

Inclusion and Resilience

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



Joana Silva, Victoria Levin, Matteo Morgandi



Inclusion and Resilience

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

OVERVIEW

*Joana Silva
Victoria Levin
Matteo Morgandi*

SEPTEMBER 2012



This booklet contains the overview from the forthcoming book, *Inclusion and Resilience: The Way Forward for Social Safety Nets in the Middle East and North Africa* (DOI: 10.1596/978-0-8213-9771-8), published by the World Bank.

© 2012 International Bank for Reconstruction and Development / The World Bank
1818 H Street NW, Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

Some rights reserved

This work is a product of the staff of The World Bank with external contributions. Note that The World Bank does not necessarily own each component of the content included in the work. The World Bank therefore does not warrant that the use of the content contained in the work will not infringe on the rights of third parties. The risk of claims resulting from such infringement rests solely with you.

The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Nothing herein shall constitute or be considered to be a limitation upon or waiver of the privileges and immunities of The World Bank, all of which are specifically reserved.

Rights and Permissions

This work is available under the Creative Commons Attribution 3.0 Unported license (CC BY 3.0) <http://creativecommons.org/licenses/by/3.0>. Under the Creative Commons Attribution license, you are free to copy, distribute, transmit, and adapt this work, including for commercial purposes, under the following conditions:



Attribution—Please cite the work as follows: Silva, J., Levin, V., Morgandi M. 2013. *Inclusion and Resilience: The Way Forward for Social Safety Nets in the Middle East and North Africa (Overview)*. Washington, DC: World Bank.

License—Creative Commons attribution CC BY 3.0

Translations—If you create a translation of this work, please add the following disclaimer along with the attribution: This translation was not created by The World Bank and should not be considered an official World Bank translation. The World Bank shall not be liable for any content or error in this translation.

All queries on rights and licenses should be addressed to the Office of the Publisher, The World Bank, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2625; e-mail: pubrights@worldbank.org.

Cover photo by Jenny Matthews/Panos Pictures.

Cover photo of displaced children at play in South Lebanon.

Cover design by Naylor Design.

Contents

Acknowledgments	v
Abbreviations	vii
Executive Summary	ix
Overview	1
1. A Framework for SSN Reform	5
2. Key Challenges that Call for Renewed SSNs	9
3. The Current State of SSNs in the Middle East and North Africa	19
4. The Political Economy of SSN Reforms in the Middle East and North Africa: What Do Citizens Want?	29
5. The Way Forward: How to Make Safety Nets in the Middle East and North Africa More Effective and Innovative	41
Annex A.1 Description of the Data Sources Used	47
References	51

Acknowledgments

This report is the product of the collaborative effort of a core team led by Joana Silva and comprising Victoria Levin and Matteo Morgandi (principal authors), Mohamad Alloush (data management and analysis), Facundo Cuevas, Tarsicio Castañeda, and Carole Abi Nahed Chartouni. In addition, Victoria Levin and Facundo Cuevas supported at different stages the coordination of the project; and Facundo Cuevas also helped in raising funds for the realization of the MENA SPEAKS survey and the Jordan Gives experiment. Bénédicte de la Brière, Ruslan Yemtsov, Karla Hoff, and Hana Brixii provided guidance and useful inputs at different stages of this report. Amy Gautam and Mary Anderson edited the report.

Background papers were written for this report by Tarsicio Castañeda, Facundo Cuevas, Abhishek Gupta, Mohamad Alloush, Carole Abi Nahed Chartouni, Yohana Dukhan, Paul B. Siegel, and Quentin Wodon. Anne Hilger, Rania Atieh, Yohana Dukhan, Haneen Sayed, Samira Hillis, Sherine Al-Shawarby, Dorothee Chen, Ezequiel Molina, Lillian Frost, Maaouia Ben Nasr, Sebastian Trenner, Hala Ballout, Kristen Himelein, and Yasmeen Tabbaa provided very useful inputs.

The report benefited greatly from the feedback received during extended consultations. In particular, we are grateful to representatives of government, academia, civil society, NGOs, and CSOs from Algeria, Bahrain, Iraq, Jordan, Kuwait, Lebanon, Morocco, Oman, Saudi Arabia, Tunisia, the United Arab Emirates, and West Bank and Gaza as well as to the International Labour Organization and the United Nations Economic and Social Commission for Western Asia, who participated in the regional workshops (in Beirut, January 13–14, 2012; Tunis, January 16–17, 2012; and Muscat, April 16–17, 2012) and in national consultations in Jordan (January 10, 2012). We thank the team that developed the World Bank Social Protection Strategy for MENA, and in particular Rebekka Grun (task leader), Surat Nsour, Victoria Levin, Sebastian Trenner, Rania Atieh, and Nicole La Borde for co-organizing these workshops with our team.

We are grateful to Gallup, and in particular to Krista Hoff, Cynthia English, and Joe Daly, for guidance and effective implementation of the MENA SPEAKS sur-

veys. We thank Center for Strategic Studies at the University of Jordan, and particularly Musa Shteivi, Yasmina Suleyman, and Walid Alkhatib, for guidance and effective implementation of the Jordan Gives behavioral experiment.

We thank our peer reviewers Margaret Grosh, Harold Alderman, and Lynne D. Sherburne-Benz for their valuable guidance and Lire Ersado for his helpful comments. We are also grateful to Jehan Arulpragasam, Trina Haque, David Coady, Haneen Sayed, Samira Hillis, Ghassan N. Alkhoja, Jeffrey Waite, Nadine Poupart, Alaa Mahmoud Hamed, Surat Nsour, Mira Hong, Rasmus Heltberg, Umar Serajuddin, Hassan Zaman, William Stebbins, May Wazzan, Phillippe Leite, Nidhal Ben Cheikh, Mehdi Barouniand, Patrick Canel, and Paolo Verme for insightful discussions and feedback.

This work was supported by the Arab World Initiative and by the Trust Fund for Environmentally and Socially Sustainable Development (TFESSD) – Social Protection Window. We thank Steen Jorgensen, Caroline Freund, Yasser El-Gammal, and Roberta Gatti for their strategic guidance.

Abbreviations

CCT	conditional cash transfer
CSO	civil society organization
ECD	early childhood development
ECA	Europe and Central Asia
ESCWA	United Nations Economic and Social Commission for Western Asia
GCC	Gulf Cooperation Council
GDP	gross domestic product
IEG	Independent Evaluation Group
ILO	International Labour Organization
IMF	International Monetary Fund
LAC	Latin America and Caribbean
M&E	monitoring and evaluation
MENA	Middle East and North Africa
[MENA] SPEAKS	[MENA] Social Protection Evaluation of Attitudes, Knowledge, and Support
MIS	Management Information System
NGO	nongovernmental organization
OECD	Organisation for Economic Co-operation and Development
PMT	proxy means test
PPP	purchasing power parity
SSN	social safety net
UCT	unconditional cash transfer
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UN-OCHA	United Nations Office for the Coordination of Humanitarian Affairs
UNRWA	United Nations Relief and Works Agency
WDI	<i>World Development Indicators</i>

Executive Summary

Transitions are defining moments for social welfare systems. Most social safety net (SSN)¹ programs around the world were introduced during transition periods (such as independence after the collapse of the former Soviet Union, decentralization in Indonesia, and regime change in Brazil and Portugal), and they remained in place afterward. When SSN systems come under increased scrutiny regarding their ability to fulfill people's aspirations of greater social inclusion and better access to economic opportunities, key questions are discussed:

- How much redistribution is optimal and on what terms?
- What are the basic goals and priorities for safety nets?
- What should be the range and scope of welfare systems?
- How can existing systems be reformed to achieve these goals?

The Arab Spring brought the need for social inclusion and a new social contract to the forefront. Countries in the region have been relying on a redistribution system that protected against destitution through universal subsidies, which guaranteed affordable access to food and fuel for all citizens, irrespective of their needs. Governments could respond to crises only by scaling subsidies up or by increasing the size and generosity of public employment. While popular, this system is proving hard to sustain. Perhaps even more important, it does not empower citizens to prepare for better livelihoods.

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 Middle East and North

¹ Social safety nets (SSNs) are defined as noncontributory 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.

Africa, often go hand in hand with chronic poverty and high vulnerability. Children and rural residents face a high risk of poverty, translating into disappointing human development outcomes. More than a quarter of children in the bottom income quintile in the Arab Republic of Egypt, Morocco, and the Syrian Arab Republic 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 either unemployment or precarious employment in jobs with limited chances of upward mobility. When well crafted, SSNs can contribute toward breaking the cycle of intergenerational poverty by helping families to keep children healthy and in school. SSNs along with increased social services can also help to tackle the problem of spatial pockets of poverty in slums and rural areas by promoting the demand for safety-net services and building community assets. In addition to those in chronic poverty, a large share of the region's population hovers close to the poverty line and exhibits low resilience to shocks. As many as 15–17 percent of Egyptians, Iraqis, Syrians, and Yemenis, and 10 percent of Moroccans, have per capita consumption levels that are no more than US\$0.50 per day above the US\$2 per day poverty line (in purchasing power parity [PPP] terms). 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 poor and vulnerable, some social groups (such as women and people with disabilities) face particular barriers in gaining access to social services and labor market opportunities. Together with improved service provision, SSNs can help to start addressing these barriers.

SSNs in the Middle East and North Africa are ripe for reform. Most of the region's spending on SSNs finances energy subsidies, crowding out more effective interventions. Middle Eastern and North African countries spend, on average, 6 percent of gross domestic product (GDP) on subsidies. Fuel subsidies alone represent an average of 4.6 percent of GDP. In sharp contrast, other SSNs in the region are under-resourced—receiving less than 0.7 percent of GDP on average and being fragmented among many small programs with significant overlaps. Most of the poor and vulnerable fall through the cracks: two out of three people in the poorest quintile are not reached by nonsubsidy SSNs. In fact, existing coverage of the bottom quintile in the region is less than half of the world average. Moreover, inadequate targeting results in significant leakages of SSN benefits to the nonpoor, siphoning off resources that could be used to decrease poverty and improve the distribution of welfare. The average non-subsidy SSN program in the region distributes only 23 percent of its total benefits to the bottom quintile, while the corresponding figure for the average comparator programs in Latin America and the Caribbean and in Eastern Europe and Central Asia is 59 percent. Although subsidies (and in particular, fuel subsidies) are inefficient and frequently ineffective relative to other SSN interventions, because of their sheer size, many people depend on them to stay out of poverty. Moving from the status quo toward more effective, reliable, and equitable social safety nets requires careful thinking

not only about the technical aspects of reform but also, and perhaps more important, about the sensitive issues concerning the political economy of reform.

Political economy considerations have been a major reason why SSN reform has largely stalled or never began in some Middle Eastern and North African countries; new evidence suggests that better information, improved design, and increased transparency of SSNs can help the region move forward. The region's citizens are expecting their governments to be more effective providers of SSNs that target the poor. New opinion surveys conducted in Egypt, Jordan, Lebanon, and Tunisia as part of this study (see box ES.1) reveal that close to 90 percent of citizens see the government as the main provider of SSNs. However, in Egypt and Lebanon, less than a third found the current SSN policies and programs effective, while in Jordan and Tunisia the poor reported much more dissatisfaction than the rich. The surveys also showed the uneven coverage of SSNs and, to some extent, their regressive nature. In Egypt, 23 percent of all respondents—particularly the poor—did not know any of the main SSN programs in the country, while in Lebanon and Tunisia, the rich were more likely than the poor to know an SSN beneficiary. In spite of their large fiscal cost, awareness of fuel subsidies is below 50 percent in all four countries. The opposition to subsidy reform varies strongly across countries (higher in Egypt and lower in Lebanon) and in terms of priority, with gasoline in Egypt, tobacco in Lebanon, and diesel in Jordan and Tunisia being the subsidies most accepted for reform. In addition to the opinion surveys, this study conducted a behavioral experiment (Jordan Gives) among a nationally representative sample of the Jordanian middle class which collected information on preferences for redistribution to the poor by simulating real trade-offs through the use of fuel vouchers. This experiment showed not only that middle-class individuals support redistribution to the poor, but also, more important, that this support varies according to the design of the assistance and the credibility of targeting. Altogether, these activities suggest that (a) much scope remains to increase support for reform by raising awareness on the 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. For instance, in all

Box ES.1. Listening to the Middle East and North Africa

The activities conducted in preparation for this report reached more than 4,000 Middle Eastern and North African citizens through the nationally representative MENA SPEAKS (Social Protection Evaluation of Attitudes, Knowledge, and Support) surveys, which were fielded in collaboration with Gallup in Egypt, Jordan, Lebanon, and Tunisia. Moreover, the report surveyed more than 400 Jordanian middle-class citizens through a behavioral game (Jordan Gives) that collected information on revealed preferences for redistribution by using fuel vouchers as real payoffs, among a nationally representative sample of the Jordanian middle class.

Through consultation workshops across the region, the report also involved more than 250 representatives of government; academia; civil society; nongovernmental organizations (NGOs); and community-based organizations from Algeria, Bahrain, Iraq, Jordan, Kuwait, Lebanon, Morocco, Oman, Saudi Arabia, Tunisia, the United Arab Emirates, and West Bank and Gaza; as well as multilateral and bilateral donors (including the International Labour Organization and the United Nations Economic and Social Commission for Western Asia).

countries but Lebanon, those who approved of subsidy reform opted for a cash transfer targeted to the poor rather than more broad-based compensation; in general, citizens showed a clear preference for SSNs that focus on the poor (rather than on specific groups) and that deliver cash (rather than in-kind benefits).

Recent experience has demonstrated the feasibility of SSN reform in the Middle East and North Africa. There are several examples of successful reforms that have attained significant positive results:

- *West Bank and Gaza* created a unified registry across SSN programs that significantly improved targeting accuracy and crisis response capacity.
- *The Republic of Yemen* responded quickly during the global economic crisis 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, the Social Welfare Fund, such as improving poverty targeting with a proxy means-test formula, strengthening capacity for service delivery, and implementing a new legal and policy framework.
- *Morocco's* Tayssir program—a pilot cash transfer program conditional on school attendance and targeting areas with high incidences of school dropouts and poverty—has had a significant positive impact in reducing dropouts in rural areas, especially among girls.
- *Djibouti* has adopted an innovative program design to make a workfare program work for children and women.
- *Lebanon* recently launched a central targeting database (National Poverty Targeting Program), laying the foundation for an effective SSN.
- *Jordan* has made important steps toward rebalancing SSNs away from subsidies and developing a targeting and poverty reduction strategy.

In light of the region-specific challenges faced by the poor and vulnerable and the current state of SSNs, the path toward more effective and innovative SSNs calls for action on several fronts. The remaining key human development challenges in the region and the disappointing performance of existing SSN systems call for more effective and innovative SSNs that promote inclusion and resilience. Although there is no single solution, better results can be achieved through action on the following four agenda items:

- **Improving the impact of SSN programs in the Middle East and North Africa**, including their effect on reducing present and future poverty. Currently, most of the region's nonsubsidy SSN programs have limited impact on poverty and inequality because of the combination of low coverage (with inefficient targeting) and inadequate or nonexistent monitoring and evaluation (M&E) systems. Hence, the way forward on this front could entail

- *Prioritizing interventions that promote investment in human capital.* SSN programs should be geared to addressing the observed human development challenges, such as child malnutrition and school dropouts. This can be achieved either by (a) scaling up the region's existing successful conditional cash transfer (CCT) programs (such as the Tayssir program in Morocco) and workfare programs (such as the Republic of Yemen's Social Welfare Fund); (b) tweaking the design of existing programs to make them work better for children and women (such as Djibouti's workfare plus nutrition program); or (c) creating new interventions to fill the gaps based on best practices around the world but adjusting their design to empower the poor and vulnerable. Given the reluctance to condition SSN transfers, as observed in the MENA SPEAKS surveys, a well-developed information and communication strategy about the benefits of this approach should precede the implementation of CCT programs in the region.
- *Enhancing targeting toward 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, even though these methods are effective only in environments of concentrated poverty. At the same time, in the MENA SPEAKS surveys, citizens indicated their strong preference for poverty-based targeting as opposed to categorical targeting. There is already substantial movement in the region (as in Iraq, Jordan, Lebanon, West Bank and Gaza, and the Republic of Yemen) in the direction of poverty-based targeting. Results in these places have demonstrated the power of such reforms and outlined a clear path forward.
- *Improving the focus on SSN program results through M&E and social accountability.* In the Middle East and North Africa, enhanced M&E for SSNs can help allocate budget resources among programs, monitor day-to-day operations, and track the results of interventions. M&E has been particularly effective when the evaluation results and empirical data are used to inform budgetary decisions and reshape programs. This was the case in West Bank and Gaza and the Republic of Yemen. Moreover, introducing well-functioning social accountability systems can improve efficiency and accountability and combat corruption.
- *Reaching out to other stakeholders (citizens, NGOs, civil society organizations [CSOs], the private sector, and nonprofits).* Citizens' awareness about existing SSN programs is low and skewed toward the wealthy. On-demand registration requires awareness about the existence of programs, eligibility criteria, and application procedures. Comprehensive communication campaigns are needed to inform poor and vulnerable citizens of the safety nets that are available to them. Moreover, engaging a broader spectrum of stakeholders (such as NGOs, CSOs, the private sector, and nonprofits) in financing and implementing SSN programs could add leverage to their existing financial and human resources.

