

## CHAPTER 4

# Scaling up social safety nets

The sharp output declines expected in most ECA countries in 2009 and the possibility of a slow recovery will have a significant impact on the poorest and most vulnerable households.

Existing safety net programs, if they have a good track record of targeting benefits, can be expanded to reach these groups.

Virtually all ECA countries operate a mix of safety nets today, but the spending, coverage, and ability to target resources vary greatly.

### Questions

- Does every country possess at least one well targeted program that could be scaled up to channel additional resources to the poor cost-effectively?
- In which situations is the need simply to scale up the program financially and in which is it critical to improve efficiency by consolidating programs and improving targeting?
- How important is the income transfer of some well targeted programs to poor households?

### Findings

- Of the 24 ECA countries examined, 15 have a well targeted program that could be scaled up. Encouragingly, the potential to build on an existing well targeted program is not limited to middle-income countries—several lower income countries are among the 15.
- In some of the other countries, spending is adequate but effectiveness is compromised because of weak targeting and implementation.
- The income transfer of some of the targeted means-tested programs is significant as reported by households in the poorest quintile. In several ECA countries—including some of the lower income ones—the transfer amounts to more than 30 percent of their consumption.

The significant output declines expected in most ECA countries in 2009 and the possibility that output recovery may be a slow process will hit the poorer and most vulnerable. Reduction in real wages and employment, increases in food prices due to currency devaluations, and declines in social services as public revenues dwindle are some of the mechanisms likely to hurt the poor. Declines in workers' remittances in some of the poorer ECA countries will have

a disproportionate impact on the poor. For families already below the poverty line, these events will be particularly serious, especially for those with restricted coping mechanisms, such as the elderly and those with young children.

Latest available data confirm these developments. Registered number of unemployed workers, as reported by public employment offices providing unemployment benefits, increased sharply in several countries between March 2008 and March 2009. The number more than doubled in the Baltic states. The increase was also significant in other countries: about 60 percent in Moldova and Turkey, and between 20 and 40 percent in the Czech and Slovak Republics, Romania, the Russian Federation, Slovenia, and Ukraine. Differences in these rates partly reflect incentives to register and generous benefits. Notwithstanding these caveats, the data suggest that unemployment is increasing in many ECA countries. Poverty is also on the rise: the Russian statistical agency Rosstat reported in late August 2009 that the population below the national poverty line increased by almost one-third—from 13.4 percent of the population in the last quarter of 2008 to 17.4 percent during the first quarter of 2009—or, an additional 6 million individuals in poverty.

Safety nets or social assistance programs (other than contributory pension programs and contributory unemployment benefits programs) can be leveraged to reach the poor. But the ability to respond quickly depends critically on the quality of the existing programs. A rapid response would focus on expanding existing safety nets that have a proven track record in targeting social benefits to the poorest fifth of households. This chapter shows that most countries in the region have at least one well targeted safety net program that can be scaled up in times of crisis. Well targeted programs should be protected and even expanded, either in coverage or by “topping-up” benefits.<sup>1</sup>

### **Existing social assistance programs**

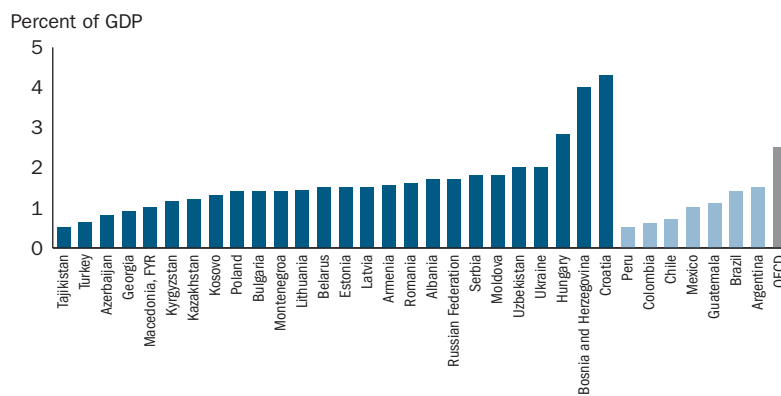
Total spending on social assistance averages 1.7 percent of GDP in the region but there is substantial variation across countries, ranging from 0.5 percent of GDP in Tajikistan through 2.0 percent in Ukraine to around 4.0 percent in Croatia and Bosnia and Herzegovina (figure 4.1). Spending on benefits for war veterans is significant in the former Yugoslav republics. About half of ECA countries spend about the same as or more than Argentina and Brazil—middle-income countries in Latin America with the highest spending as a share of GDP—but most ECA countries are below the OECD average of 2.5 percent of GDP.

