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SOCIAL PROTECTION SYSTEMS AND THE RESPONSE TO COVID-19 IN THE ARAB REGION

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Acknowledgements

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Introduction

The COVID-19 pandemic is affecting societies and economies at their core. In the Arab Region,[1] the pandemic has exacerbated existing structural weaknesses in economies as well as unresolved social challenges, making the achievement of the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs) even more urgent. Governments in the region are facing two challenges: to effectively address the health crisis and to respond to the economic and social fallout from the crisis. Social protection[2] plays an indispensable role in the policy response to the crisis, ensuring that the most vulnerable people can effectively access health care and supporting job, income and food security. Governments across the region have introduced a range of social protection measures to help mitigate the impacts of the crisis. This paper aims to review the key social protection measures implemented as a response to the crisis, identify gaps, and propose ways to establish more coherent and effective social protection systems.

1 The Arab region in this paper refers to the following countries: Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Somalia, State of Palestine, Sudan, Syria, Tunisia, the United Arab Emirates, and Yemen

2 UNDP views social protection as a set of nationally owned policies and instruments, organized around systems that provide income or in-kind support and facilitate access to goods and services to all households and individuals at least at minimally accepted levels, to (i) protect them from multiple deprivations and social and economic exclusion, as a matter of human rights and particularly during shocks or periods of insufficient income, incapacity or inability to work, and (ii) empower them by increasing productive capacities and enhancing capabilities. At an operational level, social protection systems are articulated around programmes, platforms and institutions that provide coherence and consistency and are organized around contributory or non-contributory forms of income support and around social assistance, social insurance and labor market interventions.

The paper will begin with an overview of the current socio-economic context in the region in light of the crisis and the pivotal role of social protection in mitigating the impacts of the crisis. It will then discuss the link between the oil economy and social welfare, and the potential implications of the 2020 record-low oil prices on social spending in the region. The paper will then review the social protection systems in the region, including the strengths and weaknesses of these systems, as well as the impacts of these systems. It will then delve into a review of the social protection measures taken by governments to mitigate the impacts of the crisis, the challenges in introducing these measures, and the gaps in response. Finally, the paper will conclude with a set of non-prescriptive short-, medium- and long-term policy recommendations to develop more coherent and shock-responsive social protection systems that are flexible and structured to cope with future risks and the challenges ahead.

> **Social protection plays an indispensable role in the policy response to the crisis, ensuring that the most vulnerable people can effectively access health care and supporting job, income and food security.**

1. Context

The COVID-19 pandemic, combined with a drastic drop in oil prices, has affected all economies in the region. The breakdown in negotiations between the Organization of the Petroleum Exporting Countries and its allies resulted in an immediate drop in oil prices of more than 30 percent (World Bank, 2020f). According to International Monetary Fund (IMF) estimates, the region's economies were estimated to have contracted by 4.3[3] percent in 2020, more than the estimated global average of 3.3 percent (IMF, 2021a). The economies of conflict-affected countries shrank by as much as 12.4 percent in 2020.[4] The region's current account balance and the fiscal balance also declined sharply in 2020, hitting significant deficits of -3.5 percent and -10.6 percent of GDP respectively (IMF, 2021b). This was driven largely by a drop in fiscal revenue, the substantial increase in public expenditure required to address the health crisis, and lower revenue from oil exports. According to IMF estimates, the aggregated fiscal deficit for oil-exporting countries (OECs) increased substantially from 2 percent of GDP in 2019 to 10.5 percent in 2020, and is projected to improve to 4.8 percent of GDP in 2021 assuming average oil prices of US$50.64 per barrel. Projections also show that public debt for the region is expected to rise significantly, from about 47.5 percent of GDP in 2019 to 57.8 percent in 2022 (IMF, 2021b).