- **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 economic crisis underscored the weak capacity of existing SSN systems in the Middle East and North Africa to serve this function. Promoting households' resilience to shocks through SSNs 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 because 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. In this regard, West Bank and Gaza provides an example of best practice in the region.
 - *Using effective service delivery mechanisms.* In normal times, modern benefit delivery systems are important to reduce administrative costs and leakages to nonbeneficiaries, avoid corruption, and make 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 crises.
- **Consolidating fragmented SSN programs.** In the Middle East and North Africa, 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 covering about 5–10 percent of consumption of the poor). A few parts of the region (for example, Morocco and West Bank and Gaza) have started reforming their SSNs in this direction. To achieve progress in this respect, governments can start by identifying gaps in SSN systems and creating an inventory of SSN programs with program objectives, eligibility criteria, and benefit types. Morocco recently undertook this type of analysis. Informed by such an analysis, governments can identify programs that can be expanded or consolidated and formulate a strategy for implementation of the reform.
- **Rebalancing the financing and priorities of safety net systems** by focusing on targeted programs rather than on subsidies. Middle Eastern and North African countries spend the lion's share of SSN expenditure, in terms of GDP, on energy subsidies and a small share on targeted safety nets. Reducing costly and regressive universal price subsidies (especially fuel subsidies) would decrease fiscal im-

balances and free up resources for other safety net instruments. In particular, this could entail

- *Increasing spending and improving coverage of nonsubsidy SSNs to protect against destitution.* Successful subsidy reforms have demonstrated the importance of gaining citizens' trust in the government's capacity to deliver fair and reliable compensation. In light of the evidence provided by the MENA SPEAKS surveys and the Jordan Gives exercise, delivering effective and inclusive SSN programs would be an essential step toward comprehensive subsidy reform.
- *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, governments could start by
 - *Improving targeting* (for example, through differentiated marketing and packaging, which can lead to self-targeting, as in Tunisia), narrowing subsidy coverage (such as through lifeline tariffs in electricity), and reducing leakages in the distribution chain.
 - *Identifying the most sensitive subsidies and focusing instead on the most regressive ones.* According to the MENA SPEAKS surveys, the least-preferred products for subsidy reform were cooking oil in Egypt, bread in Lebanon and Tunisia, and electricity in Jordan. These subsidies could be subject to reform only when the governments demonstrate their success at reforming less-sensitive subsidies. Given that spending on fuel subsidies is triple the spending on food subsidies, nonfood subsidy reform is the lower-hanging fruit. In the MENA SPEAKS surveys, 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.
 - *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 the Middle East and North Africa prefer targeting cash-based compensation to the poor alone (Egypt, Jordan, and Tunisia), perhaps combined with investment of savings in education and health (Lebanon).

The SSN reform path is different for every part of the region, given each economy's current development trajectory and the main challenges of the existing SSN systems. The Middle Eastern and North African economies find themselves at different stages of progress on human development outcomes and SSN reforms. Notably, the two places that have advanced the most in SSN reform are West Bank and Gaza and the Republic of Yemen, which have, respectively, medium- and low-level human development outcomes (as proxied by the United Nations Development Programme's human development index). They were able to implement suc-

successful SSN interventions (establishing a unified registry in West Bank and Gaza and reforming the Social Welfare Fund in the Republic of Yemen) that help to address their specific needs. Bahrain, Djibouti, Jordan, Lebanon, and Morocco have made important steps toward SSN reform, such as reforms in the subsidy system in Bahrain and Jordan, a workfare plus nutrition program in Djibouti, a targeting database in Lebanon, and a pilot CCT in Morocco. Other countries are currently considering new programs 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, Middle Eastern and North African countries can start demonstrating better results using existing SSN systems by tweaking the design of existing programs, building unified registries, or piloting new programs such as CCTs and “workfare plus.” In the medium run, the focus can shift to reforms that require more preexisting capacity, such as refining the SSN infrastructure and comprehensive subsidy reform. Engaging a broad spectrum of stakeholders in an inclusive and open dialogue can facilitate the envisioned reforms and promote an empowering role for social safety nets in the region.

Overview

There is currently an unparalleled opportunity for Middle Eastern and North African countries to improve their social safety nets (SSNs)² to better promote inclusion, livelihood, and resilience.

There is growing international consensus that effective SSN coverage can promote economic opportunity and help vulnerable populations to overcome poverty. Approximately 80 percent of developing countries currently plan to develop or strengthen their SSNs (World Bank 2012a), and those of the Middle East and North Africa are no exception. Historically, transitions and crises have often opened new space for SSN building. Around the world, 70 percent of SSN programs were introduced after a major transition (for example, independence after the collapse of the former Soviet Union; Nepal's transition to democracy; decentralization in Indonesia; and political changes in Brazil and Portugal). More recently, the global financial crisis spurred dozens of countries to create new SSN programs, expand old ones, and improve overall administrative systems to enhance governance and make programs more efficient (IEG 2011).

The Arab Spring has brought the need for social inclusion and a new contract between states and citizens to the forefront.

Pre-Arab Spring, many governments tended to rely on a redistribution system that promoted (a) a minimum standard of living by providing universal subsidies of basic consumer goods, and (b) public employment in response to demand for secure jobs by the middle and upper classes. In times of crisis, governments relied on the same narrow set of policy tools. The subsidy system, which does not require targeting, is popular but has not achieved the desired outcomes of SSNs in an effective and

² Social safety nets (SSNs) are defined as noncontributory 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.

efficient way. During the Arab Spring, demands for increased social inclusion and better access to economic opportunities implied a turning point for the region as a whole and intense scrutiny of the role of SSNs.

The challenge in the Middle East and North Africa today is to invest in effective SSN systems that are fiscally, politically, and administratively sustainable. To be effective in promoting inclusion, livelihood, and resilience, SSNs should be carefully designed and implemented, ensuring that they reach the most vulnerable and help them to build human capital. To achieve *fiscal sustainability*, some countries around the world have consolidated fragmented programs and focused on efficient and lower-cost interventions, linking them to asset creation. To achieve *political sustainability*, some countries have designed programs in accordance with public opinions about poverty and redistribution; established a record of transparency, effectiveness, and impact; and considered both the poor's demand for inclusion and the middle class's demand for fairness. To achieve *administrative sustainability*, some countries have defined appropriate institutional responsibilities and incentives while developing efficient targeting and management systems as well as administrative budgets. Effective planning and design can ensure that sustainability objectives are met by new or reformed SSN programs.

Report Objectives

The report aims to meet two broad objectives: (a) enhance knowledge about the current state of existing SSNs and assess their effectiveness in responding to new and emerging challenges to the poor and vulnerable in the region by bringing together new evidence, data, and country-specific analysis; and (b) open up and inform a debate on feasible policy options to make SSNs in the Middle East and North Africa more effective and innovative. To those ends, this report seeks to answer the following four questions:

- What are the key challenges of the poor and vulnerable in the Middle East and North Africa that call for renewed SSNs?
- Are the region's SSNs achieving their goals of promoting social inclusion, livelihood, and resilience to crises?
- Which SSN reforms do the region's citizens want?
- What types of policies can be part of the agenda for SSN reform, and how could these policies be developed for maximum effectiveness?

Report Structure

- *Chapter 1, "A Framework for SSN Reform,"* describes and illustrates the reasons for the region's growing need for SSN reform and establishes the framework for renewed SSNs. It identifies key goals for SSNs (promoting social inclusion,

livelihood, and resilience) and illustrates how these goals have been achieved in some parts of the region and elsewhere.

- *Chapter 2, “Key Challenges that Call for Renewed SSNs,”* analyzes the challenges facing the region’s poor and vulnerable households, which SSNs could focus on as a priority. Two large groups are at higher-than-average poverty risk: children and those who live in rural or lagging areas. The chapter examines factors—such as inequality of opportunities and lack of access to services—that can perpetuate the lower human development outcomes among the poor in these groups. It also describes the challenge of vulnerability (that is, the state of being close to the poverty line and thus at risk of falling into poverty as a consequence of a short-term shock). Finally, it identifies particular social groups that are at a higher risk of exclusion from access to services and employment.
- *Chapter 3, “The Current State of SSNs in the Middle East and North Africa,”* analyzes SSN spending and assesses different aspects of the SSN systems’ performance (including coverage, targeting, generosity, and the impact on poverty and inequality of both subsidy and nonsubsidy SSNs). It benchmarks such performance against that of other regions and countries and identifies the gaps in existing systems.
- *Chapter 4, “The Political Economy of SSN Reforms in the Middle East and North Africa: What Do Citizens Want?”* presents new evidence on citizens’ preferences concerning redistribution and SSN design, using newly collected data (the MENA SPEAKS survey and the Jordan Gives behavioral experiment). It also discusses how political economy considerations could be taken into account in designing renewed SSNs in the region.
- *Chapter 5, “The Way Forward: How to Make Safety Nets in the Middle East and North Africa More Effective and Innovative,”* proposes an agenda for reform and the path for moving forward, using global experience and the evidence presented in the preceding chapters.

A Framework for SSN Reform

1

Recent economic and social transitions in the Middle East and North Africa have refocused attention on the need for greater social inclusion, livelihood, and resilience. Although sustained growth in many of the region's countries has pulled some people out of poverty and into the middle class, economic progress has yet to reach many families who face persistent poverty and the risk of destitution because of unemployment, disability, or illness. Moreover, many more in the Middle East and North Africa are vulnerable to economic shocks, natural disasters, and political or other crises. Without a safety net, 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 immediate survival and avoiding irreversible damage to their future welfare.

In fact, economic anxiety is on the rise in the Middle East and North Africa. According to a Gallup World Poll, in 2011, the share of the population who admitted having difficulties buying food in the Arab Republic of Egypt, Jordan, and Tunisia was significantly higher than in 2009 (see figure 1). At the same time, citizens in some of the region's large countries expressed low levels of satisfaction with ongoing government efforts to help the poor, as shown in figure 2. By providing assistance to the poor and vulnerable, SSNs can create a springboard to help citizens preserve their independence and be in a position to share in the benefits of economic progress.

SSNs can be crucial instruments of economic and social transitions in the Middle East and North Africa. Figure 3 introduces a framework for effective and empowering SSNs in the region. As it illustrates, SSNs can promote three outcomes:

- *Social inclusion*, by enabling investment in human capital (such as supporting school attendance or better nutrition for children)

- *Livelihood*, by protecting against destitution
- *Resilience to crises*, by helping households to navigate the effects of shocks.

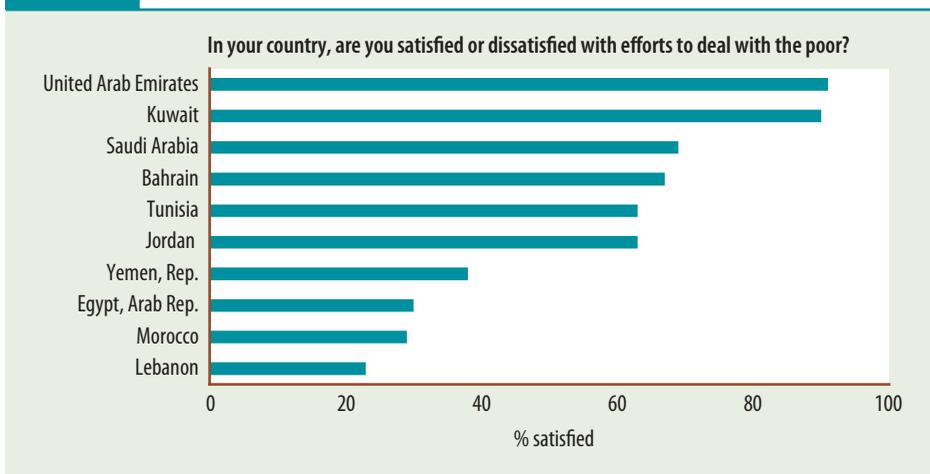
Experience in many countries, including some in the Middle East and North Africa, shows that several SSN instruments improve investments in human capital through multiple pathways. For example, conditional cash transfers (CCTs) and education fee waivers help to increase school enrollment and attendance. Similarly, CCTs and noncontributory health insurance schemes increase health care use, especially for preventive care (such as mother and child health), while workfare programs can increase the assets of the poor and their communities. Some of these instruments also protect the poor from destitution and their children from malnutrition and disease by improving households' immediate consumption and income without being as expensive and distortionary as price subsidies. In case of shocks, cash transfers reach those in need more effectively than subsidies and in-kind transfers because of their greater flexibility.

Figure 1 Citizens' Self-Reported Ability to Buy Sufficient Food in the Middle East and North Africa, Selected Countries, 2009–11



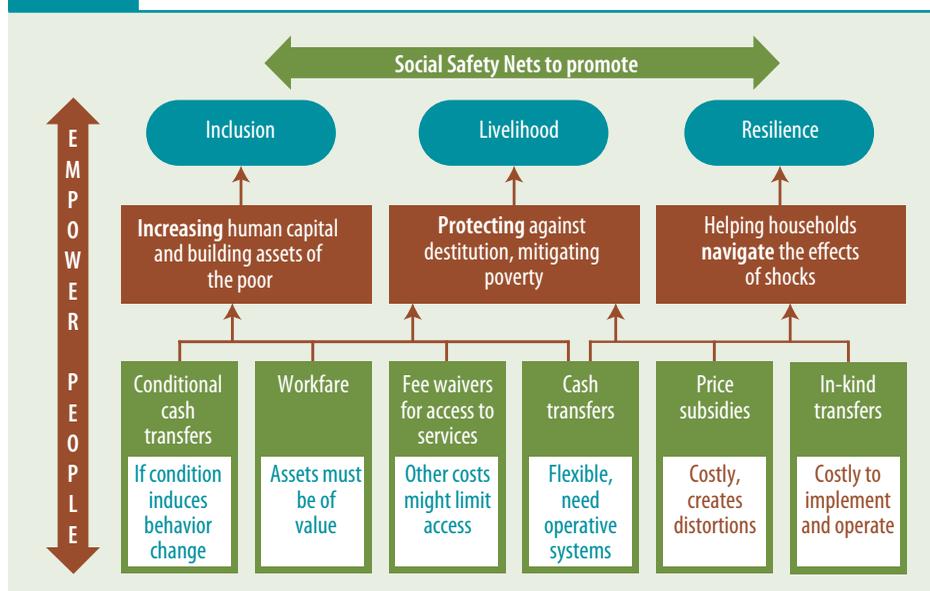
Source: Gallup 2011.

Figure 2 Citizens' Satisfaction with Government Assistance to the Poor in the Middle East and North Africa, Selected Countries, 2011



Source: Gallup 2011.

Figure 3 A Framework for Renewed Social Safety Nets in the Middle East and North Africa



Key Challenges that Call for Renewed SSNs

Understanding the specific challenges faced by the poor and vulnerable is a crucial precondition for effective design of SSN instruments in the Middle East and North Africa. SSN programs encompass a range of flexible instruments that can be tailored according to the highest-priority needs of the target beneficiaries—advancing the SSNs’ triple goals of promoting inclusion, livelihood, and resilience. Thus, SSN effectiveness depends on the accurate identification of the principal challenges faced by the poor, such as those that contribute to perpetuating poverty across generations and those that can lead the vulnerable into a quick descent into poverty. To this effect, this section reviews key stylized facts about poverty, vulnerability, and social exclusion in the Middle East and North Africa and the associated human development challenges faced by the people in need.

Two Particularly Vulnerable Groups: Children and Rural Residents

Recent decades saw progress in lowering the rate of absolute poverty, but two challenges remain: child poverty and geographic pockets of poverty. Although economic growth in the region lifted many people out of poverty, the decline in poverty rates in the Middle East and North Africa occurred at a slower pace than in other regions, such as Eastern Europe and Central Asia or East Asia and the Pacific. Two large groups of the population face a higher than average risk of poverty: children and rural residents. These groups suffer from inequality of opportunities, which is exacerbated by lack of access to services, all leading to lower human development outcomes. In the absence of SSNs that effectively promote human capital formation among the poor and protect against destitution, these outcomes may be perpetuated.

