

ROSA Focus

This Month's Highlight: Entitlement and access to food -systems of social transfers to fight extreme poverty

It is now widely agreed that hunger is best understood not only in terms of **supply** of food, but in terms of people's ability to gain **access** to sufficient quantity and quality of food. Access to food and household income approaches have become a key pillar of the EC's food security strategy. In this context, the EC is organizing a seminar to better understand the potential role of social protection in addressing food security, and the logic behind the idea of social transfers within the access to food component. This article presents the terms of the debate.

The Case for Social Transfers

Social transfers are one major element of social protection. They are *regular and predictable non-contributory grants* that aim to *directly increase or protect the incomes of those living in poverty or at risk of falling into poverty*. There are a number of different **types** of social transfer, including pensions, child benefits, disability benefits, employment guarantee programmes, food aid etc. Equally, there are different **forms** that the transfer can take: cash is nowadays the preferred choice, but other options (which may be preferable in certain circumstances) include, vouchers/coupons, food, agricultural inputs (seeds, fertiliser), and assets (tools, livestock).

The case for social transfers can be made from a number of different standpoints. The justification for such transfers can be social (they reduce poverty and promote equity and social cohesion), economic (they promote economic growth and stimulate local markets), rights-based (they are seen as a social contract between the state and citizens) or political (they need political will and integration in national policy processes to succeed).

As one fundamental element of social protection, social transfers have a **protective** element. They are aimed at people who are already very poor and who need protection to enable them to meet their basic needs (food, shelter, water) on a daily basis. Protection also serves on a temporary basis, such as when

farmers need protection to help them recover from a drought. They also work to **prevent** people from falling into (extreme) poverty. However, they are also trying to make the link with livelihood **promotion**, so people can increase their asset base and graduate out of poverty to the point where they are not dependant on social protection.

Practical Issues around Social Transfers

A number of practical issues need to be addressed for the successful implementation of social transfer programmes.

Choosing between types of transfer is one of the challenges, with several considerations that should be taken into account, such as meeting desired outcomes, responding to the nature of poverty, and respecting beneficiary preferences. **Box 1** deals with the choice between different types of food safety nets.



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Box n°1: Cash, vouchers or food transfers (adapted from FAO, SOFA 2006)

One of the most important decisions in designing a food safety net is whether to provide assistance in the form of cash, vouchers or food. All effectively increase household income, and thus the ability to acquire food. However, these programmes may have different impacts on household food security and upon local markets.

A **cash-based transfer**, as well as a **food access approach** (such as food stamps, vouchers or tied cash transfers) are appropriate when food markets work reasonably well and lack of access to food is the root cause of hunger. Both types of transfers should foster local market development of foods, and in the case of cash-based transfers of other goods as well. A food access approach may reduce the diversion of resources to “undesirable” consumption, because the programme design seeks to force spending on food items. Their administrative requirements and transaction costs are lower than those of food supply measures but greater than those of cash-based measures. On the other hand, the restriction on recipient spending on non-food items also limits spending on investment. Further, restricting spending may spur other negative behaviour, such as cheating or selling food stamps on the black market.

An approach based on **food supply**, such as food aid, is fundamentally different because it is most appropriate when an insufficient supply of food is the root cause of hunger. Cash in this case simply leads to inflation if markets are not working well or, worse, if food is simply not available. One advantage relies to the fact that is difficult to divert food to undesirable consumption. On the negative side, as with the food access approach, providing in-kind food aid limits investment or savings opportunities by beneficiaries and may spur other negative behaviour, such as cheating or selling the food provided as aid.

Concerning the impact on food consumption, studies comparing food stamps and cash assistance find that results differ by country. Poorer people are more likely to increase consumption when their income rises, so the difference between the impact of food stamps and cash-based transfers would probably be smaller in poorer countries and in programmes where the poorest households are targeted. For both kinds of transfers, some diversion to non-food consumption is likely to take place, with sometimes positive impacts on food security as « diversion » enables to buy items that are supportive of long-term improvements in food security (agricultural inputs, medicines...).

Targeting is also a complex issue. All targeting carries costs – administrative, personal, incentive, social, political – and can be divisive. In general, simple categorical targeting, for example by age as in a child benefit or a pension, is preferable to complex poverty targeting or means-testing, which may be perceived to be unfair, and is open to manipulation.

