Smoke and mirrors

The role of World Bank and IMF in shaping social security policy in the MENA region

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ISSPF Working Paper Series:
Shifting the Paradigm

April 2022
Issue: 04

Executive summary

Countries in the Middle East and North Africa (MENA) region face a number of challenges, including fiscal instability, conflict, civil unrest and high unemployment. A robust social security system is an essential means of reducing inequality and increasing the economic growth of a country. However, across the MENA region, social security systems are failing to reach the majority of the population. Further, while fuel and food subsidies have historically been regarded as the main means of delivering a degree of income security for much of the population, these measures have been scaled back in recent years. The schemes that are designed to compensate for such subsidy removal, however, are limited in reach and, as a result, many people receive less from the State than before. This is especially an issue when, across Arab States, there are widespread low incomes and high rates of inequality.

The International Monetary Fund (IMF) and the World Bank are two of the most significant international financial institutions (IFIs) in the MENA region. They have played a critical role in influencing social policy, encouraging countries – through the provision of loans and technical assistance – to introduce austerity measures in order to scale back fiscal costs. The most significant means in which the IFIs impact on social security policy is through the provision of loans to governments. These loans are often attached to conditions linked to disbursement, and may specify, for example, that a country must implement a social registry (a mechanism for undertaking poverty targeting) or introduce sanctions. If the condition is not met, disbursement, or a tranche of the funds, may be withheld. It can be extremely difficult for a government to change the design of a social security scheme if it does not align with one of the conditions in the loan.

The social security package that the World Bank and IMF promote

When promoting structural adjustment measures – such as subsidy reform – the IMF and World Bank generally advise that part of the savings should be re-allocated to *"well-targeted,"*, *"pro-poor"*, *"efficient"* social security schemes. However, the package that is promoted aligns with a poor relief model and is neither well-targeted nor pro-poor. This contrasts with an inclusive lifecycle approach to social security, in which levels of investment are high due to broad coverage and high transfer values. States are duty bearers that are obliged to provide a minimum social security floor, which addresses key risks across the lifecycle, including old age, disability, childhood and unemployment. Schemes are offered on a universal or near universal basis, for social security is an individual entitlement – that is, a human right. Components of the IFIs' social security packages are discussed below.

Low Coverage

The schemes promoted by the IMF and World Bank have small budgets and low coverage. This means that the majority of the population– i.e. the "missing middle" in the informal economy – are not reached by either a social insurance or tax-financed scheme. For example, in a context of fuel subsidy reform, the World Bank has supported the Government of Tunisia to establish the Amen Social Programme to replace the *Programme Nationale d'Aide aux Familles Necessiteuses* (PNAFN). The Permanent Cash Transfer (PCT) component aims to increase coverage from 8 to 10 per cent of the population. As a result, many Tunisians who are living on low incomes, but are not benefiting from the social insurance system, will not receive any social security benefits.

The IFIs' messaging can confuse policymakers and practitioners into thinking that schemes with low coverage generate greater impacts than those with higher coverage. For example, programmes with high coverage are often referred to as "*poorly targeted"* and "*inefficient"* when compared to smaller poverty-targeted schemes, which the IFIs describe as "*pro-poor"*. This is despite the fact that inclusive lifecycle schemes reach more people living on low incomes due to their higher coverage. For example, in Morocco, the World Bank noted that the government's planned universal child benefit is "*likely to be progressive"* (emphasis added), in contrast to a scheme with 40 per cent coverage, which would be *"even more progressive."* Yet, the universal scheme would be much more effective in reaching the poorest children. Meanwhile, in Tunisia, the World Bank has argued that a proposed poverty-targeted Family Allowance would reach a higher share of beneficiaries in the first wealth decile than the country's subsidy programmes, even though it would only be provided to around 10 per cent of children aged 0-5 years. At first glance, it therefore appears that the Family Allowance will reach far more beneficiaries in the poorest decile than schemes with higher coverage. Therefore, it appears to the uncritical eye to be more *"pro-poor"*. In absolute numbers, far more households in the lowest decile benefit from schemes with universal coverage than from the targeted Family Allowance.

Poverty targeting

In order to implement a scheme with low coverage, the IFIs try to deliver it to the poorest segments of the population. Identification is normally achieved through a proxy means test (PMT). The IFIs promote the PMT as a *"scientific"* mechanism which they portray as efficient and accurate. In reality, it is a highly inaccurate process, with selection often being little more than random. For example, Egypt's Takaful and Karama Programme (TKP) has an exclusion error of 55 per cent for the poorest quintile and 75 per cent for the second quintile.

These limitations are due to a number of reasons. For example, it can be difficult to differentiate who is the poorest when the majority of persons are living on low incomes.

Second, household income and consumption levels fluctuate, which means that households living under the poverty line during one year are not the same as those living under the poverty line the next. This is especially the case in countries experiencing conflict, such as Yemen and Iraq, or those in the midst of a financial crisis, such as Lebanon. Exclusion errors are further exacerbated in the absence of recent national household surveys. For example, both Yemen and Lebanon's PMTs are based on household surveys that are more than a decade old and no longer reflect the current situation of the countries. The PMT formulae are, therefore, highly inaccurate.

Despite evidence showing that poverty targeting results in high exclusion errors, the IFIs continue to use language that can mislead policy makers into thinking that this is not the case. When assessing the impacts of a poverty-targeted programme, the institutions often undertake simulations that assume that a programme will have *"perfect targeting"*. The results, therefore, exaggerate the effectiveness of a scheme.

Social registries

Linked to the implementation of a PMT is the development of a social registry. A social registry is a database that includes household data, with the aim of selecting households for poverty-targeted programmes through a PMT. The World Bank has supported the implementation of social registries in countries such as Yemen, Egypt, Morocco, Tunisia, Iraq, Palestine, and Lebanon, noting that the social registry *"allows for better targeting, thus making social transfers more pro-poor."* However, as social registries use PMTs they carry the same design flaws as the PMT and cannot be used to accurately identify the poor.

The IFIs aim to make the social registry a gateway to coordinate countries' social programmes. In Morocco, for example, a World Bank loan includes a disbursement linked indicator, specifying that the government will implement a law, setting forth that the social registry will be the entry point for any *"safety net programmes"* that are introduced. However, social registries are not designed to identify recipients for modern, lifecycle social security systems, based on individual entitlements, as they do not hold information on the majority of the population nor on individuals within households. By presenting social registries as the coordinating mechanism for social security schemes, this pre-supposes that social programmes will be household-based and poverty-targeted. It is, therefore, a means of ensuring that countries continue to implement small, poor relief schemes. As discussed below, Morocco is currently designing a universal child benefit. Depending on the operational definition of "safety net programmes" it could potentially put the universal child benefit in legal jeopardy as it will not need to utilise the social registry.

If the World Bank wants to help countries to strengthen their delivery systems and develop useful databases, they could do so by supporting countries to develop a Single

Registry, and/or strengthening a civil registry, which could then hold information on the entire population.

Household Benefits

In general, IFI-supported schemes are delivered to the household rather than to the individual. This contrasts with an inclusive lifecycle system, in which individuals are rights-holders who are entitled to social security. Paying benefits to a household does not take into account the intra-household distribution of wealth and power dynamics: there is no guarantee that all members of the household would benefit from the scheme. Further, many people with no personal income are excluded, because their household is assessed as non-poor. While some poverty-targeted programmes – such as Lebanon's National Poverty Targeted Programme (NPTP) and Yemen's Social Welfare Fund (SWF) – target the cash transfer at specific categories of households, including households with a vulnerable individual, this does not address the core challenge. Unless the vulnerable individual is the recipient of the cash by being the household head, there is no guarantee that they will benefit from the scheme. Likewise, many persons with disabilities do not receive income security because their households do not qualify for the programme. Jordan's Takaful scheme demonstrates a further limitation of household benefits: only the head of the household may apply, which could result in the exclusion of women if they wish to apply, but the male head of the household does not.

Conditions, sanctions and workfare

Many of the favoured programmes of the World Bank and the IMF are ones in which recipients have to comply with certain behaviours in order to achieve their funds. This can be in the form of a conditional cash transfer (CCT) or a workfare programme. Under Egypt's TKP, for example, CCTs are offered to young families under the Takaful component, whereas unconditional transfers are offered to vulnerable categories of people, such as older persons or persons with disabilities. Here, the "deserving" are older people or persons with disabilities who do not need to change their behaviour, because they are regarded as poor due to lacking labour capacity, while working age parents with children must *prove* their deservingness by attending four health check-ups a year for children younger than 6 and ensuring children aged 6-18 years attend school at least 80 per cent of the time, or risk being sanctioned by losing their benefits.

The implementation of conditions is problematic as it requires equal performance despite unequal contexts and circumstances. Recipients are sanctioned if they do not comply, despite their clear need. Indeed, conditions are arguably not suitable for those countries in the MENA region that have limited services or are experiencing conflict. While the World Bank has claimed that there is significant evidence that CCTs have had positive impacts worldwide, global evidence points to the opposite. In Morocco, a study – partly

funded by the World Bank – found that children were more likely to attend school when receiving an unconditional transfer, rather than a CCT which was conditional on school attendance. Despite this evidence, it was a CCT that was established.

Undermining governments' own paradigm shifts in policy thinking

When countries aim to introduce more inclusive lifecycle schemes, the IFIs can act to undermine them. Morocco, for example, was the only country in the MENA region to spend more than 2 per cent of Gross Domestic Product (GDP) on a minimally adequate stimulus to address the impacts of the COVID-19 pandemic. The response was apparently so popular and effective that the country has announced that it will increase its old age pension coverage and universalise the Family Allowance Programme, a child benefit. While the World Bank has ostensibly committed to supporting the implementation of the Family Allowance, it has incorrectly claimed that a targeted version of the scheme would be *"even more progressive"*.

Indeed, the IFIs often promote schemes with low budgets with the argument that countries do not have the fiscal space to implement a universal lifecycle scheme. This can be observed in Tunisia, in which a poverty-targeted Family Allowance, aimed at households with children aged 0-5 years, is being piloted. The World Bank notes that the full expansion of the scheme to all households enrolled in the Amen Social programme will *"cost about 0.03 percent of GDP"* and that it is considerably more cost-effective than Tunisia's energy subsidies which amount to more than 2 per cent of GDP.

A budget of 0.03 per cent of GDP is miniscule, especially when considering the proposed budget of Morocco's Family Allowance, which would cost 1 per cent of GDP. The World Bank argues that Tunisia's small scheme is the first step towards the government implementing a Social Protection Floor, and that it will support *"progressive universality"* with the justification that there is insufficient fiscal space to implement a scheme with higher coverage (a debatable proposition). Yet, when the Government of Morocco is willing to develop a minimum Social Protection Floor for all children in the country, and shows that it has the fiscal space to fund the scheme, the World Bank is still opposed.

Progressive universality under a paradigm of poverty targeting is an oxymoron. A more effective means of promoting universality – while managing fiscal constraints – is to deliver a lifecycle benefit initially to a specific age group – for example, all older persons aged 80+ – and then lower the eligibility age later. Or, in the case of a child benefit, it can be offered initially to all children belonging to a younger cohort and coverage can increase over time if the children are not exited from the scheme until they reach 18 years of age. The paradigms that promote poor relief and inclusive lifecycle schemes are diametrically distinct, and the gradual expansion of schemes based on the principle of

universality entrenches a rights based approach to social security as well as greater effectiveness, sustainability and popular support.

Consequences of the IFIs' approach

Although the IFIs promote their approach to social security as progressive and pro-poor, in reality, poor relief can have a range of negative consequences.

Minimal impacts on poverty reduction, wellbeing and economic growth

Tax-financed social security systems play a key role in reducing inequality by redistributing wealth from more affluent segments of society to the rest of the population. However, in order to achieve this effectively, schemes must be inclusive, with high coverage and transfer levels. Tackling soaring poverty and reducing inequality also has significant impacts on a country's economic growth. Investment in inclusive social security builds human capital and increase labour supply; mitigates shocks and production losses; drives demand and economic activity; fosters social cohesion; and reduces inequality – all of which promote a virtuous circle of economic growth and sustained investment in social security.

An increase in shame, stigma and social tensions

Poverty targeting can dehumanise beneficiaries, making them feel ashamed and embarrassed to be enrolled on a poor relief programme. In addition, the enforcement of sanctions in CCTs can undermine recipients' dignity since they are not treated as free and autonomous agents. Poor relief can also increase social tensions in communities. This is especially the case when people who are eligible, or who consider themselves to be living on low incomes, are unable to access programmes. Social tensions are further worsened by the fact that targeting mechanisms such as PMTs are often poorly understood by communities due to their complex nature.

Weakening the social contract and limiting fiscal space

When the majority of a population do not benefit from a social security system, they are unwilling to pay taxes to invest in it. Further, schemes that employ conditions and sanctions, or are poverty targeted, are less likely to be enshrined in law. Therefore, the population do not feel entitled to the scheme.

In contrast, schemes with higher coverage receive greater public support and, as a result, are more sustainable both financially and politically. Not only do such schemes attract higher taxes and promote economic growth, which results in greater fiscal space being dynamically generated, but they can become an important political tool. For example, political parties may promise to increase coverage levels, or transfer values, during

elections, which, when done well, can strengthen democracy. They are also, not surprisingly, more likely to be grounded in legislation as enforceable rights.

In fact, inclusive lifecycle schemes attract higher investment over time due to their popularity. Therefore, greater fiscal space grows out of the universality of social security schemes.

In a region where trust in the state to implement effective social security systems is low, it is essential that governments implement programmes that reach more than just a small section of the population. Schemes with broader coverage are important if states are to win the trust of their populations. For example, in 2017, Iran decided – with encouragement from the IMF – to target its universal cash transfer scheme (which had been implemented to compensate for subsidy reform measures). In a context of declining living standards, the reform proved to be extremely unpopular, leading to protests in December 2017.

Undermining countries' abilities to build progressive, modern systems

The promotion of poor relief schemes has limited countries' abilities to build modern, inclusive social security systems. This has been especially noticeable during the COVID-19 pandemic, in which Morocco was the only country in the MENA region to invest at least 2 per cent of GDP in a social security response, which has been suggested as a minimally adequate fiscal stimulus to support economic recovery. It is no surprise that, out of all the countries in the MENA region, Morocco is the only one that now appears to be making significant strides towards strengthening its old age pension and child benefit schemes.

