TECHNICAL

NOTES & MANUALS

IMF Engagement on Social Safety Net Issues in Surveillance and Program Work

Fiscal Affairs Department and Strategy, Policy, and Review Department

TNM/2022/007

TECHNICAL NOTES AND MANUALS

IMF Engagement on Social Safety Net Issues in Surveillance and Program Work

Prepared by teams from the Fiscal Affairs Department and the Strategy, Policy, and Review Department

IMF Engagement on Social Safety Net Issues for Surveillance and Program Work
IMF Technical Notes and Manuals 2022/000
Fiscal Affairs Department and Strategy, Policy, and Review Department

Approved by Vitor Gaspar and Ceyla Pazarbasioglu	Prepared by a team led by David Coady (FAD) and Geremia Palomba (SPR), including Fernanda Brollo and Riki Matsumoto (FAD), and Tohid Atashbar, Deeksha Kale, Baoping Shang, and Kiichi Tokuoka (SPR); under the supervision of Ruud de Mooij (FAD) and Guillaume Chabert (SPR); with administrative assistance provided by Liza Prado (FAD). The paper has benefited greatly from excellent comments from IMF staff and external reviewers, including the Global Coalition for Social Protection Floors, the International Labour Organization, the Organisation for Economic Co-operation and Development, the UN Children's Fund, and World Bank.

Abstract: The International Monetary Fund's engagement on social safety net (SSN) issues is likely to expand as member countries respond to growing challenges in the economic and fiscal landscape. SSNs play a crucial role in protecting households from poverty, promoting inclusive growth, and maintaining social stability. This technical note discusses (1) the different channels through which SSN spending may become macro-critical, (2) how to assess the importance of these channels, and (3) the types of policy responses that are appropriate and the trade-offs involved in choosing among them. To facilitate a more comprehensive assessment of SSN spending, the paper also examines the complementary role of labor market programs (for example, unemployment benefits and active labor market programs). The paper emphasizes the importance of early engagement and coordination with development partners with expertise on social safety nets and with different stakeholders when formulating policy advice.

ISBN:	979-8-40022-250-4 (Paper) 979-8-40022-254-2 (ePub) 979-8-40022-259-7 (PDF)
JEL Classification Numbers:	H53; I38; J13; J18; G28; O23
Keywords:	Fiscal Policy, Social Protection, Social Safety Nets, Spending adequacy, Spending Efficiency, Fiscal Sustainability

Authors' email addresses:	fbrollo@imf.org (corresponding author) dcoady@imf.org gpalomba@imf.org tatashbar@imf.org dkale@imf.org bshang@imf.org ktokuoka@imf.org rdemooij@imf.org gchabert@imf.org lprado@imf.org

CONTENTS

Table

Annexes

EXECUTIVE SUMMARY

IMF country teams have become increasingly engaged on social safety net (SSN) issues as part of their surveillance and program work. SSNs are intrinsically important in preventing and alleviating poverty and promoting inclusive growth. In addition, they can help promote social stability and strengthen public support for macroeconomic and structural reforms needed for macroeconomic stability and sustainable growth. SSN transfers can also increase households' resilience to adverse shocks by preventing them from falling (deeper) into poverty. In addition to this protection role, SSN programs are also often designed to play a promotion role, enhancing the human and physical capital of households and supporting them in pulling themselves out of poverty and avoiding future poverty.

IMF engagement on SSN issues is likely to continue to expand as member countries respond to growing challenges in the economic and fiscal landscape. Such challenges include (1) economic volatility and shocks, including from higher food and energy prices and pandemics, which have recently reinforced the importance of SSNs in protecting populations from economic shocks; (2) the changing nature of work, which presents challenges to labor markets and existing social insurance programs; and (3) climate change, which is expected to increase weather volatility and the frequency and intensity of natural disasters that negatively impact people and economic activity. These changes tend to disproportionately adversely affect low-income households with limited capacity to adapt to and cope with shocks, and SSNs can play a central role in supporting them in this regard.

In the context of the IMF's 2019 Social Spending Strategy, this paper provides guidance to staff on when and how to engage on SSN issues both in surveillance and program work. The IMF's engagement on social spending issues, which includes SSN spending, is guided by an assessment of their macro-criticality in surveillance and program contexts, as well as in the context of capacity development. The macro-criticality of SSN spending can arise through one or a combination of three, often interrelated, channels—spending adequacy, spending efficiency, and fiscal sustainability. Spending adequacy refers to whether total SSN spending is sufficient to achieve a government's social policy objectives. Spending efficiency refers to whether SSN spending meets the government's policy objective of fighting poverty in a cost-effective manner and without causing undue labor (or other) market distortions. Fiscal sustainability refers to whether SSN spending can be financed without undermining government debt sustainability or crowding out other high-priority spending. In many instances, consideration needs to be given to more than one of these issues and the potential trade-offs involved.

The paper discusses how to assess the macro-criticality of SSN issues, the appropriate policy responses, and possible policy trade-offs. The objective is to enhance the quality and effectiveness of engagement with the authorities, ensure consistent and appropriate policy advice in different country contexts, and strengthen collaboration with development partners with expertise in this area. Reflecting the variety of SSN systems and country-specific contexts (for example, level of development, fiscal space, and labor market conditions), the paper focuses on providing resources and tools to staff to better understand SSN issues. The information provided supports staff in understanding (1) the different channels through which SSN spending may become macro-critical, (2) how to assess the importance of these channels, and (3) the types of policy responses that are appropriate and the trade-offs involved in choosing among them. To facilitate a more comprehensive assessment of SSN spending, the paper also discusses the complementary role of labor market programs (for example, unemployment benefits and active labor market programs). The paper also emphasizes the importance of early engagement and coordination with development partners with expertise on social safety nets and with different stakeholders when formulating policy advice.

INTRODUCTION

In June 2019, the Board approved the Strategy for IMF Engagement on Social Spending (IMF 2019a) and supported the systematic incorporation of social spending issues into the IMF's analytical, surveillance, and program-related work. To further strengthen IMF engagement on social spending issues, staff was invited to prepare a Guidance Note to support country teams in deciding when and how to engage on social spending issues in different country settings. As input to the Guidance Note, staff is developing a series of papers that help formulate and operationalize policy advice for use by IMF staff on key social spending issues, covering pensions, social safety nets (SSNs), health, and education. This technical paper focuses on IMF engagement in SSN spending and is the second in a series of papers that cover the different areas of social spending.[1]

SSNs constitute a set of transfer programs aimed at addressing current and future poverty. SSN programs—also often referred to as social assistance programs—are typically defined as noncontributory transfer programs designed to *protect* households from poverty and destitution by ensuring some minimum level of economic well-being (Grosh and others 2008). In addition to this protection role, these programs are also often designed to play a *promotion* role through enhancing the human and physical capital of beneficiary households, which can support households in pulling themselves out of poverty and avoiding future poverty (Drèze and Sen 1991; Morley and Coady 2003). The design of SSN systems therefore often reflects the existence of these multiple policy objectives. This paper also discusses the role of *passive and active labor market programs*, since these programs often complement and interact in important ways with SSN programs and can also contribute to achieving poverty alleviation objectives. Labor market programs are designed to protect individuals against loss of income from unemployment (passive labor market programs) or to actively help individuals find a job or otherwise increase their earnings capacity (active labor market programs).[2]

The IMF typically engages on SSNs because of their intrinsic and instrumental roles in supporting macroeconomic stability and inclusive growth. SSNs are *intrinsically important* given their central role in countries' policies for alleviating and protecting from poverty and supporting inclusive growth. Advanced and many emerging market economies allocate significant public resources to SSN programs to reduce poverty and vulnerability. While spending on SSNs is substantially lower in low-income countries (LICs), many of these countries aspire to scale up such spending as part of their commitment to reducing poverty and foster development and inclusive growth. SSNs are also *instrumentally important* in supporting the implementation of economic and structural reforms needed to support macroeconomic stability and enhance sustainable growth (for example, reforming food and energy subsidies, broadening the tax bases, consolidating public finances, and liberalizing

[1] In June 2022, a technical note (IMF 2022a) was published on how to operationalize IMF engagement on public pension spending.

[2] Social protection instruments generally fall into three categories: (1) SSNs, (2) social insurance, and (3) labor market programs. SSN programs are noncontributory transfer programs designed to protect households from poverty and destitution by ensuring some minimum level of economic well-being. Social insurance programs are contributory interventions to help individuals manage sudden changes in income because of old age, sickness, or disability. They include contributory old-age, survivor, and disability pensions, sick leave and maternity/paternity benefits, and health insurance. Labor market programs are designed to protect individuals against loss of income from unemployment or to actively help individuals find a job or otherwise increase their earnings capacity.

labor markets and international trade). SSNs can play an important role in promoting social stability and maintaining political and public support for needed economic reforms by protecting vulnerable households from any unintended consequences.

IMF engagement on SSN issues is likely to continue to expand as member countries respond to a rapidly changing economic and fiscal landscape. All countries face growing economic and social challenges from such factors as increasing economic volatility and shocks, the changing nature of work, and climate change.

- *Economic shocks*. The global financial crisis, the COVID-19 pandemic, domestic and international conflict, and the recent sharp increase in energy and food prices have all reinforced the importance of strong SSNs in protecting households from adverse economic shocks (IMF 2018a, 2021a, 2022b, 2022c). Moreover, the ability to quickly scale-up coverage and benefit levels to protect households hit by shocks has emerged as a central design feature affecting the capacity of SSNs to protect households from such shocks. While many countries around the world significantly expanded their SSNs in response to recent shocks, the experience of the pandemic has also laid bare the weaknesses of existing SSNs, especially in LICs (Organisation for Economic Co-operation and Development [OECD] 2020; IMF 2021a). In many cases, countries faced difficulties in quickly expanding coverage and reaching vulnerable households due to limited administrative capacity and lack of basic infrastructure. Even where they could expand coverage, governments were not always able to accurately identify those most in need and deliver assistance to them due to weak information systems and delivery infrastructure. But the experience of the pandemic has also offered useful lessons on how to strengthen the capacity of SSNs to address future shocks (IMF 2020a; World Bank 2020; OECD 2021a). It has highlighted the importance of innovation and investments in information systems and implementation capacity, with particular challenges for low-income countries and fragile states. Flexible and sustainable financing, preferably based on progressive tax systems, is also essential for creating the fiscal space to allow SSNs to effectively play an income stabilization role during economic shocks.
- *Nature of work*. Technological innovation, including artificial intelligence and automation, as well as increasing connectivity, globalization, and demographic changes, have changed the skills required to succeed in the labor market. These forces have also resulted in greater diversity and fluidity of work, with increased reliance on nonstandard work arrangements (including numerous forms of self-employment, and fixed-term and part-time work) and "gig economy" jobs. SSNs can help workers deal with these structural changes by providing income support and promoting job mobility (IMF 2021a; World Bank 2019a). The changing nature of work also presents challenges to labor market and social insurance programs, which are typically designed around regular full-time formal sector employment. Less stable employment relations, including short-term contracts or freelance work, place a premium on SSNs centered on workers rather than jobs and on understanding the interactions between SSNs and labor market programs (World Bank 2019b).
- *Climate change*. Climate change is increasing weather volatility and the frequency and intensity of natural disasters, and disproportionately affecting low-income households who have less capacity to adapt to and cope with these changes (Rozenberg and Hallegatte 2015; OECD 2017; IMF 2019b). SSN programs can support households in adopting both mitigation and adaptation measures to deal with shocks. SSN benefits provide a supplementary source of income that can prevent vulnerable households from falling into poverty after a disaster hits and enable them to undertake disaster preparedness and adaptation measures. Reducing greenhouse gas emissions

to fight climate change will also require a massive structural transformation of the economy and significantly higher fossil fuel prices. Strong SSNs are needed to provide income support to protect those workers and communities most affected by these structural changes and price increases, while active labor market policies (ALMPs) can support displaced workers in finding employment. Such policies can ensure that the benefits of the green economy are broadly shared, thus helping to maintain political and public support for reforms.

The IMF's engagement on social spending issues, including SSN spending, is guided by an assessment of their macro-criticality. Macro-criticality applies in both surveillance and program contexts, as well as to capacity development activities. The macro-criticality of SSN spending can arise through one or a combination of three, often interrelated, channels—spending adequacy, spending efficiency, and fiscal sustainability:

- *Spending adequacy*. This refers to *whether the aggregate level of SSN is adequate to meet the government's SSN policy objectives*. SSNs typically pursue poverty alleviation objectives but in some countries they may have broader policy objectives, such as reducing vulnerability to poverty, smoothing incomes over the life cycle, and promoting household investment in human and physical capital. Since poverty alleviation is often the primary objective of SSNs, spending adequacy assessments can be initially based on the size of the poverty gap, whose elimination provides a lower-bound estimate of the additional SSN spending needed to eliminate poverty. Even based on this lower-bound estimate, eliminating poverty in most emerging market and developing economies (EMDEs) would require significantly increasing SSN spending and expanding the scale of SSNs, which have large coverage gaps in many countries. Spending needs will of course be higher when the broader policy objectives of SSNs are included.
- *Spending efficiency*. This refers to the design and implementation features of SSN systems to ensure that policy objectives are achieved in a cost-effective manner while avoiding undue labor (and other) market distortions. For example, if poverty alleviation is the primary objective, SSN spending may not translate into significant poverty reduction if a large share of benefits goes to nonpoor households. However, while targeting benefits using means-testing (that is, the withdrawal of benefits as earned income increases) can reduce benefit leakage to nonpoor households and improve efficiency, it may also generate work disincentives, especially when benefits are high. Efficiency will then depend on how governments are willing to trade-off the poverty alleviation objective against work disincentives and other costs, including administrative, social, and political costs associated to targeting. In addition, targeting should also account for the broader objectives of SSNs as well as the distributional impact of their financing. Efficiency also requires careful management of the administrative costs of SSN transfer programs, which can become unnecessarily high in the presence of, for example, multiple, duplicating, and fragmented programs.
- *Fiscal sustainability*. This refers to the *capacity to finance spending needs without undermining macroeconomic stability*, including through increasing fiscal deficits and debt, or crowding out other critical expenditures. Advanced countries with well-developed SSNs and increasing social spending pressures (for example, due to aging populations) need to identify policy measures to contain or reduce SSN spending through enhancing spending efficiency and prioritizing critical spending. Sustainable financing of the significant additional spending needs in many EMDEs will require reductions in inefficient spending (for example, energy subsidies) and enhancing tax capacity and tax effort, based on fair and progressive tax systems to finance spending expansion. Credible medium-term fiscal frameworks (MTFFs) are crucial to ensure that stronger SSNs are developed while avoiding crowding out other development spending

or undermining debt sustainability. Strong public finance management (PFM) monitoring and evaluation systems (including a systematic use of spending reviews) are needed to ensure that government's policy priorities are translated into budgetary allocations to strengthen SSN systems. In countries where SSN spending (or spending needs) is large, a broader macroeconomic analysis using macro-modeling may be warranted.

Addressing any one aspect of macro-criticality can have implications for others, thus requiring careful consideration of various policy trade-offs and potential unintended consequences. For instance, if spending pressures need to be contained, maintaining SSN benefit levels and coverage (for example, share of low-income households receiving benefits) may require redesigning programs to reduce leakage of benefits to high-income households. Where significant leakage of benefits to high-income households cannot be avoided, say due to low administrative capacity, enhancing tax capacity and tax effort will be necessary to avoid lowering benefits for low-income beneficiaries and to claw back some of the benefits accruing to high-income households. A comprehensive strategy for strengthening the SSN, anchored on evidence-based analyses, including measures to improve administrative and tax capacity, can greatly help in the effective management of these trade-offs.

The objective of this paper is to enhance staff understanding of SSNs and their importance in IMF work to further strengthen staff engagement on SSN issues. The 2019 Social Spending Strategy highlighted the already extensive engagement by staff on SSN issues across surveillance, program, and capacity development activities. This paper focuses on (1) the different channels through which SSN spending may become macro-critical, (2) how to assess the importance of these channels, and (3) the types of policy responses that are appropriate and the trade-offs involved in choosing among them. The paper is aimed at further ensuring consistent and appropriate policy advice in different country contexts and enhancing the quality and effectiveness of engagement with the authorities and development partners also providing policy advice in this area. Reflecting the variety of SSN systems and country policy objectives, as well as varying country-specific contexts (for example, level of development, fiscal space, and labor market conditions), the paper focuses on providing resources to staff to better understand SSN policy issues and information on where to go to get additional support. The paper also emphasizes the importance of early engagement with development partners with SSN expertise when formulating policy advice and other stakeholders.

The paper is structured around a set of questions staff need to address when engaging on SSN issues. The answers to these questions provide an important foundation for staff on how to think about key policy issues and identify possible policy implications and responses.

- *What is the nature of the current SSN system?* The first section, "Social Safety Nets: Objectives and Features," provides an overview of SSN policy objectives and typical components of SSN systems. When evaluating current SSN policies, it is important to first focus on the overall SSN system, which can be made up of different programs that may complement each other and interact in various ways. It is also important to understand the nature of other social protection components, including the existence (or otherwise) of adequate unemployment insurance and pension coverage. This section also provides a description of key SSN design issues that should be discussed with country authorities and development partners and can help identify data and information gaps that need to be filled, including through new analytical work. It also discusses some features of labor market policies and how they interact with SSN systems to reinforce their protection and promotion objectives.

- *How to assess the various channels of macro-criticality?* Next, "Assessing the Macro-Criticality of Social Safety Net Spending" discusses the three channels through which SSNs can be macro-critical: spending adequacy, spending efficiency, and fiscal sustainability. It shows how the relevance of each channel can be evaluated both in the context of countries with comprehensive SSN systems and relatively large SSN spending as well as countries with weak SSN systems that need to expand coverage and benefits.
- *How to effectively integrate SSN analysis into surveillance and program activities?* The final section, "Incorporating Social Safety Nets Issues into Country Work," discusses how macro-criticality considerations related to SSN systems should enter into surveillance analysis and program design. This section considers how macro-criticality should be incorporated into country work in light of broader economic policy preferences and constraints, and how to integrate SSN issues into macro-fiscal frameworks. Country examples are used to illustrate how different SSN issues can be reflected in surveillance analysis and program design, including the use of quantitative and structural conditionality. The section also discusses the importance of leveraging outside knowledge and coordinating effectively with development partners, and how SSN reform proposals can be effectively communicated to the authorities.

Annexes to the paper identify important resources available to help answer these questions and discuss in more detail some of the issues raised in the paper. Annex 1 lists internal and external resources, including data sources, analytical tools, and selected literature, that provide important background on SSN issues, including in a regional and country context. Annex 2 discusses lessons learned from the pandemic, highlighting key features of SSNs that can enhance their effectiveness in dealing with temporary shocks. Annex 3 discusses the broader contributions of SSNs to inclusive growth.

SOCIAL SAFETY NETS: OBJECTIVES AND FEATURES

This section outlines the key features of SSNs and basic terminology. It identifies important features to consider when assessing, comparing, and benchmarking SSNs. In addition to income support programs, it also discusses the role of active and passive labor-market programs that reinforce the protection and promotion roles of SSNs.

The overarching objective of SSNs is to protect households from poverty and to promote their capacity to pull themselves out of poverty. Countries employ a range of programs and policy instruments to achieve these objectives (Box 1).

- *Protection*. SSN transfers can provide income support to ensure some minimum level of well-being for households, protecting them from poverty and destitution. Access to such transfers can also facilitate consumption smoothing over the life cycle (for example, through child benefits or social pensions) and increase households' resilience to adverse shocks (such as unemployment, disease, or disability) thus protecting them from falling (deeper) into poverty.

BOX 1. Typical Social Safety Net Program Components

Social safety nets (SSNs) encompass a wide variety of noncontributory transfer programs designed to protect households from poverty and destitution. While the programs that compose SSNs can be classified in different ways (see Grosh and others 2008; Beegle, Coudouel, and Monsalve 2018; World Bank 2018), these programs are widely understood to include:

- **Cash transfer programs.** These programs offer periodic monetary transfers with the objective of providing regular and predictable income support to beneficiaries. This category covers a wide range of programs, including poverty-targeted cash transfers; family, children, and orphan allowances (including benefits for vulnerable children); and noncontributory funeral grants and burial allowances. This includes both conditional and unconditional cash transfer programs.
- **Social pensions**. These are regular cash transfers provided exclusively to the elderly which, unlike contributory pensions, do not require prior contributions. Social pensions may be universal or targeted to the poor and vulnerable.
- **School feeding programs.** These programs supply meals or snacks for children at school, including take-home food rations for children's families.
- **Nutrition programs.** This includes programs providing food stamps and vouchers, food distribution programs, and other nutritional programs (excluding school feeding programs).
- **Fee waivers and targeted subsidies**. This encompasses a wide variety of targeted (as opposed to universal) subsidies focused on the poor and vulnerable, including health insurance exemptions and reduced medical fees, education fee waivers, housing subsidies and allowances, utility and electricity subsidies and allowances, agricultural input subsidies, and transportation benefits.

- **Emergency programs.** This includes programs providing emergency support in cash and in-kind to individuals in case of emergency or in response to shocks (including support to refugees and returning migrants). Transfers are usually temporary.
- **Other programs.** This includes other noncontributory programs intended to target the poor or vulnerable, such as programs distributing school supplies, tax exemptions, social care services, and other programs not included in the other categories.

- *Promotion*. SSN transfers can enhance the human and physical capital of beneficiary households, supporting households in pulling themselves out of poverty and avoiding future poverty. Access to a reliable source of income can reduce the need for precautionary savings and allow households to invest in high return but more risky activities or to search for more productive job matches. In the face of adverse shocks, SSN transfers can reduce the need to resort to destructive coping strategies that result in a deterioration of physical and human capital and future income potential (for example, selling physical assets, withdrawing children from school, delaying essential health care, or reducing consumption of more nutritious but more expensive foods) (Annex 2). The promotion role of SSN transfers can be enhanced through conditioning eligibility on specified behaviors, such as attendance at school or health clinics (Annex 3). Since such conditioning can be expected to increase the demand for education and health services and basic infrastructure, this reinforces the need for coordination on policies across sectors and interactions across different elements of social spending. SSN and promotion policies can also be used to address gender inequalities.[3]

The design and evaluation of SSNs therefore need to recognize the existence of multiple policy objectives as well as any complementary with social insurance and other social spending programs. The appropriate design of the SSN will depend on the weights a government gives to the different policy objectives as well as the constraints it faces in designing and implementing a variety of policy options.[4] There is no one-size-fits-all approach, and different SSN programs address different policy priorities and target different population groups. Any evaluation of an SSN system therefore needs to start from a clear understanding of the overall policy objectives of the country authorities as well as the constraints they face in designing and implementing alternative policies. It also needs to allow for the complementary of social insurance programs, such as pensions and unemployment insurance, which reduce the pressure on the SSN in protecting the elderly and unemployed from poverty.

Labor market programs interact with and complement SSN programs, reinforcing their protection and promotion objectives. Labor market programs provide income support to unemployed workers for a specified duration and may support individuals in finding employment and acquiring skills (Box 2).

[3] The IMF's gender strategy detailing how the IMF could effectively engage on gender issues was recently published (IMF 2022d).

[4] Not surprisingly, then, the mix of SSN programs used in practice varies across countries and regions, reflecting a wide variety of factors, including administrative capacity, economic structures, legacy issues, cultural differences, demographic conditions, and politics. For instance, while direct cash transfers account for the majority of social assistance spending in advanced economies and Europe and Central Asia, they represent less than 40 percent of social assistance spending in the Middle East and North Africa (World Bank 2018).

BOX 2. Labor Market Programs

Labor market programs (LMPs) comprise contributory and noncontributory programs designed to protect individuals against loss of income from unemployment or underemployment (passive LMPs), and help them acquire skills that connect them to labor markets (active LMPs).