One other significant challenges facing any social transfer programme is how to **deliver** the transfer to the intended beneficiaries – many of whom may live in remote areas – without fraud, corruption or other abuse, and at an affordable cost. Experience has showed that existing institutional structures, such as post offices and retail outlets, can often be used effectively, and new technologies which leverage the private sector – such as smart-cards, ATMs, and even mobile phones – have the potential to reduce costs, improve security and speed delivery.

One other issue deals with **conditionality**. Some programmes require beneficiaries to fulfil a condition in order to qualify for a social transfer. Sometimes, as in the case of public works programmes, this is a work requirement. In other cases it may be a condition to send children to school, or to attend a health facility. Popular in central and south America, such conditional cash transfer programmes may not be appropriate in countries like those in Africa, where fulfilling the conditionality may impose an additional burden on the recipient, for example by requiring them to work during the planting season, or walking long distances to the nearest clinic.

Regarding **affordability**, experience -and a number of modelling studies- have demonstrated that large-scale social transfers are affordable, even in low-income countries. Such programmes need not be as costly or ambitious as those in the OECD. They can be scaled up gradually over time, either by increasing the recipient group (eg by lowering the pensionable age) or by increasing the value of the transfer. And many of the existing resources that are currently spent on humanitarian assistance might be better spent on regular, predictable transfers. Donors, including the EC, also have a significant role to play in supporting national social protection programmes.

All social protection programmes require robust **information systems** to manage and implement them. Ideally, an integrated “single registry” system should be used to record information on all individuals within all schemes under a national programme. Such systems can be complex

and costly, but there are initiatives under way to develop an open source single registry that could be adapted and used by multiple countries. Moreover, good **monitoring and evaluation** is an essential component of any social transfer programme. It notably provides a dynamic mechanism to adjust benefit levels and to assist with eligibility checks and retargeting.

The Impact of Social Transfers

Social transfers can be shown to have a range of impacts, at different scales and in different areas: poverty, hunger, nutrition, livelihoods, health, education, employment etc. Selected examples are given in **box 2**.

Box n°2: Selected examples of social transfers impacts

Poverty -55% of recipients of Chile's PASIS (social pension) have moved from being extremely poor to poor, and 45% have moved out of poverty altogether.

Hunger - The percentage of Lesotho's old age pensioners who reported that they "never went hungry" increased from 19% before the pension to 48% after it was introduced. An extensive assessment of Ethiopia's Productive Safety Net Programme (PSNP) finds that three-quarters of participants consumed a higher quantity and quality of food compared to the previous year, and were less likely to sell assets in order to buy food.

Livelihoods - In a DFID-supported asset transfer programme for ultra-poor women in Bangladesh, the value of the livestock provided by the asset transfer is estimated to be doubling every 18 months.

Nutrition - In Bangladesh, BRAC's Challenging the Frontiers of Poverty Reduction (CFPR) programme has led to an improvement in calorie intake from 1632 Kcal per day to 2236 Kcal per day (from below to well above WHO minimum recommended levels).

Health - In Mexico, stunting was found to have decreased by more than 10% as a result of Oportunidades transfers; infant morbidity was reduced by 25% and under 5's illness by 12%.

Education - In Brazil, participants in the Bolsa Familia programme are 63% less likely to drop out of school and 24% more likely to advance an additional year than comparable children in non-participant households.

Local economy - A study of the Dowa Emergency Cash Transfer (DECT) in Malawi showed that for every \$1 made as a social transfer, a regional multiplier of 2.02 to 2.45 was observed in the local economy, benefiting traders, suppliers, services, etc.

Together, social transfers and wider complementary investments have the potential to increase chronically poor people's opportunities to benefit from and contribute to economic growth since they help achieve threshold levels of human development, asset ownership and sufficient protection from risk to encourage economic dynamism.

Social Transfers and the EC

The Commission is already involved in a large number of social safety nets programmes, generally but not exclusively funded by Food Security Budget Line appropriations. In 2006, the FSBL of almost €1 billion was ended, and the responsibility for managing the food security and food aid allocations were split between ECHO, the EC Delegations in partner countries, and the Food Security Thematic Programme (FSTP). With ECHO's focus on humanitarian assistance and food aid, and with the Delegations needing to orient their programmes around priority sectors defined by their individual Country Strategy Papers, it will be important for the FSTP to play a coordinating role for food security issues, particularly for vulnerable countries where it has not been possible to include food security as a focal sector.