Poor relief schemes continue to be promoted by the IFIs to address the impacts of the pandemic. This reality in the MENA region contrasts with the rhetoric that the IFIs have provided about the COVID-19 pandemic. For example, the World Bank has stated that: "*Governments should consider developing integrated, universal social protection systems to support both the goal of achieving universal social protection by 2030 and the goal of accelerating the growth of better jobs.*" However, this is window dressing and not reflective of what is occurring on the ground. The continuing promotion of poor relief schemes, which operate under a neo-liberal paradigm and utilise poverty narratives, will hinder governments' attempts to shift to a rights-based paradigm.

Why do IFIs promote poor relief schemes?

There are many reasons why the IMF and World Bank promote poor relief schemes. Firstly, they are guided by ideological thinking. As discussed above, low levels of investment in social security systems align well with a neo-liberal vision of low taxes and a small state.

This viewpoint is likely exacerbated by negative poverty narratives, which can justify why, for example, conditions and sanctions should be attached to benefits.

Second, the IFIs' messaging – even when it ignores global evidence – creates smoke and mirrors that confuse policy makers. In Mongolia, for example, the World Bank stated that the universal child benefit was *"not ... well-targeted and not effective in protecting the poor"*, despite the scheme reaching virtually all children living on low incomes. Policymakers and practitioners who do not necessarily hold negative poverty narratives themselves, could therefore be misled by the IFIs' messaging into thinking that poor relief schemes are indeed more effective at alleviating poverty. Or, they might come to believe that there is no fiscal space to gradually implement a universal lifecycle system.

Third, there are financial incentives to what the IFIs do because ultimately, the IFIs are a combination of banks that have to lend money to survive and consultancy firms that have to cover their staff costs. A social registry, for example, is a product that the World Bank is promoting strongly globally, as it can be financed by a loan and give work to the institution's staff. In addition, poor relief schemes – through the introduction of conditions or workfare – can be sold as productive programmes to governments, who would never dream of taking a loan for an unconditional poor relief programme or, indeed, for universal schemes.

Finally, inclusive lifecycle schemes reduce the IFIs' influence in a country. The IFIs would have countries believe that modern lifecycle schemes are not good for business, when, in fact, the opposite is true. Although the IFIs argue that lifecycle schemes are not efficient, and that they cost too much to be fiscally sustainable, as discussed above, schemes with high coverage are more popular and therefore, taxpayers are more willing to fund them. Consequently, as countries transition towards implementing lifecycle schemes which receive support from large sectors of the population, governments are less likely to take out loans, and the IFIs lose their influence in the country.

Conclusion

The MENA region is at an important juncture. With subsidy reform looming large and the impacts of the COVID-19 pandemic likely to be felt for years to come, it is now more important than ever that the region experiences a paradigm shift in its approach to social security. Despite evidence showing that inclusive, lifecycle schemes are more effective at reaching persons living on low incomes, the IFIs often use smoke and mirrors to persuade policy makers that this is not the case. Although the IFIs claim that poor relief schemes are "pro-poor", only a small segment of low-income households are actually reached. In reality, therefore, the IFIs' approach to social security is pro-rich, since a smaller social security system entails low taxes, which benefits the rich. Further, when a government

moves towards implementing an inclusive, modern lifecycle social security system, it is also taking measures to reduce the IFIs' influence within the country. This can help explain why there is a reluctance from the World Bank and IMF to promote fiscally and politically sustainable schemes.

There are some indications of paradigm shifts within the MENA region. Morocco, for example, has announced that it will universalise its child benefit and increase the coverage of its old age pension. However, without a serious shift in institutional approach, the two IFIs will hinder governments' attempts to develop inclusive, modern social security systems, build the social contract and drive economic growth. More worryingly, poor relief, if it continues as the dominant approach, will continue to undermine trust in government, weaken the prospects for democracy, and increase the risk of social unrest, the last thing that the region needs.

Acknowledgements

This working paper was produced with funding from a Ford Foundation grant titled "Shifting the paradigm: building inclusive, lifecycle social security systems in the MENA region".[1] The report was prepared under the guidance of Shea McClanahan (Development Pathways) and Stephen Kidd (Development Pathways) and has benefited from valuable comments and feedback from Alexandra Barrantes (Development Pathways) and Chafik Ben Rouine (Tunisian Observatory of Economy). Daniel Hughes (Development Pathways) provided research support.

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List of Acronyms

CCT	Conditional Cash Transfer
COVID-19	Coronavirus Disease 2019
GDP	Gross Domestic Product
IFI	International Finance Institute
IMF	International Monetary Fund
LCT	Labelled Cash Transfer
MENA	Middle East and North Africa
MIS	Management Information System
NAF	National Aid Fund
NPTP	National Poverty Targeting
PCT	Permanent Cash Transfer
PDS	Public Distribution System
PMT	Proxy Means Test
PNAFN	*Programme Nationale d'Aide aux Familles Necessiteuses*
PNCTP	Palestinian National Cash Transfer Programme
PPP	Purchasing Power Parity
SWF	Social Welfare Fund
TKP	Takaful and Karama Programme
UCT	Unconditional Cash Transfer
US$	United States Dollars

1 Introduction

Countries in the Middle East and North Africa (MENA) region face a number of challenges, including fiscal instability, conflict, civil unrest and high unemployment. A robust social security system[2] is an essential means of reducing inequality and increasing the economic growth of a country. However, across the MENA region, social security provisions are inadequate and fail to reach the majority of the population.

The International Monetary Fund (IMF) and the World Bank are two of the most significant international financial institutions (IFIs) in the region. They have played an important role in influencing social policy, encouraging countries – through the provision of loans and technical assistance – to introduce austerity measures in order to scale back fiscal costs. Measures include subsidy reform, the means testing (or poverty targeting) of social security schemes, labour market reform, and consumption tax increases.[3] However, many of these measures have been criticised for having contributed towards rising poverty rates, reduced living costs, riots and civil unrest.[4] Since the 2011 Arab uprisings, the IFIs have ostensibly tried to reduce these negative impacts – for example, by promoting social security schemes as a means of mitigating the effects of economic adjustment policies.[5] As such, the two IFIs have played a significant role in shaping social protection and social security policy around the world: according to Kidd (2018a), in 2017, almost 10 per cent of lending by the World Bank to low-income countries was linked to social protection, while 10 per cent of IMF loans included conditions linked to such schemes.

However, not all social security schemes are equally effective and, if badly designed, a programme can be inadequate, poor performing, or even have negative impacts. Broadly, there are two approaches to designing social security programmes. Under an inclusive lifecycle approach, levels of investment are high due to broad coverage and high transfer values. States are duty bearers obliged to provide a minimum social security floor, which addresses key risks across the lifecycle, including old age, disability, childhood and unemployment. Schemes are

[2] The term "social security" is used throughout the paper to refer to income transfers, regardless of how they are financed. While "social protection" is the prevailing term that is used within the sector, the term "social security" is preferred by the author as it aligns with the right to social security, as enshrined in the Universal Declaration of Human Rights.
[3] International Labour Organization & World Bank (2016).
[4] See, for example: Abdo (2019); Bretton Woods Project (2018, 2019); ESPI (2018).
[5] Mossallem (2015).

offered on a universal or near universal basis, since social security is an individual entitlement – in other words, a human right (see Box 1).

In contrast, the IFIs promote a poor relief package, in which schemes have low budgets, low coverage, and are targeted at households living in poverty. Such schemes have an ideological underpinning, supporting a neo-liberal vision of low taxes and a small State. Poor relief programmes have been criticised for being too small to reach all households living in poverty.[6] As such, they are not able – on their own – to address soaring poverty rates and promote economic growth.

Box 1: The right to social security in the Universal Declaration of Human Rights

Article 22: "**Everyone**, as a member of society, has the **right to social security**"

Article 25: "(1) **Everyone** has **the right to a standard of living adequate for the health and well-being of himself and of his family**, including food, clothing, housing and medical care and necessary social services, and the **right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control**. (2) Motherhood and childhood are entitled to special care and assistance. **All children**, whether born in or out of wedlock, **shall enjoy the same social protection.**"

Amid this criticism, the IMF and World Bank have signalled an ostensible paradigm shift in their approach to social security. In 2016, the World Bank launched a global partnership with the International Labour Organization (ILO) to promote universal social protection, with the World Bank stating that: *"Universal coverage and access to social protection are central to ending poverty and boosting shared prosperity."*[7] Further, in 2018, the IMF Board detailed that *"the IMF needs to find more realistic and effective approaches to program design and conditionality to ensure that adverse impacts of program measures on the most vulnerable are mitigated."*[8] A year later, the IMF noted that it *"does not have any bias in favour of one approach"* with regard to universal or targeted social security schemes, but that the *"appropriate use of targeted and universal-type transfers will depend on country economic, political, and social circumstances and constraints."*[9]

This paper examines whether this paradigm shift has been observed within the MENA region, or whether the social security packages that the IFIs promote are business as usual. It further investigates whether the IFIs are putting in place the necessary building blocks to assist countries in developing an inclusive, lifecycle social security system that will meet the IFIs' supposed aim of achieving universal coverage, or whether the structures that are being pushed will hinder the development of such systems. The paper also examines how the IFIs present evidence and whether the language that is used is accurate, or whether it is designed to confuse policymakers so that they are steered towards a particular ideological approach.

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[6] See, for example: Kidd, Athias, and Mohamud (2021).
[7] International Labour Organization & World Bank (2016).
[8] IMF (2018b).
[9] IMF (2019).

1 Introduction

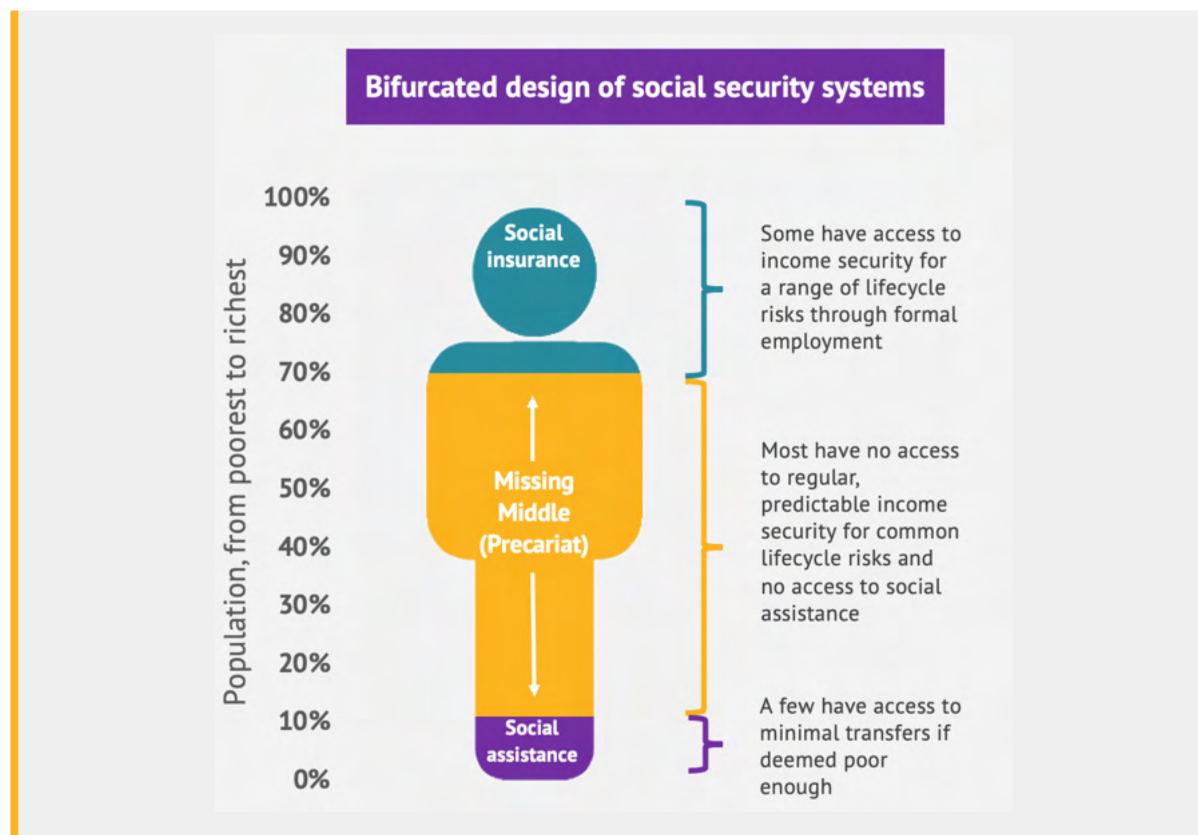
Section 1 provides a brief overview of the context of the MENA region and its social security systems. Section 2 then breaks down the components of the social security packages that the two IFIs promote. Section 3 looks at the consequences of these packages, and Section 4 seeks to explain why the IFIs promote the schemes that they do.

2 Context

Although no two countries in the MENA region are the same, broad patterns can be drawn between them. Across MENA States, there are widespread low incomes, high rates of informal employment and high rates of inequality. Poverty rates, which have likely worsened during the COVID-19 pandemic, are on the rise and, according to the World Bank, extreme poverty increased from 3.8 per cent in 2015 to 7.2 per cent in 2018.[10] However, it should be emphasised that a high proportion of the MENA population – not just those who have been classified as living in extreme poverty – are living on low incomes.[11] For example, in 2018, around 45 per cent of the population were living on less than USD 5.50 (PPP) per day.[12] In addition, households fluctuate in and out of poverty, depending on the shocks that they experience. This is exacerbated in countries experiencing conflict, such as Yemen and Iraq, or those in the midst of a financial crisis, such as Lebanon. Indeed, because a household's welfare can change dramatically over a very short period of time, some have argued that "the poor" is a fictional construct rather than a fixed group that could be identified at any given moment.[13]

[10] World Bank (2020a).
[11] Extreme poverty is described, by the World Bank, as living on less than USD 1.90 per day (PPP).
[12] Sibun (2021).
[13] Knox-Vydmanov (2014).

Figure 1: Depiction of the type of bifurcated social security system found in many low- and middle-income countries



Source: Development Pathways' depiction.