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1. This chapter is based on the material developed in Lindert (in progress) and Nguyen, Sundaram, and Tesliuc (in progress). Data on comparator countries comes from Lindert et. al 2006.

FIGURE 4.1

Spending on overall safety nets, by country, 2006–08



Note: Spending data for Latin America are for 2000–04.

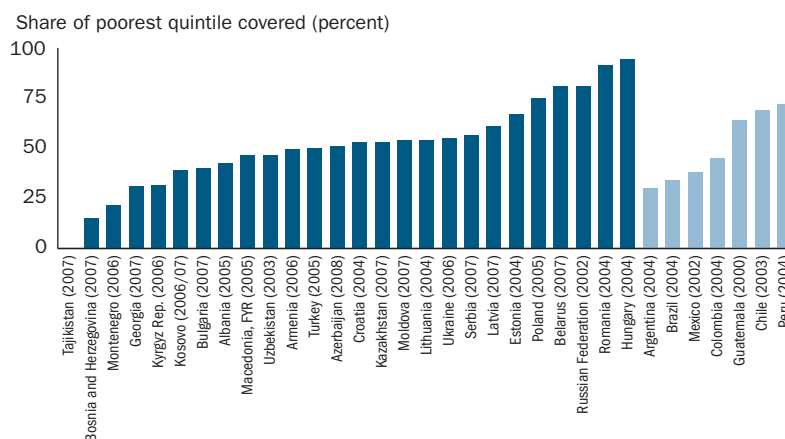
Almost all ECA countries operate some mix of safety nets programs. The mix is similar to that of the OECD countries, with an emphasis on family allowances such as child allowances and birth grants, noncontributory pensions, heating and housing allowances, and targeted antipoverty programs. Some countries are still reforming such programs, such as monetizing and consolidating a range of “privileges”, including so-called categorical benefits that target particular categories of individuals (such as war veterans, teachers, and judges). In some cases a proliferation of multiple programs fragments and duplicates benefits.

Coverage—the share of households in the poorest quintile of the population reached by social assistance programs—also varies sharply across countries, with more than half the countries having coverage rates between 40 and 60 percent (figure 4.2). Hungary and Romania have the highest coverage rates, followed by Belarus, Poland, and the Russian Federation, through moderate rates in Armenia, Azerbaijan, and Turkey, falling off in the low-income CIS countries, reaching only 30 percent of the poorest quintile in Georgia and the Kyrgyz Republic and barely 1 percent in Tajikistan.

Coverage is not always correlated with spending. Bosnia and Herzegovina is among the highest spenders but has rather low coverage, because many benefits are “rights based” rather than “needs based.” More than three-quarters of cash transfers are rights-based transfers. Safety nets in Croatia have a similar feature. Many of its programs cover war veterans, children’s allowances, and other family benefits that are not targeted. But Croatia also operates a well targeted guaranteed

FIGURE 4.2

Coverage of overall safety nets, by country, various years



Note: Performance indicators for ECA countries are calculated using a standardized methodology so as to facilitate comparison across countries. This methodology ranks households into quintiles based on harmonized consumption aggregates (World Bank 2005) and pre-transfer consumption per capita. Azerbaijan, Bosnia and Herzegovina, Kyrgyz Republic, Moldova, the Russian Federation, Tajikistan, and Uzbekistan are yet to be updated using the standardized methodology. Since this book went to press, data in 2007 for Armenia have become available. Moreover, the standardized methods have since been applied to Bulgaria and Serbia. For Bulgaria, coverage of social assistance increases from 40 percent to 54 percent and targeting accuracy from 28 percent to 50 percent. For Serbia, coverage of social assistance increases from 56.7 percent to 60.3 percent and targeting accuracy from 56 percent to 63 percent. These changes have been reflected in figure 1 in the overview. The indicators of the rest of the countries are being updated with the standardized methodology.