Children in the Middle East and North Africa are particularly at risk of poverty. Some countries in the Middle East and North Africa—such as Egypt, Iraq, and the Republic of Yemen—have high levels of child

poverty, with at least one in every four children living below the national poverty line (see table 1). Even in Jordan and Morocco, where child poverty is not as high, children face a significantly higher poverty risk than other age groups.

Being born into a poor household puts a child at a significant disadvantage compared with his or her peers. The average parent of a poor child in the region has no formal education and has to provide for a family of five or more members. In Egypt and Morocco, 70 percent of the households in the poorest quintile have a head who has never attended school. Poor children often live in dwellings without a sewage connection or basic amenities. In Jordan, a 10-year-old girl in the poorest quintile is 40 percent less likely to drink treated water and 50 percent less likely to have a bed than a girl in the richest quintile. These inequalities are also reflected in the size and quality of dwellings and children’s access to technology.

Progress on some human development outcomes in the Middle East and North Africa is still disappointing, and alarmingly low among the poor, with potentially life-long irreversible impacts. Early childhood malnutrition is strikingly high in the region’s low-income countries and in some middle-income ones. The level of economic development contributes but does not completely explain the incidence of malnutrition, as shown in figure 4: Djibouti, Morocco, and the Republic of Yemen have high malnutrition rates relative to countries with similar income levels. Within countries, malnutrition rates are higher among children in poor households (see figure 5). In terms of education, older children face higher school dropout rates and are more likely to enter the job market as low-skilled youth.

The region has important geographic disparities, with those born in lagging areas of even relatively rich countries at high risk of poverty. The rural poverty rates in Iraq and the Republic of Yemen are twice those of urban areas (see figure 6). Even middle-income countries such as Egypt, Iraq, Jordan, and Tunisia have spatial pock-

Table 1. Child Poverty Rates in the Middle East and North Africa, Selected Countries, c. 2006–10

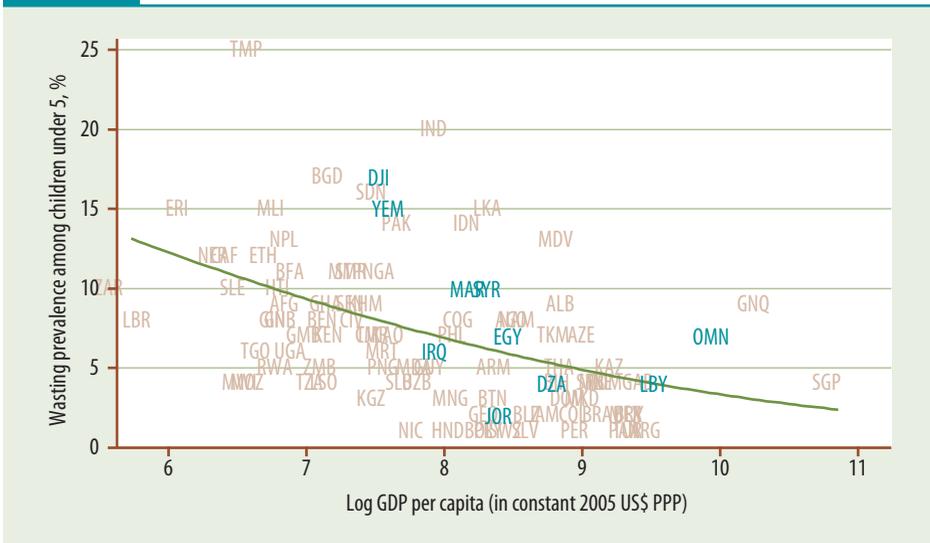
Country	Child (0–14) poverty rate (%)	Overall poverty rate (%)
Egypt, Arab Rep. 2009	29	22
Iraq 2007	27	23
Jordan 2010	20	14
Morocco 2010 ^a	25	20
Yemen, Rep. 2006	36	35

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

Note: Poverty rates are based on national poverty lines for all countries except Morocco.

^a Poverty line defined as the bottom quintile cutoff.

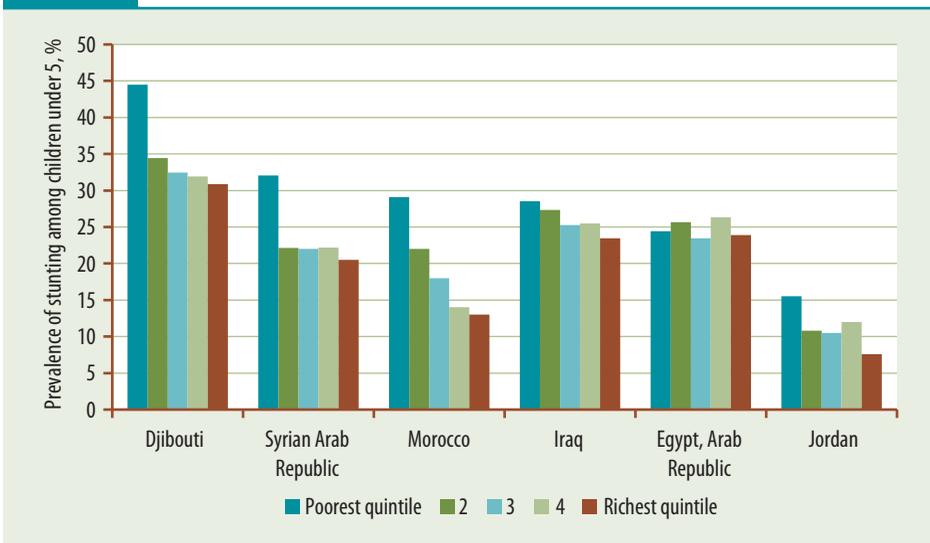
Figure 4 Prevalence of Wasting Relative to GDP Per Capita in the Middle East and North Africa, Selected Countries



Source: Authors' calculations, based on malnutrition data from UNICEF 2009; GDP per capita data from World Bank 2012c.

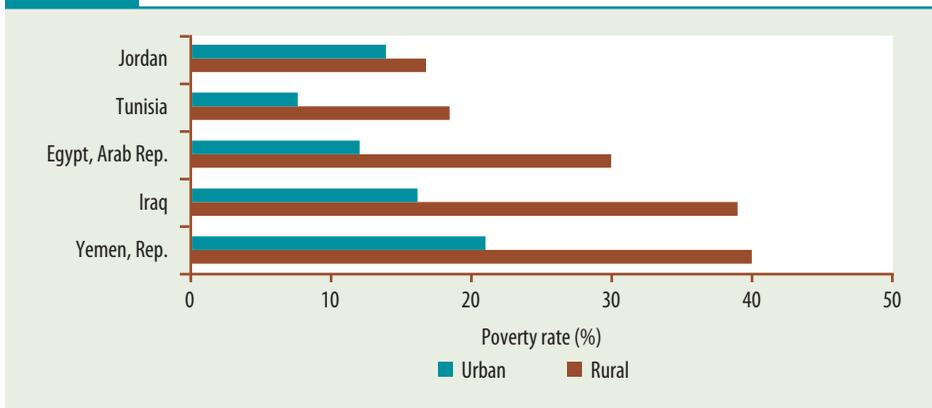
Note: PPP = purchasing power parity.

Figure 5 Stunting by Wealth Quintile in the Middle East and North Africa, Selected Countries



Sources: Authors' calculations, based on UNICEF's latest available Multiple Indicator Cluster Surveys, <http://www.childinfo.org/mics.html>.

Figure 6 The Rural-Urban Divide: Poverty Rates in the Middle East and North Africa, Selected Countries, c. 2005–10



Sources: Authors' calculations based on data from the following household surveys: HIECS, Egypt 2009; IHSES, Iraq 2007; HIES, Jordan 2010; HBS, Republic of Yemen 2006; and World Bank (Poverty Reduction and Economic Management Network) staff estimates using Tunisia HBS 2005. For full identification and descriptions of the surveys, see annex A.1 at the end of the chapter.

Note: Poverty rates are based on national poverty lines.

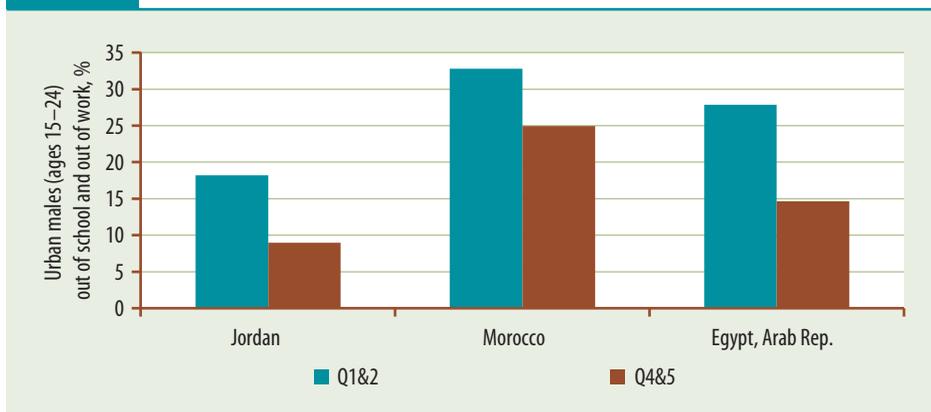
ets (such as slums in urban areas and isolated rural areas) where poverty is prevalent; access to basic services, such as antenatal care and clean water, is lacking; and human development indicators are considerably below the national average. For instance, a child in rural Upper Egypt is 3.4 times less likely than a child in urban Lower Egypt to attend primary school.

Inequality of opportunities, combined with lack of access to basic services, severely limits the prospects of people who grow up in poor households. The process by which children and young adults attain desirable education and health outcomes in the Middle East and North Africa depends, to a large extent, on circumstances beyond their control, such as their location at birth, their gender, and their parents' wealth and education. Wealth is a significant determinant of access to basic services across the region, such as antenatal care, immunizations, and high-quality child care as well as preschool education. Among the poor, the inability to cover health costs is significant and especially affects children and pregnant women. Growing up in a poor household and in rural areas also limits the opportunity to accumulate key human capital. Most adults in poor Middle Eastern and North African households have either only primary or no formal education. For instance, in 2010, 70 percent of males living in households of the bottom wealth quintile in Jordan had primary education or no formal education, compared with only 21 percent of those living in households in the top wealth quintile.

Once in the labor market, individuals with low levels of human capital accumulation are at the highest risk of being unemployed or in poor-quality jobs. Figure 7

shows that poor young men are more likely to be out of school and out of work than nonpoor young men. Even when they are employed, the poor are more likely to work in informal, low-paying jobs, while those in higher-income households are more likely to be in formal jobs, as shown in figure 8. Escaping this situation is difficult: figure 9 shows that workers in the bottom quintile in Egypt are less likely to move from a “bad

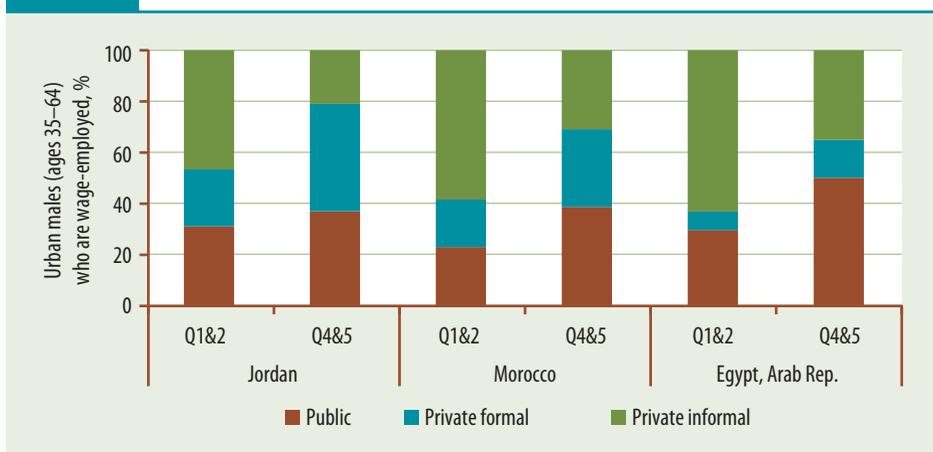
Figure 7 Share of Young Urban Males out of School and out of Work, by Family Wealth, in Jordan, Morocco, and Egypt, Arab Rep., c. 2009–10



Source: Authors' calculations based on data from the following household surveys: JLMPS, Jordan 2010; SYPE, Egypt 2009; and MHYS, Morocco 2010. For full descriptions, see annex A.1.

Note: Q = wealth quintile (1 = lowest, 5 = highest).

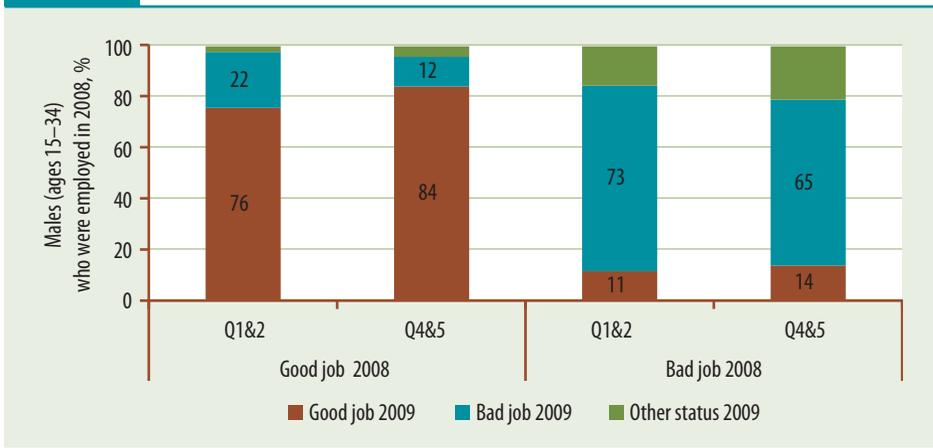
Figure 8 Work Status of Urban Wage-Employed Men, by Wealth Quintile, in Jordan, Morocco, and Egypt, Arab Rep., 2009–10



Source: Authors' calculations based on data from the following household surveys: MHYS, Morocco 2010; JLMPS, Jordan 2009; and SYPE, Egypt 2009. For full descriptions, see annex A.1.

Note: Q = wealth quintile (1 = lowest, 5 = highest).

Figure 9 Probability of Transition to a Good or Bad Job in 2009, by Consumption Quintile and Employment Condition of Young Egyptian Males in 2008



Source: Authors' calculations based on HIECS, Egypt 2008 and 2009. For full description, see annex A.1.

Note: "Good job" is defined as offering social security or with earnings above two-thirds of the median. "Bad job" is defined as informal and with earnings below two-thirds of the median. "Other status" is defined as being unemployed or out of the labor force. Q = consumption quintile (1 = lowest, 5 = highest).

job" (a job that is neither protected nor well paid) to a good job, and they are more likely than wealthier workers to fall out of good-quality jobs into low-quality ones.

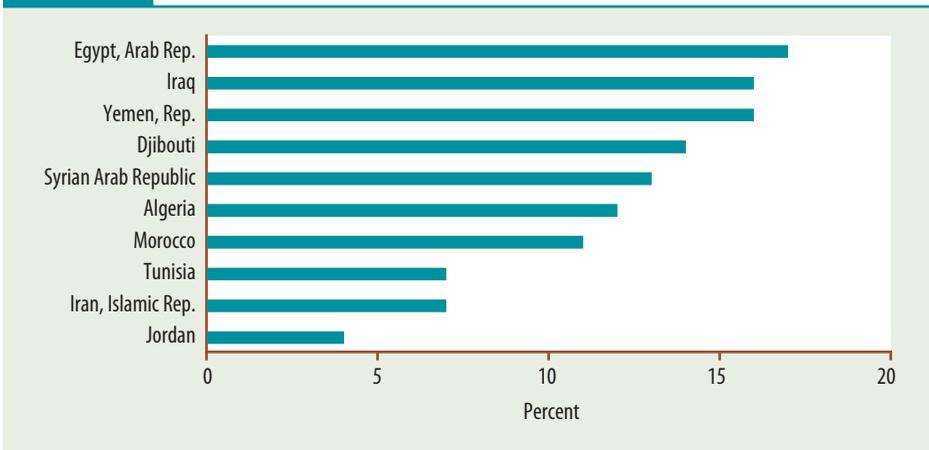
High Vulnerability to Poverty, without Effective Coping Strategies

A large share of the population hovers around the poverty line and exhibits low resilience to shocks. Even those who rode the trajectory of economic growth into the middle class remain vulnerable to the risk of falling back into poverty if an economic contraction takes place. In fact, as many as 15–17 percent of Egyptians, Iraqis, Syrians, and Yemenis and 10 percent of Moroccans have consumption levels that are no more than US\$0.50 per day above the US\$2 per day poverty line, as shown in figure 10.

