

Working paper on MENA Regional Social Safety Net (SSN) Note

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MENA Regional Social Safety Net (SSN) Note

Abstract: Although the countries of the Middle East and North Africa (MENA) have made important progress in economic growth and development, many continue to face high incidence of poverty, large geographic and socioeconomic disparities, social exclusion of certain groups, and human development outcomes that are commensurate with the level of their economic development. As an input to the Second Arab Conference on Development and Employment, this paper provides a broad overview of the state of the region's SSN systems, their design features and effectiveness in poverty reduction and human capital development. It aims to contribute to the ongoing debate and discussions on the recent economic and social transitions and the role of a well-designed SSN can play in enhancing social inclusion, livelihood, and resilience. The paper highlights the current and an unparalleled opportunity for MENA countries to improve their SSN systems, underscoring the growing international consensus on the important role a well-designed and managed SSN can play in eradication of extreme poverty and promotion of shared prosperity in the region.

Keywords: *Social safety nets, MENA, poverty reduction, prosperity, inclusion*

DISCLAIMER:

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Introduction

1. As an input to the Second Arab Conference on Development and Employment, this paper provides a brief account of the state of social safety net (SSN)¹ system in the Middle East and North Africa (MENA) region. After presenting a broad overview of the region's SSN system, the paper discusses the opportunities and challenges for SSN reform in order to enhance their poverty reduction and human capital development impact. It then discusses various policy options to enhance the role and contributions of the region's SSN system in social inclusion, resilience, and expanding opportunities for the poor and vulnerable population of the region. It draws on recently completed World Bank studies, including the MENA regional SSN flagship report, the MENA Health Strategy, the World Bank's Strategy for Social Protection and Labor sector, and other relevant publications.
2. ***Although the countries of the Middle East and North Africa (MENA) have made important progress, many continue to face significant poverty and human development challenges.*** Children face high rates of poverty with large regional and socioeconomic disparities. A large share of the population remains vulnerable to poverty and lacks resilience to economic shocks. Out-of-pocket spending on health is high, with evidence of large inefficiencies in the allocation and use of public resources. Life chances for many are determined by circumstances beyond their control, such as birthplace, gender, family wealth, and parental education. Echoing these conditions, two of the themes that are inspiring public debates during the Arab Spring and its aftermath are the issues of social justice and inequality of opportunity. The general perception is that social injustice and an unequal distribution of resources are deep rooted and contributed to the social discontentsthat are being expressed throughout the region.
3. ***The Arab Spring's powerful demand for democracy and voice carries unprecedented opportunities for moving towards a more inclusive model of development.*** The objective of this paper is to contribute to the ongoing debates and discussions on the MENA region-specific challenges faced by the poor and the vulnerable, recent economic and social transitions, and the role of a well-designed SSN in enhancing social inclusion, livelihood, and resilience of the poor and vulnerable population of the region. It highlights the current and an unparalleled opportunity for MENA countries to improve their SSN systems, underscoring the growing international consensus that effective SSN can help vulnerable populations overcome poverty

¹Social safety nets (SSN) are defined as non-contributory transfers targeted to the poor or vulnerable. They include income support, temporary employment programs (workfare), and services that build human capital and expand access to finance among the poor and vulnerable.

and promote economic opportunity. Transitions often open new space for SSN building. In fact, around the world, as stated in a recently completed MENA regional SSN flagship report, about 70 percent of SSN programs were introduced after a major transition (e.g., independence after the collapse of the former Soviet Union; Nepal's transition to democracy; decentralization in Indonesia; and political changes in Brazil). Since the beginning of the global financial crisis, dozens of countries have created new SSN programs, expanded old ones, and improved overall administrative systems to enhance governance and make programs more efficient) (see IEG, 2011a). While the range, scope, and coherence of SSNs should respond to each country's particular priorities and needs, all SSN programs should be integrated with other public policies to achieve effective risk management, improved financial sustainability, economies of scale in administration, and better aligned incentives.

4. *The paper is structured as follows.* Section 2 provides some background about current state of the SSN system, their design features and their effectiveness in responding to new and emerging challenges faced by the poor and vulnerable in the region, by reviewing existing and new evidence. Section 3 discusses the opportunities and challenges for effective reform and by so doing open up and inform a debate on feasible policy options to make MENA SSN more effective and innovative.

The Current state of SSNs in MENA

5. *Many countries in the Middle East and North Africa Region (MENA) have a longstanding tradition of support systems for their citizens through many SSN programs.* The region's SSN system, broadly defined and including fuel and food subsidies, accounts for a substantial share of public spending. MENA countries spend on average 5.7 percent of GDP on subsidies, as opposed to 1.3 percent of GDP in the average benchmark developing country (Figure 1). On average, MENA countries spend much more on fuel subsidies (4.5 percent of GDP) than on food subsidies and ration cards (1.1 percent of GDP) (Figure 2). Subsidies aside, targeted SSNs in MENA are fragmented between many small programs (Figure 3); for example, in Morocco, twelve different programs all aim at increasing school enrollment. As much of the spending goes to universal fuel subsidies, which benefit the rich more than the poor, the large SSN spending does not have a commensurate impact on poverty reduction and human capital development.

Figure 1: SSN spending with and without subsidies

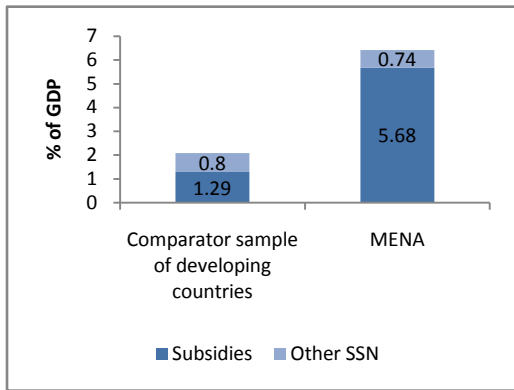
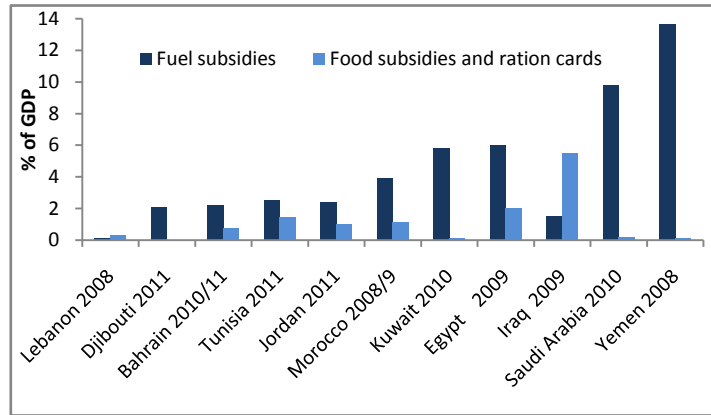
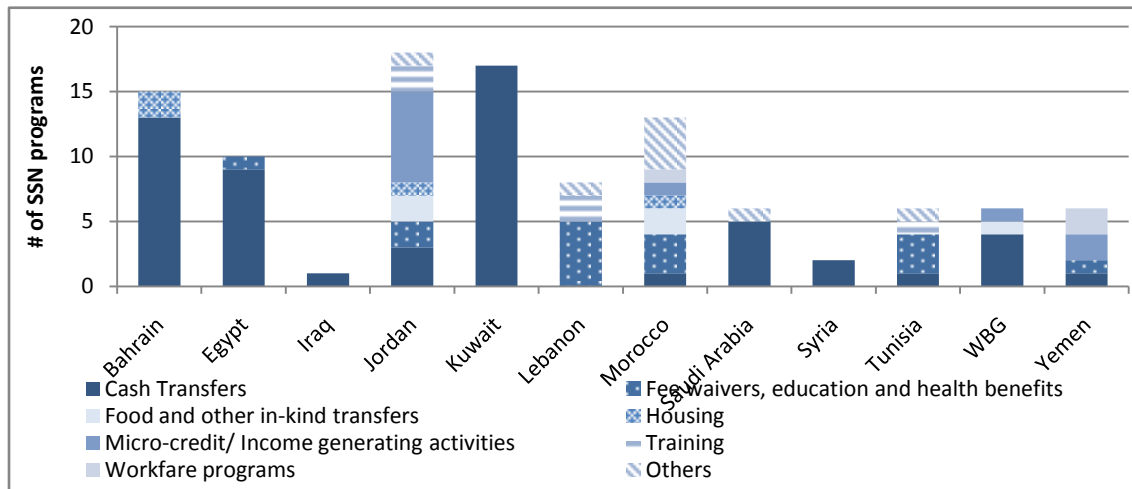


