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SOCIAL PROTECTION IN THE ARAB REGION: EMERGING TRENDS AND RECOMMENDATIONS FOR FUTURE SOCIAL POLICY

Rana Jawad



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EXECUTIVE SUMMARY

The Arab region is described since the first Arab Human Development Report (2002) as “richer than it is developed”. For the first time, policy-makers in the region now have the benefit of an emerging database of evidence about the impact of the social protection systems their countries have had in place for decades. Using this available policy evaluation data which is still limited in scope, but nevertheless of reliable quality, this research paper explores the strengths and weaknesses of the social protection systems of the Arab region. It does so against the backdrop of emerging global social policy trends and an assessment of changes in the levels of poverty and inequality among Arab populations. Seven key arguments are made as follows:

1. The Arab region is providing very similar types of social protection programmes to other world regions and faces similar challenges as can be found in India, China, Brazil and South Africa. These range from cash transfers and targeted social assistance to vulnerable groups to earnings-related social insurance schemes. The appetite for universal social protection schemes in the Arab region is small with the exception of an overreliance on inefficient and ineffective food and fuel subsidies. GCC states have made the biggest strides in extending health insurance while various other countries such as Yemen, Jordan and Palestine have focused more on improving social assistance programme targeting.
2. The Arab region can learn from the experiences of other developing countries in the promotion of more equitable and redistributive mechanisms of social protection such as in the introduction of conditional cash transfer programmes or Minimum Income Guarantee Schemes. Countries such as Botswana also offer good examples of how to invest natural resource wealth into future development projects. Kuwait and Dubai have already done some of this.
3. Non-contributory social assistance programmes and subsidies occupy the largest share of Arab region GDP. According to a recent major World Bank report¹, the SSNs suffer from leakages of resources to the non-poor and even the wealthy, which means the region can improve the allocative efficiency of its SSN programmes. Palestine and Jordan’s National Aid Fund are regional leaders in terms of benefit generosity. The Arab region performs better in terms of poverty impact than SSNs in East Asia but much worse than the world average or Europe and Central Asia, Latin America and the Caribbean. The average SSN programme in the Arab region distributes 23 per cent of its benefits to the bottom population quintile, whereas the average comparator programmes distribute more than twice that percentage (59 per cent) to the poorest population quintile.
4. Only 30-40 per cent of Arab populations are covered by formal social protection systems. Large swathes of the population are excluded such as agricultural workers, the self-employed and informal sector workers. In view of the fact that average rates of

1 Silva et al., 2012

unemployment in the region reach 15 per cent (the highest in the world), then the benefits of social insurance reach a very small minority. In addition key health insurance benefits are skewed towards the military and political elites and are again not possible for those not in formal full-time employment. In various countries ranging from Egypt to Lebanon to Saudi Arabia, government and military elites in particular are able to access the best state hospitals (explained in more detail in following section).

5. National level governance reforms are badly needed to pave the way for the future development of social protection policies. At present, social insurance benefits are fragmented with several schemes running in any one country which leads to resource wastage. In some countries such as Egypt, access to formal social insurance has declined with the increased informalisation of the labour market. Though expert estimates vary, fiscal space is not as big a challenge in the Arab region as it may be in other countries around the world, since average social spending varies between seven and twelve per cent of GDP. If we consider that at least ten per cent of GDP goes towards food and fuel subsidies which are not the best forms of redistribution or poverty reduction, then it is possible to reallocate spending towards more direct poverty-reduction policies that can better address the MDG targets². Most Arab countries are in the low/upper middle income country groups which suggests that there could be a better role for effective tax and transfer policies that can provide a funding base for poverty-reduction policies.
6. Social protection should protect against risk, should lead to the fulfilment of basic human needs and should ensure respect of human rights. These matters are intertwined yet social protection policies in the Arab region currently adopt a short-term quick fix approach aimed at consumption smoothing and the alleviation of the symptoms of poverty. Negative experiences from across the world show that the growth “first” approach has not delivered socially stable societies, nor has it delivered the equitable, gender sensitive and environmentally friendly dividends of development. Arab governments have been on this “growth first” track since independence and it is time for change.
7. All Arab countries have significant zakat and waqf systems in place and subscribe to Islamic or Christian religious principles of social justice. These are important social and financial resources yet they are not being managed effectively to support poverty reduction and civil harmony.

On the basis of the above arguments, five main policy proposals are suggested in the paper:

1. The Arab region may begin with immediate reforms which are of a technical and design nature. Social safety net programmes need to be urgently reformed in order to ensure better coverage of the poor and greater impact on the reduction of poverty and inequality. Gaza and Jordan have systems in place which appear to be developing in the right direction. But in addition, CCT programmes should not be seen as the quick fix problem. There is a need to ensure that programme beneficiaries exit from CCT and social safety programmes not just at subsistence levels but are able to make real changes and progress to their lives. There is little evidence of this in the Arab region, existing research suggests high levels of dependency with female-headed households constituting the core of social safety beneficiaries.

² As argued also in Behrendt 2013; Silva et al. 2012 and UNRISD 2010

2. There is a move now in the Arab region towards compulsory health insurance coverage for all employees. Though these are welcome developments, they do not cover certain vulnerable groups like agricultural workers and informal sectors workers which may be most in need, and who are not in employment or have low salaries. These insurance schemes are also underpinned by partnerships with private sector insurance companies which means that access to good quality health care will vary according to the premiums paid, hence reinforcing social inequalities.
3. Access to adequate health care in the Arab region should not be tied to employment-based insurance schemes or employment status. Arab countries overspend by ten per cent on food and fuel subsidies, so there is fiscal space to support more effective public healthcare systems. Indeed, by ILO estimates, with only two per cent of GDP any country can provide a minimum package of social and health insurance for all of its citizens. Food subsidies do not address the problem of undernourishment which is endemic in the Arab region. Social factors related to lack of access to a basic income and essential services would need to be dealt with first. Out of pocket health expenditure can account for over 50 per cent of household spending in the Arab region and is a key determinant of poverty and inequality.
4. It is therefore, important for the Arab region to consider how the unemployed, informal sector workers and those on low salaries will access basic social services and a minimum income. Targeting or means-testing will cause questions about which groups are included and which are excluded and may also stigmatise certain groups that do receive assistance. They also risk creating dependency among vulnerable groups which means that long-term problems of poverty may not be dealt with. This issue is especially important in view of the high rates of unemployment in the Arab region.
5. Economic growth must include if not be led by the agricultural sector in the Arab region which would solve a variety of problems by creating formal jobs for rural workers that can access formal social insurance schemes; it would help deal with problems of food scarcity and access to water. Investment in infrastructure is needed in this regard which only the state can lead in as the geographical areas in question may be very impoverished. Labour market policies which boost employment creation thus deserve both short-term and long-term policy attention. Economic growth should not be concentrated in particular sectors as in India where a business elite controls growth areas by forging links with the political establishment.

INTRODUCTION: PAPER OVERVIEW AND CONCEPTUAL FRAMEWORK

In the 1990s, Arab countries began to make formal acknowledgement of the presence of poverty in their societies³. Since the 2000s, the region has witnessed a growing interest in the contribution of social protection policies to human development, in large part due to the impetus of the Millennium Development Goals (MDGs) and the post-2015 UN development agenda⁴. This is in line with a wider global development policy shift: the World Bank⁵ is increasingly in favor of cash transfer programmes and some senior economists there are exploring the concept of shared prosperity, while the ILO⁶ has been campaigning for the Social Protection Floor. These policy shifts reflect realities on the ground: the ineffectiveness of the “growth first” approach, the persistence of extreme poverty, and the protracted nature of social problems in the Arab region, which led to popular uprisings calling for human dignity and social justice in several countries. UNRISD has been seeking to develop a social policy agenda for developing countries, and between 2006 and 2013, the UN-ESCWA published five Integrated Social Policy reports which considered the situation of the Arab region. This focus on social protection reflects a concern with reducing the numbers of the extreme poor (those living below US\$1.25/day) and mitigating the effects of economic vulnerability.

So what does social protection mean in the present context of the Arab countries? And are there policy lessons to be learnt from existing good practice both from within the Arab region and other developing country contexts? These are the two key questions which will frame the main objectives of this paper. These are:

1. To provide a critical overview of social protection policies and discourses in the Arab region by mapping out the range of social insurance and social assistance schemes that are currently in existence there.
2. To analyse where Arab countries stand in light of the new global trends in social policies and offer suggestions on which of these new social policies can positively impact the region’s advancement in human development.

To this end, the paper highlights the role of international, national and local level actors and institutions in the provision of social protection services and programmes. As far as possible, it focuses on the importance of looking beyond short term measures of targeting assistance to the poor and more fundamentally at ways in which social protection can help promote equality, social cohesion and stronger state-society ties. A key caveat is that reliable impact evaluations of the social protection schemes in the Arab region which are discussed in this paper are patchy. Therefore, a picture will be drawn based on the existing research evidence.

3 Jawad, 2011; Khalidi-Beyhum, 2003

4 UN/LAS, 2013

5 Silva et al. 2012

6 2009

What will become evident is that the paths to social protection are varied and very dependent on the economic, social and political circumstances of each country. Social protection is very much a political choice which Arab leaders have to make, but it is also constrained by considerations of economic efficiency; such as developing the skills base of the working population to meet the demands of economic growth, or of ideology; such as the intuitive goals of ensuring social justice and equality for all citizens or residents of a country⁷. So, whilst the paper highlights key trends and approaches to social protection in countries ranging from Latin America, to Africa to the Far East and Asian sub-continent, decisions about social policy for the Arab countries remain context dependent. There are, however, important principles which can guide this process (whether they are of an economic efficiency or social justice nature) and these are set out in this next section which offers a brief conceptual overview of social protection: its goals, the institutions and actors who undertake it, and the instruments and mechanisms they employ to achieve social protection goals.

The central rationale in this paper is that effective public policy needs to focus not just on reducing poverty, but on reducing social inequalities. This is fundamentally due to the multi-dimensional nature of poverty as a phenomenon resulting from structural factors related to the social economy, and political relations that surround relations of economic production. Gender, class, religion, rural-urban divisions, and increasingly the terms of trade in the global economy between developed and less developed countries, all have an impact on the incidence and experience of poverty. A focus on social inequalities will also mean that economic development and social protection policies need to be closely linked so that they target not only the symptoms of poverty (i.e. sudden loss of income) but the causes of poverty such as informal rural work, lack of access to credit, or regressive taxation policies such as an over-reliance on VAT in some Arab countries like the Lebanon which adversely affect the poor.