While social security is an important means of reducing inequality and lowering a country's poverty headcount, the systems in place across the MENA region are not fit for purpose. For the upper segments of society, social insurance provisions are generally available, although in need of reform. However, for those on low or middle incomes, or who are outside the formal economy, often the only means of accessing social security is through a small, poor relief scheme targeted at the poorest households. In Lebanon, for example, 6.5 per cent of the population are receiving a tax-financed benefit and around a third are receiving a contributory benefit.[14] As a result, many households living on low or middle incomes – which are still low – or who have a household member working in the informal economy, are unable to access either a social insurance scheme or a poor relief one. As Figure 1 indicates, this sector of the population – which often forms the majority within a country – are the "missing middle".

[14] International Labour Organization & UNICEF (2021).

Box 2: Subsidy reform is a fundamental part of the MENA context

Food and fuel subsidy reform accelerated in the 1990s, often with support from the IMF and the World Bank. Reforms are generally extremely unpopular, resulting in protests and civil unrest. This unpopularity is due, in part, to the fact that subsidies are often universal, or nearly universal, and their removal impacts on people across the income spectrum, including more politically engaged families living on middle and high incomes, as well as those working in the informal sector.[15]

Given the opposition to subsidy reforms, the process has not been consistently implemented. For example, after the 2011 uprisings, several countries scaled back their subsidy reforms including Jordan, Tunisia and Yemen, even when the reforms were a requirement of the loans they received from the IFIs. Other countries, such as Egypt and Morocco, have been more successful at implementing reforms, although Walsh and Boys (2020) explain that these reforms excluded Liquid Petroleum Gas, which is more commonly used by the poorer segments of society. Iran, meanwhile, successfully removed fuel subsides in 2011, by introducing a universal cash transfer programme to compensate all citizens across the income spectrum.

In more recent years, subsidy reform has continued to be a major policy requirement of the IMF and the World Bank. For example, Egypt's recent fuel subsidy reform – which accelerated in 2014 – was supported both by the World Bank and the IMF. For example, the World Bank provided technical assistance through the Energy Sector Management Assistance Programme. Further, between 2016 and 2019, Egypt implemented a number of fiscal reforms, including fuel subsidy reform, backed by a USD 12 billion IMF loan.[16] In Iraq, meanwhile, the IMF has continually pushed for a reduction in Iraq's food subsidy programme, the Public Distribution System, which, in 2021, was estimated to have 96 per cent coverage.[17] In 2017, the institution criticised the scheme for a *"lack of targeting, which leads to unnecessarily high outlays and an inequitable distributional impact."*[18] In the IMF's 2020 Article IV report, the IMF stated that eligibility for the PDS should be limited and that the *"authorities agreed with the need to reform the PDS system and plan to take this up in the next stage of their reform agenda."*[19]

Historically, the main form of tax-financed income support has been through the provision of food[20] and fuel price subsidies, which are currently undergoing reform in a number of countries across the region, as explained in Box 2. Coverage of these systems was – and still is – high in many countries and, as a result, subsidies have had a significant impact on poverty reduction. In Egypt and Iraq, for example, Silva et al (2013) found that food ration cards reduced the poverty headcount by more than 30 per cent. Although food subsidies are typically progressive because poorer households tend to spend proportionately more on food, fuel subsidies disproportionately benefit wealthier households and contribute to a large fiscal deficit. They also divert States from investing in more effective systems, such as a tax-financed social security scheme.[21] Nevertheless, they are often the only schemes that provide income security

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[15] See, for example, Sdralevich et al. (2014).
[16] ESMAP (2019); IMF (2016).
[17] Breisinger et al. (2021); Savage & Labs (2021).
[18] IMF (2017a).
[19] IMF (2021).
[20] Food subsidies include a number of different types of subsidies, including ration-card system, subsidies on prices, subsidies on production, etc. However, a separate analysis for each type is beyond the scope of the report.
[21] Breisinger et al. (2019).

to the “missing middle”. Over the last decades, many governments – with the support of the IMF and the World Bank – have increased their attempts to phase out price subsidies. However, unless price subsidies are replaced by compensation schemes with high coverage, subsidy reform is generally extremely unpopular.

In a context where economic, social and cultural rights are largely limited, the social contract between citizens and the state is considered by many to be absent or broken.[22] The historical importance of subsidies in the region – as well as their universal, or near universal coverage – has meant that subsidies form an important element of an unwritten social contract.[23] However, with subsidies being scaled back, it is important that they are replaced by social security schemes that are sufficiently redistributive and effective to develop and strengthen state-society relations.[24]

Box 3: What is a social contract?

At a simple level, a social contract can be understood as an agreement between citizens and government. When it functions well, citizens and residents pay taxes to the government and, in return, the government should use these revenues to provide good quality public services, infrastructure and protection. As long as both sides keep to the agreement, a functioning, decent and fair society can exist. However, if governments do not fulfil their side of the bargain, many will resent paying taxes and, often, actively avoid doing so.

[22] Devereux (2015).
[23] El-Katiri & Fattouh (2017). In addition, low salary competitiveness at the core of social/economic contract forcing the State to maintain low prices for basic foods.
[24] Kidd, S. et al. (2020).

3 The World Bank and IMF's Approach to Social Security

The most significant means through which the IFIs impact on social security policy is via the provision of loans to governments. Loans are often attached to conditionalities: in the case of the World Bank, these are, for example, Performance Based Conditions (formerly called Disbursement Linked Indicators) or Quantitative Performance Criteria and, for the IMF, Structural Benchmarks. These conditions – which may specify, for example, that a country must implement a social registry (a mechanism for undertaking poverty targeting – see Section 3.2) – can be linked to disbursement. Therefore, if the condition is not met, disbursement, or a tranche of the funds, may be withheld. As Kidd (2018a) notes, it can therefore be extremely difficult for a government to change the design of a social security scheme if it does not align with one of the conditions in the loan. He explains, for example that: *"Mongolia was threatened by the IMF and World Bank with the withholding of loans unless it targeted its popular universal child benefit, with the government eventually acquiescing in January 2018."* Even in countries such as Iran which do not receive loans, the impact of the IFIs should not be discounted: for example, the IMF still holds considerable influence with regard to Article IV surveillance.

The IFIs also hold considerable influence over governments in terms of the paradigms that they present to policy makers. For example, the World Bank supported a number of learning visits for Iraqi government officials to other countries with poor relief schemes, with the intention of persuading them to change the design of the Iraq Social Safety Net from one that targeted demographic categories of the population living on low incomes, to one which identifies households living in extreme poverty using a proxy means test (PMT), a form of poverty targeting which is explained further in Section 3.2.[25]

When promoting structural adjustment measures – especially subsidy reform – the IMF and World Bank generally advise that part of the savings should be re-allocated to *"well-targeted"*, *"pro-poor"*, *"efficient"* social security schemes. For example, in 2021, the IMF stated that poverty targeting Iraq's Public Distribution System Food Subsidy Programme *"would provide the fiscal space to further increase targeted assistance to the most vulnerable."*[26] However, the social security schemes that are developed in the aftermath are generally much smaller than the subsidy programmes that they are designed to replace. Indeed, Alston (2018), writing as the Special Rapporteur on Extreme Poverty, states: "*many subsidy reforms lead to significant net reductions in social protection spending.*" Consequently, the savings made in structural adjustment

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[25] Alkhoja et al. (2016). According to Alkhoja, the categories were orphans, married students, students that are orphans, those with disabilities caused by ageing, those with disabilities caused by illness, the blind, the paralyzed, families of the imprisoned and missing persons and the unemployed (e.g., due to terrorism and the internally displaced).
[26] IMF (2021).

programmes are never fully diverted towards tax-financed social security schemes and other social programmes.

The IFIs also aim to replace or redesign existing social security schemes. Existing tax-financed schemes in the MENA region often identify people based on whether they are in a vulnerable category of the population (for example, older persons, widows, families of prisoners) and whether or not they have "any other means of support". The latter was/is often defined according to familial relations and whether someone would be deemed responsible for the vulnerable person. These schemes are tweaked or replaced to better align with the social security package that the IFIs promote.

Terminology is important, and the IFIs generally refer to their schemes as *"social safety nets"* or *"social assistance"*, sometimes with the indication that lifecycle schemes are a different type of social security to that proposed by the IFIs. This paper instead uses the term *"social security"* both to refer to poor relief schemes as well as lifecycle programmes. This exemplifies the difference between a poor relief paradigm and an inclusive lifecycle one. The former aims to provide income security only to the most vulnerable, by catching them with a safety net, whereas the latter adopts a human rights based approach, in which all persons – regardless of their welfare level – are entitled to social security as a basic human right.

This section provides an overview of the components of the IFIs' social security package. As is demonstrated below, the package is neither as *"pro-poor"* nor *"well-targeted"* as they claim.

3.1 Low coverage

The schemes that the IFIs promote have small budgets, with low coverage. This means that much of the "missing middle", many of whom are living on low incomes, continue to lack access to social security. For example:

- In a context of fuel subsidy reform, the World Bank is supporting the Government of Tunisia to establish a new scheme called the Amen Social Programme which will replace the *Programme Nationale d'Aide aux Familles Necessiteuses* (PNAFN). The Permanent Cash Transfer (PCT) component of the scheme aims to increase coverage from 8 to 10 per cent of the population. However, the poverty rate in Tunisia has recently increased from 15 per cent to over 20 percent (and, it should be emphasised, more than 20 per cent of the population are living on very low incomes). Further, an additional 21 per cent of the population are identified as vulnerable and receive a health card.[27] The entire "missing middle" would continue to be excluded, despite experiencing significant shortfalls resulting from the fuel subsidy reform.

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[27] World Bank (2021b). See also Ben Braham et al. (Forthcoming) for a detailed discussion of Tunisia's social security system.

- Under the World Bank's "Jordan Emergency Cash Transfer COVID-19 Response Project", the IFI attached a Performance Based Condition to the loan, stipulating that by 2021, 85,000 eligible – i.e. "poor" – households would be enrolled in the Takaful Cash Transfer Programme and would have been paid regular Takaful cash transfers (Takaful-1). This amounts to between 4 and 6 per cent of the population.[28] UNESCWA (2021) has noted that 270,000 households originally applied for Takaful, and around 108,000 were found to be eligible. A further component, Takaful-3, is providing 160,000 households with informal economy workers a cash transfer for a year, as part of the country's COVID-19 response. Again, these programmes exclude the missing middle.

- In Lebanon, under the World Bank's "Lebanon Emergency Crisis and COVID-19 Response Social Safety Net Project", an estimated 147,000 households – or only 12 per cent of the population – will access the National Poverty Targeting Programme (NPTP) and be paid cash transfers for one year.[29] However, in 2020, the World Bank acknowledged that Lebanon's current economic and financial crisis *"could put more than 155,000 households under the extreme poverty line, but 356,000 households under the upper poverty line."* [30]

Even though poor relief schemes are too small to reach the majority of persons living on low incomes, this issue is generally swept to one side by the IFIs. For example, the IMF has noted that: *"well-designed cash transfer systems in MENA can typically result in about 50–75 percent of spending reaching the bottom 40 percent of the population, compared with 20 percent of the amount spent to subsidize fuel prices and 35 percent to subsidize food prices."*[31] However, this fails to recognise that more than the bottom 40 per cent of the population are vulnerable and impacted by austerity measures, macroeconomic shocks and other lifecycle risks and vulnerabilities. Further, as is discussed in Section 3.2, it also does not acknowledge that it is impossible to accurately identify the poorest 40 per cent.

[28] Based on a population estimate of 11 million, and an average household size of 4.8. Disparity in the figure given is due to different average household sizes. The national average household size is 4.8, but according to the latest Household Expenditure and Income Survey, the average individual in the poorest decile lives in a household of 7.7 persons. See also Anderson & Pop (2022) for a detailed discussion of Jordan's social security system.

[29] World Bank (2021a). Prior to this, the NPTP paid in-kind benefits and fee waivers etc. The income transfer element is new. See also Aboushady & Silva-Leander (Forthcoming) for a detailed discussion of Lebanon's social security system.

[30] World Bank (2020f).

[31] Sdralevich et al. (2014).

Box 4: A case study of Egypt's Takaful and Karama Programme

Egypt's Takaful and Karama Programme (TKP) was established in 2015 with support from the IMF and World Bank and aimed to compensate those living in "extreme poverty" for austerity measures such as fuel subsidy reform. However, Breisinger et al. (2018) found that the scheme was reaching only 20 per cent of the poorest quintile and 10 per cent of the second poorest quintile. This low coverage was especially notable, given that the World Bank has found that 60 per cent of the population are poor and vulnerable.[32]

Under the 'Egypt Strengthening Social Safety Net" project, the World Bank is now supporting the government to dissolve the *Daman* Social Pension and shift eligible beneficiaries over to TKP. The *Daman* social pension is a means-tested unconditional monthly benefit paid to poor individuals and households, especially widows/divorced persons, children with disabilities, orphans, and people younger than retirement age and unable to work due to a disability. A Performance Based Condition stipulates that the government must "*reassess beneficiaries of Daman for the TKP using a [proxy means test]*". It is expected that many beneficiaries will not meet the requirements of the TKP and will, therefore, no longer receive social security. As of September 2021, it was announced that TKP would reach 3.9 million households, which amounts to around 15 million individuals (around 15 per cent of the national population).[33] Coverage is, therefore, not broad enough to support the high number of people in need of income security.

The IMF highlighted in its 2017 Article IV Consultation on Egypt that food subsidies had compensated for losses brought about by fuel subsidy reform for the bottom 40 per cent, and half of the losses for the third and fourth quintiles. This was attributed to the near universal design of the food subsidies. However, the IMF emphasised that the food subsidy programme was *"poorly targeted and inefficient"* and that *"improving targeting could free up resources and reduce poverty among the low and middle income groups."*[34] Therefore, a scheme that is reaching the majority of households living on low and middle incomes is described as being *"poorly targeted"*. Indeed, the IMF also argued that TKP, in combination with other measures, *"likely"* fully compensated the effects of the reforms for beneficiaries. The report failed to acknowledge that the majority of the population were not beneficiaries of TKP and, therefore, the scheme could not have been effective.

