



Social Protection Responses to Rising Food Prices: Bolivia and Nicaragua



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BBL: Food Prices, Vulnerability and Social Protection Reform in LAC

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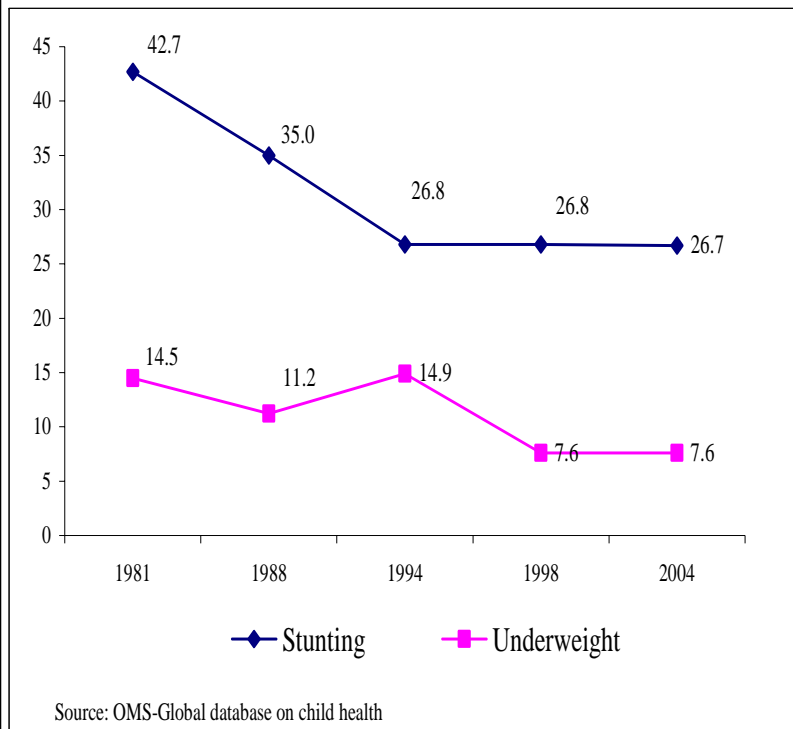
Case Study Overview: Bolivia and Nicaragua

- Country context
- SP Response
- Bank Instruments



Bolivia: Country Context

Desnutrición crónica (talla/edad) y bajo peso en Bolivia, 1989-2003

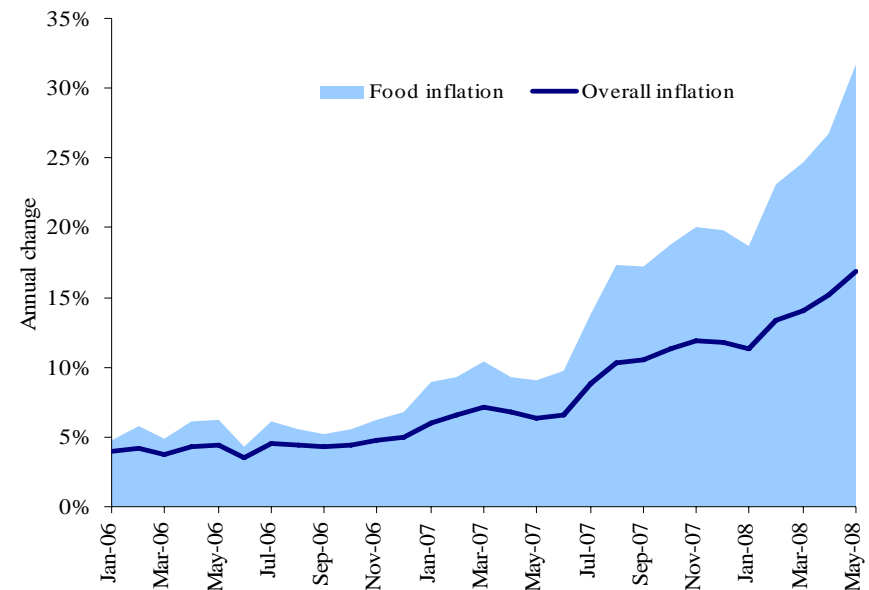


- Environment of high poverty, vulnerability (60% poverty; 38% extreme poverty; 62% in rural areas) higher among indigenous;
- Divergent conditions in rural and urban areas;
- Severe chronic malnutrition in rural areas (27% of children under 5; 50% for indigenous). Among highest in region.