Figure 2: Food and Fuel Subsidies as Percentage of GDP



Sources: World Bank (2011a); Hashemite Kingdom of Jordan (2011b); World Bank (2010c); World Bank (2011b); Iraq: Poverty Assessment, 2009; IMF Fiscal Affairs Department Database; various publications.

Figure 3: Target SSN program mix by program type

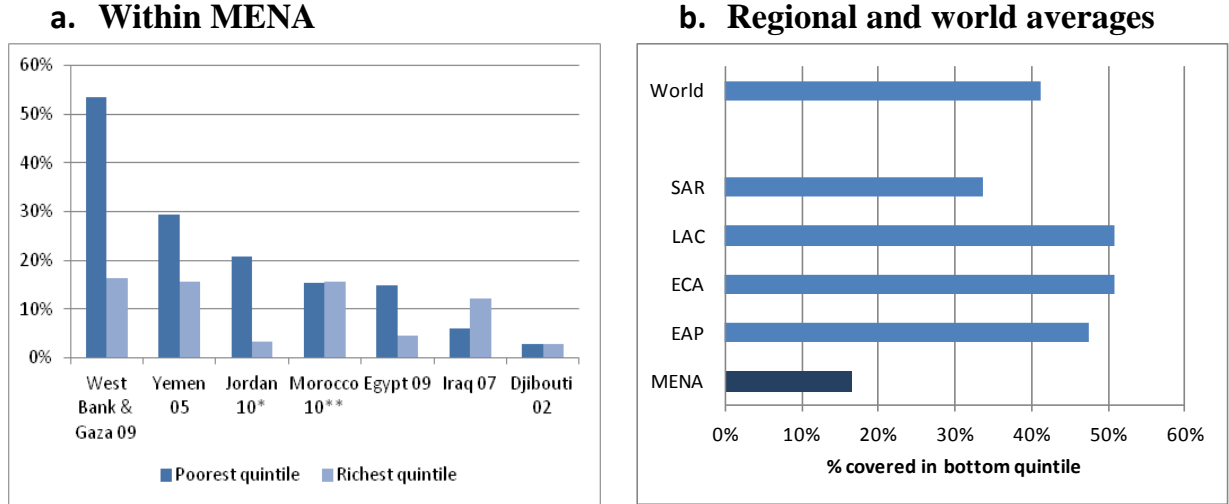


Source: MENA Regional SSN Flagship Report (2012)

6. *Except in West Bank and Gaza, two out of three people in the poorest quintile are not reached by (targeted) SSN in MENA countries, less than half of the world average.* MENA countries have significant scope to improve the reach of their safety nets to the poor and vulnerable population. The only country with SSN coverage above the world average is West Bank and Gaza, where government, donor, and NGO programs cover more than half of the

poorest quintile (Figure 4a). At the same time, in the MENA region individuals in the richest quintile of the population have non-negligible access to SSN transfers, often comparable to (and in Iraq, even higher than) the coverage rate for the poorest quintile. Overall, MENA coverage of the bottom quintile by SSN is less than half that of the world average, and less than a third of the SSN coverage in Europe and Central Asia and Latin America and the Caribbean (Figure 4b).

Figure 4: Coverage by targeted SSN programs



Note: * Excludes “other transfers from government”;

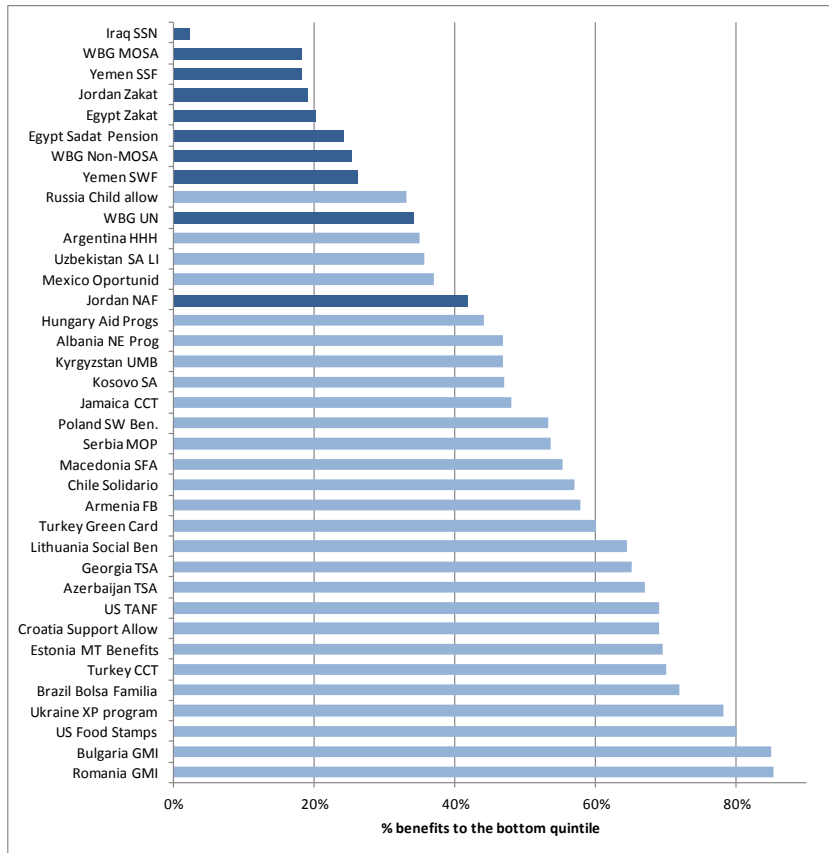
** Excludes school supplies program "Un Million de Cartables."

Note: All averages are population-weighted.

Sources: MENA: Authors, based on national household surveys; Others: ASPIRE 2011.

7. Targeting methods used by targeted SSN programs in MENA are mostly geographical and categorical. Different targeting methods are applicable in different contexts. While categorical and geographical targeting work in environments where poverty is concentrated, they do not perform well when poverty is multi-faceted and spatially dispersed. In the latter case, methods that identify households or individuals based on their means or correlates of poverty (PMT) are preferable. The allocative efficiency of SSN programs in MENA leaves room for improvement, given that currently the average program in the region distributes only 23 percent of its benefits to the bottom quintile, less than half the comparator sample of developing countries (Figure 5). Within MENA, countries such as Jordan, West Bank and Gaza, and Yemen have begun to improve their targeting methods. For example, Jordan’s NAF relies on a semi-verified means test combined with categorical targeting, while West Bank and Gaza, Yemen, and most recently, Lebanon have introduced PMT-based targeting.

