TOOLS FOR SUBSIDY REFORM AND SOCIAL SAFETY NETS EXPANSION

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Social Safety Nets Readiness for the Next Energy Price Shock

- Tightening fiscal environment and the recent drop in oil prices led many countries to energy subsidy reform (esp in MENA)
  - This was observed in both oil exporting and oil importing countries at differing paces
- Yet, many countries are not using the opportunity fully to move from universal to targeted programs
- At the same time, social protection is seen as a limitation/barrier to subsidy reform efforts.

Energy Subsidies Could Be the Next Crisis

- Negative coping employed with drop in international oil prices has motivated some countries to further lower their domestic prices (e.g., Tunisia, Iraq).
- Most recent increases in crude oil prices is emphasizing the need to ensure gains made in subsidy reform are not reversed.
Overview of the Framework

The Framework for Preparing SSNS for Subsidy Reform provides an overview for scaling up and developing social safety nets in the context of subsidy reform.

It serves as a practical tool for policy advisers and World Bank task managers in diagnosing and informing the preparation of countries' systems for subsidy reform.

GOAL: Guide country dialogue to develop: (i) a clear approach for if/ how SSNs should be utilized in various energy subsidy reform scenarios, (ii) a road map for expansion of SSNs and its implementation.
MODULE 1: Assessing the Impact of Removing Energy Subsidies and Mitigation Options

This module provides guidance on:

- **Step 1: What is the Subsidy in Question and Who is Benefiting from it?**
  - Price Gap:
    - International - Domestic = Subsidies
  - Who is benefiting?
    - Subsidy * quantity = Benefit

- **Step 2: Measuring the Impact of Subsidies Reform on Households**
  - Options for analyzing impact (e.g., equilibrium analysis)
  - Focus measurement of impact on poor and near poor households
M1: Assessing the Impact of Removing Energy Subsidies and Mitigation Options

### Subsidy Reform Mitigation Approaches Used by Country

- **Step 3:** Assessing the Performance of Existing SPL Programs (to select a program for scale up or a new program)
- **Step 4:** Review of Options Available for Using SSNs to Mitigate Welfare Losses from ESR

<table>
<thead>
<tr>
<th>SSNs not used / No new SSN mitigation measure</th>
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<tbody>
<tr>
<td>Algeria (2016)</td>
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<td>Bolivia (2010 – reversed)</td>
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<tr>
<td>China (2010)</td>
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<tr>
<td>Kenya (2000-08)</td>
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<tr>
<td>Mexico (2014)</td>
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<tr>
<td>Morocco (2012-15)</td>
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<tr>
<td>Peru (2011)</td>
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<tr>
<td>Turkey (2005)</td>
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<tr>
<td>Tunisia (2012-13)</td>
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<td>Uganda (2012)</td>
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<td>Yemen (2011-12)</td>
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<tr>
<th>Benefit Level Changed</th>
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<tbody>
<tr>
<td>Indonesia (2008)</td>
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<td>Indonesia (2014)</td>
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<td>Jordan (2008)</td>
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<th>New SSN Program introduced</th>
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<tr>
<td>Armenia (1995-99)</td>
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<tr>
<td>Brazil (2002)</td>
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<tr>
<td>Egypt (2014)</td>
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<tr>
<td>India (2012)</td>
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<tr>
<td>Indonesia (2005)</td>
</tr>
<tr>
<td>Iran (2010)</td>
</tr>
<tr>
<td>Jordan (2012 – discontinued)</td>
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<tr>
<td>Nigeria (2012)</td>
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<td>Pakistan (2009-10)</td>
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<th>Social Safety Nets Significantly Program Altered</th>
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<tr>
<td>Ghana (2013)</td>
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<tr>
<td>Indonesia (2013)</td>
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<tr>
<td>Ukraine (2016)</td>
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<td>Yemen (2010)</td>
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M 2: Assessing Delivery Systems for Rapid Scaling up of Social Safety Net

This module provides guiding questions to support an assessment of the readiness of existing the delivery systems for scale up.

