in the development literature. (World Bank, 2008, Grosh et al, 2008, Alderman 2011). Early childhood malnutrition results in poorer health, lower cognitive abilities, less learning, and lower lifetime earnings (World Bank 2006). Children withdrawn from school in times of hardship rarely return to the classroom, and families can have great difficulty rebuilding the assets upon which their livelihoods are based.

A small body of literature examining the impacts of the 2007/8 Food, Financial and Fuel Crises documents that such effects were found in poor households in very poor countries (Brinkman et al. 2010 and Compton et al. 2010, Ortiz et al, 2011). It also shows that, as expected, households reallocated their food budget to staples to protect caloric consumption, resulting in reduced dietary diversity and thus higher risk of micronutrient deficiencies (Skoufias, Tiwari and Zaman, 2011; D’Souza and Joliffe. 2011). Preliminary evidence also shows that Conditional Cash Transfer programs (CCTs) – which provide cash to poor families in exchange for sending children to school and regular health check-ups -- can help mitigate the impact of food price increases. In El Salvador, for instance, CCTs offset the impacts of food price increases on malnutrition (in both weight and height) in children under 3 living in households covered by the poverty program. Those children not covered were only able to keep their weight but not their height (de Brauw et al, 2011).

Poor and vulnerable net food consuming households, on the edge of subsistence and with limited coping strategies, are usually most severely affected by food price shocks. In general, the poor spend more of their resources on food and sometimes are hungry to start with, so are more affected than the non-poor. In Honduras, for example, Sobrado,
Demombynes and Rubiano 2008 estimated that as a result of the 2008 increase in food prices, the impact on consumption of the poorest quintile would be three times as big as that for the richest quintile (see Figure 2).

Even though the poor are concentrated in rural areas and occupations, most are probably net consumers – as oppose to producers – of food and so remain at risk. At best, small producers are partially able to mitigate price increases through consumption of own produced food, but for large poor groups, such as agricultural laborers, such protections are not available.

In 2011, food price increases – while not as alarming as in 2008 – are already showing across a larger range of commodities, not just traded grains, which will make it even more difficult for the poor to compensate for price increases by shifting their purchases to cheaper calories, as was the case during 2008 crisis. Moreover, food price increases have been about 5 percentage points higher in low income and lower-middle-income countries than in better-off countries (World Bank, 2011).

**Figure 1 World Bank Food Price Index**

Source: World Bank, Development Prospects Group
Identifying the Region’s Watchlist

The following is the criteria we use to identify the countries in Latin American and the Caribbean most vulnerable to high food prices:

■ We include countries with high food imports (see figure 3)

■ We include countries with high initial poverty (see figure 3) or malnutrition (see figure 5)

■ We exclude countries that meet the above criteria but have booming prices for non-food commodities (Venezuela and Trinidad and Tobago)

These criteria yield a total of 14 countries: Belize, Bolivia, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Jamaica, Haiti, Honduras, Mexico, Nicaragua, St. Lucia, and St. Vincent and the Grenadines.

Most of the highest risk countries are among LAC’s poorest and most nutritionally vulnerable. Six countries are eligible for World Bank IDA assistance (Bolivia, Guyana, Haiti, Honduras, Nicaragua, St. Vincent and the Grenadines), and Haiti is a fragile state. Poverty rates are high, and the estimated share of food consumption in expenditure is high – in the range of 50-60 percent for extremely poor households living under $1.25 per day (See Figure 4).

In Guatemala, those in the poorest decile devote 57 percent of their resources to food, those in the top decile dedicate 15 percent to food. Six countries (Belize, Bolivia, El Salvador, Guatemala, Haiti and Honduras) have rates of child stunting greater than 20 percent (see Figure 5) and in the vast majority of these countries at least one third of children suffer from anemia (see Figure 6). Because they start from low bases, these children can little afford additional hardship without a risk of long term consequences.

Moreover, response capacity will be severely constrained by fiscal deficits in about half the countries on the watchlist (see Table 1). Jamaica and St. Lucia have extremely high deficit at 7.5 and 7.2 percent, respectively. El Salvador, Guatemala, Haiti, Honduras, and St. Vincent and the Grenadines with deficits from 2.9 to 4.8 percent are likely to be constrained by their difficulty in financing a response. Belize, Bolivia, the Dominican Republic, Mexico, and Nicaragua are somewhat less constrained, but may still find it hard to fund expanded transfers. Prudent deficit finance is an inherent part of counter-cyclical safety net policy and many countries used it in the 2008/09 crisis years, but there are limits to the strategy and some of these countries appear to have reached them.

In LAC, at present, domestic food prices are not as high as in 2008. In fact, for most Caribbean and Central American countries on the watchlist, food price increases are quite a lot lower than in 2008 and in several cases have slowed in the second quarter of 2011 relative to prior months.

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2 Height for age less than 2 standard deviations below the international reference norms.
Figure 3 Poverty and Net Food Imports in Latin America and Caribbean Countries

Poverty, Net Food Imports, and Public Policy

<table>
<thead>
<tr>
<th>Country</th>
<th>Net Food Imports as % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHL</td>
<td></td>
</tr>
<tr>
<td>ATG</td>
<td></td>
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<tr>
<td>ARG</td>
<td></td>
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<tr>
<td>CRI</td>
<td></td>
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<tr>
<td>KNALC</td>
<td></td>
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<tr>
<td>CAMX</td>
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<tr>
<td>JAM</td>
<td></td>
</tr>
<tr>
<td>COL</td>
<td></td>
</tr>
<tr>
<td>BRA</td>
<td></td>
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<tr>
<td>DMA</td>
<td></td>
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<tr>
<td>PAN</td>
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<tr>
<td>PER</td>
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<tr>
<td>GRDV</td>
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<tr>
<td>CT</td>
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<td>TTO</td>
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<tr>
<td>SLV</td>
<td></td>
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<tr>
<td>BLZ</td>
<td></td>
</tr>
<tr>
<td>VEN</td>
<td></td>
</tr>
<tr>
<td>SUR</td>
<td></td>
</tr>
<tr>
<td>DOM</td>
<td></td>
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<tr>
<td>JAM</td>
<td></td>
</tr>
<tr>
<td>TTO</td>
<td></td>
</tr>
<tr>
<td>MEX</td>
<td></td>
</tr>
<tr>
<td>LCA</td>
<td></td>
</tr>
<tr>
<td>KNA</td>
<td></td>
</tr>
<tr>
<td>ATG</td>
<td></td>
</tr>
</tbody>
</table>

Moderate Poverty
% Population Living Under US$ 4 Per Day

Sources: World Bank 2011c based on data from WDI, IMF WEO, LCSPP

Figure 4 Share of Food Consumption among the Poor

Estimated Share of Food Consumptions by the Extreme Poor (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia</td>
<td>50</td>
</tr>
<tr>
<td>Dominican R.</td>
<td>55</td>
</tr>
<tr>
<td>El Salvador</td>
<td>55</td>
</tr>
<tr>
<td>Guatemala</td>
<td>57</td>
</tr>
<tr>
<td>Haiti</td>
<td>55</td>
</tr>
<tr>
<td>Honduras</td>
<td>56</td>
</tr>
<tr>
<td>Jamaica</td>
<td>58</td>
</tr>
<tr>
<td>Mexico</td>
<td>44</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>55</td>
</tr>
</tbody>
</table>

Source: De Hoyos and Lessem, 2008, extreme poor those living with less than $1.25 per day.