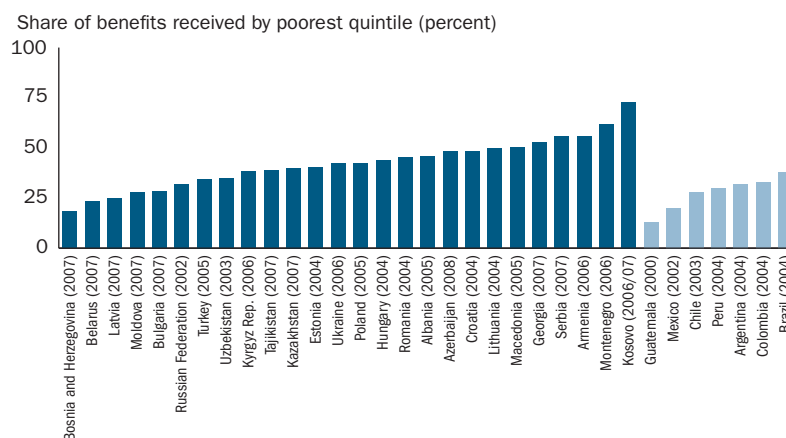
minimum income program as its core poverty safety net. By contrast, Azerbaijan spends relatively little, but its new Targeted Social Assistance Program is quite effective in basing eligibility on income testing and home visits.

The targeting accuracy of social benefits—the share of benefits going to the poorest quintile of households—varies across the region, but most ECA countries perform better than comparable countries (figure 4.3). However, in several countries the poorest quintile receives less than a third of the safety net benefits. Note that the ranking of countries has changed relative to figure 4.2. For example, at 80 percent, the Russian Federation has relatively good coverage, but only 30 percent of benefits go to the poorest quintile. The main reason for this gap is that the per child transfer out of the children allowance program, the main benefit received by the poorest quintile, is very low.

In Georgia, by contrast, only about 30 percent of the poorest quintile receives benefits, but those benefits account for more than 50 percent of the total value transferred by the safety net system. Targeting accuracy is

FIGURE 4.3

**Targeting accuracy of overall safety-net benefits, by country, various years**



Note: See note to figure 4.2.

significant and on par with several OECD countries. It is largely achieved by the new Targeted Social Assistance Program, implemented in 2006 after careful preparation (box 4.1).

**Safety nets: ready to be scaled up?**

Countries are classified in two categories by asking the question: “Does the country possess at least one well targeted program that could be cost effectively scaled up to channel resources to the poor in a crisis.”

Figure 4.4 classifies countries by income level and (in parentheses) the specific program with the potential to be expanded. They are generally means-tested programs. Figures 4.5 and 4.6 show the targeting accuracy and coverage of such means-tested programs. The classification in figure 4.4 is not based on the performance of the overall safety net but on the existence of at least one well targeted program with minimal coverage that could be scaled up to reach the poorest households. Many countries that have such a means-tested program nevertheless require significant reform of their overall safety net.

*Countries with at least one well targeted means-tested program*

Most countries operate at least one well targeted safety net that could be scaled up in times of crisis. In many ECA countries the targeting accuracy compares favorably with that in Latin American. Interestingly, the potential to build on such programs is not limited to middle-income countries; several lower income countries are in the group.

BOX 4.1

**Aiming high to serve the poor: Georgia's new Targeted Social Assistance Program**

The TSA, launched in July 2006 after 18 months of intense preparation, has several features worth noting.

- *The team:* The authorities appointed a team of national experts to develop a targeting mechanism, examining experiences in several countries, including Mexico, Chile, and Turkey.
- *Targeting method:* A “proxy means test” (complementing data on income with information of possession of durables, quality of the dwelling, education level of the household, and so on) was selected because of the high informality of the Georgian economy. The test was then finetuned through additional surveys. The formula accommodates differences in consumption across geographical locations. It combines both objective (measurable) variables and subjective assessment of the household situation by social workers.
- *Administrative arrangements:* The application process has two stages. First, households register and give their consent to further collection of information. The blank registration forms can be obtained at many points across Georgia. In the second phase, the Social Service Agency visits the household to collect the additional information. The data are entered in the database and locked for changes. Further processing is done centrally, including information verification and cross-checks, as well the assignment of the proxy score. The entire process is automated to assure objectivity and minimize the risk of bribery.
- *Informing households:* Each “scored” household is issued a card with the case number and score, allowing households to find out immediately whether they qualify for assistance.
- *Program flexibility:* The program is open-ended. Households can apply—at any time—if their score is below the cut-off point they automatically become included in the program. This poses a challenge for forecasting the required resources and calls for budgetary flexibility.