This situation means that Arab countries will need to grapple with the development of new social protection policies in a context whereby poverty is understood in multi-dimensional terms and closely linked to problems of social inequality; where policies target the causes and not just the symptoms of poverty, and where the global economic and political order has a direct impact on national socio-economic realities⁸. This creates a highly complex system of winners and losers where the twin goals of economic growth and social protection need to be assiduously managed⁹. This is because if social welfare systems are to achieve more than just alleviate the symptoms of poverty in the short term through cash transfer or in-kind social assistance programmes, then they cannot be built on the basis of policies which target the poor or poorest alone. The middle classes have to give support to a system of social welfare if it is to be successful and sustainable. This is in large part because they drive the productive capacities of the economy and can support systems of income redistribution which are payroll and tax-based. Access to basic services and guarantees to basic income are, as a result, two policy stipulations necessary for equitable social change beyond market-oriented instruments and targeting.

At another level, new social and political spaces need to be opened up in order for effective dialogue and claims making around social welfare to take place. This is now clearly needed in light of the uprisings witnessed in several Arab countries. Ample evidence from other countries such as Brazil, Costa Rica and India shows that the introduction of citizenship rights or specific rights such as to work, food or information helped develop political dialogues between state authorities and citizens, which in turn led to

7 Walker, 2013; UNRISD, 2010

8 Walker, 2013

9 Midgley, 2013

the introduction of social protection programmes such as the Bolsa Família in Brazil and National Rural Employment Guarantee Act in India¹⁰.

Traditionally, social policy has been most closely associated with public policy in the advanced capitalist economies of Western Europe and to a lesser degree North America. In these contexts, it has served to primary and at times contradictory functions: promoting social justice and equitable redistribution of wealth and resources or alleviating the detrimental effects of free market economy by supporting vulnerable groups who lose their incomes or who have no social support networks to turn to.

As for the concept of social protection itself, this marks a departure from the targeted safety net approach of development policies in the 1980s and 1990s. This was a period marked by a sharp rise in poverty and vulnerability worldwide, linked in large part to the workings of the global economy, and the associated implementation of structural adjustment programs which also impacted the countries considered in this paper. This rise in poverty and vulnerability has helped to improve understanding of the costs of not having social protection policies. Social protection has three main functions¹¹: (1) a welfare function aimed at protecting basic levels of consumption among those living in poverty; (2) an economic function aimed at facilitating investment in human capital in order to promote economic participation and strengthen the agency of the poor; and (3) a political function aimed at improving state legitimacy whereby social welfare services are viewed instrumentally by vote-seeking and office-seeking political parties and movements. Barrientos and Hulme¹² discuss in more detail the impact of a lack of social protection policies on farm productivity and profits, nutrition, child mortality and the assets of the poor. There are also large direct costs that arise from hazards such as drought, famine, and export price shocks that affect a whole country or region. Transient forms of poverty resulting from direct exposure to employment or health hazards can also be addressed by social protection measures.

These issues make moving beyond the overly economic view of social protection as consumption smoothing, towards much bigger social transformation highly necessary, particularly now in the Arab region at a time of intense political and social turbulence. This is the school of thought clearly promulgated in the work of Sabates-Wheeler and Devereux¹³ which has helped frame various reports on social protection in the MENA region and indeed, has helped frame social policy in South Africa¹⁴. In this view, social protection policies should extend well beyond the transfer of cash or food and include the redistribution of assets in order to reduce the dependency of the poor on handouts and to enable them to achieve sustainable livelihoods. Such social protection policies would deal with problems of social vulnerability not through the transfer of resources but through the delivery of social services and change behavior towards socially vulnerable groups. These services might include support for trade unions, creation of spaces for deliberative democracy and public-awareness campaigns to support recognition of vulnerable groups.

10 Hall, 2013; Mutatkar, 2013

11 Midgley, 2013; Barrientos and Hulme, 2008

12 2008:7-8

13 2008

14 Mpedi, 2013

Table 1 below outlines the main mechanisms and instrument of social protection. It shows the breakdown of social insurance and social assistance schemes according to the classification offered by the World Bank¹⁵ and used in this paper to review the main policy trends that have come into play in Arab countries and across other developing countries.

Table 1 Mechanisms and Instruments of Social Policy: Social Insurance and Social Assistance

Old Age Contributory Pensions	Old age
	Survivors
	Disability
Social Security/Health Insurance	Occupational injury benefits
	Paid sick leave
	Health Insurance
	Maternity
	Other social insurance

SOCIAL ASSISTANCE	Cash Transfers/Last resort Programmes	Cash transfer
		Low income/ last resort programme
	Social Pension	Non-contributory social pensions
	Other Cash Transfers Programmes	Child/ family/ orphan allowances
		Birth/ death grants
		Disability benefits
		Other allowances
	Conditional Cash Transfers	Conditional cash transfers
	In-Kind Food Transfers	Food stamps and vouchers
		Food rations
		Supplementary feeding
		Emergency food distribution
	School Feeding	School feeding
	Other Social Assistance Programmes	Housing allowances
		Scholarships
		Fee waivers, health
		Subsidies
		Other social assistance
	Public Works	Cash for work
		Food for work

Source: World Bank Aspire Atlas

The entitlement bases for these social protection mechanisms may take one of the following six forms (social insurance is always employment-based). These types of entitlement may lead to two different types of income redistribution: vertical (from high to low income groups) or horizontal (towards groups with specific risks and vulnerabilities, such as the elderly or orphans)¹⁶:

¹⁵ Silva et al. 2012

¹⁶ UNRISD, 2010

1. Universal (for example, a right of citizenship or residency in a country such as universal education or food subsidised; it can also be defined as a minimum level of consumption or income which all members of a population have a right to)
2. Employment/earnings-related (for example unemployment, sickness insurance or pensions where income compensation occurs only because the applicant has paid his social insurance contributions through formal employment schemes. It is worth noting that social insurance is always employment-based)
3. Self-selection (for example, citizens nominate themselves such as in low pay Public World Programmes)
4. Means testing (for example in-cash or in-kind social assistance where applicants have to meet specific criteria of which household income is generally one component or the absence of the male bread-winner)
5. Categorical (for example orphans or female headed households such as orphan sponsorship programmes or school feeding programmes)
6. Geographical (for example rural vs. urban such as rural employment guarantee schemes).

The United Nations Research Institute for Social Development¹⁷ (UNRISD) presents some strong policy arguments in favour of universalism as a way of promoting long-term and deep rooted processes of social equality. These will be discussed next in more detail because they draw directly from the recent policy experiences of developing countries that have succeeded in improving social protection outcomes for their citizens.

For now, this first section is concluded with a brief outline of the overall structure of the paper:

Section two gives a broad overview of new social protection policy trends in developing countries. The section draws out some of the key policy lessons from these countries which Arab countries may wish to consider. This will involve consideration of the extent to which social protection can be a vehicle for transformative social change and not just short-term consumption smoothing strategies. The section ends with a consideration of the different options for financing social policy in developing countries.

Section three discusses the current context of social protection policies in the Arab region by reviewing the main rationales, actors/institutions providing social protection, policy mechanisms and instruments and types of entitlement. This will also open up a discussion of methods entitlement to social protection and which policies may be more appropriate for certain social problems or vulnerable groups.

Section four develops the discussion further by exploring how social protection schemes and strategies compare with each other and with the emerging trends discussed in section two of the paper. This will help to highlight good practice in the MENA region and new avenues for policy

¹⁷ Ibid

development. The section will also reflect upon the existing literature on the social challenges facing the MENA region and how well these are being met by the social protections systems which exist there.

Section five summarises the main themes of the paper and offers policy recommendation for the Arab region.

1. SOCIAL PROTECTION POLICY TRENDS IN DEVELOPING COUNTRIES

There is a range of experiences across the developing world in the extension of social insurance coverage and the introduction of social assistance programmes¹⁸. This section focuses mainly on the cases of China, India, Brazil and South Africa though other countries such as Taiwan, South Korea, Malaysia and Cost Rica are also considered. There has been recent media coverage of a new set of so-called Mint Countries (Mexico, Indonesia, Nigeria and Turkey) which some commentators see as the next generation of transition economies after the BRIC countries (Brazil, Russia, India and China) and where important social protection reforms have also taken place. The fuel subsidy reform in Indonesia for example can provide insightful lessons for the Arab region¹⁹. What the existing literature shows is that countries vary in their rationales for introducing social protection, as they do in the way in which social protection is organized and delivered. Moreover, the perceived impact of social protection also varies, from a focus on state legitimation, to a promotion of social citizenship to the reduction of poverty levels, be these in absolute or relative terms. There is no one-size fits all, the combination or sequence of social protection policies is the result of political, economic, demographic and social factors which do not necessarily guarantee that the intended outcomes of the policy will be achieved. But one common denominator is political action on the part of the state, regardless of how minimal state funds are. And another critical factor is the existence of a poverty base line in the country and reliable data on social needs and the condition of the poor in that country. This lack of data and a national base line for poverty is feature of many Arab countries today.

State action in the social protection sphere has become and should continue to be important for the Arab region. Likewise, continued efforts to open up political space for state-society dialogue and the claiming of social welfare rights must be supported in the region. A strong state role in social protection is particularly important in promoting universal social services, which, according to ample case studies provided by UNRISD (2010) stands to have the most durable and equitable impact on poverty reduction and the formation of social cohesion in the developing world.

This section will review the experience of social protection trends in key developing countries by looking at the two main policy pathways of Social Safety Nets or Social Assistance and Universalism – in line with the discussion that was set out in Table 1. This also responds with a key argument made for integrated social policies by major development institutions in which social safety nets need to be placed within broader social protection systems²⁰.

18 UNRISD, 2010; Midgely et al. 2013

19 Silva et al. 2012

20 Ibid

1.1 Universal social protection policies

Public expenditure on social services increased in the 1960s to 1980s as part of the modernisation and nation-building endeavours which many developmental states embarked on. States in both Latin America and Sub-Saharan Africa initiated public schools, universities and health care networks, though these remained at first primarily skewed towards urban areas. The benefits of these initiatives can be seen by the declining rates of maternal and child mortality, and more fundamentally, they point to the importance of universal social services.

Universal social protection policies do indeed have a long history stretching back to some Northern European countries such as in Scandinavia and also in Germany and France. Principles of universalism include a rights-based approach to social protection and a commitment to the pooling of risk and the redistribution of resources both vertically and horizontally. These principles have become increasingly challenged by new policy trends in favour of targeted social assistance programmes around the world as will become apparent further down in this section.