Figure 5 Malnutrition in Selected LAC Countries, 2010

Prevalence of under-five stunting

<table>
<thead>
<tr>
<th>Country</th>
<th>% Prevalence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize</td>
<td>20</td>
</tr>
<tr>
<td>Bolivia</td>
<td>10</td>
</tr>
<tr>
<td>Dominican R.</td>
<td>20</td>
</tr>
<tr>
<td>El Salvador</td>
<td>10</td>
</tr>
<tr>
<td>Guatemala</td>
<td>60</td>
</tr>
<tr>
<td>Haiti</td>
<td>50</td>
</tr>
<tr>
<td>Honduras</td>
<td>50</td>
</tr>
<tr>
<td>Jamaica</td>
<td>10</td>
</tr>
<tr>
<td>Mexico</td>
<td>10</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: 2011 WHO World Health Statistics Reports using WHO standards
There may also need to be a safety net response in other countries as well. In major food producing countries, the farmers, agribusiness, and the state, via tax revenues, may be profiting significantly from higher prices. The buoyancy of these exports may even have positive secondary effects more widely. Still, not everyone will share in the prosperity. Any of the poor who are not reached by second round benefits of higher prices in agriculture may find themselves very squeezed and in need of assistance. Several of the countries with the most comprehensive social assistance programs are not at high risk, though their poor may still need assistance. Argentina, Brazil, Chile, Colombia, Ecuador, and Uruguay have well established programs with good coverage and therefore are capable to respond if needed. What’s more, these countries’ income and taxes are likely to benefit from higher food (or other commodity) prices.
Figure 6 Anemia in Selected LAC Countries, 2010

Table 1 Fiscal Deficits in Selected Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Fiscal Balance (% of GDP)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize</td>
<td>-2.4</td>
</tr>
<tr>
<td>Bolivia</td>
<td>2.0</td>
</tr>
<tr>
<td>Dominica</td>
<td>-1.2</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>-2.7</td>
</tr>
<tr>
<td>El Salvador</td>
<td>-4.8</td>
</tr>
<tr>
<td>Grenada</td>
<td>-3.3</td>
</tr>
<tr>
<td>Guatemala</td>
<td>-3.1</td>
</tr>
<tr>
<td>Guyana</td>
<td>-4.3</td>
</tr>
<tr>
<td>Haiti</td>
<td>-2.9</td>
</tr>
<tr>
<td>Honduras</td>
<td>-4.5</td>
</tr>
<tr>
<td>Jamaica</td>
<td>-7.5</td>
</tr>
<tr>
<td>Mexico</td>
<td>-0.7</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>-2.0</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>-7.2</td>
</tr>
<tr>
<td>St. Vincent and the Grenadines</td>
<td>-4.0</td>
</tr>
</tbody>
</table>

Source: IMF Article IV Consultations, 2010

Box 1 Safety Nets for Fuel Price Hikes

Fuel price increases may prompt development or expansion of safety nets, but with a somewhat different motivation than spikes in food prices. The share of the household budget spent on fuel is much, much lower than for food, typically not more than 5 percent, and lower for the poor than the less poor. Thus a fuel price increase will not present hardship to the poor, or a risk of long term damage to human capital in the same degree or manner than a rise in food prices. However, a significant share of countries subsidize consumer fuel prices to one degree or another, and usually in ways that put the fiscal balance of government at risk when fuel prices rise. Thus when fuel prices rise, these governments face a fiscal challenge and are sometimes motivated to remove fuel subsidies. Commonly a part of the funds no longer spent on fuel subsidies are channeled to safety net and/or human development programs in an effort to either protect the poor from the impact of the price increases and/or to use the money for more effective investments in development.

The Dominican Republic Government is using the recent increase in fuel prices as an opportunity to redesign the delivery of energy subsidies. The program, a geographically inefficient subsidy scheme created in 2003, was recently replaced with a targeted cash transfer called Bonoluz. The new program uses the CCT Solidaridad as a platform to redistribute targeted utility subsidies to poor households. Initially, 137,000 families were receiving the benefit equivalent to 100kwh per month of consumption. The government is now scaling up the program to register other 670,000 poor households that live outside the former program areas.

Assessing Social Safety Nets

Safety nets are needed as part of a multi-sector response to dramatic food price increases:

- **They forestall, to a degree**, the increases in poverty and inequality that the shock would bring.
- **They help households maintain access to food** and essential health and education services.
- **When they are perceived as fair and compensatory**, social protection programs may help governments avoid ‘quick fix’ but less efficient tax, subsidy, trade, or production policies, some of which can even aggravate the problem.

The main objective of a social policy response is to provide income support to those most in need. Targeted transfers will be the least costly way of doing so. A range of program options can serve, each with some pros and cons. A country’s response depend heavily on what it has in place prior to the crisis.

Nutrition programs may be needed along-side transfer programs. They should monitor growth to detect faltering growth, offer nutritional education to help households make best use of scarce resources, and provide micronutrient supplementation to help mitigate lower dietary diversity that comes from changes in food consumption patterns.

The simple, qualitative criteria we use to judge crisis readiness is whether a country operates one or more high or potentially high coverage programs with sound administrative systems that might be used as a safety net response. There are many grades of readiness by these criteria or the sub-elements of it. Moreover, there are qualitative judgments involved in such a classification, especially in terms of the quality of administration systems and their flexibility.

An important introductory caveat stresses that this assessment applies to food crises only. It does not provide a view of a country’s safety net policies more broadly. It looks only at one specific problem the safety net will address, ignoring issues of incentive-compatibility (the wrong policy mix can create negative incentives) and underlaying those of dynamism and sustainability. Such criteria are important in more balanced or longer term assessments. (For a more comprehensive discussion of safety nets and their assessment, see Grosh et al, 2008).

- **Presence of safety net interventions appropriate to the issue of rising food prices:** This is a key criterion. Since safety net programs take time to develop, a response that must wait for a new program to get to scale will not ensure a timely intervention, thus leaving a large portion of the population unprotected. Some existing programs that are fine and logical parts of the overall safety net system (e.g. fee waivers for health care) will be less apt for response to this particular problem than poverty-targeted cash transfers or school feeding in poor rural districts.

- **Program coverage:** While small programs may provide very effective assistance for their clients, increased food prices will be felt widely by all the poor population in a country. Thus, a large share of this population will have to be reached in order to prevent the suffering and losses to human capital and livelihood that can result from further pauperization.

- **Administrative capacity:** Well functioning institutional mechanisms and administration are critical in order to increase capacity at short notice and to ensure transfers reach intended beneficiaries at the right time and place. Components of good program administration include:
  - Outreach effort to ensure those who might be eligible know about the program, its benefits, and how to apply.
  - Eligibility criteria that are technically sound and viewed as fair.
  - Payment system that delivers the right payment to the right persons at the right time, with low transactions costs to both the client and the program.
  - Management information system that allows for timely program operations and provides fiduciary safeguards.
  - Grievance and redress system to correct individual-specific errors in program processes.
  - Monitoring and evaluation system that provides information on processes and impacts so the program can be improved in execution continuously and in design when needed.
Communications strategy to inform about purpose, procedures and outcomes in a transparent way to different groups – clients, staff, the general public and funders.

Targeting mechanisms: Countries legitimately choose to have a mix of universal or broad based programs and narrowly targeted ones, and thus this criterion in a crisis response assessment is somewhat debatable, and its weight should probably be less than for the first three criteria mentioned. The use of universal programs (e.g. child allowances) for crisis response is quite expensive relative to more targeted options. And as it may be difficult to scale down universal benefits after a food price spike the tradeoffs between adequacy and sustainability may become particularly acute. Additionally, programs targeted by categories are not fully suitable as response vehicles either, as there are many poor people who are not part of the supported groups, which commonly include the disabled, often the elderly, and sometimes widows. Thus the ability to identify and reach poor populations through targeted assistance can be helpful in crisis response, particularly in light of resource constraints. Established targeting mechanisms can also provide policy makers with a transparent and accountable approach to justify policy choices.

In this summary assessment there are caveats with respect to the countries included and the subjectivity of the assessment.

It is prudent to keep an eye on other countries as well – those examined here are at the most structural risk, but others may be affected to one degree or another.

The determination of a country’s state of readiness is based on an analysis of available household survey data, program information and guidance from country teams, but inevitably the assignment of a category involves a great deal of judgment.