The economic slowdown as a result of the crisis has had negative impacts on jobs and livelihoods and food security in the region. Vulnerable groups—particularly women, low-skilled migrants, refugees and workers in the informal sector that have no access to social protection—have been severely affected

3 Own calculations based on IMF's April 2021 estimates, World Economic Outlook update of April 2021.

4 Ibid.

by the impacts of the crisis, further exacerbating existing socio-economic divides. Estimates of the impact of COVID-19 indicate that the Arab States may have lost an equivalent of 6.4 million full-time jobs (measured in lost working hours) in the fourth quarter of 2020 (ILO, 2021). The region is expected to see further shrinking of the middle class, with recent United Nations Economic and Social Commission for Western Asia (ESCWA) estimates suggesting that 16 million people in non-Gulf Cooperation Council (GCC) low- and middle-income countries could be pushed into poverty by 2021 (Abu-Ismail, 2020). Furthermore, increasing poverty could exacerbate existing food insecurity in the region, with estimates indicating that an additional 1.9 million people could become undernourished, on top of the 50 million people who are already undernourished in the region (UN ESCWA, 2020b). The economic slowdown has impacted remittance flows to some countries in the region, exacerbating fiscal pressures and limiting room to expand social protection (World Bank, 2021a). Jordan, Lebanon, and the State of Palestine recorded a double-digit decline, in which remittances made up 9 percent, 33 percent, and 17.1 percent of their GDP respectively (World Bank, 2021a; 2020d).

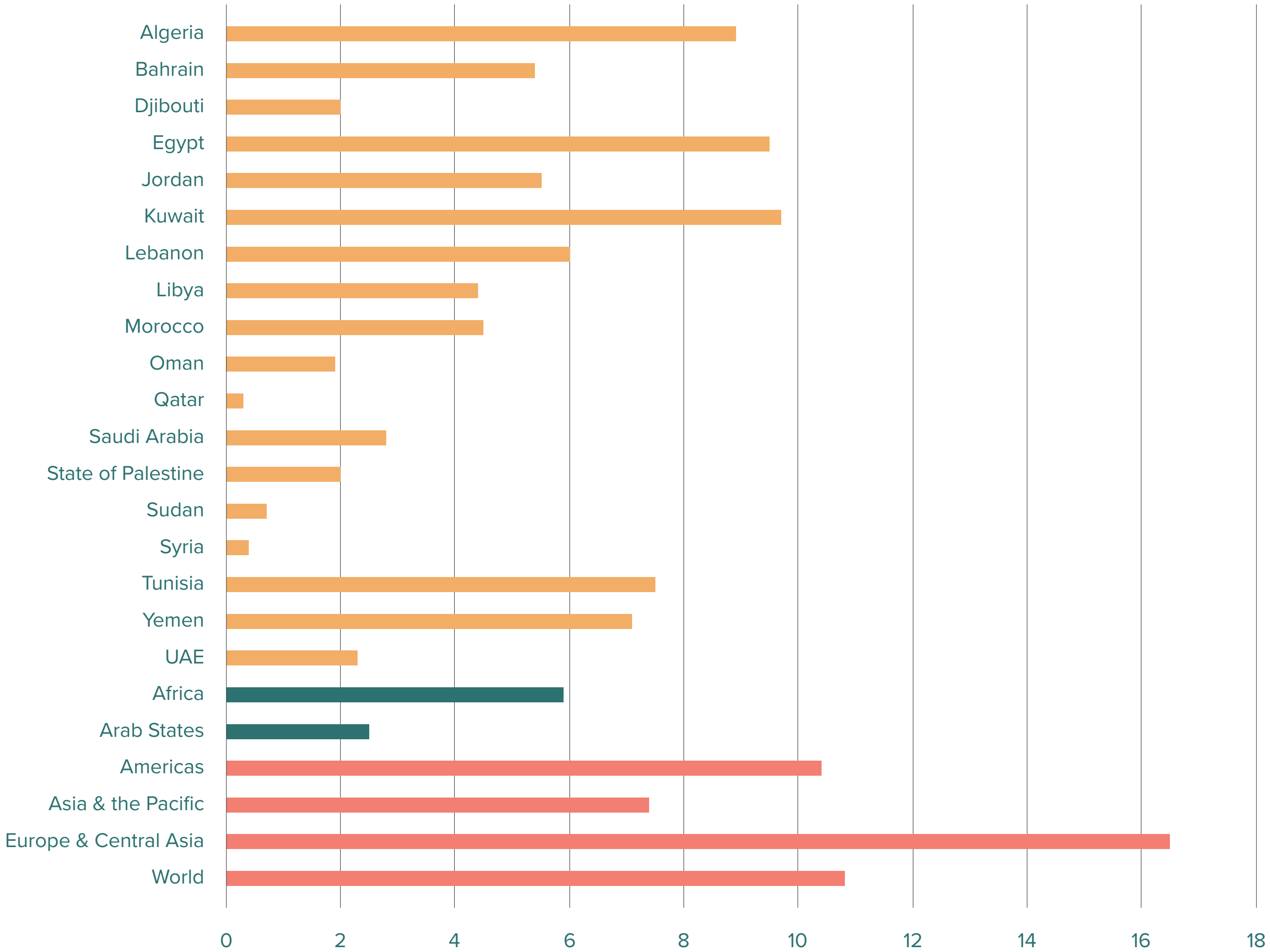
The COVID-19 crisis is pushing governments in the region to rethink where they allocate their budgets and how balanced and effective their expenditure is. While countries have implemented a number of social protection measures to mitigate the socio-economic impact of the crisis in the region, under-investment in social protection (UN, 2020a) and the exclusion of vulnerable populations remain key challenges. According to the International Labour Organization (ILO) World Social Protection Data Dashboards[5], from between 2010 and 2018, spending on social protection (excluding health care) for countries in the Arab and North Africa region ranged from 0.3 percent to 10 percent of GDP, with the Arab States ranking lowest across all regions (see Figure 1).

