

**Social Protection and Social Policy Systems in the MENA Region:  
Emerging Trends**

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UNDESA, New York  
19-20 May, 2015

## **Introduction**

In the 1990s, MENA<sup>1</sup> countries began to make formal acknowledgement of the presence of poverty in their societies (Jawad, 2011; Khalidi-Beyhum, 2003). 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 agenda (UN/LAS, 2013). This is in line with a wider global development policy shift: the World Bank (see Silva et al., 2012) is increasingly in favour of cash transfer programmes and some senior economists there are exploring the concept of shared prosperity, while the ILO (2009) has been campaigning for the Social Protection Floor. UNRISD (2010) is also seeking to develop a social policy agenda for developing countries. The UN-ESCWA (2006-2013) also published five Integrated Social Policy reports which considered the situation of the MENA region. 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 MENA region; and most recently, the popular uprisings of the MENA region which called for human dignity and social justice. The added value of a 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.

But what does social protection mean in the present context of the MENA countries? And are there policy lessons to be learnt from existing good practice both from within the MENA 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 institutions in the MENA region. by mapping out the range of social insurance and social assistance schemes that are currently in existence there.
2. To analyse where MENA 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.

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

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<sup>1</sup> This paper does not discuss Turkey or Israel but they will be referred to in Rana Jawad’s presentation.

of poverty as a phenomenon resulting not just from the behaviour of the “poor” themselves (which for example better education or better money management can solve) but also from more fundamental 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 or lack of access to credit or regressive taxation policies such as an over-reliance on VAT in some MENA countries like the Lebanon which adversely affect the poor.

This situation means that MENA 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 realities (Walker, 2013). This creates a highlight complex system of winners and losers where the twin goals of economic growth and social protection need to be assiduously managed (Midgley, 2013).

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 on the countries considered in this paper. Social protection has three main functions (Midgley, 2013; Barrientos and Hulme; 2008): (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. The rise in poverty and vulnerability has helped to improve understanding of

the costs of not having social protection policies. Barrientos and Hulme (2008:7-8) 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 the MENA 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 Devereux (2008) which has helped to frame various reports on social protection in the MENA region and indeed, has helped to frame social policy in South Africa (Mpedi, 2013). 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. Such social services might include support for trade unions, creation of spaces for deliberative democracy and public-awareness campaigns to support recognition of vulnerable groups.

### **Current Social Protection Programmes in MENA**

The discussion now turns to the current context of the MENA region and what social protection policies are in place there. The section follows the sub-regional country groupings devised by the UN/LAS (2013:72) to discuss the countries of the MENA region: Mashreq, Maghreb, Cooperation Council for the MENA States of the Gulf (GCC), Least Developed Countries (LDSs). In addition to these, brief reference will be made to Iran. 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 region. These are:

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

### Social actors/institutions providing social protection

This section maps out the institutional context and policy environment of social protection in the MENA 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 field (Harrigan and El Said, 2009; Jawad, 2009; Moghadam and Karshenas et al. 2006; ESCWA, 2013).

The institutional mix underpinning social protection in the MENA countries is made up of the following institutions who in practice tend to be concentrated around specific types of social protection programmes (Jawad, 2009) as will be explained in the next sub-section. 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 MENA countries. For instance, the new push towards compulsory health insurance in some Gulf countries like UAE 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 MENA 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 MENA 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, particular in caring for young dependents such as young children, elderly relatives or disabled family members. The family is also often the source of financial support (Jawad, 2009). In the last decade however, the family in the MENA 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 of the reliance on domestic workers.

In Iran and many of the Arab Gulf countries, para-state organizations are also in existence. Iran for example has the system of *Boniyads* (Saeidi, 2004) which is based on the Persian name for welfare institutions, The general public perception in Iran is that welfare-providing organisations such as *Emdad* are state agencies. This view differs from that of the organization itself since its staff members see it as a 'holy organization' set up by Imam Khomeini to serve the people. Indeed, the populist association emerges again here, with staff members arguing that the local population are more likely to donate to and support a non-governmental organization which they trust (Jawad 2009b). As Saeidi (2004) argues, *Emdad* is part of a large array of social welfare institutions in Iran which offer a variety of services, sometimes to the point of duplication. He argues that, since 1979, social policy in Iran has in some cases increasingly been used as a tool of social control and political legitimization. In this sense, the formal apparatus of government in Iran is an administrative structure since welfare organizations such as *Emdad* respond directly to the supreme leaders.