Passive LMPs provide temporary income support to unemployed or underemployed workers, allowing individuals to smooth consumption and preventing them from falling into poverty. Unemployment income support can also act as an automatic stabilizer and support structural change. These programs can take different forms:

- **Contributory unemployment schemes (unemployment insurance),** which typically take the form of insurance based on collective financing and pooling of unemployment risk. According to International Labor Organization (2021a), 85 countries have mandatory public unemployment insurance schemes. These typically cover formal workers and are financed by employer and employee contributions. Most schemes receive government funding to expand coverage in periods of crisis. Benefits are a partial replacement of past income and take the form of periodic payments for a determined period.
- **Noncontributory unemployment schemes (unemployment assistance)** provide benefits to unemployed workers who do not meet the criteria for receiving contributory benefits or have exhausted their entitlement. Benefits are typically set as a fixed amount and delinked from past earnings. These schemes are mostly funded through general taxation and are usually means tested. The main difference between unemployment assistance and social safety net programs is that the former is conditional on being unemployed whereas most social safety net programs are not.
- **Employment retention schemes** provide full or partial labor income replacement during a temporary suspension of work without a break in the employment relationship. These schemes include short-term work benefits, furlough schemes, and partial unemployment benefits (including wage subsidies).
- **Public employment guarantee schemes** guarantee public employment in case of unemployment or severe underemployment, with the government acting as the employer of last resort.

Active labor market programs (ALMPs) are defined by the Organisation for Economic Co-operation and Development (2001) as "all social expenditure (other than education) which is aimed at the improvement of the beneficiary's prospect of finding gainful employment or to otherwise increase their earnings capacity." This encompasses a wide variety of programs, including job search assistance and counseling, vocational training, employment incentives, direct job creation, and support for micro-entrepreneurs and self-employed workers. ALMPs are often closely integrated with unemployment income support, especially in advanced economies. Unemployment benefits are typically conditional on looking for a job or participating in job search or training. However, such integration requires significant administrative capacity. International experience suggests that the effectiveness of ALMPs is mixed and varies widely across programs. Levy-Yeyati, Montané, and Sartorio (2019) conduct a systematic review covering 102 countries and find that programs aimed at building human capital, such as vocational training, support to independent workers and microentrepreneurs, and employment incentives, have a significant positive impact on earnings, while employment services tend to have a negligible effect. However, there is significant variability across programs of a given type, reflecting the large differences across programs in terms of design, quality of implementation, target population, and socioeconomic context. Similarly, Card, Kluve, and Weber (2017) concluded that ALMPs emphasizing human capital accumulation tend to have larger effects on employment and these effects differ across participant groups, with larger impacts for female participants and those entering from long-term unemployment, and also depend on macroeconomic conditions, with programs more likely to show positive impacts during recessions..

- *Protection*. Passive labor market programs provide temporary income support to unemployed or underemployed workers, replacing a portion of lost labor earnings due to unemployment and protecting individuals from falling into poverty. *Unemployment benefits* are usually temporary and designed to protect workers from frictional unemployment spells and incentivize job search (for example, through partial income substitution, which may also decline over time). *Unemployment assistance*, on the other hand, is typically used to provide support to workers that face longer-term unemployment, including those entering the labor market for the first time. In most countries with unemployment income support programs, unemployment benefits and assistance are coordinated, with workers becoming eligible for unemployment assistance once entitlement for unemployment benefit is exhausted (IMF 2012). Most unemployment benefit programs are contributory and only cover workers in formal employment, excluding informal workers and the self-employed in many cases. As a result, in many developing countries, where labor market informality is high, income support to unemployed workers is mostly provided through SSN programs.
- *Promotion*. Passive labor market programs can play a promotion role by providing time for unemployed workers to search for productive employment matches. ALMPs aim to improve beneficiaries' prospects of finding productive employment or to otherwise increase their earnings capacity. ALMPs are also often integrated with SSN programs with, for example, continued eligibility for SSN benefits being conditional on participation in programs that offer job search support and counseling services or skills training (Coady and others 2021; OECD 2021b).

A key design feature of SSN programs is the criteria used for determining eligibility for transfers. In this regard, it is useful to distinguish between the following concepts (Coady and Le 2020):

- **Universal transfers**. These are transfers that are available to everyone without any eligibility conditions (that is, no targeting). While the idea of a universal (basic) income is widely discussed, no country has ever adopted it (IMF 2017b; Francese and Prady 2018; Gentilini and others 2020).
- **Quasi-universal ("categorical") transfers**. These are transfers where eligibility is defined according to criteria that are typically viewed as being highly (although not perfectly) correlated with having low income. For instance, households with children or elderly may be deemed more likely to be poor. All households in a given "category" receive a transfer regardless of income (for example, child benefits, social pensions, and benefits for disabled persons).[5]

[5] Note that proxy-means tests, described in Box 3, are essentially a complex form of categorical targeting, although they can also include an indicator of income as a categorical variable.

- **Means-tested transfers**. These are benefits where eligibility is based on income (or "means"). This requires the capacity to define, measure, and verify "means." For instance, guaranteed minimum income programs typically base "means" on household income and assets.

In practice, all SSN programs involve some sort of targeting (Box 3), so that targeting is the norm rather than the exception. SSN programs often use a combination of targeting criteria, for example, child benefits for younger children may be universal while those for older children may be means tested.

BOX 3. Alternative Approaches to Targeting

Experience has shown that cost-effective targeting of social safety net (SSN) transfers can be achieved through a combination of targeting methods (Coady, Grosh, and Hoddinott 2004; Grosh and others 2022):

- **Geographic targeting.** Some programs provide benefits only to those in a defined geographic area or allocate benefits to different areas based on spatial variation in economic welfare. Household surveys and national census data can be used to allocate transfers across regions. Typically, this is achieved by using these data to construct a socioeconomic index for districts. For example, poverty maps are often used to estimate the share of low-income households in each region. This then provides a basis for allocating transfers to disadvantaged areas.
- **Self-selection targeting.** Some programs have explicit design features to try to induce certain individuals to apply and others not to, promoting differential take-up across the population. For instance, public works programs may pay low wages for short periods to discourage those with better employment prospects from participating. Programs in which lower-income households self-select into the program, while higher-income households self-select out of the program, can substantially reduce the administrative costs of targeting and the leakage of benefits to higher-income groups. Such programs typically provide low transfer levels relative to income and require households to re-apply at regular intervals, with an understanding by the population that only those in need are eligible for transfers. Care needs to be taken to ensure that low-income households are informed about the program and its objectives, have easy access to program offices, and that the information they are required to provide is available.
- **Categorical targeting.** When there is a strong correlation between relatively easy to observe individual or household characteristics and low income, this information can be used to determine eligibility. The most commonly used categories include age, civil status, and gender. These characteristics can be used to include or exclude applicants. Such an approach needs to be strongly founded on convincing prior empirical evidence from a recent national household survey.
- **Community targeting.** Information available at the community level can often be useful when identifying households in need, especially where current economic status cannot be easily captured by a more statistical approach to targeting. This information could come from program officers who have "local knowledge" not available in any survey. Often, other prominent local persons are involved, usually in the form of a committee (for example, teachers, doctors, local elders, religious groups). However, care needs to be taken to ensure that these persons have objectives consistent with those of the program.

- **Means/proxy-means targeting.** Most sizable SSN transfer programs contain some element of explicit means testing. Simple means testing links eligibility and benefit levels to some estimate of individual or household income. This requires verifying the information provided by applicants on the income of household members from various sources. It is thus more feasible in economies where economic activity is formalized and less attractive in economies where informal economic activity is prominent and verifying income is difficult. This is especially the case for the lower-income groups targeted by SSN programs. A growing number of countries use a statistical proxy-means testing approach that identifies key socioeconomic characteristics strongly correlated with economic status, attaches a numerical weight to each characteristic, and calculates a score by summing the products of weights and characteristics, which is then used to determine eligibility. The characteristics used should be easily observable and thus verifiable by program officers and not easily manipulated by applicants. This approach typically results in the exclusion of genuinely poor households and leakage of benefits to some less needy households. In addition, its structural nature makes it more useful for dealing with "structural poverty" as opposed to "transitory" poverty.

The appropriate approach to targeting of transfers will depend on how governments balance the various costs and benefits associated with different targeting options.[6]

- **Benefits of targeting.** Targeting can achieve a larger poverty impact for a given transfer budget. This is particularly attractive when tax capacity is low and/or there are competing spending priorities. For example, under such circumstances, expanding coverage of beneficiaries beyond "poor" households, within a given budget envelope, comes at the cost of lower benefits for poor households thus undermining poverty alleviation efforts. The benefits of targeting also increase with the extent of income inequality between poor and middle-income households. If this inequality is low, then excluding "near-poor" (vulnerable) middle-income households is less desirable.
- **Costs of targeting.** Since targeting, especially based on a means test, can come with various costs, the appropriate level of targeting will therefore depend on the magnitude of these costs and how governments decide to trade-off these costs against the previously discussed benefits. These costs include, for example, efficiency costs (if benefits decrease as earnings increase this acts as a tax on labor income and can therefore reduce work incentives); administrative costs associated with collecting information on and verifying household income (which can be relatively high in developing countries with large informal sectors); private monetary and time costs associated with applying for and collecting benefits; social costs associated with being identified as poor, being wrongly excluded from transfers (that is, errors of exclusion), or being subject to eligibility criteria that are perceived as unclear or unfair; and political costs associated with the need to build broad political support for social programs.

Decisions about whether to target and how precisely and what method to use will depend on the relative size of these costs and benefits and how they vary across targeting methods and in different country settings. The appropriate approach to targeting will therefore depend on how countries

[6] For further discussion see Coady and Le (2020), Grosh and others (2022), and Razavi and others (2022).

decide to trade-off costs and benefits of targeting. For instance, governments might choose to broaden SSN coverage beyond the poor to reduce labor-market disincentives or cover lower-middle classes, accepting higher fiscal cost or lower benefit levels.

An evaluation of targeting also needs to take account of the progressivity of tax financing. From a targeting perspective, broader SSN coverage of the population is less of a concern in distributional terms when tax financing is progressive since progressive taxes help to claw back benefits from higher-income households. For instance, where income (and consumption) inequality is high, substantial redistribution can be achieved even through the use of uniform transfers (that is, where each individual receives a common absolute transfer) financed by broad proportional consumption taxation since the share of the tax burden borne by high-income households will be substantially higher than their share in transfers (Coady and Le 2020). This is particularly relevant for LICs that typically rely more heavily on broad consumption taxes and where the capacity to implement means testing is often limited. It is also important to recognize, however, that reliance on such tax and transfer schemes, as opposed to say means-tested transfers, to achieve acceptable targeting performance simply switches the inefficiency associated with financing to a different tax instrument.

ASSESSING THE MACRO-CRITICALITY OF SOCIAL SAFETY NET SPENDING

This section discusses how SSN spending can be evaluated through each of the three channels of macro-criticality: spending adequacy, spending efficiency, and fiscal sustainability. Macro-criticality can arise from any one or combination of these channels.

Evaluating the macro-criticality of SSN spending requires an integrated assessment of the overall SSN from three perspectives: spending adequacy, spending efficiency, and fiscal sustainability. An assessment of SSN spending should start with a focus on its effectiveness in achieving its primary objective, typically poverty alleviation. This will depend on the level of SSN spending and its targeting efficiency. Assessing spending adequacy and fiscal sustainability requires considering the overall SSN spending as well as spending on related programs, such as labor market programs and social insurance. Assessing spending efficiency requires understanding how key SSN programs interact and complement each other to achieve the objectives of the SSN as a whole. In addition, it may be necessary to consider the interaction of SSN programs with labor market programs, social insurance, as well as with such areas as tax policy, the labor supply and demand decisions of households and firms, and savings and investment behavior. However, since the objectives of some SSN programs may go beyond a narrow focus on poverty alleviation, they may require a more comprehensive evaluation that takes on board such broader objectives, which in turn requires a clear understanding of the policy objectives. It also requires an evaluation of a country's capacity to design and implement alternative transfer and tax policies. For instance, it is commonly accepted that LICs have limited administrative capacity and a larger informal sector and are more constrained in the range of policy options they can implement.

The response to the COVID-19 shock has heightened awareness of the importance of effective SSNs to help vulnerable households cope with shocks and has also laid bare some weaknesses of existing SSNs, especially in LICs. In advanced economies with strong contributory social insurance systems, pandemic-related measures focused on strengthening labor market and social insurance programs by expanding eligibility and increasing benefit levels. EMDEs with sufficient capacity scaled-up SSN programs, increasing benefit amounts and the number of beneficiaries, with relatively generous cash transfers being the most commonly used tool. EMDEs with weak SSN systems, especially LICs and fragile and conflict-affected states, in many cases faced difficulties in expanding coverage and reaching vulnerable households due to limited administrative capacity and lack of basic infrastructure. Reflecting weak information systems and delivery infrastructure, governments in many countries were not able to accurately identify those in need and deliver assistance to them.

A. Spending Adequacy

Spending adequacy refers to whether total SSN spending is sufficient to achieve a government's social policy objectives. While these objectives can be numerous, poverty alleviation is typically seen as the primary objective of SSNs so that spending adequacy can be initially analyzed by using the level of SSN spending required to eliminate poverty as a useful benchmark. This is typically done by specifying a relevant poverty line and then calculating the aggregate transfers required to bring all poor households at least to this income threshold (Box 4). Such estimates depend on where the poverty line is drawn and implicitly assume perfect targeting (that is, all SSN spending goes to poor households and benefit levels reflect poverty gaps), which ignores the inevitable leakage of benefits to nonpoor households due to weak administrative capacity or political and social constraints in the use of targeting methods. Indeed, in the presence of such costs, perfect targeting is not necessarily optimal. Allowing for these factors, this approach to estimating spending adequacy benchmarks should be treated as a lower bound, that is, the minimum level of spending required to eliminate poverty. To the extent that SSN objectives go beyond poverty alleviation, including promoting human capital formation, this may also require higher spending.

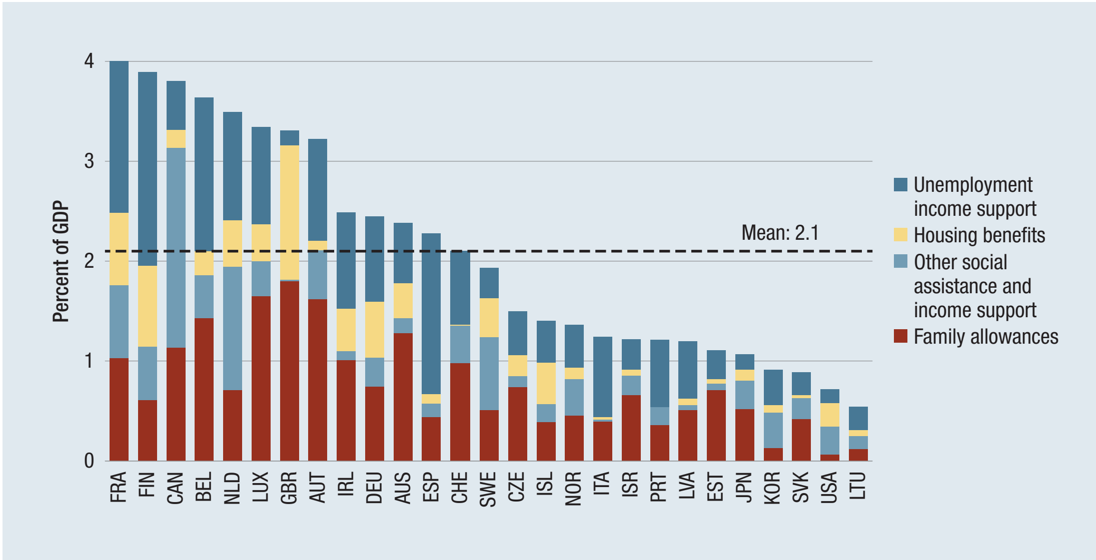
BOX 4. Estimating the Social Safety Net Spending Needed to Eliminate Poverty

Most estimates of the level of social safety net (SSN) spending needed to eliminate poverty start from the concept of the aggregate poverty gap, which is the monetary value of the aggregate gap between the consumption (or income) of the poor and the poverty line. These estimates are, of course, sensitive to the choice of the poverty line. Most emerging market and developing economies consider an *absolute poverty line*, that is, they define the threshold that separates the poor from the nonpoor as the cost of purchasing a fixed basket of goods and services that allows people to meet their basic needs. Absolute poverty lines, such as the World Bank's international poverty line of $1.90 a day in purchasing power parity dollars, are also used for comparing poverty across countries. On the other hand, many advanced economies consider a *relative poverty line*, defined in relation to the overall distribution of income or consumption in the country. For instance, the Organisation for Economic Co-operation and Development defines the poverty line as half the median household income of the total population.

While estimates based on the aggregate poverty gap can serve as a starting point for assessing SSN spending needs, they typically face two important limitations. First, most analyses consider the observed poverty gap, which reflects the effect of existing SSN programs on poverty. Thus, these calculations can only provide estimates of *additional* spending needs. Estimating *total* spending needs would require considering the poverty gap before existing SSN programs, which is seldom available and can only be estimated using microdata from household surveys. Second, estimates based on the aggregate poverty gap significantly underestimate spending needs, since they assume perfectly targeted means-tested transfers (that is, all transfers go to the poor), and thus provide lower-bound estimates of the costs of eliminating poverty. More realistic estimates require taking into account that perfect targeting is not feasible, given difficulties in collecting and verifying information on household incomes and reaching beneficiaries, and may also not be optimal since it would create a large disincentive for labor supply (that is, the poor would face an effective 100 percent marginal income tax rate), and could have other costs, including administrative, social, and political costs. Allowing for these factors, spending needs to eliminate poverty can be much higher than the aggregate poverty gap.

SSN spending levels vary considerably across countries and regions.

FIGURE 1. Spending on SSN and Passive Labor Market Programs in Selected Advanced Economies
(Share of GDP, latest available data)



Sources: OECD; and IMF staff calculations.
Note: The chart includes spending on passive labor market policies (unemployment income support) and SSN spending, which includes family allowances, housing assistance, and other social assistance and income support. Categories are ultimately shaped by countries' specific benefit architecture and some types of support may be categorized differently across countries.

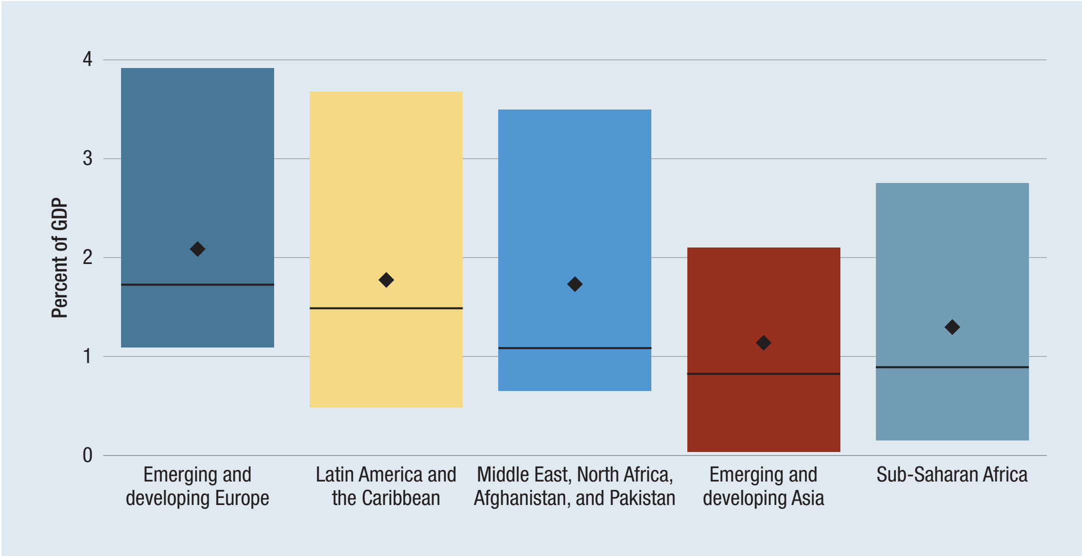
- *Advanced economies.* Spending on SSN programs and passive labor market programs (unemployment income support) averages about 2 percent of GDP, although there is significant variation across countries (Figure 1).[7] For example, while Canada, Finland, and France spend almost 4 percent of GDP on these policies, Lithuania, Korea, the Slovak Republic, and the United States spend less than 1 percent. The bulk of spending, averaging about 1.4 percent of GDP, is related to SSN programs, with family allowances accounting for about half of this. However, one expects that spending on labor market programs becomes relatively more significant during economic downturns.[8]
- *Emerging and developing economies.* While SSN spending in emerging and developing Europe and Latin America and the Caribbean countries is similar to that in advanced economies, spending is substantially lower in emerging and developing Asia and sub-Saharan Africa (SSA) (Figure 2).[9] There is also significant variation across countries within regions. For instance, among emerging and developing Europe, Ukraine and Kosovo spend over 4 percent of GDP, while Montenegro spends only about 0.6 percent of GDP. In sub-Saharan Africa, while Lesotho spends more than 5 percent of GDP in SSN programs, several countries, including Cameroon, Guinea-Bissau, and

[7] While, in advanced economies, on average one-half of unemployed workers are covered by unemployment benefits, coverage of unemployment income support schemes in most EMDEs is extremely limited—according to ILO (2021a), 103 countries (mostly EMDEs) lack any unemployment income support program. Low coverage is in a large part due to the high degree of labor market informality in many EMDEs, where income support to unemployed workers is mostly provided through SSN programs.

[8] Note that tax systems can also be designed to address poverty and low income among the unemployed, for example, through the use of refundable tax credits. Programs such as the Earned Income Tax Credit in the United States are motivated primarily as a way to support these groups.

[9] Due to differences in the types of programs included in the spending data, as well as in how programs are classified, SSN spending figures may not be fully comparable across countries.