Pursuing social protection reforms for greater equality and inclusion and investing in inclusive and robust social protection systems is critical to saving both the lives and livelihoods of those impacted by the current crisis and enabling vulnerable populations to weather future economic and health-related shocks.

The COVID-19 crisis is pushing governments in the region to rethink where they allocate their budgets and how balanced and effective their expenditure is.

5 https://www.social-protection.org/gimi/WSPDB.action?id=19

Figure 1. Public Social Protection Expenditure, excluding health (% of GDP)



Source: ILO World Social Protection Data Dashboards https://www.social-protection.org/gimi/WSPDB.action?id=19 (accessed on 20 November 2020). Data for Jordan, State of Palestine and UAE are drawn from IMF Government Finance Statistics.

Note: Data from between 2007 and 2019: Algeria (2017), Bahrain (2018), Djibouti (2007), Egypt (2015), Jordan (2019), Kuwait (2015), Lebanon (2018), Libya (2010), Morocco (2010), Oman (2013), Qatar (2018), Saudi Arabia (2019), State of Palestine (2018), Sudan (2016), Syria (2010), Tunisia (2015), UAE (2018), Yemen (2012). Global and regional averages are from 2015. The ILO classification of countries in Africa includes Egypt, Sudan, Algeria, Djibouti, Morocco, Libya, and Tunisia, and therefore considers these countries in the average for Africa. Public expenditure on social protection includes expenditure on services and transfers provided to individual persons and households and expenditure on services provided on a collective basis.


باب بوجلود

2. The oil economy and social welfare

The past five decades have seen oil-exporting countries in the region experience remarkable economic growth, fueled by their sizeable oil revenues. For instance, between 1979 and 2015, Saudi Arabia's real GDP increased from around 1.26 trillion Saudi Arabian Riyals (SAR) to 2.52 trillion (Atalla, 2018). Oil revenues have enabled governments to finance the public sector as well as social welfare programmes and subsidies within their countries. Furthermore, revenues from oil have also allowed governments to support developing countries in the region through loans, bilateral aid, and investments. However, with the steep drop in oil prices throughout most of March 2020 and limited economic diversification, the related decline in fiscal revenue will often require cuts in public spending. This section will discuss the link between the oil economy and social welfare, as well as the potential implications of the current record-low oil prices on social spending in the region.