Even countries with a moderate or higher ranking of crisis readiness have a medium term agenda in terms of refining and enhancing their existing safety nets. Across all countries, and particularly in times of stability, there is an imperative to strengthen systems in different ways, whether through development of agile targeting systems, streamlining of programs, or improving basic administrative processes.

Key Findings

Response preparedness varies strongly across countries most affected by food price volatility. We find a strong basis for response in one country, a moderate base in six, a weak base in five, and one country is unprepared (see Table 2 for summary and Annex 2 for country specific information).⁴ The rest of the region is in general at less risk due to lower poverty or more local food production and tends to have more adequate safety nets.

In sum, most of the countries considered are more prepared in 2011 than they were in 2008 to help their populations cope with rising food prices.

Several countries have launched new programs that increase the reach of social assistance. Guatemala’s Mi Familia Progresa, Belize’s BOOST program, and Honduras’s Bono 10,000 are new CCTs. Nicaragua is developing the capacity of local community development agents to link households to all applicable services in its family and community-based social welfare model, and Haiti is piloting a similar program. El Salvador has developed an urban workfare program in small municipalities, a social pension and a large school feeding program.

Others have expanded coverage of existing programs – Mexico’s expansion into urban areas is strategic, the Dominican Republic has expanded and improved administration overall.

Several countries have undertaken or plan to undertake systematic improvements in their administrative systems, giving priority to improvements in targeting systems or beneficiary registries. Belize, Dominica, the Dominican Republic, El Salvador, Grenada, Guatemala, and Honduras all have been working on ambitious improvements.

There are some experimental efforts with respect to programs for urban areas – Bolivia’s Mi Primer Empleo, Guatemala’s Comedores Solidarios, El Salvador’s PATI, DR food baskets – but much more is needed.

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³ Country information is drawn from the sources listed in the appendix and correspondence with the World Bank country teams working with each country.
⁴ This is a little better than in a recent global assessment of 14 countries facing high price risks. In that one, there was 1 country with a strong base (Georgia), 7 with a moderate one (Azerbaijan, Bangladesh, Guatemala, India, Indonesia, Kyrgyz Republic, Pakistan), 3 with a weak base (Mongolia, Tajikistan, Viet Nam) and 3 were unprepared (Afghanistan, DRC, Haiti).
How Ready are Latin American and Caribbean Safety Nets for Food Price Increases?

Table 2 Crisis Response Preparedness across Countries Currently Flagged as Potentially Affected by Food Price Changes

<table>
<thead>
<tr>
<th>Strong Basis for Response</th>
<th>Countries have one or more programs with high coverage of poor, highly progressive targeting and good administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>Coordinated expansion of the Oportunidades CCT program and the Programa de Apoyo Alimentario (Feeding Support Program), especially in urban areas, give nationwide coverage to well-established transfer programs. Other measures include the introduction of the Vivir Mejor transfer for families with children aged 0-9, and recent revisions to targeting formulae. Government has demonstrated capacity to react quickly in response to crisis to protect enrolled beneficiaries.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Moderate Basis for Response</th>
<th>Countries have one or more operating and progressively targeted programs to build on, but with less than full coverage and/or a need for administrative improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia</td>
<td>The Bono Juana Azurduy and the Bono Juancito Pinto expanded in recent years to reach a higher number of low income mothers and children in school. The government has made efforts to improve targeting and to smooth the payment process.</td>
</tr>
<tr>
<td>Dominica</td>
<td>Dominica has been focusing on modernizing the administrative systems for its safety net programs – developing a proxy means testing system and beneficiary registry, and writing operations manuals for each program.</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>The Solidaridad CCT program has achieved coverage of about a quarter of the population. It is in the midst of a fundamental redesign to ensure that co-responsibilities are monitored and a new targeting census will begin shortly.</td>
</tr>
<tr>
<td>El Salvador</td>
<td>The rural CCT program focuses on the poorest rural areas and covers 106,000 poor families; it has recently been complemented in small urban areas by a new public works program focused largely on youth. Response capacity in urban areas remains limited.</td>
</tr>
<tr>
<td>Guatemala</td>
<td>The new CCT program MI Familia Progresa has quickly rolled out coverage in the last two years, starting in rural areas, covering now about a quarter of the population, but excluding major urban centers. It is also solidifying its administrative systems. To cover urban areas, the country has a small program of comedores populares where hot meals are served at subsidized prices; in December 2010 they served about 6000 lunches per day.</td>
</tr>
<tr>
<td>Honduras</td>
<td>In 2010, Honduras launched the Bono 10,000 CCT program, subsuming some of the earlier cash transfer programs to improve coverage, benefits, monitoring of co-responsibilities, and administrative capacity. The ultimate target population is set to be about 40 percent of the population, or 600,000 families, with full roll-out in 2013 depending on fiscal constraints. As of 2011, nearly 160,000 families are receiving benefits and another 100,000 are in the process of joining the program.</td>
</tr>
<tr>
<td>Jamaica</td>
<td>The PATH CCT program is solid and mature. Though relatively small, covering 13 percent of the population, it is tailored to the size of extreme poverty population in the country.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Weak Basis for Response</th>
<th>A large scale response would require fundamental changes to range, size, or targeting of programs and significant building of institutional capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize</td>
<td>Just as many of the small Caribbean states, Belize has a number of small programs poorly administered. Still, it has begun a transformation of the existing programs while initiating a CCT program and establishing a single beneficiary registry. Coverage so far is only 2 percent of the population, they are planning to roll out a CCT program over coming months.</td>
</tr>
<tr>
<td>Grenada</td>
<td>It is just beginning an initiative to consolidate its small and fragmented cash transfer programs, introduce co-responsibilities in health and education, and implement a Proxy Means Test to better target them.</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>Based on existing operational experiences, in late 2010 Nicaragua developed the family and community-based social welfare model, an integrated standard strategy focused on improving the well-being of extremely poor families. The model is poised for roll out in the poorest localities nationwide. In a few municipalities with higher concentrations of poverty, the model will be implemented with a small cash transfer, targeting families with children less than 13 years of age.</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>It has a number of small programs, also poorly administered. It recently established an inter-sectoral steering committee to oversee strengthening of safety nets and an action plan that prioritizes steps to take—the first being the modernization of its Public Assistance program.</td>
</tr>
<tr>
<td>St. Vincent and the Grenadines</td>
<td>Data systems are weak and monitoring is uneven. There is duplication of programs and leakage to non-poor is high. Impact evaluations are non-existent.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unprepared for Response</th>
<th>Countries in this category have very small programs with little institutional development, often geared only to specific sub-groups of the population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haiti</td>
<td>The government’s capacity in safety nets is very small both in budget and staff, but since the 2010 earthquake there has been significant international support, especially from the United Nations World Food Program. School feedings and cash for work are the main transfer programs. The government is piloting a new ‘household development agent’ program to reach households with a case management approach and a means of linking them to pertinent services in their areas. This could become the basis for a stronger safety net for the poorest households.</td>
</tr>
</tbody>
</table>
The country by country profiles in the appendices show in further detail a very dynamic picture of increasing safety net capacity. Yet, in the medium term, there is a need to help build safety nets that would be fully adequate for responding to rising food prices. This means:

- **In countries that lack one altogether**, development of at least one sound poverty targeted program;
- **In countries where urban areas are not covered by the main poverty targeted program**, either extending its coverage or developing complementary programs that can cover the urban poor, at least in times of heightened need;
- **Efforts to reduce, as much as possible, errors of exclusion caused by high transaction costs**, lack of information about programs among the poorest, stigma or the like.
- **Developing agile targeting systems**, especially allowing on-demand applications for poverty programs rather than relying solely on periodic enrollment (see Box 2).
- **Ensure that benefit levels** are kept up to date (see Box 3).
- **Developing or reinforcing nutrition programs**, including nutrition education and micronutrient supplementation.