FIGURE 2. SSN Spending in EMDEs, by Region
(Latest available data)

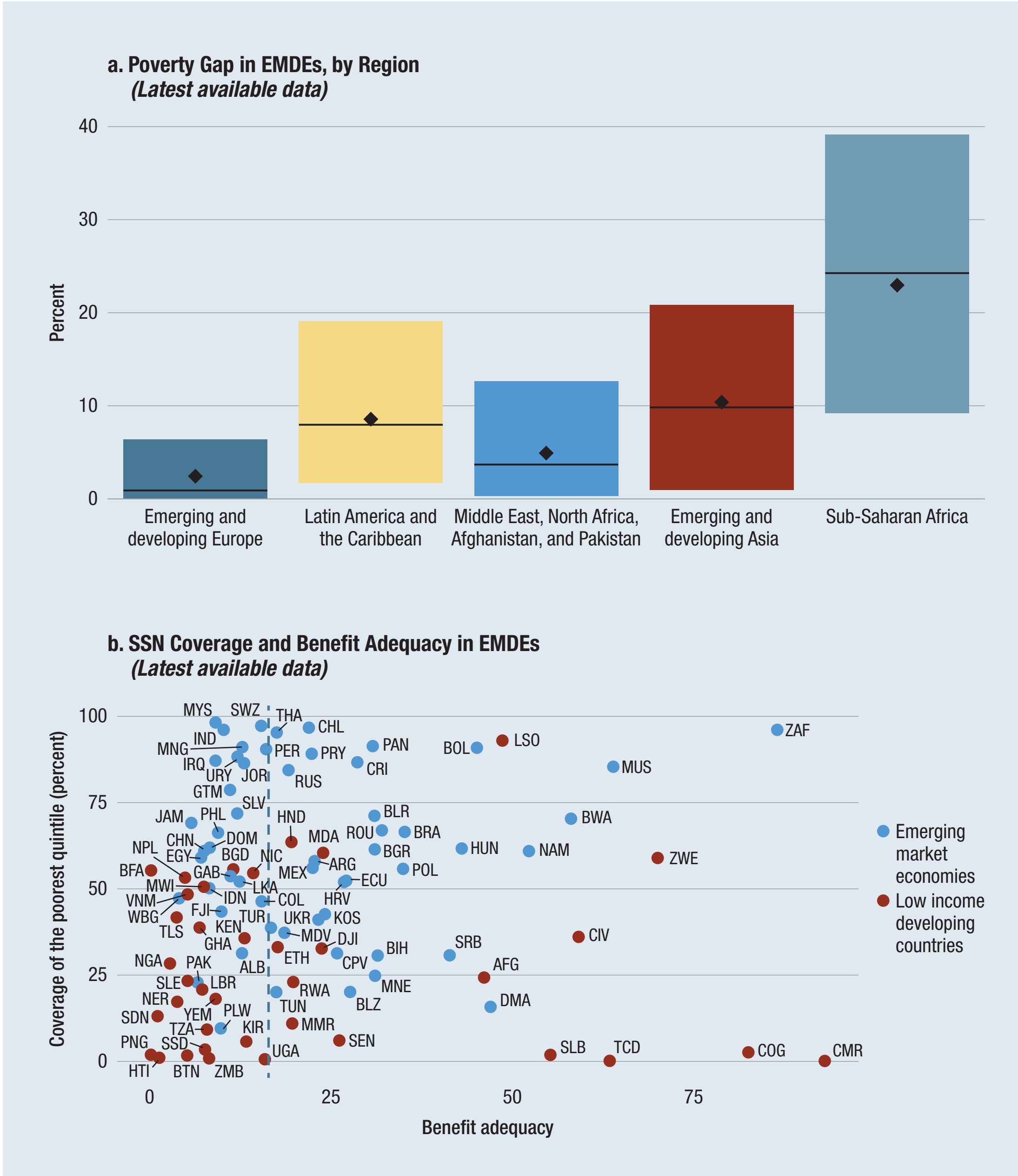


Sources: World Bank ASPIRE database—The Atlas of Social Protection; and IMF staff calculations.
Note: Box plots with 10th percentile and 90th percentile boundaries. Line denotes median and diamond denotes mean.

South Sudan, spend less than 0.2 percent (although they may have subsidies on consumption of goods such as fuel and food). Low SSN spending in many EMDEs translates into a combination of low program coverage and benefit levels, in the face of large poverty levels and gaps. Poverty levels, which reflect the incidence (share of the population that are poor) and poverty gaps which reflect the intensity (how far the income of the poor is from the poverty line) of poverty, are higher in emerging and developing Asia (and especially SSA) compared to other regions (Figure 3, panel a). Similarly, SSN coverage of low-income households (that is, the share of the population in the poorest quintile covered by SSN programs) remains quite low in many developing countries, with coverage gaps being especially pronounced in SSA (Figure 3, panel b). In addition, SSN benefit levels are usually low relative to needs in many LICs.

If addressing absolute poverty is the primary objective of SSNs, in most EDMEs SSN spending should increase significantly to achieve this objective. The additional spending required to eliminate poverty in EMDEs, even assuming perfect targeting, is sizable, especially relative to existing spending on SSNs (Figure 4). Given large poverty gaps, estimates suggest that to eliminate poverty countries in sub-Saharan Africa will need to spend about 10 percent of GDP on average, in addition to current spending. Of course, estimates that take account of the inevitable leakage of benefits to nonpoor households would result in even larger spending needs—for example, if half of the transfer budget leaks to nonpoor households, then spending needs would be doubled. In addition, these estimates are static and rely on current poverty rates. In many developing countries, a considerable proportion of the population remains vulnerable to falling into poverty, so negative shocks could significantly increase the spending required to eliminate poverty. In addition, achieving the broader objectives of SSNs, such as enhancing investment in human capital by poor and vulnerable households, would further increase spending needs.

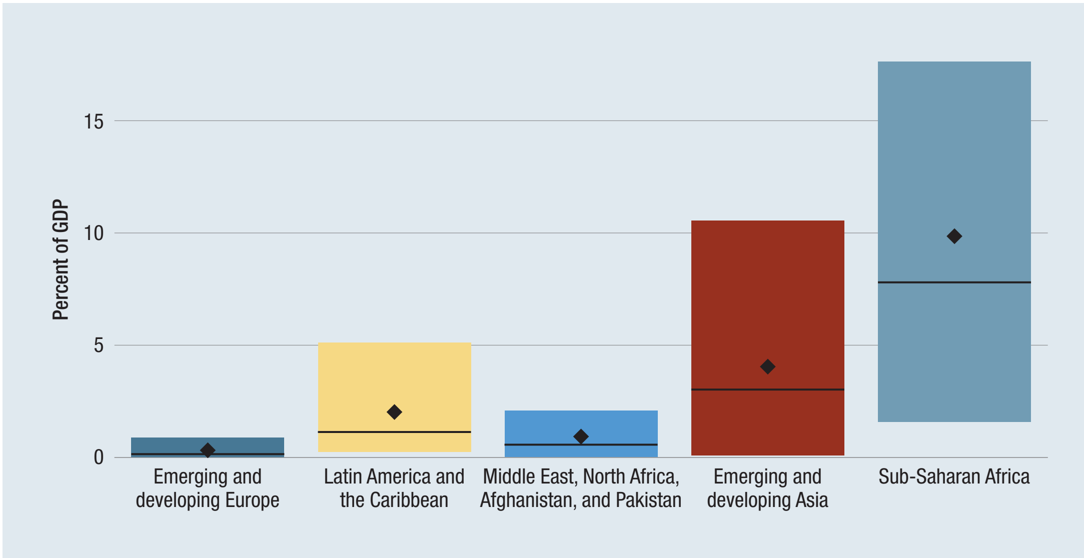
FIGURE 3. Poverty and Social Safety Nets in Emerging and Developing Economies



Sources: World Bank PovcalNet (panel a); ASPIRE—Atlas of Social Protection (panel b); and IMF staff calculations.
Note: In panel a, the poverty gap is the mean shortfall in income or consumption from the poverty line (counting the non-poor as having zero shortfall), expressed as a percentage of the poverty line. Estimates consider poverty lines of $1.90 international dollars a day using 2011 PPP conversion rates for low-income countries, $3.20 for lower middle income, and $5.50 for upper middle income and high-income countries. Box plots with 10th percentile and 90th percentile boundaries. Line denotes median and diamond denotes mean. In panel b, dashed line denotes median value. Coverage is defined as the share of the population in the poorest quintile covered by SSN programs. Benefit adequacy is defined as the SSN benefit amount divided by household income before transfers.

While relative poverty gaps also remain in advanced economies, the additional spending needs to eliminate these gaps are relatively small, especially compared to existing spending (and tax) levels. In advanced economies, the incidence of extreme absolute poverty (per capita income below $1.90 per day) is very low and concerns about social inclusion, better captured by relative poverty, are

FIGURE 4. Estimated Additional Spending Required to Eliminate Poverty in EMDEs, by Region
(Latest available data)



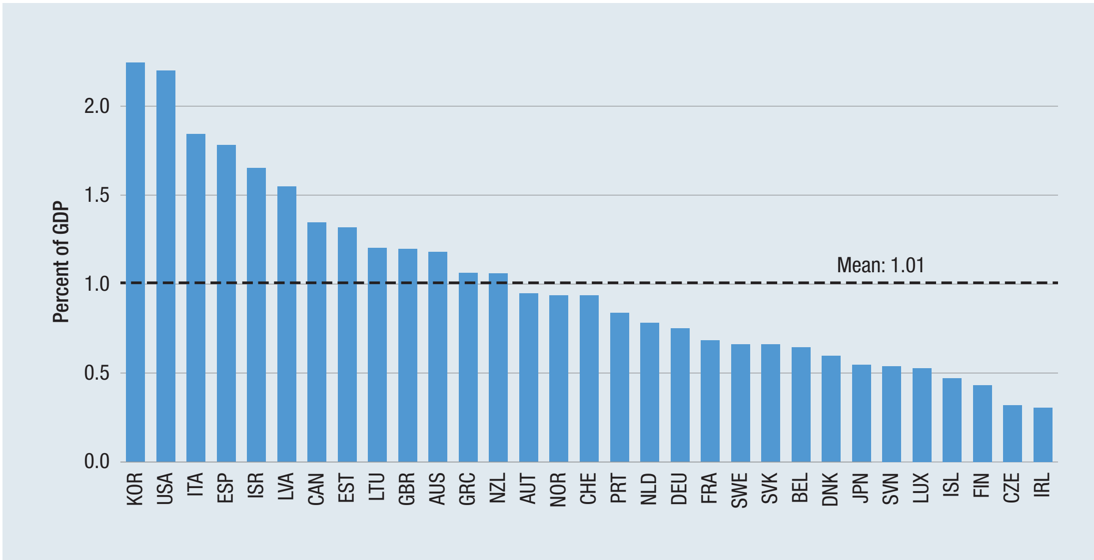
Sources: World Bank PovcalNet; and IMF staff calculations.
Note: Estimates consider poverty lines of $1.90 international dollars using 2011 PPP conversion rates for low-income countries, $3.20 for lower-middle income, and $5.50 for upper-middle income and high-income countries. The poverty gap index is calculated over the whole population. Therefore, to obtain the aggregate poverty gap for each country, we apply the following formula: Poverty Gap Index × Poverty Line × 365 × Population. Box plots with 10th percentile and 90th percentile boundaries. Horizontal lines denote median values and diamonds denote means.

more relevant (see Box 4). The additional SSN spending required to eliminate relative poverty in advanced economies, based on a poverty line equal to half the median household income of the total population and assuming perfect targeting, would average about 1 percent of GDP, although there is significant variation across countries (Figure 5). Spending needs would likely be greater to the extent that SSNs have broader objectives beyond poverty alleviation. While countries with relatively low tax and total spending levels can consider increasing SSN spending to reduce remaining poverty gaps (for example, financed through expanding progressive taxation), for many countries there may also be substantial room to address remaining poverty gaps through improving targeting efficiency (for example, through greater use of means testing).

Assessing the adequacy of SSN spending in advanced economies also requires an analysis of ALMPs, since these programs interact with and complement SSN programs. In advanced countries, spending on these programs averages 0.3 percent of GDP (Figure 6).[10] However, there is large variation in ALMP spending across countries, with spending reaching almost 2 percent of GDP in Denmark and less than 0.2 percent of GDP in several countries (including Australia, Greece, Italy, and Japan). On average, training and public employment services account for most of the spending in ALMPs. The adequacy of ALMP spending will depend on the share of unemployed workers receiving these benefits. Going forward, many countries may need to scale up ALMP programs to promote job mobility amid ongoing changes in the nature of work and to avoid labor market scarring following the pandemic. There is large heterogeneity across programs, and careful attention to the design and

10 Denmark is a significant outlier in terms of government spending in ALMPs, reflecting a long tradition of extensive use of these policies (Andersen and Svarer 2012).

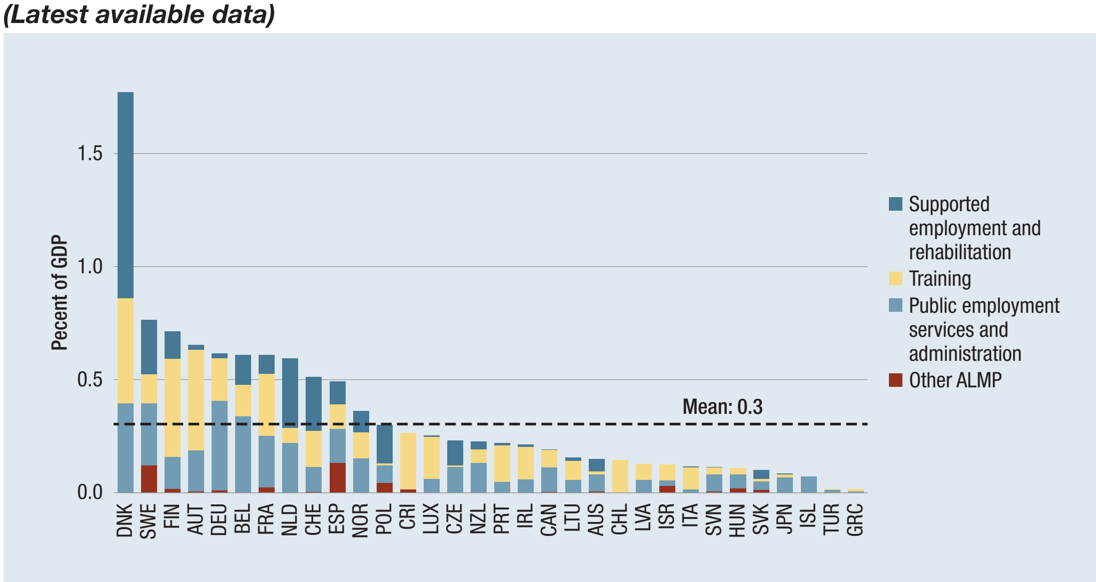
FIGURE 5. Estimated Spending Required to Eliminate Relative Poverty in Selected Advanced Economies
(Latest available data)



Sources: OECD; and IMF staff calculations.
Note: Estimates consider a poverty line equivalent to half the median household income of the total population.

implementation of these programs is crucial for their effectiveness (see Box 2). ALMPs in advanced economies are often closely integrated with SSN programs with, for example, continued eligibility for SSN benefits being conditional on participation in programs that offer job search support or skills training. In many cases, this integration is intended to ameliorate the labor disincentives that may arise from means-tested programs. However, such integration requires significant administrative capacity.

FIGURE 6. Government Spending on Active Labor Market Policies in Selected Advanced Economies
(Latest available data)



Sources: OECD; and IMF staff calculations.

B. Spending Efficiency

SSN spending is efficient if it meets the government's policy objective in a cost-effective manner and without causing undue labor (or other) market distortions. The design of SSN programs, as well as their implementation, can significantly affect their efficiency as well as their effectiveness in fighting poverty. Spending inefficiencies can arise through various channels, including:

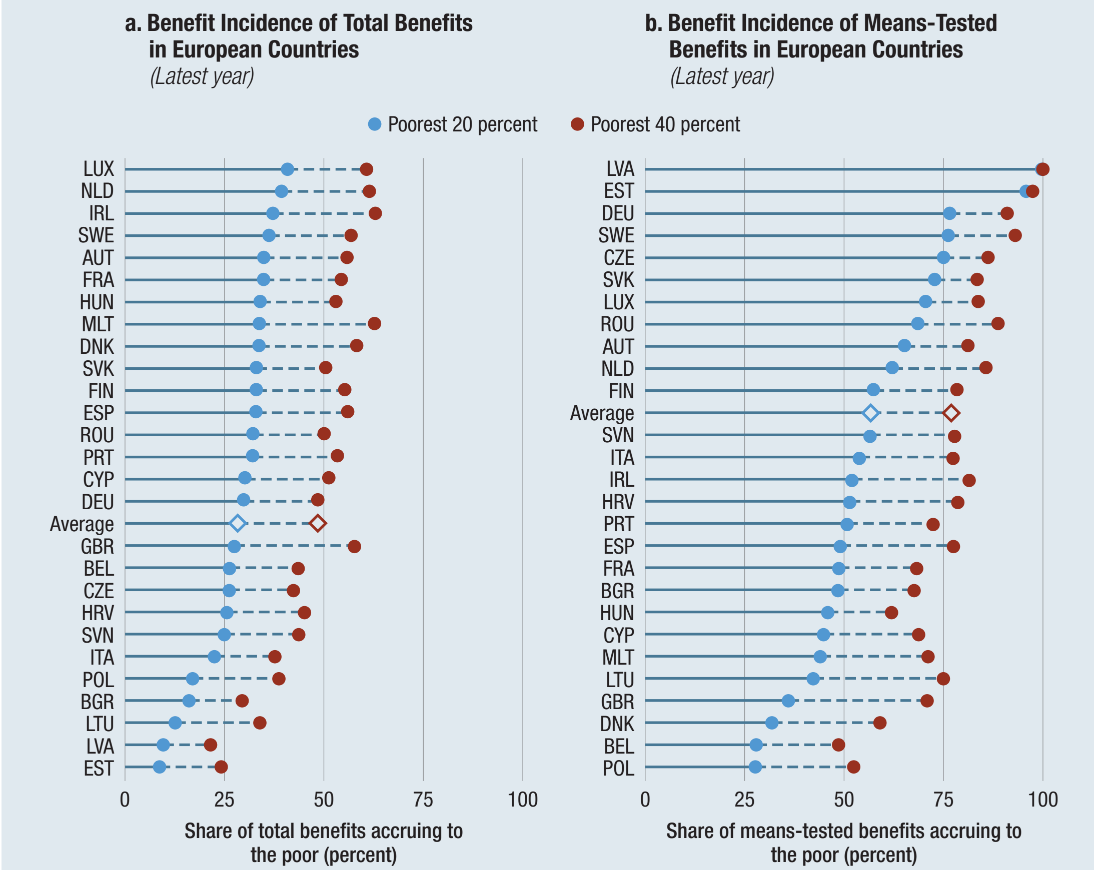
- *Targeting efficiency.* The ability of SSN programs to pursue, for example, the typical objective of alleviating poverty depends on the number of poor households that they reach (thus avoiding errors of exclusion) as well as on providing benefits that are large enough to bring poor households above the poverty line. Conversely, for a given transfer budget, leakage of benefits to nonpoor households can result in low coverage of poor households and low benefit levels. An evaluation of targeting efficiency also needs to consider how transfers are financed since, for example, financing through progressive taxes helps to claw back much of the transfers received by high-income groups (Coady and Le 2020).
- *Administrative and implementation costs.* All transfer programs incur administrative costs. These costs relate to the collection and analysis of data to identify the targeted groups, the creation of a beneficiary registry, the development of an infrastructure for delivering benefits, and the continuous monitoring of actual and potential beneficiaries to determine eligibility. While these costs can generate benefits (for example, in terms of targeting efficiency and coverage of the poor), they can become unnecessarily high, especially in the presence of multiple, duplicating, and fragmented programs. Efficient implementation also requires strong PFM systems to ensure allocated financing is available to SSN programs in a predictable and timely manner.
- *Work disincentives.* Targeting of benefits using means testing (that is, the withdrawal of benefits as income increases) introduces work disincentives which can result in lower labor force participation and reduced incentives to increase earnings when in work. This, in turn, undermines the objective of poverty alleviation.

Targeting Efficiency

While the targeting efficiency of SSN spending varies substantially across countries and regions, a significant share of transfers accrues to nonpoor households in both advanced countries and EMDEs. Reflecting their primary objective of poverty alleviation, the targeting efficiency of SSN spending is typically evaluated by looking at the benefit incidence of SSN transfers, that is, the share of transfers going to poor (or lower-income) households. However, such an evaluation should also allow for any broader objectives of SSN spending, such as consumption smoothing across the life cycle and promoting investment in human capital (see Annexes 2 and 3), as well as how transfers are financed.

- *Advanced economies.* Targeting performance can be expected to be relatively high in advanced economies with stronger administrative capacity to implement means-tested transfers. However, among high-income European countries, on average only around 28.3 percent of all SSN transfers accrue to the poorest 20 percent of the population and less than 49 percent accrue to the poorest 40 percent (Figure 7, panel a). While means-tested transfers are better targeted (Figure 7, panel b), only around one-third of SSN transfers in high-income European countries are means tested (Coady and others 2021). Even then, in half of the countries in the sample, less than 50 percent of means-tested transfers accrue to the poorest 20 percent of the

FIGURE 7. Benefit Incidence of Total and Means-Tested Benefits in European Countries



Sources: EUROMOD; and IMF staff calculations.
Note: EUROMOD means-tested transfer data may include both contributory and non-contributory transfers. Definition varies for each country but, e.g., for Belgium, benefits include: child benefits, birth allowance, income support, income support for the elderly, permanent disability benefits, sickness related benefits, scholarships and grants, housing related benefits, unemployment benefits, parental leave, maternity leave.

population. Therefore, if warranted (for example, by fiscal consolidation pressures), there is ample room for improvements in targeting efficiency through increasing the share of means-tested transfers in total transfers or even improving the targeting of means-tested programs.

- *EMDEs.* In EMDEs, the targeting efficiency of SSN spending also varies significantly both within and across regions (Figure 8). But in a large share of countries there is significant leakage of transfers to nonpoor households, especially in LICs. For example, in half of all countries in emerging and developing Asia and sub-Saharan Africa, less than 35 (55) percent of transfers accrue to the poorest 20 (40) percent of the population, which is not much better than what would result from a universal (untargeted) transfer program (that is, 20 and 40 percent, respectively). In many cases, leakage of SSN transfers to nonpoor households arises due to deficiencies in program design and implementation as well as difficulties in verifying and monitoring incomes. Leakage may also reflect an explicit decision to target a broader population,

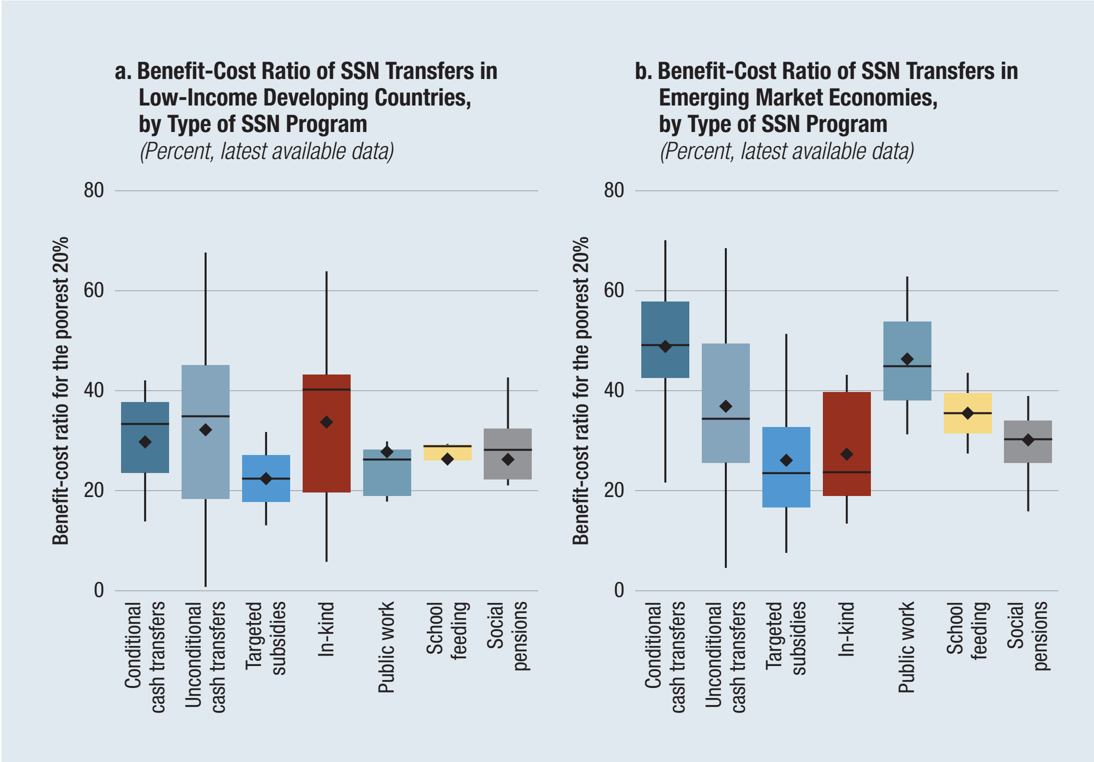
FIGURE 8. Benefit Incidence of SSN Transfers in EMDEs, by Region
(Latest available data)

Sources: ASPIRE–Atlas of Social Protection; and IMF staff calculations.
Note: Benefit incidence is defined as the share of total transfers going to poor households.

either because programs have broader objectives than poverty reduction or because the costs of narrowly targeting transfers based on means tests (including administrative, social, and political costs) are deemed too high.