An inclusive lifecycle scheme will always reach more persons living on low incomes than a poor relief scheme due to its higher coverage. For example, Györi and Soares (2018) and Ben Braham et al. (Forthcoming) have found that the introduction of a universal child benefit in Tunisia would be much more effective at compensating a larger number of households that have lost out on subsidies than the poverty-targeted schemes that were in place at the time. Despite this, the IFIs' messaging can confuse policy makers into thinking that poor relief schemes are more *"pro-poor"*.

One example of how the IFIs use smoke and mirrors to give the impression that small poor relief schemes are more effective at reaching the poor than universal schemes can be found in Tunisia. As part of the broader Amen Social Programme, the Amen Social Family Allowance will

[32] World Bank (2019c).
[33] Zayed (2021).
[34] IMF (2018a).

provide cash transfers to 120,000 children aged 0-5 years registered on the social registry (around 10 per cent of that age group).[35] In a Project Appraisal Document, the World Bank states that *"simulations show that the share of beneficiaries of a family allowance programme in the first decile should be about 30 per cent, and larger than any other subsidy program"* and provides the following information:

Table 1: Incidence of Different Social Protection Interventions in Tunisia

	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10
Energy Subsidies	6.1	7.4	8.0	8.6	9.2	9.7	10.3	11.5	12.8	16.4
Food Subsidies	8.7	9.6	9.7	10	10.2	10.3	10.4	10.5	10.5	10.0
Children 0—5 years whose parents are not enrolled on a contributory programme	29.6	17.3	13.6	11.6	8.6	6.4	5.5	3.8	2.5	1.4

Source: Based on World Bank (2021b).

The table is misleading, for two reasons. Firstly, the table is not actually showing the distribution of Family Allowance beneficiaries, as claimed in the Project Appraisal Document claims; rather, it shows the beneficiaries of a very different type of potential scheme in Tunisia. This alternative programme is a child benefit that would be given to children aged 0-5 years whose parents are not receiving a family benefit from the social insurance system (referred to as a benefit-tested child benefit). In effect, therefore, the World Bank provides no evidence on the Amen Social Family Allowance, despite claiming that it would be well-targeted. Instead it uses simulated data for a much larger, but different type of programme, as a proxy for the Family Allowance in its attempt to demonstrate that the Family Allowance is well-targeted. Yet, the Family Allowance only covers 120,000 children, whereas the benefit-tested child benefit cited in the Project Appraisal Document would have reached around 383,000 children in 2022.[36]

The World Bank also confuses the reader by using "benefit incidence" to measure the effectiveness of targeting. This methodology is commonly used by the World Bank as it almost always gives the impression that means-tested programmes are "better targeted" than universal schemes. The methodology examines the distribution of all recipients of a scheme across the welfare profile of the population. Using this measure makes the benefit-tested child benefit look much better than the universal food subsidy. In fact, it makes the food subsidy appear regressive while the benefit-tested child benefit seems, to the uncritical eye, to be more *"pro-poor"*.

However, if the schemes were assessed using a more appropriate measure that examines their effectiveness in achieving the aim of ***reaching*** the poorest members of society, the universal

[35] UNDESA population estimates for 2022.
[36] CRES & UNICEF (2019).

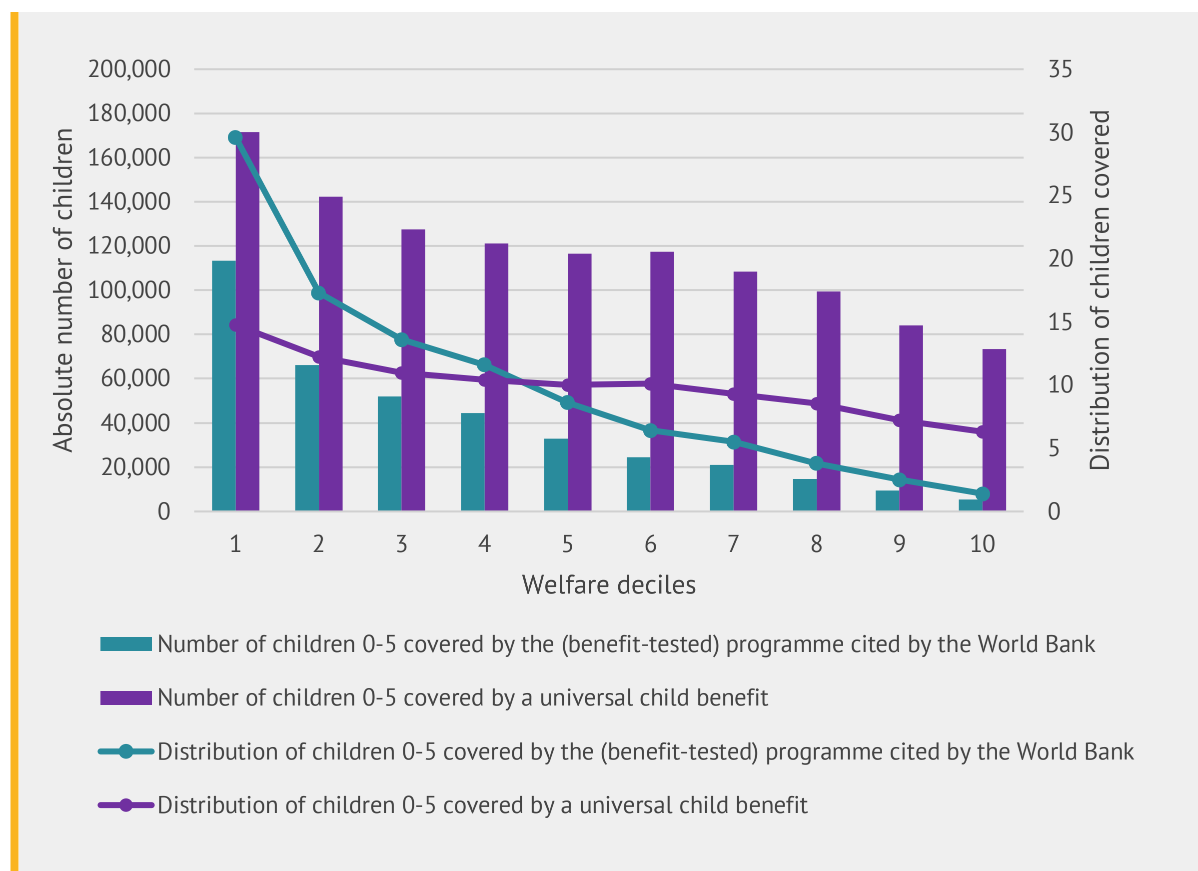
food subsidy is much more effective. It would reach many more families in the poorest deciles than the simulated benefit-tested child benefit (and many more than the World Bank-supported Amen Social Family Allowance). In addition, the food subsidy would also reach struggling families on middle – but still low and insecure – incomes. In effect, therefore, by reaching many more families living in poverty, the food subsidy would be much more *"pro-poor"* than both the Amen Social Family Allowance and a "benefit-tested" child benefit for those children whose parents are not enrolled on a contributory programme, which is the type of programme simulated in the study they cite. The Family Allowance promoted by the World Bank would cover only 120,000 children, whereas the latter would cover around 383,000 children in 2022.[37] Consequently, the impacts of the Family Allowance would be much smaller than indicated.

The same point is illustrated in Figure 1, which compares the potential targeting effectiveness of a benefit-tested child benefit with a universal child benefit (the type of scheme that the World Bank conventionally opposes). The lines – which use the scale on the right – show "targeting effectiveness" when employing the World Bank's preferred benefit incidence methodology. The benefit-tested child benefit – used by the World Bank as a proxy for the Family Allowance – appears much better targeted than the universal child benefit. But, when using the alternative – and more appropriate – measure of the schemes' effectiveness in ***reaching*** children in the poorest deciles, the universal benefit appears much more effective. As the bars – which use the left-hand scale – in Figure 1 show, many more children in the poorest deciles would be reached by the universal child benefit, making its targeting far superior to the benefit-tested scheme. For example, while the benefit-tested child benefit would reach only 113,000 children in the poorest decile, this number would be far surpassed by a universal child benefit, which would reach 172,000 children. Given that the benefit-tested child benefit is only a proxy for the much smaller Amen Social Family Allowance, the universal child benefit would be even more effective in reaching the poorest children than the Family Allowance, which would reach only 120,000 children in total.

In effect, therefore, the World Bank's presentation of the data on targeting effectiveness is a classic example of how a magician uses smokes and mirrors to confuse its audience.

[37] CRES & UNICEF (2019).

Figure 1: Incidence versus Absolute Numbers for beneficiaries of child benefits in Tunisia (2022).



Source: Estimates for the universal child benefit are based on the National Survey on Household Budget, Consumption and Standard of Living and population projections for 2022 from the UNDESA World Population Prospects 2019 revision. Estimates for the programme cited by the World Bank in its Project Appraisal Document (for the benefit-tested child benefit) children whose parents are not enrolled on the contributory programme) are taken from CRES & UNICEF (2019).

Meanwhile, in Morocco, the World Bank argued that the government's planned universal child benefit is "*likely to be progressive*" but contrasted it with a poverty-targeted scheme with 40 per cent coverage, which the Bank says would be *"even more progressive."*[38] The use of the word "progressive" is misleading, as it could push policy makers towards thinking that the scheme with low coverage is more likely to reach people living on low incomes, when, in fact, the opposite is true, due to the likely very high targeting errors, which would result from the poverty-targeted option.[39]

[38] World Bank (2020c).
[39] Kidd and Athias (2020).

3.2 Poverty targeting

In order to implement a scheme with low coverage, the IFIs use poverty targeting as a means of identifying the poorest members of the population. In the MENA region, a PMT has been employed, for example, in Morocco, Algeria, Jordan, Egypt, the Kingdom of Saudi Arabia, Palestine, Tunisia, Yemen and Lebanon.[40] A PMT utilises a household survey to develop a number of proxies to statistically predict a household's income. In order to promote its use, the targeting mechanism may become a condition in the loan. In Egypt, for example, a Disbursement Linked Indicator specifying that a PMT would be designed and used to identify beneficiaries was incorporated into the "Egypt Strengthening Social Safety Net" Project.[41] In addition, the following Project Development Objects were applied:

- 60 per cent of the programme's beneficiaries are under the poverty line
- 20 per cent of poor households are covered by the programme.

The World Bank has promoted this method as a *"scientific"* mechanism,[42] which it describes as efficient and accurate. However, in reality it is a highly inaccurate process, with selection often being little more than random. This is exemplified through the analysis of exclusion errors, which shows the proportion of intended recipients that are excluded from a scheme. For example, Egypt's TKP has been found to have an exclusion error of 55 per cent for the poorest quintile and 75 per cent for the second quintile.[43] In addition, in a global review conducted by Development Pathways, it was found that utilising a PMT results in exclusion errors ranging from 46 per cent to 96 per cent.[44]

Poverty targeting is inaccurate for a number of reasons. Firstly, when the majority of persons are living on low incomes, it can be difficult to differentiate among them. This is especially the case when household composition, income and consumption levels fluctuate over a short period of time. Consequently, a household may belong to the poorest group of the population at the beginning of the year, but could have moved out of it by the end. The situation is only heightened in countries experiencing financial crises, war, conflict and other shocks, as many in the MENA region are. As Kidd et al. (2017) explain: "*Many of those households that may have been 'correctly targeted' in the first year are likely to be 'inclusion errors' in future years, as a result of improved circumstances. However, anyone falling into poverty between surveys – perhaps due to a crisis such as unemployment or the death of a breadwinner – is excluded from accessing social security, until the time comes to be reassessed.*"

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[40] World Bank (2020f).
[41] World Bank (2015a).
[42] World Bank (2020f).
[43] Breisinger et al. (2018).
[44] Kidd & Athias (2020). For schemes targeting the poorest 25 per cent of their intended category or less.

Second, for a PMT to be accurate, it must utilise up-to-date data. This means that it is essential that a country is not only in a situation in which it can update its household surveys, but that it has sufficient human resources to keep the data current. The IFIs are aware of this limitation: the World Bank has stated that *"even accurate models will be undermined if PMT implementation is poor; for example, if household registry data are incomplete or out of date, or an incorrect scoring threshold is applied."*[45] Despite this, it continues to promote PMTs in countries where the mechanism is wholly unsuitable. For example, in 2017, the IMF wrote that the long-term success of the PMT in Iraq will *"depend on local capacity to regularly assess and revise, as necessary, the targeting criteria. It is also crucial to enlarge the network of social workers to improve control over eligibility and uptake, as well as to ensure access and accommodate on-site visits and assessments."*[46] However, Tull (2018) has noted that the PMT entailed a number of challenges including putting together a cadre of social workers and undertaking case management in liberated areas.

In Yemen, meanwhile, no improvements have been made to the PMT in a decade due to the ongoing conflict. The World Bank notes that *"under normal circumstances, the PMT would have been revised based on a new households survey, existing beneficiaries recertified, and new households added to the beneficiary list. However, the current conflict makes this option not feasible from a technical and political perspective."* Nevertheless, it maintains that Social Welfare Fund beneficiaries *"are likely to remain among the poorest in the country."*[47] There is no means of knowing whether this is actually accurate, and so the World Bank is making a potentially incorrect claim about the effectiveness of the PMT. However, given that, in 2019, around 75 per cent of the population was living on less than US$3.10 a day,[48] it is evident that the majority of persons living on low incomes are not being reached due to the scheme's low coverage.

The third reason why poverty targeting results in high exclusion errors is the fact that PMTs are not an accurate indicator of wealth. For example, in many formulae, households are automatically excluded if they own a car.[49] Consequently, a household may not qualify for the scheme even if they own a vehicle that is broken or which they cannot afford to fix because they have no household income. Global evidence also points to PMTs encouraging perverse incentives, such as households falsifying their answers in order to be enrolled. Indeed, in an evaluation Egypt's TKP scheme, it was noted that, although the PMT formula was secret, households could make educated guesses about what was included, and there was room for wealthier households to under-report their assets.[50]

[45] World Bank (2018).
[46] IMF (2017a).
[47] World Bank (2020b).
[48] Moyer et al. (2019).
[49] United Nations Economic and Social Commission for Western Asia (2021).
[50] United Nations Economic and Social Commission for Western Asia (2021).