There is, nevertheless, strong evidence showing that universal social protection can bring various important benefits to a country such as:

- i. Producing better redistribution and progressive financing mechanisms; the classic universal social protection mechanism is the Minimum Income Guarantee which is the right of every citizen to an income transfer in times of need or if faced with new life contingencies such as retirement or child birth. Beneficiary populations may also be grouped categorically, such as by gender or age. This rationale is also embedded in the ILO social protection floor initiative of 2009. To this end, the ILO has calculated that 2-3 per cent of GDP can cover the cost of a basic social security package for old age, disability and child benefit.
- ii. Reducing poverty and inequality rates; evidence on poverty levels in the 1990s shows that in some cases, countries were able to reduce poverty rates by 78 per cent following the implementation of tax-transfer policies whereas, in more neo-liberal countries such as Canada, Australia and the UK, poverty reduction reached only 40 per cent²¹.
- iii. Enhancing economic growth through investments in education and health to boost human capital development; Social protection instruments such as income transfers paid by social health insurance or social assistance programmes help poor people access these services and cover related costs such as transportation, school supplies and medicines. Social protection can also support the productivity and health of the population when transfers are invested into housing and nutrition. Social insurance policies such as pension programmes provide incentives to both employees and employers to undertake long-term investment in skills in such a way which allows the specialisation of industry.

In the developing world, various countries have provided universal social protection schemes. As part of the major social transformations that have come to mark India in the last few decades, various federal states such as Kerala, Tamil Nadu and Himachal Pradesh introduced universal provision of

21 UNRISD, 2010

essential services²². Tamil Nadu was the first Indian state to introduce free and universal midday meals in primary schools as part of its efforts to combat child undernourishment, bearing in mind that India has the highest rate of child malnutrition in the world. Tamil Nadu later became the model for the rest of India²³. In many ways, the social problems faced by India are also echoed later on in this paper in the Arab region. Undernourishment is key issue in this regard. India, like several Arab countries, has a food subsidy system in place which is a universal scheme. The scheme covers grains and essential cooking items and is part of a wider Right to Food campaign which has gained much momentum in India. The national feeding programmes in India have helped to improve primary school attendance and enrolment, though the wider effects on quality of education and child nutrition are yet to be seen. Indeed, the school feeding programme is not in itself sufficient in addressing the problem of underweight children since this would need multi-sectoral interventions, however these forms of universal provision help cut across divisions of religion, caste and sect in India which can bear important lessons for the Arab region.

This food subsidy programme is now under review by the World Bank which, in line with the new policy trends in favour of targeted social assistance, has recommended that India reform the programme in favour of cash transfers²⁴.

Other countries such as the Republic of Korea, Taiwan and Costa Rica have introduced universal social protection schemes. In Korea, the democratic transition of the late 1990s saw the introduction of reforms in health, pension and unemployment social insurance schemes as well as a Minimum Living Standard Guarantee (MLSG) – all of which increased coverage and equity of social protection. Under pressure from Trade Unions and various civil society organisations, various health insurance schemes were merged into one integrated public health scheme, under the presidency of Kim Dae-Jung. This had significant efficiency outcomes such as reducing administrative costs from 11.4 per cent to 4.7 per cent by 2003 but also because entitlement conditions became equalized. The MLSG and the labour insurance reforms were introduced after the Asian financial crisis of 1997-8 establishing basic living standards as civil right and adjusting benefits to a new poverty line, reaching 1.5 million people (3.19 per cent of the population) in 2007. The labour insurance programme provided cash benefits, job training and small loans to unemployed temporary workers. Moreover, universal old-age security was also introduced after incorporating the urban self-employed in 1999. The system does not yet show signs of fiscal pressure though it is clear that the problem of under-contribution by informal sector workers will need to be addressed²⁵. This is also an issue shared by all Arab countries to various degrees. In Taiwan, the first universal social protection that was introduced was in 1995 in the form of National Health Insurance. The state also made financial contributions to cover for farmers, the self-employed and informal workers. These reforms occurred in a context of rising unemployment, economic downturn and structural transformation after the Asian crisis²⁶.

Both the examples of Taiwan and Korea show that where the labour market is sufficiently formalized, the extension of formal social insurance is possible and promotes the developmentalist goals of social policy. In both cases, labour mobilization was central and helped to bring the

22 Mutatkar, 2013

23 Ibid

24 Ibid

25 UNRISD, 2010

26 Ibid

transition from authoritarian to democratic rule. This is a key dimension of similarity with the Arab region and helps to alleviate the tension between balancing economic and social development versus human rights and democracy which was a critique made by outside analysis and observers of Taiwan and Korea²⁷. It is also noted that new civil society actors such as labour unions and citizen groups have helped to introduce non-contributory programmes for old age, poverty and unemployment in these two countries which have led to more socially inclusive social protection. These are possible scenarios which some of the Arab countries may follow.

A similar story can be found in Costa Rica which has made great gains in social inclusion and social protection and brought coverage of health and maternity insurance close to 90 per cent despite its modest levels of per capita income. The expansion of social policy from the 1950s to 1980s was driven by domestically driven economic growth in which the state had a prominent role. The Costa Rican model has relied on a strong commitment to universal education and health care as well as concerted efforts to expand pension and health care. This is achieved by expanding the number of workers contributing to social insurance schemes, while securing protection for those unable to contribute to social assistance. Brazil, which had adopted a constitution in the 1980s that had at its core the extension of social citizenship, has also made important strides in expanding coverage of key social services like education and health through a mix of public and private partnerships in health care and also a combination of state taxation and business funds for education. South Africa has a more fragmented system of universal provision²⁸. After Apartheid, South Africa sought to harmonize the quality of its education system and provide a fairer allocation of resources. Regionally integrated educational departments became unified into one national system; education became compulsory and funds were allocated from the formerly white schools to the formerly African schools. The result was an equalization of funding whereby funding of African schools increased from 58 to 79 per cent.

The country examples presented above, such as of Brazil and India show that constitutional reform and social policy legislation can help set the context within which new social protection agendas can emerge if they adequately reflect the will of the people. This confirms that long-term effective social transformation takes place when there is situated political change and not necessarily through the transfer of development policies²⁹. The case studies provided in this section show that it is important to develop the social and political dimensions of citizenship for instance, through the recognition of and extension of social rights. There are various unemployment insurance schemes in place in many developing countries as in China, Brazil and South Africa. But often, they exclude certain groups such as farmers, which is also the case in the Arab region.

The successful cases of countries in East Asia like Taiwan and South Korea, as well as other countries like Costa Rica, the Indian state of Kerala and Sri Lanka are some of the key examples in the developing world which show that transformative social change can only come about through fortifying the mechanisms of social inclusion, accountability and social cohesion. Economic growth was central for the expansion of social insurance in countries like Taiwan and South Korea³⁰ but in Kerala and Costa Rica, an early commitment to universal health and education provision as well as payroll tax-funded social assistance programmes ensured higher levels of

27 UNRISD, 2010

28 Ibid

29 Green, 2012

30 UNRISD, 2010

social solidarity and wellbeing in these contexts³¹. In the case of Costa Rica, the commitment for universalism dates back several decades.

Before the discussion moves to considering social assistance, the other key pillar of social protection in developing countries, it is important to make a note about the mix of institutional actors who can partake in universal social protection schemes. States, markets, charity and community organisations, households and donor agencies can all play a role in facilitating universal coverage. This mix will depend on the country context and policies. But some lessons are clear, many services such as education and health require significant investment in infrastructure which are therefore likely to be underprovided by market actors. Particularly when there are urban-rural disparities or regional differences, state involvement is needed. As the examples discussed so far show, the countries which have succeeded in providing wide spread coverage for their citizens have done so through direct state involvement in the financing, provision and administration of these services.

1.2 Social Assistance

Non-contributory social assistance schemes have by far become the most predominant trend in developing countries due to the marked weakening of universalist principles and the fiscal pressure placed on many states in funding social protection policies. In addition, social assistance programmes are more in tune with neo-liberal policies since they adopt a targeted or means-tested approach to cash or in-kind transfers. They also promote a rationale of consumption smoothing and reactive in nature because they are given to populations who are also in need and have not been able to cope with unexpected social or economic shocks. Since the 1980s, the shift towards more neo-liberal economic principles across most of the developing world has reinforced the lack of commitment by many governments to dedicate public funds to long-term social protection and social investment. Under the pressure to liberalize, promoted by international agencies like the IMF and World Bank, some developing countries have opted for a more short-term and targeted approach of social assistance. This has in part led to the increased commercialization of social services³² as well as to a greater reliance on social safety nets. The commercialization of social protection can be seen in the increased role private businesses have as mediators or providers of essential social services. This is typically the case in the health insurance market and public-private partnerships in health care as evidenced in for example the corporatization of hospitals such as in the United Kingdom or North America, the introduction of user fees; and the introduction of small scale private and unregulated provision as in some countries of South Asia and Sub-Saharan Africa. In these cases, services are often used by the poor and draw on out-of-pocket expenses³³. One final aspect of commercialization is in relation to the pharmaceutical sector and the increased power of multi-national companies in setting terms of trade that affect prices and restrict access to generic drugs in developing countries.

Apart from these global issues, there are a variety of experiences in relation to the targeted social assistance programmes that have come into existence in the developing world. Some notable examples are the Child support grant in South Africa, the Minimum Living Standards Scheme in

31 Ibid

32 UNRSID, 2010

33 Ibid

China and Mexico's Oportunidades programme. Indeed, other examples abound in the developing country contexts where social assistance programs were introduced to avert social unrest, such as the *jefes y jefas* programme in Argentina and the Minimum Living Standards Scheme in China. India has introduced a rural Public Works programme following the National Rural Employment Guarantee Act which is a self-targeting programme for all rural populations there.