Large differences in targeting efficiency, both across countries and programs, suggest that SSN spending efficiency could be increased by improving program design or reallocating spending across programs. The large variation in targeting efficiency across countries shown in Figures 8 and 9 suggests that countries with lower targeting efficiency could improve program design by learning from the best practices of more efficient countries. There are also large differences in efficiency across programs of different types, even when considering countries with similar levels of development (Figure 9). Conditional cash transfers, in particular, seem to have higher benefit-cost ratio compared with other SSN programs (World Bank 2018). Public work programs also appear to have relatively high benefit-cost ratios in emerging market economies. These large variations suggest that there is room to increase SSN efficiency by expanding programs that are better targeted, possibly by reallocating resources from other programs, by improving program design, or by applying the targeting design of well-targeted programs to other programs. Targeting efficiency can be increased in some cases by relying on local governments, which may have better information to identify those in need. However, in some countries, lack of administrative capacity and weak governance at the local level may result in higher costs and "elite program capture," and therefore the right level of decentralization is likely to vary across countries.

FIGURE 9. Benefit-Cost Ratio of Social Safety Net Transfers by Type of Social Safety Net Program



Sources: ASPIRE—Atlas of Social Protection; and IMF staff calculations.
Note: Benefit-cost ratio is defined as (poverty gap before transfer—poverty gap after transfer)/total transfer amount). Box plots with 25th percentile and 75th percentile boundaries. Line denotes median and diamond denotes mean. The end of upper and

Administrative and Implementation Costs

Fragmentation, duplication, and lack of coordination across programs can increase administrative costs and reduce the cost-effectiveness of the SSN in fighting poverty and achieving other SSNs objectives. Assessing spending efficiency requires understanding how different SSN programs interact and complement each other to achieve the objectives of the SSN as a whole. Despite progress in achieving better coordination, SSN programs in many developing countries are still often largely fragmented, with responsibility sometimes spread over several ministries. Fragmentation often leads to creation of small or temporary programs implemented in isolation and targeting narrow geographical areas or population groups, which reduces the effectiveness of the overall SSNs in fighting poverty and unnecessarily increases administrative costs. Program duplication also often occurs, especially in weak institutional environments with overlapping mandates across government agencies. The existence of fixed upfront administrative costs means that the cost-effectiveness of SSN programs typically increases with the size of the program in terms of population coverage and benefit levels. Therefore, consolidating and rationalizing programs under a common architecture can lead to economies of scale and significant savings in administrative costs. While mature and well-designed programs or registries have low administrative costs—for example, Tesliuc and others (2014) found that the share of administrative costs in total program budget of guaranteed minimum income programs in Europe and Central Asia was on average 5 percent, while for nine national social registries surveyed in Grosh and others (2022) the unit cost of registration was between 1 and 3 percent—Beegle, Coudouel, and Monsalve (2018) found that administrative costs represent on average 17 percent of SSN program spending in Africa, reflecting the relatively recent creation of many programs and their small size.

At the same time, effective SSNs require adequate investment in capacity to design and implement SSN programs. Effective SSNs require systems for identifying eligible beneficiaries, creating and updating beneficiary registries, and delivering benefits. While this redirects SSN spending away from transfers, it is also necessary for ensuring adequate coverage of intended beneficiaries and avoiding undue leakage to ineligible households thus enhancing targeting efficiency. At the heart of well-targeted programs is the capacity to effectively verify and monitor beneficiary incomes and other eligibility criteria, which can be especially demanding in low-income settings where, for example, informal employment is prevalent and population registries are weak. A comprehensive assessment of the cost efficiency of SSN programs therefore requires a careful analysis of the various cost components linked to various administrative activities. For instance, Caldés, Coady, and Maluccio (2005) find that a substantial share of total administrative costs of conditional cash transfer programs, which are among the better targeted programs in EMDEs, is accounted for by activities related to improving targeting and ensuring compliance with program conditionalities. Evaluating the return to investments in such administrative capacity (for example, better targeting and the generation of additional social benefits beyond current poverty reduction) is therefore important.

Many EMDEs successfully leveraged digital tools and big data to expand SSN coverage during the pandemic, highlighting the potential of expanding digitalization. Scaling-up SSN coverage requires several steps, such as outreach (for example, communicating to the potential target population and building awareness about the program), intake and registration of potential beneficiaries (for example, collecting identifying information and information on income and/or other relevant socioeconomic characteristics on potential beneficiaries), assessing needs and conditions (for example, verifying income information), determining eligibility and making enrollment decisions, and distributing benefits. During the pandemic, many countries used new technologies to facilitate some of these steps. In many cases, beneficiary intake and registration were carried out using mobile technology. Some governments, including Brazil, Indonesia, and Thailand, opted to implement more direct registration processes by creating dedicated websites. Some countries collected information on household characteristics from nonstandard sources to select new beneficiaries. For instance, Togo selected households to be enrolled in cash transfer programs based on satellite and phone record data using machine learning algorithms. Nigeria used a new targeting method based on census data and high-resolution satellite imagery to map the poorest urban areas and target benefits. Digital payment systems, especially through mobile money, were used in several countries to distribute benefits.

While it is important to learn from and build on these experiences, it is also important to recognize the challenges encountered. Innovative approaches relying on new technologies enabled rapid SSN coverage expansions, but there could be important trade-offs involved. Information collected through some of these innovative approaches may be less accurate than information collected through more traditional methods. For instance, self-reported income collected online or through mobile applications may be less reliable than income information collected through in-person registration at local government offices or through door-to-door visits. This can lead to both errors of exclusion and inclusion.[11] This problem is more relevant when SSN coverage expansions are longer-lasting and in countries that lack the ability to cross-check registrations with administrative data sets. In addition, relying on digital technologies for beneficiary selection, registration, and intake could lead to the exclusion of low-income households that may not have access to digital tools and/or may be hard to reach through digital mechanisms. There are important trade-offs between allowing a more rapid and timely expansion of SSNs in response to shocks and a better targeted (and less fiscally costly) expansion. Different objectives may be prioritized in different contexts, and determining the right approach requires a comprehensive analysis of the trade-offs involved. The right combination of tools to expand coverage will depend on the capabilities of the SSN (including existing tools and information systems, and even physical infrastructure) as well as on the specific country context.

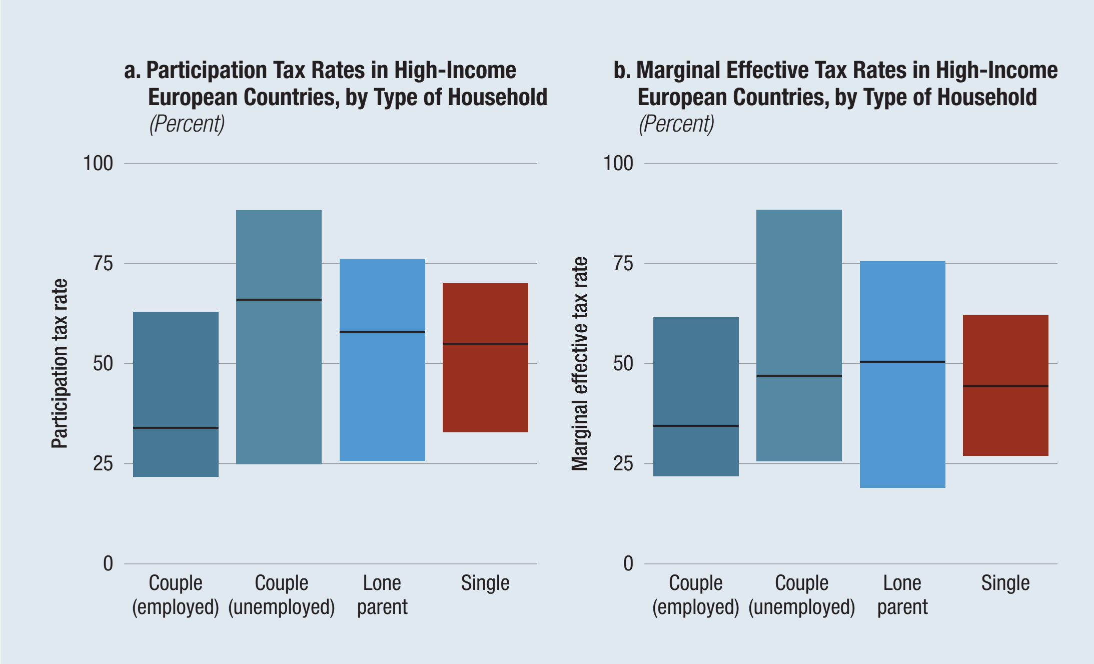
Work Disincentives

The design and generosity of SSN benefits can create work disincentives, especially when benefits are means tested. SSN benefits, irrespective of the targeting criteria used for determining eligibility, can generate work disincentives through an income effect (higher out-of-work income). Means-tested benefits can generate additional work disincentives through a substitution effect, as the returns to work decrease if higher labor income leads to the withdrawal of benefits. Thus, means-tested benefits can reduce employment take-up and the number of hours worked. Whether such financial disincentives actually affect employment outcomes will depend on both labor demand and supply responses (Coady and others 2021). The magnitude of the work disincentives created by SSN programs will also depend on how these programs interact with social insurance programs, the tax system, and other types of social spending (for example, education and health). The magnitude of these disincentives may also differ across individuals. Indeed, empirical evidence finds that work disincentives in advanced economies are particularly important for low-income and secondary (typically female) workers (Meghir and Phillips 2010). There is also suggestive evidence that eligibility criteria and generosity of benefits can affect the choice between formal and informal employment (Bosch and Manacorda 2012). However, empirical evidence suggests that work disincentives from SSN transfers in developing countries are relatively small, partly reflecting low benefit levels. On the contrary, substantial evidence suggests that SSN transfers generate a range of positive externalities (Banerjee and others 2017; Bastagli and others 2016; Handa and others 2018; Samson 2009).

The work disincentives created by means-tested SSN programs vary significantly across countries and are often quite high. The magnitude of work disincentives created by means-tested SSN programs can be estimated based on participation tax rates (PTRs) and marginal effective tax rates (METRs) (Coady and others 2021). The PTR is defined as the share of additional household income from moving into employment that is lost due to reductions in benefits and income taxation. The METR is defined as the share of additional household income from an increase in earnings that is lost due to reductions in benefits and income taxation. PTRs and METRs therefore depend on household composition, the level of earnings, the generosity of benefits, the rate at which means-tested benefits are tapered, and the interaction with the tax system. OECD estimates for selected high-income European countries show that PTRs (Figure 10, panel a) and METRs (Figure 10, panel b) vary across household types and are quite high in many countries, suggesting possible room to reduce these to provide stronger work incentives.

[11] Aiken and others (2022) analyze the case of Togo and find that relying on phone record data and machine learning algorithms to target SSN transfers would lead to lower exclusion and inclusion errors than a simple geographic targeting approach but would underperform compared to targeting transfers using data from a comprehensive social registry.

FIGURE 10. Participation Tax Rates and Marginal Effective Tax Rates in High-Income European Countries



Source: Coady et al. (2021).
Note: Analysis considers guaranteed minimum income schemes in 24 high-income European countries. Box plot limits indicate

A key challenge for the design of means-tested SSN programs is how to best manage the inherent trade-off between poverty reduction (equity) and work disincentives (efficiency). Countries adopt various approaches to limit the magnitude of work disincentives, including (1) restricting the generosity of benefits, (2) tapering the withdrawal of benefits, and (3) providing additional in-work income support (that is, wage subsidies). Many countries only reduce SSN means-tested transfers gradually as income increases to avoid so-called cliff-edge effects where earning a marginal amount of income could lead to the complete loss of a benefit and therefore very high disincentives for entering employment and increasing earnings. However, while more gradual benefit withdrawal reduces the work disincentive effects, it also increases the fiscal costs of transfers. Additional in-work income support (that is, wage subsidies) can further strengthen work incentives and can be effectively combined with lower out-of-work benefits for certain groups (for example, single working-age individuals). However, while low benefit levels can provide strong incentives to take up employment, this can undermine the primary poverty-alleviation objective of SSN programs. To reduce work disincentives without undermining poverty alleviation, countries can use complementary labor market activation policies, strengthening program conditions such as mandated job search and acceptance of employment offers. Conditionalities can also include mandatory participation in training programs that aim to ensure that recipients are both equipped and incentivized to participate in the labor market (International Labour Organization 2021b), although this may require significant administrative capacity.

Unemployment insurance programs also need to be carefully designed to incentivize return to work and manage fiscal costs (IMF 2012). Structuring unemployment benefits so that they decline over time motivates workers to undertake more intensive job searching. Initial replacement rates should be set below full replacement to reduce incentives to enter unemployment, but high enough to facilitate an initial period of intensive job search aimed at improving job match quality and thus worker productivity. Increased use of individual unemployment savings accounts could help to reduce the incidence and duration of unemployment. Under this system, part of the unemployment insurance contribution is credited to an individual account on which a person receives interest. During a period of unemployment, individuals can draw money from their account. Once the account is exhausted, individuals can borrow from the government at the same interest rate. Individual accounts are used in a number of emerging economies, including Brazil and Chile (Hijzen and Venn 2011). These could be combined with the use of layoff taxes or "experience rating," whereby firms with higher layoffs in a previous year face higher unemployment contribution rates. Countries could be encouraged to use experience rating instead of employment protection legislation to reduce incentives for layoffs (Blanchard and Tirole 2004).

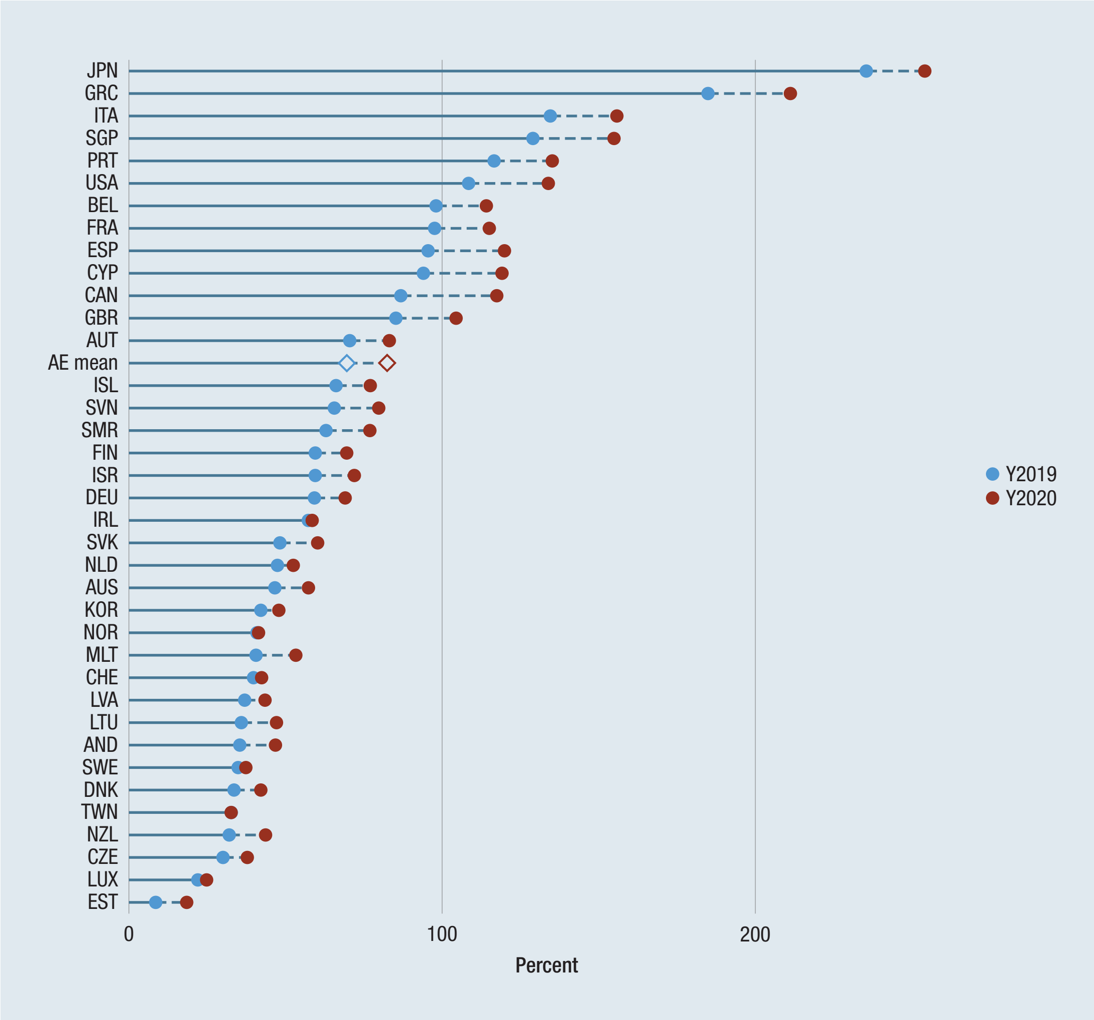
C. Fiscal Sustainability

SSN spending is sustainable if it can be financed without undermining government debt sustainability or crowding out other high-priority spending. Assessing sustainability therefore requires a comprehensive assessment of current and planned SSN spending within an integrated MTFF that reflects existing spending pressures and revenue mobilization capacity. Both advanced economies and EMDEs face challenges that will need to be addressed to ensure their SSNs can achieve their objectives in a fiscally sustainable manner. When fiscal space is limited, SSN spending may be increased gradually over time as policy reforms are introduced aimed at enhancing revenue mobilization or reallocating spending. Understanding how SSN spending will be financed (for example, new taxation or lowering other spending) is also important since the financing side can also have a direct impact on poverty.

Advanced economies and some emerging market economies face challenges that will restrict the fiscal space available for SSN spending while creating additional upward pressure on SSN spending. These challenges arise from high debt levels, increasing age-related spending pressures, and a changing world of work.

- *High debt levels*. In response to the COVID-19 pandemic, advanced economies (Figure 11) and emerging market economies (Figure 12) have provided significant fiscal support, resulting in higher gross financing needs and government debt levels. Between 2019 and 2020, the increase in government debt from already high levels is unprecedented, with debt-to-GDP ratios in advanced economies averaging 82.6 percent in 2020, and the change in the debt to GDP ratio averaging 12.6 percent. For emerging market economies, the change in the debt to GDP ratio was 13.1 percent, on average.
- *Increasing age-related spending pressures*. Advanced economies (Figure 13) and some emerging market economies (Figure 14) face significant spending pressures due to aging populations, with government priority outlays for pensions and health care expected to increase by 1.6 percent of GDP in advanced economies and 1.8 percent of GDP in EMDEs, on average, between 2020 and 2030.
- *A changing world of work*. Structural changes transforming the nature of work create challenges for contributory employment and social insurance programs in advanced economies and may lead to SSN spending pressures. Less stable employment relations put a premium on SSNs centered on workers rather than jobs and point to the need for labor market and social insurance reforms.

FIGURE 11. Debt to GDP Ratios for Selected Advanced Economies (2019 and 2020)



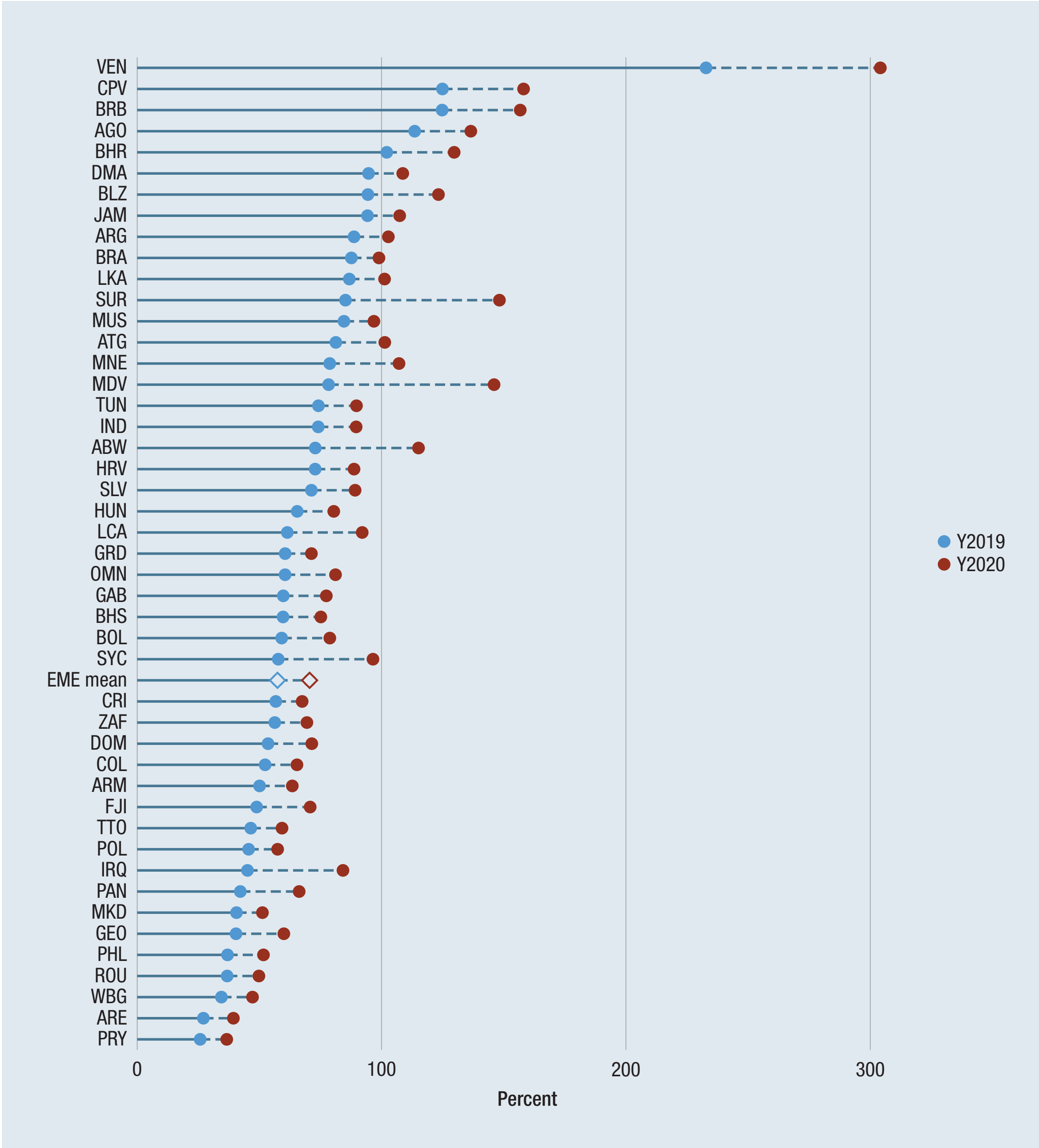
Source: World Economic Outlook, October 2021 (IMF, 2021b).

Age-related spending pressures, coupled with high debt burdens, could require sharp rationalization of other public spending or necessitate large tax increases that could hamper economic growth. Countries with relatively low tax ratios may have room to increase fiscal space by increasing progressive taxation and its efficiency (for example, better integration of personal income tax and corporate income tax systems to reduce tax evasion and avoidance, addressing the challenge posed by increasing international mobility of the tax base, and greater use of carbon taxes). Countries with already high tax ratios should focus on improving efficiency of SSN and other spending, including through spending reallocation.

EMDEs face challenges to increase SSN coverage and spending to eliminate poverty and address other SSN objectives given their low tax revenues and competing priority spending needs, especially when facing high debt levels.