Several low-income to lower middle-income countries have developed some elements of effective safety nets. Typically, these countries have a single well targeted program focused on poor families, such as the Unified Monthly Benefit in the Kyrgyz Republic, the Ndhima Ekonimike Program in Albania, the Targeted Social Assistance Programs in Azerbaijan and Georgia, the Family Benefit Program in Armenia, and the Last Resort Program in Ukraine. Depending on the country, further improvements could come from geographic targeting with poverty maps, verifying income-testing with hybrid proxies, and strengthening implementation, registry administration, and oversight. Coverage is typically low, however—generally less than 35 percent

FIGURE 4.4

How ready are ECA's safety nets for rapid crisis response? A typology of countries

Countries with at least one well targeted program, though often with low benefit values	Countries with no programs or with programs that have very low coverage or weak targeting accuracy
<p><b>Low-income and lower middle-income countries</b></p> <ul style="list-style-type: none"> <li>• Albania (NE Program)</li> <li>• Armenia (FPB)</li> <li>• Azerbaijan (TSA)</li> <li>• Georgia (TSA)</li> <li>• Kyrgyz Rep. (UMB)</li> <li>• Macedonia, FYR (SFA)</li> <li>• Ukraine (Extension Poor program)</li> </ul> <p><b>Middle-income and upper middle-income countries</b></p> <ul style="list-style-type: none"> <li>• Bulgaria (GMI)</li> <li>• Croatia (Social Welfare)</li> <li>• Montenegro (MOP)</li> <li>• Poland (TSA)</li> <li>• Romania (FMI)</li> <li>• Serbia (CA)</li> <li>• Kosovo (SA)</li> <li>• Turkey (CCT, Green Card)</li> </ul>	<p><b>Low-income and lower middle-income countries</b></p> <ul style="list-style-type: none"> <li>• Moldova (no program)</li> <li>• Bosnia and Herzegovina (CPA)</li> <li>• Belarus (New program, 2008)</li> <li>• Uzbekistan (SA)</li> <li>• Tajikistan (no program)</li> </ul> <p><b>Middle-income and upper middle-income countries</b></p> <ul style="list-style-type: none"> <li>• Estonia (subsistence benefits)</li> <li>• Hungary (regular social assistance)</li> <li>• Kazakhstan (TSA)</li> <li>• Lithuania (social benefit)</li> <li>• Russian Federation (child allowance)</li> </ul>

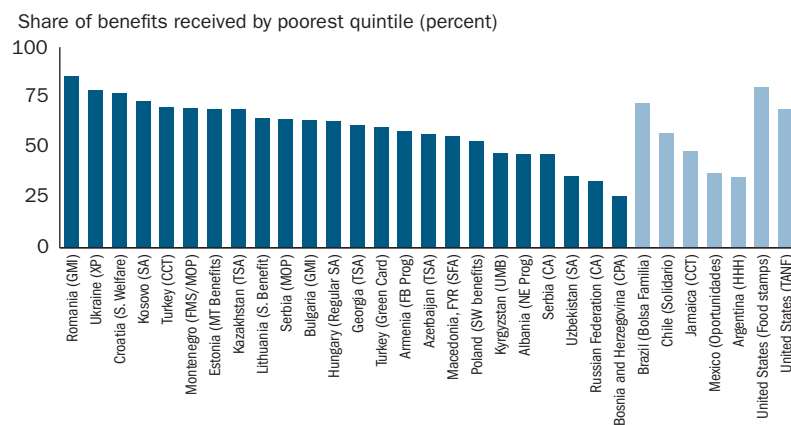
(figure 4.6). It could be expanded with increased fiscal effort, possibly from consolidating other legacy “privileges” and improving outreach to the poor.