Vulnerable households have little disposable income and spend a high share of total expenditures on essentials. This implies that these households cannot easily scale down their expenditures during shocks, and thus they can easily move into poverty, as figure 11 illustrates. For instance, between 2005 and 2008, 55 percent of Egyptians experienced at least one episode of poverty or near-poverty (Marotta et al. 2011).

There is a high probability of irreversible loss of human capital during shocks and crises if SSNs that help households navigate the effects of such events are

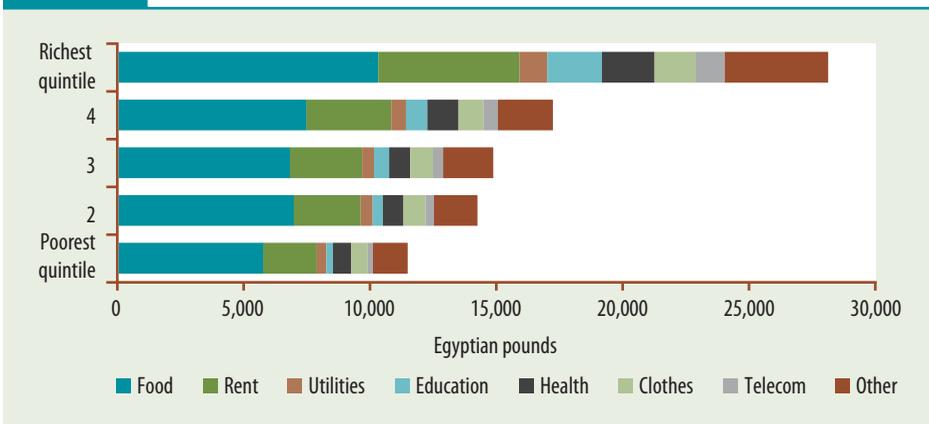
Figure 10 Share of Population Living on US\$2–US\$2.50 a Day in the Middle East and North Africa, Selected Countries



Source: Calculations from PovcalNet, <http://iresearch.worldbank.org/povcalnet>.

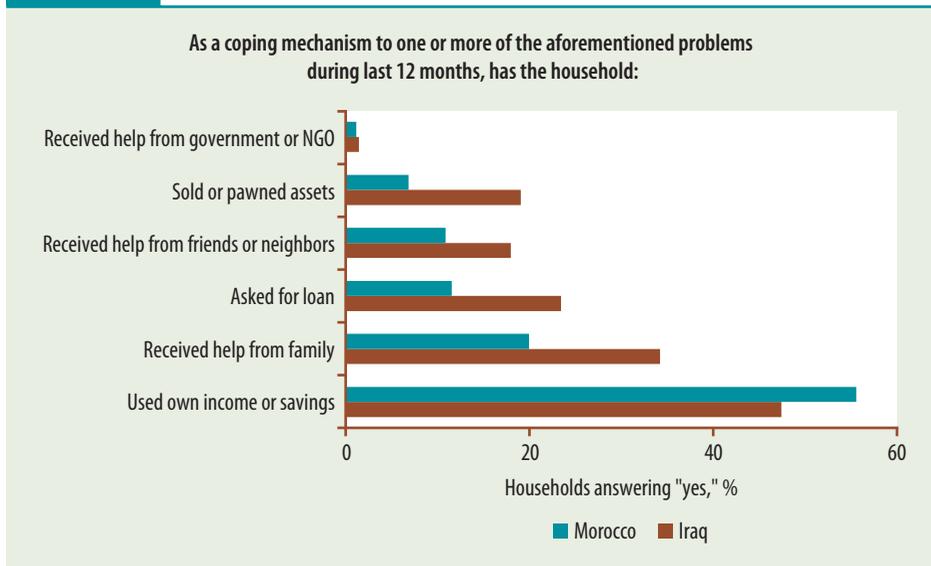
not in place. In the face of a major shock, Middle Eastern and North African households rely on their own income, savings, and assets as well as on informal safety nets (such as private support from family and neighbors) because few have access to formal safety nets. As many as 15 percent of households in Iraq and Morocco reported suffering at least one major shock during the previous 12 months, but only about 1 percent of these shock-affected households reported receiving help from formal safety nets (that is, support from the government and nongovernmental organizations [NGOs]), as shown in figure 12. In this context, poorer families, with their limited incomes, savings, and assets, are again at greater risk. Household vulnerabil-

Figure 11 Expenditure Composition by Income Quintile in Egypt, Arab Rep., 2009



Source: Data from Egypt HIECS 2009. For a full description, see annex A.1.

Figure 12 Household Coping Mechanisms for Shocks in Iraq and Morocco, 2009–10



Source: Data from IHSES, Iraq 2009, and MHYS, Morocco 2010. For full survey descriptions, see annex A.1.

Note: NGO = nongovernmental organization.

ity in the region is exacerbated by predominantly informal employment, precarious jobs, and the absence of income-support assistance for the unemployed. In addition, weather-related shocks have considerably increased vulnerability among rural agricultural households. For example, in Morocco, 22 percent of all households in 2010 reported having experienced a major weather shock (such as drought, flood, pest infestation, or crop and livestock diseases).

Inequitable Access to Social Services and Job Opportunities

In addition to the factors already mentioned, women, people with disabilities, and displaced people may face additional challenges. SSNs that promote inclusion should be designed in ways that are sensitive to the specific needs of these groups and promote their participation in the safety net.

Although ability is evenly distributed across gender, female participation in the labor force in the Middle East and North Africa remains low, and not necessarily out of choice. Some of the main factors hindering female labor force participation in the Middle East and North Africa are weak support systems (such as public transportation and child care services), lack of empowerment, educational disadvantages, and wage discrimination as well as gender segregation in various industries (UNDP 2005; World Bank 2004; World Bank 2012a). A comparative household survey conducted by the World Bank in Cairo, Egypt; Amman, Jordan;

and Sana'a, Republic of Yemen, shows that fewer than 10 percent of women living in households with a member who opposes their work end up participating in the labor market (Chamlou et al. 2008a, b). This is particularly of concern because more than 30 percent of young men oppose female participation in the labor market. Furthermore, in several Middle Eastern and North African countries, tax- and employment-related benefits to families are channeled through men.

Countries in the Middle East and North Africa also face challenges, as do other regions, in effectively addressing the difficulties that persons with disabilities consistently face. These challenges include high unemployment rates; inaccessible and unaffordable health care; low educational attainment (only 20 percent of women and 40 percent of men with disabilities in the Syrian Arab Republic are literate); inaccessible transportation and infrastructure to reach jobs and services; and stigmatization resulting in social exclusion and marginalization (WHO and World Bank 2010). In 2006, a national survey of people with disabilities in Morocco revealed their high expressed need for improved access to a range of social services (Kingdom of Morocco 2006). In combination with better provision of services, unconditional cash transfers for people with disabilities can help to start addressing the additional barriers faced by this group in, for instance, accessing health care and rehabilitation, transportation, education, and employment.

In some countries of the Middle East and North Africa, externally displaced people can rely on a smaller range of social benefits and services than the domestic population. According to the United Nations High Commissioner for Refugees (UNHCR) and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the region hosts almost half of all the registered externally displaced people in the world. UNHCR also estimates that the total number of internally displaced persons in the region is around 10 million. The integration of the displaced varies substantially from country to country, and often by particular group. In some countries, displaced people face higher education and health costs than the host country's population; restricted access to formal sector professions; and constrained mobility due to regulations on driver's licenses. In countries with ongoing conflicts or returning displaced persons, UNHCR and NGOs often step in to provide basic services to the displaced.

The Current State of SSNs in the Middle East and North Africa

3

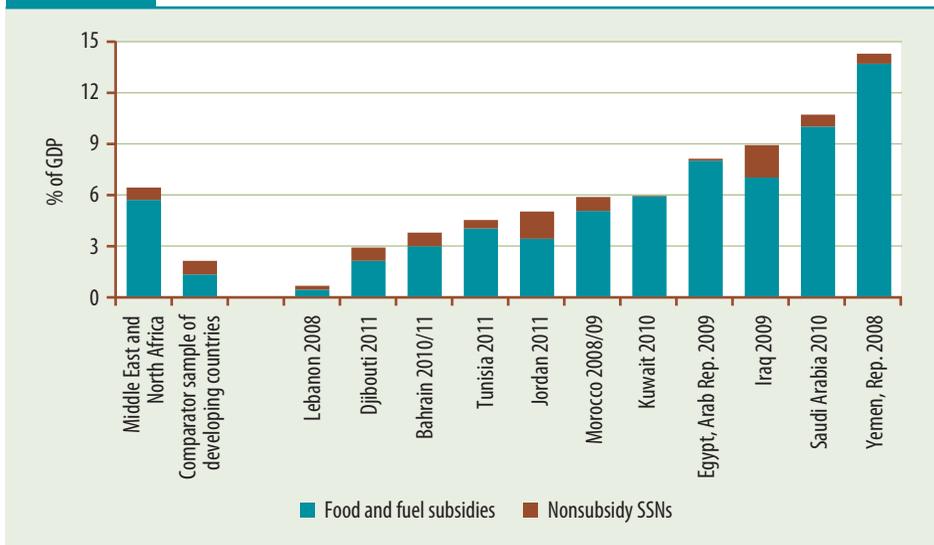
Despite the needs described above, the Middle East and North Africa lags behind other regions in the efficient use of SSN resources. Most countries in the region adopt one of two approaches to SSNs: (a) relying primarily on inefficient and pro-rich universal subsidies or ration programs, effectively crowding out more effective interventions; or (b) offering a multitude of small and fragmented programs that do not have a significant impact on poverty and inequality because of their low coverage, high leakage, and limited benefit levels.

Universal Subsidies at the Expense of More Effective Programs

Subsidy spending in the Middle East and North Africa is much higher in both absolute and relative terms than it is in other regions. In particular, the region's 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, as figure 13 shows. With the notable exception of Iraq, the region's countries spend much more on the more distortionary and pro-rich fuel subsidies (4.5 percent of GDP on average) than on food subsidies and ration cards (1.1 percent of GDP on average), as shown in figure 14. Subsidies capture substantial financial resources that could be spent on more efficient and effective SSN programs, as noted in figure 15.

Subsidies aside, SSNs in the Middle East and North Africa are fragmented among many small programs. Administrative data collected as part of this study (Middle East and North Africa SSN Inventory, see Annex A.1 for the description of the methodology) show that nonsubsidy SSNs in the region are fragmented among many small programs (see figure 16); for example, in Morocco, 12 different programs all aim at increasing school enrollment.

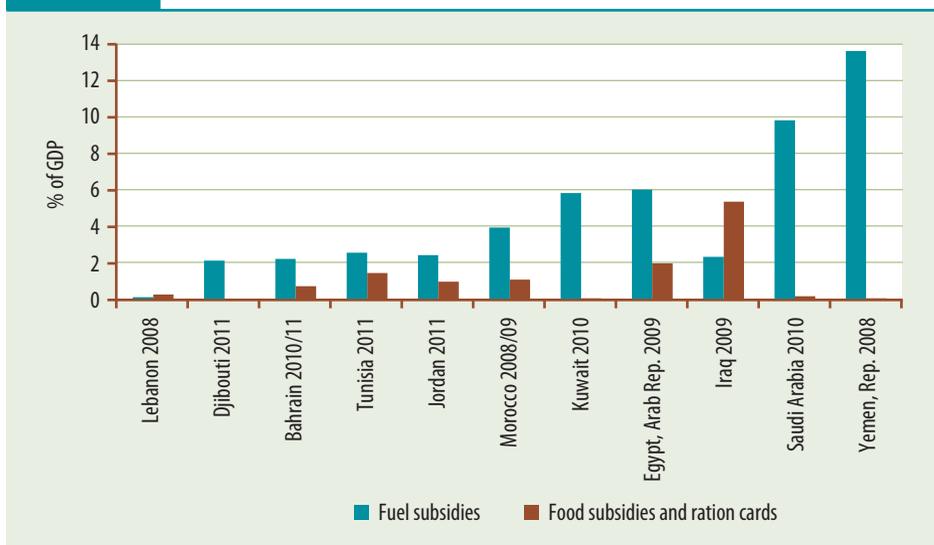
Figure 13 SSN Spending with and without Subsidies, Middle East and North Africa Relative to Other Developing Countries, c. 2008–11



Sources: Authors' calculations based on Government of Jordan 2011b; World Bank 2009, 2010a, 2010c, 2011a, 2011b; World Bank, FAO, and IFAD 2009; IMF Fiscal Affairs Department database.

Note: SSN = social safety net.

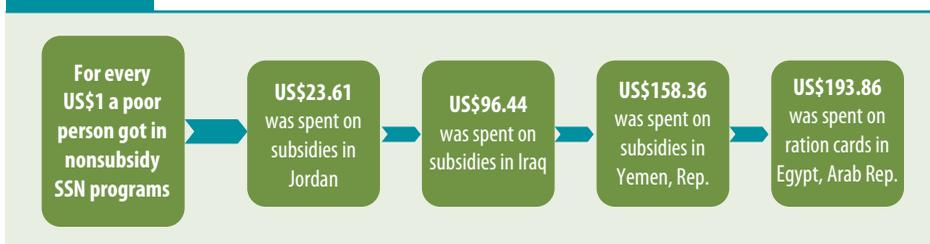
Figure 14 Food and Fuel Subsidies as Percentage of GDP in the Middle East and North Africa, Selected Countries, c. 2008–11



Sources: Authors' calculations based on Government of Jordan 2011b; World Bank 2009, 2010a, 2010c, 2011a, 2011b; World Bank, FAO, and IFAD 2009;

IMF Fiscal Affairs Department database.

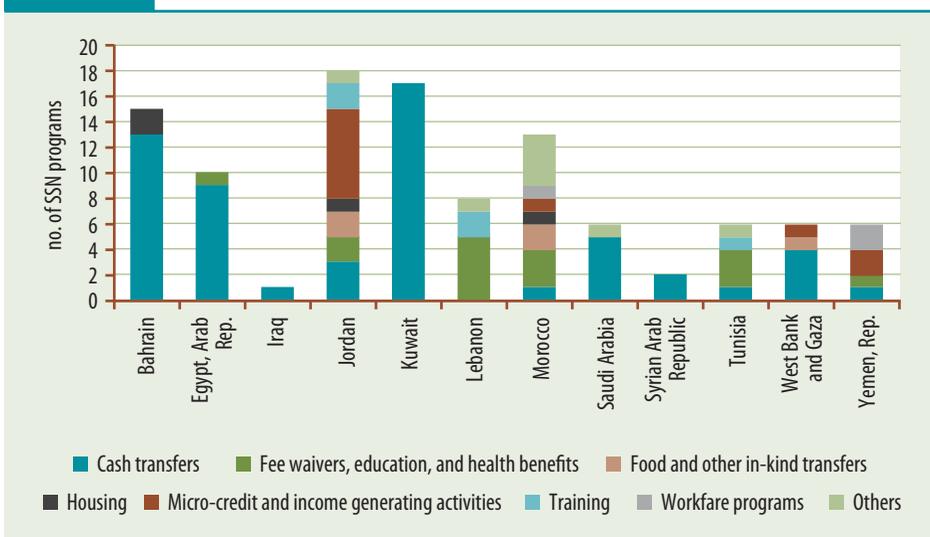
Figure 15 Comparison of Subsidy Spending and Nonsubsidy SSN Expenditures for the Poor in the Middle East and North Africa, Selected Countries, c. 2008–11



Source: Authors' calculations based on latest household survey and Government of Jordan 2011a; World Bank 2009, 2010a, 2010c; IMF Fiscal Affairs Department database.

Note: SSN = social safety net.

Figure 16 Nonsubsidy SSN Program Mix by Type, Middle East and North Africa, c. 2008–11

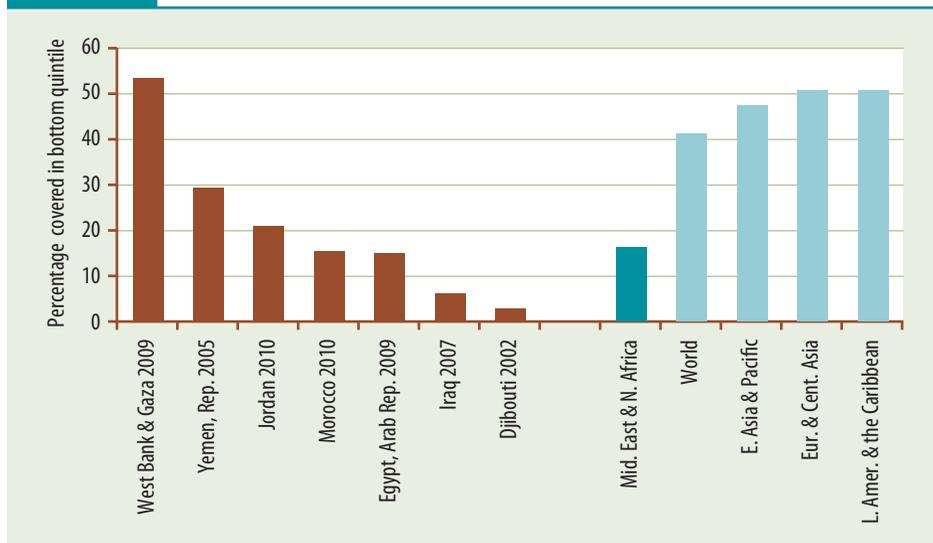


Source: Authors' calculations based on Middle East and North Africa SSN Inventory.