- *Weak tax systems.* Expanding tax revenues is crucial for increasing and sustaining SSN spending in many EMDEs while avoiding crowding out of other priority public spending. Many emerging market economies and most developing countries have low tax capacity and

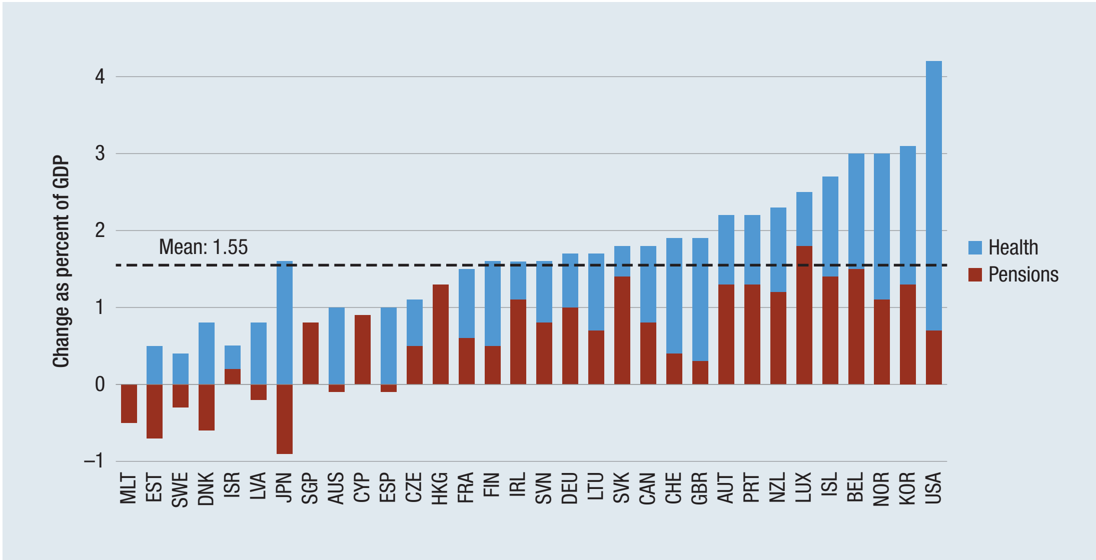
FIGURE 12. Debt to GDP Ratios for Selected Emerging Market Economies (2019 and 2020)



Source: World Economic Outlook, October 2021.
Note: Selected countries are those with change in debt to GDP ratio (2019 and 2020) above the median (10.37 percent of GDP) for emerging market economies.

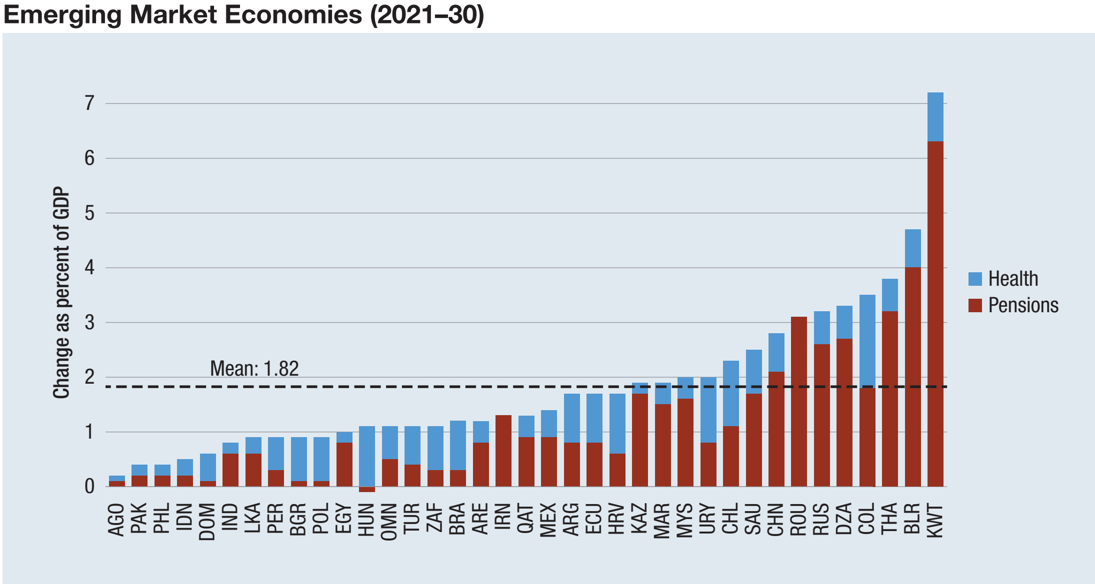
low tax effort (given their existing capacity), reflecting administrative constraints and significant scope to improve tax policy, including through broad-based consumption and progressive income taxes. More than half of LICs, and a third of emerging market economies, have tax-to-GDP ratios below 15 percent, a level that is associated with moving to a higher growth path (Gaspar, Jaramillo, and Wingender 2016). The large variation in tax-to-GDP ratios across EMDEs suggests that many countries have room for increasing tax revenues (Figure 15, panel a). Indeed, in most EMDEs there is a large gap between current tax revenues and estimated tax capacity—the predicted maximum taxation in an economy given its macroeconomic, demographic, and institutional features (Figure 15, panel b). Even closing part of the gap could

FIGURE 13. Projected Change in Age-Related Government Spending for Advanced Economies (2021–30)



Source: April 2022 *Fiscal Monitor* (IMF, 2022b).

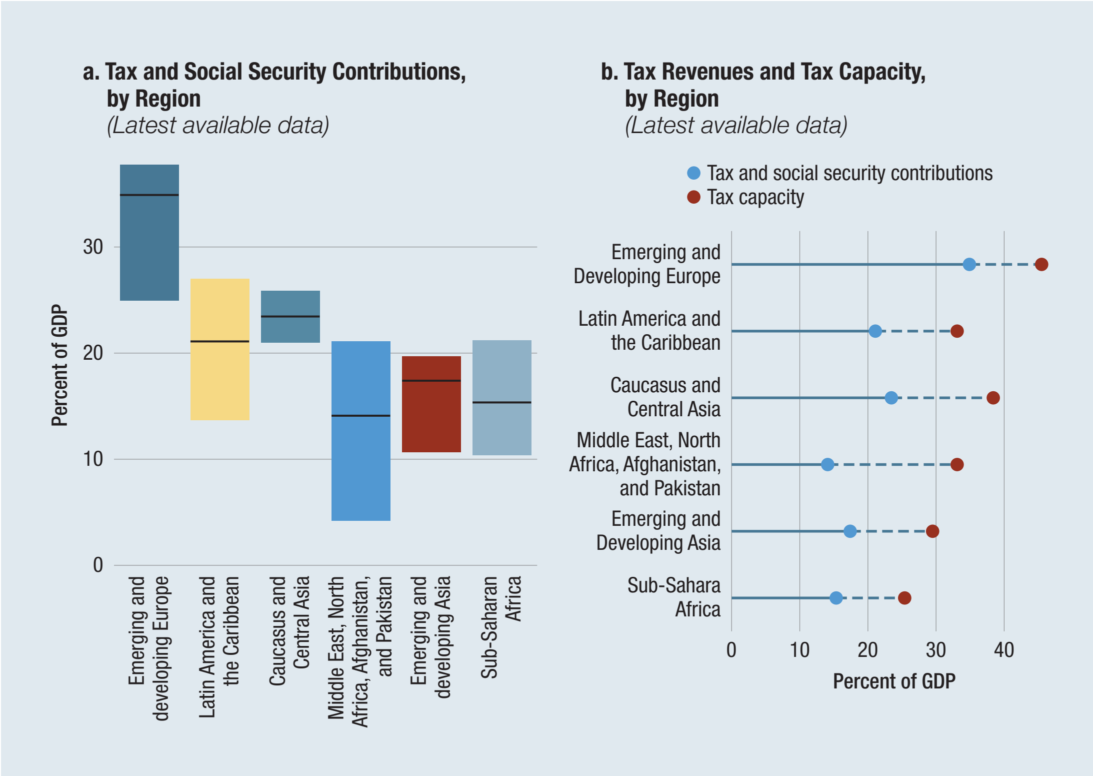
FIGURE 14. Projected Change in Age-Related Government Spending for (Select) Emerging Market Economies (2021–30)



Source: April 2022 *Fiscal Monitor* (IMF, 2022b).

substantially increase available resources (IMF 2021c). International experience suggests that increasing the tax-to-GDP ratio by about 3–7 percentage points over time through comprehensive policy and administration reforms is an ambitious but achievable goal for many low-income developing countries (Akitoby and others 2019). Increasing tax revenues will require an expansion of broad-based consumption taxes and selective excise taxes, as well as the development of progressive income tax systems. The cyclical nature of SSN spending, which needs to increase during economic downturns, requires reliable and sustained financing sources over

FIGURE 15. Tax Systems in Emerging Markets and Developing Economies



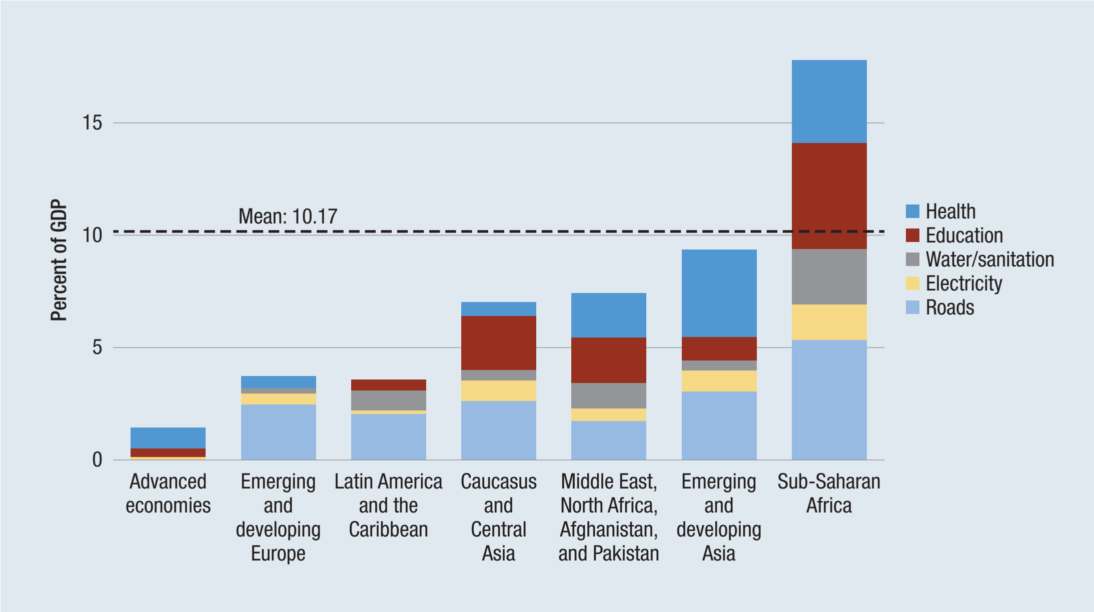
Source: IMF 2021c.
Note: Box plot limits indicate the 10th (bottom limit) and 90th (upper limit) percentile of the distribution and the horizontal line denotes the median. Figure 15b depicts median by region.

the long term. In LICs that lack the capacity to mobilize revenues in the short term, emergency financing from international financial institutions and donors will remain crucial to mitigate the impact of large negative systematic shocks. SSNs may need to be strengthened gradually in LICs and fragile and conflict-affected states given their limited administrative and fiscal capacity.

- *Competing priority spending needs.* Low-income developing countries have significant development challenges that require higher and sustained public spending on physical and human capital investment, which are crucial for promoting inclusive growth and for longer-term poverty reduction. Estimates suggest that meeting the Sustainable Development Goals in five key areas—health, education, roads, electricity, and water and sanitation—by 2030 would require increasing annual government spending on average by almost 5 and 17 percentage points of GDP in EMEs and low-income developing countries, respectively (Figure 16).[12] Incorporating the costs of addressing climate change and health pandemics would substantially increase spending needs in affected countries.
- *Weak PFM systems.* Eliminating poverty would require significant increases in SSN spending in many EMDEs, representing a serious fiscal challenge given low current tax collection and other spending pressures. Successfully addressing this challenge will require credible MTFFs that set out social spending measures, a strategy to increase tax effort, and reliable external financing

[12] For a more detailed discussion of the spending needs required to achieve Sustainable Development Goals, please refer to IMF (2019c).

FIGURE 16. Government Spending Required to Meet the Sustainable Development Goals in Selected Sectors by 2030, by Region



Source: IMF staff estimates.

options. A credible MTFF that sets out spending priorities is crucial to ensure that additional SSN spending needs do not crowd out spending needs in other areas (for example, health, education, and infrastructure). Strong commitment from country authorities, backed by a clear medium-term revenue strategy, to enhance tax capacity and increase tax collection is necessary to help finance additional spending needs. To increase the credibility of reforms, the MTFF should also reflect reliable financing options with the proper mix of domestic, foreign, public, and nonpublic funding sources capable of financing the scale-up of SSN spending in response to shocks (Beegle, Coudouel, and Monsalve 2018). PFM systems, particularly in LICs, may need enhancements to be able to translate the government's policy priorities into budgetary allocations to deliver SSN programs efficiently. A robust monitoring and evaluation system, including a systematic use of spending reviews, will be critical to judging the program effectiveness as well as funding needs. External financing from international financial institutions and donors can play an important role in financing upfront investments in strengthening SSN institutional capacity. In low-income and fragile states, external financing may also be required to finance transfers until countries develop capacity to increase tax revenues.

Resource-rich countries face the additional challenge of managing highly volatile commodity revenues to maintain fiscal space for SSN spending. Financing the expansion of SSN spending through short-term revenue windfalls from a sharp increase in commodity prices is not fiscally sustainable. The expansion of SSN spending should be clearly embedded in an MTFF anchored on conservative assumptions of international commodity price trends. SSNs should also be carefully designed to facilitate temporary expansion in response to commodity price shocks. This requires that resource-rich countries build fiscal buffers during periods of commodity price increases. It also points to the need to strengthen broader tax capacity to decrease reliance on narrow revenue sources.

INCORPORATING SOCIAL SAFETY NET ISSUES INTO COUNTRY WORK

A. General Considerations

Discussions of SSN issues in country papers should aim at assessing the macro-criticality of such issues and, where relevant, provide a clear analysis of policy concerns and advice. Discussions in country reports should cover the following principles and basic questions (Table 1):

- *Assessing macro-criticality*. This requires evaluating the SSN system and reforms through the three channels of macro-criticality: adequacy, efficiency, and sustainability. SSN issues can be deemed macro-critical through any one or combination of these three channels. Country reports should ideally conduct this evaluation by assessing the overall SSN system rather than individual SSN programs. Macro-criticality might refer to the status quo or to prospective situations, for example, to protect the vulnerable population from planned and desirable economic and structural reforms. As the COVID-19 pandemic has made clear, the macro-criticality of SSN issues can also reflect the need to address temporary shocks. Country reports should explain why a specific SSN issue is considered macro-critical. If SSN issues are not deemed macro-critical in a specific country, no coverage is expected.
- *Providing key facts about the existing SSN and reform proposals*. If SSN issues are assessed to be macro-critical, the analysis should start by considering the objectives of the SSN and clarifying coverage and benefit levels (including trends and comparison with peer groups), modalities of delivery, and financing sources in the context of strengthening the SSN. The consistency between the SSN objectives, design, and capacity to deliver should also be assessed, in particular in the context of the timeline needed to strengthen the SSN.
- *Identifying specific policy concerns and linking them to policy recommendations*. Policy concerns may derive from the assessment of the adequacy, efficiency, and sustainability of the SSN, and clear links between concerns and policy advice should be established. Policy advice should reflect the analyses and recommendations of IMF staff, including through IMF technical assistance, and government reports. Staff should also draw on the expertise of IMF development partners working on the country (for example, the World Bank, the United Nations Children's Fund, and the International Labour Organization). The analysis should include an assessment of the institutional capacity or other conditions constraining policy implementation and how to minimize such constraints, including areas that might require additional technical assistance.
- *Assessing macroeconomic and political implications of recommended policies*. The assessment should cover the likely impact of SSN spending on macroeconomic performance and stability and whether policy design and implementation plans are consistent with the government's overall macroeconomic strategy and implementation capacity. It should also discuss the level of public trust and political consensus supporting SSN measures.

The analysis of SSN issues in country papers should follow a sequence of key steps relevant to both surveillance and program design.

Table 1. Illustrative Questions on SSN Issues in Surveillance and Program Work

Establish macro-criticality	Lay out the facts and proposed measures	Identify specific policy concerns	Formulate policy options	Integrate into broader macroeconomic analysis
Are SSN spending and benefits levels adequate to achieve its objective?	What are the key characteristics and objectives of the current SSN system and/or reform proposals?	Where do concerns lie? Is it with the design? Coverage inadequate? The capacity to implementation? With its impact?	If SSN is inadequate to meet social objectives, is there fiscal space to increase them? If not, find measures to increase fiscal space.	How do policy recommendations fit in with IMF advice on fiscal consolidation and the team's macro framework? What are the options to alleviate the possible tradeoffs or inconsistencies?
How efficient is SSN? Is inefficiency related to design or implementation?	Why are changes needed? Why is this specific proposal on the table?	Have these concerns been articulated in previous IMF reports (that is, Article IV)? Are they new? Are there analytical gaps?	If SSN is inefficient, identify measures to increase value for money such as better monitoring and control mechanisms.	What are the main political economy considerations? How widespread is stakeholder buy-in for the SSN design/change?
Is the SSN system, including reform proposals, fiscally sustainable? Does existing SSN spending levels or proposed spending increases threaten macroeconomic stability? Is it urgent, time-sensitive, or vital for political stability?	What is the role of the SSN in the broader social protection system?	Are SSN measures eroding fiscal sustainability?	If the SSN system is unsustainable, what is the size and timing of needed adjustment?	Is the proposed timing and sequencing realistic or feasible?

- *Verify that sufficient data are available to lay out key facts for in-depth policy assessment*. With different SSN programs running together, and possibly overlapping, the data availability assessment should focus on the SSN system as a whole and cover at least the most important programs.[13] Basic information needed includes total SSN spending, how many individuals and households are covered by multiple programs and the whole SSN system, including differences in how programs define eligibility, how effective programs are in reaching the intended beneficiaries and avoiding errors of exclusion, delivery mechanisms, and targeting methods (for example, including social registries, national identification, etc.). In LICs, the analysis may need to go beyond government data since donors, nongovernmental organizations, or local partners (for example, civil or religious groups) may operate and finance programs outside the budget. Country teams should work closely with authorities, including specialized public agencies, development partners, and other stakeholders, to validate SSN spending numbers and confirm their reliability.
- *Identify the focus of macro-criticality*. SSNs can be macro-critical through any or some combination of the three channels mentioned earlier, and the assessment should be tailored to country-specific characteristics. In LICs, for example, where the SSN systems are less developed and coverage typically low, the evaluation could naturally start with assessing benefit adequacy (for example, benefit amount as a share of household income before transfers), coverage (for example, share of poor households receiving SSN benefits), and targeting performance (for example, share of SSN benefits accruing to poor households). In advanced economies where SSN spending is relatively high, evaluations may generally have a greater focus on efficiency,

[13] The importance of programs could be measured by the population coverage and the resources used for the program. In such cases, a counterfactual analysis could be helpful, meaning that in the absence of the programs, how much the target outcome would be worse relative to what it would have been in the absence of the program.

sustainability, and long-term financing. The implications for work incentives should be discussed, particularly where means-testing is widely used. Macro-criticality can also arise from plans to strengthen and reform the SSN, for example, where coverage or benefits need to be expanded in response to an economic shock (for example, resulting from lockdown during the COVID-19 crisis) or to protect low-income households during periods of macroeconomic adjustment.

- *Ensure scope and depth of analysis is adequate*. The scope and depth of the SSN analysis depends on various factors, including the size of the SSN and its interactions with other social spending programs, their potential macroeconomic impact, the vulnerabilities of targeted groups, available financial resources, authorities' policy priorities and planned reforms, and the IMF's in-house expertise and resources. In addition to establishing the key features of the SSN system and identifying macro-criticality and policy concerns, the analysis should investigate delivery methods, including the use of technology and related infrastructure, as they may affect the efficiency of the SSN. Monitoring procedures and targeting mechanisms should also be evaluated to ensure that SSN schemes are serving their intended purposes. If feasible, analyzing the distributional effects of key programs and unintended consequences (for example, regional and gender disparities, and work incentives) would help assess the impact of the SSN. An assessment of how the SSN system might interact with the tax system and other government programs may at times also be important, especially from the perspectives of work incentives and fiscal cost.
- *Clarify the time horizon of analysis*. The time horizon of the analysis depends on the nature of the issues analyzed and the time to implement policies. For example, where information and delivery systems are strong, scaling up the SSN coverage and establishing a new SSN scheme to address urgent needs and existing shortcomings is likely to require a relatively short time horizon. Where information and delivery systems are weak, enhancing the adequacy and efficiency of SSN schemes, including better targeting and expanded coverage, may require improving design and implementation capacity, which may take time to achieve. Likewise, establishing an SSN for the elderly may involve an analysis of the long-term impact of the policy taking into account the pace of population aging. In addition, the human capital impacts arising from improved schooling, childhood nutrition, and women's empowerment can take a long time to emerge but are especially important for inclusive growth in LICs.
- *Discuss the financing of the SSN*. The analysis should cover how to finance any strengthening of the SSN and whether the financing is fiscally sustainable. Discussions should cover whether SSN spending should be financed out of general revenue or through specific financing sources (for example, foreign aid) or whether, for specific programs, local government financing is available and appropriate, and which components of the SSN should rely on social contributions as opposed to general revenue (for example, pensions and unemployment transfers). Where SSN programs are partially financed off-budget (for example, grants), such financing should be taken into account, and ideally brought into the budget, to avoid concerns about the sustainability of essential SSN spending. Financing options for any expansion of the SSN or to fill in existing financing gaps are also typically part of policy discussions on fiscal sustainability. Staff should also examine whether the financing is sustainable over the medium and long term, for example, where existing financing is donor funded or domestic revenues are very volatile.

- *Consider country-specific circumstances.* The analysis of SSN spending cannot abstract from country-specific circumstances that may affect the assessment and policy advice. Such circumstances include the country's development level, macroeconomic conditions, capacity constraints, social preferences, specific SSN objectives (for example, protect specific groups from the effects of reforms), and political economy. Also, staff should not overlook other possible important factors such as the role of nonstate actors, including civil society and the private sector, any complexities in implementing new policies, and the history of ongoing or past reforms.
- *Leverage outside knowledge and create effective coordination with development partners.* With different technical expertise at play in examining the macroeconomic impact of SSN spending, IMF analysis would benefit greatly from leveraging the knowledge of, and seeking collaboration with, other institutions with deeper micro and sectoral expertise on SSN issues. Such collaborations are likely to be more fruitful if these institutions have designed or already assessed SSN policies and reforms as part of their mandate (for example, World Bank's Public Expenditure Reviews), although collaboration in new areas could be also sought (for example, mapping spending needs to financing options). Collaboration could be particularly useful in exploring and assessing complex data and data reliability issues (see previous discussion). Such collaborations should complement the support received through IMF functional departments and capacity development (CD) activities.[14]

B. Surveillance

Engagement on macro-critical SSN issues in the surveillance context should be driven by an integrated assessment of the potential impact on macroeconomic stability. An issue or policy would be considered critical to bilateral surveillance and warrant IMF engagement if it affects or has the potential to affect domestic (for example, growth, inflation, fiscal sustainability), external, or global stability.[15] This assessment should be risk-based, and the depth and breadth of engagement need to balance the level of risk and macro-criticality with the urgency of the issues and internal resources available. Staff should also routinely assess whether economic and social developments, new events (for example, pandemics and disasters), and material changes to the SSN system (affecting adequacy, efficiency, and sustainability of the system) may raise new policy concerns that warrant engagement.

SSN analyses should not be limited to short-term considerations and may require a long-term approach. This would help take into account the long-term impact of SSN spending and reforms on, for example, macroeconomic performance, human capital formation, and income distribution. Certain structural developments (for example, population aging and labor market developments) may also require a long-term view about the effect on and the role of SSN programs.