Theoretical background

The literature on the oil economy and social welfare is closely related to the Rentier State Theory, which posits that oil states do not focus on collecting taxes from citizens but rely mainly on rent to accumulate revenues. The main characteristic of "rentier states" is that oil revenues are generated externally through global economies and paid to governments (Benli Altunisik, 2014). In turn, governments redistribute this rent to the population, through wages and social transfers. Oil revenues are paid to the state, which makes rentier states highly centralized and affords the government a more influential role in the economy.[6] The governments of those states provide public goods, but they are also the main employer, which explains the high proportion of public sector employees in the labour market (Assaad, 2014). Hence, rentier states are also called “distributive states” or “allocation states” (Anderson, 1987). However, there is no clear definition of a rentier state. A definition provided by Luciani (1990) argues that a state is rentier if oil represents more than 40 percent of the total economic revenue.

An analysis of previous literature has identified some positive and negative effects of oil on the economy of rentier states. The Dutch Disease Theory highlights the negative effect that natural resources can have on economies, suggesting that oil is a curse for countries, with negative impacts on the development of other sectors. According to this theory, the booming of the oil sector[7] leaves other sectors of the economy underdeveloped and creates an artificially large service sector. The Dutch disease effect could be worse in countries with fragile economies, weak institutional structures, and where corruption is high and financial systems are underdeveloped (Davis, 1995).

Survey of the empirical literature

Grounded in the Dutch Disease Theory, empirical literature on the relationship between the oil economy and welfare has attempted to assess the impact of the abundance of oil and resources on economic and social well-being, but the findings have been inconclusive. While some analyses support the Dutch Disease Theory and show that oil has a negative impact on the rest of the economy, others suggest that good development and management of the oil sector have significantly helped oil-exporting countries to achieve sustainable economic and social development (Al-Moneef, 2006).

Using data from the World Bank, Cockx and Francken (2015) have shown that resource dependence has significant negative impacts on education and health spending. The authors posit that oil resources will hinder social and economic development in the MENA region (Cockx and Francken, 2015). Similarly, Ali and others (2020) have used panel data for a set of developing and developed countries to show that oil rent is negatively linked to the improvement of happiness over time. Selim and Zaki (2014) have used an augmented growth model of over 22 countries from the Arab region for the period 1962–2012, which shows that an abundance of natural resources does not help to improve economic growth and social wellbeing and confirms the hypothesis put forward in the Dutch Disease Theory. The negative effect of the increase in oil prices on oil-importing developing countries has also been confirmed by Sanchez (2011), who found that the oil boom has increased unemployment and reduced welfare in such nations.

On the other hand, studies have also indicated a positive relationship between the oil economy and social welfare. In that sense, El-Katiri and others (2011) have shown how oil wealth has allowed Kuwait to create an “egalitarian” economy based on an extensive distributive welfare state that provides citizens with essential social services, including free health care, education and social security.[8] In addition, Mallaye and others (2015) have highlighted the positive impact of oil rent on reducing inequalities in 40 developing countries. However, the authors explain that the drop in income inequality can be eclipsed by corruption, military expenditures and inflation. Furthermore, Azhgaliyeva (2018) argues that oil rents could improve social welfare, but the extent of this improvement depends on countries’ policies and parameters, including interest rates, their relative risk aversion, and the growth rate of oil production. Indeed, the contribution made by the oil sector to the development of other sectors varies across countries and depends on the political, institutional and fiscal relations between the oil sector and governments.

It must be noted that while all oil-exporting countries in the region have established sovereign wealth funds to save the surplus of oil revenue, there have been challenges related to the efficient allocation of resources and budget transparency (Bazoobandi and Nugent, 2017).

Data analysis

In light of the discussion above, the most recent available data related to oil rents and social welfare in the Arab region will be reviewed. The COVID-19 context will be taken into account when analysing the empirical results. According to the Arab Monetary Fund (AMF, 2019), at the end of 2018, the Arab region held 48 percent and 27 percent of the world’s oil and natural gas reserves, respectively, and its production of crude oil and natural gas represented 28 percent and 15 percent of global production, respectively. Total oil export revenues in 2019 were estimated at $438 billion, according to the AMF. On account of the oil sector, countries in the Arab region have witnessed a huge social and economic transformation in

6 Government intervention in the economies of rentier states is observed in developing and developed countries like Norway.