Due to the inaccuracy of the PMT mechanism, the IFIs invest a lot of money trying to improve the targeting formula. In Tunisia, for example, a Performance Based Condition stipulates that the PMT formula used under the Amen Social Programme needs to be updated.[51] Meanwhile, in Jordan, a Performance Based Condition attached to the “Emergency Cash Transfer Response Project” loan requires the National Aid Fund (NAF) to develop *“a revised Takaful targeting methodology based on the findings of the evaluation study and [for it to be] approve[d] by its Board of Directors.”* Further, the NAF will provide *“the Bank with the revised targeting formula that is satisfactory to the Bank team based on the findings of the targeting evaluation. This will be validated by the World Bank.”*[52] In Iraq, the World Bank attempted to reformulate the PMT formula to address issues of high displacement. In order to reduce inclusion errors, the IFI suggested using community-based targeting alongside a PMT.[53] However, community-based targeting is also a highly inaccurate targeting mechanism, and schemes that use this mechanism, combined with a PMT, still have high exclusion errors. Kidd et al found that Kenya’s Hunger Safety Net Programme, for example, which uses a combination of methods including community-based targeting, has an exclusion error of 70 per cent.[54] Further, there is no evidence that PMTs can be meaningfully improved, as errors are consistently high globally.[55]

As discussed in Section 3.1, despite widespread evidence showing that poverty targeting is inaccurate, the IFIs continue to use smoke and mirrors to mislead policy makers into thinking that this is not the case. For example, the World Bank states, that out of the current 150,000 households who are on Lebanon’s National Poverty Targeting Programme (NPTP) database, 43,000 households have PMT scores corresponding to the extreme poverty threshold, which *“suggests a very good identification of potential beneficiaries, in line with the best performing social assistance programs.”* There is little acknowledgement, however, of how inaccurate PMTs can be and that a well performing PMT is, objectively, performing very poorly.[56] Elsewhere in the document, the World Bank does recognise that an assessment of targeting performance is not currently possible due to *“the small scale of targeted safety net coverage and the absence of recent nationally representative household survey data.”*[57] It is, therefore, difficult to understand how the World Bank can know that there has been “*a very good identification of potential beneficiaries.”* Indeed, the PMT formula is based on a household survey that was carried out in 2011. It is therefore completely inaccurate and not remotely reflective of Lebanon’s current financial situation.

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[51] World Bank (2021b).
[52] World Bank (2020e).
[53] World Bank (2018).
[54] Kidd & Athias (2020).
[55] Kidd & Athias (2020).
[56] Aside from a note that smaller families may not be identified *“because of the household characteristics used by the targeting mechanism to calculate household poverty”*, that some regions are under-represented in the database, and that other families may miss out due to access barriers.
[57] World Bank (2020d).

When assessing the impacts of a poverty-targeted programme, the World Bank and IMF often do not account for the exclusion errors that are a result of the design of the targeting mechanism. Consequently, the institutions undertake simulations that assume that a programme will be perfectly designed and implemented, with zero exclusion errors, an entirely unrealistic assumption. The results, therefore, exaggerate the effectiveness of a scheme.[58] For example:

- In Tunisia, studies by the World Bank which look at the costs and impacts of replacing universal subsidies with poverty-targeted social security programmes do not consider the high costs of targeting, or exclusion errors.[59] In fact, the World Bank has stated that a universal compensation measure would not bring *"substantive poverty reductions"* but that *"perfect and costless targeting would slash poverty incidence down to 5 percentage points."*[60]

- In Lebanon, the World Bank has stated that the Emergency Social Safety Net (ESSN) scale-up, *"if perfectly targeted... will result in a reduction in the poverty gap from 13.9 to 9.2 percent, and the extreme poverty gap from 5.6 percent to 3.6 percent."*[61]

- In Iraq, the IMF noted that it *"welcomed the authorities' plan to boost the allocation for cash transfers in the 2021 budget, which would allow expanded coverage to all eligible households—amounting to over 20 percent of population—and raise the amount of assistance to shield the vulnerable from the expected increase in inflation."*[62] Given the exclusion errors associated with poverty targeting, the scheme clearly would not reach all eligible households and would likely exclude more than half.

3.3 Social registries

Linked to the implementation of a PMT is the development of a social registry. A social registry is a database that includes household data, with the aim of selecting households for poverty-targeted programmes.[63] The World Bank has supported the implementation of social registries in countries such as Yemen, Egypt, Morocco, Tunisia, Iraq, Palestine, and Lebanon, noting that the social registry *"allows for better targeting, thus making social transfers more pro-poor."*[64]

However, as social registries are a tool for implementing poverty targeting, they carry the same design flaws discussed in Section 3.2. They therefore fail to accurately identify the poor.

[58] Kidd (2018a).
[59] Györi & Soares (2018); World Bank (2013, 2015b).
[60] Cuesta et al. (2015).
[61] World Bank (2021a).
[62] IMF (2021).
[63] Kidd, Athias, & Mohamud (2021).
[64] World Bank (2017b).

Indeed, Kidd, Athias, and Mohamud (2021) note that social registry databases use "*out-of-date information to assess household wellbeing even though circumstances within the household change rapidly, often substantially: in some cases, the information may be ten years old. It is no wonder, therefore, that there are significant errors in the accuracy of social registries, resulting in very limited effectiveness."* In Lebanon and Yemen, for example, the social registries hold data from household surveys that were carried out in 2011. Coverage of the country's population is also low in these databases. In the same paper, the authors found that out of 52 countries, 43 held data on less than 50 per cent of the population and 26 on less than 20 per cent. In Yemen, coverage is 30 per cent. This limits the effectiveness of a social registry, as it is likely that there are households living on low incomes that are not included in the database.

Ultimately, the social registry is a product that is financed through loans, which the IFIs are trying to sell to governments. The IFIs therefore oversell the databases' efficacy. For example, in Palestine, the World Bank states that the social registry will *"benefit 150,000 of poor and vulnerable households through increased access to social protection programs."* This is roughly 15 per cent of the population.[65] However, these are only "potential beneficiaries" who may, or may not, access the poverty-targeted programme at a later date. Indeed, the same paper notes that *"in this new system, cash would become an instrument of last resort for those who need it the most (the extreme poor)".*[66]

In many cases, the World Bank aims to make the social registry a gateway to coordinate countries' social programmes. In Palestine, for example, the social registry is noted as a means of *"improv[ing] the coordination, coverage and targeting of social development programs"*[67] and in Lebanon, it is a *"a powerful platform to coordinate social policy."*[68] In Morocco, the World Bank even stipulates, in a disbursement linked indicator, that the government will implement a law *"setting forth that the [social registry] is the entry point for the [Medical Assistance Plan], DAAM and Tayssir programs and for any new safety net programs to be introduced by the Borrower."*[69] However, a social registry is simply a targeting database, and does little beyond this to coordinate different schemes.

The development of social registries – especially when they form a condition of the loan – can therefore stymie government's efforts to develop inclusive lifecycle schemes. Social registries are not designed to identify recipients for modern, lifecycle social security systems, based on individual entitlements, as they do not hold information on the majority of the population and nor do they hold information on individual incomes. By presenting social registries as the coordinating mechanism for social security schemes, this pre-supposes that social programmes

[65] World Bank (2017a). Based on 2019 UNDESA population estimates, and an average household size of 5, according to Awad (2022).
[66] World Bank (2017a).
[67] World Bank (2017a).
[68] World Bank (2021a).
[69] World Bank (2017b).

will be household based and poverty targeted. It is therefore a means of ensuring that countries continue to implement small, poor relief schemes. As discussed elsewhere in this paper, Morocco is currently designing a universal child benefit. Depending on the operational definition of "safety net programmes" it could potentially put the universal child benefit in legal jeopardy as it would not need to utilise the social registry.

If the World Bank wants to help countries strengthen their delivery systems and develop useful databases, they could do so by diverting money towards developing a Single Registry, or a civil registry, instead. A Single Registry is a warehouse that collects information for all types of social security programmes, providing interlinkages between different programmes' management information systems as well as external databases such as civil registries (which would hold information on the entire population).[70] Single Registries are an important element of developing a modern lifecycle based social security system, whereas social registries aim to cement the usage of small, poverty-targeted schemes.

3.4 Household benefits

A frequent component of the IFIs' social security package is that benefits are delivered to households, rather than to individuals. This contrasts with an inclusive lifecycle based system, in which individuals are regarded as rights-holders who are entitled to social security. As such, household benefits are not consistent with a rights-based approach to social security. In addition, delivering benefits to households rather than individuals can limit the effectiveness of a scheme.

Firstly, household transfers do not necessarily benefit all members of the household. For example, they fail to take into account the intra-household distribution of resources and the fact that power dynamics may mean that more vulnerable members of the household could be excluded from the transfer. Unless the head of the household is, for example, an older person or a person with a disability, a programme cannot guarantee that the vulnerable person will receive part of the benefit or that they will have purchases made on their behalf. This is especially the case in households in which the vulnerable person experiences social exclusion.

Another limitation of household benefits is the fact that many people with no incomes are excluded, because their household is assessed as non-poor. While a household may not qualify for a poverty-targeted programme, this does not mean that an individual within the household, such as an older person, should not be entitled to an individual benefit. For example, the individual may have no income themselves and be completely dependent on family members.

Indeed, household benefits deny individuals the protection they are entitled to on an individual level. For example, most persons with disabilities experience additional costs of disability, such

[70] Chirchir & Farooq (2016); Kidd, Athias, & Mohamud (2021).

as higher travel costs, higher education costs, as well as reduced earnings and income. These additional costs mean that, even when two households have the same income level, the household that has a member with a disability has a lower standard of living, because more funds must be spent on the additional costs of disability to access services and participate in society. Regardless of whether a person with a disability is living in a household that is classified as poor or not, they are entitled, as an individual, to participate on an equal playing field with their non-disabled peers. This means that it is essential that they are compensated for the additional costs of disability through a disability benefit.[71]

While some poverty-targeting mechanisms – such as those used for Lebanon's National Poverty Targeted Programme (NPTP)[72] and Yemen's Social Welfare Fund (SWF)[73] – target the cash transfer at specific categories of households, including households with a vulnerable individual, this does not address the issues explained above.[74] Unless the vulnerable individual is a direct recipient of the cash, as is the case with the Karama component of Egypt's cash transfer, there is no guarantee that they will benefit from the scheme. Likewise, many vulnerable individuals are not receiving income security because their household does not qualify for the programme. For example, Yemen's SWF has specified that applicants must meet the following conditions: either "*(i) the individual or his/her family has no source of income (either from property, business or work) that might compensate for the lack of government assistance; and (ii) the individual or his/her family has no relative legally obliged to support him/her financially.*"[75] Meanwhile, Egypt's Karama programme is targeted towards older persons and persons with disabilities but only those whose households are assessed as living in poverty (see Box 4).

Jordan's Takaful provides a poignant example of the risks of implementing a household benefit and how it can undermine gender equality. UNICEF (2020) notes that enrolment on government databases is based on the head of the household who is the husband unless a woman is divorced or a widow. Consequently, only the head of the household may apply to the programme, which, UNICEF notes "*might cause exclusion of females, within the household, who wish to apply to the program but the male head of the household does not want to. This structural challenge should be discussed and handled at a national level; outside of the scope of this project. However, women are given the opportunity to submit grievances in such cases which could be investigated and handled on case by case.*" A social security system based on individual entitlements, or one which provides a universal lifecycle benefit, is not subject to such risks or

[71] Kidd et al. (2019).
[72] World Bank (2021a.) In Lebanon, eligible households must satisfy two conditions: (a) their verified PMT scores will be below the eligibility cut-off corresponding to the extreme poverty line; and (b) they will belong to pre-determined socially vulnerable categories – including households with members with a disability, households with any elderly members, households with any children (ages 0-17) and female-headed households.
[73] IPC-IG & UNICEF (2014). In Yemen, applicants may belong to a social category or an economic category.
[74] Some PMT formulas may give extra weighting to vulnerable individuals but the exact PMT formulas in the MENA region are not known.
[75] IPC-IG & UNICEF (2014).

limitations because women – if they are eligible for the scheme – are entitled to the benefit as an individual.

3.5 Conditions, sanctions and workfare

The programmes that are favoured by the World Bank and IMF are often ones in which recipients are required to perform a certain behaviour in order to receive their benefit. Schemes can take the form of a conditional cash transfer (CCT) or a workfare programme. Under a CCT, beneficiaries are required to meet conditions such as immunisation, clinical visits, and regular school attendance and, if they do not, they are sanctioned by the loss of the transfer; while, in a workfare scheme, poor households are given transfers as long as they engage in labour, usually through hard labour on public works. In the MENA region, the World Bank has promoted labour intensive works in, for example Yemen[76] and Iraq,[77] noting that unlike cash transfers, *"labor-intensive works target the working poor and help build valuable assets for the communities."*[78]

Imposing conditions and sanctions aligns with a poverty narrative in which the "undeserving poor" – i.e. those with labour capacity – are required to work, or demonstrate a certain behaviour in order to achieve assistance. This viewpoint holds that they are not necessarily poor due to structural limitations, such as a lack of jobs, lifecycle risks, or discrimination, but rather, due to their own fault (e.g. by not becoming educated or not working hard). Under Egypt's TKP, for example, CCTs are offered to young families under the Takaful component, whereas unconditional transfers – under the Karama component – are offered to vulnerable categories of people, such as older people or persons with disabilities.[79] Here, the "deserving" are the vulnerable populations who do not need to change their behaviour, because they are seen to be poor due to lacking labour capacity, while households with children must *prove* their deservingness by attending four health check-ups a year for children younger than 6 and ensuring that children aged 6-18 years attend school at least 80 per cent of the time, or risk being sanctioned by losing benefits. In Tunisia, meanwhile, the World Bank is supporting the government to implement the "Family Allowance" aimed at households with children aged 0-5 years who are enrolled on the poverty-targeted Amen Social Programme. An assessment will be carried out, with the aim of making *"recommendations for strengthening the family allowance sub-program, including through the development of accompanying measures aimed at fostering behavioral changes in parenting practices."*[80] Finally, a Performance Based Condition in the World Bank's "COVID-19 Social Protection Emergency Response Project" *"supports the [Government of Morocco's] effort to monitor access to school and attendance of beneficiaries and the delivery of cash*

[76] World Bank (2020b).
[77] World Bank (2018).
[78] World Bank (2020b).
[79] UNICEF (2019a).
[80] World Bank (2021b).

transfers to improve the implementation of Tayssir, but also to draw key lessons to benefit existing and future cash transfer programs."[81]

The implementation of conditions is problematic as it requires equal performance despite unequal contexts and circumstances. Sanctioning recipients is not compliant with a human rights-based approach to social security, since States have an obligation to immediately meet minimum essential levels of social security. These rights should not be conditional on the performance of certain actions as it is an inherent entitlement.[82] A child, for example, should not miss out on a benefit because their mother is working two jobs to feed her family and is unable to take them to a health appointment at the designated time.