It is useful to consider some of these in a little more depth, focusing on China, South Africa, India, and Brazil. All of these countries have a cash transfer programme in place for vulnerable populations there. China established the Minimum Living Standards Scheme (MLSS) in 2003 which aims to provide material aid to residents and their families once their income falls below the state-defined minimum living standard³⁴. The programme has as its target population the urban poor, and over the years, it has come to provide comprehensive in-kind and in-cash support ranging from medical assistance to housing and heating allowances. The programme is now national and in May 2012 reached more than 21.6 million citizens. The rural poor in China also benefit from similar non-contributory social assistance programmes as well as a scheme known as the "five guarantees" which has been in place since 1950 and ensures that all poor people living in rural areas have access to basic life necessities such as food, clothing, shelter and even a contribution towards funeral costs. In the Chinese case, the rationale for social protection has been dominated by state concerns for political legitimacy and the availability of an adequately skilled and capable labour force to support the main goal of economic growth. This rationale has in part led to ad hoc introduction of social assistance programmes which are not yet properly integrated. And yet, the government budget on social assistance is projected to grow by 16 per cent in 2015 with the aim of the GDP share of social protection reaching 25 per cent. But contribution-based social insurance will continue to be the largest source of social protection, in large part thanks to a large formal labour market³⁵. A slightly different picture emerges in India, Brazil and South Africa where social assistance programmes are just as predominant but there are substantial numbers of informal workers and rural poor populations who are reliant on food subsidies or state social grants. Of notable importance in the literature is the *Bolsa Família* in Brazil which has been lauded for reducing levels of inequality in Brazil by 14 per cent. This is a monthly conditional cash transfer programme funded and coordinated by state authorities and given to families living in poverty or extreme poverty. It obliges beneficiaries to ensure their children attend school and are immunized. Pregnant beneficiaries also have to undergo official monitoring³⁶. From a coverage of 3.5 million families in 2003, it reached 12.7 million in 2010. South Africa also established a tax-funded, state administered social assistance scheme, of which the most prominent is the Child Support Grant which now includes 28 per cent of the population (14.2 million) and accounts for 3.5 per cent of total GDP³⁷.

The short-termism and distributional limitations of these cash transfer programmes are an important concern from a social protection point of view. Reaching a wide population may also indicate high levels of dependency on these programmes with families unable to sustain themselves in the long run. This is a weakness of universal food subsidy programmes in particular. To this end, Silva et al. (2012) cite the case of fuel subsidy reform in Indonesia which introduced three social safety net

34 Zhu, 2013

35 Ibid

36 Gomes dos Santos, 2013

37 Mpedi, 2013

programmes in 2005 to compensate for the sharp cuts in fuel subsidies. To mitigate the impact of price increases on poor and near-poor households, the government introduced an unconditional cash transfer programme which reached 18.5 million households at a cost of about 0.3 per cent of GDP, as well as a health insurance programme and an education subsidy programme.

1.3 Financing Social Protection

It is clear from the above discussion that the funding of social protection programmes is a prime consideration. In the cases described above, there are two main funding mechanisms: non-contributory tax funded programmes from central and local government or contribution based social insurance based on individual and employer contributions. In some cases such as Norway, Botswana, Malaysia and Indonesia, mineral wealth and rent revenues have been used to make social investments. Norway for example, stores all oil revenue into long-term pension funds, the value of which in the mid-2000s almost equaled GDP at US\$400 billion. Other countries like Bolivia and Venezuela have been under pressure to spend rent revenues on non-contributory social protection schemes as was the case with BONOSOL; the first non-contributory pension scheme in Bolivia in the 1990s.

Much has been written about the “Dutch Disease”, and a key mechanism is not to spend windfalls on non-tradables but to save or withdraw them from circulation by paying off debt. Political institutions and the decisions of policy-makers are thus central to these processes from which there are important policy lessons for Arab countries, most of whom have relied too heavily on oil and gas revenues or the remittances of migrant workers in these sectors. After all, social protection policies and programmes must foster not only consumption but also investment and productive outcomes. Cash transfers to vulnerable people can be used to revitalize economic enterprise and social relations, but they are not the most effective long term mechanism for social protection. To this end, social protection policies need to avoid the “poverty trap”³⁸. Long-term and effective mechanisms of social protection entail linking CCT programmes to the broader system of social protection in a country so that its users not only graduate from these social safety net schemes and go on to become self-sufficient, but also continue to have their rights protected after they have graduated³⁹. Likewise, CCT programmes need to be linked to employment policies and help improve labour market opportunities⁴⁰. So there are structural political-economic factors to social protection which are not yet adequately addressed in the regime of CCTs and the experiences of Brazil and Mexico are starting to show this. The failure of targeted market-oriented programmes has been clear in the experience of Sub-Saharan Africa and Latin America where access to basic income and consumption guarantees was neglected.

In sum, a variety of policy goals mechanisms and instruments have been depicted in this section. The welfare and development role of other actors and institutions outside the state is explored in more detail in the next section. Two key issues to take forward for the Arab region are that the traditional link between social protection and formal employment is going to prove challenging in light of the very high levels of unemployment which are being faced; moreover, the assumption that social protection most benefits the disadvantaged populations cannot be taken for granted.

38 Cook, 2013:14

39 Cook, 2013

40 Cook, 2013:18

Many social insurance schemes and indeed subsidy schemes often benefit the richer quintiles of the economy. The importance, therefore, of social protection is that considerations for equity and equality are built into social and economic policies. The challenge in these countries remains the horizontal and vertical extension of social security as highlighted by the ILO social protection floor recommendations: how to improve the quality and level of benefits as well as extend coverage to the entire population.

2 CURRENT SOCIAL PROTECTION PROGRAMMES IN THE ARAB REGION

The discussion now turns to the current context of the Arab region and the social protection policies in place. The section follows the sub-regional country groupings of the Arab region as devised by the UN/LAS⁴¹ region: Mashreq, Maghreb, Cooperation Council for the Arab States of the Gulf (GCC), and Least Developed Countries (LDCs). Much has already been written on the social problems which the region faces including the UNDP 2002-2009 Arab Human Development Reports, the UNDP Arab Challenges Development Report 2012 and more recently the UN/LAS (2013), to name but a few. Hence, the focus of this section is to map out how social protection is currently provided in the Arab region in terms of the key conceptual parameters already identified in section one. These are:

- Social actors/institutions providing social protection
- Rationales for social protection
- Policy instruments
- Forms of entitlement: universalism vs. targeting; contributory vs. non-contributory

This discussion of existing social protection systems will be continued in section four by giving an assessment of the coverage and adequacy of the social protection policies currently provided by Arab states. At that stage, the paper will refer to the key social challenges facing the Arab region in a more analytical manner in order to assess the breadth and quality of services that are provided.

2.1 Social actors/institutions providing social protection

This section maps out the institutional context and policy environment of social protection in the Arab countries using the sub-regional classification of the UN/LAS (2013) report. This entails a consideration of the roles of state agencies, international development agencies, the market and private sector (such as for education or private health), the family (nuclear and extended), mutual, cooperative, community-based and religious/sectarian based community provision. A qualitative assessment is made of the relative importance of these social actors and institutions based on academic research which is recent in this field⁴².

The institutional mix underpinning social protection in the Arab countries is made up of the following institutions which in practice tend to be concentrated around specific types of social protection programmes⁴³ as will be explained in the next sub-section.

41 2013:72

42 Harrigan and El Said, 2009; Jawad, 2009; Moghadam and Karshenas et al. 2006; ESCWA, 2013

43 Jawad, 2009

1. The state
2. The market
3. The family
4. Charitable and religious welfare sector
5. International NGOs
6. Donor agencies working through local NGOs or state agencies

This division of roles is also clearly linked to specific segments of the population. For instance, formal urban workers are more likely to be covered by state social insurance systems than informal rural workers.

A further useful way for thinking about all of the institutions is the extent to which they are involved in financing, regulating or delivery social protection and social services. In practice, there is a private-public mixture in Arab countries. For instance, the new push towards compulsory health insurance in some Gulf countries like the United Arab Emirates and Saudi Arabia relies on state regulation and part-funding (public sector workers) but also on delivery of services by private health care clinics.

The configuration of social protection institutions and actors in the Arab countries, as elsewhere in the world, is the result of various factors pertaining to the histories, political institutions and socio-economic make up of each country. Lebanon, for example, which has weak state institutions and a long tradition of free market enterprise, will see this reflected in the institutional framework for social protection. In contrast, countries with strong state-led socialism traditions such as Syria, Iraq or Egypt are in a different situation with weaker civil society institutions.

The general pattern in the Arab region is that state institutions oversee social insurance systems that are related to formal employment, particularly of public sector workers who tend to receive quite general benefits. The state also tends to have systems of public education and public health. In the case of health care, these may often rely on partnerships with private health care providers.

Nuclear and extended families have always played a key role in social support, particularly in caring for young dependents such as young children, elderly relatives or disabled family members. The family is also often the source of financial support⁴⁴. In the last decade however, the family in the Arab region has become a less reliable source of social support due to the widespread incidence of poverty and also the break-down of family bonds. Younger women are also more likely to be in employment which has led to greater reliance on private child care or domestic workers.

In terms of the market share of social protection, this is primarily in relation to private insurance schemes or private education and health care which the middle and upper-middle classes are able to afford and in practice, does not account for more than 5-10 per cent of Arab populations.

44 Jawad, 2009

However, by far the most significant source of social protection for vulnerable populations, particularly those employed in the informal sector, are religious welfare organisations⁴⁵. This is true for both Muslim and Christian populations in the Arab region. There are no official statistics for the region as a whole on how much religious welfare organisations spend on their service-users or what the total number of beneficiaries is. Qualitative academic research for various countries such as Egypt, Lebanon, Jordan and Yemen suggests that the large welfare organisations such as Emdad, Caritas and the Muslim Brotherhood or Islamic Charitable Centre may have budgets in the tens of millions US\$ and reach beneficiaries in the tens of thousands⁴⁶. These organisations have been in operation for decades and have become entrenched in their societies. Often, they will be linked to larger networks of schools and hospitals and though they may charge fees for some of their services, they do provide both in-cash and in-kind services to the extreme poor. Religious groups tend to rely on religiously-based fund-raising activities, such as during the month of Ramadan, or invoke religious teachings of paying zakat in helping orphans and supporting the family as the basic unit of society.

2.2 Rationales for social protection

The rationales for social protection in the Arab region vary according to the types of institutions discussed above and may broadly be classified as having political functions (enhancing state legitimacy); welfare functions (promoting equality and wealth redistribution); or economic functions (developing human capital and productive capacities to support economic growth)⁴⁷. In this sub-section, we will focus on state rationales as these are the most critical for the purposes of the paper at hand⁴⁸.

In the Arab countries, social concerns have traditionally played a subsidiary role to economic growth; they have been relegated to the domain of the family via the male-breadwinner model of social protection⁴⁹. The National development programmes for the entire Arab region make clear that the economic function of social protection is the priority⁵⁰. For example, Jordan's National Agenda (2006-2015) aims firstly "to improve the quality of life of Jordanians through the creation of income-generating opportunities, the improvement of standards of living...achieving an annual real GDP growth rate of 7.2 per cent, reducing public debt from 91 per cent to 36 per cent of GDP..., and reducing unemployment from 12.5 per cent to 6.8 per cent". Kuwait's 2010-2014 Development Plan (KDP) also prioritises economic growth and institutional reforms to facilitate private-sector investments in the economy.