Small Impact of Nonsubsidy SSNs on Poverty and Inequality

Everywhere in the region except for West Bank and Gaza, two out of three people in the poorest quintile are not reached by nonsubsidy SSNs. The Middle East and North Africa region has significant scope to improve the reach of its nonsubsidy safety nets to the poor and vulnerable population. The only area in the region 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, as shown in figure 17. Overall, coverage of the bottom quintile by SSNs in the Middle East and North

Figure 17 Coverage by Nonsubsidy SSNs, Middle East and North Africa Relative to Other Regions



Sources: Middle East and North Africa: Authors' calculations based on national household surveys. Other regions: World Bank 2012a.

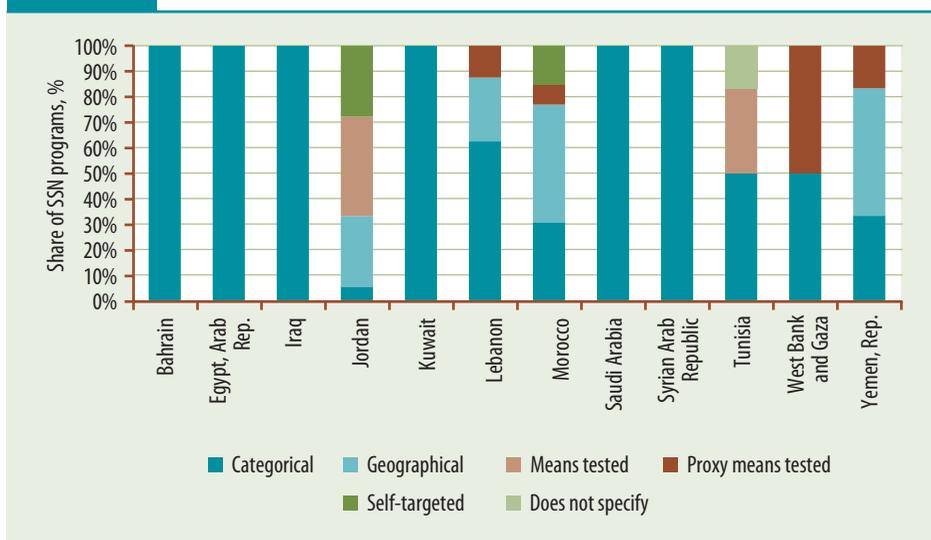
Note: SSN = social safety net. All regional averages are population-weighted.

Africa is less than half the world average and less than a third of the SSN coverage in Europe and Central Asia or Latin America and the Caribbean (see figure 17).

Targeting methods used by SSN programs in the Middle East and North Africa are mostly geographical and categorical, leading to high leakages. Different targeting methods are applicable in different contexts. In the Middle East and North Africa, SSN programs overwhelmingly use geographical and categorical targeting methods (see figure 18), which work well in environments where poverty is concentrated, but not when poverty is multifaceted and spatially dispersed. In the latter case, methods that identify households or individuals based on their means or correlates of poverty (proxy means testing [PMT]) are preferable. Given the overreliance on geographical and categorical targeting methods, leakages in the Middle East and North Africa are very high, with only a quarter of nonsubsidy SSN beneficiaries in the average country coming from the poorest quintile, while about 15 percent are from the richest quintile. A comparison with other regions confirms the underperformance of the Middle East and North African SSNs in terms of beneficiary incidence, since elsewhere the bottom quintile constitutes more than 30 percent of SSN beneficiaries, with Latin America and the Caribbean leading the world at 36 percent.

Still, some parts of the Middle East and North Africa have already begun to improve their targeting methods. For example, Jordan's National Aid Fund relies on

Figure 18 Nonsubsidy SSN Program Mix by Targeting Type, Middle East and North Africa, 2008–11



Source: Authors' calculations based on Middle East and North Africa SSN Inventory.

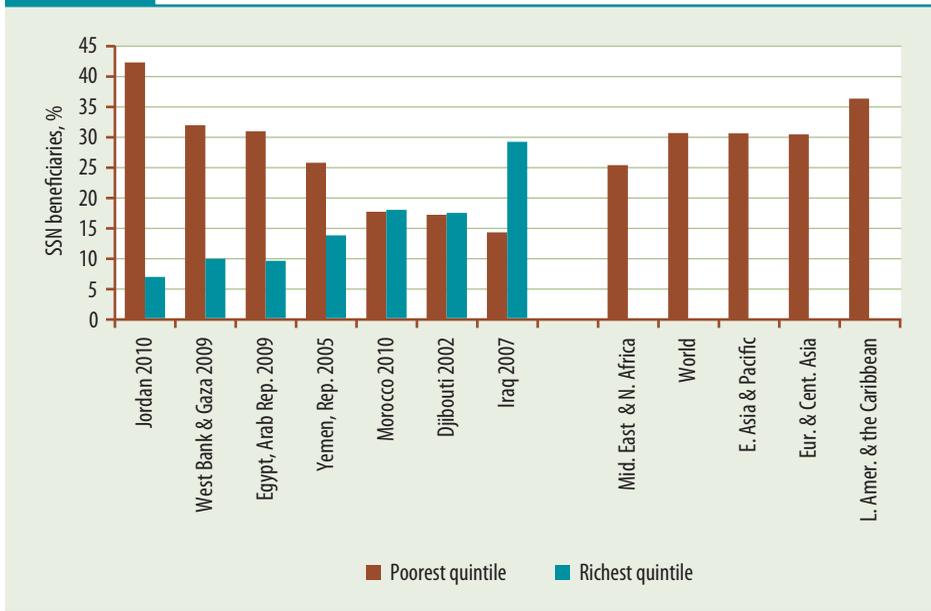
Note: SSN = social safety net.

a semiverified means test combined with categorical targeting, while West Bank and Gaza, the Republic of Yemen, and most recently, Lebanon have introduced PMT-based targeting.

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 an 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.

The generosity of nonsubsidy SSNs in the Middle East and North Africa is low. As shown in figure 20, nonsubsidy SSN transfers constitute less than a quarter of the bottom quintile's welfare (as measured by consumption, expenditure, or assets). The greatest impact of SSN transfers on the welfare of the poorest quintile is in West Bank and Gaza, followed by Jordan. However, in countries such as the Republic of Yemen, the consumption levels of beneficiaries in the bottom quintile are barely affected. Overall, whereas the average SSN system in the world provides transfers of almost 20 percent of the bottom quintile's welfare, in the Middle East and North

Figure 19 Beneficiary Incidence of Nonsubsidy SSNs, Middle East and North Africa Relative to Other Regions



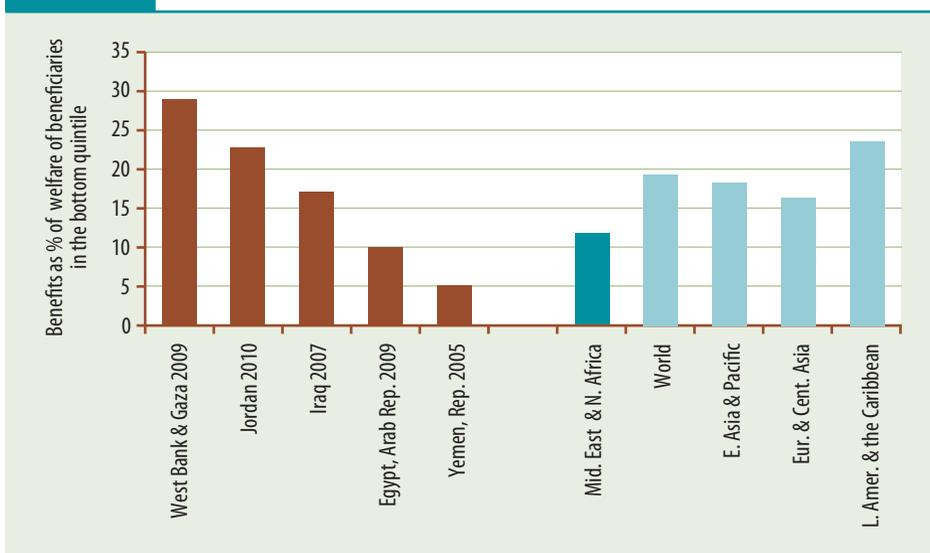
Sources: Middle East and North Africa: Authors' calculations based on national household surveys. Other regions: World Bank 2012a.

Note: SSN = social safety net. All regional averages are population-weighted.

Africa, this figure stands at only 12 percent, far below the other regions. This suggests that the benefit generosity of SSNs in the Middle East and North Africa can be increased without triggering significant work disincentives.

Most nonsubsidy SSNs in the Middle East and North Africa have a negligible effect on poverty and inequality. The most important indicator of SSN effectiveness is the impact on poverty and inequality. This indicator combines the separate forces of coverage, targeting, and generosity of SSN programs to assess the overall effect of the presence of SSNs on the welfare distribution of the country. With the exception of West Bank and Gaza and Jordan, the region's SSNs have little effect on poverty rates, as estimated through a simulation of poverty in the absence of SSNs (see figure 21, panel A). SSN presence in Egypt, Iraq, and the Republic of Yemen reduces poverty rates in these countries by at most 3 percent. SSNs in the Middle East and North Africa perform better in terms of poverty impact than SSNs in East Asia, but much worse than the world average or in Europe and Central Asia and Latin America and the Caribbean. Notably, West Bank and Gaza's SSNs have a higher impact on poverty than the best-performing region (Europe and Central Asia).

Figure 20 Benefit Generosity of Nonsubsidy SSNs, Middle East and North Africa Compared with Other Regions



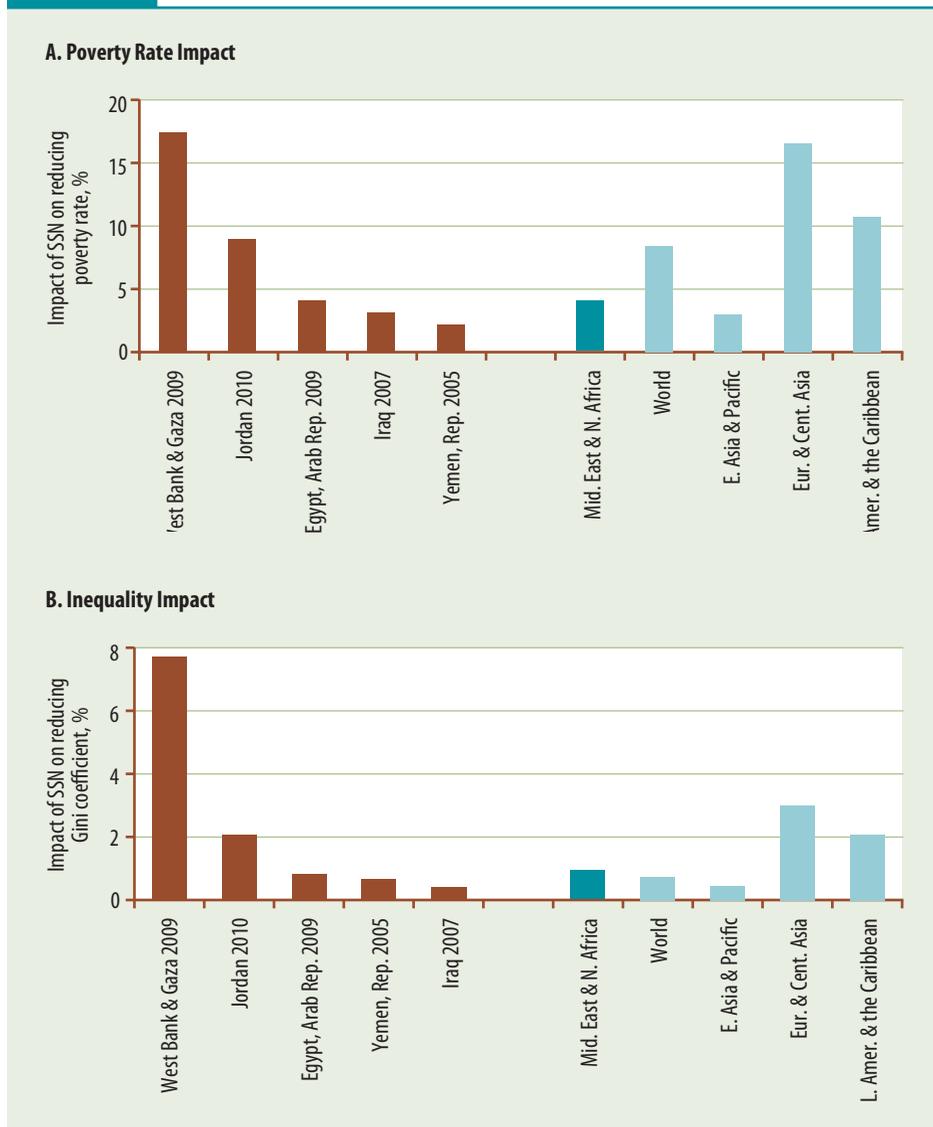
Sources: Middle East and North Africa: Authors' calculations based on national household surveys. Other regions: World Bank 2012a.

Note: SSN = social safety net. All regional averages are population-weighted.

With the notable exception of West Bank and Gaza, most of the region's SSNs do not have much impact on the distribution of welfare. 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 and outperforming not only the rest of the Middle East and North Africa but also other regions (see figure 21, panel B). On the other hand, in Egypt, Iraq, and the Republic of Yemen, SSNs have an imperceptible effect on welfare distribution, with the Gini coefficient declining by less than 1 percent. Comparisons with other regions demonstrate that in terms of reducing inequality, the region's performance is in the middle of the regional rankings, below Europe and Central Asia as well as Latin America and the Caribbean, but above East Asia.

Low coverage, poor targeting, and insufficient generosity of SSNs in the Middle East and North Africa account for these relatively small impacts on poverty and inequality. The relatively low coverage and generosity of the region's SSNs 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, the region's SSNs are not adequately targeted to the poor and vulnerable, which explains the negligible effect on the Gini coefficient.

Figure 21 Poverty and Inequality Impact of Nonsubsidy SSNs in the Middle East and North Africa, Selected Economies, c. 2005–10



Source: Authors' calculations based on national household surveys.

Note: SSN = social safety net.

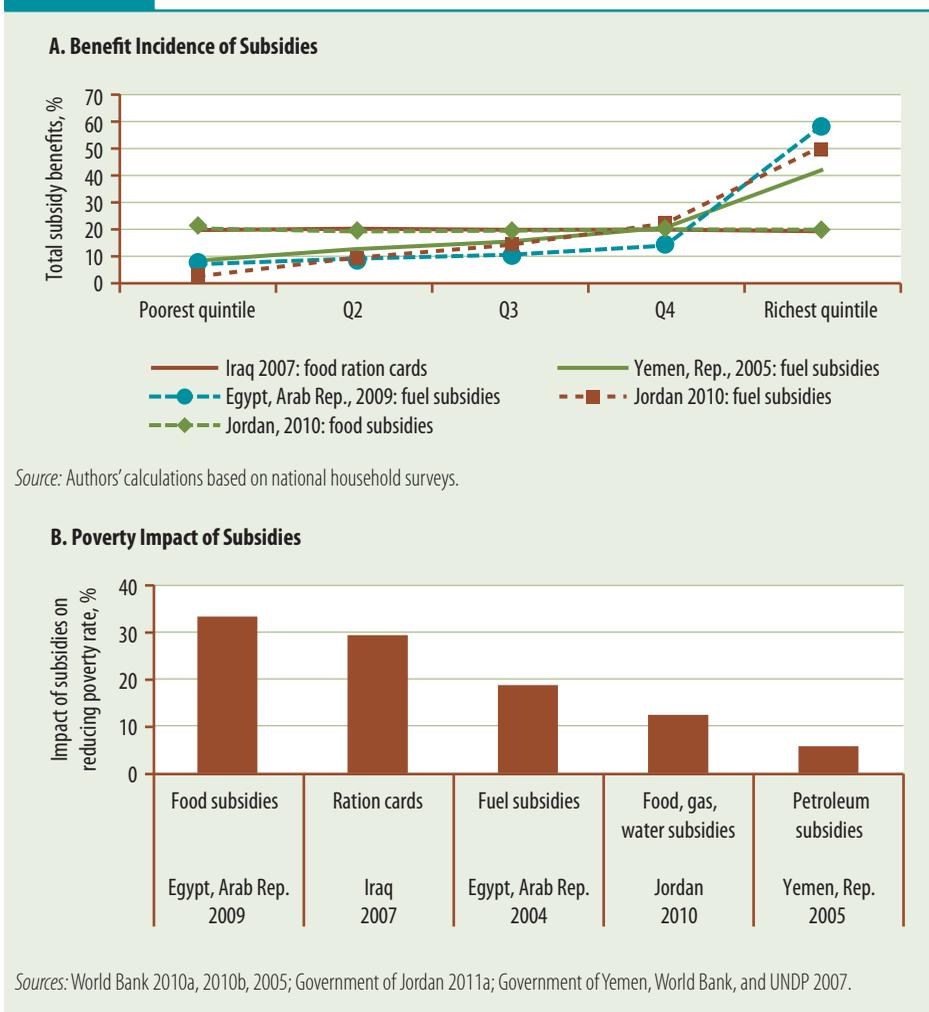
Universal Subsidies are Inefficient, Pro-Rich, but Many People Depend on Them

Universal subsidies have staggering leakages to the nonpoor. The most frequently cited reason for reliance on subsidies is protection of the poor by guaranteeing access to food and other essential items at affordable prices. When used as SSNs, uni-

versal subsidies suffer from significant deficiencies in targeting accuracy, as shown in figure 22, panel A. 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.