Indeed, imposing conditions is not suitable for countries in the MENA region that have limited services or administrative capacity, or are experiencing conflict. Kassem (2021) explains that Egypt's TKP failed to fully implement conditionalities as they were difficult to monitor and enforce. As a result, four intermediate results indicators were dropped from the World Bank's "Strengthening Social Safety Net" project.[83] A major limitation was the lack of available services: in many cases, health facilities were not open or lacked basic facilities such as weighing scales.[84] A Disbursement Linked Indicator attached to the loan even made disbursement conditional on the government implementing a Management Information System (MIS) module that *"will track compliance with health and education co-responsibility (conditions) in the Takaful program."* However, for the MIS module to function properly, there still needs to be adequate human resources, IT capabilities and services on the ground. In Yemen, meanwhile, the CCT component of the World Bank's "Basic Education Development Programme" made the receipt of a cash transfer conditional on school attendance and performance. A World Bank implementation status and results report from 2016 shows, however, that no progress was made in this indicator.[85] It is likely that meeting these indicators was near impossible given that Yemen was in a state of conflict.

While the World Bank has claimed that there is significant evidence that CCTs have had positive impacts worldwide, evidence is weak and ambiguous about the operative role of conditions (rather than just cash) in achieving results, and in some cases indicates a negative relationship.[86] For example, the low value of the Pantawid CCT in the Philippines led to increased levels of child labour among beneficiary households as families needed higher incomes to cover school costs so as to avoid being forced to exit the programme.[87] In a study

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[81] World Bank (2020c).
[82] Sepúlveda & Nyst (2012).
[83] World Bank (2019b). These were: Share of households with children aged 6–12 years who have newly enrolled children (excluding in grade 1); Share of households with children in grades 1–12, reported to have female drop-out decrease; Health clinic utilization rate increased in Takaful program areas; and share of mothers reported to have improved knowledge on health issues.
[84] Kassem (2021).
[85] World Bank (2016).
[86] See, for example: Kidd & Calder (2012).
[87] Kidd (2018a).

conducted by Benhassine et al (2015), looking at whether the Tayssir CCT programme in Morocco would be effective, it was found that applying conditions has a negative impact on programme performance, whilst at the same time increasing both cost and complexity. In this case, children were more likely to attend school when receiving an unconditional transfer than a CCT that was conditional on school attendance and enrolment. The authors posited that this may be because *"the conditionality on attendance may be discouraging: someone who feels like they will not manage to have less than four absences a month may either not enrol or give up under a CCT, but continue under the [labelled unconditional transfer]."* Indeed, it is often the most vulnerable households that face the largest barriers to complying with conditions.

Workfare schemes can also have negative impacts, as there are significant opportunity costs associated with participation. In Ethiopia, for example, the Productive Safety Net Programme, which is partially financed by the World Bank, was found to be associated with a reduction in per capita household consumption by USD 1.86 per month.[88] In Rwanda, meanwhile, the World Bank (2019a) found that between 2014 and 2017, although the poverty rate decreased for households receiving unconditional transfers, it increased from 69 per cent to 81 per cent for households engaged in the workfare component. Households on direct support received the benefit with no conditions attached.

Again, despite evidence pointing to the fact that imposing sanctions has negative impacts, the IFIs utilise misleading language to persuade practitioners to impose conditions. This is probably because it is important for the IFIs to demonstrate that CCTs and workfare programmes are productive programmes and, therefore, can be financed from loans. For example, it should be borne in mind that the study conducted on Morocco's Tayssir programme, which was mentioned above, was partly funded by the World Bank, and the lead author works for the organisation. Despite the fact that the study found that imposing conditions in the Tayssir scheme was less effective than an unconditional cash transfer, a CCT – requiring the attendance and enrolment of children in school – is what is currently in place. This is likely due, in part, to the results of the study being muddied, because while the unconditional cash transfer [UCT] was shown to be more effective in an early version of the paper, it was subsequently changed and the unconditional transfer was rebranded as a "labelled cash transfer" [LCT], with the justification that it carried an implicit message about attending school and that this may have encouraged the higher attendance. According to Freeland (2013), the report "*suggests that this makes an LCT different from a UCT, and implies that an LCT lies somewhere midway along the spectrum between a UCT and a CCT."* Consequently, even though the LCT was unconditional, it was presented as a scheme that nudged recipients into attending school, in effect providing a justification for implementing a benefit with a condition attached.

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[88] Tafere and Woldehanna (2012).

3.6 Undermining more universal schemes

When countries aim to introduce more inclusive lifecycle schemes, the IFIs sometimes act to undermine them (as, for example, they did in Mongolia[89]). Morocco, for example, was the only country in the MENA region to spend more than 2 per cent of GDP on a minimally adequate stimulus to address the impacts of the COVID-19 pandemic.[90] The response was so popular and effective that the country has announced that it will increase its old age pension coverage and universalise the Family Allowance Programme, which is a child benefit. The Family Allowance was previously only available through the contributory system, and its design is in conflict with the Tayssir CCT, which is supported by the World Bank. As discussed above, Tayssir is a household benefit conditional on children attending school. The two schemes exemplify the different paradigms to supporting children.

While the World Bank has committed to supporting the implementation of the Family Allowance, the language it uses does not wholeheartedly recognise the benefits of a universal programme. For example, the World Bank notes that it will assist the government in the implementation of the programme by contributing expertise on enabling the scheme to reach vulnerable female-headed households and their children, rather than all children. It then states that, *"thus, the fact that this program focuses on the universalism of the Family Allowance, it will also directly improve the coverage of women and their children"*.[91] This is a strange statement to make, suggesting that it was not already a consideration of the government when it announced that it would universalise the scheme. Further, as noted above, the paper states that the universal child benefit is *"likely to be progressive"* rather than recognising that a universal benefit is, of course, one of the most progressive designs a scheme can have since those at lower ends of the welfare distribution – all of whom benefit from the programme – experience disproportionately greater real improvements in welfare. And, a universal child benefit would be the only means of ensuring the inclusion of the poorest children.

Importantly, despite the Government of Morocco's commitment towards increasing coverage of the programme, the World Bank notes that the programme would cost 1 per cent of GDP and suggests ways in which coverage could be reduced in order to save costs. The Bank suggests either starting by covering a subset of the child population, or, *"another alternative, even more progressive, would be to attempt to reach the poorest in the first phase, for example, starting from the families with children in the bottom 40 percent of the distribution."*[92] Therefore, the World Bank appears to be continuing to encourage a poverty-targeted design, with the aim of lowering the costs of the scheme, which would then require less taxes.

[89] Kidd (2018b).
[90] Sibun (2021).
[91] World Bank (2020c).
[92] World Bank (2020c).

Indeed, the IFIs often promote schemes with low budgets with the argument that countries do not have the fiscal space to implement a universal lifecycle scheme. This can be observed in Tunisia, in which a poverty-targeted Family Allowance, aimed at households with children aged 0-5 years, is being piloted. As an indicator of the political and financial power vested in IFIs and their advocacy of a poor relief paradigm, the poverty-targeted design of the pilot appears have been chosen over universal alternatives that performed much better in simulations of cost effectiveness and cost efficiency. These alternatives were proposed in the preceding years through a government Steering Committee that included UNICEF and the World Bank.[93] Instead, the World Bank has lent its support to the narrowest and least effective of options. The World Bank (2021b) notes that the full expansion of the scheme to all households enrolled in the Amen Social programme will *"cost about 0.03 percent of GDP, which is the less expensive scenario of the government strategy to progressively implement a Protection social floor [sic]. This scenario introduces a gradual expansion of the Family Allowance by starting with all children 0-5 years old in poor and vulnerable households enrolled in the AMEN Social program. It is also worth noting that the [Government of Tunisia] currently allocates more than two percent of GDP to subsidize energy products. Unlike the energy subsidy, the simulation shows that the Family Allowance for all children 0-5 years old in households enrolled in the AMEN Social program is progressive."*

Tunisia's planned Family Allowance – which will cost 0.03 per cent of GDP – is miniscule and most definitely not progressive, especially when considering the proposed budget of Morocco's Family Allowance, which would be 1 per cent of GDP. Even in Tunisia, UNICEF estimated that a fully realised universal child benefit for children aged 0-17, would have cost only 0.89 per cent of GDP in 2018,[94] while Development Pathways estimates that a fully universal child benefit for all children aged 0-5 years in Tunisia would only cost 0.36 per cent of GDP in the first year and could gradually expand to all children aged 0-17 years at minimal additional cost per year.[95] The World Bank argues that Tunisia's small scheme is the first step towards the government progressively implementing a Social Protection Floor, and that it will support *"progressive universality"* with the justification that there is insufficient fiscal space to implement a scheme with higher coverage. In effect, even though the Government of Morocco is willing to develop a minimum Social Protection Floor for all children in the country, and shows that it has the fiscal space to fund the scheme, the World Bank is still opposed. In fact, UNICEF has estimated that fiscal space would increase by an additional 2.5 percentage points of GDP as a result of the gradual phasing out of energy subsidies, and a universal child benefit would require just 37 per cent of this budget in 2023. Yet, the poor relief option was adopted.[96]

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[93] Györi & Soares (2018; UNICEF (2019b). "This exercise found that *"a UCB would be highly cost-effective. The cost of achieving a one percentage point reduction of the child poverty headcount is less through the UCB than through the existing poverty-targeted social assistance programme, the PNAFN …partly because the latter focuses on households headed by elderly persons and others without labour capacity, who tend to have fewer children, but also due to serious inclusion and exclusion errors in the PNAFN's poverty targeting".*

[94] UNICEF (2019b).

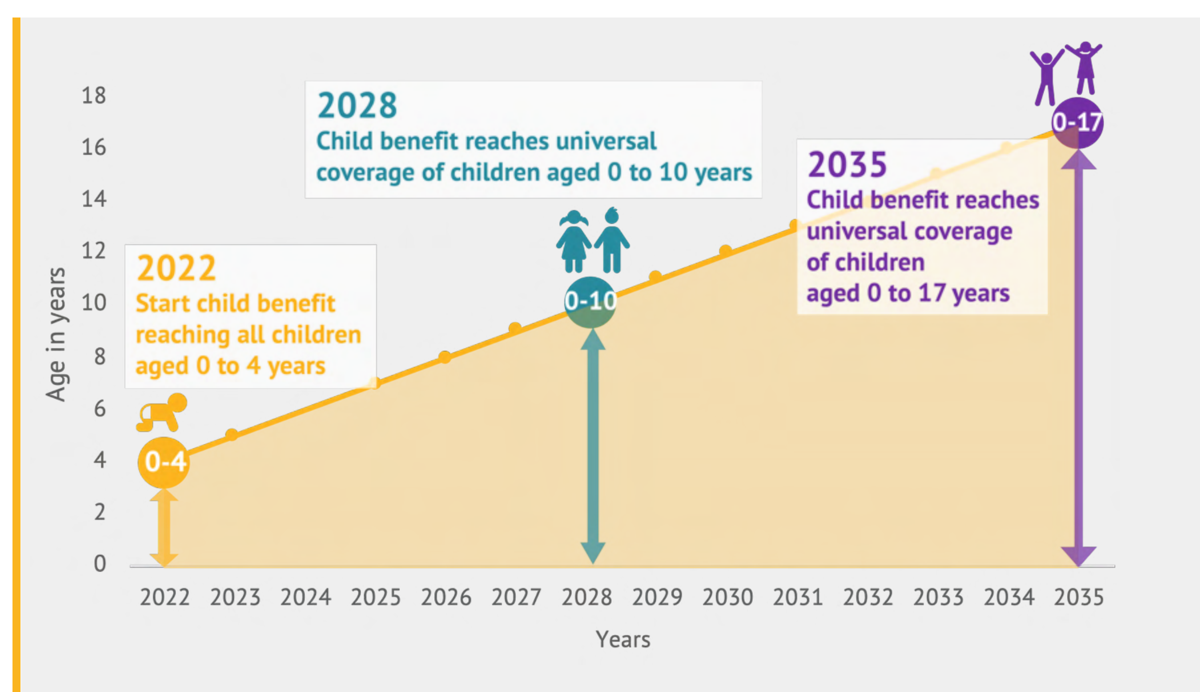
[95] Ben Braham et al. (Forthcoming). See also the ISSPF Costing Tool, available online.

[96] UNICEF (2019b).

As discussed in Section 5, it is hard to avoid the conclusion that, rather than supporting governments to implement modern lifecycle systems, the World Bank is stymied by its neo-liberal ideology and framework of reference and, therefore, encourages countries to implement ineffective and regressive poor relief programmes even when there is the fiscal space and demand for universal schemes.

In fact, as is further discussed in Section 4, inclusive lifecycle schemes attract higher investment over time due to their popularity.[97] Therefore, the fiscal space is dynamically generated from the design of the scheme. A more effective means of gradually expanding a child benefit – rather than targeting it to the poorest households – is for countries to focus initially on providing the benefit to all children belonging to a younger cohort. Then, coverage can increase over time if the children – even as they grow older – are not exited from the scheme. Options showing how this could be operationalised are displayed in Figure 2 below. Similarly, if countries were to introduce a comprehensive old age pension, it is more progressive to provide the benefit for all older persons within a specified higher age cohort – for example, 80 years and above – and then lower the eligibility age over time.[98]

Figure 2: Options for growing the age of eligibility to the child benefit, over time



Source: Adapted based on Kidd, Athias, and Tran (2021).