Figure 5: Benefit incidence for the bottom quintile of specific targeted SSN programs

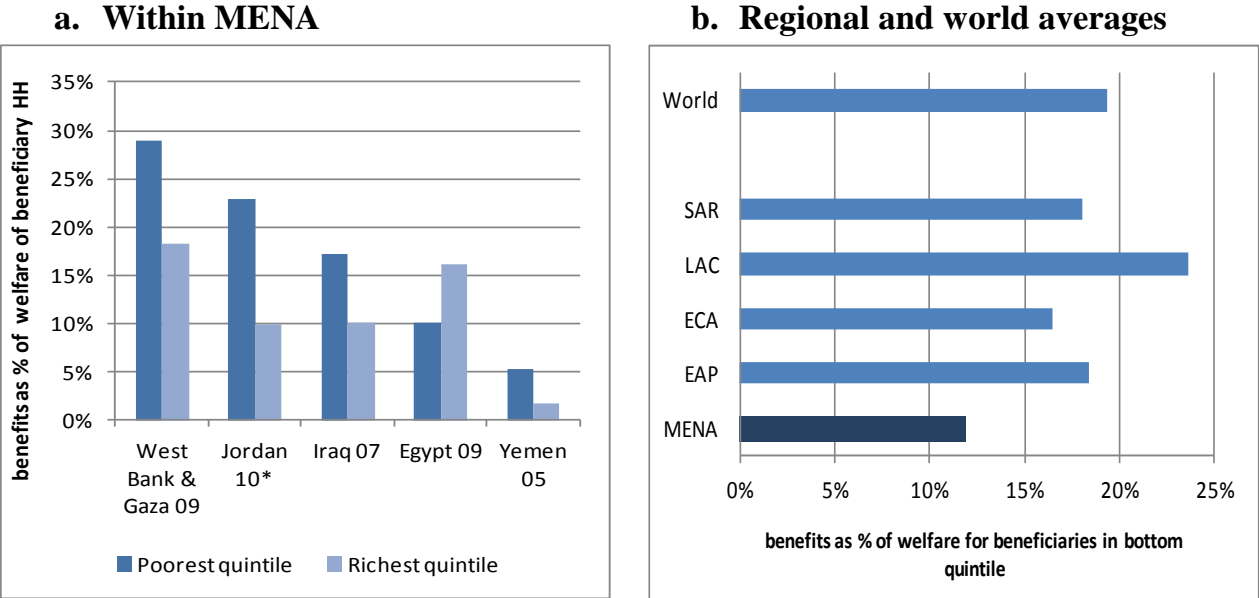


Source: MENA countries: Authors’ calculations; Others: ECA Household Survey Database; OECD Social Expenditure Database; and LAC SSN Regional Report (forthcoming).

8. *The adequacy of targeted SSN in MENA is low, as these transfers constitute less than a quarter of the bottom quintile’s welfare (as measured by consumption, expenditure, or assets).* Setting the benefit size for an SSN program is an important but difficult policy decision. On the one hand, a robust safety net should deliver adequate consumption protection for the most vulnerable members of a society, those who cannot provide for themselves due to age or disability, and those who need temporary assistance to rebound from a temporary economic or health shock. On the other hand, overly generous benefits may discourage working-age able-bodied adults from participating in the labor force and instead encourage them to depend on the assistance provided by the government. As shown in Figure 6a, the generosity of SSN programs that reach the bottom quintile in MENA is low. The greatest impact of SSN transfers on the welfare of the poorest quintile is in West Bank and Gaza, followed by Jordan. In other countries such as Yemen, the consumption levels of beneficiaries in the bottom quintile are barely affected. At the same time, one would expect SSNs to represent a negligible share of consumption for the richest quintile. In MENA, this is not the case. Indeed, in Egypt, SSNs are

more generous for the richest quintile than for the poorest one. Overall, whereas the average SSN system in the world provides transfers of almost 20 percent of the bottom quintile’s welfare, in MENA, this figure stands at only 12 percent, far below the other regions (Figure 6b). This suggests that benefit generosity of SSNs in MENA can be increased without triggering work disincentives as long as this increase is coupled with enhancing the targeting systems.

Figure 6:Benefit adequacy of targeted SSNs



Note: * Excludes “other transfers from government.”

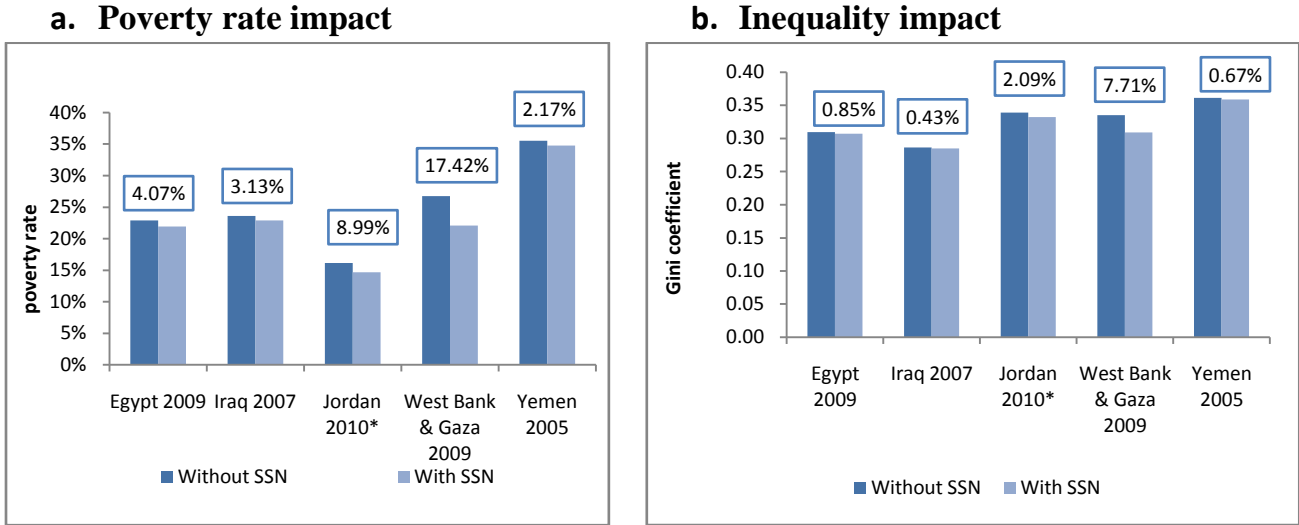
Note: All averages are population-weighted.

Sources: MENA: Authors’ calculations based on national household surveys; Others: ASPIRE 2011.

9. *Most targeted SSNs in MENA have a negligible effect on poverty and inequality.* With the exception of West Bank and Gaza and Jordan, SSNs in MENA have little effect on poverty rates, as estimated through a simulation of poverty in the absence of SSN (Figure 7a). SSN presence in Egypt, Iraq, and Yemen reduces poverty rates in these countries by at most 3 percent. The regional leader in terms of SSN impact on inequality is West Bank and Gaza, with its SSNs reducing the Gini coefficient by more than 7 percent (Figure 7b). On the other hand, in Egypt, Yemen, and Iraq, SSNs have an imperceptible effect on welfare distribution, with the Gini coefficient declining by less than 1 percent. Low coverage, poor targeting, and insufficient generosity of MENA SSNs account for such relatively small impacts on poverty and inequality. The relatively low coverage and generosity of MENA’s SSN drive the effect on poverty. The impact on inequality measures the effect of SSNs on welfare distribution; as such, it is directly

... tied to targeting accuracy. Even excluding subsidies and ration cards, MENA’s SSNs are not adequately targeted to the poor and vulnerable, which explains the negligible effect on the Gini coefficient.