Bolivia: Country Context

- Acute rise in overall inflation (17% May '08); sharper for food inflation (32% year-on year);
- Exacerbated by impact of El Niño and La Niña floods on agriculture;
- Rising prices have potentially devastating impact – Q1 spends 72% of income on food;
- Projected 2% increase in poverty; 1.4% in poverty gap (Ivanic and Martin).





Bolivia: SP Response

- The SP Program for Mothers and Children (MCP) – A nutrition-focused CCT;
- Under the umbrella of the GoB's flagship Zero Malnutrition Program;
- Targeted to pregnant women and children < 2 in poorest rural areas (using municipal vulnerability index);
- Pilot phase in 52 municipalities; estimated 40,000 beneficiaries;
- Conditioned on pre-natal check-ups; growth counseling;
- Benefit amount equivalent to 10% of household consumption for 33 months.



Bolivia: SP Response, Options

- Request from Minister of Development Planning for GFRP support through MCP;
- Estimated consumption impact of the crisis is equivalent to 0.1% GDP (US \$11 million) for Q1 and 0.4% (\$44 million) for Q2;
- Cost of increasing coverage of MCP to 100,000 rural households (estimated number of eligible hhs in Q1 and 2) is estimated at \$40 million per year (0.35% of GDP).



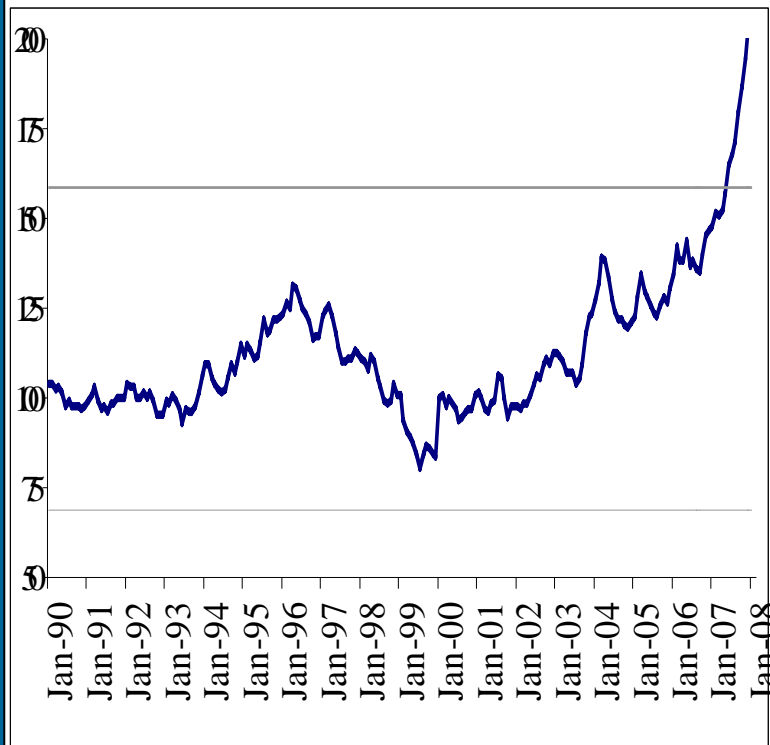
Bolivia: Bank SP Instruments

- Investing in Children and Youth Project (US \$17 million); approved 3/2008;
 - Support for MCP transfers, capacity building.
- Health APL III (US \$18.5 million); approved 3/2008;
 - Support for supply side of MCP.
- Social Protection AAA;
 - Programmatic analysis, TA, dialogue;
 - Identified malnutrition challenge.
- Social Protection will be a pillar of CPS, under preparation.



