Key messages

✓ SSNs have a role to play in addressing key human development challenges facing the region.

✓ The region is spending considerable resources on universal subsidies, which are inefficient and pro-rich, and which siphon resources away from more effective instruments.

✓ The political economy aspects of renewing SSNs are delicate but can be dealt with.

✓ There is no single solution, but better results could be achieved through action on:
  • Rebalance financing and priorities
  • Consolidate fragmented programs
  • Improve the impact of SSN programs
  • Establish a reliable yet flexible SSN infrastructure
SSNs fit in larger development policy

Social Protection

Schemes that deliver benefits based on contributions, such as:
- Pensions
- Unemployment insurance

Noncontributory transfer programs targeted to the poor, such as:
- Cash transfers (conditional and unconditional)
- In-kind transfers
- Workfare

Interventions to improve employment outcomes, such as:
- Skill building programs
- Job search and matching assistance
- Labor regulation
Many are at risk of falling into poverty and cannot rely on formal SSNs

Many hover just above the poverty line

<table>
<thead>
<tr>
<th>Country</th>
<th>% of people living between 2-2.5 USD/day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt, Arab Rep.</td>
<td>17</td>
</tr>
<tr>
<td>Yemen, Rep.</td>
<td>16</td>
</tr>
<tr>
<td>Iraq</td>
<td>16</td>
</tr>
<tr>
<td>Djibouti</td>
<td>14</td>
</tr>
<tr>
<td>Syrian Arab Republic</td>
<td>13</td>
</tr>
<tr>
<td>Algeria</td>
<td>12</td>
</tr>
<tr>
<td>Morocco</td>
<td>11</td>
</tr>
<tr>
<td>Iran, Islamic Rep.</td>
<td>7</td>
</tr>
<tr>
<td>Tunisia</td>
<td>7</td>
</tr>
<tr>
<td>Jordan</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Calculations from PovcalNet.

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

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

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

Source: Data from IHSES, Iraq 2009, and MHYS, Morocco 2010.

➢ If effective SSN are not in place, the vulnerable might engage in coping strategies that deplete their human capital.
Poverty: Two groups are at a particular risk of poverty

**Children**

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

<table>
<thead>
<tr>
<th>Country</th>
<th>2006</th>
<th>2009</th>
<th>2010a</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yemen, Rep.</td>
<td></td>
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<td></td>
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<tr>
<td>Egypt, Arab Rep.</td>
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<td></td>
<td></td>
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<tr>
<td>Iraq</td>
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<tr>
<td>Morocco</td>
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<tr>
<td>Jordan</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Rural residents**

- **Urban**
- **Rural**

<table>
<thead>
<tr>
<th>Country</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jordan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tunisia</td>
<td></td>
<td></td>
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<tr>
<td>Egypt, Arab Rep.</td>
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<tr>
<td>Iraq</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yemen, Rep.</td>
<td></td>
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</tr>
</tbody>
</table>

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

*Source:* Authors’ calculations, based on data from latest available household surveys.
2. The current state of SSNs in MENA
The region’s SSN spending is dominated by universal subsidies

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

Sources: Authors’ calculations based on Government of Jordan 2011a; World Bank 2009; World Bank 2010a; World Bank 2011b; World Bank 2011c; IMF Fiscal Affairs Department database.
Coverage of the poor and vulnerable with non-subsidy SSNs is low and leakages to non-poor are high

Coverage of non-subsidy SSNs in MENA (% of bottom quintile population)

Beneficiary incidence of non-subsidy SSNs in MENA

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

**Poverty impact of non-subsidy SSNs in MENA**

![Bar chart showing poverty impact of non-subsidy SSNs in MENA](image)

Sources: Middle East and North Africa: Authors’ calculations based on national household surveys. Other regions: World Bank 2012a.
Universal subsidies are inefficient and pro-rich, but many people depend on subsidies to stay out of poverty.

![Poverty impact of subsidies](image)

<table>
<thead>
<tr>
<th>Subsidy type</th>
<th>Impact on poverty rate, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food subsidies</td>
<td>30</td>
</tr>
<tr>
<td>Ration cards</td>
<td>25</td>
</tr>
<tr>
<td>Fuel subsidies</td>
<td>15</td>
</tr>
<tr>
<td>Food, gas, water subsidies</td>
<td>10</td>
</tr>
<tr>
<td>Petroleum subsidies</td>
<td>5</td>
</tr>
</tbody>
</table>

Countries and years:
- Egypt, Arab Rep. 2009
- Iraq 2007
- Egypt, Arab Rep. 2004
- Jordan 2010
- Yemen, Rep. 2005
4. Political economy of SSN reforms: What do citizens want?
What do people think? Government perceived as main provider, but is seen as ineffective in some countries.