Figure 7:Poverty and inequality impact of targeted SSNs



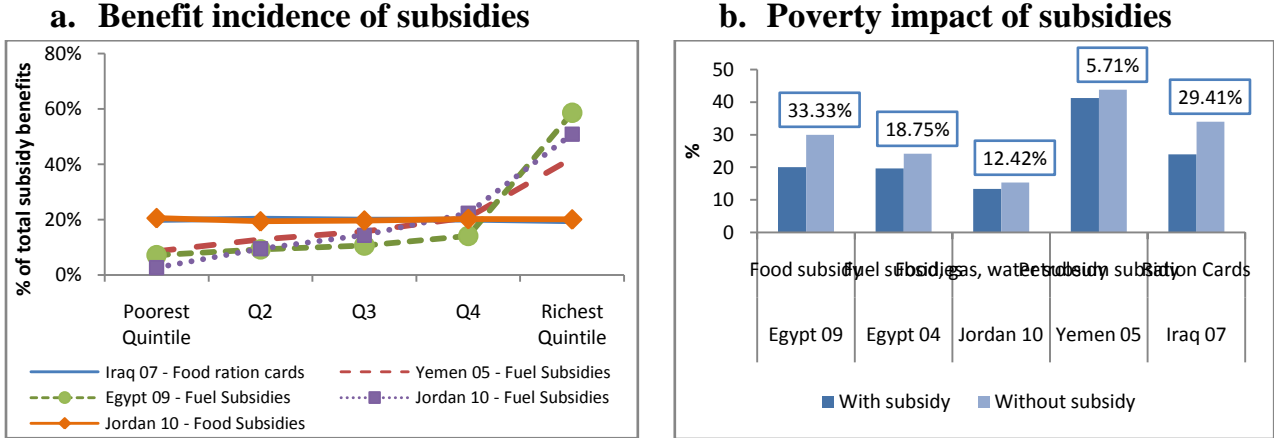
Note: * Excludes “other transfers from government.” Boxes present percent change in the indicator.

Source: MENA Regional SSN Flagship Report (2012).

10. *Although universal subsidies largely benefit the rich, they play important role in poverty reduction due to their sheer magnitude.* The most frequently cited objective for reliance on subsidies is protection of the poor by guaranteeing access to food and other essential items at affordable prices. However, universal subsidies suffer from significant deficiencies in targeting accuracy (Figure 8a). Inefficiencies due to leakages of subsidies are staggering: more than 70 percent of spending on food subsidies in Egypt and Iraq could be saved if such leakages were eliminated. Despite their inefficiency, simple removal of subsidies would have significant impoverishing effects in many MENA countries. Figure 8b compiles the poverty impacts of MENA subsidies from existing studies. It is evident that given their wider coverage and generosity (in terms of subsidization rates of essential goods in the consumption baskets), subsidies have major impacts on keeping people out of poverty. In Egypt and Iraq, the presence of food ration cards reduced poverty rates by more than 30 percent (or about 10 percentage points (p.p.)). In Jordan, removal of the water subsidy would have a higher effect on poverty (1.4 p.p.) than removal of food (0.6 p.p.) or gas (0.5 p.p.) subsidies. In Yemen, the direct impact of petroleum subsidies on poverty was only 2.5 p.p., still very high relative to less than 1 p.p.

impact of targeted SSN. Given the significant poverty-reducing impact of subsidies and the low impact of targeted SSN, reform of subsidies has to be accompanied by significant expansion of other SSN instruments.

Figure 8: Highly inefficient but poverty-reducing subsidies in MENA



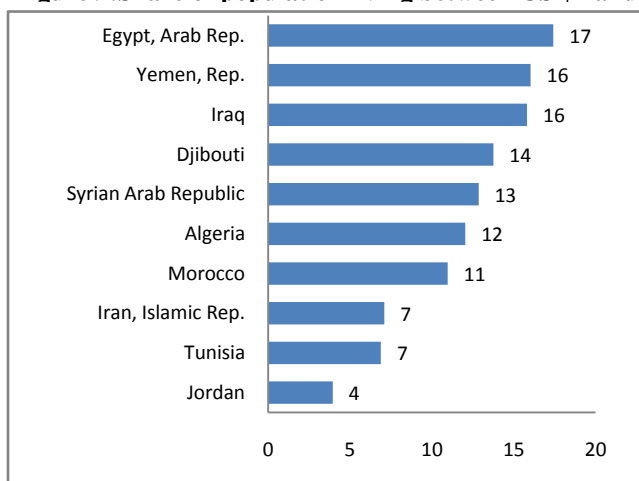
Source: MENA Regional SSN Flagship Report (2012).

Sources: World Bank (2010a); World Bank (2005); Hashemite Kingdom of Jordan (2011a); Government of Yemen *et al.* (2007); World Bank (2010b).

Opportunities and Challenges for SSN Reform in MENA

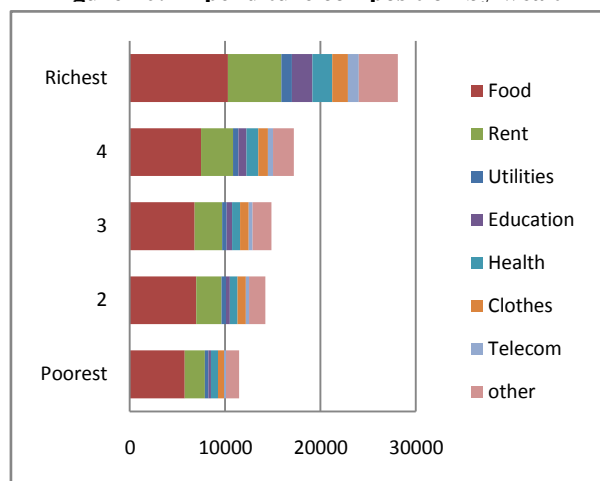
11. **Large share of the region’s population hovers around the poverty line, and exhibits low resilience to shocks.** Economic growth in MENA has lifted many out of poverty into the middle class. But many of those remain vulnerable to the risk of falling back into poverty if an economic contraction takes place. In fact, as many as 15 to 17 percent of Egyptians, Syrians, Iraqis, and Yemenis and 10 percent of Moroccans have consumption levels that are no more than 50 cents per day above US \$2 (Figure 9). Vulnerable households have low levels of disposable income and a high share of total expenditures on essentials, which cannot be scaled down during shocks, and thus they experience movements into poverty (Figure 10). In Egypt, for instance, poverty increased by 4–6 percentage points in 2009/10 compared to pre-crisis levels (World Bank, 2011).

Figure 9: Share of population living between US \$2 and



Source: MENA Regional SSN Flagship Report (2012).

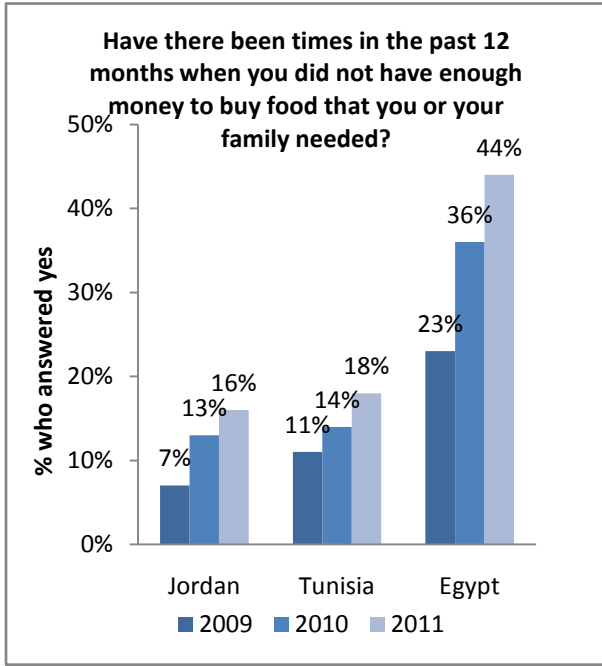
Figure 10: Expenditure composition by wealth



Source: MENA Regional SSN Flagship Report (2012).

