



## SUCCESS STORY

# Designing a Social Safety Net Strategy

**Iraq will spend \$330 million a year on poor and vulnerable people**



Photo: USAID

Iraqi officials and USAID experts meet with Dr. Idriss Hadi, Minister of Labor and Social Affairs, to discuss the social safety net strategy.

***In December 2005, the Government of Iraq passed legislation to establish a social safety net to help Iraq's poorest and most vulnerable members of society.***

Iraq's governing bodies have failed to reach a consensus for undertaking necessary economic reforms, such as ending broad subsidies and restructuring the economy. These reforms were probably postponed because Iraq had no social safety net that could help the most vulnerable people cope with the impact of wide economic reforms. Also, living standards for many Iraqis had fallen since the war, creating unrest and low public confidence in the new leadership.

USAID responded to this need by helping Iraq's government develop a strategy for the Social Safety Net and Pension Reform Program. The strategy provided Iraq with a mechanism to address poverty and social welfare as reforms are enacted. In December 2005, Finance Minister Ali Allawi announced that the government had approved the USAID-designed social safety net strategy, allocating \$330 million per year to support the program.

As part of its reform strategy, Iraq's government is now considering allowing prices for food, fuel, and electricity to rise incrementally to their market value. This would benefit Iraqi businesses, reduce pressure on the national budget, and help establish a sound foundation for Iraq's economy. However, letting prices rise will likely expand the number of people living in poverty. More than 850,000 Iraqi families already live below the poverty line of \$1 a day per individual, and unemployment and underemployment have reached 40 percent.

The safety net strategy will complement the existing national welfare system, but it was designed especially to help the families hit hardest by economic reform. The program will ensure that families in poverty are entitled to receive social benefits, employment counseling, vocational training, and financial support for school-age children. It will also require unemployed recipients to participate in employment-seeking programs and children to remain in school, discouraging child labor at the expense of education.