[14] In line with the "Guidance Note for Surveillance Under Article IV Consultations" (IMF 2022e), on macro-critical issues where the IMF has no in-house expertise, staff should analyze the issues (drawing on expertise from other organizations) and is not expected to provide specific policy advice.

[15] For purposes of bilateral surveillance in Article IV consultations, the IMF's engagement on social protection issues is guided by the principles set forth in the Integrated Surveillance Decision. Policies beyond monetary, fiscal, financial, and exchange rate issues are examined only to the extent that they significantly influence present or prospective balance of payments or domestic stability.

Discussions of SSN issues should be framed in the context of existing MTFFs and rules. Existing and proposed SSN spending should be consistent with the annual budget, the MTFF, and fiscal sustainability rules. Implementation and operationalization of SSN policies and reforms may involve policy trade-offs and may call for adjustments within existing fiscal frameworks and rules to preserve fiscal sustainability or require revisiting how trade-offs are managed.

Examples of past engagements on SSN issues in surveillance cases can offer insights on the nature, modality, and extent of possible engagement and the role of collaboration with other institutions. The focus, breadth, and depth of IMF engagement on SSN issues have been adapted to country-specific circumstances, as shown by several recent country cases (Box 5).

BOX 5. Country Experiences in Addressing Social Safety Net Issues in Surveillance

Saudi Arabia 2018 Article IV Consultation (IMF 2018c)

Social safety net (SSN)–related issues. Energy price reform and the Citizens' Account Program (CAP) were discussed under the broad context of delivering sustainable fiscal adjustment and a strong fiscal framework. Historically, inefficient energy and water price subsidies have been a way to share oil wealth across the population, and were seen as a key part of its broad social protection system. Due to declining oil revenues and heightening fiscal pressures, Saudi Arabia started to gradually phase out energy and water subsidies and introduced cash transfer programs such as the CAP in 2018 to compensate households.

Reform recommendations. *Energy price reform*. Staff welcomed the authorities' intention to continue to gradually increase energy prices to international benchmark levels by 2025. They recommended, however, that the authorities provide more information to important stakeholders on the level and pace of future price increases to enable households and businesses to plan their adjustment; the introduction of an automatic pricing mechanisms once prices reach benchmark levels; the calculation of benchmark prices; the nature and extent of cross-subsidies in the energy sector; and the design of the CAP. Paramount to the success of energy price reform was that the authorities strike a balance between fiscal revenues and adequate compensation to households through the CAP. In this respect, an assessment of its adequacy, coverage, and progressivity was needed to help better develop the CAP into an important instrument for redistribution. In addition, staff encouraged that the details of the CAP should be made public and broadly communicated. To generate sustained public support for more regular price changes to remove and avoid consumer subsidies, transparent reporting of subsidies given to energy suppliers was also recommended.

Malaysia 2021 Article IV Consultation (IMF 2021d)

SSN-related issues. The pandemic underscored the need to evaluate the system of social protection. In recent decades, inequality and poverty rates have declined substantially, though they remained elevated compared to other countries in the region. Social assistance programs in Malaysia covered a large share of the population, although benefit levels are small. On the other hand, a significant share of workers was not covered by the unemployment insurance scheme, and that share was likely to increase over time given the increased incidence of temporary and gig jobs and self-employment. Reforming the social protection system to better protect the vulnerable required additional SSN spending, highlighting the importance of creating more fiscal space.

Reform recommendations. (1) *Social assistance.* Staff made various recommendations to reduce coverage of the rich and increase benefits for the poor. They argued that a more targeted approach focused on supporting the poorest members of the society would allow for better allocation of the limited resources and help achieve even greater progress in reducing poverty and inequality. (2) *Unemployment insurance*. Reforms should be aligned with the latest labor market trends, and the scheme would ideally cover workers with temporary and gig jobs and the self-employed, and also protect them from work-related injuries. (3) *Coordination*. Given the number of agencies involved in designing and administering various elements of the social protection system, unification, streamlining, and better coordination between various programs should be considered. The Malaysia Social Protection Council, established to strengthen the social protection system (including social assistance, social insurance, labor market intervention, and management of data) could lead that initiative. (4) *Financing*. Given the limited fiscal space, additional revenue sources would be needed in the medium term, putting greater weight on the importance of adopting a medium-term revenue strategy. The analysis drew on work by the World Bank and others.

Nigeria 2018 Article IV Consultation (IMF 2022f)

SSN-related issues. Income inequality and poverty rates are high in Nigeria. Close to 63 percent of the population lives below the poverty line, and the poverty rates have declined more slowly compared to other countries. Income inequality in 2016, as measured by both the Theil and Gini Indices, decreased from its 2013 level but remained above levels observed more than a decade ago. Nigeria also faces large development needs, including making progress toward the Sustainable Development Goals in infrastructure, health, and educational attainment. Reforms that could help generate fiscal space would be key in this direction, including by increasing value-added tax collection, excises, and electricity tariffs in a progressive manner so as to not aggravate income inequality. To tackle the issue of increasing poverty gaps, scaling up SSN transfers and expanding their scope to cover a larger share of the poor was needed. A number of social transfer programs currently exist in Nigeria, but they are relatively small and face limitations.

Reform recommendations. In staff's assessment, a well-targeted and scaled-up SSN along with adequately enhanced monitoring was required. (1) *Increased social safety transfers and the augmentation of the existing lifeline tariff could help compensate for the adverse impact on the poor from measures aimed at increasing fiscal space*. Plans to expand the national cash transfer program were welcomed and should be accelerated. As the proposed revenue reforms under the adjustment scenario would have an impact on households' purchasing power and thus could increase poverty (albeit expected to decrease inequality), existing cash transfers could also be used to target the poorest households as a mitigating measure. As SSNs could likely not be adequately scaled up in the short term, complementary measures (lifeline tariff, increase in health and education spending) would be needed as part of the reform package. (2) *In order to effectively utilize the existing social and employment programs, their implementation at the federal and state level could be improved by expanding coverage, defining eligibility criteria more tightly, and by enhancing monitoring*.

The Bahamas 2020 Article IV Consultation (IMF 2021e)

SSN-related issues. Despite a comprehensive set of programs to foster inclusion and tackle inequality, poverty and inequality remained elevated in the Bahamas relative to countries with similar per capita income levels. Moreover, vulnerability was high. In 2014, about one-fifth of the population earned below US$12.4 a day (with about 5 percent living in extreme poverty, earning below $5 per day). Several programs were in place (1) social insurance including unemployment, pension, and life-event benefits; (2) publicly funded health care insurance; (3) tuition-free education system; and (4) other social assistance programs including food support for the poor, schoolchildren, and persons with disabilities. The pandemic led to an increase in social spending across all programs. To accommodate the needed spending, authorities had postponed the public debt target by another two years.

Reform recommendations. Staff welcomed the increase in social spending but suggested placing more emphasis on improving its efficiency and targeting and advised to (1) improve social statistics and collect more information about households to understand the income/wealth distribution and sources of income. Data on socioeconomic variables at the subnational level, by island, would also help better assess vulnerabilities and needs. (2) Digitize key information, particularly in the health sector to ensure an efficient and adequate health care system in the new, post-COVID-19 normal. Staff also recommended expanding telemedicine services and modernizing the processes for data collection, flow, storage, and analysis of health information, as also suggested by the Inter-American Development Bank. (3) Institutionalize the information exchange across relevant stakeholders, including the Ministry of Finance, Ministry of Social Services and Urban Development, Ministry of Health and health service providers, Ministry of Education, National Emergency Management Agency, and National Insurance Board. Moreover, new statistics collection methods should be developed that allow for the continuation of data generation during times of extreme shocks such as hurricanes or the pandemic. (4) Conduct further analysis of the role of the private sector in the delivery of health care in order to avoid duplication of services.

C. IMF-Supported Programs

Engagement on macro-critical SSN issues in the context of IMF-supported programs should focus on the role of SSNs in achieving program goals. While the impact of SSN programs and reforms might extend beyond the duration of programs, specific SSN reforms can directly contribute to achieving the overall program objectives, and program documents should clearly establish such linkages. For example, improving efficiency may require administrative efforts over a long period of time (for example, social registries), but initial actions could also have immediate tangible effects. In some cases, SSN reforms (for example, expanding existing cash transfer programs) are needed to mitigate the adverse impact of needed macroeconomic adjustment on vulnerable households, and therefore instrumental in supporting program success and to maintaining reform momentum. More recently, the COVID-19 pandemic has helped reinforce the need for strong SSNs, which has translated into countries temporarily increasing SSN support (for example, Burkina Faso, Madagascar, and Mali) or permanently scaling up existing SSNs (for example, Ecuador 2020 Extended Fund Facility [IMF 2020b] and Senegal 2020 Policy Coordination Instrument and 2021 Stand-by Arrangement and Standby Credit Facility [IMF 2021f]) to better protect the vulnerable population during shocks.

Authorities' ownership, country-specific circumstances, and local capacity are key considerations when including SSN reforms in a program context. The primary responsibility to define the objectives of the SSN and design reforms lies with the authorities, and their ownership is critical for the success of reform implementation. The formulation of a clear strategy to strengthen the SSN would reinforce ownership and place reforms on a politically sustainable path. Strong ownership would also facilitate the consideration of country-specific factors, including domestic social context and vulnerabilities, implementation capacity, and the political and historical setting. Hence, the identification of the vulnerable segments of the population and policy advice may vary across countries and programs.

Effective coordination with other multilateral institutions to leverage their technical knowledge is critical to the successful design of SSN reforms in IMF-supported programs. In addition to in-house analysis, staff can leverage the analysis and expertise of other international organizations providing policy advice, technical assistance, or financing for SSN reforms. This knowledge can be used to improve the design of conditionality, although the IMF remains responsible for establishing and monitoring compliance with program conditionality. However, while responsibility for the design of conditionality and for monitoring and assessing conditionality compliance cannot be delegated to other institutions, their input can be important in this process. Moreover, where key specific reform measures are required to secure donor disbursements, these should be clearly identified in staff reports. Collaboration with partners to develop plans to strengthen the SSN over time is especially relevant in the context of LICs and fragile and conflict-affected states where administrative capacity and fiscal space are usually very limited and take time to build up.

Conditionality on SSN reforms can be used in IMF-supported programs if reforms are critical to achieving program objectives or for monitoring program implementation. The establishment of program conditionality, including on SSN issues, is subject to standards set forth in the Guidelines on Conditionality.[16] In general, and in the SSN area, conditionality can take the form of quantitative conditions as well as key policy milestones to introduce and implement reforms (that is, prior actions and structural benchmarks [SBs]), and these different types of conditionality can complement each other (for example, Ecuador 2020 Extended Fund Facility [IMF 2020b] and Madagascar 2021 Extended Credit Facility [IMF 2022g]). While quantitative conditions are not typically set on SSN spending directly, SSN spending targets are often embedded in other spending targets (for example, on overall social spending). Quantitative conditions on, for example, expanding the coverage of specific SSN programs, are also often used. When designing conditionality, assessing capacity constraints and ability to timely monitoring data becomes vital. Specifically,

[16] See the 2018 Review of Program Design and Conditionality (IMF 2019e) (for example, ¶39) and Guidelines on Conditionality (IMF 2014). The establishment of program conditionality is subject to specific standards. Conditionality should only be set on measures that are (1) critical for meeting program objectives or (2) for monitoring program's implementation, or (3) necessary for implementing specific provisions of the IMF's Articles of Agreement or policies adopted under them.

- *Quantitative conditionality*, such as performance criteria (PCs) and indicative targets (ITs), are often set on general social spending that contains selected SSN expenditure.[17] PCs and ITs are typically set to ensure spending adequacy (for example, in the form of spending floors) or to track spending efficiency. PCs are used for clearly specified variables or measures that can be objectively monitored by the staff and are critical for the achievement of program goals. ITs are used if variables of interest cannot be established as PCs because of substantial uncertainty about economic trends. The coverage of SSN spending under such targets can vary to reflect country- and program-specific priorities and the need for timely and reliable data availability for monitoring purposes. A broad coverage of SSN spending would be appropriate where protecting all budgetary resources associated with the SSN is critical in achieving program objectives. At times, it may be more effective to narrowly focus the coverage of SSN spending on selected SSN schemes, to protect or expand key SSN programs during shocks, or to focus reform efforts on the best-performing programs during the program period (for example, Ecuador 2020 Extended Fund Facility [IMF 2020b] and Pakistan 2019 Extended Fund Facility [IMF 2019d]). Using PCs should be avoided if there are concerns about data quality. If a country cannot effectively monitor social spending and hence a quantitative condition (IT or PC) cannot be established, the program documents are expected to explain why and include capacity development measures to enhance data quality and timeliness.
- *SBs* can be set for key milestones in implementing SSN reforms critical to achieving program objectives. Examples of SBs include development of a strategy for strengthening the SSN, introducing new SSN programs, expanding the coverage of existing SSN schemes (for example, Ecuador 2020 Extended Fund Facility [IMF 2020b], Madagascar 2021 Extended Credit Facility [IMF 2022g], and Mauritania 2021 Extended CreditFacility [IMF 2017a]), and developing social registries and centralized information systems to improve SSN management and monitoring (for example, Costa Rica 2021 Extended Fund Facility [IMF 2022h] and Senegal 2020 Policy Coordination Instrument and 2021 Stand-by Arrangement and Standby Credit Facility [IMF 2021f]). Where such actions require increases in SSN spending, these spending increases could be incorporated in ITs. SSN reforms can also be specified as prior actions when their upfront implementation is critical for the successful implementation of the program. The adoption of SBs is guided by the general principles of conditionality, such as parsimony, criticality of meeting program objectives, or monitoring the program's implementation. SSN measures that are not critical in this sense, but that the authorities wish to highlight, can be established as commitments in the Letter of Intent and Memorandum of Economic and Financial Policies with clear implementation timelines. At times, correct sequencing may require conditionality in other areas, for example, if implementing SSN reforms requires first strengthening PFM capacity (Senegal 2020 Policy Coordination Instrument and 2021 Stand-by Arrangement and Standby Credit Facility [IMF 2021f]).

In recent years, SSN reforms have gained increased emphasis in IMF-supported programs as measures to support inclusive growth and protect the vulnerable during economic adjustment, often in collaboration with development partners. This emphasis has translated into SSN-related program commitments increasingly supported by quantitative conditionality on, for example, social spending and SSN reforms. The increased use of conditionality has occurred both in Poverty Reduction and Growth Trust–supported programs for LICs, which are intended to reduce poverty and protect the

17 A PC is a variable or measure whose observance or implementation is established as a formal condition for the making of purchases or disbursements under an IMF arrangement. Variables may be established as ITs for the part of an arrangement for which they cannot be established as PC because of substantial uncertainty about economic trends.

vulnerable, and in General Resources Account–supported programs. During 2017–20, about 90 percent of Poverty Reduction and Growth Trust–supported programs included quantitative social spending conditionality (up from about 65 percent in 2012–14), and the percentage of General Resources Account–supported programs with such conditionality has almost doubled over the last 10 years to 45 percent over 2017–20 (up from 20 percent over 2012–14). Several recent programs have introduced SSN conditionality to support the implementation of key reforms and address the economic hardship created by the COVID-19 pandemic (Box 6). Collaboration with development partners in this area has been key both in the design of reforms and to support the authorities in advancing reforms associated with IMF-program conditionality.

BOX 6. Country Experiences with Addressing Social Safety Net Issues in IMF-Supported Programs

Ecuador 2020 Extended Fund Facility (IMF 2020b)

Social safety net (SSN)–related issues. Ecuador faced two major challenges: addressing poverty that had increased since the onset of the COVID-19 pandemic and making fiscal consolidation socially acceptable. Both these challenges highlighted the need to fundamentally enhance the SSN.

Reform measures. As the SSN coverage of the poor was low, in collaboration with the World Bank the authorities developed a strategy to expand the coverage of social assistance programs from the existing 37 percent of families in the bottom three deciles of the income distribution at the program initiation in September 2020 to 80 percent of families by December 2021. Achieving this required upgrading the social registry. The authorities introduced measures to monitor the progress on upgrading the registry and expanding coverage (for example, operationalization of a committee in charge).

Analysis. The 2020 Extended Fund Facility (EFF) program document analyzed the gaps in the existing SSN, its social implications, and the required reforms based on the collaborative work between the World Bank and the IMF.

Conditionality. To support the SSN reforms (described earlier), the 2020 EFF introduced quantitative and structural targets in September 2020: (1) indicative targets (ITs) on the coverage of the cash transfer programs for lower-income households (number of families, floor), and (2) structural benchmarks (SBs) to complete the social registry upgrade and the expansion of social assistance program coverage to at least 80 percent of families in the bottom three deciles of the income distribution by December 2021. The SB complemented the IT, helping the authorities meet the IT more effectively than under the 2019 EFF, where the social spending performance criteria were not supported by structural conditionality and were not successful in expanding SSN coverage. Difficulties related to data collection in certain regions led to a shift of the target date of the SB to meet the 80 percent goal to April 2022 (from December 2021).

Ukraine 2015 Extended Fund Facility (IMF 2015)

SSN-related issues. Amid the economic crisis that started in 2014, Ukraine initiated an energy price reform (with large increases in electricity and gas tariffs) to restore fiscal sustainability. Targeted expansion of the SSN was implemented to protect lower-income households from the adverse effects of this reform.

Reform measures. With the increase in tariffs, the authorities initially increased overall energy-related benefits from 1 percent of GDP in 2015 to 1¾ percent of GDP, while also enhancing income means-testing. Simultaneously, the authorities initiated reforms to improve targeting and ensure that the SSN was fiscally sustainable. These reforms included adjusting the social norms for calculating utility benefits for households and eliminating redundant compensation programs. The IMF provided extensive technical support for developing reform measures in close collaboration with development partners, including the World Bank.

Conditionality. At its second review (September 2016), the 2015 EFF introduced an SB for adjusting the parameters of the utility-related benefits to ensure their sustainability. While this could not be implemented on time, the authorities adjusted the social norms for calculating the benefits as required by a prior action during the third review. Subsequently, they implemented adjustments to the social norms.

Madagascar 2021 Extended Credit Facility (IMF 2022g)

SSN-related issues. Despite massive demand, social spending had fallen short of targeted levels, with the social spending IT being missed repeatedly under the 2016 Extended Credit Facility (ECF). The country needed to expand SSN spending and strengthen budget execution to improve the access of poor households to SSN benefits and more broadly advance the goal of poverty reduction.

Reform measures. With assistance from the World Bank, the authorities had started expanding the SSN, aiming to expand the coverage of cash transfer programs to 590,000 households by September 2021 from 283,428 households in December 2020. Simultaneously, the authorities worked to strengthen monitoring and reporting to address the underexecution of broad social spending (for example, by disclosing social spending regularly and by adjusting the budget classification).

Analysis. The 2019 Article IV staff report analyzed the impediments to the effective execution of social spending (not necessarily focusing only on SSN spending). Staff engaged with the World Bank to discuss key challenges as the World Bank had been assisting the authorities in expanding the cash transfer programs.

Conditionality. The 2021 ECF adopted an SB to increase the number of beneficiaries of cash transfer programs to 540,000 in September 2021, to complement the social spending IT, which was separately introduced. To strengthen monitoring, the ECF set a separate SB to publish quarterly budget execution reports, including on social spending, and introduced multiple indicators as memorandum items as part of the program monitoring (for example, social spending, including salaries and externally financed investments). These quantitative and structural targets are expected to contribute to program success in a mutually reinforcing manner. For better monitoring and reporting, the authorities committed in the Memorandum of Economic and Financial Policies to adjusting the budget classification of social spending.

Mauritania 2017 Extended Credit Facility (IMF 2017a)

SSN-related issues. The COVID-19 pandemic imposed severe hardship on Mauritania and necessitated the scaling-up of targeted income support to cover the most vulnerable households.

Reform measures. To provide the required resources to protect the most vulnerable impacted by the pandemic, the authorities committed in September 2020 to scaling up the targeted cash transfer scheme for the poor and vulnerable from 34,000 households in March 2020 to a target of 55,000 households by October 2020, and 70,000 households by end-2020. This required achieving an expansion of both the social registry of vulnerable households and the cash transfer program to cover the whole country, with support from the World Bank. The expansion of the social registry aimed at covering 200,000 households.

Conditionality. At its fifth review (September 2020), the ECF adopted an SB to provide cash transfers to 55,000 vulnerable households by October 2020 (up from 34,000 in March 2020)—the IT on the floor for social spending was raised at the same time. The implementation of this SB was delayed due to capacity constraints, but it was eventually completed with a modest delay by January 2021. In the letter of intent in February 2021, the authorities committed to further expanding the targeted cash transfer scheme to 100,000 households by the end-2021.

Senegal 2020 Policy Coordination Instrument and 2021 Stand-by Arrangement and Standby Credit Facility[18]

SSN-related issues. In Senegal, 85 percent of households are estimated to have experienced income declines due to the COVID-19 pandemic. Against this backdrop, with support from the World Bank, the authorities have envisaged broad financial support to the most vulnerable households, including through additional cash transfers.

Reform measures. In response to the pandemic-imposed hardships, the authorities planned to double the coverage of the Single National Register (RNU), a database supporting social protection efforts, to 1 million households. The goal of this measure is to allow rapid deployment of compensation to the poorest households suffering from shocks, including the COVID-19 pandemic. As a first step, they adopted a decree institutionalizing the RNU in August 2021, to avoid fragmentation in implementing SSN measures.

Conditionality. The 2020 Policy Coordination Instrument introduced an SB to update and extend the RNU registry by identifying vulnerable households beyond the 558,000 households already surveyed, with the goal of including at least 1 million households by end-2021. Subsequently, the target date was shifted to October 2022. The authorities committed to institutionalize the RNU in the Memorandum of Economic and Financial Policies.

[18] Initially solo use of the Policy Coordination Instrument but since 2021 concurrent use of the Policy Coordination Instrument and Stand-by Arrangement and Standby Credit Facility (IMF 2021f).

D. Dialogue with Country Authorities

This section discusses considerations that country teams may find useful in their communication with country authorities in the context of SSN spending. The focus is specifically on communication of analytical results and policy advice based on the authorities' underlying policy objectives. The relative emphasis placed on any specific issue will, of course, depend on country-specific circumstances regarding macroeconomic conditions, political economy context, and SSN spending pressures. In communicating with authorities, staff should consider that SSN reforms and discussions may involve different institutional stakeholders. With regard to communication to the public, ultimately it is the authorities who have the most detailed knowledge of local conditions and who should decide their preferred communication strategies.

Communication of policy advice should be clearly embedded within the macrofiscal context of the country. The following discussion provides examples of how to communicate policy advice drawing on specific instances of IMF analytical work and country-level engagement on SSN issues. A key feature of such communication is that country teams typically engage on SSN issues from some combination of the three macro-critical perspectives: fiscal sustainability, spending adequacy, and spending efficiency. Moreover, it is important that advice explicitly recognizes the nature of trade-offs that are encountered in different country contexts and a recognition that the appropriate choice of reforms will reflect government preferences and constraints.

Policy advice should be presented in a manner that helps the authorities develop their own communication efforts. Communication should therefore focus on the underlying motivations for the policy reform and its benefits. In the context of SSN reform, these often focus on strengthening the SSN to reduce poverty and protect lower-income households from potentially ill-designed reforms or from the unintended consequences of reforms needed to promote inclusive growth or macroeconomic stability (such as energy subsidy reform, consumption tax reforms, and labor market reforms). Since SSN reforms can help to build political support for these other reforms, it is therefore important that both sets of reforms are communicated as a package. To facilitate government communication efforts, it is important that staff present the case for reform in both technical terms and using arguments which the government itself can incorporate into its dialogue with stakeholders and, through the media, to the public.