As such, employment creation has been of primary concern to Arab states, and secondary to this, investing in the education of their populations through for example the provision of public schooling though the quality of this education may be questioned. More recently, some countries such as in the GCC sub-grouping have prioritised state provided social protection to the indigenous population. This "productivist" approach is also reinforced by the institutional configuration of

45 Ibid

46 Ibid

47 Midgely, 2013

48 A review of market and civil society based social provision is also the subject of UN-ESCWA's fifth integrated social policy report (2013)

49 Jawad, 2009

50 Jawad, 2012

social protection discussed above which shows that non-state actors such as the family, religious group and market-based commercial enterprises play a key function in welfare provision.

A second rationale for social protection is political legitimacy and the appeasement of social unrest. This has become more evident after the uprisings in several Arab countries, with various GCC states as well as Syria, Jordan and Morocco embarking on reforms or increasing social assistance services. But historically, the extension of social insurance, the introduction of public works programmes and other types of social protection policies have been initiated by concerns to promote state legitimacy. The Arab region is not alone in this regard. The political function of social protection has also served as a rationale for Western welfare states and other developing countries as already highlighted in this paper.

The third and least well-developed rationale for social protection in the Arab countries is the welfare function. This is the rationale that responds to calls for dignity and social justice of the recent uprisings. Arguably, it is the most complex to achieve as it requires institutional and political reform. In these respects, the Arab region is very similar to the situation of social policy in the African states where the formulation of a social contract is still not a reality⁵¹. It is important to recognise the need for a broad governance approach for understanding the way in which the state-citizen contract can develop. Political struggle, as has been seen in Latin America or India, and now more increasingly in the Maghreb countries may be the only way forward for relations between state and society to be harmonised and for a social space to be created whereby citizens can claim their social rights. Crucially, these changes have occurred in Latin American and India not as a result of development policy transfer but of “situated political society”⁵².

But Arab countries are increasingly alluding to the welfare function of social protection. In Yemen, social protection is a key goal in the government’s MDG-based Development Plan for Poverty Reduction (DPPR) 2011-2015⁵³, and Palestine’s Reform and Development Plan (2008-2010) stipulates ‘ensuring that the poorest and most vulnerable in society receive a basic level of assistance’.⁵⁴

2.3 Policy mechanisms and instruments

In the absence of comprehensive and concrete social policies in the Arab region, it is more apt to a certain extent to argue that these countries have social strategies in place. Thus, they are following a combination of medium and short term social strategies aimed at alleviating the negative effects of public policies geared primarily towards economic growth, and to a lesser degree spreading the fruits of development where possible. The emphasis on private sector investment and employment-based social insurance in the Arab region is also made clearer when we look at what kinds of social security legislation and social assistance programmes are in place there.

51 Green, 2012

52 Green, 2012:24

53 Cited in ODI/UNICEF, 2011

54 Ibid

The paper refers to other more detailed reports that have been done which are few in number but offer the first evidence-based overviews of social protection policy mechanisms in the Arab region. These reports include the World Bank's (2012) *Inclusion and Resilience: The Way Forward for Social Safety Nets in the Middle East and North Africa*; the ILO's Decent Work Programmes for Oman, Syria, Jordan Bahrain, and Yemen which range from 2008; the ILO (2011) *Tunisia A New Social Contract for Fair and Equitable Growth* and the UNICEF/ODI (2013) *Children and Social Protection in the Middle East and North Africa*.

All Arab countries have in place public social protection systems that combine labour market programmes, social insurance programmes, and social assistance programmes. State-provided benefits tend to be universal social assistance schemes (such as family allowances or food and fuel subsidies) or contribution-based (employment social security schemes), whilst those provided by the NGO sector tend to be means-tested, categorical or geographical in-cash and in-kind social assistance services such as family allowances, orphan sponsorship, food rations and household items. Although social security coverage rates tend to be higher in the Arab region in comparison to the rest of Africa and Asia, actual coverage can vary widely from eight per cent in Yemen⁵⁵ to 87 per cent in Libya. This is due to the structure of the labour market (for example, public or private sector) and the institutional arrangements that cover different categories of workers. It is estimated by the World Bank⁵⁶ that only one-third of the Arab region populations are enrolled in formal social security schemes. This low rate does not correlate with the fact that most of the Arab region countries are in the middle to lower-middle income groups.

The Arab region countries have limited social insurance schemes for occupational injury, pensions or indemnity pay and maternity cover. These are all employment-based schemes and highlight a key trend in the Arab region towards contribution-based social insurance systems. At a sub-regional level, we find that in the LDCs such as Djibouti, Sudan and Yemen, formal social insurance mechanisms are confined to the formal sector workforce (in the civil service, army and police). The larger share of the population who are working in the informal sector are partially covered by state provided safety nets such as food and energy subsidies or targeted programmes such as social transfers, food assistance and public works programmes⁵⁷. In the other Maghreb and Mashreq countries such as Egypt, Morocco, Tunisia and Lebanon that occupy the middle to upper-middle income groups, the social security system generally covers around 30-40 per cent of the populations as previously stated in this paper. These schemes include different services, ranging from health insurance to family benefits, depending on the county. These countries also have additional mechanisms providing some coverage to informal sector workers and social assistance for disadvantaged groups. In the GCC states that are also in the higher income brackets of the Arab region, the State has a long tradition of social spending from oil revenue which ranges from marriage allowances to the establishment of publicly funded hospitals and schools. Oman has a system of free universal medical care for citizens, while Bahrain is the first country in the region to implement an unemployment insurance programme in 2006⁵⁸. Table 3 below summarises the contribution-based social insurance schemes which the Arab region countries offer.

55 <http://www.ilo.org/beirut/country/lang--en/index.htm>

56 Silva et al. 2012

57 ODI/UNICEF, 2011

58 ILO/Government of Bahrain, 2010

Table 3 Available Data on Formal Contribution-Based Social Security Schemes for Selected Countries (public and private sector employees only)

Scheme Country	Old Age	Disability and Survivors	Work Injury	Unemployment	Sickness	Maternity	Family
Bahrain	X	X	X	X	-	-	-
Iraq*	X	X	X	X	X	X	X
Jordan	X	X	X	-	-	-	-
Kuwait	X	X	X	-	-	-	-
Lebanon	X	X	X	-	-	X	X
Oman	X	X	X	-	-	-	-
Saudi Arabia	X	X	X	-	X	X	-
Syria	X	X	X	-	-	-	-
Yemen	X	X	X	-	X**	X**	-
Egypt	X	X	X	X***	X	X	-
Morocco	X	X	X	-	X	X	X
Libya	X	X	X	X***	X	X	
Tunisia	X	X	X	X***	X	X	X
Algeria	X	X	X	X***	X	X	X

Source: International Social Security Association (<http://www.issa.int/>)

*Information on Iraq is more than 10 years old.

**Public sector employees only

*** Very strict rules apply.

With regards to Table 3 above, these social security schemes cover all public sector workers and security personnel with generous payments, sometimes up to 100 per cent of health and education costs. In the second instance, they cover private sector employees and in some cases the self-employed.

Bahrain established an Unemployment Insurance Scheme in 2006 as part of its labour market reforms⁵⁹. The scheme covers three categories: civil servants; private sector workers; and first-time jobseekers. It includes national and foreign workers and is financed by contributions of 1 per cent of wages paid by workers, employers and the Government. The scheme provides two types of benefits to jobseekers who are actively looking for employment⁶⁰:

- (1) unemployment compensation, which is paid for jobseekers who have fulfilled the minimum contribution period, and which replaces 60 per cent of the insured person's average wage during the last 12 months of employment up to a maximum of 500 BD (US\$1,326) for a maximum period of six months
- (2) unemployment aid, which is paid to first-time jobseekers and those jobseekers who have not fulfilled the minimum contribution period, which amounts to 150 BD (US\$398) for university graduates or 120 BD (US\$318) for others, for a maximum period of six months.

59 ILO/Government of Bahrain, 2010

60 ILO/Government of Bahrain, 2010:8

In December 2009, the scheme paid unemployment assistance benefits to 12,245 jobseekers. 2,187 of these were first time jobseekers, 996 of which were first time graduates. According to the ILO/Government of Bahrain report (2010), women make up 78 per cent of recipients of unemployment benefits, but only 49 per cent of them were able to find jobs.

In addition to social insurance, social assistance forms a large part of the social protection programmes that are offered in the Arab countries. Of these, only food subsidises are universal in scope yet there is now in the region, a debate about how cost efficient and effective subsidies are, with particular focus on fuel subsidies. A detailed breakdown of social assistance programmes is provided in a recent World Bank⁶¹ paper from which relevant data are cited in this paper. It shows a reliance on contribution-based social insurance which leaves out low-income and non-salaried workers. Table 4 below outlines the main social assistance programmes offered by the Arab countries.

61 Silva et al. 2012

Table 4: Overview of Social Assistance Programmes in Selected Arab Countries

Country	Programme Name	Programme Type	Targeting Method	No. of Service-Users	Expenditure Local Currency (Millions)	Year
Bahrain	Food, water, electricity, and oil and gas	Price subsidies and ration cards	Universal	-	868.4	2011
Lebanon Syria Jordan Palestine	Social safety net programme for Palestinian Refugees	Social assistance to poor and vulnerable Palestinian refugees	Categorical/Means-tested	300,000		2009
Egypt	Fuel Subsidy Baladi Bread Subsidy Cooking oil ration card Rice ration card Sugar ration card	Price subsidies and ration cards	Universal	-	n.a	2010
	Child cash assistance Education Grant Emergency assistance for former public employees Martyr's family cash assistance Micro-grants Military Family Assistance Monthly assistance from social security to poor families Shock Assistance Monthly social pension (Sadat Pension) Temporary circumstantial assistance	Cash transfers or Fee waivers (education grant)	Categorical	43,562 624,996 5,927 n.a 19,899 n.a 105,533 60,382 1,180,000 132,877	49.4 189.7 2.1 n.a 40 n.a 135 68.4 1,570.0 36.6	2010

