Inclusion and Resilience: The Way Forward for Social Safety Nets in the Middle East and North Africa

Arab Forum on Rethinking the Roles of the State, Market and Civil Society in the Provision of Basic Social Services

ESCWA

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World Bank
Human Development Department
Middle East and North Africa Region
Objectives of the report

Main objectives…
(i) Enhance knowledge about SSNs and identify new and emerging challenges to MENA’s poor and vulnerable
   • Bringing new evidence, data, and country-specific analysis
(ii) Open up and inform a debate on feasible policy options to make MENA SSNs more effective and innovative.

... To try to address these questions:
1. What are the key challenges of the poor and vulnerable in the Middle East and North Africa that call for renewed SSNs?
2. To what extent are the region’s SSNs achieving their goals of promoting social inclusion, livelihood, and resilience to crises?
3. Which SSN reforms do the region’s citizens want?
4. What types of policies can be part of the agenda for SSN reform, and how could these policies be developed for maximum effectiveness?
Motivation

• Recent economic and social transitions in the MENA region have renewed demand for social safety nets (SSNs) that promote:
  i. Social inclusion, by building human capital,
  ii. Livelihood, by protecting against destitution, and
  iii. Resilience, by helping households navigate the effects of risks.

• Sustained economic growth in MENA countries pulled some out of poverty, but did not reach many others who are still poor, unemployed, disabled and/or ill.

• In addition, many families in MENA are vulnerable to economic shocks, natural disasters, and other crises.

• Around the world, 70 percent of SSN programs were introduced after a major transition.

• What are SSNs (welfare or social assistance)? They are non-contributory transfers targeted to the poor or vulnerable, including:
  ✓ Income support
  ✓ Temporary employment programs (workfare)
  ✓ Services that build human capital and expand access to finance
1. A Framework for SSN Reform
MENA stands at a turning point and SSNs are under increased scrutiny

Have there been times in the past 12 months when you did not have enough money to buy food that you or your family needed?

In your country, are you satisfied or dissatisfied with efforts to deal with the poor?

Source: Gallup 2011.
A Framework for Renewed SSNs in MENA

**Social Safety Nets to promote**

- **Inclusion**
  - Increasing human capital and building assets of the poor
  - Conditional cash transfers: If condition induces behavior change

- **Livelihood**
  - Protecting against destitution, mitigating poverty
  - Workfare: Assets must be of value

- **Resilience**
  - Helping households navigate the effects of shocks
  - Fee waivers for access to services: Other costs might limit access
  - Cash transfers: Flexible, need operative systems
  - Price subsidies: Costly, creates distortions
  - In-kind transfers: Costly to implement and operate

**Empower People**

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2. The Challenges that Call for Renewed SSNs
Poverty: Two groups are at a particular risk of poverty

Children

- Child (0-14) poverty rate
- Overall Poverty Rate

Rural residents

- Urban
- Rural

Note: Poverty rates are based on national poverty line for all countries except Morocco. a: Poverty line defined as the bottom quintile cutoff.

Source: Authors’ calculations, based on data from latest available household surveys.

Children in MENA are particularly at risk of poverty (both in low income and some middle income countries).
Poverty: Children’s human development outcomes are still lagging

Malnutrition Rates by country


Incidence of stunting versus GDP per capita (PPP)

Source: Authors’ calculations, based on malnutrition data from UNICEF 2009; GDP per capita data from World Bank 2012c.
Poverty: Children’s human development outcomes are still lagging, continued

**Pre-primary school gross enrollment ratio, 2007-2010**

- Djibouti
- Iraq
- Syrian Arab Republic
- Saudi Arabia
- Middle East and North Africa
- Egypt, Arab Rep.
- Algeria
- West Bank and Gaza
- Jordan
- Oman
- Iran (Islamic Republic of)
- Developing countries
- World
- Bahrain
- Morocco
- Kuwait
- Lebanon
- United Arab Emirates


**Primary completion rates**

Source: Data from latest available MICS and DHS.
Poverty: Low-quality jobs and informality lock families in poverty traps

Informality rates by quintile of per capita consumption

Source: Angel-Urdinola and Tanabe 2011
Vulnerability: Many are at risk of falling into poverty during shocks and crises

Many in MENA live just above the poverty line, and are vulnerable to poverty

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
<th>2-2.5 USD/day</th>
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<tbody>
<tr>
<td>Egypt, Arab Rep.</td>
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<td>17</td>
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<td>Yemen, Rep.</td>
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<td>Iraq</td>
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<td>Djibouti</td>
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<td>Syrian Arab Republic</td>
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<td>Algeria</td>
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<td>Morocco</td>
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<td>Iran, Islamic Rep.</td>
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<td>Tunisia</td>
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<td>Jordan</td>
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Source: Calculations from PovcalNet.