Where SSN reforms are motivated by the need to improve targeting efficiency to reduce leakage to higher-income households and avoid errors of exclusion, it is important to communicate the benefits of such reforms. When formulating communication strategies around SSN reforms, it is important to emphasize the need to focus not only on spending levels (adequacy) but also on spending better (efficiency). Improvements in targeting efficiency to reduce leakage to the nonpoor can lead to improvements in benefit levels for other beneficiaries and in coverage of the poor and most vulnerable. Improvements in targeting efficiency can also lead to additional fiscal space which can be used to address spending needs in other critical areas and reduce high tax rates where these are deemed excessive. Enhancing the progressivity of financing (for example, through increasing progressive income taxes or reducing regressive tax expenditures) can also help strengthen overall targeting efficiency. The presentation of policy recommendations, and the findings of supporting technical analysis, should therefore support such communication.

Where SSN reform is motivated by the need to address fiscal pressures, communication of reforms needs to be explained in terms of trade-offs within the constraints of government's financing capacity. For example, in the context of the need for fiscal consolidation, communication could emphasize that reforms are focused on reducing leakage of benefits to higher-income households while also addressing any existing gaps for protecting more vulnerable households. For instance, this is often achieved through increasing the use of means testing in place of universal categorical transfers. Communication can also emphasize that such reforms also help to protect other priority spending during periods of fiscal consolidation, such as education and health spending. This communication helps to clarify the opportunity cost of "no policy reforms." Box 7 presents some selected examples of communicating policy advice to country authorities in different contexts.

BOX 7. Selected Examples of Communicating Policy Advice to Country Authorities

Ecuador (2020) (IMF 2020c)

The social safety net (SSN) reform aimed at protecting the poor in Ecuador is one of the main pillars of the IMF extended arrangement under the Extended Fund Facility program approved by the Executive Board in October 2020. This was a result of extensive analysis of the SSN system conducted by IMF staff in collaboration with the World Bank, and constant and open dialogue with the authorities. The SSN in Ecuador was characterized by inadequate coverage of the poor. To underline the need to strengthen the SSN, the IMF team in collaboration with the World Bank:

- Analyzed current SSN programs, including coverage and benefit levels of each SSN program across different deciles of the income distribution.
- Helped the authorities to identify barriers to expanding the coverage of the better targeted SSN programs.
- Emphasized the importance of coordination between the Ministry of Finance and different government entities related to the SSN within the central government.
- Supported the authorities in the preparation of an action plan to strengthen the SSN, which laid out detailed steps and corresponding deadlines. The action plan was part of the IMF Extended Fund Facility program conditionality approved by the Executive Board in March 2019.
- Designed a strategy to expand the social registry and gradually increase coverage of the main SSN program, which was reflected in the conditionalities of the IMF program approved in October 2020.
- Highlighted the importance of clearly communicating the key role of these reforms for achieving social and economic objectives (that is, alleviating poverty, increasing household resilience to shocks, and helping to mitigate adverse effects of growth-friendly reforms) to key stakeholders and the public.

Colombia (2019) (IMF 2019f)

Energy subsidy reform is a key pillar of Colombia's national development plan. An analysis undertaken as part of an IMF technical assistance mission helped the government to develop the case for subsidy reform, combined with a strategy to strengthen the SSN system. The technical assistance mission stressed the need to expand coverage of the SSN system to mitigate adverse effects of the subsidy reform and to communicate this clearly to the general public to mobilize support for the reform. As input to this process, the report provided:

- Estimates of the high fiscal cost of fuel and electricity subsidies.
- Distributional analysis of subsidies, showing their regressive effects.
- Analysis of the potential impact of reforms on the poor and most vulnerable.
- Recommendations to strengthen communication with the general public through, for instance, the creation of a dedicated communication unit to effectively communicate the objectives and design of reforms.

France (2018) (IMF 2018d)

France's persistent fiscal deficits have been driven by high spending growth, especially related to social benefits, transfers, and local governments. IMF staff emphasized the need to communicate specific reforms early and implement them firmly to support the credibility of the fiscal strategy and facilitate economic planning for economic agents. Staff analysis showed that there was scope for improving the targeting efficiency of SSN spending, while at the same time allowing the SSN to expand coverage quickly in response to adverse economic shocks. Staff also suggested that efficiency savings could also be obtained by addressing the fragmentation of social programs across different levels of government.

Ukraine (2015) (IMF 2015)

The IMF has been intensely involved in the SSN policy dialogue for over the last decade, in particular as part of an energy subsidy reform strategy. During this time, both the area department and the Fiscal Affairs Department established close working relations with the authorities (especially with the Ministry of Finance, the Ministry of Social Policy, and the National Bank of Ukraine as financial sector regulator), and with the World Bank. The experience of Ukraine is a lesson in the importance of continuous and flexible engagement. Throughout technical assistance missions and IMF programs, IMF staff emphasized the importance of strengthening the SSN system to mitigate the impact of reforms on the most vulnerable. IMF staff, in collaboration with the World Bank, supported the authorities' efforts to expand SSN coverage of vulnerable households and improve SSN spending efficiency to create the necessary fiscal space. The analysis undertaken by IMF and World Bank staff provided essential inputs to the government's reform strategy and its communication to stakeholders, including the public.

Cyprus (2013) (IMF 2013)

In response to the financial crisis, the authorities announced an SSN reform to strengthen the capacity of the SSN to mitigate the impact of the crisis on the most vulnerable, including the working poor previously not covered by SSN programs, while strengthening SSN spending efficiency and streamlining fragmented and duplicating programs. Based on technical assistance recommendations, the IMF team supported the authorities' efforts to introduce a well-targeted guaranteed minimum income scheme. This included:

- Helping to define the minimum consumption basket.
- Emphasizing the importance of refining the costing and coverage of the new guaranteed minimum income scheme, which also facilitated the consolidation of myriad fragmented and duplicating poverty alleviation schemes.

- Emphasizing the importance of ensuring that a comprehensive database and the necessary information technology requirements were in place to support the administration of the reformed welfare system.
- Supporting improved coordination between the Ministry of Finance and the Ministry of Labour and Social Insurance and other entities of the public administration.
- Explicitly incorporating measures intended to strengthen the SSN system into the Memorandum of Economic and Financial Policies and as program conditionality through a structural benchmark.

ANNEX 1. INTERNAL AND EXTERNAL RESOURCES SUPPORTING ANALYTICAL WORK AND POLICY ENGAGEMENT

Staff can rely on a rich set of internal and external resources to establish whether social safety net (SSN) spending is macro-critical and identify the issues that should be addressed. These resources include analytical papers and toolkits that can assist in performing standardized assessment analyses. Development partners (including the World Bank, the International Labour Organization [ILO], the UN Children's Fund [UNICEF], the Organisation for Economic Co-operation and Development [OECD], and the European Commission and other EU agencies) are also important sources of information. The Fiscal Affairs Department maintains a list of contacts in the broader social protection sphere and is available to assist nonspecialist staff in identifying SSN experts at development partners if the need arises for interagency discussions.

In addition to existing information and analyses, staff can also request input from the Fiscal Affairs Department. This may take the form of ad hoc consultation, desk studies, and technical assistance reports.

Internal Resources

Books, papers, and notes discussing SSN policy issues include:

- Book: Inequality and Fiscal Policy (September 2015)
- Fiscal Monitor: Tackling Inequality (October 2017) (IMF 2017b)
- Fiscal Monitor: A Fair Shot (April 2021)
- Fiscal Monitor: Fiscal Policy from Pandemic to War (April 2022) (IMF 2022b)
- Working Paper: Universal Basic Income: Debate and Impact Assessment (December 2018)
- Working Paper: Fiscal Redistribution and Social Welfare (March 2019)
- Working Paper: Guaranteed Minimum Income Schemes in Europe: Landscape and Design (July 2021) (Coady and others 2021)
- Policy Paper: A Strategy for IMF Engagement on Social Spending (June 2019) (IMF 2019a)
- Guidance Note: IMF Engagement on Social Safeguards in Low-Income Countries (June 2018) (IMF 2018b)
- Designing Fiscal Redistribution: The Role of Universal and Targeted Transfers (June 2020)

COVID Series Notes

- Digital Solutions for Direct Cash Transfers in Emergencies (April 2020) (IMF 2020d)
- Managing the Impact on Households: Assessing Universal Transfers (April 2020) (IMF 2020e)
- Reaching Households in Emerging and Developing Economies: Citizen ID, Socioeconomic Data, and Digital Delivery (April 2020) (IMF 2020f)
- Government Support to Business and Households (May 2020) (IMF 2020g)
- Enhancing Digital Solutions to Implement Emergency Responses (June 2020) (IMF 2020h)
- Mobile Money in the COVID-19 Pandemic (October 2020) (IMF 2020i)

Analytical toolkits. The **Social Protection and Labor Assessment Tool** assists the user in assessing poverty and inequality, in addition to spending adequacy and efficiency of the SSN system and labor market. The tool is user friendly, offering a choice of target countries and comparator groups. The tool provides an overview of the overall SSNs in a country and can support country teams when starting a deeper engagement with development partners to discuss the country's SSN system as part of program and surveillance activities. The tool provides a basic analysis of the status of SSNs and is not a substitute for more in-depth analyses. The **Expenditure Assessment Tool (EAT)** provides information to assess public expenditures, including spending on social income support, and allows benchmarking with country peers. EAT is a user-friendly Excel-based tool, offering a choice of target countries and comparator groups. While the tool is not a substitute for an in-depth spending review, it provides a starting point to guide a more detailed and refined sectoral analysis.

Training. IMF staff provides periodic internal training on SSNs.

Capacity Development Talk. Capacity Development Talk: The IMF's Engagement on Social Protection (IMF 2021g)

External Resources

Most Relevant Recent Reports with Descriptive Information

Descriptive information concerning the structure of SSN systems and their basic features (coverage, benefit levels, benefit incidence, spending, poverty gaps, etc.) can be obtained from the following sources.

The State of Social Safety Nets Report (World Bank 2018) examines global trends in the SSN/social assistance coverage, spending, and program performance based on the World Bank Atlas of Social Protection Indicators of Resilience and Equity updated database. The report documents the main SSN programs that exist globally and their use to alleviate poverty and to build shared prosperity.

World Social Protection Report 2020–22: Social Protection at the Crossroads—In Pursuit of a Better Future (ILO 2021a) provides a global overview of recent developments in social protection systems and examines the impact of the COVID-19 pandemic.

The State of Economic Inclusion (World Bank 2021) examines more than 200 programs in 75 countries around the world, and reveals that economic inclusion programs are on the rise, reaching approximately 20 million households and benefiting 92 million individuals

UNICEF Social Protection Framework (UNICEF 2019) describes UNICEF's approach to social protection, outlining 10 key action areas on social protection, through which we are committed to working with partners to realize social protection for every child.

Most Relevant Books on How Effective Social Safety Net Programs Should Be Designed

Revisiting Targeting in Social Assistance (Grosh and others 2022) focuses on programs that intend to differentiate eligibility or benefit levels along the spectrum of money-metric welfare and the shocks that affect it. It looks at methods that measure or infer household welfare and methods that use more aggregated geographic or demographic categories that are expected to be correlated with money-metric poverty.

Adaptive Social Protection: Building Resilience to Shocks (World Bank 2020) outlines an organizing framework for the design and implementation of adaptive social protection, providing insights into the ways in which social protection systems can be made effective at building household resilience. It addresses four building blocks: programs, information, finance, and institutional arrangements and partnerships.

Realizing the Full Potential of Social Safety Nets in Africa (World Bank 2018) emphasizes various challenges countries face when bringing their SSNs to scale and ensuring their sustainability. In addition to important questions related to the technical design of SSNs and of systemic instruments, this report points to three critical areas that are essential to successful scaling up: politics, institutions, and financing.

Protecting All: Risk-Sharing for a Diverse and Diversifying World of Work (World Bank 2019b) proposes a package of protections, labor benefits, and services that are more relevant to the diverse and diversifying world of work. Here are five key messages for policymakers.

For Protection and Promotion: The Design and Implementation of Effective Safety Nets (World Bank 2008) broadens the understanding of why countries need SSNs and how to develop effective SSN systems.

Most Relevant Websites Dedicated to Social Safety Nets

ILO Webpage on Social Protection. This website presents the ILO's work on social protection, including links to recent reports and papers, and data sources.

The World Bank Webpage on SSNs. This website in dedicated to the World Bank's work on SSNs. It includes links to World Bank reports, papers, and data sources.

UNICEF Webpage on Social Protection. This website presents the UNICEF's work on social protection, including links to recent reports and papers, and data sources.

Socialprotection.org is an online, member-based knowledge-sharing and capacity-building platform, open to social protection practitioners, policymakers, and experts, as well as academics and students. The platform was set up to respond to a recommendation from the G20 Development Working Group in the aftermath of the triple crisis of the late 2000s to foster global knowledge sharing on social protection policies.

Social Protection Inter-agency Cooperation Board. The Social Protection Inter-Agency Cooperation Board is a light, lean, and agile interagency coordination mechanism—composed of representatives of international organizations and bilateral institutions—to enhance global coordination and advocacy on social protection issues and to coordinate international cooperation in country demand-driven actions.

Relevant Data Sources

World Bank Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) is the World Bank's compilation of indicators to analyze the scope and performance of social protection programs. ASPIRE provides indicators for 139 countries on social assistance, social insurance, and labor market programs based on program-level administrative data and national household survey data.

ILO World Social Protection Database has the objective to collect, store, and disseminate comparable statistical data on social security worldwide. Data compilation on social protection is mainly driven by the administrative data received from the governments through a Social Security Inquiry questionnaire. In addition to these data, the department is establishing agreements with other agencies to receive complimentary information.

European System of Integrated Social Protection Statistics (ESSPROS) is a common framework which enables international comparison of the administrative national data on social protection. It provides a coherent comparison between European countries of social benefits to households and their financing.

OECD Social Spending Database includes reliable and internationally comparable statistics on public and (mandatory and voluntary) private social expenditure at program level as well as net social spending indicators for OECD countries.

OECD Poverty Database provides data on poverty gaps, poverty rates, and income inequality for OECD countries.

OECD Household Distributional Results in Line with National Accounts, Experimental Statistics provides distributional results on income, consumption, and savings in line with national accounts aggregates based on available micro data sources.

PovcalNet database provides poverty measures for developing countries.

Euromod Tax-benefit Microsimulation Model for European Union Countries enables researchers and policy analysts to calculate, in a comparable manner, the effects of taxes and benefits on household incomes and work incentives for the population of each country and for the European Union as a whole.

Southmod Tax-benefit Microsimulation Model for Selected Developing Countries enables researchers and policy analysts to calculate, in a comparable manner, the effects of taxes and benefits on household incomes and work incentives for the population of each country and for selected developing countries.

LIS acquires data sets with income, wealth, employment, and demographic data from many high- and middle-income countries, harmonizes them to enable cross-national comparisons, and makes them publicly available in two databases, the Luxembourg Income Study Database and the Luxembourg Wealth Study Database.

IMF Climate Change Indicators Dashboard presents the mean surface temperature change during the period 1961 to 2020, using temperatures between 1951 and 1980 as a baseline. Staff can explore these (and alternative) data to study issues related to SSN in the context of climate change.

ANNEX 2. SOCIAL SAFETY NETS AND HOUSEHOLD RESILIENCE TO SHOCKS

Social safety nets (SSNs) and labor market policies are central to protecting poor and vulnerable households from the potential short-term and long-term adverse consequences of shocks, including sharp increases in food and energy prices. SSN programs and unemployment income support schemes can increase the resilience of poor and vulnerable households by improving their capacity to prepare for, cope with, and adapt to negative shocks, thus ensuring that they do not fall into poverty or become trapped in poverty following these shocks (Grosh and others 2008; World Bank 2020). SSN cash transfers, for example, can provide an income that enables households to undertake preparedness measures (such as saving) and support adaption, for instance by allowing household to invest in assets that are less exposed to risks. Once a negative shock hits, transfers provide income support to households, ensuring a minimum level of well-being and reducing the need to resort to destructive coping strategies that result in a deterioration of their physical and human capital.

In the presence of high labor market informality, SSN systems are the lynchpin to build household resilience to negative shocks in most emerging market and developing economies (EMDEs). In advanced and some emerging economies with large formal sectors, unemployment insurance and other social insurance programs (such as sickness, disability, and health insurance) can help households cope with the impact of negative shocks. In contrast, in most EMDEs, the coverage of unemployment income support schemes is very limited, especially among lower-income households, reflecting the high degree of labor market informality. As a result, SSNs are the main instrument to provide income support to households during a crisis in these countries.

In response to the COVID-19 pandemic, countries around the world significantly expanded their SSNs and labor market programs to support household incomes and livelihoods. The measures introduced by countries to support households during the pandemic reflect, to a large extent, the structure of existing social protection systems.

- In advanced economies, which tend to have strong contributory social insurance systems, pandemic-related measures focused on strengthening labor market and social insurance programs in various ways, including by expanding eligibility for unemployment benefits to those not traditionally covered and relaxing eligibility requirements; increasing benefit levels, including additional one-off cash benefits; extending paid leave benefits; and introducing new employment retention schemes or expanding existing ones.
- EMDEs with sufficient existing capacity scaled-up SSN programs, expanding coverage and increasing benefit levels. Relatively generous cash transfers were the most commonly used tool.
- EMDEs with weak SSN systems in many cases faced difficulties in expanding coverage and reaching vulnerable households due to limited administrative capacity and lack of basic infrastructure. Governments in many countries were not able to accurately identify those in need and deliver assistance to them due to weak information systems and delivery infrastructure.

During the pandemic, many EMDEs leveraged technology and big data to expand SSN coverage. In many cases, beneficiary registration was carried out using mobile technology. Some governments, including Brazil, Indonesia, and Thailand, opted to implement more direct registration processes by creating dedicated websites. In other countries, phone record and satellite data were leveraged to select new beneficiaries. For instance, Togo selected households to be enrolled in cash transfer programs based on satellite and phone record data using machine learning algorithms. Nigeria used a new targeting method based on census data and high-resolution satellite imagery to map the poorest urban areas and target benefits. Digital payment systems, especially through mobile money, were implemented in several countries, reducing operational costs and increasing access. Innovative approaches relying on new technologies enabled rapid SSN coverage expansions but may have led to the exclusion of low-income households that may not have access to digital tools or may be hard to reach through digital mechanisms. These innovative approaches can also lead to leakage of benefits to households that may not require benefits, as information collected through some of these methods may be less reliable than information collected through traditional methods. This can lead to larger fiscal costs, especially when SSN coverage expansions are long-lasting and in countries that have limited ability to cross-check online registrations with administrative data sets and that lack progressive taxation. The right combination of tools to expand coverage will depend on the capabilities of the SSN (including existing tools and information systems, and even physical infrastructure) as well as on the specific country context.

The experience during the pandemic has highlighted that SSNs require various features to be able to effectively play a stabilization role. The ability to scale up coverage and benefit levels to protect households adversely hit by an income shock is central to this capacity. This, in turn, requires three key features:

- *Strong information systems*, including universal and robust identification systems and the ability to collect and verify key socioeconomic information (for example, integrated social registries with verifiable information on household characteristics, employment, and income).
- *Strong implementation capacity*, including the capacity to deliver benefits to the intended beneficiaries in a reliable and timely manner.
- *Strong institutional arrangements*, including national policies, strategies, and laws; clear roles and responsibilities of the different government entities involved; and coordination mechanisms.

Creating SSNs that can rapidly scale up coverage and benefits in response to shocks also requires building the necessary fiscal space. Strong public finances are key in allowing countries to increase SSN spending without undermining fiscal sustainability and macroeconomic stability. This requires a MTFF that reflects other spending needs and revenue mobilization capacity. Strong MTFFs can facilitate building fiscal buffers and strengthening fiscal capacity via credible tax and spending reforms. Strong MTFFs can also facilitate the withdrawal of discretionary fiscal measures as the economy recovers.

ANNEX 3. SOCIAL SAFETY NETS AND ECONOMIC GROWTH

Large and persistent inequalities can jeopardize sustained economic growth. Large and persistent inequalities undermine the ability of the poor and most vulnerable to invest in human and physical capital, affecting the opportunities and productivity of current and future generations (Cingano 2014). Evidence strongly suggests that high income inequality has a sizable negative impact on economic growth, including through hindering investment in human capital (Lucas 1988; Sala-i-Martin, Doppelhofer, and Miller 2004; International Labour Organization 2011; Organisation for Economic Co-operation and Development 2015) and limiting innovation and technology diffusion (Maradana and others 2017).

Redistributive public policies can reduce inequality and enhance access to opportunity, increasing intergenerational mobility and making growth more inclusive. Redistributive policies go hand in hand with sustained inclusive economic growth (Ostry, Berg, and Tsangarides 2014; UNICEF 2021). Social safety net transfers can reduce inequality of disposable income (after taxes and transfers), reduce poverty, and improve access to public services in the short term by redistributing income toward lower-income and vulnerable households. Transfers can also be growth enhancing in the long term, particularly because of their positive impact on the human and physical capital accumulation of low-income households.

SSN programs can promote economic growth by enhancing investments in human and physical capital and fostering labor market mobility through three main channels (OECD 2019): (1) by alleviating credit constraints of low-income households, (2) by helping households to cope with risks and protecting their consumption and assets from adverse shocks, and (3) by changing household resource allocation, which in turn affects education investments, labor allocation, and migration decisions. The literature has identified several impacts:

At the Micro Level

- *Human capital accumulation*. SSN transfers can ameliorate the effects of credit constraints on investments in children's health and education, which are key determinants of human capital accumulation. In many developing countries, cash transfer programs often condition benefits on beneficiaries meeting certain requirements, such as child school attendance and regular health checkups. Some of the best-known and longest-running conditional cash transfer programs, including those in Bangladesh, Brazil, Indonesia, Jamaica, Mexico, and South Africa, have been studied extensively and the evidence suggests that they increase school enrollment and attendance (Bastagli and others 2016; Parker and Todd 2017). Even without conditionalities, SSN programs may foster investments in human capital by reducing liquidity constraints among poorer households. Higher educational attainment increases future labor market opportunities (Parker and Vogl 2018) and contributes to economic growth (Angrist and others 2021). In addition, cash transfers can also reduce the need to resort to destructive coping strategies following negative shocks, such as withdrawing children from school, delaying essential health care, or reducing consumption of more nutritious but more expensive foods (de Janvry and others 2006).

- *Accumulation of productive assets and innovation*. SSN programs can enable poor households to accumulate productive assets by providing these assets directly, supporting investment, or increasing access to credit (Independent Evaluation Group 2011; Barrientos 2012; Bastagli and others 2016). Long-term and predictable cash transfers also reduce the risk of innovative, high-return livelihood investments and can help to prevent loss of productive capital following shocks, by reducing the risk of catastrophic losses (Devereux and others 2005; Berhane and others 2011).
- *Labor market participation*. Cash transfers targeted to the poor can potentially reduce labor supply through income and substitution effects. The income effect arises because higher out-of-work income reduces the incentives to take up employment. The withdrawal of benefits with income acts like a labor income tax and can decrease work incentives through a substitution effect (Moffitt 2002; Borjas 2005; Meghir and Phillips 2010). SSN programs can attenuate these work disincentives through conditionalities, including mandated job search activity and acceptance of employment offers as well as requirements to participate in active labor market programs. The empirical literature on cash transfers in developing countries shows little evidence of work disincentives (Banerjee and others 2017). On the contrary, recipients of cash transfers in developing countries have increased job-seeking efforts and migration, increasing employment (Samson 2009).