Nicaragua: Country Context

Food Price Index (1990=100)

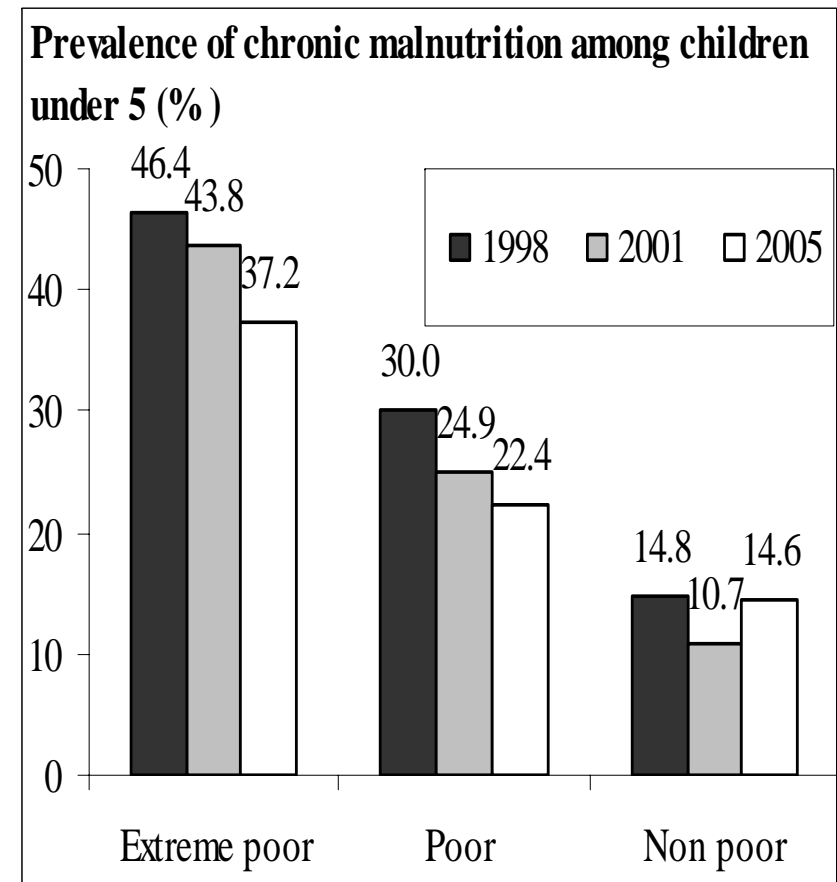


- Rapid rise in food inflation (25% accumulated year-on-year in February 2008);
- Compounded by impact of natural disasters on agriculture (Hurricane Felix; flooding);
- Prices are not expected to fall over the medium term.



Nicaragua: Country Context

- Impact on the poor is expected to be substantial.
- 37% malnutrition among the extreme poor;
- The inflation rate for the poor estimated at 19.5 %.
- 2005-07 changes result in estimated increase in poverty of 10 p.p. (urban) and 4 p.p. (rural). Ivanic and Martin, 2008.





Nicaragua: SP Response

- *Short-term*, potential to build on existing programs;
 - Impact evaluation of SP network found effective protection of poor households and increased investments in child welfare;
 - However, programs, discontinued (RPS), or not scaled up (2006 pilot);
- *Medium-term*, need to invest in a strong SP system to protect the poor, a nutrition strategy, basic health care and a benefit for the elderly.



Nicaragua: SP Response, Options

- Expand access to basic health;
- Expand existing nutrition programs;
 - Offer additional temporary benefits through *PROCOSAN* and *PAININ*;
- Reactivate the CCT program for poorest regions (RPS);
- Expand school-feeding;
 - Target PINE to most affected municipalities;
 - Open school lunches to children not enrolled (typically the poorest), younger children, and pregnant/lactating mothers for temporary period
- Income-generating programs (workfare)



Nicaragua: Bank SP Instruments

- TA and diagnostics, definition of targeting criteria, options for expanding existing programs;
- Proposal to the GFPR facility (3 areas):
 - Increase incomes, protect human capital;
 - Temporary employment; expansion of nutrition program.
 - Develop productive capacity in food staples;
 - Seeds improvement; TA in agricultural sector.
 - Consolidate SP system;
 - Targeting, monitoring and evaluation.
 - National SP program to close gaps among rural poor, peri-urban residents.