Most expenditures of the poor and vulnerable are committed to essentials

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<thead>
<tr>
<th>Quintile</th>
<th>Food</th>
<th>Rent</th>
<th>Utilities</th>
<th>Education</th>
<th>Health</th>
<th>Clothes</th>
<th>Telecom</th>
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<td>Richest</td>
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Source: Data from Egypt HIECS 2009.
Vulnerability: Low resilience to shocks due to ineffective coping strategies

Unexpected illness or disability of a family member can plunge a household into poverty

Lack of reliable safety nets forces households to turn to other coping strategies

As a coping mechanism to one or more of the aforementioned problems, during last 12 months, has the household:

- Received help from Gov. or NGO
- Sold/pawn assets
- Received help from...
- Asked for loan
- Received help from Family
- Used own income or savings

% of households incurring catastrophic health care expenditures

Source: World Bank 2010c; data from national household surveys.
Note: “Catastrophic” health care expenditures are defined as expenditures exceeding 10 percent of a household’s total expenditures or 40 percent of expenditures net of food spending.

Source: Data from IHSES, Iraq 2009, and MHYS, Morocco 2010.
Social Exclusion: Inequitable access to social services and job opportunities

- **Women:**
  - Low labor market participation, not necessarily out of choice
    - Weak support systems (such as public transportation and child care services)
    - Lack of empowerment
    - Educational disadvantages
    - Wage discrimination and gender segregation in various industries

- **Disability:**
  - High unemployment rates, inaccessible and unaffordable healthcare, low educational attainment, inaccessible transportation and infrastructure, and stigmatization resulting from disability

- **Displaced people**
  - Region hosts almost half of all registered externally displaced people
  - Integration varies by country, often: higher education and health costs; restricted access to profession; restricted mobility
Key Messages

• Despite continued economic growth, many challenges remain for the poor and vulnerable
  - In the absence of SSNs that effectively promote human capital formation among the poor and protect against destitution, these trends might be perpetuated.

• Important vulnerabilities persist
  - If effective SSN are not in place, the vulnerable might engage in coping strategies that deplete their human capital.

• Inequitable access to social services and job opportunities
  - To promote inclusion (for e.g. women, people with disabilities, and displaced people), SSN program design can be modified to engage these groups.
3. The current state of SSNs in MENA
Universal subsidies at the expense of more effective programs

- The average MENA country spends 5.7 percent of GDP on food and fuel subsidies, as opposed to 1.3 percent of GDP in the average benchmark country.

**Expenditure on subsidies (fuel and food) and transfers (cash & in-kind) as a % GDP**

**Sources:** Authors’ calculations based on Government of Jordan 2011a; World Bank 2009; World Bank 2010a; World Bank 2011b; World Bank 2011c; IMF Fiscal Affairs Department database.
Subsidies aside, SSNs in MENA are small and fragmented

Number of non-subsidy SSNs by program type

Source: Authors’ calculations based on Middle East and North Africa SSN Inventory.
Coverage of non-subsidy SSN is low in MENA

With less than a third of the bottom quintile covered in most MENA countries, the majority of the poor fall through the cracks in the safety net.

Sources: Middle East and North Africa: Authors’ calculations based on national household surveys. Other regions: World Bank 2012a.
Predominance of categorical and geographical targeting in MENA

- Categorical and geographical targeting do not perform well when poverty is multi-faceted and spatially dispersed, in which case methods that identify households or individuals based on their means or correlates of poverty (Proxy means tests - PMT) are preferable.

Source: Authors’ calculations based on Middle East and North Africa SSN Inventory.
Generosity of non-subsidy MENA SSNs is generally low

Benefit generosity of non-subsidy SSNs in MENA relative to other regions

- Non-subsidy SSN transfers in Iraq, Egypt, and Yemen constitute less than a fifth of the bottom quintile’s welfare
- Benefit generosity of SSNs in Yemen and Egypt can be increased without triggering significant work disincentives

Sources: Middle East and North Africa: Authors’ calculations based on national household surveys. Other regions: World Bank 2012a.
Most non-subsidy SSNs in MENA have a limited effect on poverty and inequality

- Poverty and inequality impact of MENA’s SSN is very minimal
  - SSN in MENA perform worse on poverty than the average for the world, ECA, or LAC
  - Most MENA SSNs do not have much impact on the distribution of welfare either, although SSNs in West Bank and Gaza outperform the rest of MENA and other regions.