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% of MENA populations.

However, by far the most significant source of social protection for vulnerable populations, particularly those employed in the informal sector are religious welfare organisations (Jawad, 2009). This is true for both Muslim and Christian populations in the MENA 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 are. 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 thousands (Jawad, 2009). 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 they invoke religious teachings on paying *zakat*, helping orphans and supporting the family as the basic unit of society. The table below summaries the main social protection actors and institutions by MENA sub-region:

### Rationales for social protection

The rationales for social protection in the MENA 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); economic functions (developing human capital and productive capacities to support economic growth) (Midgely, 2013). In this sub-section we will focus on state rationales as these are the most critical for the purposes of the paper at hand<sup>2</sup>.

In the MENA 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 protection (Jawad, 2009). The National development programmes for all of the MENA region make clear that the economic function of social protection is the priority (Jawad, 2012). 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 National Development

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<sup>2</sup> A review of market and civil society based social provision is also the subject of UN-ESCWA's fifth integrated social policy report (2013).

Plan 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 MENA 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 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 MENA spring 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 MENA 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 has already highlighted in this paper.

The third and least well-developed rationale for social protection in the MENA countries is the welfare function. This is the rationale that responds to calls for dignity and social justice of the MENA spring. Arguably, it is the most complex to achieve as it requires institutional and political reform. In these respects, the MENA 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 reality (Green, 2012). 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” (Green, 2012:24).

But MENA countries are increasingly alluding to the welfare function of social protection. In Yemen, social protection is a key goal the government's MDG-based Development Plan for Poverty Reduction (DPPR) 2011-2015 (cited in ODI/UNICEF, 2011) 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' (cited in ODI/UNICEF, 2011).

### Policy Mechanisms and instruments

In the absence of comprehensive and concrete social policies in the MENA 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 MENA region is also made clearer when we look at what kinds of social security legislation and social assistance programmes are in place there.

All MENA countries have in place public social protection systems that combine labour market programs, social insurance programs, and social assistance programs. 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 MENA region in comparison to the rest of Africa and Asia, actual coverage can vary widely from 8% in Yemen to 87% 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 Bank (in Silva et al. 2012) that only one-third of the MENA region populations are enrolled in formal social security schemes. This low rate does not correlate with the fact that most of the MENA region countries are in the middle to lower-middle income groups.

The MENA 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 MENA region towards contribution-based social insurance systems. In terms of social

assistance schemes, a detailed breakdown is provided in a recent World Bank (in Silva et al. 2012) 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.

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 programmes (ODI/UNICEF, 2011). In the other Maghreb and Machreq countries such as Egypt, Morocco, Tunisia and Lebanon, who occupy the middle to upper-middle income groups, the social security system generally covers around 30-40% of the populations as previously stated in this paper. These schemes include different services, ranging from health insurance to family benefits, depending on the country. These countries also have additional mechanisms providing some coverage to informal sector workers and social assistance for disadvantaged groups. In the GCC states, who are also in the higher income brackets of the MENA 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 as the first country in the region to implement an unemployment insurance programme in 2006 (ILO/Government of Bahrain, 2010).

Bahrain established an Unemployment Insurance Scheme in 2006 as part of its labour market reforms (ILO/Government of Bahrain, 2010). 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 employment (ILO/Government of Bahrain, 2010:8):

- (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.

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% 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 MENA 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. Of particular focus are the fuel subsidies and this is a debate which is clearly set out in Silva et al. (2012).