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

- Egypt, Arab Rep.: 86%
- Lebanon: 83%
- Jordan: 79%
- Tunisia: 90%

Government effectiveness in SSN Provision, by income quintile:

- Q1-Q5: Increase in perceived effectiveness from Q1 to Q5
What do citizens want? Poverty-targeted cash transfer programs, rather than categorical in-kind benefits

**Poverty vs. categorical targeting**

<table>
<thead>
<tr>
<th>Country</th>
<th>Serving specific groups of people</th>
<th>Serving the poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt, Arab Rep.</td>
<td>8</td>
<td>92</td>
</tr>
<tr>
<td>Lebanon</td>
<td>16</td>
<td>84</td>
</tr>
<tr>
<td>Jordan</td>
<td>11</td>
<td>89</td>
</tr>
<tr>
<td>Tunisia</td>
<td>11</td>
<td>89</td>
</tr>
</tbody>
</table>

**Cash vs. in-kind**

<table>
<thead>
<tr>
<th>Country</th>
<th>Goods (food, clothes, etc.)</th>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt, Arab Rep.</td>
<td>23</td>
<td>77</td>
</tr>
<tr>
<td>Lebanon</td>
<td>32</td>
<td>68</td>
</tr>
<tr>
<td>Jordan</td>
<td>15</td>
<td>85</td>
</tr>
<tr>
<td>Tunisia</td>
<td>18</td>
<td>82</td>
</tr>
</tbody>
</table>

*Serving specific groups of people*  
*Serving the poor*  
*Goods (food, clothes, etc.)*  
*Cash*
In case of subsidy reform, most citizens prefer spending the savings on cash-based transfers targeted to the poor.

Preferred targeting of compensation following subsidy reform

- **Egypt, Arab Rep.:**
  - Only the poor: 71%
  - All except wealthy: 8%
  - All: 3%
  - Only the poor + investment in health and education: 17%

- **Jordan:**
  - Only the poor: 61%
  - All except wealthy: 23%
  - All: 16%
  - Only the poor + investment in health and education: 1%

- **Lebanon:**
  - Only the poor: 35%
  - All except wealthy: 10%
  - All: 1%
  - Only the poor + investment in health and education: 54%

- **Tunisia:**
  - Only the poor: 56%
  - All except wealthy: 16%
  - All: 1%
  - Only the poor + investment in health and education: 27%
5. Way forward:

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

Program level:
• Improve the impact of SSN programs

Policy level:
• Rebalance financing and priorities of SSN systems
• Consolidate fragmented SSN programs

Administration level:
• Establish a reliable yet flexible SSN infrastructure
Rebalance financing and priorities of SSN systems and establish a reliable, yet flexible SSN infrastructure

- Increasing spending and improving coverage of non-subsidy SSN to protect against destitution

- Reforming price subsidies through wholesale or internal reforms
  - Improving subsidy targeting
  - Focus on less-sensitive and most-regressive subsidies first
  - Engage citizens in reform agenda

- Improving SSN infrastructure
  - Creating unified registries of beneficiaries
  - Utilizing effective service delivery mechanisms
Way forward:
(iv) Improve the impact of MENA SSN programs

✓ Prioritizing interventions that promote investment in human capital
   Already moving in this direction: Morocco, Yemen, and Djibouti.

✓ Enhancing targeting toward the poor and vulnerable
   Already moving in this direction: West Bank and Gaza, Yemen, Djibouti, and Lebanon.

✓ Improving the focus on results in SSN programs through M&E and social accountability
   Already moving in this direction: West Bank and Gaza and Yemen.

✓ Reaching out to other stakeholders (citizens, NGOs, CSOs, private sector, and nonprofits)
Path towards a renewed SSN

Short-run:
- Improve existing SSNs to demonstrate results
- Build unified registries
- Pilot new programs

Medium-run:
- Refine SSN infrastructure
- Phase out subsidies
Thank you!