Still, due to their sheer magnitude as well as the high vulnerability in the Middle East and North Africa, subsidies have a significant impact on poverty, and any reform needs to take this fact into account. Despite their inefficiency, simple removal of subsidies would have significant impoverishing effects in many Middle Eastern and North African countries. 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 (see figure 22, panel B). In

Figure 22 Inefficient but Poverty-Reducing Subsidies in the Middle East and North Africa, Selected Countries, c. 2004–10



Egypt and Iraq, food ration cards reduced poverty rates by more than 30 percent (or about 10 percentage points). Notably, fuel subsidies have lower impacts on poverty than food subsidies. Given the significant poverty-reducing impact of subsidies and the low impact of nonsubsidy SSNs, sustainable reform of subsidies has to be accompanied by significant expansion of other SSN instruments that promote livelihood and resilience.

The Political Economy of SSN Reforms in the Middle East and North Africa

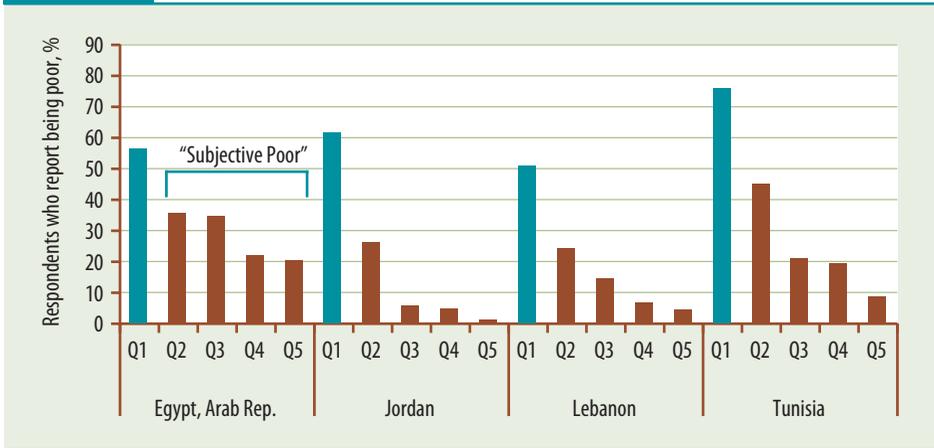
4

What Do Citizens Want?

A large body of evidence about citizens' perceptions and aspirations concerning SSNs has been collected as part of this report, with the objective of understanding citizens' key preferences for the SSNs of the future. Although many of the technical shortcomings of SSNs have been highlighted in the past—and although governments have attempted to reform untargeted subsidies at different times—political economy considerations have been a major reason why SSN reforms have largely stalled or never began across the region. As part of this study, new cross-country data were collected using nationally representative opinion surveys (MENA SPEAKS [Social Protection Evaluation of Attitudes, Knowledge, and Support]) in partnership with Gallup in Egypt, Jordan, Lebanon, and Tunisia. In addition, this section presents the findings from an innovative behavioral experiment (Jordan Gives), which simulated the real trade-offs involved in SSNs by providing participants with fuel vouchers and giving them an option to donate these vouchers in exchange for different designs of SSNs for the poor in their communities. The new data provide evidence on possible entry points for SSNs' renewal and reform that the poor and middle classes are likely to support.

In the Middle East and North Africa, those who perceive high income inequality in their countries and who consider themselves to be poor tend to demand redistributive policies more strongly. The self-reported poor are an important share of the region's population, and they include both a large majority of the poor and also the "subjective poor"—those who are not in the bottom income quintile (see figure 23) and yet report themselves to be poor and who can constitute nearly one-quarter of the population, as in the case of Tunisia. The subjective poor are more likely to say that "the rich own almost all of the wealth" in the country. In turn, those who believe that income inequality is high tend

Figure 23 Self-Reported Poverty and Perceived High Inequality, by Income Quintile, in the Middle East and North Africa, Selected Countries, 2012



Source: Authors' calculations based on MENA SPEAKS survey.

Note: Q = income quintile (1 = lowest, 5 = highest).

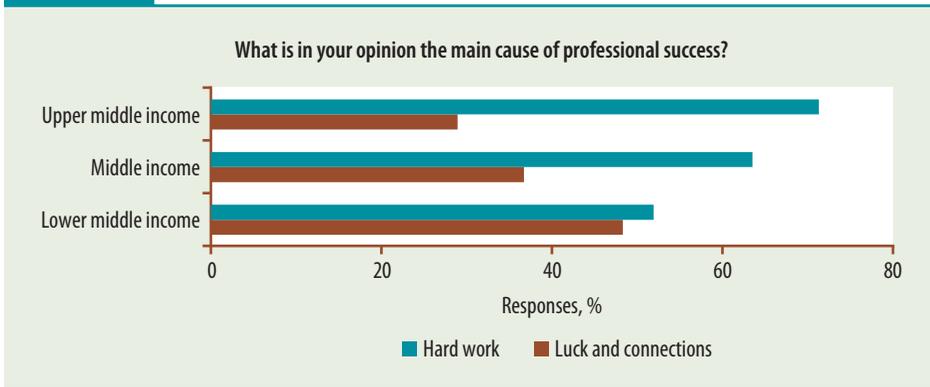
to demand more redistributive policies. The subjective poor is the group that perceives inequality more acutely. This group is also more likely to be dissatisfied with the government's effectiveness in providing SSNs.

The demand for redistribution also varies according to personal beliefs about the causes of poverty and social mobility. In the questionnaire used after the Jordan Gives behavioral experiment, middle-class participants expressed a general belief that hard work usually brings success. This belief was more prevalent among those who define themselves as upper- and middle-income. Those who felt their income to be closer to the poor were almost as likely to state that success is due to luck and connections as that it is due to hard work, as shown in figure 24. These perceptions are in line with those in Latin America and Western Europe but less stark than in the United States, where individuals overwhelmingly believe that success is the result of individual effort.

Government Most Responsible for SSNs but Often Seen as Ineffective

Almost all surveyed citizens saw 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, as shown in figure 25, panel A. In Jordan

Figure 24 Opinions on Causes of Success among the Jordanian Middle Class, 2012



Source: Authors' calculations based on Jordan Gives 2012 data.

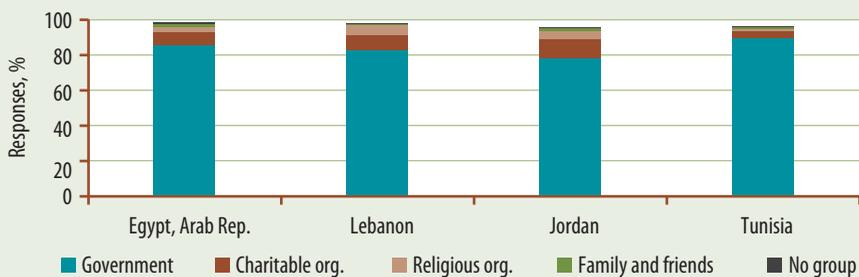
and Tunisia, the poor had markedly the most critical evaluations of government effectiveness regarding SSNs, as shown in figure 25, panel B. In addition, regression analysis in MENA SPEAKS countries shows that in Egypt and Tunisia, but not in Lebanon, citizens who agreed with the statement that “government 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 existing SSNs to the poor were less likely to donate their vouchers to help the poor in their communities.

Awareness of available SSN programs varies strongly by country and is higher among the wealthy. Egyptians have low awareness about existing nonsubsidy SSN programs, while Tunisian and Lebanese SSN programs have high name recognition. For instance, 23 percent of respondents in Egypt had never heard about a single SSN program, even after being prompted with program names. Awareness of SSN programs was far lower among the poor than among high-income respondents, as shown in figure 26.

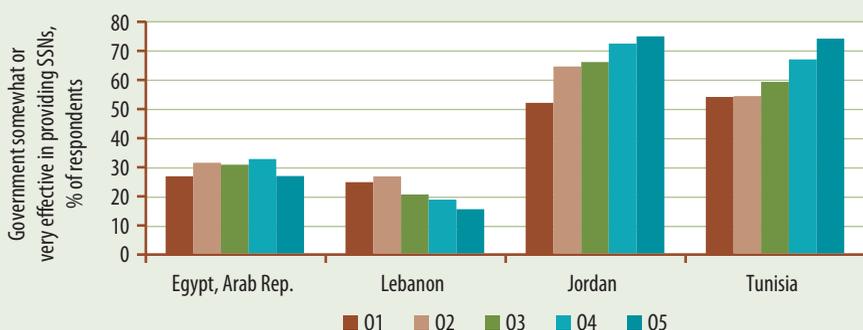
In Tunisia and, to a lesser extent, in Lebanon, the rich are much more likely to personally know someone who participates in an SSN program than are the poor, which could be an imperfect proxy for high leakage. In Tunisia, the probability of knowing a beneficiary of the National Needy Families Program (*Nationale des Familles Necessiteuses*) program was almost twice as high among people in the top and middle income quintiles than among the poor, as shown in figure 27, panel A. In contrast, in Jordan, most of the programs are better known among the bottom two quintiles than among the top two quintiles, as shown in figure 27, panel B.

Figure 25 Opinions about Responsibility for SSNs in the Middle East and North Africa, Selected Countries, 2012

A. Responsibility for Helping the Poor



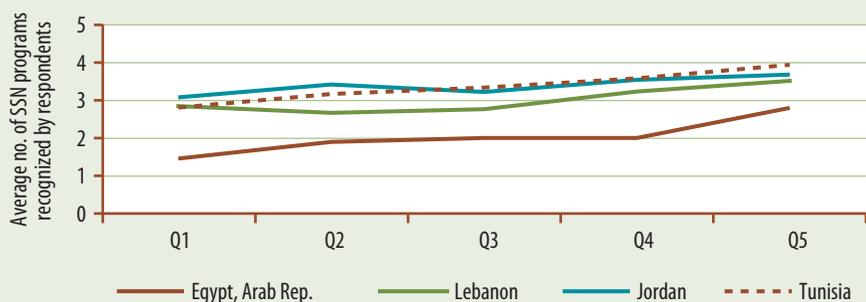
B. Government Effectiveness in Providing SSNs



Source: Authors' calculations based on MENA SPEAKS survey.

Note: SSN = social safety net. Q = income quintile (1 = lowest, 5 = highest).

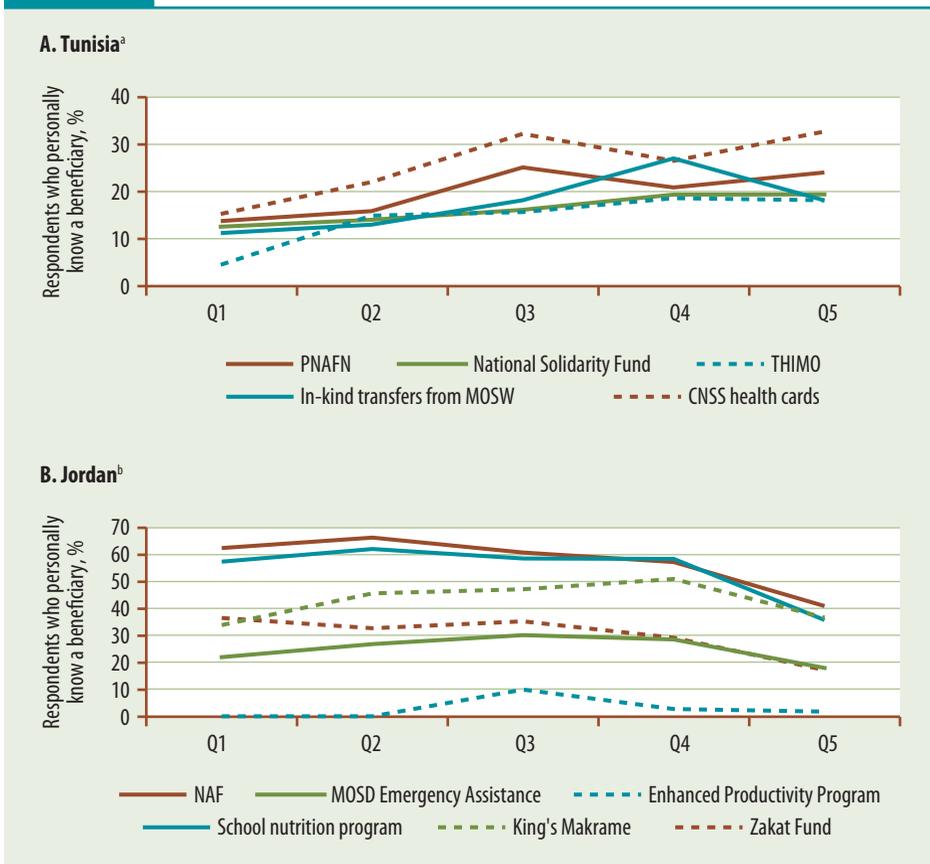
Figure 26 Awareness of SSNs, by Income Quintile, in the Middle East and North Africa, Selected Countries, 2012



Source: Authors' calculations based on MENA SPEAKS survey.

Note: SSN = social safety net. Q = income quintile (1 = lowest, 5 = highest).

Figure 27 Knowledge of SSN Program Beneficiaries, by Income Quintile, in Tunisia and Jordan, 2012



Source: Authors' calculations based on MENA SPEAKS survey.

Note: SSN = social safety net. Q = income quintile (1 = lowest, 5 = highest).

^a PNAFN = National Program of Needy Families (*Programme nationale des familles nécessiteuses*). THIMO = Labor intensive works (*Travaux à haute intensité de main d'œuvre*). MOSW = Ministry of Social Welfare. CNSS = Social Security Fund (*Caisse nationale de sécurité sociale*).

^b NAF = National Aid Fund. MOSD = Ministry of Social Development.

Public awareness of food subsidies in the Middle East and North Africa is much higher than awareness of fuel subsidies, and knowledge about subsidies improves with income, especially for fuel. The awareness that fuel was subsidized ranged from 25 percent in Jordan to 47 percent in Tunisia. However, the awareness of the bread subsidy ranged from 47 percent in Lebanon to 87 percent in Egypt. The higher awareness of food subsidies is particularly relevant considering that the fuel subsidies tend to be more regressive and consume more resources than food subsidies across the region's countries. For example, Egypt spends much more on fuel subsidies (6.9 percent of GDP in 2009) than on food subsidies (1.8 percent of

GDP). Raising awareness of the costs incurred due to fuel subsidies could be the starting point for an honest dialogue on SSN reform.