In all such situations, combating extreme poverty and hunger will remain a priority under MDG1, and Community resources will continue to be made available for this purpose. Based on their own experience in the field, the Delegations of the Commission and their partners have a leading role to play in highlighting the growing importance of social protection in the development debate. Since FSTP resources are limited and will not be sufficient to cover the extent of the needs on a national basis, it will be necessary to identify the best instruments and approaches to integrate social transfers into the EC's portfolio – in the short term (including the option of cash transfers for humanitarian assistance), in the medium term (for example through the "innovative approaches" component of FSTP), and in the longer term into its future programming and sector or general budget support. The coordination of all relevant EU actors in the design and funding social transfer programmes will remain a major challenge in achieving this result. How to achieve such collaboration and coherence will be discussed during the seminar.

This article is largely based on the concept note written by Nicholas Freeland to prepare EC seminar. Thanks to him!

Current food security situation

Regional Overview

Asia

Increase in rice prices and shortage in supply: Implications for importing countries

Major rice-importing countries in Asia are facing high prices and tight supplies. This is a matter of concern because of the importance of rice as a special product for food security.

While prices of most of the agricultural commodities have surged since last year, the increase in rice prices started in January this year. Export prices for major origins have increased sharply over the last two months; by 25% for Thai rice (see Figure No. 1). According to an article published on March 27 by the Financial Times, rice prices still jumped 30% last week.

This rise in prices is attributed to bad weather that has hit supply and rise in oil prices that increases production costs, in particular fertilizers expenses and cost of transporting the grain. Another trigger concerns the US dollar weakening and the strong demand from China, India and other Asian countries. In fact, in 2007, China marked a shift away from being a net exporter of rice, raising the export taxes in order to meet domestic demand.

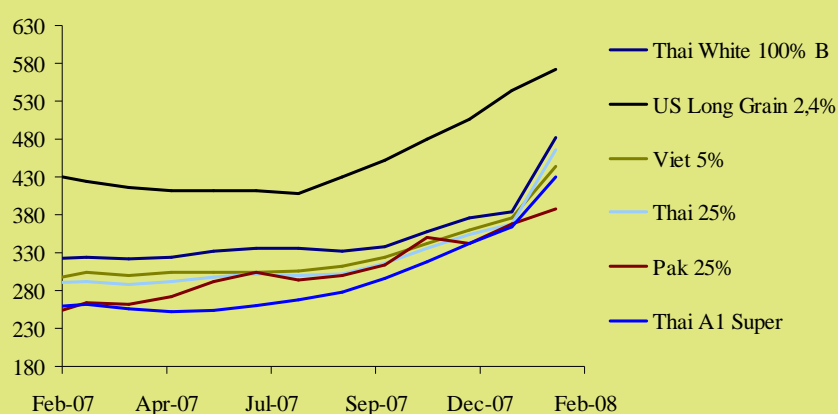
Leading rice exporters such as Vietnam, India and Egypt have recently imposed exports bans to keep local markets well-supplied and domestic prices under control. These restrictions have removed about a third of the rice traded in the international market.

Some Asian countries have taken action in the face of current status of rice market and debate over food security.

The situation is particularly delicate in The Philippines which is the world's largest importer. Discussions have been held with Vietnamese government about rice supply security. President Gloria Macapagal Arroyo asked Vietnam to guarantee an undisclosed amount of rice for the 2008/09 season.

In Bangladesh, repeated floods and a severe cyclone last year have cut production, forcing the government to increase imports. Indian export ban does not include 500,000 tonnes bought by Bangladesh under a state-to-state deal after the cyclone. Nevertheless, Bangladeshi traders considered that these restrictions would cause further volatility in local markets and will have an important impact for consumers.

Figure No. 1: Rice export prices from major origins



Source: FAO Rice Price Update, March 2008

Quantifying the short-term impact of price changes at the household level

Measuring the quantitative impact of price increases on welfare, food security and poverty, especially for vulnerable groups, is a task that can not be done with utmost precision. This is due to the complexity of the factors that need to be considered; the shortage of relevant data; and the difficulty of developing a consistent framework. The Trade and Markets and Agricultural Development Economics Divisions of the FAO used a simple methodology to provide some preliminary evidence regarding the short-term effects of price increases at the household level in some Asian countries. Box no. 3 presents findings on the

impacts of 10% increase in the *price of rice* in Bangladesh.

The results of the FAO's study suggest that short-term losses and gains in household welfare are country specific. Closer attention needs to be paid to the household characteristics as consumers and producers. Net buying positions in the food markets associated with low market participation that characterizes the majority of developing countries, could explain the welfare losses in rural and urban areas. Household access to resources and household incomes composition matters significantly in explaining these findings (FAO, February 2008).