Country	Program Name	Program Type	Targeting Method	No. of Service-Users	Expenditure Local Currency (Millions)	Year
Morocco	Sugar Subsidy	Price subsidies and ration card	Universal	-	2,854.0	2008
	Fuel Subsidy			-	27,014	
	RAMED: Medical Assistance Plan	Fee waivers, education and health benefits	Proxy Means Testing	151,000	138.0	2009
	Idmaj	Price subsidies and ration card	Categorical	46,000	138.0	2008
	School supplies programme	Food and other in-kind transfers		1,273,800	149.0	
Adult Literacy Programme	Fee waivers, education and health benefits	394,000		437.0		
	Housing of Entraide Nationale		59,000	12.0		
	INDH: Programme for fighting precariousness		50,000	583.0		
	Villes sans bidonvilles (Cities without Slums)	Housing	Geographical	136,000	220	2009 or 2008
	Tayssir	Cash transfers				
	Flour Subsidy	Price subsidies and ration card		80,000	149	
	Income generating activities of Social Development Agency	Micro-credit and income generation		n.a	4,886	
	INDH: Programme against poverty in rural areas			6,000	n.a	
	INDH: Programme against social exclusion in urban areas		3,800,000	611		
	INDH: Transversal programme		2,500,000	1,094		
			n.a	816		
	Promotion Nationale	Workfare programmes	Self-targeting	45,000	1,000	2009 or 2008
	School feeding programme "canteens" and housing	Food and other in-kind transfers		1,039,100	815	
Tunisia	Programme allocation of handicap card	?	Categorical	181,000	12	2011
	Defence programme and social integration	Training		n.a	1	
	Social counseling, child care, and adult education programmes	Fee waivers, education and health benefits		n.a	9	
	National Programme for helping Needy Families(PNAFN): Cash Transfers	Cash transfers	Means testing	940,000	292	
	National Programme for healing Needy Families (PNAFN): Health Cards	Fee waivers, education and health benefits		940,000	39	
	Subsidized health card programme	Fee waivers, education and health benefits		2,312,000	70	
Yemen	Social welfare fund	Cash transfers to low income groups	Categorical	1 million		2006
Jordan	National Aid Fund	Cash transfers to low income groups	Categorical	205,900		
Algeria	Allowance for persons with disabilities or school children		Categorical	164,384		2007

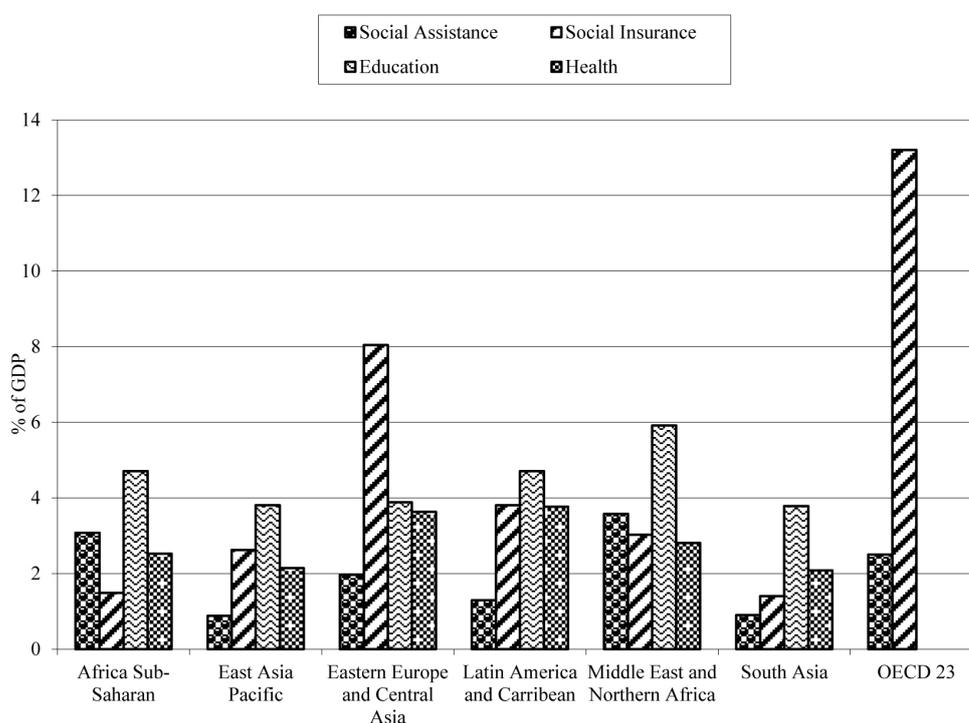
Source: World Bank, 2012 and ODI/UNICEF, 2011

2.4 Patterns of social expenditure

Since the start of the global economic crisis, spending on social safety nets in the Middle East and North Africa region as a whole has increased sharply, from 10.1 per cent of total expenditure before the crisis to 11.9 per cent during the crisis and 12.5 per cent afterwards (4.16, 4.44, and 4.59 per cent of GDP respectively)⁶². Countries in the Mashreq and LDC sub-regions such as Egypt and Yemen extended eligibility criteria for subsidised food rations and cash transfers to vulnerable populations which lead to increased access by poor or vulnerable populations⁶³.

The pattern of social protection services in the Arab region countries which has been outlined above is also reflected in the social expenditure levels on social assistance and social protection of the Arab region as a percentage of their GDP (This paper relies on World Bank estimates which are for the MENA region). Figure 1 below shows social expenditure as a percentage of GDP for the MENA region in comparison to other world regions. It shows that education expenditure occupies the largest share of the Arab region countries' GDP but social insurance remains among the lowest. Figure 1 also shows that after education, spending on social assistance occupies the second largest share of GDP. In fact, the MENA region is considered to be the world's highest spender as a region on social assistance⁶⁴. This situation reinforces the interpretation of social protection in the terms of social assistance.

Figure 1: Social Spending as a % of GDP – All Regions



62 Prasad and Gerecke, 2010; cited in ODI/UNICEF, 2011

63 ODI/UNICEF, 2011

64 ODI/UNICEF, 2011

Source: World Bank (2008)

2.5 Forms of entitlement: universalism vs. targeting; contributory vs. non-contributory

In sum, the above review shows that in the Arab region, universalist principles of social protection are applied mainly in relation to commodity or fuel subsidies. In the richer GCC states, there is a greater capacity to provide universal health services due to abundant state funds. But also, we may consider that countries which provide public education also adhere to principles of universalism. In contrast, the emphasis in the Arab region is on categorical, means-testing or earnings-related social protection which all exemplify targeted systems of social protection. As a result, the programmes which are in place in the Arab region work on an individual and short-term basis since they are aimed at alleviating the incidence of income loss or deprivation. In the case of social insurance schemes for instance of health insurance, formal sector employees are the primary beneficiaries. These are more likely to be males of a working age and based in urban areas. In this sense, social protection is a reactionary mechanism which responds to income-related social needs as they rise. The evident shortcoming is that Arab governments are spending too much on short-term poverty alleviation policies which do not lead to long term economic and social investment or address the structural causes of poverty and social disharmony.

3. AN ASSESSMENT OF THE ARAB REGION

In what follows is an assessment of the social protection policy mechanisms described in the previous section, in light of the global trends taking place in other developing countries discussed in section two and also more fundamentally, in light of the fundamental social challenges which face the Arab region. It is useful to first of all discuss briefly the social issues which face the Arab region which have been well documented in the literature⁶⁵.

Economically, the region has the lowest labour force participation rates in the world at 54 per cent in 2010 due to the low level of female participation⁶⁶. Likewise, it is also experiencing the lowest rate of economic growth which averaged at 2 per cent in the 1990-2011 period. The growth which has taken place has not led to higher incomes or higher household consumption, which confirms the persistence of social inequalities; another marker of difference between the Arab region and the rest of the world. Unemployment is estimated at 14.8 per cent for the region, with LDCs occupying the largest share of that followed by Mashreq countries⁶⁷. Individual Arab countries such as Morocco, Egypt and Jordan have high unemployment rates ranging from 23 per cent to 10 to 17 respectively – and various estimates confirm that together with the rest of the MENA countries, this is the region with the highest rate of unemployment in the world⁶⁸. Vulnerable unemployment as a share of total employment is, however, below the world averages. Estimates of poverty rates vary according to what baselines are used, and generally, the Arab region has among the lowest levels when regression-based poverty lines are used⁶⁹. At 22.1 per cent, poverty levels have remained unchanged since 1990 and are equivalent to those of Europe and Central Asia though the dynamics of the poor populations are not clear.

Socially, the issue of inequality and unchanged consumption levels has been alluded to above but also the region faces major food shortage crisis with increasing levels of undernutrition, exacerbated in part by war and economic sanctions. Syria, Iraq, Sudan, Somalia, Yemen and Palestine are the countries most affected yet there is a general consensus that the region relies too heavily on food imports. More than 50 million people are estimated to be undernourished⁷⁰ with the contribution of agriculture to GDP falling from 18.6 per cent in 1992 to 12.4 per cent in 2011. Equally, access to clean water is another challenge facing the region. Demographic concerns are also ever present; the challenges of addressing the youth bulge is well discussed in the literature and is as much of an asset as it is a burden since increasing employment rates among young people would help raise revenues for the state through social insurance and income tax contributions.

65 For example in UN/LAS (2013) and ESCWA (2011)

66 UN/LAS, 2013

67 Ibid

68 Silva et al. 2012

69 UN/LAS, 2013

70 Ibid

Politically, the democratic deficit of the region is as well-documented as the wider political instabilities resulting from the Israeli-Palestinian conflict. This situation is now further exacerbated by tribal or sectarian religious violence which can be seen in Iraq, Syria, Libya and Lebanon, to name but a few countries. From a social protection perspective, it is clear that the absence of adequate citizenship rights in the Arab region is a situation which cannot any longer be tolerated. Moreover, governance reform is essential for the development of adequate social protection schemes as many of the existing systems of social protection in the Arab region suffer from leakage or administrative inefficiency or duplication, as will be discussed shortly. However, examples of countries which have moved out of dictatorial or racist regimes abound from around the world such as Brazil, South Africa and Korea. It may be that the Arab region may learn useful lessons from countries which have integrated concerns for social citizenship into their constitutions and public policies.

3.1 How does the Arab region compare to other developing countries?

Based on the review presented in this paper so far, the Arab region is not lagging behind in terms of the social protection policies which it has in place. The same kinds of social assistance and social insurance packages which exist in India and South Africa also exist in the Arab region. In fact these two latter countries share many of the same challenges which the Arab region faces: high unemployment, religious tensions, high levels of socio-economic inequalities, lack of access by rural populations to essential social protection services and policies, corruption and control by political and business elites of the large income generating sectors.

Where other developing countries may have inserted social citizenship and human rights discourses into their constitutions, Arab countries tend to have references to Islamic or Christian social principles in their constitutions. This is particularly the case in GCC and LDC states. Indeed, all Arab countries make use of waqf or zakat resources as has been discussed in this paper and elsewhere. Perhaps where the region lags behind in part therefore is on economic growth and employment indicators. But more critically, it is in terms of wealth redistribution and social investment where the Arab regions fall behind in terms of how they compare to other developing countries.