- Low coverage, poor targeting, and insufficient generosity of SSN in MENA account for their small impact on poverty and inequality

Sources: Middle East and North Africa: Authors’ calculations based on national household surveys. Other regions: World Bank 2012a.
Universal subsidies are inefficient and pro-rich …

- Universal subsidies (and in particular, fuel subsidies) have staggering leakages to the non-poor.
... but many people depend on them to stay out of poverty

- Food subsidies in Egypt and food ration cards in Iraq reduce poverty incidence by about 30 percent

→ This implies that sustainable subsidy reform would be preceded by expansion of non-subsidy SSNs that promote livelihood and resilience
SSN performance during the 2009 crisis

• Most MENA countries responded to the 2009 food, fuel, and financial crisis, and to the post Arab Spring unrest by scaling up universal price subsidies and increasing public sector wages
  o These solutions are costly, difficult to remove, and have significantly amplified fiscal pressures (e.g. Egypt, Jordan).
  o Increasing public sector wages excludes the most vulnerable target groups (unemployed and informally employed) while subsidy increases benefit the rich more than the poor.
• Many governments chose these solutions due to the lack of existing effective SSN that could be rapidly scaled up
  o Existing poverty-targeted SSNs were not flexible enough to expand quickly
  o Lack of poverty data and systems to target and deliver other types of benefits limited governments’ ability to respond quickly

→ Safety nets are needed at all times, and having them in place before a crisis makes the response to crisis more effective.
Key messages

1. Universal subsidies consume the lion’s share of SSN spending in MENA, siphoning resources away from more efficient and effective SSN instruments.

2. Low coverage, poor targeting, and insufficient generosity of non-subsidy MENA SSNs explain their relatively small impact on poverty and inequality.

3. Sustainable reform of inefficient subsidies (especially fuel subsidies) can be done if the poor and vulnerable are adequately compensated.

4. Weak and unreliable SSNs in MENA are unable to shield the poor and vulnerable in times of systemic shocks like the recent crises.
4. Political economy of SSN reforms: What do citizens want?
Turning on the light on citizens' preferences

- An informed dialogue with citizens will help policy makers in renewing social safety nets

- The report generated new information on:
  - Citizens’ assessment of existing social safety nets
  - Social preferences for redistribution
  - Preference for the design of SSNs
  - Preferences and attitudes toward subsidy reform

- Nationally representative opinion surveys in Egypt, Jordan, Tunisia and Lebanon, linked to Gallup World Poll
- Social Protection Evaluation of Attitudes, Knowledge, and Support (SPEAKS)
Citizens want government to be the main provider of SSNs

Who should be most responsible for the poor in your country?

Responses, %

Egypt, Arab Rep.  Lebanon  Jordan  Tunisia

- Government
- Family and friends
- Religious org.
- Charitable org.
- No group

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But governments are seen as ineffective in providing SSNs

- On average, 21.5% of Lebanese think the government is very or somewhat effective in providing SSNs, and 30% in Egypt, 66% in Jordan, 61% in Tunisia
What do citizens know about SSN? Awareness varies by country, but is generally higher among the rich.
Which citizens *know* about SSN? The poor in Lebanon and Tunisia are less likely to know a SSN recipient.

Average number of SSN programs for which respondents knew a beneficiary, by income quintile

- Knowing someone who participates in a SSN program is an (imperfect) proxy for the level of leakage.
  - With some reasonable assumptions, if wealthier respondents are more likely to know people in SSN programs than poor respondents, this suggests leakages of benefits to the non-poor.
What do citizens want? Poverty-targeted cash transfer programs, rather than categorical in-kind benefits

Poverty vs. categorical targeting

Cash vs. in-kind

*Serving specific groups of people*  *Serving the poor*  *Goods (food, clothes, etc.)*  *Cash*
What do citizens want? Few people think that SSNs should be conditional on some recipient behaviors.

Should SSN beneficiaries be required to do something in exchange for receiving SSN or should there be no requirements?

Almost 1/3 of citizens would support conditionality…

…and such support increases somewhat with wealth.
The top two preferred conditionalities were school attendance for children and active job search.
What about subsidies? Awareness of food subsidies is higher than of fuel subsidies.

**Egypt:**

**Lebanon:**

**Jordan:**

**Tunisia:**
Opposition to reforming subsidy varies by country, and it is high in Egypt and Jordan.

The graph shows the percentage of people opposed to subsidy reform for different income levels (Poor, Lower middle, Upper middle & rich) across four countries: Egypt, Lebanon, Jordan, and Tunisia. The percentage is indicated on the y-axis, and the income levels are on the x-axis.