Key highlights:

- Strategic Choices for Scaling Up
- Scaling Up and Strengthening Delivery Systems
- Prioritizing and Assessing Delivery Chain Functions
  - Prioritizing and Sequencing Core Function Capabilities
  - Delivery Chain Mapping
  - End to End Implementation Planning
- Institutions, Governance and Financing
- Information Systems
- Citizens Interface

- Complex exit / graduation strategies such as activation, productive inclusion
- Updating & Recertification
- Follow-up impact evaluation survey
- Conditionalities Monitoring
- Enhanced oversight, controls, grievance redress, monitoring, reporting
- Registration, Eligibility Systems to Determine Enrolment
- Payments
- Basic oversight, controls, grievances & follow up
- Implementation planning
- Baseline impact evaluation

Complexity multiplies exponentially when scaling up to a larger program.
M2: Assessment of Institutional and Governance Aspects

**Key questions**

- Assess the status quo (Step 1 of 2)
  - Policy making function
    - Who makes policy?
    - What resources are available for policymaking?
  - Service delivery function
    - Who delivers services?
    - What resources are available for service delivery?
- Assessing the complexity and severity of the institutional constraints
- Speculate on Elasticity (Step 2 of 2)
  - Expansion of new geographic areas
  - Increased coverage
  - Increased benefit amounts
- Remedying Institutional Weaknesses.
M3: Social Accountability & Citizen Engagement Approaches in Subsidy Reforms & Social Safety Net Programs

- Context matters
- Suggested steps in determining CE tools
- Identifying CE entry points during subsidy reform
- Identifying CE entry points in SSN Programs
- CE entry points in the SSN Delivery Chain’s “Access” (in-take)
- CE entry points in the SSN Delivery Chain’s “Decide” phase
- CE entry points in the SSN Delivery Chain’s “Implement” phase

Citizen Engagement—Closing the Feedback Look between citizens and the government

Regional & country contexts matter!
### Table 3: CE Entry points in the delivery chain’s “access” phase

<table>
<thead>
<tr>
<th>Delivery Chain Processes</th>
<th>Potential CE Challenges</th>
<th>Suggested CE and SA Interventions</th>
<th>Examples</th>
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| **Outreach**             | • Lack of information on the program in targeted communities;  
                          • Lack of information among citizens and beneficiaries. | • **Provide information** on the SSN program’s objectives, eligibilities, conditionalities; application/enrollment/registration processes, and grievance redress mechanism. **Awareness raising campaigns can disseminate information** through posters, brochures, wall paintings, radio and television broadcasts, and public meetings and workshops. Staff should be required to assist | SSN programs have different types of information and awareness raising campaigns. **Egypt’s Takaful and Karama (T&K) cash transfer programs** target information campaigns towards both potential beneficiaries and the Ministry of Social Solidarity’s staff in Governorate offices; a unique approach. The information campaign targeting Governorate staff is to increase the staff’s understanding so they can provide program information to potential beneficiaries and even more Governorate staff. Governorate staff are certified as T&K |
| **Intake & Registration**| • Lack of accurate information on the program’s registration processes in targeted communities;  
                          • Lack of systems that allow potential beneficiaries to pose questions concerning registration. Or when | | |

Presentation Title
M5: Political Economy Tools of Energy Subsidy Reform and Mitigation

- Political and institutional factors can interfere with ESR. Yet, country examples show how SSNs can support the reform process.
- Module introduces three approaches to assessing the political economy of ESR
  - Life cycle
  - Problem-driven
  - Client-centered (perception)
- Presents a roadmap for a politically sensitive reform processes
- Defines the sequence of reform interventions and mitigating measures.
M5: Strategically Communicating Energy Subsidy Reform

- Strategic and effective communications strategy that are evidence based play a key role in facilitating subsidy reform
- Reviews global best practice in formulating a communications strategy.
- Provides guidance for policy makers to understand the communication process.
- Focuses on analytical and organizational aspects of communication strategy