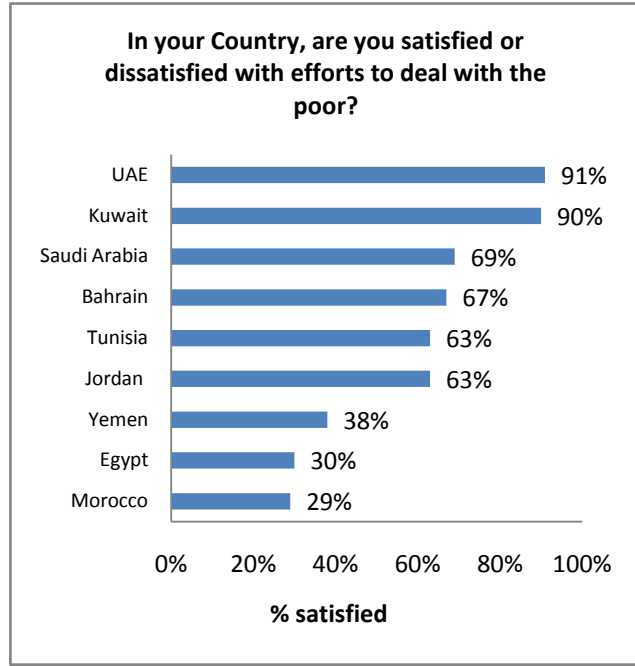
12. *The Arab Spring and its aftermath have brought to the forefront the need for greater social inclusion and expansion of opportunities for those neglected in the past.* As described above, many governments in the MENA region relied on a redistribution system meant to protect the poor through universal subsidies. The system was intended to guarantee affordable access to food and fuel for all citizens, including the poor and irrespective of their needs. Governments would respond to crises by scaling up these subsidies up or by increasing the size and generosity of public employment. It is well known, including to the policy-makers of the MENA countries, that the existing subsidy system is economically inefficient, financially unsustainable and its benefits largely accrue to the rich. Perhaps even more importantly, it has not empowered the poor and vulnerable to break the intergenerational transfer poverty and destitution and prepare themselves for a better livelihood. The system is under increased scrutiny, particularly in the aftermath of the Arab Spring, for their ability to fulfill people's aspirations of greater social inclusion and better access to economic opportunities. Several questions are being raised, such as (i) how much redistribution is equitable?; (ii) what are the basic goals and priorities for social safety nets?; (iii) what should be the range and scope of the welfare systems?; and (iv) how can existing systems be reformed to achieve these goals?

Figure 9: MENA citizens' satisfaction with government efforts to deal with the poor



Source: World Poll Survey, Gallup 2012.

Figure 10: MENA citizens' satisfaction with government efforts to deal with the poor



Source: World Poll Survey, Gallup 2012.

13. **Recent economic and social transitions in the MENA region have refocused attention on the need for greater social inclusion, livelihood, and resilience.** While sustained growth in many MENA countries has pulled people out of poverty and into the middle class, economic progress has yet to reach many families who face persistent poverty. A large share of the region's population remains vulnerable to economic shocks, natural disasters, and political or other crises. Without an effective SSN, poor families who are systematically unable to afford their basic needs are likely to lose hope of escaping poverty; malnourished children are likely to grow up as poor adults; and, as a consequence of crises, vulnerable families are likely to face difficult choices between survival today and avoiding irreversible damage to their future welfare. In fact, economic anxiety is on the rise in MENA, according to Gallup World Poll (Figure 9 above). In 2011, the share of the population who admitted having difficulties buying food in Egypt, Tunisia, and Jordan was significantly higher than in 2009. At the same time, citizens in some large MENA countries express low levels of satisfaction with ongoing government efforts to help the poor (Figure 10 above). By providing assistance to the poor and

vulnerable, SSN can serve as a springboard to help citizens preserve their independence and be in a position to share in the benefits of economic progress.

14. ***Targeted SSNs have a role to play in addressing key human development challenges facing the region.*** Continued growth and poverty reduction as well as a growing middle class in the MENA region go hand in hand with chronic poverty and high vulnerability. Children and rural residents face high risk of poverty translating into disappointing human development outcomes. More than a quarter of children in the bottom quintile in Morocco, Syria, and Egypt are chronically malnourished. By the age of 16-18, children in the poorest quintile in Egypt and Morocco are more likely to have dropped out of school than to have continued studying. Low levels of human capital accumulation carry a higher risk of unemployment or employment in precarious jobs with limited chances of upward mobility. When well-crafted, SSNs can help to break the cycle of intergenerational poverty by helping families to keep children healthy and in school. SSN along with increased supply of social services can also help to tackle the problem of spatial pockets of poverty in slums and rural areas by promoting the demand for these services and building community assets. Besides chronic poverty, a large share of the MENA population hovers around the poverty line and exhibits low resilience to shocks. As many as 15 to 17 percent of Egyptians, Syrians, Iraqis and Yemenis, and 10 percent of Moroccans, have consumption levels that are no more than 50 cents per day above the US\$2. If SSNs that help in navigating the effects of shocks are not in place, vulnerable households face a high probability of irreversible loss of human capital during shocks. In addition to the poverty and vulnerability, some social groups (such as women and people with disabilities) face additional barriers in accessing social services and labor market opportunities. Together with improved service provision, SSN can help to start addressing the additional barriers faced by these groups.

Political Economy of SSN Reforms

15. ***A large body of evidence regarding citizens' perceptions and aspirations on SSNs has been collected as part of the*** report, with the objective of understanding citizens' key preferences for the SSNs of the future.*** While many of the technical shortcomings of social safety nets have been highlighted in the past, and while governments have made attempts to reform untargeted subsidies at different times, political economy considerations have been a major reason why the reform of SSNs has largely stalled or never began across the region. As part of this study, new cross country data was collected using opinion surveys (MENA SPEAKS) in partnership with Gallup in Tunisia, Jordan, Lebanon, and Egypt. In addition, this chapter presents the findings from an innovative behavioral experiment (Jordan GIVES), which

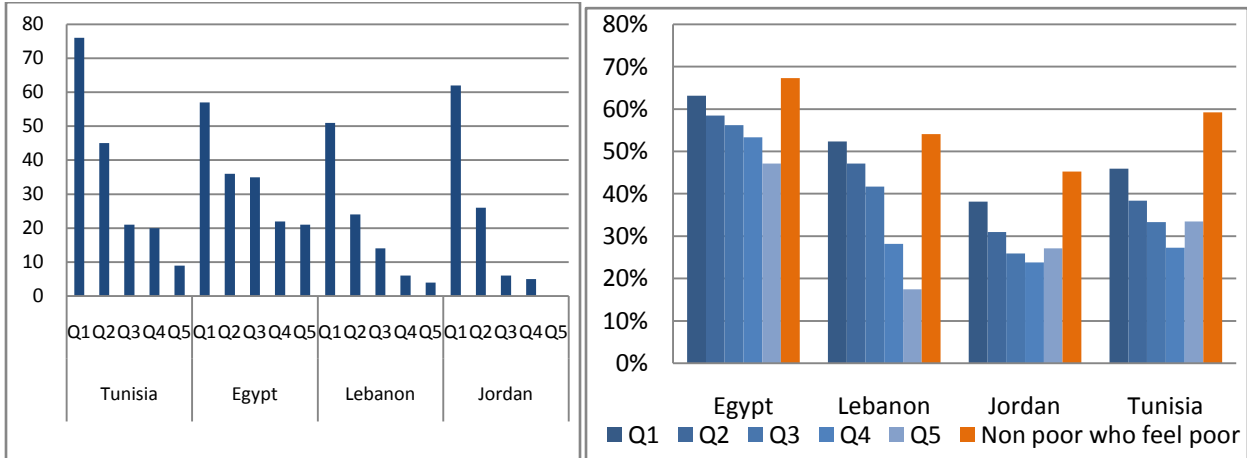
simulated the real tradeoffs involved in SSN by endowing citizens with fuel vouchers and then asking them to donate these vouchers in exchange for different designs of SSNs for the poor in their community. The new data provides evidence on possible entry points for SSNs’ renewal and reform that are likely to find the support of the poor and middle classes.