Several middle-income countries also operate some well targeted means-tested programs, often as a complement to extensive social protection systems. More than 80 percent of the benefits of the Romanian GMI program accrue to the poorest quintile of households. Eligibility for these programs is usually determined by means testing (and in a few cases, proxy means testing), with targeting outcomes ranging from reasonable to strong. Except for the Turkey Green Card, which has both good coverage and targeting accuracy, coverage of these specific programs is fairly low. The poor in these countries also tend to benefit from other universal or categorical social assistance programs. In many cases, countries are also implementing “second-generation enhancements” to their safety nets—linking beneficiaries to “activation” programs, such as job search assistance or professional training, and introducing “exit strategies,” such as time limits, to discourage welfare dependency.

Although the existence of at least one fairly well targeted program positions these countries for a faster crisis response, most are underfunded and have modest coverage. Special effort is needed to expand these programs during the

FIGURE 4.5

Targeting accuracy of means-tested programs, by country, 2004–08



Note: Since this book went to press, the standardized methods have been applied to Bulgaria and Serbia. For Bulgaria, coverage of GMI increases from 6 percent to 14 percent, and targeting accuracy from 64 percent to 77 percent. For Serbia, targeting accuracy of the MOP program increases from 64 percent to 77 percent, while coverage remains basically the same. These changes have been reflected in figure 1 in the overview. The indicators of the rest of the countries are being updated with the standardized methodology.

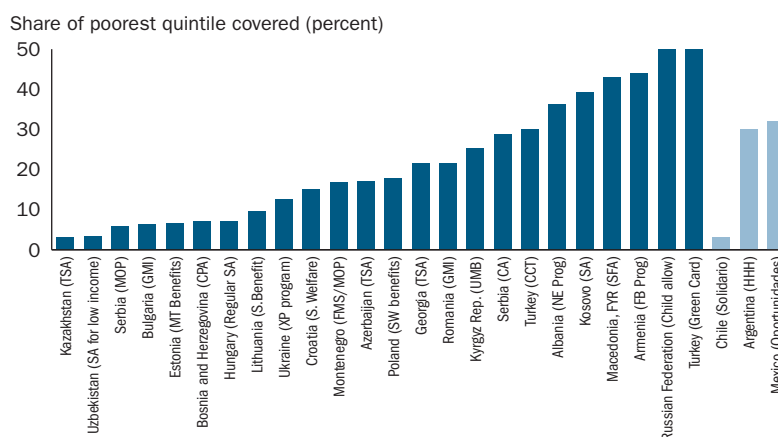
present crisis by raising benefits and expanding coverage by enhancing outreach, such as proactive registration of potentially poor households, communications campaigns, and social worker involvement. This is critical because preliminary data from a few countries show the opposite trend—coverage has declined during the last twelve months.

*Countries where spending is adequate but programs are not well targeted*

Several ECA countries allocate enough resources to social assistance programs, but their ability to reduce poverty or cost-effectively channel resources to the poor is compromised by weak targeting and implementation. Fortunately, only a few countries fall into this category (figure 4.4). Moldova spends about 1.8 percent of GDP on about 15 untargeted programs. Bosnia spends 4 percent of GDP on untargeted categorical benefits for civilians and war veterans. And the Russian Federation spends 1.7 percent of GDP on categorical benefits and weakly means-tested subsidies—and suffers from implementation and design challenges (box 4.2). Belarus may also fall into this category, spending 1.5 percent of GDP on social assistance. But it has recently introduced a targeted program, and an assessment of its effectiveness awaits household survey data. In these cases, significant reforms are generally needed to:

FIGURE 4.6

Coverage of means-tested programs, by country, 2004–08



Note: See note to figure 4.2.

- Consolidate programs and eliminate most untargeted privileges.
- Refocus design and eligibility criteria, or introduce a new poverty-focused program within the available spending envelope.
- Develop and apply targeting tools.
- Improve implementation arrangements.
- Strengthen oversight, monitoring, and evaluation.