For example, post-Apartheid South Africa very clearly redistributed wealth from white sections of society to the African ones, such as in the school systems. Costa Rica and the Indian states of Kerala and Tamil Nadu have introduced universal provision in education and health care as well as extension of social insurance coverage to vulnerable populations. These policies have helped these countries become models of successful human development. Crucially, these social protection policies have helped create social cohesion and promote social solidarity beyond family, tribal or racial affiliations.

The question of a Minimum Income Guarantee is one which has not yet been addressed by the Arab countries so far. This universal principle of protecting all citizens against sudden loss of income regardless of their previous employment status is one which the region needs to tackle. After all, the poverty rates in the region are not as high as other parts of the world and the region

boasts some of the highest levels of income per capita. The paper has highlighted the cases of China and Korea which put in place such a system. The Arab countries which have introduced unemployment insurance, such as Bahrain for example, tie the benefit to previous earnings as well as the claimant being in active pursuit of a job. However, there is an important innovation in the Bahrain unemployment policy which directly addresses the problem of youth unemployment: this is the unemployment benefit to first time job seekers. The challenge remains that the period of the benefit is limited to 6 months and has a large proportion of female claimants who are not able to find jobs. There is insufficient information about what support recipients are given in finding jobs.

3.2 The impact of social protection policies of the Arab region

Some long-standing inconsistencies in the social protection systems of the Arab region have been verified in this paper:⁷¹

First, family benefits have been provided mainly to members of the social security funds and not to poor households who should access them as a matter of citizenship rights. Internal systemic contradictions occur because in some cases, agricultural and self-employed workers are not entitled to benefits.

Second, out of pocket health spending has been very high in the region due to the lack of universal comprehensive healthcare provision. It accounts for over 50 per cent of the total share of household spending⁷².

Third, unemployment insurance has continued to be largely absent in the Arab region even though workers have often lost their jobs due to liberalisation and structural adjustment imposed by IMF policies. Indeed, young people continue to be over-represented in unemployment rates in the region.

Fourth, there continue to be unsustainable generous welfare benefits to public sector workers and military personnel, as well as a number of social security schemes like retirement pensions which need to be reviewed.

Fifth, the over-reliance in the region on short-term social assistance spending, either through food and fuel subsidies or through in-cash or in-kind transfers, does not lead to social investment in human capital or vertical welfare redistribution which would both reduce social inequalities in the Arab region.

Sixth, current systems of social security suffer from duplication, wastage and also corruption at a time when barely 30-40 per cent of Arab populations are actually covered by formal social security schemes⁷³. Studies conducted on Egypt, Lebanon, Qatar and Jordan depict overlaps and duplication in social security provision. In Lebanon for example, there are six public funding agencies that are affiliated with five government ministries which results in duplication of financing and management. In Qatar, public and private agencies within the health care system have separate financing structures which may also indicate duplications and inefficiencies. Also, in Egypt, there

71 Ben Romdhane, 2006

72 Silva et al. 2012

73 ESCWA, 2013; Jawad, 2009; Loewe, 2013

is a reform programme which is currently integrating several programmes to deal with the high fragmentation of the public health sector⁷⁴.

This situation means that large segments of populations in the Arab region continue to be outside the frame of social protection policies or are over-represented among the populations seeking in-kind or in-cash income transfers. Academic research and also the existing policy literature on development in the Arab region single out the following groups as particularly vulnerable due to the lack of social protection policies:

1. Unemployed able-bodied men and women
2. Female-headed households who have care responsibilities for children, disabled family members of elderly relatives (and are unable to work)
3. Informal rural workers
4. Self-employed people
5. Street children and children in employment

In response to these issues, the literature points to an emerging set of arguments around the inefficient use of social assistance programmes⁷⁵ and poor income redistribution in the Arab region⁷⁶, both of which are now addressed in turn. These arguments focus on the MENA region by which they denote the Arab countries which are of concern to this paper.

3.3 Subsidies and other social assistance programmes

The World Bank⁷⁷ estimates that spending on food and fuel subsidies inflates general spending on social safety nets in the MENA region by 10 per cent. Were it not for this, average spending on non-subsidy social assistance programmes would account for 0.74 per cent of GDP, which falls below the 0.8 per cent world average. One of the key issues is coverage, as in comparison to the world coverage rate of just over 40 per cent, the MENA region has the lowest coverage rate of 16 per cent of the poorest quintile of the population⁷⁸.

Almost all social assistance programmes in the Arab region fail to cover even 20 per cent of the bottom quintile (the poorest populations), while some programmes cover a substantial proportion (up to 11–12 per cent) of the top quintile. As an example, Egypt's Monthly Social Pension (or Sadat Pension) programme covers only 8 per cent of the poorest quintile and Jordan's National Aid Fund reaches only 16.5 per cent of the poorest quintile. Djibouti and Iraq's Social Safety Net programmes reach less than 2 per cent of the poorest quintile⁷⁹. On the other hand, the highest coverage of the poorest quintile (over 50 per cent) is in Palestine, where assistance is provided primarily by the United Nations. In this respect, this programme compares well to the signature programmes in Europe and Central Asia or Latin America and the Caribbean⁸⁰.

74 ESCWA, 2013: 19

75 Silva et al. 2012

76 Loewe, 2013

77 Silva et al. 2012

78 Ibid

79 Ibid

80 Ibid

Although low coverage of the poor is a key indicator that social assistance or SSN programmes are underperforming, substantial coverage of the middle classes and richer segments of society indicates a high degree of inefficiency. High coverage rates for the poor are difficult to achieve without some leakage. However, coverage rates should decrease progressively from the poorest to the richest quintiles. Specifically, a key policy design feature is that coverage rates should have a negative slope across wealth quintiles.

As shown in the previous section, the rationales of categorical and geographical targeting methods that predominate in the social assistance programmes of the Arab region work well in environments where poverty is concentrated but not where poverty is multi-dimensional in nature or geographically dispersed. Categorical and geographic targeting methods are now outdated, which means that the Arab region lags behind others that have switched to individual assessments of either incomes (through means tests) or expenditures (through Proxy Means Testing or PMT), in some cases supplemented by community-based targeting. Within the Arab region, Jordan, Palestine, and Yemen have begun to improve their targeting methods. For example, Jordan's National Aid Fund relies on a semi-verified means test together with categorical targeting, while Palestine, Yemen, and most recently Lebanon have introduced PMT-based targeting for their mainstream Social Safety Net programmes⁸¹.

In the Arab region therefore, social assistance and SSN programmes do target the poor and vulnerable but the reality is that the wealthy populations tend to constitute a significant share of SSN beneficiaries. On average, only a quarter of non-subsidy social assistance beneficiaries in the region come from the poorest quintile, while about 15 per cent come from the richest quintile. In some programmes such as in Palestine, targeting has been improved thanks to the creation of the unified Cash Transfer Programme (CTP) in 2010, which uses a PMT targeting mechanism and a unified payment scheme. In contrast, in Djibouti and Morocco, the richest population quintile represents the same share of SSN beneficiaries as the poorest quintile. This may mean that there is very little targeting.

In comparison to other world regions, there is clear underperformance in the Arab region's social assistance and SSN programmes in terms of beneficiary incidence: in all other regions, the bottom quintile accounts for at least 30 per cent or more of SSN beneficiaries, with Latin America and the Caribbean leading the world at 36 per cent. The Monthly Social Pension (or Sadat Pension) in Egypt and the Social Welfare Fund (SWF) in Yemen each have a progressive benefit incidence yet not in significant numbers⁸². But these two countries differ in their targeting of the poor due to the differences in their respective poverty lines. Bearing in mind that Yemen has a high poverty rate (about 35 per cent), the share of the SWF going to the poor is 48 per cent, whereas Egypt's poverty rate of 22 per cent suggests that only 26 per cent of the Monthly Social Pension (or Sadat Pension) benefits reach the poor. Morocco's conditional cash transfer (CCT) programme is also noteworthy of good practice. An impact evaluation of the pilot showed that school dropout rates decreased by 57 per cent and the rate of return to school by dropouts rose by 37 per cent. Moreover, between 2009 and 2011-2012, programme coverage increased from 80,000 school children to 609,000 children (within 406,000 households). The total budget also rose from US\$10 million to US\$62 million.

⁸¹ Ibid

⁸² Silva. et al, 2012

It is generally agreed that the most important indicator of SSN effectiveness is the final impact on reducing poverty and inequality. This indicator draws upon an assessment of coverage, targeting, and generosity of SSN programmes and assesses the overall effect of the presence of SSNs on the welfare distribution of the country. With the exceptions of Palestine and Jordan, SSNs in the Arab region have little effect on poverty rates. SSN programmes in Egypt, Iraq, and Yemen reduce poverty rates in these countries by no more than 4 per cent. In this respect, the Arab region performs better in terms of poverty impact of SSNs than East Asia but much worse than the world average or in Europe and Central Asia or Latin America and the Caribbean. A similar picture emerges for the non-subsidy SSN impact on the poverty gap. As with the poverty rate, SSNs in Jordan and Palestine appear to have a noticeable effect on the poverty gap (reducing it by 23 and 42 per cent respectively). The rest of the region performs much worse when compared with the 22 per cent average world reduction in the poverty gap due to SSNs. Egypt's and Iraq's SSNs reduce the gap by about 7 per cent, and those of Yemen by 4 per cent⁸³.

Finally, in terms of the impact on inequality, the best performing country in the Arab region is again Palestine with its SSNs reducing the Gini coefficient by more than 7 per cent. Most other SSNs in the region have little impact in this regard. In Egypt, Iraq, and Yemen, SSNs have little noticeable effect on welfare distribution, with the Gini coefficient declining by less than 1 per cent⁸⁴. Comparisons with other world regions shows that in terms of reducing inequality, the region's performance is in the middle of the rankings, below Europe and Central Asia and Latin America and the Caribbean but above East Asia.

3.4 Social insurance programmes

In the social insurance programmes, there is a similar picture of misallocation of resources and skewed benefits of social protection towards the Middle Classes. Arab countries do not necessarily lack revenues; more than a fifth of GDP is spent on social policies in some of the low and middle incomes countries like Egypt and Jordan⁸⁵. The programmes as they exist are limited in the range of risks that they cover, reach a small share of the population and also have limited budgets. Based on IMF (2011) estimates, Arab countries have substantial social spending ranging between 7 and 13per cent⁸⁶.

Yet, there are significant gaps in coverage. The largest excluded groups in most countries are agricultural workers, household and family workers, and foreign migrant workers⁸⁷. Only about 30 per cent of Arab populations are covered by social security, the remainder are in the informal sector and have to seek recourse in informal social assistance services such as from family. What we find therefore is regressive redistribution with a focus on the middle classes and much less attention to the social protection needs of the rural and urban poor.