### Box 2 Open/Closed Program Registration

The way that a safety net program sets up its registration can affect its readiness and/or usefulness to respond to a crisis. An open, or on-demand, registration that allows potential beneficiaries to apply for a program at any time would facilitate increased program enrollment during times of greater need. Of the countries at high risk from rising food prices, only Grenada, Jamaica, St. Lucia, St. Vincent and the Grenadines use such systems. In many cases due to financial and/or administrative capacity constraints, registration does not automatically lead to receiving benefits. For example, in Brazil, Bolsa Familia gives quotas to municipalities, and new families can join, only when current beneficiaries exit the program. Other programs have defined registration periods during which potential beneficiaries can enroll, but once these periods have closed, applicants must wait until the next open period to register (e.g. Mexico, Colombia, and Guatemala). Registration periods are usually determined by budget allocations that define a specific quota to be met. This approach makes it harder for programs to expand easily during crises, as starting a registration process is costly and administratively demanding. Yet other programs have a kind of hybrid approach that gives certain groups access to open registration (e.g. indigenous and quilombolas families in Brazil, displaced families in Colombia), which allows for these extremely vulnerable groups to join at any time.

### Ensuring complementarities among safety net and nutrition interventions.

### Box 3 Methods and Frequency of Updating Benefit Levels in Selected Programs

A relatively small number of programs have benefit levels that automatically adjust to changes in prices. Discretion may enter with respect to either the periodicity of reviews, or by how much benefits are raised at such reviews. In such cases the beneficiaries are less well protected against rising food prices than when benefits are indexed.

<table>
<thead>
<tr>
<th>Country</th>
<th>Program</th>
<th>Benefits Update</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia</td>
<td>Bono Juana Azurduy</td>
<td>Discretional</td>
<td>The government is studying the possibility of linking the value of the transfer to GDP growth.</td>
</tr>
<tr>
<td>Brazil</td>
<td>Bolsa Familia</td>
<td>Annual</td>
<td>The annual increase is not established in the operational manual but has been a de facto practice.</td>
</tr>
<tr>
<td>Colombia</td>
<td>Familias en Accion</td>
<td>Annual</td>
<td>In line with the consumer price index.</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>Solidaridad</td>
<td>Discretional</td>
<td>The average transfer was increased in 2008 to offset the increases in food prices.</td>
</tr>
<tr>
<td>Guatemala</td>
<td>Mi Familia Progresa</td>
<td>Discretional</td>
<td>Amount of transfer will be updated after results of the impact evaluation are disclosed.</td>
</tr>
<tr>
<td>Mexico</td>
<td>Oportunidades</td>
<td>Every six months</td>
<td></td>
</tr>
</tbody>
</table>
The World Bank Response

The Bank has active engagement on safety net issues in 14 of the 16 countries considered to be at high structural risk from rising food prices, and extensive engagement in ten of them. In several cases – Bolivia, Dominica, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, and Nicaragua – the engagement has been active for several years, involving not just diagnostic issues but implementation issues, and/or involving both analytical and advisory services and lending supervision or preparation. In other cases – Belize, Grenada, Guyana, St Lucia, and St Vincent and the Grenadines – the engagement with the Bank on safety net issues is much newer or more limited, focusing primarily on non-lending technical assistance, with the exception of Grenada, poised to borrow US$5 million in IDA funds to improve its safety net. The Bank has had no engagement in Suriname on safety nets in recent years.

In most of the 14 countries, the Bank has also provided Analytical and Advisory Activities (AAA) to help design or implement new programs or improve existing ones. In some countries it has helped produce educational videos and broker south-south experience exchanges, such as visits by Jamaican practitioners to Belize.

In total, the Bank has lent nearly $2.75 billion to help strengthen social programs in these countries. The Global Food Price Crisis Response (GFRP), Rapid Social Response (RSR) and Japanese Social Development Fund (JSDF) have supported responses to the food, fuel and financial crises since 2008. Haiti and Nicaragua have received support through all three of the trust funds, Honduras through JSDF and RSR, and Jamaica through JSDF. (For more details please see annexes).
How Ready are Latin American and Caribbean Safety Nets for Food Price Increases?
References


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_________. 2010e. Mongolia Social Protection Brief. Washington, DC.

_________. 2010f. SP Overview Pakistan Safety Net Report, Chapter 2. Washington, DC.

_________. 2010g. Policy Note Vietnam “Strengthening the social safety net to address new poverty and vulnerability challenges.” East Asia and Pacific Region. Washington, DC.

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_________. 2006 “Repositioning Nutrition as Central to Development: A Strategy for Large-Scale Action”. Washington DC.
Annex 1 Recommendations for Safety Net Policy Response

A country’s particular circumstances determine the best long-term policy response to a food crisis. In the short-run, however, a loose ranking of approaches should be considered.

Direct Transfers

- **Targeted cash transfers** of adequate coverage, generosity, and quality are the best option.
- **The second best option** is increasing the benefits across a large spectrum of social transfers, such as social pensions, survivorship pensions, disability pensions, unemployment benefits (where they cover the poor). Food stamps or vouchers have slightly higher administrative costs than cash, but can be politically popular.
- **Food distribution** in-kind is appropriate where markets are functioning poorly, where foreign assistance is only available in-kind, or where strategic grain reserves need to be rotated. Elsewhere in-kind programs will have higher than necessary administrative costs per unit of value transferred. They also have a limit on how much support can be transferred by beneficiary. Different types of food distribution includes take home rations, school feeding programs, distribution of fortified foods, onsite feeding through health centers; ready to use therapeutic foods in the home.
- **Public works programs** rarely achieve coverage sufficient to be the whole response to rising food prices, however, where public works programs exist, increasing their benefit or coverage may help. This may often be coupled with the introduction of lighter work-fare, which is easier to organize, involves less supervision e.g. road cleaning, grass cutting etc.
- **Where Conditional Cash Transfer (CCT)** programs already exist, increasing their benefit or coverage may be a key part of the response. However, establishing new CCTs may take too long and exclude the neediest or those suffering from acute but transitory income shocks.
- **Immediate across-the-board** wage increases via public sector and minimum wages are not desirable. Both instruments represent a permanent increase in wages in response to a shock that may be temporary, thereby fueling inflation and fiscal expenditures over the long run. They fail to increase wages among the poor, who are concentrated in the private, informal sectors.

Indirect transfers

- **Fee waivers or vouchers** for health and scholarships for education help households maintain access to services even if households become poorer.
- **Lifeline pricing for networked** utilities can be appropriate where the poor are connected to the network, have individual meters, volume differentiated tariffs are used, and the subsidized block of service is consonant with use by low-income households.
- **General food price subsidies are distortive**, costly, and hard to eliminate, although sometimes adroit choice of commodities can result in transfers that are nearly neutral in incidence and inclusive of the poor. They also have physical limitations (quantities of specific food items consumed) on how much income can be transferred in this way. General fuel subsidies tend to be very regressive, especially those on gasoline. Transport subsidies are more complex, and often not well targeted.

Further considerations:

- **In some cases**, but not all, it will be appropriate to scale social protection interventions back down as food prices find their new long term level and households and wages adjust to it, however where safety nets were grossly inadequate it may be desirable to keep them.
- **Specific nutrition and health interventions** are often needed to complement social protection programs.
- **The educational goals** of keeping children in school can be assisted in the face of growing poverty through income transfers and demand-side education interventions.