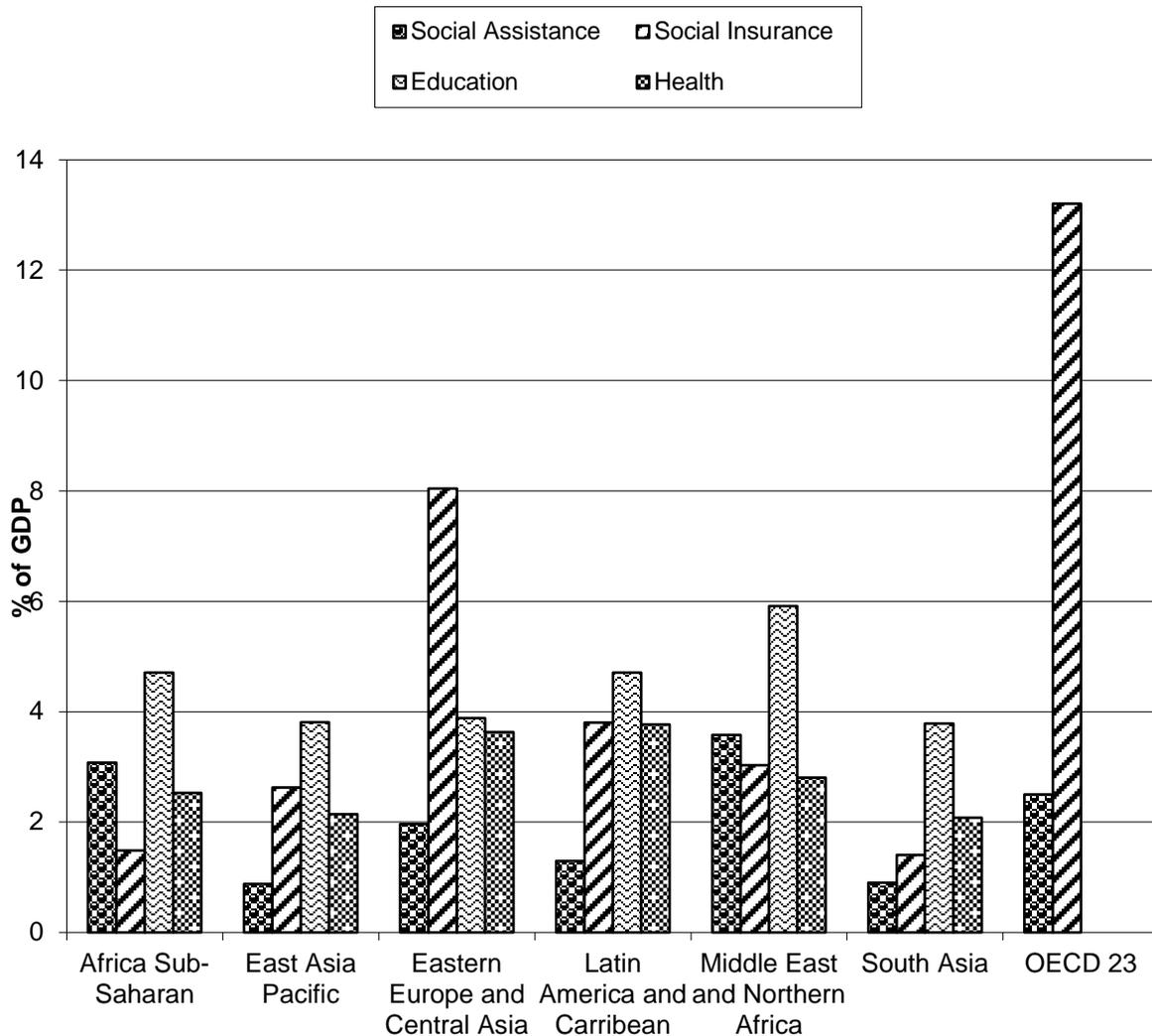
#### Patterns of Social Expenditure

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% of total expenditure before the crisis to 11.9% during the crisis and 12.5% afterwards (4.16%, 4.44%, and 4.59% of GDP respectively) (Prasad and Gerecke, 2010; cited in ODI/UNICEF, 2011). 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 populations (ODI/UNICEF, 2011).

The pattern of social protection services in the MENA region countries which has been outlined above is also reflected in the social expenditure levels on social assistance and social protection of the MENA 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 % of GDP for the MENA region in comparison to other world regions. It shows that education expenditure occupies the largest share of the MENA 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 assistance

(ODI/UNICEF, 2011). This situation reinforces the interpretation of social protection in the terms of social assistance.

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



Source: World Bank (2008)

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

In sum, the above review shows that in the MENA 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 MENA 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 MENA 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 MENA 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.