7 This sector does not incorporate much local input.

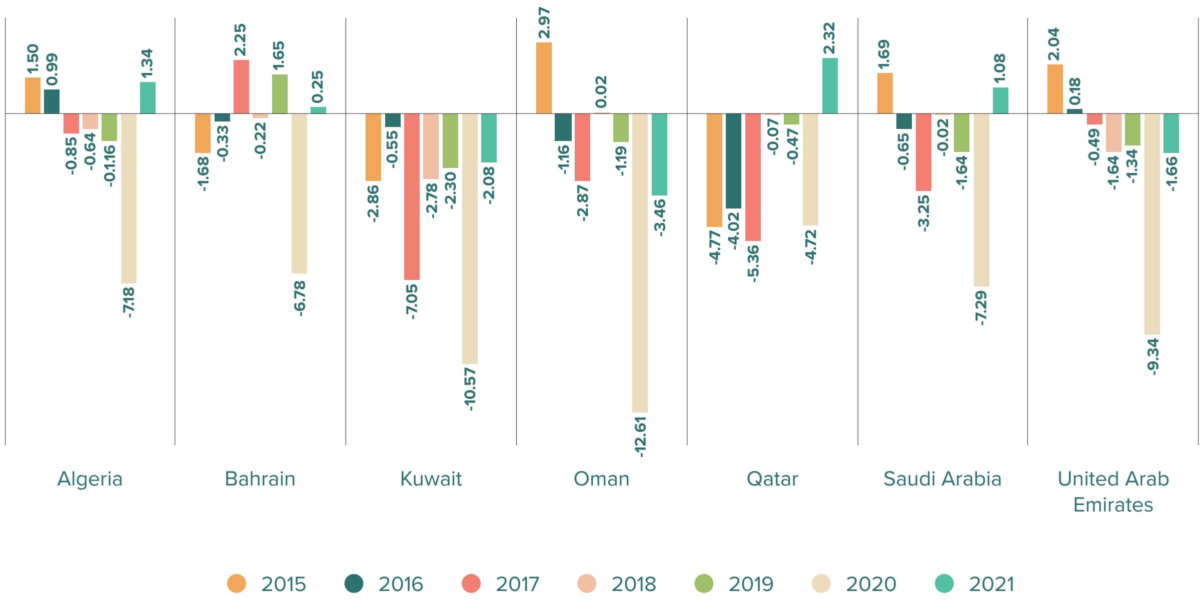
8 It must be noted that migrant workers in Kuwait—81 percent of all workers (Government of Kuwait/Labor Market Information System, 2020)—are excluded from these welfare benefits.

the last three decades. However, the decline in oil prices between 2015 and 2020 has hit oil-exporting countries hard, leading governments to review their social spending.

The effects of COVID-19 and the fall in oil prices can first be observed at the macroeconomic level using data from the IMF and the World Bank on annual GDP per capita growth (Purchasing Power Parity — PPP) in Arab countries.

Figure 2 below shows that all oil-exporting countries in the region have been affected by the fall in oil prices over the last five years. Projections for 2020 are also not optimistic, given the COVID-19 pandemic and related containment measures, which have negatively impacted economic growth; IMF estimations point to a slight recovery in 2021 due to hopes of a turnaround in the pandemic.

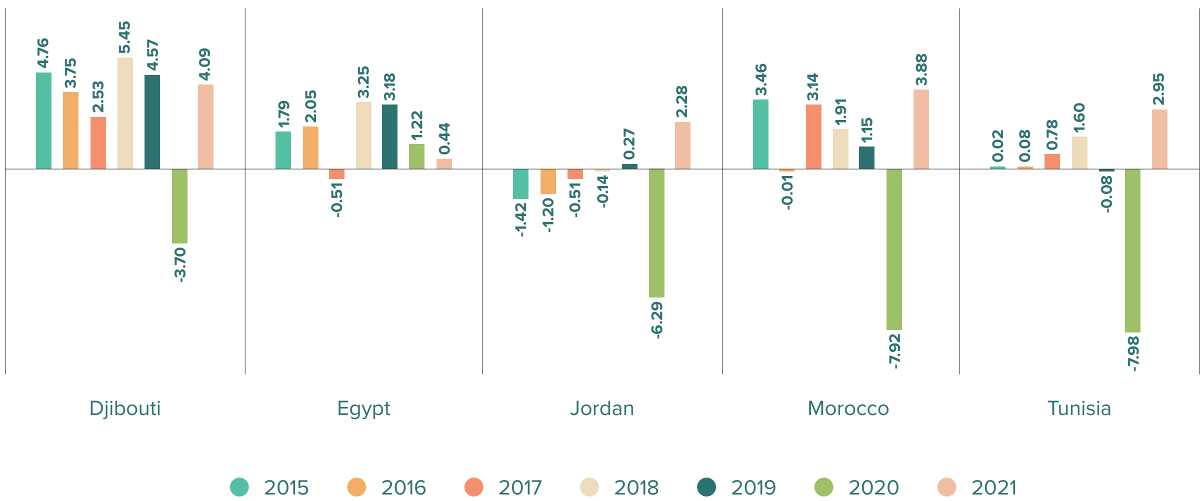
Figure 2. Annual percentage change of GDP per capita (PPP) in oil-exporting countries