Preferences for SSNs Targeting the Poor, with Cash Rather than In-Kind Benefits

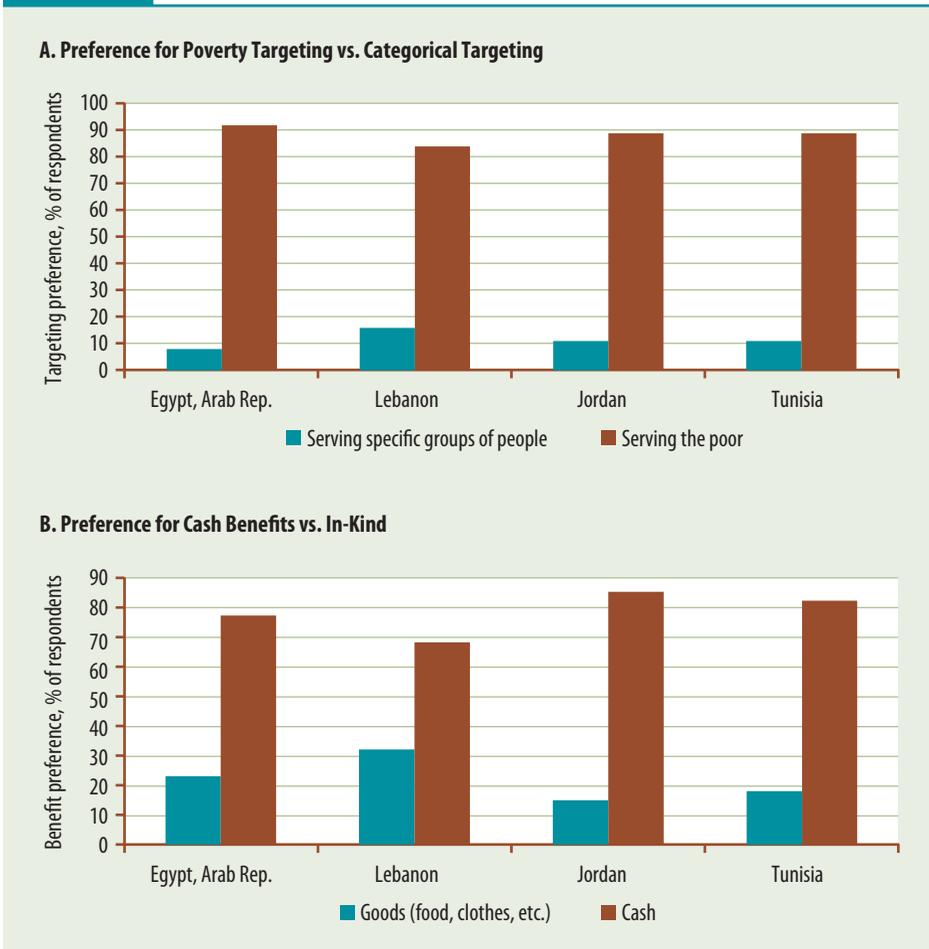
Contrary to the prevailing design of SSNs in the region, the large majority of people prefer that the programs use poverty-based targeting rather than categorical targeting—and that they deliver cash as opposed to in-kind transfers. More than 85 percent of people would prefer to have SSN programs targeted to the poor rather than to different categories of people, such as widows, orphans, and the disabled, as shown in figure 28, panel A. This preference is stronger among the poor themselves, which is understandable because categorical targeting is more likely to exhibit leakage to the nonpoor or not to cover the poor who do not belong to the targeted categories. Also, more than two-thirds of respondents in each of the four countries under study preferred cash-based SSNs—ranging from 68 percent in Lebanon to 85 percent in Jordan, as shown in figure 28, panel B.

Most people in the Middle East and North Africa do not seem to favor the use of conditionality in the provision of SSN programs, but among the supporters of CCTs, the most preferred conditions related to school attendance and an active job search. Unlike in Latin America, where conditionality of cash transfers increased support for SSNs, respondents in the Middle East and North Africa do not seem ready to impose requirements on safety net recipients. About two-thirds of the survey respondents in Egypt and Lebanon and three-quarters of the respondents in Jordan and Tunisia rejected the idea of conditioning SSN transfers (see figure 29). For those who agreed with imposing some requirements on SSN beneficiaries, conditions tied to children's school attendance and active job search efforts were most preferred. Interestingly, in Egypt, the self-identified poor were much more open to the idea than the middle class and the wealthy. If governments were to establish programs with conditionality, an effective communication campaign on its rationale would be necessary.

Subsidy Reform Acceptance Varies, with Benefits Targeting the Poor Preferred

Acceptance of subsidy reform is very country-specific, ranging from a low in Egypt to a high in Lebanon. Figure 30 illustrates the relative tolerance of subsidy reform regarding a list of subsidized products. In all countries, the lower-middle-income group appears less likely to oppose subsidy reform than the upper-middle-income and wealthy groups. And in three out of four countries (all except Lebanon), the lower-middle-income group is more willing to consider subsidy reform than the self-identified poor. One hypothesis explaining this could be that those of lower-middle income do not depend on subsidies as much as the poor, but they

Figure 28 SSN Design Preferences, in the Middle East and North Africa, Selected Countries, 2012



Source: Authors' calculations based on MENA SPEAKS survey.

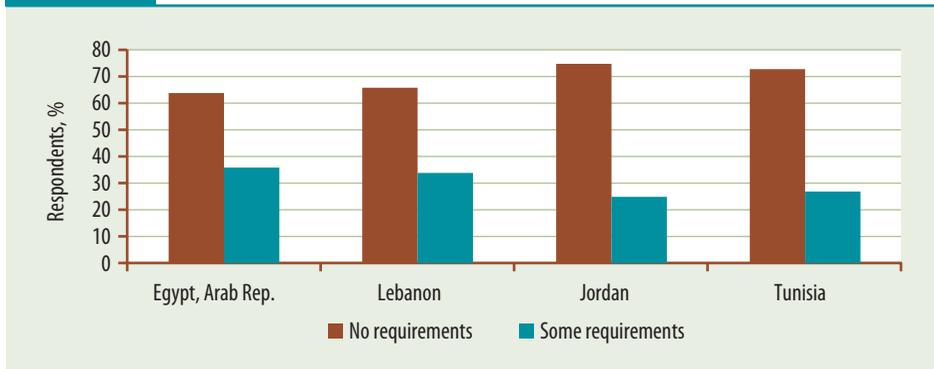
Note: SSN = social safety net.

also do not consume a lion's share of the subsidy benefits, as do those of upper-middle income and the rich.

Citizens who were ready to consider the reform of at least one subsidy were more tolerant of reforming fuel subsidies than food subsidies. In Lebanon, an overwhelming majority of citizens appeared to support the removal of the relatively unknown tobacco growers' subsidy (see figure 31). Governments can use such information in building a pro-reform coalition.

The majority of citizens in the Middle East and North Africa prefer spending the savings from subsidy reform on cash-based transfers targeted to the poor

Figure 29 Support for Conditionality of SSN Programs in the Middle East and North Africa, Selected Countries, 2012



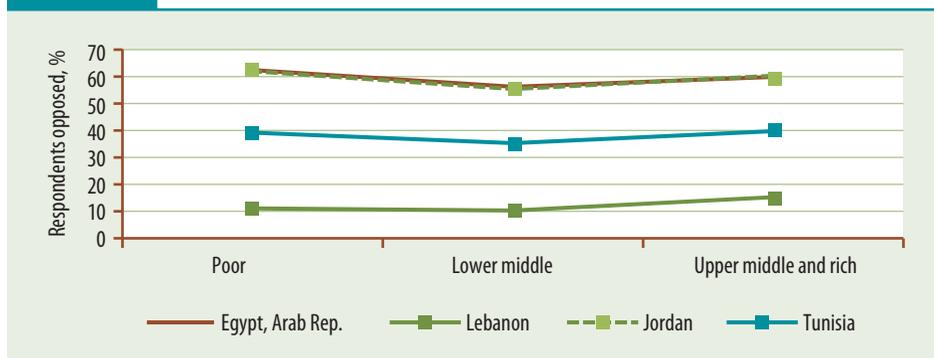
Source: Authors' calculations based on MENA SPEAKS survey.

Note: SSN = social safety net.

(complemented, in the case of Lebanon, with increased investment in education and health services). When asked how the savings from subsidy reform could be spent, most people in Egypt, Jordan, and Tunisia preferred targeted cash transfers only to the poor rather than increased spending on public goods, loosely targeted transfers, or universal compensation (see figure 32). In Lebanon, however, the majority of respondents preferred to complement cash transfers to the poor with increased investment in education and health.

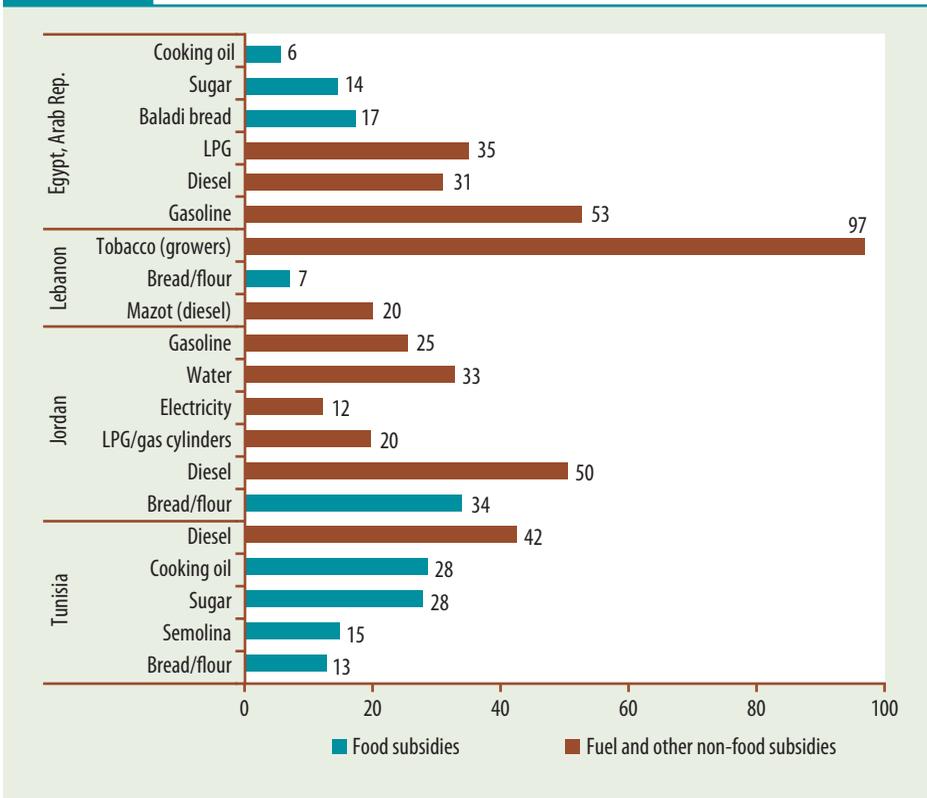
However, support for cash transfers narrowly targeted to the poor decreases with income. Respondents identifying themselves as lower-middle income,

Figure 30 Opposition to Subsidy Reform of Any Product, by Self-Reported Income Group, in the Middle East and North Africa, Selected Countries, 2012



Source: Authors' calculations based on MENA SPEAKS survey.

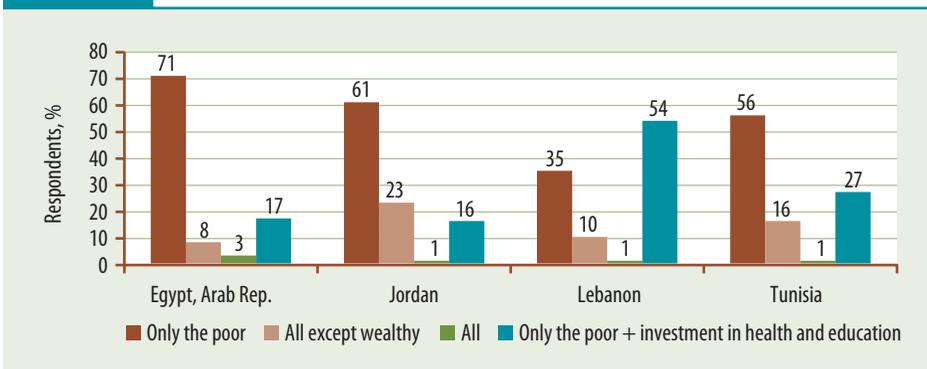
Figure 31 Preferred Product for Subsidy Removal (Assuming Necessity of Reform) in the Middle East and North Africa, Selected Countries, 2012



Source: MENA SPEAKS survey.

Note: LPG = liquefied petroleum gas.

Figure 32 Preferred Cash Transfer Targeting Option following Subsidy Reform, in the Middle East and North Africa, Selected Countries, 2012



Source: Authors' calculations based on MENA SPEAKS survey.

upper-middle income, or rich were less likely to prefer narrowly targeted cash transfers to the poor, with many opting instead either for more loosely targeted cash transfers or for expansion of health and education spending, so that they could benefit from this reform. It is important to read these results in light of the fact that a broader spectrum of the population identified themselves as poor than those who actually belong to the bottom income quintile. These subjective poor would likely consider themselves to be among the group that should be targeted for compensation and could, in fact, be highly disappointed if they were among the losers from reform.

“Jordan Gives” Experiment Tests Support for SSN Designs

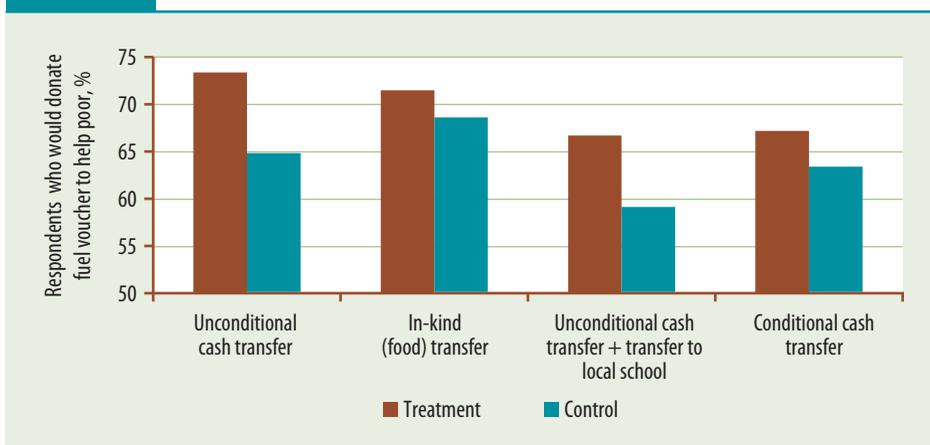
The Jordan Gives behavioral experiment provides empirical evidence of some of the characteristics that drove preferences for particular methods of redistribution. Overall, about two-thirds of 420 participants in the Jordan Gives experiment decided to donate their fuel vouchers worth 10 Jordanian dinars (JD) of fuel at any gas station in exchange for helping the poor in their communities. The SSN design that achieved the highest rate of fuel voucher donations was unconditional in-kind transfers, followed by unconditional cash transfers. The design that achieved the lowest rate of donations was cash transfers conditional on participation in skills training, confirming the MENA SPEAKS finding that citizens in the Middle East and North Africa do not appear to be in favor of requiring safety net participants to do something in exchange for the assistance.

In addition, the experiment enabled evaluation, through a randomized controlled trial, of the impact of introducing additional information meant to enhance the participants’ confidence that the transfers would reach the intended target (see figure 33). Overall, individuals in the treatment group tended to donate visibly more than those in the control group (though this difference is not statistically significant). The effect of the treatment, however, was significant among those who had low trust in the accuracy of the existing targeting of national SSN programs: this group displayed an overall lower tendency to donate cash, but this tendency was countered in treatment groups where the transparency of delivery was enhanced. The experiment suggests that there is scope for governments to improve individuals’ support for SSNs, even from low levels of confidence, through transparency enhancement measures.

Moreover, participants’ characteristics were associated with specific donation patterns:

- Compared with prime-age participants, young and elderly individuals were more likely to donate their fuel vouchers in exchange for food baskets to poor families in their communities.

Figure 33 Propensity to Donate Vouchers by SSN Design and Treatment Group in Jordan, 2012



Source: Authors' calculations based on Jordan Gives 2012 data.

Note: SSN = social safety net.

- Everything else equal, wealthier individuals (compared with individuals who reported to be in lower-income households) appeared to prefer exchanging their fuel vouchers for food-based transfers rather than for proposals that involved cash.
- Those who thought government action to be ineffective were less likely to choose options associated with government-provided services (school and training) and preferred direct food and cash distribution.
- Those who believed that poverty is caused by laziness rather than an unjust society or bad luck chose less often to donate to the school, while those who thought that career success comes from hard work (as opposed to luck and connections) were more likely to donate to the school.

The Way Forward

Making Safety Nets More Effective and Innovative in the Middle East and North Africa

5

SSNs can become a crucial instrument of economic and social transitions in the Middle East and North Africa. As previously described in the framework for SSN reform (figure 3), the three outcomes that social safety nets can promote are (a) social inclusion, by enabling investment in human capital (such as supporting school attendance or better nutrition for children); (b) livelihood, by protecting against destitution; and (c) resilience to crises, by helping households navigate the effects of shocks.