<table>
<thead>
<tr>
<th>Country</th>
<th>World Bank Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize</td>
<td><strong>Analytical and Advisory Activities (AAA).</strong> Safety Nets Non-Lending Technical Assistance (NLTA) supports the design and implementation of the new Conditional Cash Transfer (CCT) BOOST program</td>
</tr>
<tr>
<td></td>
<td><strong>Trust Funds:</strong> South-South Experience Exchange provided expert visits to help design the BOOST program.</td>
</tr>
<tr>
<td>Bolivia</td>
<td><strong>AAA.</strong> Programmatic Social Safety Nets NLTA.</td>
</tr>
<tr>
<td></td>
<td><strong>Lending.</strong> Investment in Children and Youth Project (ICY). US$17 million to finance cash transfers to the CCT Bono Juana Azurbedu Program; and to provide training and internships for poor youth in urban areas.</td>
</tr>
<tr>
<td>Dominica</td>
<td><strong>Lending:</strong> US$1.45 million for a Growth and Social Protection Technical Assistance Credit. The project funded, among others, the design and implementation of a Management Information System and Operational Manuals for key social assistance programs. Credit closed in December 2010.</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td><strong>AAA.</strong> Programmatic Social Sectors NLTA</td>
</tr>
<tr>
<td></td>
<td><strong>Lending.</strong> The Performance and Accountability of Social Sectors (PASS) lending series supports the redesign of the Solidaridad program into a full-fledged CCT among other intersectoral coordination, planning, and accountability policy actions; Social Protection Investment Project (SPIP) supports improved targeting and documentation mechanisms.</td>
</tr>
<tr>
<td></td>
<td><strong>Trust Funds:</strong> several funds will provide institutional strengthening related to the PASS reforms.</td>
</tr>
<tr>
<td>El Salvador</td>
<td><strong>AAA:</strong> Technical Assistance to develop a registry of beneficiaries to improve targeting.</td>
</tr>
<tr>
<td></td>
<td><strong>Lending:</strong> US$50 million to provide temporary income support to unemployed conditional on participation in community projects and training; and to improve labor intermediation, information and training systems</td>
</tr>
<tr>
<td>Grenada</td>
<td><strong>AAA:</strong> NLTA to fund a social safety net assessment aimed at identifying strengths and weaknesses in the social assistance system to improve the safety net.</td>
</tr>
<tr>
<td></td>
<td><strong>Lending:</strong> Development Policy Lending (DPL) with a social protection pillar whose prior actions included the establishment of an inter-sectoral steering committee to oversee safety net strengthening initiative, and an Action Plan with priorities spelled out; investment operation for US$5 million to consolidate the country’s three CCTs.</td>
</tr>
<tr>
<td>Guatemala</td>
<td><strong>Lending:</strong> Maternal and Infant Health and Nutrition Project (US$49 million) supports the community-based nutrition program, AINM-C.</td>
</tr>
<tr>
<td>Guyana</td>
<td><strong>Lending:</strong> as part of the Education for All project, an impact evaluation of the Community Based School Feeding program was carried out in 2011 with support from the WB.</td>
</tr>
<tr>
<td>Haiti</td>
<td><strong>AAA:</strong> NLTA on nutrition and social safety net to invest in knowledge generation activities and in strengthening effectiveness of nutrition and social safety nets programs</td>
</tr>
<tr>
<td></td>
<td><strong>Lending:</strong> Operation for a US$3 million cash for work program in areas affected by the earthquake; Operation for US$3 million that aims at testing and learning lessons from a new mechanism to improve family health and nutrition practices, and strengthen capacity to deliver social services directly to families in the pilot area</td>
</tr>
</tbody>
</table>
## Table 1A Current World Bank Engagements in Countries Structurally at Risk from Rising Food Prices

<table>
<thead>
<tr>
<th>Country</th>
<th>World Bank Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honduras</td>
<td><strong>Lending</strong>: US$ 40 million to support expansion of CCT Bono 10,000 program and institutional strengthening to build administrative capacity to operate the program. <strong>Trust Funds</strong>: Safety Net Emergency trust fund supports development of a new targeting mechanism including a registry of beneficiaries to improve targeting of generalized subsidies for energy, gas and transport.</td>
</tr>
<tr>
<td>Jamaica</td>
<td><strong>Lending</strong>: Operation for US$40 million to (i) improve the effectiveness of the PATH CCT; (ii) develop a structured system for assisting working-age members of PATH households seek and retain employment; (iii) enable the formulation of a reform program for the public sector pension schemes; and (iv) develop a holistic social protection strategy. <strong>Trust Fund</strong>: US$ 3 million to improve coverage of poor elderly and disabled in the national CCT.</td>
</tr>
<tr>
<td>Mexico</td>
<td><strong>Lending</strong>: US$2,500 million for the expansion of the Oportunidades Program. <strong>AAA</strong>: NLTA to support the development of a more comprehensive and integrated social protection strategy, and revision of Oportunidades targeting instrument.</td>
</tr>
<tr>
<td>Nicaragua</td>
<td><strong>Lending</strong>: US$19.5 million operation to (i) improve the basic conditions of welfare and social well-being of extremely poor beneficiary families with children; (ii) strengthen the capacity of Ministry of the Family to implement the family and community-based social welfare model; and (iii) promote pre-school and primary school attendance through the provision of school lunches. <strong>Grant</strong>: US$ 3 million for the Support of the School Feeding Program.</td>
</tr>
<tr>
<td>St. Lucia</td>
<td><strong>AAA</strong>: NLTA to fund social safety nets assessment aimed at identifying strengths and weaknesses in the social assistance system; consensus building on how to improve the safety net. <strong>Lending</strong>: DPL with a social protection pillar that looks to improve the Safety Net and validate the Proxy Means Test currently in use for the country’s Koudemain program.</td>
</tr>
<tr>
<td>St. Vincent and the Grenadines</td>
<td><strong>AAA</strong>: NLTA to fund a social safety net assessment aimed at identifying strengths and weaknesses in the social assistance system; consensus building on how to improve the safety net.</td>
</tr>
<tr>
<td>Surinam</td>
<td>none</td>
</tr>
</tbody>
</table>
Main Safety Net Interventions

- **Belize spends 5.7 percent of GDP on Social Protection**: 2.8 percent on Social Insurance and 2.9 percent on Social Assistance.

- **In early 2011**, the government launched a Conditional Cash Transfer (CCT) program, BOOST (Building Opportunities for Our Social Transformation), that utilizes a Proxy Means Test to target indigent families with children, elderly, and persons with disabilities.

- **The CCT benefit is** US$22 per month per person to a maximum of 6 per household.

- **The program recently expanded** to reach 3,000 beneficiaries and planned to cover another 6,000 beneficiaries by July 2011 (to reach 2.7 percent of the population).

- **Belize also provides in-kind assistance** to families in need – food banks, rent assistance, medical services, education expenses, etc.

- **The Government also launched** a Food Assistance Program to provide basic food items at a subsidized cost to the elderly poor and marginalized women and children.

- **To fight malnutrition**, the government implements an Iron and Folic Acid Distribution program that reached 9,000 poor women and girls in 2009 in highly vulnerable areas.

- **Pensions**: Belize has a non-contributory pension program which covered 3,859 persons (2,585 women and 1,274 men) in 2009.

Key Issues for Food Crisis Preparedness

- **Most assistance programs** do not effectively reach the poor due to the lack of a single beneficiary registry or an institutionalized, nationwide targeting mechanism.

- **Programs are not very effective** due to low coverage and generosity.

- **In times of hardship**, families most often seek politicians’ help to solve their problems, which underscores the limitations in programming, coverage and transparency of Belize’s existing safety net.
Main Safety Net Interventions

Bono Juana Azurduy (CCT)
- This conditional cash transfer program provides money to families with poor pregnant women and/or mothers of children under two years of age. The program creates an incentive for families to invest in health and to improve the nutritional status of young children and to provide financial support to increase food consumption.
- The program was launched in 2009 with the objective of reducing chronic malnutrition. It now covers 260,000 pregnant women and children out of 596,000 eligible population (43 percent). The program is open to new beneficiaries.
- Pregnant women who complete four prenatal controls and a delivery attended by health agents can receive up to US$ 45. Families receive US$107 per child per year.

Bono Juancito Pinto
- This program was launched in 2008 and targets children in primary school between grades 1 through 8.
- Nearly 2 million children or 20 percent of the country's population receive nearly US$28 at the beginning of each school year.