16. *In MENA, those who perceive high income inequality in their countries and who consider themselves to be poor tend to demand redistributive policies more strongly.* The subjective poor are an important share of the population in MENA countries, and they include both a large majority of the poor, and, in the case of Egypt and Tunisia, also around one-fifth of people who are not in the bottom income quintile (Figure 11a). Those who feel subjectively poor are more likely to say that “the rich own almost all of the wealth” in the country. Those who believe that income inequality is high in turn tend to demand more redistributive policies. As shown in Figure 11b, the ‘non poor who feel poor’ are the group that perceives more acute inequality. This group is also more likely to be dissatisfied with the government’s effectiveness in providing SSN.

Figure 11: Perceived high inequality and subjective poverty, by income quintile

a. % Who feels Subjectively poor the wealth

b. % who think that the rich own almost all



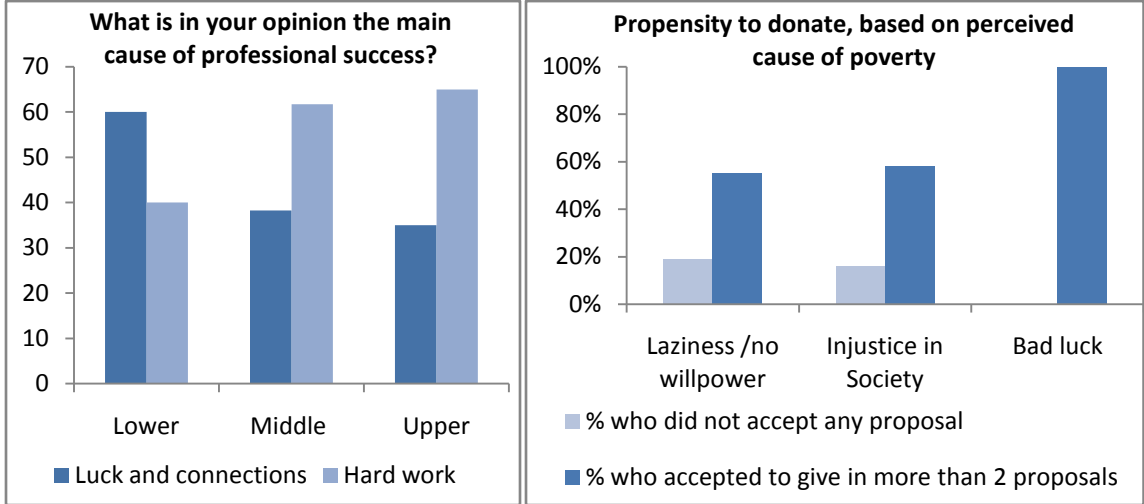
Source: MENA SPEAKS survey.

17. *The demand for redistribution also varies according to personal beliefs on poverty and social mobility.* In Jordan, the middle class expressed a general belief that hard work usually brings success; this belief is more frequent among those who define themselves as upper and middle income, while those who feel their income to be closer to the poor are more likely to say that success is due to luck and connections (Figure 12a). In addition, data from the Jordan GIVES experiment show that the propensity to give to the poor depends on individual beliefs on

the causes of poverty. Those who thought that poverty is the result of bad luck tended to donate more to the poor than the rest (Figure 12b). These perceptions are in line with those in LAC and Western Europe, but less extreme than in the United States.

Figure 12: Opinion on the cause of for poverty among the Jordanian middle class

- a. Cause of success
- b. % donated voucher by perceived cause of poverty



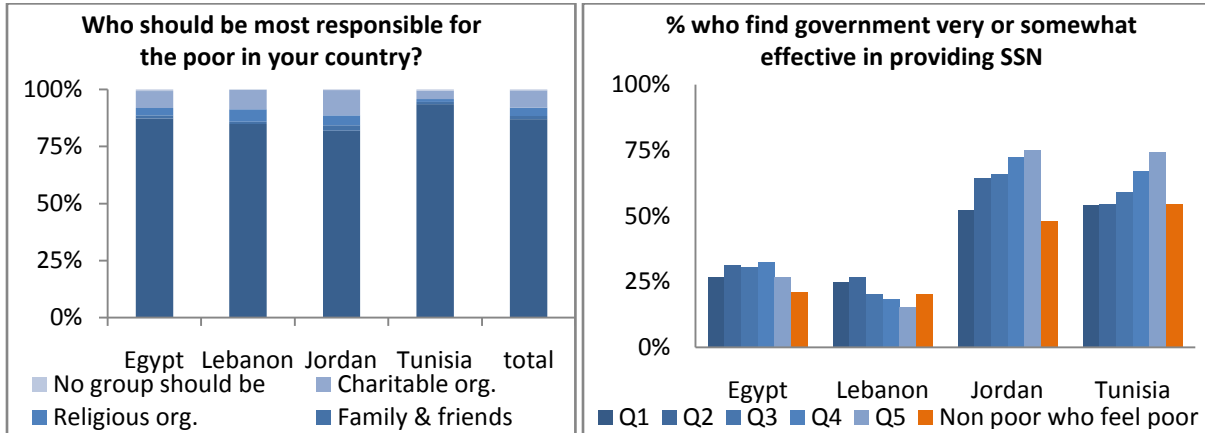
Source: Authors’ calculations using Jordan GIVES 2012 data.

18. *Citizens see their government as the main actor responsible for addressing poverty; at the same time, a large share of the population, particularly in Egypt and Lebanon, do not perceive their government’s current efforts as effective in providing social safety nets.* When asked about who should bear the primary responsibility for aiding the poor, the vast majority of MENA SPEAKS respondents replied: the government (Figure 13a). The poor and those who felt more likely to need safety nets in the future had the most critical evaluations of government effectiveness in SSN (Figure 13b). In addition, regression analysis in MENA SPEAKS countries shows that in Egypt and in Tunisia, but not in Lebanon, citizens who agreed to the statement that “government corruption is widespread” were much more likely to find the existing SSNs ineffective. Similarly, in the Jordan GIVES experiment those who had more doubts about the accuracy of targeting to the poor of existing SSNs were less likely to donate their vouchers to the poor.

Figure 13: Government is the most responsible for providing SSN but many are left unsatisfied

a. Most responsible for helping the poor in providing SSN

b. Government effectiveness in



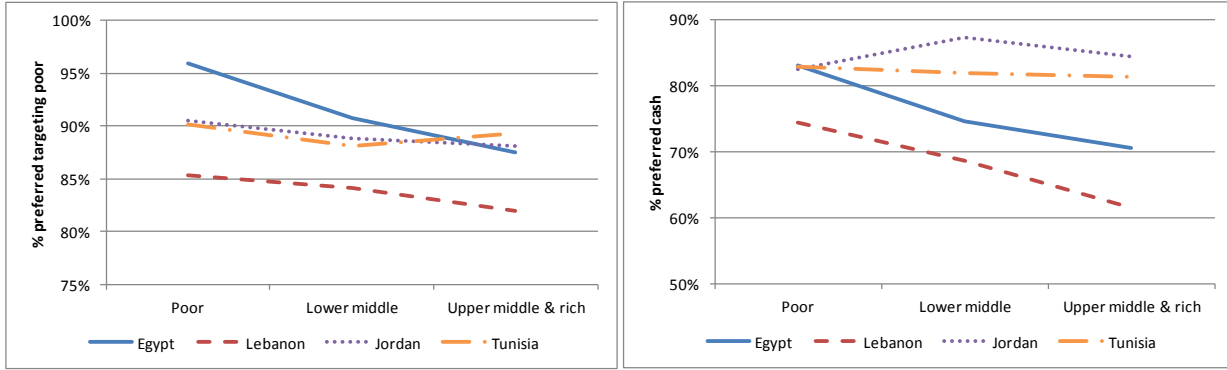
Source: MENA SPEAKS survey.