Box No. 3: The short-term impact of rice price changes on welfare in Bangladesh

The short-term impact of a 10% increase in the price of rice on the net income of households by expenditure quintile seems to suggest that both urban and rural households face welfare losses. The losses are higher in the lower quintiles. The estimate of -3.19% in the lowest per capita expenditure quintile in Table 1, for example, indicates the extent of the decline in the purchasing power of households in that quintile after taking into account the impact of both the increase in the revenue on the production side and the increase in the expenditure on the consumption side of an increase in the price of rice.

It is also observed that a rural household exhibits higher welfare losses than an urban household from the increase in rice prices. In particular, the households in the poorest rural quintile in Bangladesh earn on average 63% of their income from on- and off farm wages. Furthermore the vast majority of them are net food buyers; only 12% are net food sellers. These characteristics identify households that are highly vulnerable to increases in food prices, and as expected, experience high welfare losses when confronted with increases in rice prices. The loss for the urban poorest quintile is somewhat lower and this can be justified by the fact that less than 60% of income comes from wages, while 23% is derived from crop production.

Further disaggregation of welfare effects on rural households by land quintiles indicate, as expected, that small land holders and the landless face the most serious consequences in terms of welfare reduction.

Table No. 1: Bangladesh: effect of a 10% increase in the price of rice on welfare (%)

	Per capita expenditure quintiles					
	1	2	3	4	5	All
Rural	-3.19	-2.60	-1.88	-1.64	-1.10	-1.83
Urban	-2.37	-1.90	-1.45	-1.09	-0.71	-1.26
Total	-3.02	-2.33	-1.83	-1.36	-0.94	-1.64

Source: Paper prepared by the Trade and Markets and Agricultural Development Economics Divisions of the FAO, February 2008

To know more:

- FAO, Growing demand on agriculture and rising prices of commodities. An opportunity for smallholders in low-income, agricultural based countries?, paper by the Trade and Markets and Agricultural Development Economics Divisions of the FAO for the Round Table organized during the 31st session of IFAD's Governing Council, February 2008.
- FAO Rice Price Update, March 2008
- Javier Blas and Raphael Minder, Twenty years high in rice prices spark fears, March 4 2008
- Javier Blas and Daniel Ten Kate, Jump in rice price fuels fears of unrest, March 27 2008

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Brèves internationales

Biocarburants: le sommet européen confirme les objectifs de 2020, malgré les interrogations

Les conclusions adoptées lors du sommet européen des 13 et 14 mars à Bruxelles confirment l'ambition, à ce stade, des Vingt-Sept de maintenir les objectifs, définis il y a un an, de réduire les émissions de gaz à effet de serre de 20% d'ici 2020, voire 30% en cas d'accord international, grâce à l'utilisation de 20% d'énergie renouvelables et de 10% de biocarburants. Pour les derniers, une réduction des objectifs n'est toutefois pas exclue, compte-tenu des inquiétudes grandissantes sur les conséquences du développement des biocarburants sur les prix alimentaires notamment.

Intervenant lors du Congrès mondial des marchés des biocarburants, le 13 mars à Bruxelles, Mariann Fischer Boel, commissaire à l'agriculture, après avoir rappelé les conditions d'éligibilité, a indiqué qu'« *il n'est pas juste de faire des biocarburants un bouc émissaire pour les mouvements de marché extrêmes de ces derniers temps (...).* ». « *Comme l'explique l'OCDE, l'utilisation de céréales pour l'éthanol en Europe, Amérique du Nord et Asie a augmenté de 17 millions de tonnes en 2006. Or, cette même année, le manque d'approvisionnement en céréales dans ces pays a été au total de 60 millions de tonnes –près de quatre fois plus !* ».

Elle a ajouté que « *Selon nos prévisions, dans un scénario réaliste, nous devrions utiliser environ 15% de nos terres arables pour la production de biocarburants en 2020* ». « *D'un point de vue européen, nous pourrions attendre une augmentation des prix de l'ordre de 3% à 6% pour les céréales, et de 8% à 10% pour le colza. C'est gérable* ». Selon la Commissaire, ces prévisions prennent en compte les hausses de rendement (+ 34 millions de tonnes de céréales d'ici 2020), le gel des terres arables (+ 12 millions de tonnes), les progrès dans les biocarburants de seconde génération, et un niveau raisonnable d'importations.

Source : Agrapresse n°3146, p.35-37.

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