Renta Digna
- The program pays US$28 per month to people 60 and older. The program is financed by earmarked tax on oil and gas production and gasoline consumption.
- Currently more than 680,000 individuals are beneficiaries.

Key Issues for Food Crisis Preparedness
- The country has focused so far on separate programs for different demographic groups rather than developing a single poverty targeted program.
- The country has a good network of municipal social assistance offices that might be called into play in a crisis. Those offices, however, are not presently involved in national social assistance programs.

Background Statistics
- GDP per capita US$ 1,630 (2009)
- Population 10 million (2009)
- Poverty rate 30.4% (2005)
- Malnutrition stunting: 27.1% and wasting: 1% of children under 5 (WHO, 2010 and UNICEF, 2011)
- Fiscal balance % of GDP 2.0 (2010)

Source: WDI and IMF Article IV Consultations

Bank Engagement
- Lending
- AAA Trust Fund

Extreme Poverty Rate

Source: UDAPE, ECLAC.
(p) preliminary
(est) estimated
Main Safety Net Interventions

Solidaridad (CCT)

The Solidaridad program was created in 2005 to strengthen the safety net and improve crisis response systems after the 2002-03 domestic banking crisis, by combining two existing programs: Comer es Primero (Eating Comes First) and Incentivo a la Asistencia Escolar (School Attendance Incentive).

The CCT targets families living in extreme or moderate poverty with children aged 0–16 years and the elderly poor through the SIUBEN single beneficiary registry agency and proxy means test.

Currently the program benefits some 530,000 poor households (approximately 25 percent of all households, though not all individuals in the households are covered) with an average monthly transfer of US$32 per household.

In responding to the crisis, the Government will increase the coverage of Solidaridad by 60,000 households by the end of December 2011.

The Government has also utilized Solidaridad and SIUBEN to replace universal gas and electricity subsidies with targeted gas and electricity transfers (Bonogas and Bonoluz, respectively) under the Solidaridad card.

Sharp increases in oil prices and electricity generation have had a severe impact in the country; the Government has responded by increasing the coverage of Bonoluz transfers to reach 250,000 clients by the end of 2011, among other actions.

To fight malnutrition, the Government is providing a nutrition package with fortified food supplements to children under-five and pregnant women as well as powdered micronutrient supplements to young children.

In coordination with the social sectors, the Government is also creating 800 Agricultural Marketplaces to sell fortified food baskets at below market rates and strengthen domestic agricultural production, impacting over 640,000 families

Key Issues for Food Crisis Preparedness

During the 2008 food price crisis, the government increased transfers of the Comer Es Primero program under the Solidaridad program, while initiating a fundamental redesign of the latter into a fully-conditional transfer program that promotes human capital development.

SIUBEN will undertake a new socioeconomic study to update its proxy means test and beneficiary registry, covering 1.8 million households in the second half of 2011.

The GoDR could also expand its safety net framework by including a nation-wide temporary employment program that would target near-poor, vulnerable households that are not eligible to benefit from the CCT program Solidaridad. A pilot is currently underway in the city of Santiago.
Main Safety Net Interventions

- **Public Assistance**: a cash transfer program targets indigent households, including single parent families and families in which both parents are unemployed. The program benefits around 1,700 beneficiaries per month.

- **School Feeding**: 1,100 beneficiaries are served annually.

- **Public Works**: the Road Maintenance Program employs workers for approximately two to four week periods to clean roadways and do light repair and maintenance work on roads and sea walls. Approximately 900 workers are hired each year.

Key Issues for Food Crisis Preparedness

- **The Government of Dominica operates** a modern social protection system with a streamlined system for targeting beneficiaries and the administrative capacity to deliver social assistance efficiently.

- **The targeting instrument and information systems** are new and it remains to be seen how well they are administered and, therefore, the extent to which they can improve coverage and decrease duplication of programs.

Background Statistics

- GDP per capita **US$ 4,900 (2009)**
- Population **74,000 (2009)**
- Poverty rate **28.8% (2009)**
- Malnutrition **N/A**
- Fiscal balance % of GDP: **-1.2 (2010, Est.)**

Source: WDI and IMF Article IV Consultations

Bank Engagement

- Lending
- AAA
- Trust Fund
**Main Safety Net Interventions**

**Comunidades Solidarias Rurales (CCT)**

- This program provides a cash benefit to poor households in exchange for a child's school enrolment and regular health checkups.

- Transfer amounts are $15 per month for households eligible for the health benefit, and $20 per month for households eligible for both the health and education benefits.

- The program was initially rolled out in the poorest 15 municipalities in the country and now provides benefits to households with children aged 0 to 18 in the poorest 100 rural municipalities of the country.

- Currently 106,000 families receive benefits, the equivalent of about 8 percent of the total population.

- As of 2009, Comunidades Solidarias Rurales had a budget of US$40 million – 0.2 percent of El Salvador's GDP. The program has now started to expand into urban areas.

- A social pension component called Pensión Básica Universal was created, which initially targeted 7,000 individuals aged 70 years old or above in the poorest 32 municipalities.

**Programa de Apoyo Temporal al Ingreso (PATI)**

- PATI operates in urban areas. The program started in 2010 with pilots in two municipalities and expanded to 24 in 2011. It will reach 60,000 families by the end of 2014, representing about 30 percent of households in the selected poorest 43 poor urban municipalities, which contain about half the country’s urban population.

- It provides a temporary monthly transfer of US$100 per family in exchange for their participation in community activities and in training programs. Program beneficiaries participate in the program for 6 months.

- Priority for participation is given to unoccupied youth ages 16-24 and female-headed households.

**School based programs**

- School feeding and packages of school materials and uniforms will eventually reach 1,350,000 students, representing universal coverage of public primary and secondary schools.

- Glass of Milk (Vaso de Leche): the program was launched in January 2011 and will reach 528,000 children in the 121 poorest municipalities in the country.

**Key Issues for Food Crisis Preparedness**

- Lack of preparedness and coverage in urban areas.

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**Background Statistics**

- GDP per capita **US$ 3,370 (2009)**
- Population **6 million (2009)**
- Poverty rate **39.9% (2008)**
- Malnutrition stunting: **24.6% and wasting: 1.5% of children under 5 (WHO, 2010 and UNICEF, 2011)**
- Fiscal balance % of GDP **-4.8 (2010)**

Source: WDI and IMF Article IV Consultations

**Bank Engagement**

- Lending
- AAA
- Trust Fund

---

**El Salvador**
Main Safety Net Interventions

- **Social assistance spending** represented approximately 3.2 percent of GDP and 9.2 percent of central government expenditures in 2008.

- **Grenada’s safety net includes** three targeted cash transfer programs:
  - Public Assistance program: benefits 4,000 poor individuals (mostly elderly) with a flat benefit of US$74 per month
  - Necessitous Fund: transfers US$37 per month to 4,000 children in primary and secondary school.
  - School Transportation Allowance scheme.

- **The government is in the process of consolidating these programs into one.** With this consolidation will come the design of a Management Information System and a Central Beneficiary Registry to track payments and data on beneficiaries, linking the latter to other social assistance programs for which they are eligible; the introduction of co-responsibilities in health and education for beneficiaries of these transfers, and a Proxy Means Test to better target program benefits to the poor.

- **In addition, the country has a School Feeding Program**, which provides a cooked meal to approximately 9,500 students with free meals supposedly provided to students who are poor.

Key Issues for Food Crisis Preparedness

- **Spending on social assistance is aligned with the regional average but highly variable**, mostly depending on availability of funding, and heavily reliant on external funding

- **Challenges**: errors of exclusion are significant, benefit levels differ between programs, sound monitoring mechanisms are absent, and accountability and control are weak.

- **While Grenada is embarking on** a major transformation of the key social programs that could mitigate the impact of food price increases, this initiative is new and will not be fully operational until late in 2012.