19. *Contrary to the prevailing design of SSN in the region, the large majority of people prefer programs that are based on poverty targeting rather than categorical targeting, and programs delivering cash as opposed to in-kind transfers.* More than 85 percent of people would prefer to have SSN programs targeted to the poor rather than to different categories of people, such as widows, orphans, and the disabled (Figure 14a). Preference is stronger among the poor themselves, which is understandable as categorical targeting is more likely to exhibit leakage to the non-poor or not to cover them if they do not belong to the targeted categories. Also, more than two-thirds of respondents in each of the four countries under study expressed a preference for cash-based SSNs, from 68 percent in Lebanon to 85 percent in Jordan, although the rich were more likely than the poor to prefer in kind transfers (Figure 14b).

Figure 14: Citizens' preferences on SSN design features

a. Preference for poverty targeting (vs. categorical) (vs. in kind)

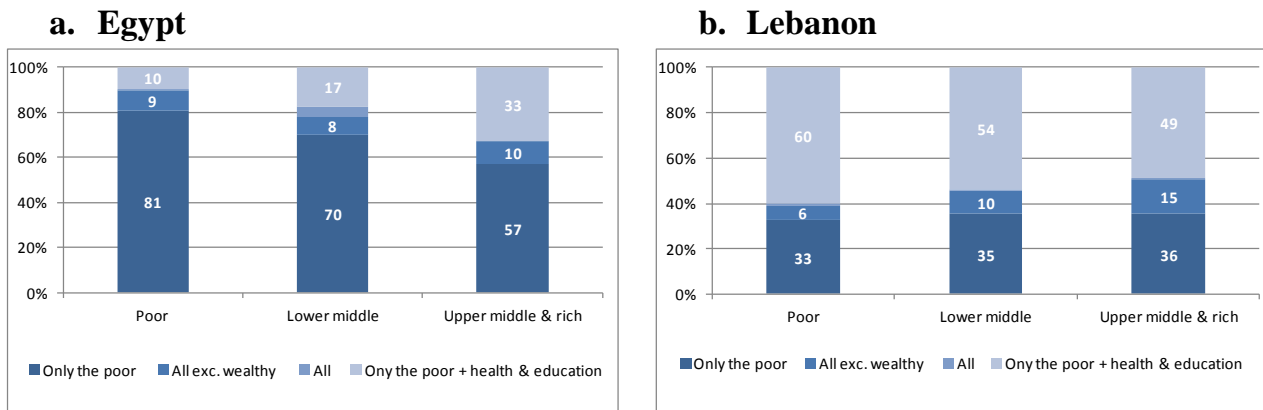
b. Preference for cash-benefits



Source: MENA SPEAKS survey.

20. *Citizens in MENA prefer reforming subsidies and using the savings from subsidy reform on cash-based transfers targeted to the poor.* When asked how the savings from subsidy reform could be spent, most people in Egypt, Jordan, and Tunisia preferred targeted transfers only to the poor rather than the expansion of public goods, loosely targeted transfers, or universal compensation (Figure 15a). However, in Lebanon middle class respondents leaned more towards compensating the middle class as well (Figure 15b). It is also important to read these results in light of the fact that a broader spectrum of the population defined themselves as poor than those belonging to the bottom income quintile, and these individuals would likely consider themselves to be among reform winners and could in fact be highly disappointed if they were among the losers.

Figure 15: Most preferred compensation package for subsidy reform
Cash transfer targeted to:



Source: MENA SPEAKS survey.

The Way Forward: How to Make MENA SSN More Effective and Innovative in MENA?

21. ***SSN can become a crucial instrument of economic and social transitions in MENA.*** As described in the framework for SSN reform (Figure 3), the three outcomes that social safety nets can promote are (i) social inclusion, by enabling investment in human capital (such as supporting school attendance or better nutrition for children); (ii) livelihood, by protecting against destitution; and (iii) resilience to crises, by helping households navigate the effects of shocks. Achieving these outcomes requires a focus on the following goals: (i) enhance the focus on poor and vulnerable; (ii) empower individuals with tools to move forward; (iii) ensure ready and rapid temporary support in response to crises to better promote resilience; (iv) give voice, promote engagement and ownership to empower citizens.

22. ***SSNs in MENA are ripe for reform.*** The region relies too heavily on untargeted price subsidies and ration cards, which waste the scarce resources of governments due to high leakage rates and a high propensity for waste, fraud, and corruption. Subsidies aside, SSNs in MENA are under-resourced and fragmented. Most of the poor and vulnerable fall through the cracks of the small and categorically- or geographically-targeted programs. Moreover, poor targeting methods result in significant leakages of SSN benefits to the non-poor, siphoning off resources that could be used elsewhere to decrease poverty and improve the distribution of welfare in MENA countries. While subsidies are very inefficient and frequently ineffective relative to other SSN interventions, large numbers of the poor and vulnerable populations depend on them to stay out of poverty. Moving from the status quo towards more effective, reliable, and equitable social safety nets requires careful thinking about technical aspects of reform, but also, and perhaps more importantly, about the sensitive issues revolving around political economy of reform.

23. ***MENA SSN can perform better in promoting inclusion, livelihood, and resilience, and the citizens of the region are expecting them to do so.*** MENA SPEAKS and Jordan GIVES have demonstrated that people hold the government responsible as the main provider of SSN, and many are not satisfied with the effectiveness of current SSN policies and programs. In fact, the type of programs preferred by citizens in several MENA countries is in line with best practices in SSN design. Thus, governments have an enabling environment that can be rallied behind SSN reform. Moreover, several countries in MENA have already implemented successful reforms that have attained significant positive results. For example, West Bank and Gaza created a unified registry across SSN programs, which significantly improved targeting accuracy and crisis response capacity. During the last crisis, the government of Yemen responded quickly with a workfare program to bridge a consumption gap of the poor and vulnerable, while also creating community assets. Simultaneously, important reforms were implemented in the main cash transfer program (SWF), such as improving poverty targeting

with a proxy means test formula, strengthening capacity for service delivery, and implementing a new legal and policy framework.

24. *In light of the MENA specific challenges faced by the poor and vulnerable, and of the current state of SSN, the path towards more effective and innovative SSN calls for action on multiple fronts.* While there is no single solution, better results can be achieved through action on the following four agenda items (World Bank, 2012):(i) improving the impact of MENA SSN programs, including their effect on present and future poverty;(ii) establishing a reliable yet flexible SSN infrastructure that can be used in normal times as well as during crises; (iii) consolidating fragmented SSN programs and integrating these programs within social protection systems; and(iv) rebalancing financing and priorities of MENA safety nets systems by focusing on targeted programs rather than on subsidies. Engaging citizens and other stakeholders in this reform agenda can improve feasibility and facilitate success.