#### How does the MENA region compare to other developing countries?

Based on the review presented in this paper so far, the MENA 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 MENA. In fact these two latter countries share many of the same challenges which the MENA region faces: high unemployment, religious tensions, high levels of socio-economic inequalities, lack 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, MENA 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 MENA countries make use of *Awqaf* 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 MENA 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, Indian states of Kerala and Tamil Nadu has 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 to create social cohesion and promote social solidarity beyond family or tribal or racial affiliations.

The question of a Minimum Income Guarantee is one which has not yet been addressed by the MENA 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 MENA countries which have introduced unemployment insurance, such as in 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 fits time jobs seekers. The challenge remains that the period of the benefit is limited to 6 months, it also 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.

#### The impact of social protection polices of the MENA region

Some long-standing inconsistencies in the social protection systems of the MENA region which been verified in this paper (Ben Romdhane, 2006):

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% of the total share of household spending.

Third, unemployment insurance has continued to be largely absent in the MENA 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, military personnel as well a number of social security schemes like retirement pensions which need to be reviewed.

Five, 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 which do not lead to social investment in human capital or vertical welfare redistribution which would both reduce social inequalities in the MENA region.

Six, current systems of social security suffer from duplication, wastage and also corruption at a time when barely 30-40% of MENA populations are actually covered by formal social security schemes.

This situation means that large segments of populations in the MENA 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 MENA region singles out the following groups are 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 now points to an emerging set of arguments around the inefficient use of social assistance programmes (Silva et al. 2012) and the poor income redistribution in the MENA region (Loewe, 2013) Both of these are now address in turn. Both of these arguments focus on the MENA region by which they denote the MENA countries which are of concern to this paper.

### Subsidies and Other Social Assistance Programmes

The World Bank (in Silva et al. 2012) estimates that spending on food and fuel subsidies inflates general spending on social safety nets in the MENA region by 10% and were it not for this, average

spending on non-subsidy social assistance programmes would account for 0.74% of GDP in the MENA region, which falls below the 0.8% world average. One of the key issues is coverage. In comparison to the world coverage rate of just over 40%, the MENA region has the lowest coverage rates of 16% of the poorest quintile of the population (Silva et al., 2012).

Almost all social assistance programs in MENA region fail to cover even 20 % of the bottom quintile (the poorest populations), while some programmes cover a substantial proportion (up to 11–12 %) of the top quintile. As an example, Egypt's *Monthly Social Pension (or Sadat Pension)* programme covers only 8% of the poorest quintile. In Jordan, the *National Aid Fund* reaches only 16.5 % of the poorest quintile. Djibouti and Iraq's Social Safety Net programmes reach less than 2 % of the poorest quintile (Silva et al., 2012). The highest coverage of the poorest quintile (over 50 %) is in West Bank and Gaza, where assistance is provided primarily by the United Nations (UN). In this respect, this programme compares well to the signature programmes in Europe and Central Asia or Latin America and the Caribbean (Silva et al., 2012).

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 logics of categorical and geographical targeting methods which predominate in the social assistance programmes of the MENA region, work well in environments where poverty is concentrated but not where poverty is multi-dimension in nature or geographically dispersed. Categorical and geographic targeting methods are now outdated, which means that the MENA 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 MENA region, Jordan, West Bank and Gaza, and the Republic 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 West

Bank and Gaza, the Republic of Yemen, and most recently, Lebanon, have introduced PMT-based targeting for their mainstream Social Safety Net programs (Silve et al., 2012).

In the MENA 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 % come from the richest quintile. In some programmes, such as in West Bank and Gaza, targeting has been improved since 2009 thanks to the creation of the unified Cash Transfer Program (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 is very little targeting.

In comparison to other world regions, there is clear underperformance in the MENA region's social assistance and SSN programmes in terms of beneficiary incidence: in all other regions, the bottom quintile accounts for at least 30% or more of SSN beneficiaries, with Latin America and the Caribbean leading the world at 36%. *The Monthly Social Pension (or Sadat Pension)* in Egypt and the *Social Welfare Fund (SWF)* in the Republic of Yemen each have a progressive benefit incidence, but not in significant numbers (Silva. et al, 2012). But these two countries differ in their targeting of the poor due to the differences in their respective poverty lines. Bearing in mind that the Republic of Yemen has a high poverty rate (about 35%), the share of the SWF going to the poor is 48%, whereas Egypt's poverty rate of 22% suggests that only 26% 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% and the rate of return to school by dropouts rose by 37%. 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.