**How important are safety nets in transferring income?**

How much of the consumption by the poorest quintile is accounted for by income transferred by safety nets, and what would it cost to increase such transfers? To answer this question, households are sorted into quintiles based on pretransfer consumption.<sup>2</sup> In table 4.1 panel A, each cell contains the total transfer amount to beneficiary households in the poorest quintile divided by the total of post transfer consumption of beneficiary households in that quintile. Table 4.1 panel B shows the total transfer to beneficiary households in the poorest quintile divided by the total consumption of all households, including those not receiving the transfer. The first column of each panel shows the

2. Household surveys which include detailed modules on consumption and income, including income from various social protection programs are used in producing these tables. The detailed consumption data are used to produce harmonized consumption aggregates (using the same basket of goods) across the various countries so as to facilitate comparison. Households are ranked into quintiles based on pre-transfer consumption levels.

**Enough bang for the buck? Safety nets in the Russian Federation**

The overall spending on non-contributory social assistance programs and subsidies in the Russian Federation stood at about 1.7 percent of GDP in 2007, making the Russian Federation a “moderate spender” in the region. This includes three types of programs: subsidies and cash compensation for privileged citizens (specific categories); income-tested programs (mainly housing and utility allowances, and child allowances); and institutionalized care. The Russian Federation does not operate a “last-resort” poverty-targeted program at the federal level, other than means-tested housing, utility, and child allowances.

Despite spending enough, the impact of the safety net on poverty reduction is low. The share of funds that actually reach the poor is substantially smaller in the Russian Federation than elsewhere in the region. There are two reasons for this. Most privileges are assigned to broad categories of the population and are not income-tested or needs-based—thus only 16 percent of payments of privilege benefits reached the poor in 2006. And even the income-tested programs have poor targeting—only 33 percent of child allowances and 30 percent of housing benefits reached the poorest quintile in 2006.

The reasons for weak targeting include:

- Program design flaws, such as very low child allowance benefits, which do not appear to justify the higher administrative costs associated with means-testing;
- Delegation of delivery and financing of income-tested programs to sub-national governments, which over-stretches the capacity of poorer regions that have larger share of the poor populations and fewer resources
- Implementation challenges, particularly in the measurement of income and in sharing information among government bodies.

Thus the ability of the Russian Federation’s safety nets to protect the poor cost-effectively from the impact of the crisis is limited. Reforms to strengthen the safety net are needed, in program design, targeting, and implementation. The federal government might consider introducing a new federally funded program with a stronger targeting instrument to identify the truly poor. Developing a targeting instrument—such as a Hybrid Means Testing tool—could happen fairly quickly. A new program could be introduced 6–9 months later—say in early 2010—using budget reallocation options and regional implementation capacities. The program should include strong federal oversight, monitoring, and evaluation to ensure program effectiveness and minimize fraud and error.

transfers received from overall social safety nets, while the second column includes only income transfers out of the targeted means-tested programs.

The difference between panels A and B is important. Panel A shows the consumption impact only on households that receive the transfer, whereas

panel B averages the total transfer across all households in the quintile—irrespective of whether they received it or not (the denominator is larger). Figures in panel B are generally smaller, reflecting smaller household consumption in the beneficiary households or the fact that only a share of households in the quintile receives the benefit. This difference can be large: for instance, in Croatia, the average transfer value per beneficiary of its means-tested program is 28.8 percent (panel A). But it declines to 4.4 percent of consumption when the consumption of all households (both beneficiary and nonbeneficiary) in the poorest quintile is included (panel B). The reason is that Croatia’s means-tested program covers only 15 percent of households in the poorest quintile. Equal declines are observed in the Baltic states, Hungary, and Serbia.

There is considerable variation across countries in the transfer effect of the overall safety net (table 4.1, column 2). This variability can be seen even among the new member states of the European Union. In Hungary and Estonia, the safety net transfers per individual (relative to consumption) are significantly larger than in the other countries, such as Poland and Latvia. There are also strong differences in the former Soviet Union. In Georgia the transfers are the largest of all ECA countries (52 percent) and are twice the values in Ukraine and Kazakhstan.

Means-tested programs account for an important share of all safety net programs. They appear to have a good impact when expressed per beneficiary—which is exactly what these targeted programs are expected to do. In theory, they target the most vulnerable within the poorest quintile, as well as other vulnerable groups in other quintiles.

