



# Guidance for Responses from the Human Development Sectors to Rising Food Prices

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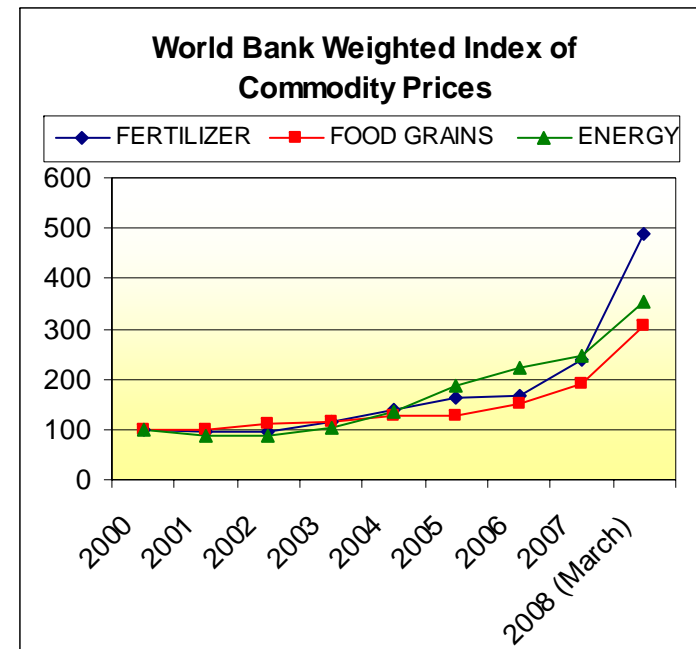
## Outline, to be covered selectively

- Overview of issues
- SP diagnosis, options, implementation
- Nutrition, health and education



## Problem:

- By now well known issues of price rises for food and oil
- Food prices may moderate but will remain relatively high until at least 2015
- Implication for policy responses: both sharp shock and long term structural change





#### 4 concerns with respect to impact on HK

- Poverty increases – headcount and income gap
- Risk to malnutrition –
  - lesser access to food via price effect and
  - to basic health care via income effect
- Risk to schooling
  - Via income effect.
  - Offsetting price effect may not obtain in this situation, though it did in many macro and fiscal crises (East Asia, Tequila, etc)
- Loss of assets to sustain livelihoods

All well documented phenomena in literature of past crises, all have irreversible or longstanding impacts

Positive policy can help mitigate these



## HD Diagnosis:

- Use food balance sheets to get big picture of risks – share of staples in consumption basket, diversity of diets, sensitivity to world prices, etc.
- Complement with household survey data on consumption to look at distributional issues: urban/rural; net consumers/net producers; poor/non-poor, etc.
- Look at incidence, distribution and causes of malnutrition : Repositioning nutrition; WHO Global data-base on nutrition; WDI
- Look at patterns of enrollment
- Look at programs that provide a basis for response



## SP Diagnosis:

Look at existing programs by usual criteria, but noting that in this setting, incentive compatibility, sustainability, accountability and targeting may receive lower weight than otherwise.

- Appropriate
- Adequate
- Equitable
- Cost-effective
- Incentive compatible
- Sustainable
- Dynamic

Look at possible speed of response



## Two tools to aid in diagnosis:

- SP ADePT: software routines to speed analysis of household survey data. Produces standardize tables on programs' coverage, adequacy and targeting; (soon to be available at [www.worldbank.org/poverty](http://www.worldbank.org/poverty))
- SP Expenditure Review Toolkit: checklists, notes, references to method and comparators, examples World Bank reports (available at [www.worldbank.org/hdpers](http://www.worldbank.org/hdpers))



## **Well designed and implemented safety nets are the best approach to addressing the poverty implications of rising food prices:**

- They forestall to a degree the increases in poverty and inequality;
- Help households maintain their access to food and essential services for health and education
- May be important in maintaining social equilibrium and in avoiding policies that will further aggravate the problem.



## Many countries do not have effective safety nets (or nutrition programs) and so the approach is two-fold:

1. In the short run, scale up whatever can be done quickly;
2. In the medium run, start to build better safety net systems and nutrition programs to target very young children – may mean new programs, reforms, and/or investments in household targeting, payment or M&E systems that can be used by multiple programs.



**Program choices: must be chosen based on country context, but there is a loose ranking of programs for the short run response.**

### “Green light” options

- **Targeted cash transfers** of adequate coverage, generosity and quality are the best option.
- Increasing the benefits for **non-earnings linked social pensions, survivorship pensions, disability pensions, unemployment benefits, and the like**, can be helpful where they cover the poor.
- **Food stamps** have slightly higher administrative costs than cash, but can be politically popular.



## Programs with more complex pros and cons, still usually green lights:

**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 but can be a vehicle for significant income transfer. Among them:**

- **Take home rations** can be targeted at the household level and serve much like cash transfers, they also have lower administrative costs than on-site feeding.
- **School feeding programs** can generally be targeted only at the school level and not at the household level and thus, if they have wide coverage, will involve high errors of inclusion, but may improve children's concentration and therefore learning..
- **Distribution of fortified, calorically dense weaning food** for children 6-24 months old, especially as part of a nutrition education program, can be an important nutrition intervention.
- **On-site feeding through health centers** is logistically complex and imposes high transactions costs on beneficiaries to come to the centers for meals. It is usually best reserved for children who are severely or moderately malnourished.
- **Targeted market sales** can be used for more general income transfers when other programs do not exist.