While the IFIs influence policy in line with their interests and ideology, when a government follows its own approach, the IFIs can oppose it and withdraw funds. By embedding conditions

[97] Kidd (2015).
[98] Simulations of gradual rollout scenarios following these principles can be found in the ISSPF working papers on Lebanon, Jordan and Tunisia. See Aboushady & Silva-Leander (Forthcoming); Anderson & Pop (2022); and Ben Braham et al. (Forthcoming).

into loans – such as requiring CCTs and poverty targeting to be implemented – the loans themselves can be withdrawn and/or tranches postponed, with the argument that the conditions have not been met. As is discussed further below, these conditions significantly reduce the autonomy of governments to decide on the design of their social security schemes. For example, in Lebanon, the caretaker government – recognising the urgent need during COVID-19 to implement a scheme that has much broader coverage than their existing programmes – announced, in 2021, that it had approved a ration card system that would provide 500,000 poor households with funds for a year. It is understood that they aimed to replace the subsidy system and that they wished to implement a different scheme to the NPTP poor relief programme which the World Bank supports through the ESSN project. The government suggested that the scheme could be funded by the IMF and the World Bank. However, the World Bank responded that: "*in the event that the government of Lebanon requests the cancellation and redirecting of cancelled financing under the existing World Bank's portfolio to other priorities, the World Bank would consider reallocating the released funds as additional financing to the Emergency Social Safety Net (ESSN) Project only, which is a poverty program targeting extremely poor Lebanese households.*"[99]

3.7 The IFI approach in the MENA region can be found around the world

The MENA region is not unique in how it is treated by the IFIs. Across other low and middle-income countries, the IFIs consistently promote poor relief and undermine universal schemes. According to Kidd (2018a), recent World Bank loans to Bangladesh and Pakistan stipulated that the proportion of all beneficiaries in the poorest two quintiles must increase to 80 per cent, thereby enforcing further poverty targeting. The IFIs have also lobbied strongly to reduce coverage of universal lifecycle schemes. For example, the World Bank has recommended targeting a range of universal old age pensions, including in Nepal, Thailand, Lesotho, Mauritius and Namibia. Further, Kidd explains that in Mongolia, the IMF included a structural benchmark on targeting the universal child benefit to the poorest 60 per cent of children. After the IMF and World Bank threatened to withdraw their loans, the Government of Mongolia was forced to comply although it negotiated a target of 80 per cent coverage, recognising that it would suffer politically if it reduced the benefit to only 60 per cent coverage. Poverty targeting was introduced in 2018.

[99] Sabaghi (2021).

4 Consequences of the World Bank and IMF's approach

The World Bank and IMF are consistently criticised for promoting austerity measures that reduce the living standards of the populations impacted by their proposed measures.[100] Poor relief schemes are one such component as they are both a means of reducing fiscal costs, as well as alleviating the impacts of other austerity measures. Some of the consequences of poor relief schemes are explored below.

4.1 Minimal impacts on well-being and economic growth

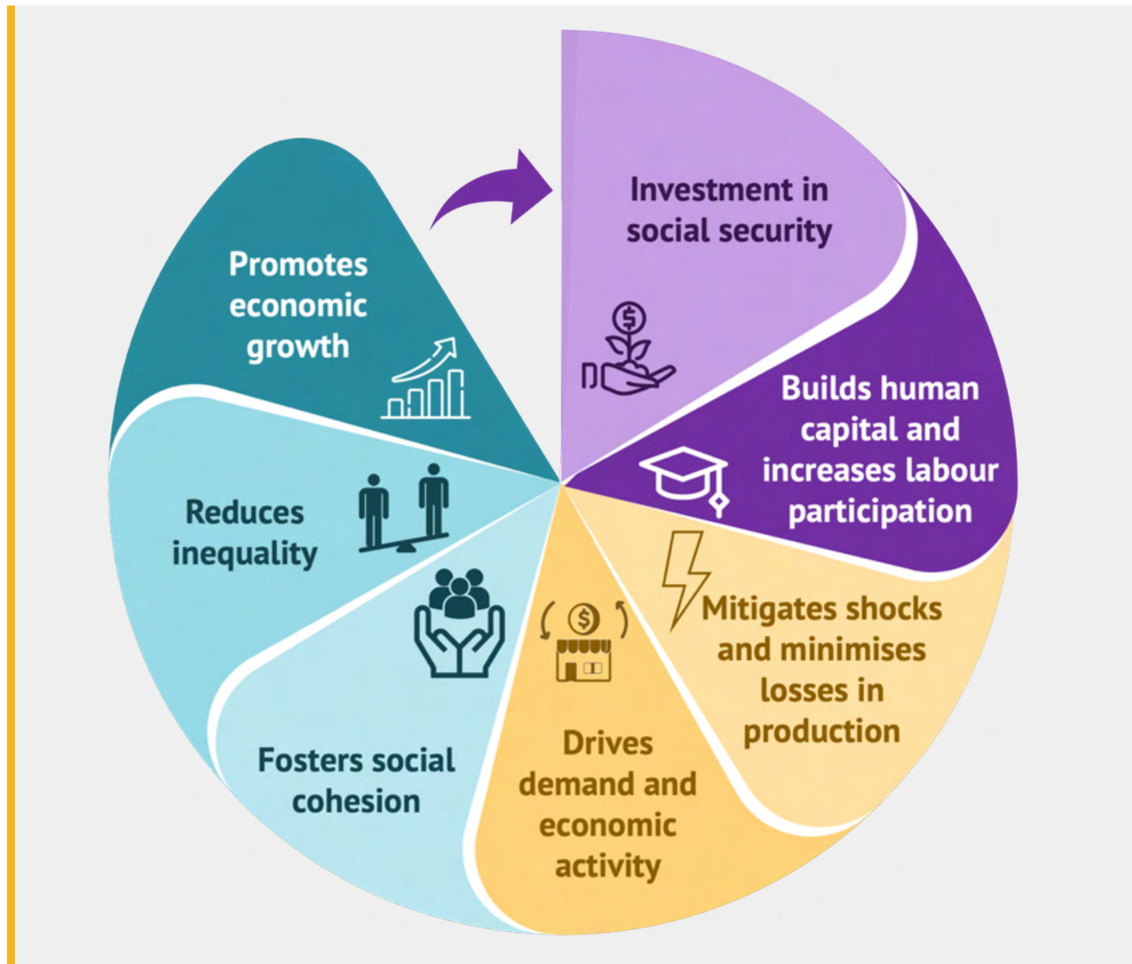
Tax-financed social security systems are essential for reducing inequality, since they help a State to redistribute wealth from the wealthier sectors of society to those living on low and middle incomes. OECD (2012) note that: *"Cash transfers – such as pensions, unemployment and child benefits –account for more than three quarters of the overall redistributive impact in the OECD on average and taxes for the remaining."*[101] However, in order to achieve this, schemes must be inclusive, with high coverage and high transfer levels. For example, in 2011, Iran introduced a universal cash transfer programme to compensate for the elimination of fuel subsidies. This scheme proved to be very popular, reducing the Gini coefficient by 2.75 points.[102] In addition, Mathai et al (2020) have found, in the Middle East and Central Asia, that social spending matters *"for both lowering poverty and boosting the [inequality-adjusted Human Development Index]* and that *"public spending on social protection has the largest, distinct, and most statistically significant impact on [the Human Development Index] relative to either health or education spending. One possible explanation for this result is that, perhaps, social protection schemes have the most immediate effect on lifting people out of poverty, while health and education spending take more time to bear fruit."*

Arresting soaring poverty rates and reducing inequality also have a significant impact on a country's economic growth. As argued in Tran et al (2021), and depicted in Figure 3 below, investment in inclusive social security generates economic growth by: building human capital and increasing labour supply; mitigating shocks and production losses; driving consumption and demand which stimulates economic activity; fostering social

[100] See, for example, Human Rights Watch (2022).
[101] OECD (2012).
[102] IMF (2017b).

cohesion; and reducing inequality. In effect, a virtuous circle of greater economic growth and sustained investment in social security, is created.

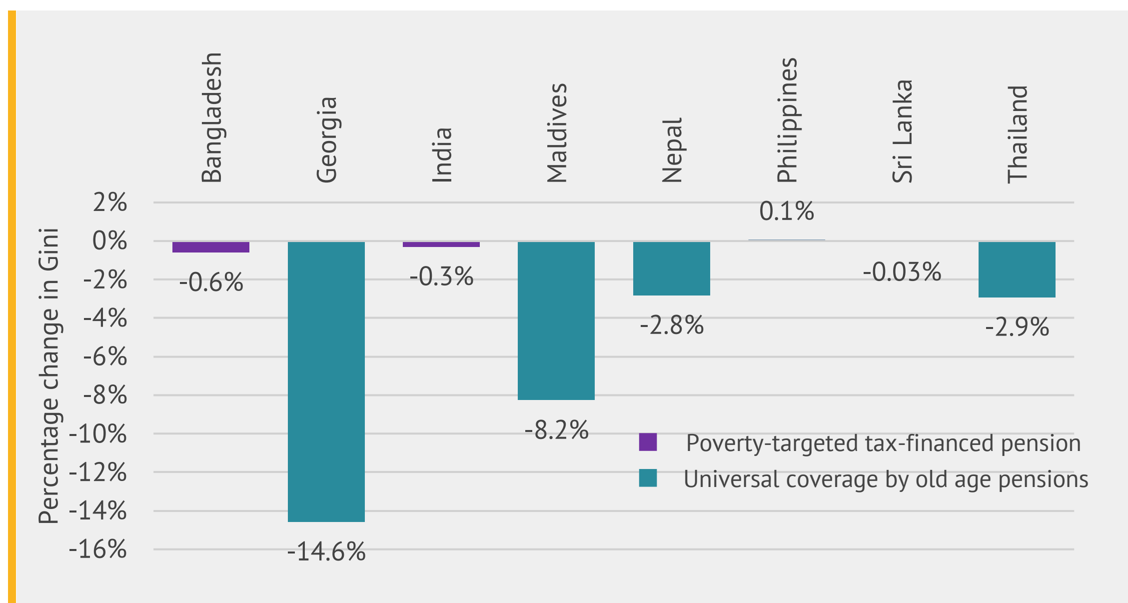
Figure 3: Conceptual model of the pathways through which social security impacts on economic growth



Source: Reproduced from Tran, et al. (2021).

Given that the majority of the population – the "missing middle" – do not benefit from any type of social security scheme in the MENA region, the impacts shown above are minimal, compared to what could be achieved with an inclusive lifecycle system. As Figure 4 demonstrates, universal pension schemes in Asia are far more effective at reducing inequality – as measured by the Gini coefficient – than small poverty-targeted programmes. However, this argument is not always recognised by the IFIs: for example, Brazil's targeted Bolsa Familia CCT programme is often used as a model example of a social security scheme, even though, as Kidd (2018a) explains, *"it has targeting errors of around 50 per cent and its impact on inequality is 20 times less than that of Brazil's inclusive pension system."* The significant impacts of Brazil's pension system are seldom, if ever, mentioned by the IFIs, however.

Figure 4: Comparison of the impacts on inequality resulting from a selection of tax-financed pensions in Asia



Source: Kidd et al. (2022)

4.2 Shame, stigma and social tensions

A major consequence of poor relief schemes is that they can increase the shame and stigma of recipients.[103] Due to the low coverage of the programmes, recipients are part of a small minority within their communities, which can lead to them being "othered" and regarded as different. Indeed, by being separated from their peers, they are labelled as having failed, in some way, to have achieved an adequate standard of living. Pereznieto et al (2014) found, for example, that recipients of the Palestinian National Cash Transfer Programme (PNCTP) were sometimes reluctant to admit that they were enrolled on the programme due to feeling embarrassment and shame.

"I feel shy, some people mock me when they know that we receive the cash transfer" (Pereznieto et al., 2014).

Beneficiaries can be further dehumanised when they must comply with conditions in a CCT so as to avoid being sanctioned. The arguments used to justify the conditions can be judgmental, with the implication that the poor behave badly and must change their behaviour if they are to deserve the money they are being given. For example, the World Bank has noted that enforcing conditionalities for Egypt's TKP programme will

[103] See, for example: Barrantes (2020).

"encourage[e]" beneficiaries *"to invest in educating their children"*[104] and in Iraq, that it would "*incentivis[e] households to invest in education and health*."[105] The language thereby suggests that the poor would not make wise decisions and opt to invest in their children otherwise. As explained above, such arguments ignore the structural constraints in society that can lead to poverty such as high unemployment or financial crises. Further, the imposition of conditions can undermine beneficiaries' dignity because they are not treated as free and autonomous agents. It is notable that conditions are not implemented in universal lifecycle benefits, for it would be considered offensive to require the middle-class to comply with certain behaviours. However, because 'the poor' are more disenfranchised, it is easier to implement programmes that undermine their dignity in this way.

The dehumanisation of beneficiaries is exacerbated by how they are monitored. For example, Egypt's TKP established "co-responsibility" or "social accountability" committees to conduct community monitoring in order to disqualify households that the committees identified as having incorrectly qualified for the programme. One stakeholder recounted to Kassem (2021) that many of the communities regarded the committees as *"intruders who spy on them to try to disqualify them from the program which creates tensions that can sometimes get physical."* These issues were exacerbated by the fact that committee members often did not understand the targeting criteria properly and so were wrongly identifying ineligible households.

Poor relief programmes can, therefore, also increase social tensions in communities.[106] This is especially the case when people who are eligible, or who consider themselves to be living on a low-incomes, are unable to access the scheme. Social tensions are further worsened by the fact that targeting mechanisms such as PMT formulae are often poorly understood by the community due to their complex nature. For example:

- In Lebanon, the introduction of a PMT resulted in riots breaking out in refugee camps.[107]

- An evaluation of Egypt's TKP has found that, while beneficiaries found the programme to be fair, those with poverty scores near the cut-off were the most likely to consider the targeting process to be unfair, which led to increased social tensions.[108]

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[104] World Bank (2019b).
[105] World Bank (2018).
[106] See, for example: Cameron & Shah (2014); Deacon (2005); Sepúlveda & Nyst (2012).
[107] Kidd & Wylde (2011).
[108] United Nations Economic and Social Commission for Western Asia (2021).