There are 10 countries in the group where these programs transfer at least a fifth of the equivalent (posttransfer) consumption level of the household receiving the transfer.<sup>3</sup> The highest transfer is again in Georgia, followed by Kosovo and Estonia. (For details on Georgia’s program, see box 4.1).

### **Cost of expanding means-tested programs**

How much would it cost to expand means-tested programs? This can be calculated by taking the ratio of the cost of such programs over the cost of overall safety nets and multiplying it by the cost of safety nets as a share of GDP (the latter figure derived from figure 4.1). Table 4.2 shows an approximation of the ratio of means-tested safety net transfers to total safety net transfers. It is an approximation because it does not incorporate administrative costs, which may be higher for the most targeted program. The ratio is small for the Baltic states and Hungary (means-tested transfers are less than one-fifteenth of

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3. This is equivalent to one quarter of the pretransfer consumption.

TABLE 4.1

## Transfer to beneficiaries in the poorest quintile, by country, various years (percent)

Country	Year	Panel A		Panel B	
		Share of consumption of beneficiary households in poorest quintile		Share of consumption of all households in poorest quintile	
		Safety net (all social assistance)	Targeted program (means tested)	Safety net (all social assistance)	Targeted program (means tested)
Albania	2005	19.2	9.7	8.4	3.5
Armenia	2006	33.1	32.7	17.7	15.6
Bosnia and Herzegovina <sup>a</sup>	2007	24.9	11.9	..	..
Croatia	2004	26.5	28.8	15.1	4.4
Estonia	2004	42.0	40.2	28.4	3.1
Georgia	2007	52.0	48.0	19.2	12.2
Hungary	2004	45.8	26.9	43.3	2.0
Kazakhstan	2007	20.6	13.2	11.5	0.4
Kosovo	2006–07	na <sup>b</sup>	43.4	na <sup>b</sup>	18.2
Kyrgyz Rep.	2006	10.1	9.4	3.3	2.4
Latvia	2007	15.6	3.7	9.8	0.2
Lithuania	2004	35.4	20.4	20.5	1.8
Macedonia, FYR	2005	29.2	26.9	13.4	11.5
Moldova <sup>c</sup>	2007	9.4	na <sup>d</sup>	5.2	na <sup>d</sup>
Montenegro	2006	47.9	.. <sup>e</sup>	12.2	.. <sup>e</sup>
Poland	2005	11.2	9.2	8.5	1.6
Romania	2004	33.1	32.1	30.5	6.9
Serbia <sup>c</sup>	2007	39.3	22.2	23.1	1.0
Turkey	2005	15.8	.. <sup>f</sup>	.. <sup>f</sup>	.. <sup>f</sup>
Ukraine	2006	23.5	17.2	13.6	2.2

.. is not available.

na is not applicable.

a. These computations use per adult-equivalent national consumption aggregates.

b. All social assistance in Kosovo is targeted.

c. Calculations use national consumption aggregates rather than harmonized consumption aggregates.

d. Moldova has no means-tested program.

e. Although Montenegro has a means-tested program called MOP, the 2006 HBS did not ask about it.

f. Turkey has two means-tested program, CCT and Green Card, but survey data do not distinguish them.

Source: Nguyen, Sundaram, and Tesliuc (in progress).

total safety net transfers in these countries), higher in Poland, Romania, and Ukraine (between a tenth and a fifth), and significantly higher in the low-income and lower middle-income countries of the Western Balkans and the former Soviet Union (between half and three-fourths).

The ratios in table 4.2, in conjunction with the magnitudes in figure 4.1, estimate what it would cost to double total spending on means-tested programs as a share of GDP. In the lower income countries of the Western Balkans and the CIS, it would cost between 0.50 and 0.75 percent of GDP. In most of the new member states of the European Union and Ukraine, the cost ranges from 0.10 to 0.40 percent of GDP. An exception is Croatia, where doubling the last resort program would cost a further 0.77 percent of GDP; but those costs could be reduced if the expansion of the last-resort program were accompanied by significant reforms of the overall safety net.

### **An opportunity for further reform**

Crises can present an opportunity for further reforms, as public pressures for an effective response can increase the political will for action. Reforms cover both policies that can be adopted in the immediate or short run, and actions which require more time, such as technical and institutional measures to strengthen safety net systems. Since this crisis is expected to be protracted, the second set of actions also merits consideration.