## Programs with more complex pros and cons:

- **Fee waivers or vouchers for health and scholarships for education** help households maintain access to services even if they are poorer.
- **Public works** programs rarely achieve coverage sufficient to be the whole response to rising food prices. Where public works programs exist, increasing their benefit or coverage may help.
- Where **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 in low income countries or fragile states.

## Programs to avoid if possible

- **General food price subsidies** are regressive, distortive, costly, hard to eliminate and should be avoided.



## Operational Issues

### Targeting:

- Poverty targeting appropriate;
- Open eligibility desirable;
- Don't start new household targeting systems so fast and badly as to create a backlash that undermines the possibility of doing one in future;
- Where household targeting system is non-existent, use geographic, demographic and self-selection instead;



## Scale and generosity:

- As in normal times, there is no magic formula, a mix of political and technical criteria. Big well evaluated programs give on the order of 15-25% of base income to poorest 5, 10 or 20% of population, many others less.
- Where there was a full safety net to begin with need to increase both value of benefit and coverage to include new poor. Where the safety net was inadequate before, need even more scale up.
- Temporary responses often scaled very broadly.
- Practical considerations impinge. Increasing benefit is stroke of the pen, increasing coverage requires systems.



## Payment systems

- Rarely the impediment for response
- Cash has lower admin costs, conducive to automaticity and accountability.

## M&E

- As needed as ever but compromises may be needed:
  - Monitoring may be more based on samples and spot checks;
  - Evaluation may be limited to targeting assessments and non-experimental methods to determine impact;
  - Accountability and controls desirable but may need simplified mechanism



## Exit strategies

- Where response began a safety net system, it may be appropriate to build on it and transform it rather than dismantle it.
- Where there was a good system already, scaled up, may need to return to sustainable levels.
- Scale-down easier where care taken at outset.
  - Announce benefits as temporary
  - Isolate top-ups from base program
  - Inflation a two-edged sword



## **Nutrition programs face similar conundrum as SSN:**

Action needed, but hard to deliver where there wasn't an adequate base. So same two part approach:

1. Urgent actions now;
2. Build up full-fledged strategies over medium term;

Need proactivity in countries hardest hit – most of countries with unrest due to food price increases already had high rates of malnutrition

Focus on vulnerable – from just before birth to 24 months of age; the damage that happens in these early months is irreparable (“window of opportunity”)



### Priority areas for short run response:

- IEC and maternal empowerment campaigns for adequate feeding and care during pregnancy and appropriate feeding of 0-2 yr olds (e.g. exclusive breast-feeding)
- Micro-nutrient supplements
- Micro-nutrient fortification, including of food aid

### Priority areas in medium run:

- Nutrition education and growth promotion programs
- Breast-feeding promotion programs
- Provision of targeted food supplements to treat severe malnutrition
- Micro-nutrient supplementation and fortification programs (including through the private sector)
- Primary health interventions such as immunizations, ORT, bednets, etc.

**High Malnutrition-  
Burden Countries**

**AFR**

Angola  
Benin  
Botswana  
Central African Republic  
Chad  
Comoros  
Congo, Dem Rep  
Côte d'Ivoire  
Gabon  
Ghana  
Guinea  
Guinea-Bissau  
Liberia  
Malawi  
Mali  
Mauritania  
Namibia  
Niger  
Nigeria

Rwanda  
Senegal  
Sierra Leone  
Somalia  
South Africa  
Swaziland  
Togo  
Uganda  
Burkina Faso  
Burundi  
Cameroon  
Congo, Rep  
Eritrea  
Ethiopia  
Kenya  
Lesotho  
Madagascar  
Mozambique  
São Tomé & Príncipe  
Sudan  
Tanzania  
Zambia  
Zimbabwe

**LAC**

Ecuador  
Guatemala  
Nicaragua  
St. Vincent & the Grenadines  
Bolivia  
Haiti  
Honduras  
Peru

**SAR**

Afghanistan  
Bangladesh  
India  
Maldives  
Nepal  
Pakistan  
Sri Lanka  
Bhutan

**EAP**

Cambodia  
Kiribati  
Lao, PDR  
Malaysia  
Myanmar  
Papua New Guinea  
Philippines  
Solomon Islands  
Timor-Leste  
Vanuatu  
Vietnam  
Indonesia  
Mongolia

**ECA**

Kyrgyz Rep  
Albania  
Tajikistan  
Turkmenistan  
Uzbekistan

**MNA**

Morocco  
Yemen, Rep  
Djibouti  
Iraq



Education: concern is reduction in schooling.

## Response

- Requires income support, not an education intervention in classical sense;
- May get heightened effect from income support through conditioning on attendance or running delivery through schools
- School feeding has potential to increase learning among those in school, though some trade-offs implied in targeting, costs.



## Country responses: possibilities, effectiveness and costs determined by pre-existing systems:

- Chile:
  - temporary benefit paid to beneficiaries of combination of programs, about 40% of population;
- Ethiopia:
  - increase wage of rural public works in established PSNP;
  - Open market operations in urban areas;
  - Exemptions from VAT
- Haiti:
  - Food price subsidies now
  - Figuring out what else to do, how to move out of food price subsidies

Many, many countries using general price subsidies, even some that had better instruments available