At the Community and National Levels

- *Accumulation of productive community assets*. Public works programs can increase community assets, such as roads, or projects related to land management, such as irrigation. These assets can increase productivity and access to markets (Mvukiyehe 2018). However, rigorous studies examining the impact of public work programs on economic growth are scarce. Moreover, the potential effect of public investment on growth can be offset if the investment is not sustainably financed (Barrientos 2012; Bastagli and others 2016).
- *Multiplier effects*. If SSN cash transfers are large enough, the resulting increase in aggregate demand can provide macroeconomic stimulus, by generating multiplier effects from increased local consumption and production. Thus increasing social spending may support short-term growth. Recent research finds evidence that SSN transfers and unemployment benefits can have large multiplier effects, increasing local aggregate employment, consumption, and output, both in EMDEs (Egger and others 2019; Gerard, Naritomi, and Silva 2021) and in advanced economies (di Maggio and Kermani 2016; Pennings 2020; Hellwig 2021).

SSN programs can have an instrumental role in support inclusive growth by:

- *Facilitating economic reforms*. SSN programs can support inclusive growth by helping governments to mobilize public support for growth-enhancing structural reforms, such as energy subsidy, tax, and labor market reforms. For instance, energy subsidies have several negative effects (for example, high fiscal costs, accrue mostly to higher-income households, excessive environmental damage, excessive energy intensity of consumption and production, high inefficiencies in energy supply, and low energy investments). However, governments often use energy subsidies as a tool to lower the cost of living for poor households and to shield households from price fluctuations. SSNs can help to mitigate the impact of subsidy reforms on the poor and most vulnerable and help mobilize public support for subsidy removal and price liberalization.

- *Enhancing social cohesion*. The literature suggests that a more stable, cohesive society favors investment. SSN programs can have an important role in enhancing social cohesion and strengthening the social contract between state and citizen. However, there is little evidence of the impacts of SSN programs on state-building and social cohesion (Babajanian 2012; Carpenter, Slater, and Mallett 2012).

REFERENCES

Aiken, Emily, Suzanne Bellue, Dean Karlan, Chris Udry, and Joshua E. Blumenstock. 2022. "Machine Learning and Phone Data Can Improve Targeting of Humanitarian Aid." *Nature* 603: 864–70.

Akitoby, Bernardin, Jiro Honda, Hiroaki Miyamoto, Keyra Primus, and Mouhamadou Sy. 2019. "Case Studies in Tax Revenue Mobilization in Low-Income Countries." IMF Working Paper 19/104, International Monetary Fund, Washington, DC.

Andersen, Torben M., and Michael Svarer. 2012. "Active Labour Market Policies in a Recession." *IZA Journal of Labor Policy* 1 (7).

Angrist, Noam, Simeon Djankov, Pinelopi K. Goldberg, and Harry A. Patrinos. 2021. "Measuring Human Capital Using Global Learning Data." *Nature* 592: 403–08.

Babajanian, Babken. 2012. *Social Protection and Its Contribution to Social Cohesion and State Building*. London: ODI.

Banerjee, Abhijit V., Rema Hanna, Gabriel E. Kreindler, and Benjamin A. Olken. 2017. "Debunking the Stereotype of the Lazy Welfare Recipient: Evidence from Cash Transfer Programs." *The World Bank Research Observer* 32 (2): 155–84.

Barrientos, Armando. 2012. "Social Transfers and Growth: What Do We Know? What Do We Need to Find Out?" *World Development* 40 (1): 11–20.

Bastagli, Francesca, Jessica Hagen-Zanker, Luke Harman, Valentina Barca, Georgina Sturge, and Tanja Schmidt, with Luca Pellerano. 2016. "Cash Transfers: What Does the Evidence Say? A Rigorous Review of Impacts and The Role of Design and Implementation Features." ODI in collaboration with Oxford Policy Management, OPM, London.

Beegle, Kathleen, Aline Coudouel, and Emma Monsalve. 2018. *Realizing the Full Potential of Social Safety Nets in Africa*. Washington, DC: The World Bank Group.

Berhane, Uush, John F. F. Hoddinott, Neha Kumar, and Alemayehu Seyoum Taffesse. 2011. "The Impact of Ethiopia's Productive Safety Nets and Household Asset Building Programme: 2006-2010." International Food Policy Research Institute, Washington, DC.

Blanchard, Olivier, and Jean Tirole. 2004. "The Optimal Design of Unemployment Insurance and Employment Protection. A First Pass." NBER Working Paper 10443, National Bureau of Economic Research, Cambridge, MA.

Borjas, George J. 2005. *Labor Economics*, eighth edition. New York: McGraw Hill.

Bosch, Mariano, and Marco Manacorda. 2012. "Social Policies and Labor Market Outcomes in Latin America and the Caribbean: A Review of the Existing Evidence." CEP Occasional Paper CEPOP32, Center for Economic Performance, London.

Bowen, Thomas, Carlo del Ninno, Colin Andrews, Sarah Coll-Black, Ugo Gentilini, Kelly Johnson, Yasuhiro Kawasoe, Adea Kryeziu, Barry Maher, and Asha Williams. 2020. *Adaptive Social Protection: Building Resilience to Shocks*. Washington: The World Bank Group.

Caldés, Natalia, David Coady, and John A. Maluccio. 2005. "The Cost of Poverty Alleviation Transfer Programs: A Comparative Analysis of Three Programs in Latin America." Economic and Sector Study Series, Inter-American Development Bank, Washington, DC.

Card, David, Jochen Kluve, and Andrea Weber. 2017. "What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations." *Journal of the European Economic Association* 16 (3): 894–931.

Carpenter, Samuel, Rachel Slater, and Richard Mallett. 2012. "Social Protection and Basic Services in Fragile and Conflict Affected Situations." Working Paper 8, ODI, London.

Cingano, Federico. 2014. "Trends in Income Inequality and its Impact on Economic Growth." OECD Social, Employment and Migration Working Paper 163, OECD Publishing, Paris.

Clements, Benedict J., Ruud A. de Mooij, Sanjeev Gupta, and Michael Keen. 2015. Inequality and Fiscal Policy. Washington, DC: International Monetary Fund.

Coady, David, and Nghia-Piotr Le. 2020. "Designing Fiscal Redistribution: The Role of Universal and Targeted Transfers." IMF Working Paper 20/105, International Monetary Fund, Washington, DC.

Coady, David, Devin D'Angelo, and Brooks Evans. 2019. "Fiscal Redistribution and Social Welfare." IMF Working Paper 19/51, International Monetary Fund, Washington, DC.

Coady, David, Margaret E. Grosh, and John Hoddinott. 2004. *Targeting of Transfers in Developing Countries: Review of Lessons and Experience*. Washington, DC: The World Bank Group.

Coady, David, Samir Jahan, Baoping Shang, and Riki Matsumoto. 2021. "Guaranteed Minimum Income Schemes in Europe: Landscape and Design." IMF Staff Discussion Note 18/01, International Monetary Fund, Washington, DC.

de Janvry, Alain, Frederico Finan, Elisabeth Sadoulet, and Renos Vakis. 2006. "Can Conditional Cash Transfer Programs Serve as Safety Nets in Keeping Children at School and from Working When Exposed to Shocks?" *Journal of Development Economics* 79: 349–73.

Devereux, Stephan, Jenni Marshall, Jane MacAskill, and Larissa Pelham. 2005. "Making Cash Count: Lessons from Cash Transfer Schemes in East and Southern Africa for Supporting the Most Vulnerable Children and Households." Institute of Development Studies, University of Sussex, Brighton.

di Maggio, Marco, and Amir Kermani. 2016. "The Importance of Unemployment Insurance as an Automatic Stabilizer." Harvard Business School Working Paper 17-009, Harvard Business School, Boston, MA.

Drèze, Jean, and Amartya Sen. 1991. *Hunger and Public Action*. Oxford: Clarendon Press Publication.

Egger, Dennis, Johannes Haushofer, Edward Miguel, Paul Niehaus, and Michael W. Walker. 2019. "General Equilibrium Effects of Cash Transfers: Experimental Evidence from Kenya." NBER Working Paper 26600, National Bureau of Economic Research, Cambridge, MA.

Francese, Maura, and Delphine Prady. 2018. "Universal Basic Income: Debate and Impact Assessment." IMF Working Paper 18/273, International Monetary Fund, Washington, DC.

Gaspar, Vitor, Laura Jaramillo, and Philippe Wingender. 2016. "Tax Capacity and Growth: Is There a Tipping Point?" IMF Working Paper 16/234, International Monetary Fund, Washington, DC.

Gentilini, Ugo, Margaret Grosh, Jamele Rigolini, and Ruslan Yemtsov. 2020. *Exploring Universal Basic Income. A Guide to Navigating Concepts, Evidence, and Practices*. Washington, DC: The World Bank Group.

Gerard, François, Joana Naritomi, and Joana Silva. 2021. "Cash Transfers and Formal Labor Markets: Evidence from Brazil." Policy Research Working Paper 9778, The World Bank Group, Washington, DC.

Grosh, Margaret, Carlo del Ninno, Emil Tesliuc, and Azedine Ouerghi. 2008. *For Protection and Promotion: The Design and Implementation of Effective Safety Nets*. Washington, DC: The World Bank Group.

Grosh, Margaret, Phillippe Leite, Matthew Wai-Poi, and Emil Tesliuc. 2022. *Revisiting Targeting in Social Assistance: A New Look at Old Dilemmas. Human Development Perspectives*. Washington, DC: The World Bank Group.

Handa, Sudhanshu, Silvio Daidone, Amber Peterman, Benjamin Davis, Audrey Pereira, Tia Palermo, and Jennifer Yablonski. 2018. "Myth-Busting? Confronting Six Common Perceptions about Unconditional Cash Transfers as a Poverty Reduction Strategy in Africa." *The World Bank Research Observer* 33 (2): 259–98.

Hellwig, Klaus-Peter. 2021. "Supply and Demand Effects of Unemployment Insurance Benefit Extensions: Evidence from U.S. Counties." IMF Working Paper 21/070, International Monetary Fund, Washington, DC.

Hijzen, Alexander, and Danielle Venn. 2011. "The Role of Short-Time Work Schemes during the 2008-09 Recession." OECD Social, Employment and Migration Working Paper 115, OECD Publishing, Paris.

Independent Evaluation Group. 2011. *Evidence and Lessons Learned from Impact Evaluations on Social Safety Nets*. Washington, DC: The World Bank Group.

International Labour Organization (ILO). 2011. *Social Protection Floor for a Fair and Inclusive Globalization*. Geneva: International Labour Organization.

International Labour Organization (ILO). 2021a. "World Social Protection Report 2020-22: Social Protection at the Crossroads—In Pursuit of a Better Future." ILO Flagship Report, International Labour Organization, Geneva.

International Labour Organization (ILO). 2021b. "Linking Income Support Measures to Active Labour Market Policies." International Labour Organization, Geneva.

International Labour Organization (ILO). n.d. "ILO World Social Protection Database (WSPDB)." ILO World Social Protection Data Dashboards, International Labour Organization, Geneva.

International Monetary Fund (IMF). 2012. "Fiscal Policy and Employment in Advanced and Emerging Economies." IMF Paper, Washington, DC.

International Monetary Fund (IMF). 2013. "Cyprus: Letter of Intent, Memorandum of Economic and Financial Policies, Technical Memorandum of Understanding, and Memorandum of Understanding on Specific Economic Policy Conditionality." Washington, DC.

International Monetary Fund (IMF). 2014. "Revised Operational Guidance to IMF Staff on the 2002 Conditionality Guidelines." IMF Policy Paper, Washington, DC.

International Monetary Fund (IMF). 2015. "Ukraine: First Review Under the Extended Arrangement—Press Release; Staff Report; and Statement by the Executive Director for Ukraine." IMF Country Report 15/218 Washington, DC.

International Monetary Fund (IMF). 2017a. "Islamic Republic of Mauritania: Three-Year Arrangement under the Extended Credit Facility-Press Release; Staff Report; and Statement by the Executive Director for Islamic Republic of Mauritania." IMF Country Report 17/369, Washington, DC.

International Monetary Fund (IMF). 2017b. "Tackling Inequality." *Fiscal Monitor.* Washington, DC, October.

International Monetary Fund (IMF). 2018a. "Inequality and Poverty across Generations in the European Union." IMF Staff Discussion Note 18/01, Washington, DC.

International Monetary Fund (IMF). 2018b. "Guidance Note on IMF Engagement on Social Safeguards in Low-Income Countries." IMF Policy Paper, Washington, DC.

International Monetary Fund (IMF). 2018c. "Saudi Arabia: 2018 Article IV Consultation-Press Release and Staff Report." IMF Country Report 18/263, Washington, DC.

International Monetary Fund (IMF). 2018d. "IMF Executive Board Concludes 2018 Article IV Consultation with France." Washington, DC.

International Monetary Fund (IMF). 2019a. "A Strategy for IMF Engagement on Social Spending." IMF Policy Paper 19/016, Washington, DC.

International Monetary Fund (IMF). 2019b. "How to Mitigate Climate Change." *Fiscal Monitor.* Washington, DC, October.

International Monetary Fund (IMF). 2019c. "Fiscal Policy and Development: Human, Social, and Physical Investments for the SDGs." IMF Staff Discussion Note 19/003, Washington, DC.

International Monetary Fund (IMF). 2019d. "Pakistan: Request for an Extended Arrangement Under the Extended Fund Facility-Press Release; Staff Report; and Statement by the Executive Director for Pakistan." IMF Country Report 19/212, Washington, DC.

International Monetary Fund (IMF). 2019e. "2018 Review of Program Design and Conditionality." IMF Policy Paper 19/012, Washington, DC.

International Monetary Fund (IMF). 2019f. "Colombia: Technical Assistance Report-Reforming Energy Pricing." IMF Country Report 19/344, Washington, DC.

International Monetary Fund (IMF). 2020a. "Expenditure Policies in Support of Firms and Households." IMF Special Series on Fiscal Policies to Respond to COVID-19, Washington, DC.

International Monetary Fund (IMF). 2020b. "Ecuador: First Review Under the Extended Arrangement Under the Extended Fund Facility and Request for Modification of Quantitative Performance Criteria-Press Release; Staff Report; and Statement by the Executive Director for Ecuador." IMF Country Report 20/325, Washington, DC.

International Monetary Fund (IMF). 2020c. "Ecuador: Request for an Extended Arrangement Under the Extended Fund Facility-Press Release; Staff Report; Staff Supplement; and Statement by the Executive Director for Ecuador." IMF Country Report 20/286, Washington, DC.

International Monetary Fund (IMF). 2020d. "Digital Solutions for Direct Cash Transfers in Emergencies." IMF Special Series on Fiscal Policies to Respond to COVID-19, Washington, DC.

International Monetary Fund (IMF). 2020e. "Managing the Impact on Households: Assessing Universal Transfers." IMF Special Series on Fiscal Policies to Respond to COVID-19, Washington, DC.

International Monetary Fund (IMF). 2020f. "Reaching Households in Emerging and Developing Economies: Citizen ID, Socioeconomic Data, and Digital Deliver." IMF Special Series on Fiscal Policies to Respond to COVID-19, Washington, DC.

International Monetary Fund (IMF). 2020g. "Government Support to Business and Households." IMF Special Series on Fiscal Policies to Respond to COVID-19, Washington, DC.

International Monetary Fund (IMF). 2020h. "Enhancing Digital Solutions to Implement Emergency Responses." IMF Special Series on Fiscal Policies to Respond to COVID-19, Washington, DC.

International Monetary Fund (IMF). 2020i. "Mobile Money in the COVID-19 Pandemic." IMF Special Series on Fiscal Policies to Respond to COVID-19, Washington, DC.

International Monetary Fund (IMF). 2021a. "A Fair Shot." *Fiscal Monitor.* Washington, DC, April.

International Monetary Fund (IMF). 2021b. "Recovery during a Pandemic: Health Concerns, Supply Disruptions, and Price Pressures." *World Economic Outlook*. Washington, DC, October.

International Monetary Fund (IMF). 2021c. "A Post-Pandemic Assessment of the Sustainable Development Goals: Background Notes." IMF Staff Discussion Note 21/003, Washington, DC.

International Monetary Fund (IMF). 2021d. "Malaysia: 2021 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Malaysia." IMF Country Report 21/053, Washington, DC.

International Monetary Fund (IMF). 2021e. "The Bahamas: 2020 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for The Bahamas." IMF Country Report 21/024, Washington, DC.

International Monetary Fund (IMF). 2021f. "Senegal: Third Review Under the Policy Coordination Instrument and Request for Modification of Quantitative Targets, and Requests for a Stand-By Arrangement and an Arrangement Under the Standby Credit Facility-Press Release; Staff Report; and Statement by the Executive Director for Senegal." IMF Country Report 21/127, Washington, DC.

International Monetary Fund (IMF). 2021g. "Capacity Development Talk: The IMF's Engagement on Social Protection." Washington, DC.

International Monetary Fund (IMF). 2022a. "IMF Engagement on Pension Issues in Surveillance and Program Work." IMF Technical Notes and Manuals 22/004, Washington, DC.

International Monetary Fund (IMF). 2022b. "Fiscal Policy from Pandemic to War." *Fiscal Monitor.* Washington, DC, April.

International Monetary Fund (IMF). 2022c. "Fiscal Policy for Mitigating the Social Impact of High Energy and Food Prices." IMF Technical Notes and Manuals 22/001, Washington, DC.

International Monetary Fund (IMF). 2022d. "IMF Strategy Toward Mainstreaming Gender." IMF Policy Paper 22/037, Washington, DC.

International Monetary Fund (IMF). 2022e. "Guidance Note for Surveillance Under Article IV Consultations." IMF Policy Paper 22/029, Washington, DC.

International Monetary Fund (IMF). 2022f. "Nigeria: 2021 Article IV Consultation-Press Release; Staff Report; Staff Statement, and Statement by the Executive Director for Nigeria." IMF Country Report 22/033, Washington, DC.

International Monetary Fund (IMF). 2022g. "Republic of Madagascar: First Review Under the Extended Credit Facility Arrangement-Press Release; Staff Report; and Statement by the Executive Director for Republic of Madagascar." IMF Country Report 22/079, Washington, DC.

International Monetary Fund (IMF). 2022h. "Costa Rica: First and Second Reviews Under the Extended Arrangement Under the Extended Fund Facility, Request for Extension of the Arrangement, and Rephasing of Purchases-Press Release; Staff Report; and Statement by the Executive Director for Costa Rica." IMF Country Report 22/093, Washington, DC.

Levy-Yeyati, Eduardo, Martín Montané, and Luca Sartorio. 2019. "What Works for Active Labor Market Policies?" CID Faculty Working Paper 358, Center for International Development at Harvard University, Cambridge, MA.

Lucas Jr., Robert E. 1988. "On the Mechanics of Economic Development." *Journal of Monetary Economics* 22 (1): 3–42.

Maradana, Rana P., Rudra P. Pradhan, Saurav Dash, Kunal Gaurav, Manju Jayakumar, and Debaleena Chatterjee. 2017. "Does Innovation Promote Economic Growth? Evidence from European Countries." *Journal of Innovation and Entrepreneurship* 6 (1): 1–23.

Meghir, Costas, and David Phillips. 2010. "Labor Supply and Taxes." In *Dimensions of Tax Design* volume one of the Mirrlees Review, edited by Stuart Adam, Tim Besley, Richard Blundell, Stephen Bond, Robert Chote, Malcolm Gammie, Paul Johnson, Gareth Myles, and James M. Poterba. London: Institute for Fiscal Studies.

Moffitt, Robert A. 2002. "Welfare Programs and Labor Supply." In *Handbook of Public Economics*, 2393–430. Amsterdam: Elsevier.

Morley, Samuel, and David Coady. 2003. *From Social Assistance to Social Development: Targeted Education Subsidies in Developing Countries*. Washington: Center for Global Development, International Food Policy Research Institute.

Mvukiyehe, Eric. 2018. "What Are We Learning about The Impacts of Public Works Programs on Employment and Violence? Early Findings from Ongoing Evaluations in Fragile States." The World Bank Group, Washington, DC.

Organisation for Economic Co-operation and Development (OECD). 2001. "Glossary of Statistical Terms." OECD Publishing, Paris.

Organisation for Economic Co-operation and Development (OECD). 2017. "Climate Change and Social Inequality." UN Department of Economic and Social Affairs Working Papers, OECD Publishing, Paris.

Organisation for Economic Co-operation and Development (OECD). 2019. "Measuring the Impact of Social Protection on Inclusive Growth." In *Can Social Protection Be an Engine for Inclusive Growth?* Paris: OECD Publishing.

Organisation for Economic Co-operation and Development (OECD). 2020. *Development Co-operation Report 2020: Learning from Crises, Building Resilience*. Paris: OECD Publishing.

Organisation for Economic Co-operation and Development (OECD). 2021a. "Designing Active Labour Market Policies for the Recovery." OECD Policy Responses to Coronavirus (COVID-19), OECD Publishing, Paris.

Organisation for Economic Co-operation and Development (OECD). 2021b. "Scaling up Policies that Connect People with Jobs in the Recovery from COVID-19." OECD Policy Responses to Coronavirus (COVID-19), OECD Publishing, Paris.

Ostry, Jonathan David, Andrew Berg, and Charalambos G. Tsangarides. 2014. "Redistribution, Inequality, and Growth." IMF Staff Discussion Note 14/02, International Monetary Fund, Washington, DC.

Parker, Susan, and Tom Vogl. 2018. "Do Conditional Cash Transfers Improve Economic Outcomes in the Next Generation? Evidence from Mexico." NBER Working Paper 24303, National Bureau of Economic Research, Cambridge, MA.

Parker, Susan W., and Petra E. Todd. 2017. "Conditional Cash Transfers: The Case of Progresa/Oportunidades." *Journal of Economic Literature* 55 (3): 866–915.

Pennings, Steven. 2020. "Cross-Region Transfers in a Monetary Union: Evidence from the U.S. and Some Implications." Policy Research Working Paper 9244, The World Bank Group, Washington, DC.

Razavi, Shahra, Christina Behrendt, Valeria Nesterenko, Ian Orton, Celine Peyron Bista, Alvaro Ramos Chavez, Helmut Schwarzer, Maya Stern-Plaza, and Veronika Wodsak. 2022. "Building Universal Social Protection Systems for All: What Role for Targeting?"

Rozenberg, Julie, and Stephane Hallegatte. 2015. "The Impacts of Climate Change on Poverty in 2030 and The Potential from Rapid, Inclusive, and Climate-Informed Development." World Bank Policy Research Working Paper 7483, The World Bank Group, Washington, DC.

Sala-i-Martin, Xavier, Gernot Doppelhofer, and Ronald I. Miller. 2004. "Determinants of Long-Term Growth: A Bayesian Averaging of Classical Estimates (BACE) Approach." *The American Economic Review* 94 (4): 813–35.

Samson, Michael. 2009. "Social Cash Transfers and Employment: A Note on Empirical Linkages in Developing Countries." OECD Publishing, Paris.

Tesliuc, Emil, Lucian Pop, Margaret Grosh, and Ruslan Yemtsov 2014. "Income Support for the Poorest A Review of Experience in Eastern Europe and Central Asia". The World Bank.

United Nations Children's Fund (UNICEF). 2019. "UNICEF's Global Social Protection Programme Framework." Social Inclusion and Policy 19/003, UNICEF, New York.

United Nations Children's Fund (UNICEF). 2021. "Strengthening the Evidence on the Correlation between Fiscal Equity and Social Outcomes for Children." Research Note, UNICEF, New York.

World Bank. 2008. *For Protection and Promotion: The Design and Implementation of Effective Safety Nets*. Washington, DC: The World Bank Group.

World Bank. 2018. *The State of Social Safety Nets 2018*. Washington, DC: The World Bank Group.

World Bank. 2019a. "The World Development Report (WDR) 2019: The Changing Nature of Work." The World Bank Group, Washington, DC.

World Bank. 2019b. "Protecting All: Risk Sharing for a Diverse and Diversifying World of Work." The World Bank Group, Washington, DC.

World Bank. 2020. *Adaptive Social Protection: Building Resilience to Shocks*. Washington, DC: The World Bank Group.

World Bank. 2021. "The State of Economic Inclusion Report 2021: The Potential to Scale." The World Bank Group, Washington, DC.