- In Jordan, UNICEF (2020) noted that *"the benefit distribution [of Takaful] could potentially create social sensitivities between project beneficiaries and non-project beneficiaries within the same community [...] if the targeting mechanism is not transparent enough."*

- In Morocco, the World Bank stated that the social registry would lead to many beneficiaries exiting programmes and it would be important "*to develop a clear exit strategy in order to avoid social tensions."*[109]

- Lastly, in Yemen – in which 75 per cent of the population are living on less than USD 3.10 (PPP) a day – there are likely social tensions due to the fact that only a small proportion of the population are recipients of the Social Welfare Fund.

The best means of limiting social tensions is to ensure that the eligibility criteria is clear and transparent. By far the simplest way to do this is to implement universal, or near universal, lifecycle schemes which are accessed by everyone living on low, middle and high incomes. Recipients living in poverty are not shamed for being enrolled on the programme, because they qualify along with the rest of the population. Indeed, under an inclusive lifecycle system, individuals are entitled to social security because of what they have contributed – or will contribute, in the case of children – to society, even if they are not part of a formal contributory scheme. As McClanahan (2019) explains, these contributions can be made throughout the lifecycle, including by *"working, raising children, caring for older people or persons with a disability, and the payment of (direct and indirect) taxes."*

4.3 Weakening the social contract and limiting fiscal space

Poor relief schemes are not fiscally sustainable because taxpayers do not want to pay for them.[110] As Kidd et al (2018) explain: *"programmes targeted at poor women, men and children tend to have low population coverage and low benefit levels. This is because the poor typically have limited political influence and power and, as a result, governments are less willing to invest in them, since they will not gain the political rewards in elections."* Indeed, the majority of taxpayers, including the politically engaged middle-class, will not want to invest in a scheme from which they themselves do not benefit. This means that poor relief schemes are at greater risk of shrinking or disappearing, as happened to the famous *Prospera* programme in Mexico.[111]

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[109] World Bank (2017b).
[110] See, for example: Mkandawire (2005); Sen (1995).
[111] Kidd (2019a).

In contrast, schemes with higher coverage receive greater public support and, as a result, are more sustainable both financially and politically. Not only do schemes attract higher taxes and promote economic growth (therefore increasing the necessary fiscal space) but they can become an important political tool. For example, political parties may promise to increase coverage levels, or transfer values, during elections. In Mauritius, for example, increases in the benefit level of the universal social pension correlate with election victories in 1995, 2005, 2014 and 2019.[112] Meanwhile, attempts to means test the pension have proven to be extremely unpopular. As Willmore (2012) notes, when the Government of Mauritius targeted their old age pension, "the *governing coalition lost the general elections of July 2005, and the new government moved quickly to restore universal pensions."*[113]

When sectors of a population do not qualify for, or are exited from a social security system – or when they lose out on subsidies and do not qualify for compensation programmes – this can lead to civil unrest. For example, in 2017, Iran decided – with support from the IMF – to poverty target its universal cash transfer scheme. The reform proved to be extremely unpopular and, in a context of declining living standards, led to protests.[114] Rather than addressing the political risks of failing to introduce schemes with broader coverage, the IFIs tend to imply that poverty-targeted schemes simply need to be marketed better to the proportion of the population that cannot access the schemes. As Alston (2018) notes, the IMF is aware of the implications of fiscal austerity and removing universal benefits such as subsidies, but *"instead of embracing a politically and socially sustainable social protection policy, it emphasizes communications strategies, sequencing and 'depoliticization' as solutions."*

When trust in the government to implement an effective social security system is low, it is essential that schemes target more than just the extreme poor. Programmes with broader coverage are important if States are to arrest soaring poverty rates, win the trust of their populations, and compensate for the impacts of austerity measures. However, by failing to implement social security schemes that are both redistributive and win the support of the "missing middle", the State will continue to undermine the establishment of a stronger social contract.[115]

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[112] Knox-Vydmanov (2021).
[113] Willmore (2012).
[114] Bakvis (2018).
[115] Kidd, Axelsson et al (2020).

4.4 Accountability of governments to their populations is weakened

As discussed in Section 3, IFIs hold a lot of power over governments because they can threaten to withdraw or not disburse tranches of a loan. Indeed, when Iran introduced a universal cash transfer in 2011 to compensate for fuel subsidy reform, this was likely because it was not under an IMF programme and was better able to implement such a large-scale scheme. The IFIs' influence, therefore, weakens government accountability because, rather than act as a duty bearer to its population, the government answers to the IFIs instead. Further, schemes that employ conditions, or are poverty-targeted, are less likely to be enshrined in law, which limits accountability and reduces the extent to which the population feel entitled to a scheme, as a right. As such, the social contract is weakened because governments are not necessarily able to implement the schemes that taxpayers would support.[116] In addition, Sepúlveda and Nyst (2012) explain that: *"in order to ensure a strong, effective, transparent and accountable social protection system, beneficiaries must be able to identify actors who bear responsibilities in allocating the entitlement that they receive."* This process is limited in the MENA region, for it is extremely difficult for citizens and residents to hold IFIs to account.

4.5 The ability of countries to build inclusive, modern systems is undermined

As discussed above, the IFIs' package undermines the development of inclusive, modern social security systems. A lot of money and political attention is diverted, for example, towards building poverty targeting systems such as social registries, or improving poverty targeting formulas, with the purported aim of establishing these mechanisms as the building blocks of a State's social security systems. However, the most sustainable means of arresting soaring poverty rates and compensating for structural adjustment measures is to implement an inclusive, lifecycle social security system.

The absence of progressive modern systems has limited how effectively countries have responded to the COVID-19 pandemic. As indicated above, Sibun (2021) has found that Morocco was the only country in the region to invest at least 2 per cent of GDP in a social security response, which has been suggested as a minimally adequate stimulus response to support economic recovery. It is no surprise that, out of all the countries in the MENA region, Morocco is the only one that now appears to be making significant strides towards

[116] Kidd, Axelsson et al (2020).

strengthening its old age pension and child benefit schemes. In contrast, the World Bank is encouraging the Government of Tunisia to reduce the money it is spending on fuel subsidies – which amounts to 2 per cent of GDP. However, as discussed earlier, the social security schemes that the Bank is promoting will amount to only 0.13 per cent of GDP, a minimal amount.[117] Indeed, the World Bank notes that Tunisia's Family Allowance will focus *"on mitigating the impact of the pandemic on families with children, while protecting their human capital."*[118] However, when only 10 per cent of children aged 0-5 are benefiting, the impacts on the national population will be minimal. Likewise, in a global review of IMF programmes, the ILO has found that, in 2020, IMF staff consistently recommended that all cash transfer programmes and social services that were extended during the pandemic should be both temporary and targeted.[119]

This contrasts with the IFIs' rhetoric during the COVID-19 pandemic. In 2021, for example, Malpass (2021), the World Bank Group President, stated the following: "... *we need to build social protection systems that protect everyone. The COVID-19 crisis has underlined the absence of effective schemes to protect informal workers. Governments should consider developing integrated, universal social protection systems to support both the goal of achieving universal social protection by 2030 and the goal of accelerating the growth of better jobs*". Such rhetoric does not reflect what the IFIs are promoting on the ground. In fact, the paradigms of poor relief schemes and inclusive lifecycle schemes are diametrically different. Under the former, individuals are not entitled to a minimum social security floor that addresses their risks across the lifecycle. As such, poor relief schemes are not building blocks for *"progressive universality"*, as the IFIs claim. In order to progress towards an inclusive lifecycle system, policymakers must utilise a different paradigm. Therefore, the continued promotion of poor relief schemes will hinder countries' abilities to implement universal social security systems by 2030.

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[117] The Amen Social Programme will cost 0.1 per cent, and the Family Allowance component a further 0.03 per cent
[118] World Bank (2021b).
[119] Razavi et al. (2021).

5 Why do the IFIs promote poor relief schemes?

There are many reasons why the IMF and World Bank promote poor relief around the world. In Lebanon, the World Bank has noted that "*social protection programs, including old-age pensions, universal health coverage, and even unemployment insurance are among the types of programs that Lebanon needs to strengthen or develop,*"[120] which appears to indicate that the IFI recognises the importance of lifecycle schemes (or, at least, pensions) but prefers instead to focus on implementing poor relief. Although an exhaustive list will not be provided to explain why the IFIs prefer to promote poor relief schemes, several reasons will be discussed below.

Firstly, the IFIs promote poor relief schemes because they are guided by ideological thinking and a resulting framework of reference. As discussed above, low levels of investment in social security align well with a neo-liberal vision of low taxes and a small state. This is likely exacerbated by negative narratives and understandings on the reasons for poverty which are used to justify why, for example, conditions should be attached to benefits. Such narratives can also justify why schemes should be small, with low coverage: for example, under a neo-liberal vision, there is a perception that taxpayers should not have to fund the lifestyles of the "undeserving poor" who have labour capacity but have not managed to improve their quality of life. As such, even though the IFIs claim that their schemes are "pro-poor", in fact, they are "pro-rich".[121]

Second, as this paper has shown, the IFIs' messaging creates smoke and mirrors which confuse policymakers. In Mongolia, for example, the World Bank stated that its universal child benefit was *"not … well-targeted and not effective in protecting the poor"*, despite the scheme reaching virtually all children living on low incomes.[122] In Kenya, meanwhile, the World Bank released a report claiming that the universal social pension only reached 43 per cent of over-70s. This analysis was based on several errors and coverage was, in fact, between 83 and 100 per cent, depending on the data source used.[123] Policymakers and practitioners, even within the IFIs, could therefore be misled by this messaging into thinking that poor relief schemes are indeed more effective at alleviating poverty. Or, that there is not the fiscal space to gradually implement a universal lifecycle scheme.

Third, there are financial incentives driving the IFIs, particularly the World Bank, which ultimately acts as a) a bank that has to sell loans to survive and b) a form of consultancy

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[120] World Bank (2021a).
[121] Kidd (2019b).
[122] Kidd (2018a).
[123] Kidd (2019c).

business that must pay its staff. A social registry, for example, is a product that they aim to sell to countries through loans. Kidd, et al (2021) explain that the World Bank has been at the forefront of selling social registries, incorporating the costs within loans, and *"despite their failures, social registries continue to pop up in country after country, often driven by donors who oversell their efficacy and, in many cases, persuade highly indebted. governments to take out loans to finance them."* In the same vein, in order to justify the loans, it is necessary to show that they would deliver productive. Consequently, the World Bank promotes poor relief schemes that they can sell as "productive" – such as CCTs and workfare programmes – since governments are highly unlikely to finance 'unconditional' programmes for the 'poor' due to their lack of popularity. Similarly, governments can happily finance universal lifecycle schemes from national resources, without loans, due to their popularity.

Finally, inclusive lifecycle schemes reduce the IFIs' influence in a country since countries would not need the IFI's support to finance or implement them. Although the IFIs argue that lifecycle schemes are inefficient and cost too much to be fiscally sustainable, as has been demonstrated, schemes with high coverage are more popular and, therefore, taxpayers are more willing to fund them though their taxes. Consequently, as countries transition towards implementing lifecycle schemes which receive support from large sectors of the population, governments are less likely to take out loans and the IFIs lose their influence in the country.

6 Conclusion

The IMF and World Bank promote a poor relief social security package not only in the MENA region but in other low- and middle-income countries around the world. These programmes are too small to address soaring poverty and utilise dubious targeting methodologies which cannot effectively identify the target group, in other words "the poor." In contexts where a high proportion of the population is living on low incomes, it is essential that more inclusive schemes with broader coverage are introduced. This is especially important when taking into account that the IMF and World Bank have encouraged countries to reduce or remove universal or near-universal food and fuel subsidies, which have historically been the most important form of income support. Under their preferred schemes, only a small subsection of the population is compensated for this loss, and may experience shame and stigma as a result.

Despite evidence showing that inclusive, lifecycle schemes are more effective at reaching persons living on low incomes, the IFIs often use smoke and mirrors to persuade policy makers that this is not the case. In reality, the IFIs are driven by their ideological beliefs and seek to implement schemes that align with a neo-liberal model, with low taxes and a small state. Despite claims that poor relief schemes are "pro-poor", only a small segment of households living on low incomes are reached. In reality, therefore, the IFIs are pro-rich in their approach, as a smaller social security system entails low taxes, which benefits the rich much more than the poor. In addition, poor relief schemes are good for the IFIs' business, whereas a tax-financed social security system – that is popular across the wealth distribution – would not be funded by loans. Consequently, when a government moves towards implementing an inclusive, modern lifecycle social security system, it is also putting in place the steps to reduce the IFIs' influence within the country.

In recent years, especially with the COVID-19 pandemic, the World Bank and IMF have indicated that there is a need to build inclusive systems. However, on the ground, they continue to promote poor relief schemes, using arguments such as the fact that there is limited fiscal space, or that a country's economic, political, and social circumstances and constraints prevent a scheme with broader coverage from being introduced. The IFIs claim that implementing a poor relief scheme is the first step towards "progressive universalism", and that, over time, coverage of the scheme can be increased, but are unable to produce evidence to show that this is the case (and, in fact, they used to argue the opposite[124]).

[124] Kidd (2015).

The IFIs' efforts to promote poor relief schemes undermine countries' abilities to develop modern, inclusive social security systems. The two approaches operate under fundamentally different paradigms: a poor relief scheme aligns with a neo-liberal approach, while an inclusive lifecycle system is underpinned by the right to social security for all persons. To implement a lifecycle system requires a government to shift paradigms, as well as to change its operational practices. Further, in a context of fiscal constraints, there are other ways to achieve "progressive universality" that are more cost effective and sustainable in the long run. For example, an old age pension could initially be provided for all older persons above the age of 80 then, over time, the eligibility age can be reduced. This ensures that the scheme achieves broad support from everyone across the wealth distribution, thereby fostering the fiscal and political sustainability of the scheme.

There are some indications of paradigm shifts within the MENA region. Morocco, for example, has announced that it will universalise its child benefit and increase the coverage of its old age pension. However, without a serious shift in their institutional approach, the two IFIs will continue hinder governments' attempts to develop inclusive, modern social security systems, build the social contract and drive economic growth while continuing to promote a 19th century poor relief approach that undermines trust in government and runs the risk of increasing social unrest, the last thing that the MENA region requires at this point in its history.

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