Immediate reform measures could typically include the following:

- Eliminating, reducing, or at most maintaining nominal values of untar-geted benefits.
- Removing automatic indexation of benefits to wages.
- More ambitiously, consolidating benefits into fewer well targeted schemes and introducing new targeted programs (such as conditional cash transfers or workfare), though their development and implementation will require more time.

Measures to strengthen the overall safety net for the medium run require additional technical inputs:

- Developing and introducing improved targeting and eligibility mechanisms, such as hybrid means testing.<sup>4</sup>
- Strengthening and improving household registries and management information systems, which typically involves technical, institutional, and IT investments, as well as capacity-building at central and local offices.

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4. Targeting in times of crisis can be challenging. Family circumstances change more frequently, increasing the need for repeated recertification for eligibility. Participation in the informal economy generally expands, making measurement of “needs” (incomes) more difficult. Finally, policymakers face the dilemma of prioritizing vulnerable populations: the “old poor” versus the “new poor.” While political pressures often come from those who face sudden income losses in times of crisis (some becoming “newly poor”), the chronic poor tend to suffer the most adverse consequences of shocks due to their low asset base and inability to smooth consumption, many with irreversible consequences for human capital (reduced schooling, child health and nutrition).

TABLE 4.2

**Percentage of transfers through means-tested programs to overall safety net transfers, by country, various years**

Country	Year	Percent of means tested transfers in total safety net transfers
Albania	2005	39.50
Armenia	2006	56.75
Croatia	2004	17.84
Estonia	2004	5.99
Georgia	2007	54.02
Hungary	2004	2.98
Kazakhstan	2007	1.83
Kosovo	2006–07	100.00 <sup>a</sup>
Kyrgyzstan	2006	59.56
Latvia	2007	2.68
Lithuania	2004	6.44
Macedonia, FYR	2005	77.38
Poland	2005	14.86
Romania	2004	11.27
Serbia	2007	3.61
Ukraine	2006	8.58

a. All social assistance in Kosovo is targeted.

Source: Nguyen, Sundaram, and Tesliuc (in progress).

- Strengthening payment, monitoring, and oversight and controls mechanisms.
- Overhauling, rationalizing and consolidating the overall safety net in countries where it is weak—to improve targeting, effectiveness, efficiency, and administrative feasibility.

### *Introducing new programs*

Countries without well targeted programs can introduce new ones. It takes 12 to 18 months to develop basic targeting, registry, and safety net systems—consonant with the expected duration of the downturn—but considerably longer for lower income countries with weaker institutional capabilities, where the need for them is likely to be particularly great. But there could still be value in using the crisis to introduce a new, well-targeted program, as Turkey did in 2001 with its conditional cash transfer scheme. Some programs to be considered include:

- Direct cash transfers, which have low administrative costs and do not distort prices. If they are targeted and have adequate coverage and generosity,

these advantages make them an attractive option. Requirements include developing a targeting mechanism, building up a household registry (data collection, database management), identifying payment channels, and introducing basic monitoring, oversight, and control mechanisms. “Near cash” instruments such as food stamps are an alternative, but their administrative costs tend to be significantly higher than cash transfers, as are those for in-kind transfers.

- Conditional cash transfers (CCTs), which have additional administrative requirements as direct (unconditional) cash transfers but also require some sort of monitoring of education and or health conditionalities or both. As mentioned, Turkey introduced such a scheme, and it has been quite effective. FYR Macedonia is developing a CCT focused on youths (secondary school) and young infants (health for those 0–18 months). CCTs may need to adapt conditionalities for greater relevance, given the region’s human capital profile—for example, by focusing on secondary-school enrollment, attendance and graduation or early childhood development.
- Public works schemes, such as workfare and cash-for-work, could be introduced as crisis response mechanisms and might be especially relevant for countries facing an influx of returning migrant workers or a spike in unemployment. These programs can have lower net costs than direct transfer programs since they could improve key infrastructure. Self-targeting should ensure that the program benefits the poorest, by setting cash payments (workfare wages) lower than average wages. Programs can encourage female workers, particularly those entering the workforce temporarily to smooth household income, for example, by offering onsite child care and nearby employment.