(i) Improving the impact of MENA SSN programs, including their effect on present and future poverty. Currently, most MENA targeted SSN programs have limited impact on poverty and inequality. This results from the combination of low coverage with inefficient targeting practices, and inadequate or non-existent M&E systems. Hence, the way forward could entail:

- **Prioritizing interventions that promote investment in human capital.** This can be achieved either by scaling up region’s existing successful CCTs (such as Tayssir program in Morocco) and workfare programs (such as Yemen’s Social Welfare Fund); tweaking the design of existing programs to make them work better for children, youth, and women (such as Djibouti’s workfare plus nutrition program); and/or creating new interventions to fill the gaps based on best practices around the world but adjusting their design to empower the poor and vulnerable.
- **Enhancing targeting towards the poor and vulnerable. Improved targeting** can contain costs, ensure equity, allow SSNs to act as insurance, and increase effectiveness. Most of the programs in the region remain categorically or geographically targeted while these methods are only effective in environments of concentrated poverty. At the same time, citizens in MENA SPEAKS surveys indicated their strong preference for poverty-based targeting as opposed to categorical targeting. There is already substantial movement in the region (Yemen, West Bank and Gaza, Lebanon, Jordan, Iraq, and Djibouti) in the direction of

poverty-based targeting. Results in these countries have demonstrated the power of such reforms and outlined a clear path forward.

- **Improving the focus on results in SSN programs through M&E and social accountability.** In MENA, enhanced M&E for SSN can help allocate budget resources between programs, monitor day-to-day operations, and track results of interventions. M&E has been particularly effective when results of evaluation and empirical data produced are used to inform budgetary decisions and re-shape programs. This was the case in, for example, West Bank and Gaza and Yemen. Moreover, introducing well-functioning social accountability systems can improve efficiency and accountability and combat corruption.
- **Reaching out to other stakeholders (citizens, NGOs, CSOs, private sector, and non-profits).** Citizens' awareness about existing SSN programs is low and skewed towards the wealthy. On demand registration requires awareness about the existence of the program, eligibility criteria, and application procedures. Comprehensive communication campaigns are needed to inform poor and vulnerable citizens of the safety net that is available to them. Moreover, engaging a broader spectrum of stakeholders (such as NGOs, CSOs, private sector, and non-profits) in financing and implementing SSN programs could leverage their existing financial and human resources.

(ii) Establishing a reliable yet flexible SSN infrastructure that can be used in normal times as well as during crises. An effective SSN system can help citizens navigate the effects of idiosyncratic and systemic shocks. The recent global crisis underscored the weak capacity of existing SSN systems in MENA to serve this function. Promoting households' resilience to shock through SSN requires a strong administrative infrastructure. Having this infrastructure in place *ahead* of a crisis allows for quicker and more efficient development of remedial and mitigation actions, such as scaling up of benefits for the most vulnerable or expanding coverage, thus enhancing resilience. In particular, setting up an improved SSN infrastructure could entail:

- **Creating unified registries of beneficiaries** that can be used to target multiple programs. In normal times, unified registries can reduce costs and facilitate coherence and convergence, since all agents work with the same database. In times of crisis, unified registries can be used to quickly disburse additional benefits to the target population, or to promptly expand coverage by adjusting eligibility

criteria. West Bank and Gaza provides an example of best practice in this regard in the region.

- **Utilizing effective service delivery mechanisms.** In normal times, modern benefit delivery systems are important to reduce administrative costs and leakage to non-beneficiaries, to avoid corruption, and to make the transfer of payments to beneficiaries quick and flexible. Effective use of modern technologies, such as smart cards, mobile payments, and over-the-counter payments in bank branches facilitates rapid response during crisis.

(iii) Consolidating fragmented SSN programs. In MENA countries, direct transfer programs (cash-based or in-kind) are often small and highly fragmented. International experience suggests that having a few, comprehensive programs, specifically designed to reach different segments of the poor and vulnerable, can address current vulnerabilities and social protection gaps, by increasing both coverage (currently below 20 percent of the poor in most countries) and benefits (currently at about 5-10 percent of consumption of the poor). A few countries in the region (e.g. West Bank and Gaza and Morocco) have started reforming their SSNs in this direction. To achieve progress in this respect, governments can start with identifying gaps in SSN systems and creating an inventory of SSN programs with program objectives, eligibility criteria, and benefit type. For example, Morocco recently undertook this type of analysis. Informed by such analysis, governments can identify programs that can be expanded or consolidated, and formulate a strategy for implementation of the reform.

(iv) Rebalancing financing and priorities of MENA safety nets systems by focusing on targeted programs rather than on subsidies. MENA countries spend the lion's share of GDP on energy subsidies and a small share on targeted safety nets. Reducing costly and regressive general fuel and food price subsidies would decrease fiscal imbalances and free up resources for other safety net instruments. In particular, this could entail:

- **Increasing spending and improving coverage of targeted SSN to protect against destitution.** Around the world successful reforms of subsidies have demonstrated the importance of gaining citizens' trust in government capacity to deliver fair and reliable compensation. In light of the evidence provided by MENA SPEAKS and Jordan GIVES, demonstrating readiness to deliver effective and inclusive SSN programs would be an essential step on the path towards

comprehensive subsidy reform. This could be achieved by creating new, scaling up effective, and reforming ineffective programs.

- **Reforming price subsidies through wholesale or internal reforms.** Sequencing of sensitive reforms such as that of universal price subsidies is crucial for their success. To gain credibility, government could start with:
 - i. *Improving subsidy targeting* (e.g. through differentiated marketing and packaging, which can lead to self-targeting, as in Tunisia), narrowing subsidy coverage (e.g. through lifeline tariffs in electricity), and reducing leakages in the distribution chain.
 - ii. *Identifying most sensitive subsidies and focusing instead on most regressive ones.* According to MENA SPEAKS, the least preferred product for subsidy reform was cooking oil in Egypt, bread in Lebanon and Tunisia, and electricity in Jordan. These subsidies could be subject to reform only when governments have already demonstrated their success at reforming less sensitive subsidies. Given that fuel subsidy spending is more than three times the spending on food subsidies, it appears that non-food subsidy reform is the lower-hanging fruit. In MENA SPEAKS, citizens indicated that if they had to pick one subsidized product for reform, this product would be tobacco in Lebanon, gasoline in Egypt, and diesel in Jordan and Tunisia.
 - iii. *Engaging citizens early on in the dialogue on compensation packages and promoting awareness through information campaigns.* Governments can use the findings from the MENA SPEAKS surveys to initiate a dialogue on preferred compensation packages in their countries. The evidence so far shows that people in MENA prefer targeting cash-based compensation for subsidy reform to the poor alone (Egypt, Jordan, and Tunisia) or combined with investment of savings in education and health (Lebanon).

25. *The SSN reform path would be different across the countries in the region, given their current stage of development and the main challenges of their existing SSN system.* Countries in MENA find themselves at different stages of progress on human development outcomes and SSN reforms. Notably, the two countries that have advanced the most in SSN reform are Yemen and West Bank and Gaza, which have, respectively, low and medium level of human development outcomes (as proxied by UNDP HDI). These countries were able to implement successful SSN interventions (reforming Social Welfare Fund in Yemen and establishing a

unified registry in West Bank and Gaza) that help to address their specific needs. Djibouti, Morocco, Jordan, Lebanon, and Bahrain have made important steps towards SSN reform, such as workfare plus nutrition in Djibouti, pilot CCT in Morocco, reforms in the subsidy system in Jordan and Bahrain, and a targeting database in Lebanon. Other countries are currently considering new programs and/or reforms of their SSN systems. In each country, the way forward would include short and medium run interventions with complementary and mutually-reinforcing objectives. In the short run, MENA countries can start demonstrating better results using existing SSN systems, tweaking the design of existing programs, building unified registries, and/or piloting new programs, such as CCTs and “workfare plus.” In the medium run, the focus can shift to reforms that require more pre-existing capacity, such as refining the SSN infrastructure and comprehensive subsidy reform. Engaging a broad spectrum of stakeholders with inclusive and open dialogue can facilitate the envisioned reforms and promote an empowering role for social safety nets in the region.