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 programs and assesses the overall effect of the presence of SSNs on the welfare distribution of the country. With the exceptions of West Bank and Gaza and Jordan, SSNs in the MENA region have little effect on poverty rates. SSN programmes in Egypt, Iraq, and the Republic of Yemen reduce poverty rates in these countries by no more than 4%. In this respect, the MENA 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 West Bank and Gaza appear to have a noticeable effect on the poverty gap (reducing it by 23 % and 42 %, respectively). The rest of the region performs much worse when compared with the 22% average world reduction in the poverty gap due to SSNs. Egypt's and Iraq's SSNs reduce the gap by about 7 %, and those of the Republic of Yemen, by 4 % (Silva et al., 2012).

Finally, in terms of the impact on inequality, the best performing country in the MENA region is again West Bank and Gaza, with its SSNs reducing the Gini coefficient by more than 7%. Most other SSNs in the region have little impact in this regard. In Egypt, Iraq, and the Republic of Yemen, SSNs have a little noticeable effect on welfare distribution, with the Gini coefficient declining by less than 1% (Silva et al., 2012). 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.

### 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. MENA countries do not necessarily lack revenues; more than a fifth of GDP is spent on social policies in some of the low and middle income countries like Egypt and Jordan (Loewe, 2013). The programmes as they exist are limited in the range of risks which they cover, reach a small share of the population and also have limited budgets. Based on IMF (2011) estimates, MENA countries have substantial social spending ranging between 7% and 13% (cited in Loewe, 2013).

Yet, there are significant gaps in coverage. The largest excluded groups in most countries are agricultural workers, household and family workers, and foreign migrant workers (ESCWA, 2013). Only about 30% of MENA 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.

MENA countries have high levels of informal workers. On average, in non-GCC Middle Eastern countries, about 67 per cent of the labour force do not contribute to social insurance schemes. They include agricultural workers, the self-employed in micro- and small enterprises as well as their employees. In Jordan around 50 % of the labour force did not contribute to a pension scheme in 2010; in Morocco and Syria this was around 70% in 2011 and 2008 respectively, and in Tunisia about 45% in 2008 (ESCWA, 2013). 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%). 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) (ESCWA, 2013). 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 well (ESCWA, 2013).

An example in point relates to the pension insurance schemes which occupy the largest share of social insurance budgets in the MENA region (Loewe, 2013). Their revenues range from 3 % 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 MENA 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 transfers (Jawad, 2009; Loewe, 2013).

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% of GDP in MENA countries is spent on public health but most of it also finances specialist private hospitals which benefit the urban middle classes. Much less of the state spending on health goes towards maintenance of health stations and village clinics which are need by the poor.

A similar situation of limited coverage and limited redistribution can be found in the public health care systems of the MENA region. All MENA countries, in principle have universal public health-care systems designed financed by general government revenues. The Lebanese health care system is the exception due to its heavy reliance on private health providers (Jawad, 2009). Generally, health-care services in the MENA 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 insurance systems operate health care facilities for their members. In Egypt, the Health Insurance Organization, the primary insurance provider, covered around 57 % of the population in 2008/2009 (ESCWA, 2013). Coverage rates were higher in Tunisia (99 %) and Jordan (83 %). In Lebanon the Ministry of Public Health serves as the insurer of last resort for 53 % of the population, those who are not covered by employment-based or private health insurance. Unequal coverage across social groups in the MENA 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 contend with the less better equipped state hospitals that have very low standards of care (Loewe, 2013).

## Key Conclusions

1. The MENA 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. 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 MENA 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 Gaza and West Bank have focused more 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 report (see Silva et al., 2012), 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 programs. West Bank and Gaza and Jordan's National Aid Fund are regional leaders in terms of benefit generosity. The MENA 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 % of its benefits to the bottom population quintile, whereas the average comparator programmes distribute more than twice that percentage (59%) to the poorest population quintile.
4. Only 30-40% of MENA 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 unemployment in the region reach 15% (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.

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. Fiscal space is not as a big challenge in the MENA region as it may be in other countries around the world, since average social spending varies between 7 and 12% of GDP. But at least 10% of GDP goes towards food and fuel subsidies which are not the best forms of redistribution or poverty reduction.
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 MENA 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 MENA 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 been managed effectively to support poverty reduction and civil harmony.

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