Achieving these outcomes implies refocusing the goals of the region's SSNs. The predominant SSN instrument in the Middle East and North Africa—fuel and food subsidies—focuses on guaranteeing, at a high fiscal cost, affordable access to basic goods. This instrument meets only one of the SSN goals: supporting livelihood. Meanwhile, the region currently pays scant attention to promoting inclusion and resilience. Achieving all three outcomes will require reorienting SSNs toward the following goals:

- Enhance the focus on poor and vulnerable
- Empower individuals with tools to improve their lives
- Ensure ready and rapid temporary support in response to crises
- Give citizens a greater voice to promote civic engagement and policy ownership.

SSNs in the Middle East and North Africa are ripe for reform. The region relies too heavily on untargeted price subsidies and ration cards, which waste the scarce resources of governments because of high leakage rates and a high propensity for waste, fraud, and corruption. Subsidies aside, SSNs in the Middle East and North Africa are underresourced and fragmented. Most of the poor and vulnerable fall through the cracks of the small categorically or geographically targeted programs. Moreover, poor targeting methods result in significant leakages of SSN benefits to the nonpoor, siphoning off resources that could be used elsewhere to decrease poverty and improve the distribution of welfare in the region. Although subsidies are inefficient and frequently ineffective relative to other SSN interventions, many currently depend

on them to stay out of poverty. Moving from the status quo toward more effective, reliable, and equitable SSNs requires careful thinking not only about the technical aspects of reform but also, and perhaps more importantly, about the sensitive issues revolving around political economy of reform.

SSNs in the Middle East and North Africa can perform better in promoting inclusion, livelihood, and resilience, and the region's citizens are expecting them to do so. The MENA SPEAKS survey and Jordan Gives behavioral experiment have demonstrated that people hold the government responsible as the main provider of SSNs, and many are not satisfied with the effectiveness of current SSN policies and programs. In fact, the types of programs preferred by citizens in several of the region's countries are in line with best practices in SSN design. Thus, governments have an enabling environment that can be rallied behind SSN reform.

Moreover, successful reforms that have attained significant positive results have already been implemented in several parts of the region. For example, West Bank and Gaza created a unified registry across SSN programs that significantly improved targeting accuracy and crisis response capacity. During the last crisis, the Republic 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 (the Social Welfare Fund), such as (a) improving poverty targeting with a proxy means test formula, (b) strengthening capacity for service delivery, and (c) implementing a new legal and policy framework.

In light of the specific challenges faced by the poor and vulnerable in the Middle East and North Africa, and in light of the current state of SSNs, the path toward more effective and innovative SSNs calls for action on several fronts. While there is no single solution, better results can be achieved through action on the following four agenda items:

- *Improve the impact of SSN programs*, including their effect on present and future poverty
- *Establish a reliable yet flexible SSN infrastructure* that can be used in normal times as well as during crises
- *Consolidate fragmented SSN programs* and integrate these programs within social protection systems
- *Rebalance the financing and priorities* of safety-net 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.

Improve the Impact of SSN Programs

Currently, most nonsubsidy SSN programs in the Middle East and North Africa have limited impact on poverty and inequality because of low coverage combined with inefficient targeting practices and inadequate or nonexistent M&E systems. Hence, the way forward could entail the following:

- *Prioritizing interventions that promote investment in human capital.* This can be achieved by (a) scaling up the region's existing successful CCTs (such as the Taysir program in Morocco) and workfare programs (such as the Social Welfare Fund in the Republic of Yemen); (b) tweaking the design of existing programs to make them work better for children, youth, and women (such as Djibouti's workfare plus nutrition program); or (c) 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 toward 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 even though these methods are only effective in environments of concentrated poverty. At the same time, citizens in the MENA SPEAKS survey indicated their strong preference for poverty-based targeting as opposed to categorical targeting. There is already substantial movement in the region (Djibouti, Iraq, Jordan, Lebanon, West Bank and Gaza, and the Republic of Yemen) in the direction of poverty-based targeting. The results 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 the Middle East and North Africa, enhanced M&E for SSNs can help allocate budget resources between programs, monitor day-to-day operations, and track results of interventions. M&E has been particularly effective when the results of evaluation and the empirical data produced are used to inform budgetary decisions and reshape programs. This was the case in, for example, West Bank and Gaza and the Republic of Yemen. Moreover, introducing well-functioning social accountability systems can improve efficiency and accountability and combat corruption.
- *Reaching out to other stakeholders (citizens, NGOs, civil society organizations [CSOs], the private sector, and nonprofits).* As revealed by the MENA SPEAKS survey, citizens' awareness about existing SSN programs is low and skewed toward the wealthy. Comprehensive communication campaigns are needed to inform poor and vulnerable citizens of the safety nets that are available to them. Moreover, engaging a broader spectrum of stakeholders (such as NGOs, CSOs, the private sector, and nonprofits) in financing and implementing SSN programs could leverage their existing financial and human resources.

Establish a Reliable yet Flexible SSN Infrastructure

An effective SSN system can help citizens navigate the effects of both idiosyncratic shocks during normal times and systemic shocks during times of crisis.

The recent global economic crisis underscored the weak capacity of existing SSN systems in the Middle East and Africa to serve this function.

Promoting households' resilience to shocks through SSNs requires a strong administrative infrastructure. Having this infrastructure in place *ahead* of a crisis allows for quicker and more efficient development of remedial and mitigative 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 the following:

- *Creating unified registries of beneficiaries.* Such registries can be used to target multiple programs. In normal times, unified registries can reduce costs and facilitate coherence and convergence because 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.
- *Using effective service delivery mechanisms.* In normal times, modern benefit delivery systems are important to reduce administrative costs and leakage to nonbeneficiaries, 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 crises.

Consolidate Fragmented SSN Programs

In the Middle East and North Africa, 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 parts of the region (for example, Morocco and West Bank and Gaza) have started reforming their SSNs in this direction.

Consolidation of SSNs does not have many prerequisites; thus, Middle Eastern and North African countries can move forward on this agenda item fairly quickly. To achieve progress in this respect, governments can start by identifying gaps in SSN systems and creating an inventory of SSN programs by program objec-

tive, eligibility criteria, and benefit type. For example, Morocco recently undertook this type of analysis (World Bank 2011b). Informed by such analysis, governments can identify programs that can be expanded or consolidated, and formulate a strategy for implementation of the reform.

Rebalance Financing and Priorities of SSN Systems

Reducing costly and regressive general fuel and food price subsidies would decrease fiscal imbalances and free up resources for safety net programs. Instead of focusing on targeted programs, Middle Eastern and North African countries spend the lion's share of SSN spending 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 effort could entail the following:

- *Increasing spending and improving coverage of nonsubsidy SSNs to protect against destitution.* Around the world, successful subsidy reforms have demonstrated the importance of gaining citizens' trust in government's capacity to deliver fair and reliable compensation for the reduction or loss of those subsidies. 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 toward comprehensive subsidy reform. This could be achieved by creating new programs, scaling up effective programs, and reforming ineffective programs.
- *Reforming price subsidies through wholesale or internal reforms.* Sequencing of sensitive reforms—such as reforms of universal price subsidies—is crucial for their success. To gain credibility, government could start by
 - *Improving subsidy targeting* (for example, through differentiated marketing and packaging, which can lead to self-targeting, as in Tunisia); narrowing subsidy coverage (for example, through lifeline tariffs in electricity); and reducing leakages in the distribution chain.
 - *Identifying the most sensitive subsidies and focusing instead on the most regressive ones.* According to the MENA SPEAKS survey, the least-preferred products for subsidy reform were 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 nonfood 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.
 - *Engaging citizens early on in a dialogue about compensation packages and promoting awareness through information campaigns.* Governments can use the findings from the MENA SPEAKS survey to initiate a dialogue on preferred

compensation packages in their countries. The evidence so far suggests that people in the Middle East and North Africa prefer the government to either (a) target cash-based compensation for subsidy reform to the poor alone (Egypt, Jordan, and Tunisia) or (b) combine cash transfers to the poor with investment of savings in education and health (Lebanon).

The SSN reform path is different for every country in the region, given their current stage of development and the main challenges of the existing SSN systems. Countries in the Middle East and North Africa find themselves at different stages of progress on human development outcomes and SSN reforms. Notably, the two parts of the region that have advanced the most in SSN reform are West Bank and Gaza and the Republic of Yemen, which have, respectively, medium and low levels of human development outcomes (as proxied by the United Nations Development Programme’s Human Development Index). These countries were able to implement successful SSN interventions (establishing a unified registry in West Bank and Gaza and reforming the Social Welfare Fund in the Republic of Yemen) that help to address their specific needs. Bahrain, Djibouti, Jordan, Lebanon, and Morocco have made important steps toward SSN reform, such as workfare plus nutrition in Djibouti, a pilot CCT program in Morocco, reforms in the subsidy system in Jordan and Bahrain, and a targeting database in Lebanon. Other countries are currently considering new programs 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, Middle Eastern and North African countries can start demonstrating better results using existing SSN systems, tweaking the design of existing programs, building unified registries, or piloting new programs such as CCTs and “workfare plus.” In the medium run, the focus can shift to reforms that require more preexisting capacity, such as refining the SSN infrastructure and comprehensive subsidy reform. Engaging a broad spectrum of stakeholders in an inclusive and open dialogue can facilitate the envisioned reforms and promote an empowering role for SSNs in the region.

Annex A.1

Description of the Data Sources Used

Country	Survey	Year	Description
Egypt, Arab Rep.	Labor Market Panel Surveys (ELMPS)	2006	ELMPS was conducted by the Population Council and CAPMAS with support of USAID Egypt and Ford Foundation.
Egypt, Arab Rep.	Household Income, Expenditures and Consumption Surveys (HIECS)	2005 and 2008/9	HIECS are carried out by the Central Agency for Public Mobilization and Statistics (CAPMAS).
Egypt, Arab Rep.	Survey of Young People in Egypt (SYPE)	2009	The Population Council conducted the Survey of Young People in Egypt (SYPE) in collaboration with the Egyptian Cabinet, Information and Decision Support Center.
Iraq	Iraq Household Socio-economic Survey (IHSES)	2006–07	The Ministry of Planning and Development Corporation and the Central Organization for Statistics and Information Technology undertook IHSES with the support of the World Bank.
Jordan	Demographic and Health Survey (DHS)	2009	The Jordan Population and Family Health Survey (JPFHS) was carried out by the Department of Statistics (DOS).
Jordan	Household Income and Expenditure Survey (HIES)	2010	The Jordan Household Income and Expenditure Survey (HIES) is carried out by Jordanian Department of Statistics (DOS).
Jordan	Jordan Labor Market Panel Survey (JLMPS)	2010	The Jordan Labor Market Panel survey (JLMPS) was carried out by the Economic Research Forum in cooperation with the National Center for Human Resource Development (NCHRD) and the Jordanian Department of Statistics (DOS).
Jordan	Jordan Gives Behavioral Experiment	2012	Behavioral experiment designed by World Bank for this study, and conducted by the Center for Strategic Studies, University of Jordan, on a representative sample of the Jordanian middle class.
Lebanon	National Survey of Household Living Conditions (NHS)	2004	The National Survey of Household Living Conditions (NHS) was conducted by the Ministry of Social Affairs, the Central Administration for Statistics and the United Nations Development Programme (UNDP) in 2004.
Morocco	The Morocco Household and Youth Survey (MHYS)	2010	The Morocco Household and Youth Survey (MHYS) 2009–10 collected information from a nationally representative sample of 2,000 households across the country
Syrian Arab Republic	Household Income and Expenditure Survey (HIES)	2004	Syria Household Income and Expenditure Surveys (HIES) 2003–04 was conducted by the Central Bureau for Statistics (CBS), Syria's official statistical agency.
Yemen, Rep.	Household Budget Survey (HBS)	2005–06	The Household Budget Survey 2005–06 was conducted by the Central Statistical Organization of Yemen.
Multiple countries	Multiple Indicator Cluster Survey (MICS)	2006	The Multiple Indicator Cluster Surveys (MICS) is an initiative conducted by the United Nations Children's fund to assist countries in collecting and analyzing data to fill data gaps for monitoring the situation of children and women.

(Continues to next page)

Country	Survey	Year	Description
Multiple countries	MENA SPEAKS Survey	2012	New dataset designed for this study by World Bank and Gallup Inc., and fielded as part of Gallup World Poll Survey on national representative samples of the population of Egypt, Lebanon, Jordan and Tunisia
Multiple countries	MENA SSN Inventory	2008–2011	New database of administrative SSN data, created for this study. A standard questionnaire template was formulated to obtain detailed information on SSN programs, including the number of beneficiaries and budgetary costs. The template was completed by triangulating desk reviews of relevant documents complemented by information obtained from government websites. This data collection was followed up by extensive consultation with World Bank focal points in the region and/or key informants in respective governments, including participants of the consultation workshops held in Beirut, Tunis, and Oman. It is important to note that the data collected in the Inventory can differ from the latest official estimates. The Bank envisions this Inventory as a continuing data collection effort to stimulate ongoing monitoring of SSNs in the region, and encourages submission of updated information to the authors.

References

- Chamlou, N., S. Muzi, and H. Ahmed. 2008a. "MENA Home-Based Work: Evidence from Amman, Cairo, and Sana'a." Unpublished report, World Bank, Washington, DC.
- . 2008b. "Women Labor Force Participation, Education and Non-Economic Factors: The Case of Middle East and North Africa Countries." Unpublished report, World Bank, Washington, DC.
- Gallup Inc. 2011. World Poll Survey.
- Government of Jordan. 2011a. "An Analysis of Consumption Subsidies." Note prepared for the Hashemite Kingdom of Jordan by the World Bank, Washington, DC, and the Government of Jordan, Amman.
- Government of Jordan. 2011b. "The Hashemite Kingdom of Jordan: Social Protection Review." Unpublished report for the Hashemite Kingdom of Jordan, Amman.
- Government of Yemen, World Bank, and UNDP (United Nations Development Programme). 2007. "Yemen Poverty Assessment." World Bank, Washington, DC.
- IEG (Independent Evaluation Group). 2011. *Social Safety Nets: An Evaluation of the World Bank Support, 2010–2011*. Washington, DC: World Bank.
- Kingdom of Morocco. 2006. "Childhood and Disabled Persons: The National Survey on Disability." Data set, Kingdom of Morocco, Rabat.
- Marotta, D. M., R. Yemtsov, H. El-Laithy, H. Abou-Ali, and S. Al-Shawarby. 2011. "Was Growth in Egypt Between 2005 and 2008

Pro-Poor? From Static to Dynamic Poverty Profile.” Policy Research Working Paper 5589, World Bank, Washington, DC.

PovcalNet (database). Online poverty analysis tool. World Bank, Washington, DC. <http://iresearch.worldbank.org/povcalnet>.

UNDP (United Nations Development Programme). 2005. *Arab Human Development Report 2005: Towards the Rise of Women in the Arab World*. New York: UNDP.

UNICEF (United Nations Children’s Fund). 2009. *State of the World’s Children*. New York: UNICEF.

———. n.d. Multiple Indicator Cluster Surveys (database). <http://www.childinfo.org/mics.html>.

WHO (World Health Organization) and World Bank. 2010. *World Report on Disability*. Geneva: WHO.

World Bank. 2004. “Gender and Development in the Middle East and North Africa: Women in the Public Sphere.” MENA Development Report, World Bank, Washington, DC.

———. 2005. “Egypt: Toward a More Effective Social Policy: Subsidies and Social Safety Net.” Report 33550-EG, World Bank, Washington, DC.

———. 2009. “Iraq: Poverty Assessment 2009.” World Bank, Washington, DC.

———. 2010a. “Arab Republic of Egypt. Egypt’s Food Subsidies: Benefit Incidence and Leakages.” Report 57446, World Bank, Washington, DC.

———. 2010b. “Iraq: First Programmatic Fiscal Sustainability DPL Program Document.” Report 51528-IQ, World Bank, Washington, DC.

———. 2010c. “Yemen: Private Sector Growth and Social Protection Development Policy Grant Program Document.” Report 55649-YE, World Bank, Washington, DC.

———. 2011a. “Poverty in Egypt 2008–9: Withstanding the Global Economic Crisis.” Report 60249-EG, World Bank, Washington, DC.

———. 2011b. “Royaume du Maroc: Note Strategique sur le Ciblage et la Protection Sociale. Ciblage et protection sociale: Note d’orientation strategique.” Report AAA65-MA, World Bank, Washington, DC.

- . 2012a. Atlas of Social Protection: Indicators of Resilience and Equity (AS-PIRE). Online database. www.worldbank.org/spatlas.
- . 2012b. “Safety Nets Work: During Crisis and Prosperity.” Staff Paper DC2012–0003, World Bank, Washington, DC.
- . 2012c. *2012 World Development Indicators*. Washington, DC: World Bank.



THE WORLD BANK