- **Egypt** has a higher percentage of opposition to subsidy reform across all income levels compared to the other countries.
- **Lebanon** shows a relatively lower percentage of opposition, especially in the Poor class.
- **Jordan** and **Tunisia** fall in between Egypt and Lebanon in terms of opposition to subsidy reform, with Jordan showing a slight increase in opposition from Poor to Upper middle & rich.
Most people are more tolerant of non-food subsidy removal

**Preferred product to reform**

- **Egypt**
  - Cooking oil: 6
  - Sugar: 14
  - Baladi bread: 17
  - LPG: 35
  - Diesel: 31
  - Gasoline: 53

- **Lebanon**
  - Tobacco (growers): 97
  - Bread/flour: 7
  - Mazot (diesel): 20
  - Gasoline: 25
  - Water: 33

- **Jordan**
  - Electricity: 12
  - LPG/gas cylinders: 20
  - Diesel: 34
  - Bread/flour: 50

- **Tunisia**
  - Bread/flour: 13
  - Sugar: 28
  - Semolina: 15
  - Cooking oil: 28
Most citizens would rather convert subsidies into cash-based transfers targeted to the poor.

How the subsidies savings could be spent?

Cash transfer to:

- Egypt: 71% Only the poor, 8% All exc. wealthy, 17% All, 3% Ony the poor + health & education
- Lebanon: 35% Only the poor, 10% All exc. wealthy, 54% All, 1% Ony the poor + health & education
- Jordan: 61% Only the poor, 23% All exc. wealthy, 16% All, 1% Ony the poor + health & education
- Tunisia: 56% Only the poor, 16% All exc. wealthy, 27% All, 1% Ony the poor + health & education
Key Messages

• Citizens want government to be the main provider of SSNs, but governments are seen as ineffective in providing SSNs.
• Citizen awareness of SSNs is low among the poor.
• Citizens prefer poverty-targeted cash transfer programs, rather than categorical, in-kind benefits.
• Opposition to reforming subsidy varies by country, and is high in Egypt and Jordan, but most people are more tolerant of non-food subsidy removal.
• Most citizens would rather convert subsidies into cash-based transfers targeted to the poor.

✓ (a) much scope remains to increase support for reform by raising awareness on existence and true cost of subsidies; and (b) customizing the design of renewed SSNs can help to shift public opinion in favor of SSN reform.
5. The way forward:

How to make MENA SSN more effective and innovative
Agenda for renewed SSNs in MENA

(i) Improve the impact of SSN programs

(ii) Establish a reliable yet flexible SSN infrastructure

(iii) Consolidate fragmented SSN programs

(iv) Rebalance financing and priorities of SSN systems
Way forward:
(i) Improve the impact of SSN programs

- Prioritizing interventions that promote investment in human capital
  - By scaling up successful programs, tweaking existing programs, and creating new programs

- Enhancing targeting toward the poor and vulnerable
  - By using poverty-targeting as preferred by MENA citizens

- Improving the focus on results in SSN programs through M&E and social accountability

- Reaching out to other stakeholders (citizens, NGOs, CSOs, private sector, and nonprofits)
  - Comprehensive communication campaigns can improve awareness about SSNs
  - Resources of other stakeholders can be leveraged for financing and implementation
Way forward:
(ii) Establish a reliable yet flexible SSN infrastructure

✓ Improving SSN infrastructure
  ➢ Creating unified registries of beneficiaries
  ➢ Utilizing effective service delivery mechanisms

• The recent global crisis underscored the weak capacity of existing SSN systems in MENA in promoting households’ resilience to shocks. To effectively fulfill this function 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.
Way forward:
(iii) Consolidate fragmented SSN programs

- International experience suggests having a few comprehensive programs, specifically designed to reach different segments of the poor and vulnerable.
- Linking the programs’ beneficiaries with social insurance systems can leverage their impact.

✓ Consolidating existing small and fragmented SSN programs
  - Identify gaps in SSN systems
  - Create an inventory of SSN programs with program objectives, eligibility criteria, and benefit type
  - Identify programs that can be expanded or consolidated
  - Formulate a strategy for implementation of the reform
Way forward: (iv) Rebalance financing and priorities of SSN systems

- Increasing spending and improving coverage of non-subsidy SSN to protect against destitution
  - Demonstrate readiness to deliver effective and inclusive non-subsidy SSN programs as a first step on the path towards comprehensive subsidy reform

- Reforming price subsidies through wholesale or internal reforms
  - Improving subsidy targeting
  - Identifying most sensitive subsidies and focusing instead on most regressive ones
  - Engaging citizens early on the dialogue on comprehensive reforms and promote awareness through information campaigns.
For further engagement

Report website:
http://www.worldbank.org/mna/socia尔斯afetynets

MENA Blogs on the report:
http://menablog.worldbank.org/who-should-pay-poorest-lebanon

Facebook:
https://www.facebook.com/WorldBankMiddleEastNorthAfrica

Gallup.com article on MENA SPEAKS:

Press release: