

# Weaving the Social Safety Net

From a protective to a productive role

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# Weaving the Social Safety Net: Tools for Diagnosis and Design of Program Mix

- I. Introduction: is safety net the answer?
- II. Diagnosis: what are safety nets, for whom and how effective?
  1. Identify population groups needing safety nets
  2. Assess performance of existing safety net system
  3. Mapping needs and existing safety nets programs
- III. Design of an effective safety net system: how to improve
  1. Set clear objectives
  2. Design an appropriate program mix
  3. Safety Nets and Country Context
  4. Going beyond assistance: enhanced safety nets
  5. Action plan for implementation
- IV. Selected lessons learned

# I- Introduction

## Is safety net the answer?

Cause of Poverty	Complementary policies	Role of SSNs
<p><b>The chronic poor</b></p> <ul style="list-style-type: none"> <li>lack the assets (broadly defined) to earn sufficient income, even in “good years”.</li> </ul>	<ul style="list-style-type: none"> <li>Labor-intensive growth</li> <li>Access to adequate health, education, water, electricity and transportation services, microfinance and agricultural extension.</li> </ul>	<ul style="list-style-type: none"> <li>SSNs may help this group avoid unacceptable deprivation and provide them the security to take riskier, but higher return decisions with respect to their livelihood strategies.</li> </ul>
<p><b>The transitory poor</b></p> <ul style="list-style-type: none"> <li>earn sufficient income in “good years” but fall into poverty, at least temporarily, due to idiosyncratic or covariate shocks</li> </ul>	<ul style="list-style-type: none"> <li>Stable economies, well functioning labor markets and social insurance programs to mitigate the risks of sickness, disability, unemployment or retirement.</li> <li>For those engaged in agriculture, weather insurance, or well developed markets and access to supplemental non-farm income may be important.</li> </ul>	<ul style="list-style-type: none"> <li>SSNs programs can help these families avoid having to divest their assets to the point that their future livelihood is impaired.</li> </ul>
<p><b>Vulnerable groups:</b></p> <ul style="list-style-type: none"> <li>The elderly, orphans, disabled, displaced, groups suffering from discrimination, etc. who are less likely than average to be able to provide for themselves through earnings even in a robust economy.</li> </ul>	<ul style="list-style-type: none"> <li>Interventions to encourage their inclusion in society, income earnings opportunities and provide some in services may be useful.</li> <li>Family law may help protect widows, divorcees, and orphans.</li> </ul>	<ul style="list-style-type: none"> <li>SSNs can provide income support and help them build their human capital</li> </ul>

## II- Diagnosis

### 1. Which population groups need Safety Nets?

- The objective of SSN programs:
  - Protect the welfare of the poor and improve their welfare prospects.
- The typical target group:
  - The chronic poor
  - The transient poor
  - Vulnerable groups with special needs
- Diagnostic tools: poverty analysis, risk and vulnerability analysis

## II- Diagnosis

### 1. Which population groups need Safety Nets?

#### Two complementary diagnostic tools

##### Poverty Analysis:

- Level of poverty
- Characteristics of the poor
- Trends in poverty
- Duration of poverty, poverty dynamics
- Factors associated with poverty

##### Risk and vulnerability analysis:

- Main risks faced by the poor (by age group)
- Population at-risk of becoming poor
- Nature of vulnerability
  - Low level of assets
  - High variability of income or consumption

## II- Diagnosis

### 1. Which population groups need Safety Nets?

<b>By analyzing:</b>	<b>We get insights into:</b>
the size of the target group (poor, vulnerable)	the scope of the program ( <i>coverage, budget</i> )
the characteristics of the target group (poor, vulnerable)	how to identify (target) these groups ( <i>eligibility, targeting method</i> )
why they belong to this group? what are the causes of their poverty and/or vulnerability?	what treatment may ameliorate their status ( <i>type of program, level of benefit</i> )

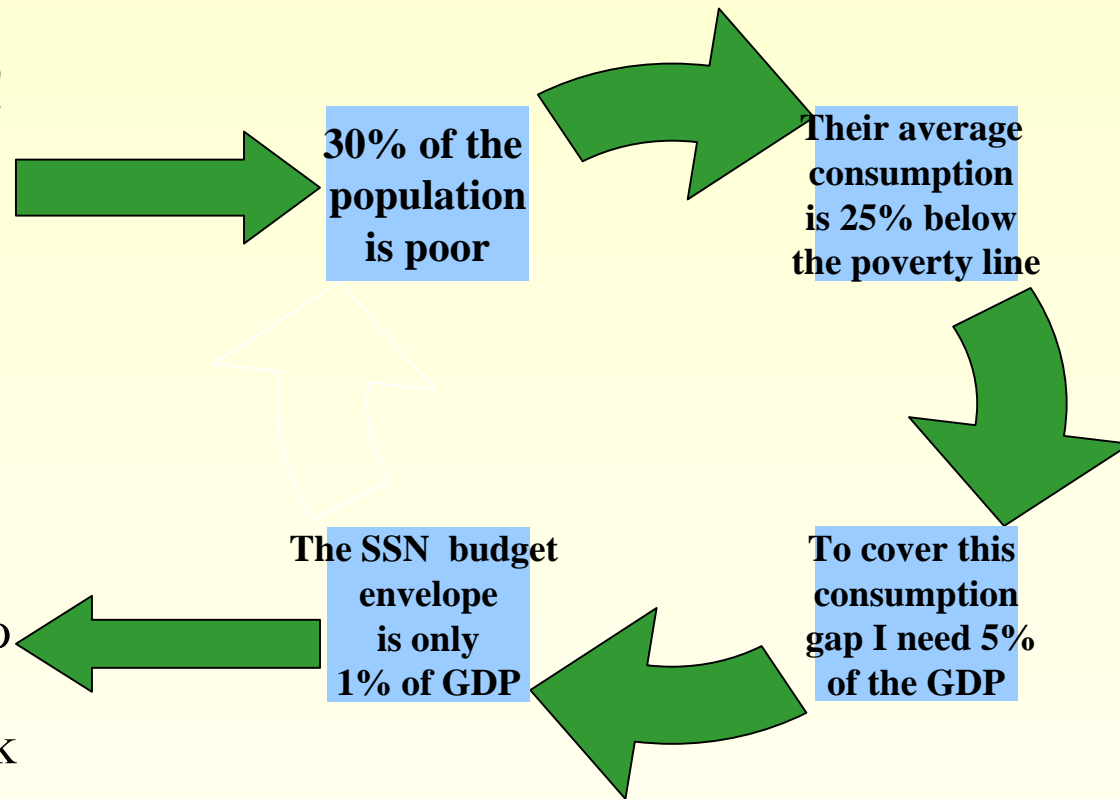
## II- Diagnosis

### 1. Which population groups need Safety Nets?

Not a linear process!

Reconsider:

- Generosity of the program
- Restrict eligibility to the extreme poor or those unable to work



## II- Diagnosis

### 1. Which population groups need Safety Nets?

#### Dimensions of Poverty:

##### **Monetary poverty:**

- Income poverty
- Consumption poverty

##### **Non-monetary poverty:**

- Poor health
- Poor nutritional status
- Low education or illiteracy
- Lack of basic services
- Social exclusion
- Insecurity
- Lack of freedom & voice/ lack of empowerment

##### **Dynamics of household welfare:**

- Duration in poverty
- Chronic vs. transient poverty

##### **Vulnerability to poverty**

- Risk-induced vulnerability

## II- Diagnosis

### 1. Which population groups need Safety Nets?

#### Dimensions of Poverty:

	Dimension of poverty	Data requirements	Type of analysis
1	Monetary	Cross-sectional survey with info on monetary welfare	Level, severity of poverty Poverty profile Factors associated with poverty
2	Monetary, non-monetary	Cross-sectional survey with info on monetary and non-monetary welfare	Level of non-monetary poverty Households deprived in many dimensions Poverty profile for vulnerable groups
3	Monetary, non-monetary	Repeated cross-sectional survey with info on monetary and non-monetary welfare	Trends in poverty, total and by sub-groups
4	Monetary	Panel survey with info on monetary welfare	Chronic versus transient poverty Transition in/out of poverty, duration Factors causing with poverty
5	Vulnerability to poverty	Cross-sectional survey with info on welfare, shocks and risk-management strategies/ instruments	Main sources of risk to household welfare Households with high risks exposure Households with low coping capacity
		Panel survey with info on welfare, shocks and risk-management strategies/ instruments	Proximate factors of vulnerability (low consumption vs variable consumption) Factors causing vulnerability

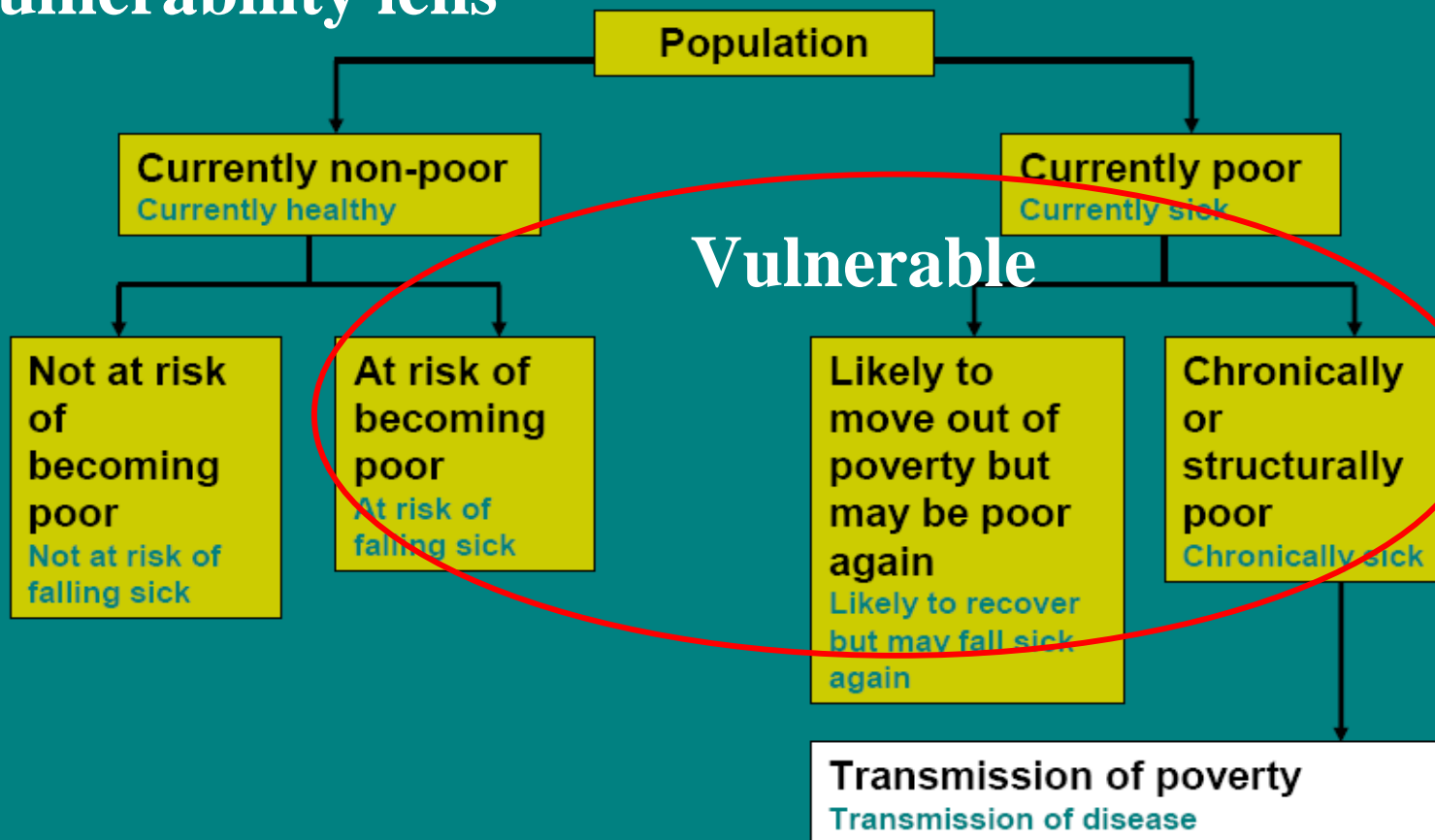
## II- Diagnosis

### 1. Which population groups need Safety Nets?

Vulnerability to poverty

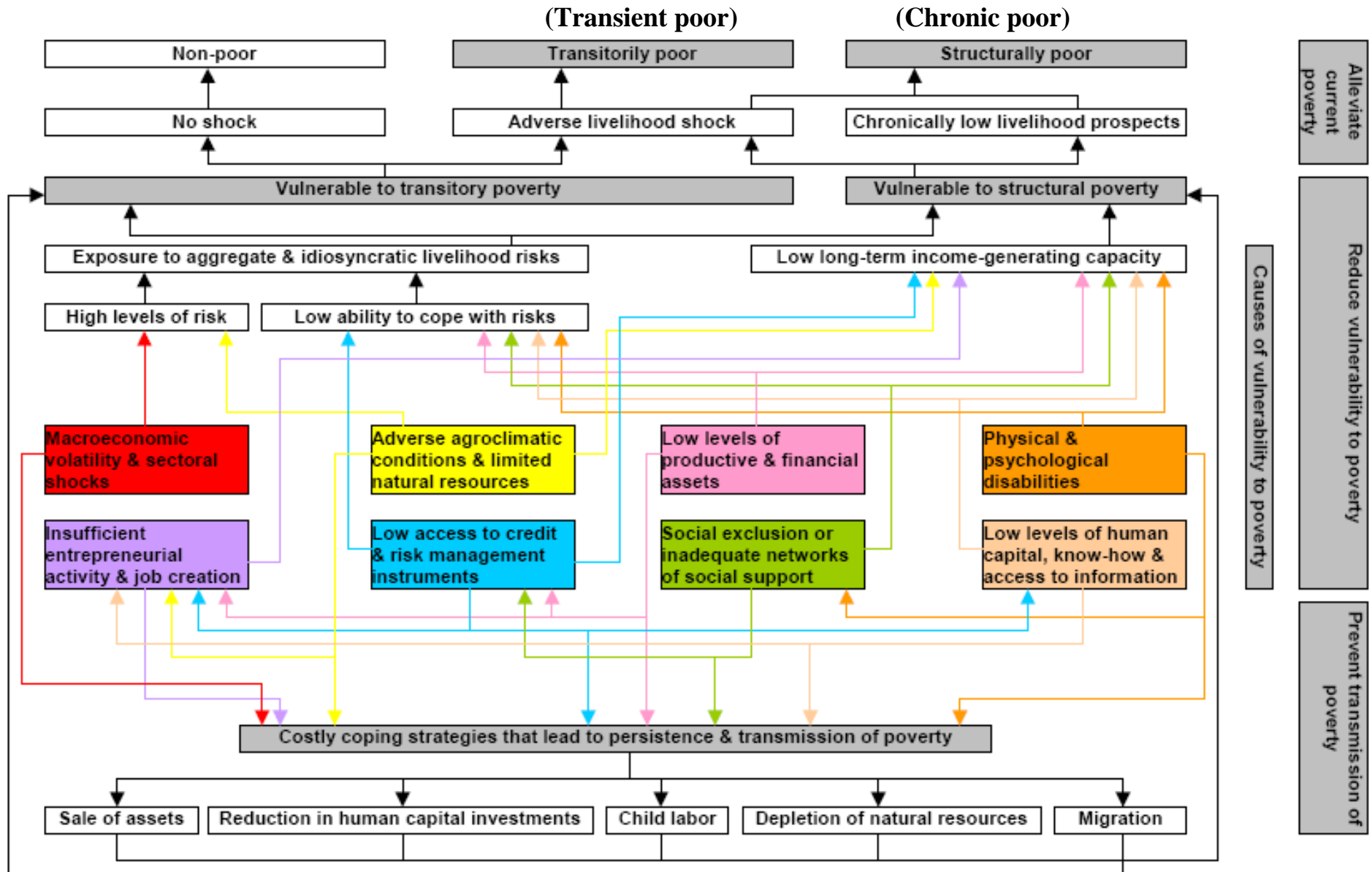
Bringing in the  
vulnerability lens

*...Poverty as a disease*

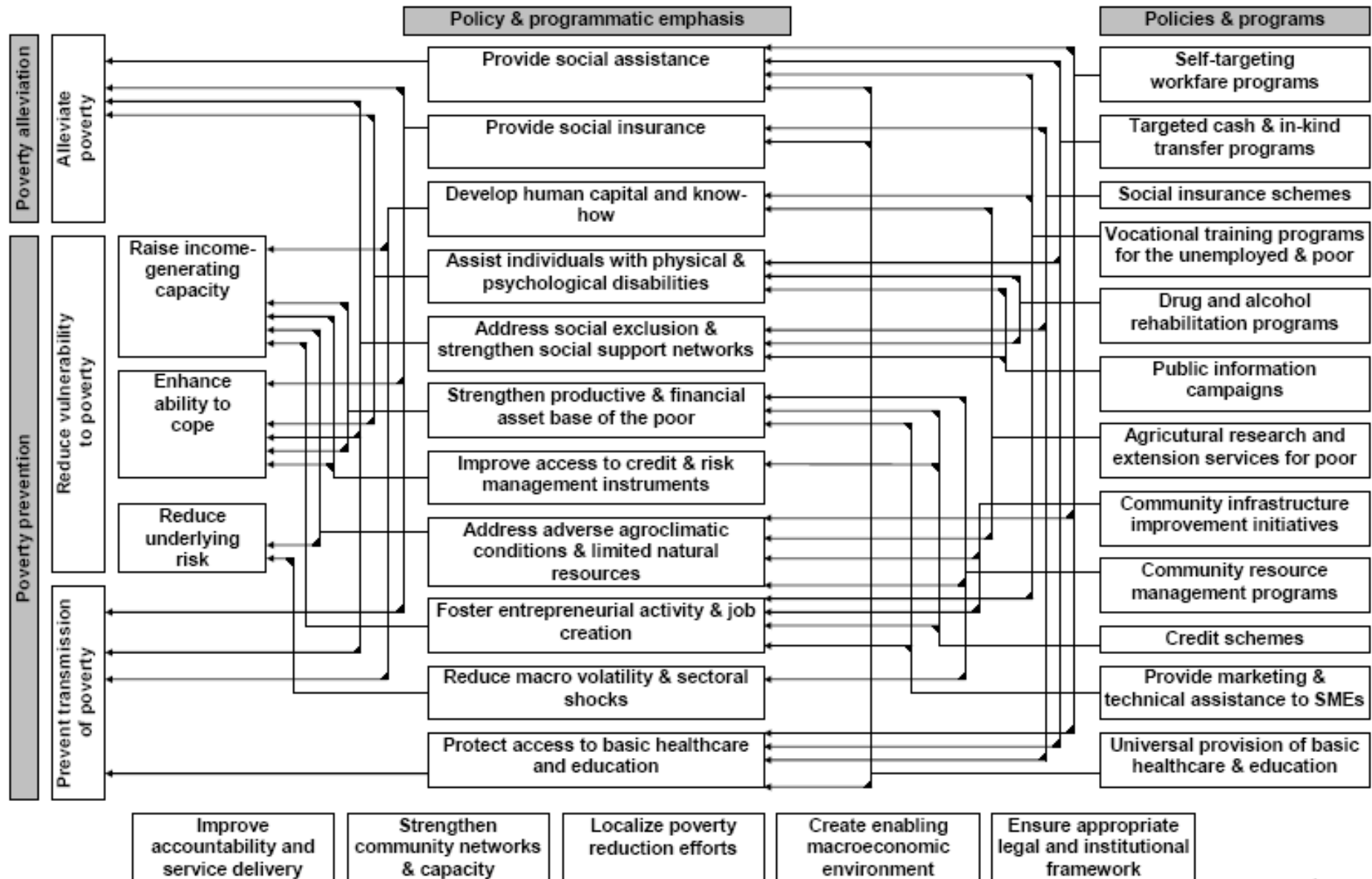


# Poverty & Vulnerability

The multiple interlocking paths to poverty



# Poverty & Vulnerability



## II- Diagnosis

### 2- Assessing performance of existing safety net systems

1. Reviewing the SSN system (getting the big picture):
  - Spending and Institutions
  - Performance of the safety nets system:
    - Poverty lens
    - Social Risk Management lens
2. Analyzing individual SSN programs
  - Effectiveness
  - Efficiency
  - Sustainability
  - Impact

## II- Diagnosis

### 1 - Reviewing the SSN system

#### 1- Spending and institutions

Provide a thorough review of the existing public social safety net in the country

- Inventory of main social assistance and insurance programs
  - Cover all ministries and levels of government and NGOs
- Magnitude of the overall social safety net
  - Total SSN spending, % of GDP and total government spending
  - Eliminate double counting
  - Add/estimate quasi-fiscal financing
  - Spending per capita and per poor person
  - Compare to the shares allocated to health and education, and to spending on safety nets in other countries
  - Assess trade-offs between relevant sectors
- Trends, sources of funding and sustainability
- Institutions involved

## II- Diagnosis

### Social Assistance expenditure as % of GDP

Country	Expenditures as a % of GDP
Bosnia and Herzegovina	0.3
Tajikistan	0.5
Peru	0.5
Pakistan	0.5
Colombia	0.6
Kyrgyz Republic	0.7
Chile	0.7
Mexico	0.7
Bangladesh	0.7
Madagascar	0.9
Jordan	0.9
Kazakhstan	0.9
St. Kitts and Nevis	1
Yemen	1
Vietnam	1.1
Bulgaria	1.1
Romania	1.1
Guatemala	1.1
Nicaragua	1.1

Country	Expenditures as a % of GDP
Jamaica	1.2
Mongolia	1.4
Macedonia	1.4
Brazil	1.4
Georgia	1.5
Argentina	1.5
Azerbaijan	1.6
Grenada	1.6
Algeria	1.6
Egypt	1.6
Philippines	1.7
Serbia	1.7
Dominican Republic	1.7
Croatia	1.8
Costa Rica	1.8
Morocco	1.9
Albania	2
Montenegro	2
Uzbekistan	2
Dominica	2

Country	Expenditures as a % of GDP
St. Lucia	2
Armenia	2.1
Venezuela	2.1
Tunisia	2.3
Czech Republic	2.4
Iran	2.7
Moldova	2.7
Ecuador	2.8
South Africa	3.2
Ukraine	3.2
Uruguay	3.4
Slovak Republic	3.7
Poland	4
Malawi	4.4
Ethiopia	4.5

Source:  
Compiled from World Bank  
Public Expenditure Reviews

## II- Diagnosis

### 1- Reviewing the SSN system

#### 1- Spending and institutions: examples

- SSN Spending in Guatemala
  - large difference between budget reporting system (1.1% of GDP) and the bottom-up approach (1.8% of GDP)
- SSN spending in the Russian Federation
  - Federal structure: high volume of transfers across levels of Government can result in substantial double counting
  - Important share of non-contributory spending delivered through non-transparent, quasi-fiscal subsidies
  - Not all SSN spending was accounted for

## II- Diagnosis

### 1- Reviewing the SSN system

#### 1- Spending and institutions: examples

##### Russian Federation: Composition of Social Protection Spending

	2002
<b>Social Insurance</b>	
Pensions	6.3%
Other social insurance	2.4%
Unemployment benefits	0.0%
<b>Non-contributory Programs</b>	
Lgoty for housing and utility services	2.3%
Housing allowances	0.1%
Child benefits	0.2%
Other social protection programs	1.3%
<b>Total public spending</b>	<b>12.6%</b>
Other lgoty not covered above and quasi-fiscal subsidies	2.0%
<b>Total social protection spending</b>	<b>14.6%</b>

## II- Diagnosis

### 1- Reviewing the SSN system

#### South Africa: spending by type of Grant

South Africa Expenditure on Social Grants by Type of Grant									
2001/02-2007/8 (projected in million Rand)									
Type of Grant	2001/02	2002/03	2003/04	Projections			2006/07	Average Annual	
				2004/05	2005/06	2006/07		% Growth	
<b>State Old-age Pension</b>	12,954	15,285	17,146	18,504	19,996	23,105	6.40%		
<b>Disability Grant</b>	4,585	7,201	10,329	12,570	14,438	16,932	17.80%		
<b>Child Support Grant</b>	2,400	4,558	7,690	11,431	14,483	17,805	29.30%		
<b>Other*</b>	19,939	27,044	35,165	42,505	48,917	57,842	1%		
<b>Total</b>	20,553	28,168	36,982	44,884	51,928	61,723	14.20%		
				<b>3.3 – 3.4% of GDP in 2005-2008</b>					
Source: Treasury 2005.									

\* Includes: War Veterans, Grants-in-Aid, Foster Care Grant, and Care Dependency Grant

## II- Diagnosis

### 1- Reviewing the SSN system

#### 1- Spending and institutions: Examples

#### Madagascar

Source of financing	Number	Shares
Government of Madagascar	5 ministries, 5 agencies/centers	26%
International Financial Institutions	4	51%
Unites Nations System	8	11%
Bilateral	6	12%
Total		100%

- SP is largely funded from external sources. SP is vulnerable to funding, Donor's agenda, fragmentation of interventions  
→ at risk of inefficiency and low impact

## II - Diagnosis

### 1- Reviewing the SSN system

### 2- Performance of SSN system

- Poverty lens
  - To which extent the level of spending on SSN contributes to reducing poverty.
    - Bangladesh (2004)- poverty gap: 12.9%
      - 2.3% to 4.9% of GDP (17% to 35% of PE) needed to eradicate poverty with SSN (reference: food poverty line – poverty line)
      - Actual spending: about 0.7% of GDP
- SRM lens
  - To which extent existing programs provide effective risk management to deal with shocks
    - Examples ....following slides

## II - Diagnosis

### 1- Reviewing the SSN system

### 2- Performance of SSN system: Social Risk Management Lens

<b>Instruments</b>	<b>Target groups</b>	<b>SRM strategies</b>		
		<b>Reduction</b>	<b>Mitigation</b>	<b>Coping</b>
Protection of vulnerable groups	Chronic poor			Cash and food transfers, fee waivers
Income protection	Transient poor		Public works micro credit Micro insurance Cash/food transfer	Public works Cash/food transfer
Income generation	Bankable Micro entrepreneur Body able	Micro credit	Public works Micro credit	Public works
Promotion of human capital	Poor families with school aged children	Conditional transfers	Conditional transfers	

## II - Diagnosis

### 1- Reviewing the SSN system

### 2- Risk Management Lens: Examples Uruguay

	<b>Total cost (Million)</b>	<b>Share of total cost (%)</b>
<b>Protection (coping)<sup>(1)</sup></b> Maternal - Infant School feeding Elderly Housing programs	<b>66.2</b>	<b>25</b>
<b>Managing risks (mitigation)<sup>(2)</sup></b> Health subsidies Maternity subsidies Unemployment Family allowances Housing programs	<b>200</b>	<b>75</b>
<b>Total</b>	<b>266.2</b>	<b>100</b>

(1) Mainly food programs - (2) Mainly cash transfers

- Emphasis on risk mitigation (75%) and cash transfers (92%)
- Food transfers for coping and cash transfers for mitigation
- Cash transfers: targeted to specific risks (towards insurance-based system)
- Food transfers: elements of conditionality to influence HD outcomes

## II - Diagnosis

### 1- Reviewing the SSN system

### 2- Risk Management Lens: Examples Malawi

	<b>Total Cost (Million)</b>	<b>Share of total cost (%)</b>	<b>Share excluding agriculture (%)</b>	<b>Beneficiaries (% of the population)</b>
<b>Protection (coping)</b>	<b>33</b>	<b>50</b>	<b>80</b>	
Food distribution	13	20		12-14%
Food subsidies	20	30		100%
<b>Managing risks (mitigation)</b>	<b>7</b>	<b>10</b>	<b>20</b>	
Public works	7	10		5-6%
<b>Managing risks (reduction)</b>	<b>27</b>	<b>40</b>	<b>--</b>	
Agriculture input	27	40	--	75%
<b>Total</b>	<b>67</b>	<b>100</b>	<b>100</b>	

- Mismatch between resources, objectives and needs  
Agriculture input: trying to meet too many objectives

# II - Diagnosis

## 2- Analyzing individual SSN programs

### A Public Expenditure Review Framework

- **Effectiveness**
  - Adequacy and equity (coverage, benefit level, incidence of benefits, participation/exclusion rate by welfare/socio demographic groups/location)
- **Efficiency**
  - Cost (unit cost, average transfer, administrative cost, etc.)
- **Sustainability**
  - Institutions and delivery mechanisms
  - Financing (level, sources)
- **Impact (against stated objectives)**

# II - Diagnosis

## 2- Analyzing individual SSN programs

### A Public Expenditure Review Framework: Examples

#### Cost, coverage, adequacy and equity in Uruguay

	Cost in Millions	Population covered	% Coverage of the poor	Average transfer
<b>Feeding programs</b>				
Maternal-Infant	7.7	135,000	23.2	50
School feeding	6.0	137,000	23.1	44
Elderly	2.2	34,000	8.0	65
Other	5.2	49,713	--	--
<b>Cash transfers</b>				
Health subsidies	20.3	10,785	7.0	1,884
Maternity subsidies	12.7	4,116	8.6	342
Unemployment	62.2	42,365	44.4	1,255
Family allowances	63.9	350,000	54.7	180

	Share of transfers to each Population quintile				
	Poorest	2nd	3rd	4th	Richest
<b>Feeding programs</b>					
Maternal-Infant	84.2	9.6	6.2	0.0	0.0
School feeding	75.3	16.5	7.7	0.5	0.0
Elderly	40.4	47.5	5.8	6.3	0.0
Other	--	--	--	--	--
<b>Cash transfers</b>					
Health subsidies	3.0	9.4	16.5	24.8	46.3
Maternity subsidies	8.2	15.1	21.6	23.4	31.6
Unemployment	14.9	22.0	24.3	27.6	11.2
Family allowances	32.8	28.0	16.4	18.6	4.2

## II- Diagnosis

### 3- Mapping risks-needs-existing programs

Identify gaps, overlap, mismatch

Gaps by	Risks Income level Geographic location Season Life cycle Groups with special needs
Overlap between	Programs
Mismatch with	Objective Resources Regulations

## II- Diagnosis

### 3- Mapping risks/needs/existing programs

#### Uruguay: risks, groups, indicators and interventions

AGE GROUP	MAIN RISKS	LEADING INDICATORS OF SELECTED RISKS	INDICATOR VALUES FOR THE POOR / NON POOR <sup>(1)</sup>		PROGRAMS	TYPE <sup>(4)</sup>
			Montevideo	Interior		
0-5 Years	- Mortality / health*	- Malnutrition / mortality	n.a.	n.a.	- Maternal-infant health (MPS) - Feeding programs (INDA)	IKT F
	- Stunted development	-Pre -school enrollment	21.5% / 48.2%	18.4% / 37.0%	- Early child development (INAME) - Mandatory pre-school (ANEP)	IKT IKT
6-11 Years Primary school	- Poor education quality	- Unsatisfied basic needs	45.6% / 8.8%	62.0% / 10.6%	- Conditional transfer programs (ANEP)	IKT
	- Poor learning capabilities	- Enrollment - Repetition (1 <sup>st</sup> Grade)	95.7% / 99.3% 21.4%	99.0% / 98.8% 20.7%	- Feeding programs (ANEP)	F
12-14 Years Basic Cycle	- Poor education quality (low human capital development)	- Late entry (% children at 13 or 14 in primary)	43.6% / 13.7%	27.8% / 19.9%	- Remedial education (ANEP)	IKT
		- Enrollment	77.0% / 95.6%	83.7% / 93.9%	- Transfers conditional to attendance (ANEP)	IKT
	- Poor socioeconomic background	- Repetition	20.5% <sup>(2)</sup>			
15-18 Years Bachillerato	- Low human capital development (education quality / attainment)	- School enrollment	35.6% / 69.3%	40.4% / 56.6%	- Remedial education (ANEP)	IKT
		- Enrollment primary	7.7% / 0.9%	0.0% / 1.4%	- Transfers conditional to attendance (ANEP)	IKT
		- Unemployment	4.7% / 2.6%	11.2% / 3.5%		
	- Inactivity; violence, drugs, etc.*	- Inactivity	24.8% / 7.7%	38.1% / 21.9%	- Reproductive health education (MSP)	IKT
	- Teenage pregnancy*	- Teenage pregnancy	6.0%	6.0%	- Technical education (UTU)	T
	- Situación de calle	- Situación de calle	n.a.	n.a.		

## Uruguay: risks, groups, indicators and interventions (cont.)

AGE GROUP	MAIN RISKS	LEADING INDICATORS OF SELECTED RISKS	INDICATOR VALUES FOR THE POOR / NON POOR <sup>(1)</sup>		PROGRAMS	TYPE <sup>(4)</sup>
			Montevideo	Interior		
19-24 Years University	- Low human capital development	- Enrollment (global)	6.3% / 37.4%	7.5% / 15.7%	- Youth labor programs (INJU, MTSS, IMM)	LT
	- Unemployment*	- University attendance - Unemployment	4.0% / 28.9%	0.6% / 7.2%	- Reproductive health education (MSP)	IKT
	- Inactivity (violence, substance abuse, etc.)	- Inactivity	17.8% / 5.5%	11.8% / 4.1%		
25-44 Years	- Unemployment / employment vulnerability	- Unemployment - Female headship <sup>(3)</sup>	7.9% / 2.5%	8.4% / 3.9%	- Unemployment insurance (BPS)	CT
	- Female headed households (low income, low education, precariousness)		17.2% / 15.9%	14.1 / 16.7	- Income support (BPS)	CT
45-59 Years	- Unemployment / employment vulnerability	- Unemployment	10.4% / 2.2%	5.8% / 1.9%	- Unemployment insurance (BPS)	CT
60-64 Years	- Pension coverage	- Pension coverage	67.0% / 73.8%	60.2% / 74.0%	- Pension system (BPS)	CT
	- Health status	- Median pension - Uncovered health	\$800 / \$1417 16.6% / 2.7%	\$ 740 / \$1406 10.5% / 5.8%	- Health coverage (BPS) - Feeding programs (INDA)	CT F
65 or more	- Low income*	- Pension coverage rate - Median pension	84.8% / 89.0%	91.3% / 94.0%	- Pension system (BPS) - Income support	CT
	- Precarious health	- Uncovered health	6.4% / 1.1%	2.7% / 2.1%	- Health insurance (BPS) - Feeding programs (INDA)	CT F
General Population	- Poor housing / lack of basic infrastructure	- Precarious housing - Running water at home - Instantaneous water discharge (sewage)	7.9% / 0.8%	83.3% / 96.8%	- Housing support (MVOTMA)	IKT

Notes: (\*) Indicates risks associated with selected socially excluded groups; (1) From the Encuesta de Ingresos y Gastos (1995) and Encuesta Continua de Hogares 1998; (2) Repetition rate in 1<sup>st</sup> Grade of Secondary school in Montevideo, 1997 (ANEP); (3) The fraction of female headed households is higher among the poor when considering households of two members or more; (4) Types of programs are indicated by IKT=In-kind transfers, F=Feeding, LT=Labor and training, and CT=Cash transfers.

## II- Diagnosis

### 3- Mapping risks/needs/existing programs

#### Pros and cons of life cycle approach

- Helps in mapping interventions with age group
  - 0-5 year                      Nutrition / Immunization
  - 6-15 year                      Education
  - 16-50 year                      Employment/Revenues
  - 60 + year                      Pensions
- May miss other dimensions
  - Ethnic minorities/majorities, gender, disabled, orphans, displaced

## III- Design an effective SSN system

1. Set clear and realistic objectives
2. Design a Program Mix
3. Safety Nets and Country Context
4. Going beyond assistance: enhanced safety nets
5. Action Plan for Implementation

# III- Design of an effective SSN system

## 1- Set clear and realistic objectives

Decide on the role of safety nets and for whom

Poverty/risk/vulnerability profiles and country context

A balancing act between (objectives):

- Short term needs to raise consumption of the poor and to protect their assets
- Long term development objectives to contribute to asset building of the poor and to raise their risk management capabilities

A balancing act between (beneficiaries/needs):

- Transient poor
- Chronic poor
- Groups with special needs

# III- Design of an effective SSN system

## 1- Set clear and realistic objectives

### Examples

- Providing an income floor to the poorest
  - Kyrgyz republic: target 10% of the poorest
    - extreme poverty line: 27%
    - transfer equal 12% of extreme poverty level
- Guaranteeing a minimum income
  - Legally binding minimum income: OECD and some middle income countries
    - Romania: Guaranteed Minimum Income program to 10% of the population (extreme poverty: 10%)
  - Legally binding 100 days of public work (India)

## III- Design of an effective SSN system

### 1- Set clear and realistic objectives

#### Examples

- Promoting productive assets
  - Mexico: build human capital (CCT)
  - Bangladesh: promote girls education
  - India: develop basic infrastructure (public works)
- Dealing with the excluded
  - Chile: promote the inclusion of ethnic minorities

..... a combination of the above depending on context and needs

# III- Design of an effective SSN system

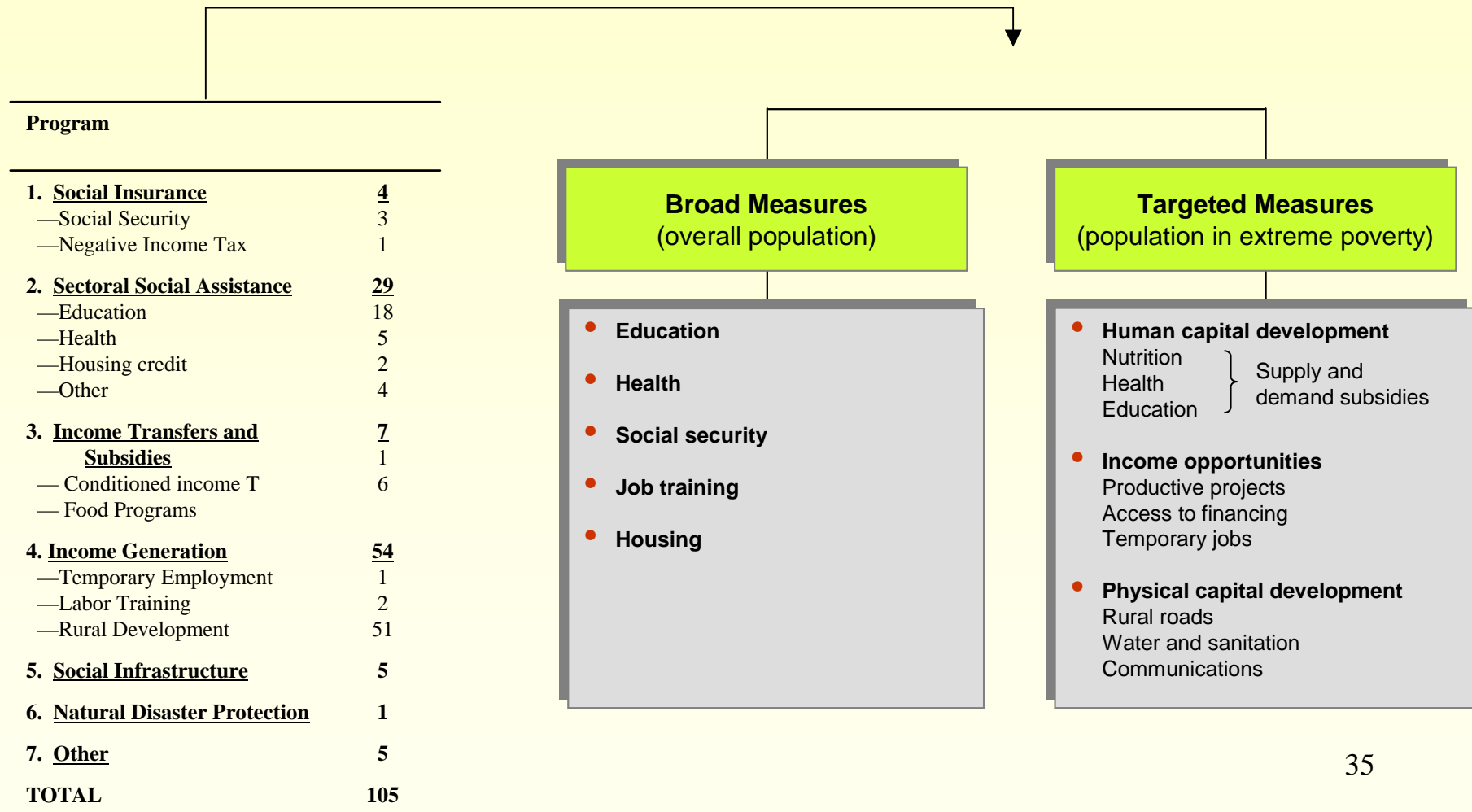
## 2- Design an appropriate program mix

1. Design a program mix -
  - a. Decide on size of safety nets
    - Fiscal/political constraints
  - b. Decide on composition of safety nets
    - Risk/poverty profile, SSN objectives, institutional capacity, political economy
  - c. Consider range of interventions:
    - Policies/regulations
    - Type of interventions (transfers, services, packages, etc.)
    - Programs design (modify, remove, introduce new programs)
    - Change budget envelope
    - Delivery: Public, NGO/private and market based