Background Statistics

- GDP per capita **US$ 5,580 (2009)**
- Population **104,000 (2009)**
- Poverty rate **35.3% (2008)**
- Malnutrition **N/A**
- Fiscal balance % of GDP **-3.3 (2010)**

Source: WDI and IMF Article IV Consultations

Bank Engagement

- Lending
- AAA
- Trust Fund

Social Assistance Expenditures as a Percent of GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>Recurrent</th>
<th>Capital</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>2004</td>
<td></td>
<td></td>
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<td>2005</td>
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<td>2008</td>
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</table>

Source: [Bank of Canada](http://www.bankofcanada.ca)
Main Safety Net Interventions

Mi Familia Progresa (CCT)

- **MiFaPro provides cash payments** to poor mothers in rural areas on the condition they send their children to school and regular health check-ups.

- **The program started in April 2008 and expanded very rapidly.** It now covers more than 900,000 families (60 percent more than in 2009) and more than 2.5 million children. In 2010 the program cost 0.34 percent of GDP.

- **In 2010 the program improved transparency and verification of health and education conditionalities** and now aims to improve efficiency and effectiveness, strengthen management capacity at the national and local levels, and improve business processes.

Atención Integral a la Niñez y la Mujer en la Comunidad (AINM-C) (Community-based nutrition intervention)

- **AINM-C prevents malnutrition in children under-two and pregnant and lactating women through a community-based intervention.** As of 2011, it covered more than 3,200 communities, 94,500 children under-two, and 177,000 mothers.

Key Issues for Food Crisis Preparedness

- **The CCT program and its Proxy-Means Test (PMT) targeting method represent an important mechanism in reaching the poorest households in the country's rural areas.** However, this would leave out the urban poor who might be hit significantly by increases in food prices and who cannot resort to own production and are not covered by the program.

- **The government program Comedores Solidarios provides low-cost, nutritious meals to the urban poor.** Targeting performance and the capacity of the program to expand in response to a crisis are uncertain.

- **In 2010, the Government initiated the development of an Integrated Beneficiary Registry,** which aims to improve the targeting and selection of beneficiaries of social protection programs like scholarships, in-kind transfers, etc.
Main Safety Net Interventions

- A range of safety net operations have been established by the Government and donor partners, especially in the areas of school feedings, labor intensive public works and nutrition.

- Support to ongoing reforms and poverty reduction: Increasing expenditures on direct social assistance, through school feeding programs, mother-child programs, and labor intensive public works; and indirectly through subsidies on food commodities. In 2008, World Bank’s Global Food Price Crisis Response funds were used to safeguard the Government’s ongoing reform and poverty reduction program by helping to partially fill the unanticipated financing gap created by the food price crisis. In 2009, Rapid Social Response funding ($3 million) was used to support basic health, education and nutrition needs.

- Post earthquake recovery and rehabilitation: Creating opportunities for the poor and vulnerable to earn an income, while rehabilitating basic infrastructure and services (remove rubble, clean street, clear drains, collect waste and restore water supplies). These efforts target the poor and vulnerable living in Port au Prince and in areas such as Gonnaives and St Marc. They include the World Bank’s Japanese Social Development Fund - Community Cash for Work Project (S$ M) 2010; as well as Education for All – and an Additional Grant to increase coverage of school feeding and access to schooling through tuition waivers.

Key Issues for Food Crisis Preparedness

- The government maintains certain policies and programs implemented after the earthquake that might be useful, e.g. cash and in-kind transfers, often with support of the United Nations World Food Programme. But a more institutionalized and structured response capacity is lacking. Rising food prices threaten to unravel some of the progress in building capacity and response in the aftermath of the January 2010 earthquake, with the potential to cause social unrest.

- A number of safety net programs have been developed by the Government, donors, and Non-Governmental Organizations, but funding and coverage are limited and do not cover the neediest. Administrative capacity is weak and fragmentation is notable. The Ministry with the mandate for safety nets is grossly underfunded (1 percent of total internal budget) and under-staffed.

- Poverty targeting is a challenge given deficiencies in the quality of information of food prices, price transmission, food stocks and policy responses.

- Although remittances are partly considered the most important safety net programs, they tend to exclude the poorest that are living in rural areas.

Background Statistics

- GDP per capita **US$ 733 (2009)**
- Population **10 million (2009)**
- Poverty rate **54% (2009)**
- Fiscal balance % of GDP: **-2.9** (2010)

Source: WDI and IMF Article IV Consultations

Bank Engagement

- Lending
- AAA
- Trust Fund

Annexes

2011 Global Food Price Increases and Safety Net Readiness
Honduras

Main current safety net interventions

- Honduras spending on social programs is only equivalent to 3.6 percent of GDP. (half in social insurance and half in social assistance), much lower than the regional average.

**Bono 10,000 (CCT)**

- This Conditional Cash transfer program currently covers 160,000 poor households and plans to expand to 600,000 families by 2013 or 40 percent of the country’s population.
- Each family that complies with health and education conditionalities receives an average transfer of US$44 per month.
- The eligible population for this Program ultimately comprises approximately 600,000 extremely poor families with children aged 0 to 59 months, children in primary school (grades 1 to 6), and pregnant mothers. These families represent about 87 percent of all extremely poor families.

Other programs

Atencion Integral de la niñez en la Comunidad (Community Based Nutrition Intervention) This program addresses malnutrition in children with community participation. The program reached 1000 communities and 30,000 children in 2011.

- School feeding – Merienda escolar provides free school breakfast to all children in basic public primary education. Almost 1,500,000 children are direct beneficiaries of the program. In 2010 the school breakfast program has been enriched with the addition of a glass of fresh milk for about 500,000 children.

Key Issues for Food Crisis Preparedness

- Honduras has the instruments to cover most of the risks facing the poor and other vulnerable groups. However most programs have limited coverage and generosity and therefore limited impact on the groups at risk.
- The recently introduced CCT program will have better coverage - about 40 percent of the population - close to the extreme poverty rate, and with a more adequate level of benefits.
- In 2010 a new law on food security was passed that promotes coordination among the various policies and programs.

Background Statistics

- GDP per capita **US$ 1,800** (2009)
- Population **7 million** (2009)
- Poverty rate **29.7%** (2006)
- Fiscal balance % of GDP: **-4.5** (2010)

Source: WDI and IMF Article IV Consultations

Bank Engagement

- Lending
- AAA
- Trust Fund

2011 Global Food Price Increases and Safety Net Readiness
Main Safety Net Interventions

Programme of Advancement through Health and Education (PATH)

- This program was launched in 2002 and has become the country's flagship social assistance program providing cash transfers to almost 372,000 households in 2011.

- The program targets poor children aged 0 to 19, poor pregnant women and lactating mothers, the elderly poor, poor persons with disabilities, and destitute adults under the age of 65.

- The current benefit level is US$7 per eligible person per month.

- The Government of Jamaica introduced in June 2010 a minimum income floor for PATH beneficiaries to ensure a minimum safety net to all poor families.

- The program is in the process of completing a second impact evaluation.

School Feeding Programme

- This program was re-launched in 2010 with support from the Inter-American Development Bank with the objectives of improving school attendance and alleviating hunger.

- Currently 397,000 students benefit from free meals.

- SFP is updating and modernizing its operating procedures and information systems to improve its effectiveness.

Key Issues for Food Crisis Preparedness

- Substantial coverage of the poor and established beneficiary registry give a good basis of response (46 percent of the poor receiving any type of social assistance, 13 percent receiving social insurance)

- PATH and School Feeding programs expanded coverage and benefits during previous crisis to protect poor households but they need to be rationalized and strengthened to better respond in the future.