Arab countries have high levels of informal workers. On average, in non-GCC Middle Eastern countries, about 67 per cent of the labour force does not contribute to social insurance schemes. They include agricultural workers, the self-employed in micro and small enterprises as well as

83 Ibid

84 Ibid

85 Loewe, 2013

86 cited in Loewe, 2013

87 ESCWA, 2013

their employees. In Jordan, around 50 per cent of the labour force did not contribute to a pension scheme in 2010; in Morocco and Syria this was around 70 per cent in 2011 and 2008 respectively, and in Tunisia about 45 per cent in 2008⁸⁸. This gap in coverage is exacerbated if we take into account the low labour-force participation rates in the region which have already been alluded to (around 50 per cent). In GCC countries, the main coverage gap concerns foreign migrant workers, who are mostly excluded from formal social insurance schemes.

In terms of redistribution, the main social insurance schemes for public and private sector employees in the region are based on the 'pay-as-you-go' (PAYG) system where current employees pay for the pensions of current retirees. This system can in principle lead to both horizontal redistribution (across age groups and employee status for example) as well as vertical redistribution (from the richer to the poorer participants)⁸⁹. Yet in practice, redistribution to poorer people is marginal. Governments contribute as employers, but they may also subsidize the programme if required, as happens in Iraq and Saudi Arabia. In Egypt, Jordan, Qatar and Saudi Arabia, the Government covers any deficit which the programme may incur, and in Qatar the Government fully covers the administrative costs as well⁹⁰.

An example in point relates to the pension insurance schemes which occupy the largest share of social insurance budgets in the Arab region⁹¹. Their revenues range from 3 per cent of GDP in Egypt and Jordan to 9 in Kuwait, 5 in Tunisia and 2 in Syria. Most of them are statutory social insurance schemes with defined benefits. The pension schemes fail to reduce income differences. Most Arab countries have minimum pension arrangements which entail redistribution within pension funds in favour of those covered by social security with the lowest incomes. However, they only benefit the urban lower middle classes since the rural populations and the urban underclass are not covered by social insurance, as has already been highlighted above. Armed forces, civil servants and private sector employees benefit the most from the system of social insurance and other social transfers⁹².

In the public health systems of the region, a similar picture may be found with regard to the urban Middle Classes benefiting more than other groups. In the GCC states, the public health system is maintained almost entirely by the state, which ensures. Over 2 per cent of GDP in Arab countries is spent on public health but most of it also finances specialist private hospitals which benefit the urban middle classes. Much less of state spending on health goes towards maintenance of health stations and village clinics which are needed by the poor.

A similar situation of limited coverage and limited redistribution can be found in the public health care system in the Arab region. All Arab countries, in principle, have universal public health-care systems financed by general government revenues. The Lebanese health care system is the exception due to its heavy reliance on private health providers⁹³. Generally, health-care services in the Arab region are provided either for a small fee or are free of charge. In addition to those universal public services, several countries have developed social health insurance systems mainly for employees of the public sector and the formal private sector. In Egypt, Jordan and Tunisia, these

88 ESCWA, 2013

89 Ibid

90 Ibid

91 Loewe, 2013

92 Jawad, 2009; Loewe, 2013

93 Jawad, 2009

insurance systems operate health care facilities for their members. In Egypt, the Health Insurance Organization, the primary insurance provider, covered around 57 per cent of the population in 2008/2009⁹⁴. Coverage rates were higher in Tunisia (99 per cent) and Jordan (83 per cent). In Lebanon, the Ministry of Public Health serves as the insurer of last resort for 53 per cent of the population; those who are not covered by employment-based or private health insurance. Unequal coverage across social groups in the Arab region is the result of differences in employment status: men are more often covered than women and the wealthier more often than the poor. In Egypt for instance, the political elite and military personnel benefit from free health care in the best state hospitals whilst the poorest have to content with the less better equipped state hospitals that have very low standards of care⁹⁵.

94 ESCWA, 2013

95 Loewe, 2013

4. NEXT STEPS IN ARAB SOCIAL POLICY DEVELOPMENT

This paper has presented an overview of the social protection policy context of the Arab region. This has been placed in the context of emerging global trends in social protection and also assessed in relation to policy impacts on poverty and inequality in the Arab region. The paper is restricted by the limited amount of good quality evaluation data on social protection programmes in the Arab region. Nevertheless, it has been able to present an evidence-based analysis which is summarized into seven main points below:

1. The Arab region is providing very similar types of social protection programmes to other world regions and faces many similar challenges as can be found in India, China, Brazil and South Africa: how to democratize effectively, how to deal with high unemployment and a large informal labour sector, how to ensure food security, how to address religious and civil tensions and how to boost economic growth. So the Arab region is in no way an exception to global policy trends, as is often depicted in the development literature. But in addition to its regional and sub-regional challenges, the Arab region is also tied to the global political economy which has an impact on the social welfare outcomes of all developing countries, and will further restrict future social policy development at national levels.
2. The Arab region can therefore learn from the experiences of other developing countries such as Brazil and South Africa which have made successful transitions out of authoritarian rule and are seeking to fully embrace the principles of social justice and social citizenship. It can also learn from the experiences of Botswana - indeed Kuwait and Dubai already stand as good examples - of how to avoid the financial curse of natural resource wealth and invest rent revenues in improving human capital and economic growth.
3. All Arab countries have significant zakat and waqf systems in place and subscribe to Islamic or Christian religious principles of social justice. To a certain extent therefore, Arab countries already address the human rights principles which some transition economies like India, Brazil and South Africa have written into their constitutions. But these religious principles are a double-edged sword, like revenue from natural resources. If not managed wisely by Arab leaders, their potential for social and financial capital will be lost and they will simply perpetuate social inequalities and civil unrest.
4. However, the region does lag behind in terms of the administrative structure of some of its social protection programmes which are underperforming in terms of reducing poverty and inequality rates. There is also significant leakage from social assistance programmes to the wealthy populations. Palestine is the regional leader but in comparison to the rest of the world, social assistance programmes in the Arab region have only 26 per cent coverage of poor populations in comparison to a world average of over 50 per cent. Moreover, the Arab countries

tend to favor outdated targeting methods such as categorical and geographical targeting which hinder effective coverage of the poor.

5. Universal social protection schemes such as Minimum Income Guarantees and tax-funded mechanisms of social policy financing which have a proven track record in both OCED and non-OECD countries of reducing poverty and inequality are not on the policy cards in the Arab region. This policy gap in the region is reinforced by the rates of poverty and inequality which have remained unchanged for the best part of the last two decades. The situation is made worse by the fact that only 30-40 per cent of Arab populations are covered by formal social protection systems. Large swathes of the population are excluded such as agricultural workers, self-employed and informal sector workers. In view of the fact that average rates of unemployment in the region reach 15 per cent (the highest in the world), then the benefits of social insurance reach a very small minority. In addition, key health insurance benefits are skewed towards the military and political elites and are again not possible for those not in formal full-time employment.
6. The political challenges the Arab region faces appear to go from bad to worse. Apart from the regional geo-politics, national level governance reforms are badly needed to pave the way for the future development of social protection policies. At present, social insurance schemes are fragmented with several schemes running in any one country which leads to resource wastage. This is especially the case in health care as is explained in the paper with various countries like Lebanon, Qatar and Egypt having multiple funding and management systems in operation. Fiscal space is not as big a challenge in the Arab region as it may be in other countries around the world, since average social spending varies between 7 and 12 per cent of GDP, but at least 10 per cent of GDP goes towards food and fuel subsidies which are not the best form of redistribution or poverty reduction.
7. The stance taken in this paper is that social concerns should not be posthumously appended to economic policy as an outcome, or as social packages (safety nets, targeted social services to be delivered by sector specific ministries). For, in such a scenario, social strategies are designed in isolation of the state's economic and development process. Yet, negative experiences from across the world show that the growth "first" approach has not delivered socially stable societies, nor has it delivered the equitable, gender sensitive and environmentally friendly dividends of development.

On the basis of the above arguments, five main policy proposals are suggested below:

1. The Arab region may begin with immediate reforms which are of a technical and design nature. Social safety net programmes need to be urgently reformed in order to ensure better coverage of the poor and greater impact on the reduction of poverty and inequality. Gaza and Jordan have systems in place which appear to be developing in the right direction. But in addition, CCT programmes should not be seen as the quick fix problem. There is a need to ensure that programme beneficiaries exit from CCT and social safety programmes not just at subsistence levels and are able to make real changes and progress to their

lives. There is little evidence of this in the Arab region; existing research suggests high levels of dependency with female-headed households constituting the core of social safety beneficiaries. Conditional cash transfer programmes which help to boost school enrolment or school feeding should be on the social policy agenda in the Arab region.

2. There is a move now in the Arab region towards compulsory health insurance coverage for all employees. Though these are welcome developments, they do not cover certain vulnerable groups like agricultural workers and informal sector workers who may be most in need, and who are not in employment or have low salaries. These insurance schemes are also underpinned by partnerships with private sector insurance companies which means that access to good quality health care will vary according to the premiums paid, hence reinforcing social inequalities.
3. Access to adequate health care in the Arab region should not be tied to employment-based insurance schemes or employment status. Arab countries overspend by 10 per cent on food and fuel subsidies, so there is fiscal space to support more effective public healthcare systems. Indeed, by ILO estimates, with only 2 per cent of GDP any country can provide a minimum package of social and health insurance for all of its citizens. Food subsidies do not address the problem of undernourishment which is endemic in the Arab region. Social factors related to lack of access to a basic income and essential services would need to be dealt with first. Out of pocket health expenditure can account for over 50 per cent of household spending in the Arab region and is a key determinant of poverty and inequality.
4. It is therefore important for the Arab region to consider how the unemployed, informal sector workers and those on low salaries will access basic social services and a minimum income. Targeting or means-testing will cause questions about which groups are included and which are excluded and may also stigmatise certain groups that do receive assistance. They also risk creating dependency among vulnerable groups which means that long-term problems of poverty may not be dealt with. This issue is especially important in view of the high rates of unemployment in the Arab region. Putting in place a Minimum Income Guarantee Scheme or a work guarantee scheme is a long-term policy to consider.
5. Labour market policies which boost employment and good work standards deserve both short-term and long-term policy attention. Economic growth must include the agricultural sector in the Arab region which would solve a variety of problems by creating formal jobs for rural workers who can then access formal social insurance schemes; it would also help deal with problems of food scarcity and access to water. Investment in infrastructure is needed in this regard which only the state can lead in as the geographical areas in question may be very impoverished. Economic growth should not be concentrated in particular sectors as in India where a business elite controls growth areas by forging links with the political establishment.

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