# III- Design of an effective SSN system

## 2- Design an appropriate program mix

From a series of programs to a comprehensive social policy  
Example from Mexico

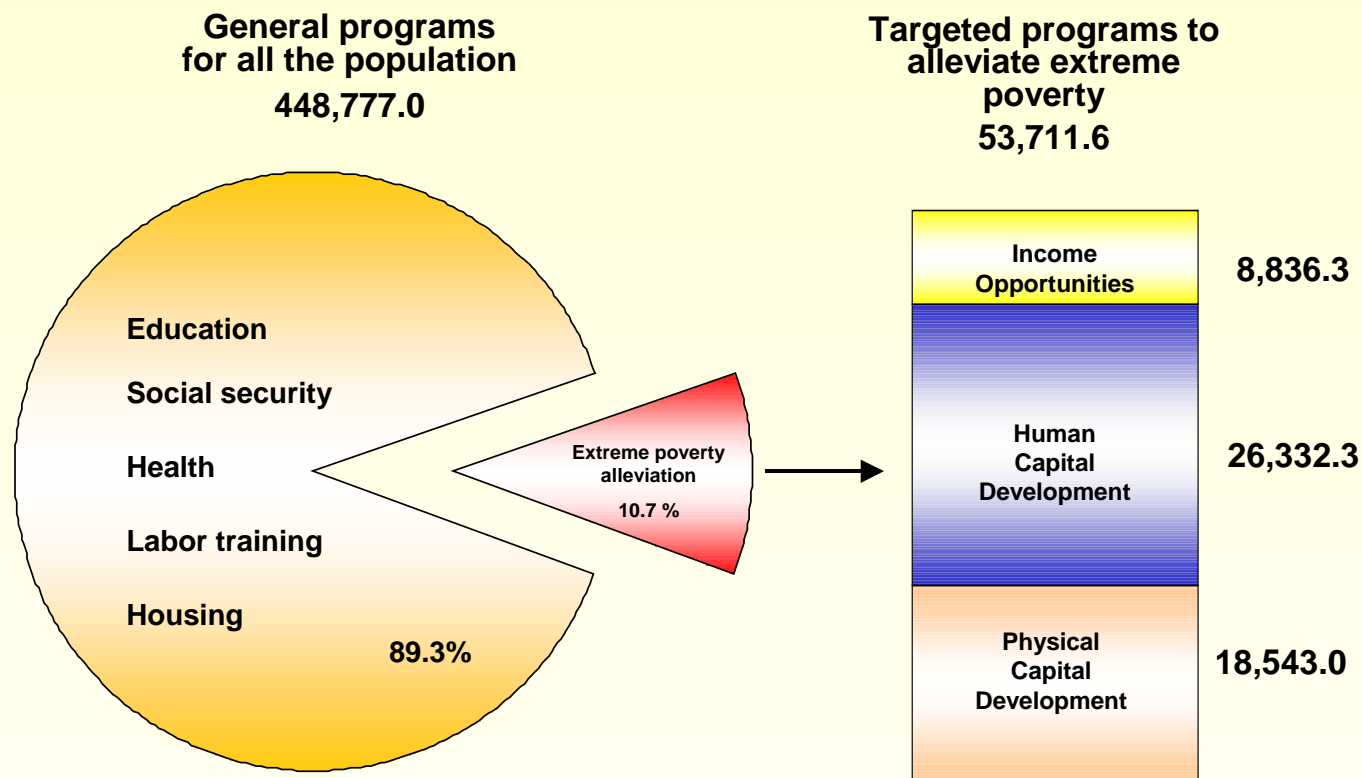


# III- Design of an effective SSN system

## 2- Design an appropriate program mix

From a series of programs to a comprehensive social policy backed by financing- Example from Mexico

**Composition of Social Spending in 2000 Budget**  
(millions of pesos of 2000)

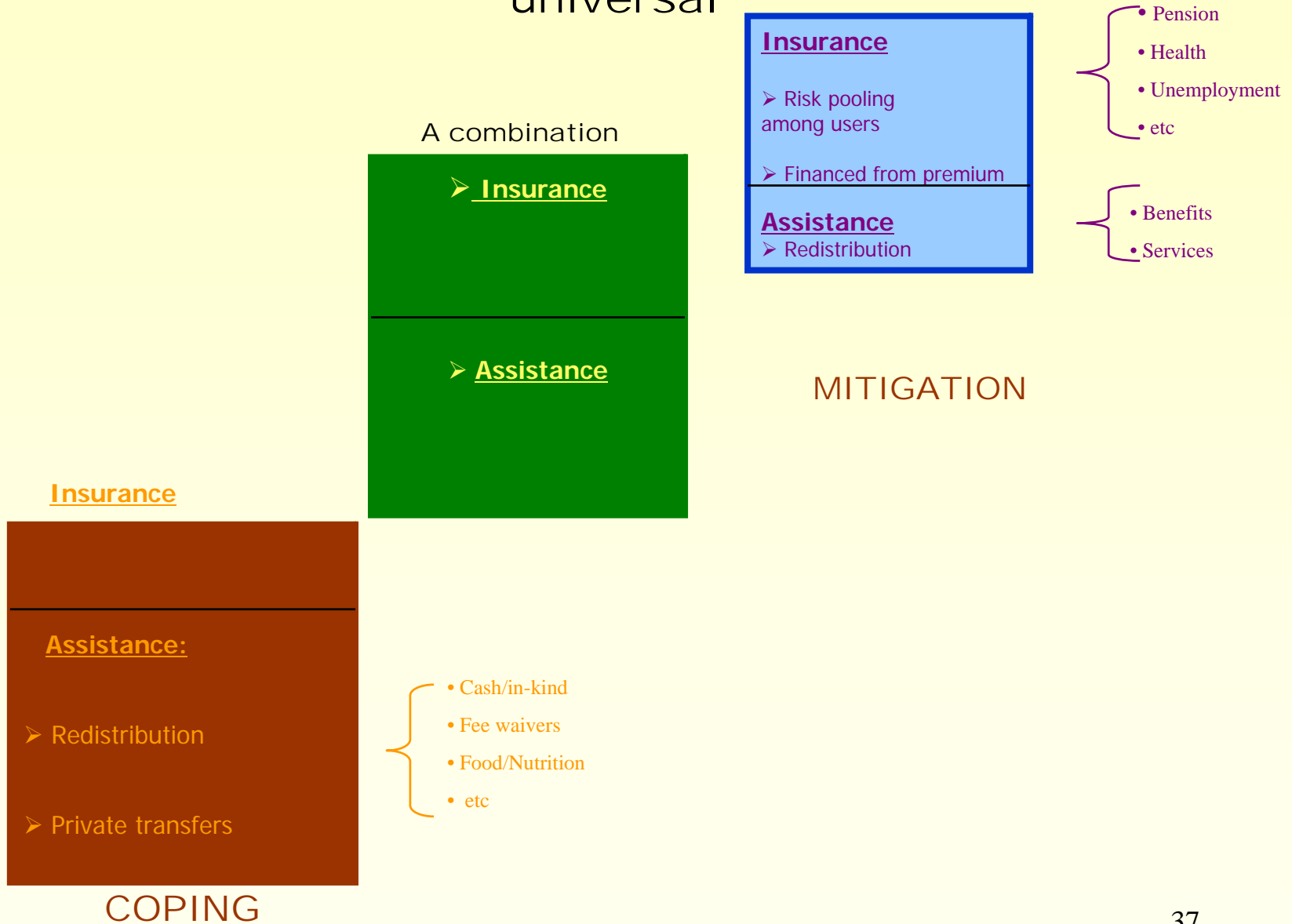


Total 502,488.6 MP

# Social safety nets:

poor vs. shocked – insurance vs. transfers – targeted vs. universal

Income



# III- Design of an effective SSN system

## 3- Safety Nets and Country Context

- Appropriate interventions depend on country context, major risks and appropriateness of particular programs:
- **Post-Disaster**
  - Topology of disasters and their impact on: economy (macro and micro), social capital (gender and disability); and public and private assets
  - Social protection response (integrated in overall hazard management strategy)
    - Ex ante: prevention and mitigation,
    - Ex post: Immediate, medium term and longer term recovery assistance

# III- Design of an effective SSN system

## 3- Safety Nets and Country Context

- **Post-Crisis**

- Recession, increased unemployment and inequality call for consumption-smoothing and improving political stability
- No time for institution building - need programs in place that can be scaled up quickly and reviewed quickly (fast-evolving situation)
- Programs should be counter-cyclical to protect funding
- Balance goals of keeping basic services running and expanding SN

# III- Design of an effective SSN system

## 3- Safety Nets and Country Context

- **Low income countries**

- 3 constraints: Information, administrative but specifically fiscal constraint in a country where everyone is poor
- Simplicity of programs, self-targeting or community-targeting where possible
- Selectivity towards the ultra-poor
- Investment – public works, fee waivers, emergency food distribution