Background Statistics

- GDP per capita US$ 4,590 (2009)

- Population 3 million (2009)

- Poverty rate 14.3% (2006)

- Malnutrition stunting: 3.7% and wasting: 4% of children under 5 (WHO, 2010 and UNICEF, 2011)

- Fiscal balance % of GDP: -7.5 (2010. Est)

Source: WDI and IMF Article IV Consultations

Bank Engagement

- Lending
- AAA
- Trusf Fund
Main Safety Net Interventions

Oportunidades (CCT)
- This program currently covers 5.7 million beneficiary families or 21 percent of the total population.
- Families receive an average transfer of US$51 per month.
- The program expanded its coverage by 400,000 households in 2010, modifying the targeting system and introducing distinctions for urban and rural areas, which allowed more urban families to join, as well as added a new cash benefit for participants with young children.

Programa de Apoyo Alimentario (Feeding Support Program)
- Families receive an average transfer of US$51 per month.
- Was created in 2004, and was designed to meet the minimum food requirements of the poor not covered by the Oportunidades Program.
- Benefits 670,000 poor families and since 2010 is operated by the National Coordination of Oportunidades.

Sistema de Protección Social en Salud (SPSS, Social Protection Health System)
- Constitutes a cornerstone of Mexico’s social protection system for people lacking contributory social security, including the poor and other vulnerable groups.
- The SPSS was launched in 2002 to achieve universal health insurance coverage by 2010. Main pillars of the SPSS are voluntary health insurances called Seguro Popular and Seguro Médico para una Nueva Generación and a funding mechanism for the treatment of high cost, low incidence diseases called Fondo de Protección contra Gastos Catastróficos.
- Coverage was expanded during the economic crisis. As of the end of 2009, there were more than 31 million individuals enrolled, more than half of the approximately 48 million total eligible individuals. Likewise, the benefits covered by the Seguro Popular expanded significantly.

Key Issues for Food Crisis Preparedness

During 2010 the Government expanded its major safety net programs, increasing both coverage and the level of payments, and raising crisis readiness considerably. The main challenges are to maintain the focus on cash transfers, as opposed to in-kind transfers, and to maintain high quality coverage in urban areas.

Background Statistics

- GDP per capita US$ 8,960 (2009)
- Population 107 million (2009)
- Poverty rate 4.8% (2006)
- Malnutrition stunting: 15.5% and wasting: 2% of children under 5 (WHO, 2010 and UNICEF, 2011)
- Fiscal balance % of GDP: -0.7 (2010, projected)

Bank Engagement

Lending  AAA  Trust Fund

Poverty Evolution in Urban Areas

Source: Coneval based on ENIGH
Main Safety Net Interventions

- Nicaragua social program spending of 7.7 percent of GDP is well above the average in the Central America region.
- **Family and Community-based Social Welfare Model.** The target population is extremely poor families, just over 15 percent of all families in Nicaragua.
- **The Model is based on the Family Ministry’s** (MIFAN) recent operational experience (Children at Risk Program, early childhood development programs, among others) and provides a more integrated strategy for improving the well-being of extremely poor families.
- **The Model has three main elements:** (i) community-based educational workshops; (ii) professional one-on-one family counseling; and (iii) in the context of both (i) and (ii) the provision of information and referrals to other social services and programs available at the local level.
- **The MIFAN is expected to expand the Model nationwide.** In a few municipalities with higher concentrations of poverty, the Model will be implemented with a small cash transfer, targeting 20,000 families with children less than 13 years of age.

**Programa Integral de Nutrición Escolar (PINE, Integral School Feeding Program)**

- The program benefits nearly 846,000 students, all children in public pre-primary and primary schools. The program is one of the more pro-poor among social programs.

**Programa Productivo Alimentario (PPA, Food Production Program)**

- It is part of the Zero Hunger (Hambre Cero) program, the Government’s anti-poverty flagship program.
- **PPA seeks to eradicate hunger, chronic malnutrition,** extreme poverty and unemployment for 75,000 rural poor families by helping them increase their food production.

Income support: there are several water, electricity, transportation, and food subsidies.

**Key Issues for Food Crisis Preparedness**

- Sustainability of the school feeding program is a challenge.
- Low coverage of other programs.
- Limited capacity for nationwide response.

### Background Statistics

- GDP per capita **US$ 1,000 (2009)**
- Population **6 million (2009)**
- Poverty rate **46% (2009)**
- Malnutrition stunting: **18.8%** and wasting: **2.3% of children under 5** (WHO, 2010 and UNICEF, 2011)
- Fiscal balance % of GDP: **-2.0 (2010)**

Source: WDI and IMF Article IV Consultations

### Bank Engagement

- **Lending**
- **AAA**
- **Trust Fund**

### Targeting of Social Programs: Concentration Index

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<td>Crédito rural</td>
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### Income GIC

- Total (years 2005 and 2009)
- Annual growth rate %
- Expenditure percentiles

### Consumption GIC

- Total (years 2005 and 2009)
- Annual growth rate %
- Expenditure percentiles
Expenditures on social assistance represent 2.2 percent of GDP and 4.6 percent of central government expenditures.

Social Assistance Programs include:

- National Insurance non-contributory assistance pensions.
- Multiple cash and in-kind benefits, provided primarily through the Public Assistance Program.
- Multiple student support schemes, including the School Feeding Program, Scholarship Program, Book Loan Program, Education Assistance through Public Assistance, and subsidized school bus service in rural areas.
- Active labor market programs including short-term employment, second chance education, pre-employment training, job search assistance, and support to micro-entrepreneurs.
- In addition to these social protection programs, the Government introduced a number of duty waivers and subsidies in response to the price increases in food and fuel. Government reduced import tariffs on a number of food stuffs and introduced a subsidy on the electricity surcharge. Government also subsidizes agricultural inputs. Christmas F barrels for Families were allowed to enter duty-free. Government also removed the General Consumption Tax from basic food items as part of the CARICOM Common External Tariff Agreement, a regional response to increases in the cost of food and fuel.

Key Issues for Food Crisis Preparedness

Challenges:

- Systems for Public Assistance need to be modernized.
- Programs for the elderly overlap.
- Considerable leakage to the non-poor in students programs.
- Program monitoring is uneven and programs evaluations virtually non-existent.
Main Safety Net Interventions

- Expenditures on social assistance represent less than 1.3 percent of GDP and 2.9 percent of central government expenditures.

- St. Lucia implements a number of targeted social assistance programs, including the following:
  - Public Assistance Program, which is targeted to the “needy” and reaches about 25 percent of poor households.
  - Multiple student support schemes, including the Book Bursary and Book Rental programs, transportation to school for needy secondary students, various education assistance programs, and fee waivers for school meals.
  - Community Day Care Program and the Roving Caregivers Program.
  - The St. Lucia Social Development Fund, which implements community infrastructure and development projects as well as programs targeted to individuals and households.

Key Issues for Food Crisis Preparedness

- Challenges: multiple targeting mechanisms, inclusion and exclusion errors, overlap of multiple agencies, reduced capacity in the Public Assistance Program, sound monitoring mechanisms are absent, and accountability and control are weak.

- The social safety net does not adequately protect children, single parents (who are predominantly women) or the working age poor.

- The safety net is not flexible enough to respond efficiently in emergency situations.

- While the Government has started to address weaknesses in its social safety net through the completion of a social safety net assessment and the strengthening of its Public Assistance Program, these efforts are nascent and improvement in duplication and low coverage have not yet been resolved.

Background Statistics

- GDP per capita US$ 5,190 (2009)
- Population 172,000 (2009)
- Poverty rate 28.8% (2005/06)
- Malnutrition N/A
- Fiscal balance % of GDP: -7.2 (2010, Est.)

Source: WDI and IMF Article IV Consultations

Bank Engagement

- Lending
- AAA
- Trust Fund

Poverty and Indigence over Time

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## Annex 2 Food and Fuel Crisis Response Funding from the World Bank’s GFRP, RSR and JSDF Programs, 2008-2011

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<th>No.</th>
<th>Country</th>
<th># of Projects</th>
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<th>TOTAL SSN Component US $ Million</th>
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### Latin America & The Caribbean

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How Ready are Latin American and Caribbean Safety Nets for Food Price Increases?

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