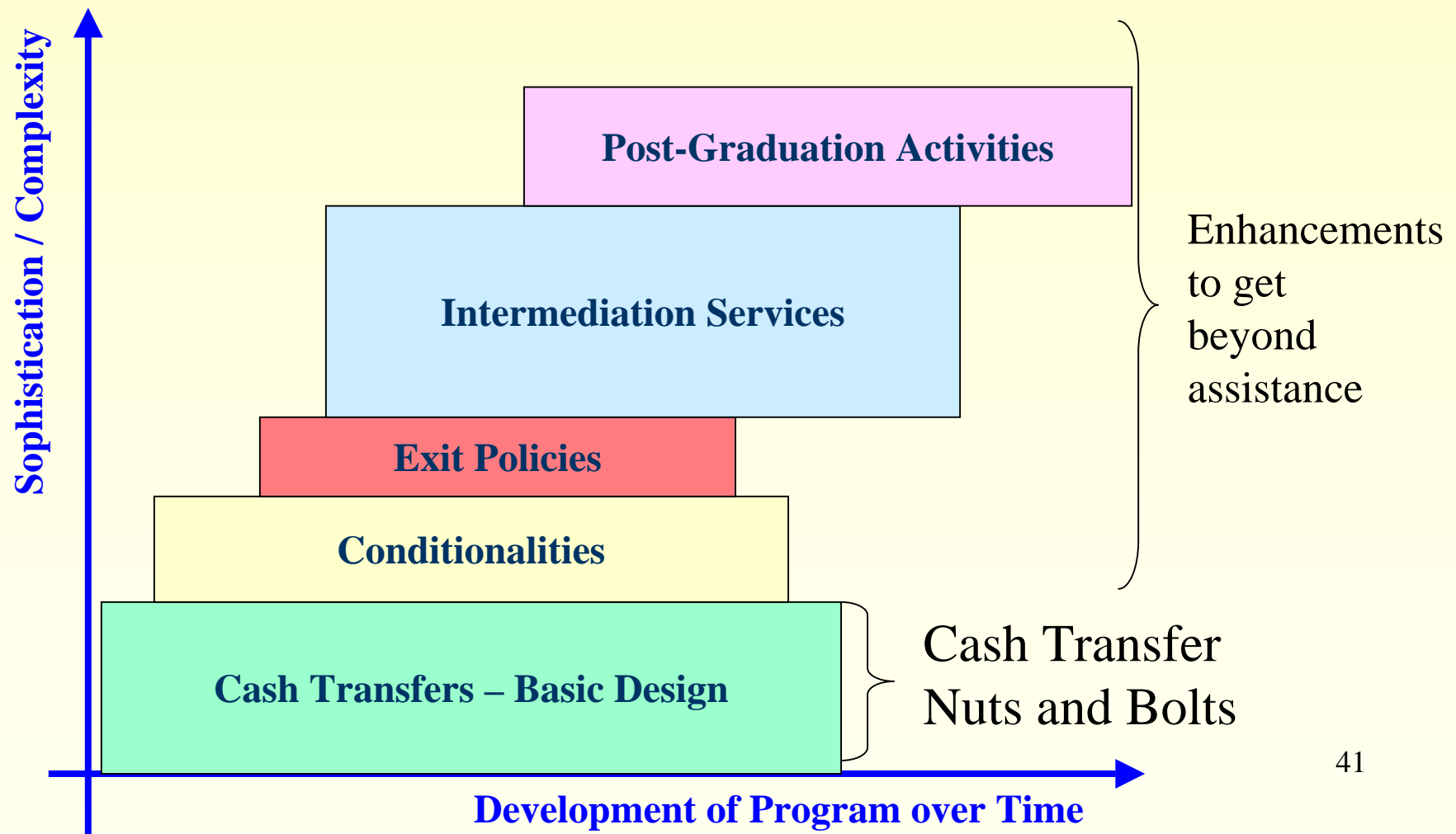
- **Higher income countries**

- Safety nets depend on other social policies (health, education, etc)
- Often transitioning from universal programs (subsidies) to more targeted interventions
- Spread out over the course of an individual's lifetime so as to insure a guaranteed minimum
- Safety nets can be the “last resort”

# III- Design of an effective SSN system

## 4- Going beyond assistance: enhanced SSN

### Typology of Enhancements



# III- Design of an effective SSN system

## 5- Action Plan for Implementation

### 1. Financing

- Sources: General revenues, payroll taxes, borrowing, grants, expenditure reallocations, cross-subsidization
- Sustainability, continuity and predictability

### 2. Institutional arrangements

- Oversight versus execution
- Coordination between sectors and Government levels
- Integration with sectoral policies
- Accountability

### 3. Monitoring and evaluation

- Monitoring performance: program processes and intermediate outcomes
- Evaluating impact: program objectives and final outcomes -- the true impact of the program on participants

## IV- Selected lessons learned

### Implementation

- Initial implementation can take a year or two; fine-tuning a program can take many years
- Imagination, flexibility, hard work matter, e.g.
  - Handle coordination issues well
  - Be open to analyze the option of using private service providers –Banks, NGOs, and firms for project cycle activities
  - Be open to test the use of sophisticated technology means during the pilot or 1<sup>st</sup> phase to assess if some operational activities can be done more efficiently
  - Monitor, evaluate, use information gained to fine-tune or reform

## IV- Selected lessons learned

### Implementation

- Make sure policy decisions can be revised in light of implementation realities
- Initial decisions made by policy makers:
  - Objectives
  - Who should be targeted
  - Types of conditions
  - Benefit levels
  - Coverage and duration of benefits
  - Implementation arrangements



## IV- Selected lessons learned

### Controlling Fraud and Error

- Important because:
  - Ensures efficient use of public resources
  - Guards against political manipulation
  - Enhances credibility of program
  - Maintains public support
- Challenges:
  - Large number of participants
  - Large volume of individual payments
  - Implementation often decentralized to different levels of government
  - Proper oversight and fraud control often an afterthought

## IV- Selected lessons learned

### Controlling Fraud and Error

- There are many tools – both top down and bottom up
- Important to be clear about who does what
- Trend is from ex-ante controls on individual transactions to ex-post controls to guarantee working of whole systems

## IV- Selected lessons learned

### Concluding Remarks

- **SSN and the development agenda**
  - how do safety nets fit in macro stability, poverty reduction, human capital formation, etc.?
- **Designing the optimal program mix**
  - The choice of program mix depends on the degree of uninsured risk, the characteristics of vulnerable groups, ability of programs to address key risks.
  - May be better to reform an existing program rather than to start a new one.
  - Implementing well what you have is much more important than to design an optimal mix.

## IV- Selected lessons learned

### Concluding Remarks

- The appropriate composition and size of safety net will vary from place to place and time to time depending on risks, needs, constraints, politics, history, etc.
- One size does not fit all
- Political economy matters
  - Need political support of interest groups and stakeholders
  - “Universal” programs often have more support than targeted, it may be better to sacrifice some targeting to keep a program in place
- Programs that work well in other context need to be adapted to specific country settings and local circumstances

## IV- Selected lessons learned

### Concluding Remarks

- **Common pitfalls**

- Unrealistic expectations, too many programs, conflicts between policies and programs, unintended effects, lack of coordination, imbalance between target groups, etc.

- **Monitoring and evaluation**

- Monitoring and evaluation is part of good policy or how else do we improve?

# Weaving the Social Safety Net: Tools for Diagnosis and Design of Program Mix

Thank you

WORLD BANK INSTITUTE

*Promoting knowledge and learning for a better world*

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Seoul , Korea