Source: IMF World Economic Outlook database (October 2020). Data for 2019, 2020 and 2021 are estimates.

The scenario is slightly different in oil-importing countries, as illustrated in Figure 3 below.

Figure 3. Annual percentage change of GDP per capita (PPP) in oil-importing countries



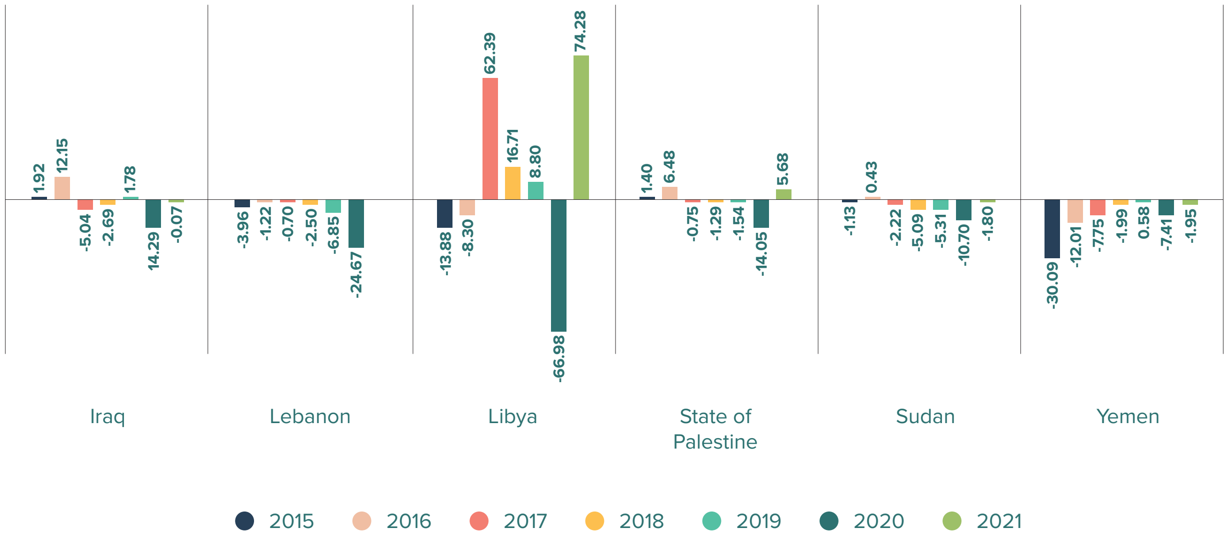
Source: IMF World Economic Outlook database (October 2020). Data for 2019, 2020 and 2021 are estimates.

The fall in oil prices has not negatively impacted their economies (at least in the short term; 2015–2019) —

Figure 3 above shows that the percentage change in GDP per capita is positive in almost all oil-importing countries (with the exception of Jordan), with Djibouti experiencing the highest growth of GDP per capita over the 2015–2019 period. As expected, in 2020, GDP growth is negative in all countries as a result of the COVID-19 pandemic and related containment measures, but the IMF expects an increase in GDP per capita in 2021.

The situation is different in fragile and crisis-affected countries (FCCs), with irregular GDP per capita growth, as shown in Figure 4.

Figure 4. Annual percentage change of GDP per capita (PPP) in fragile/crisis-affected countries

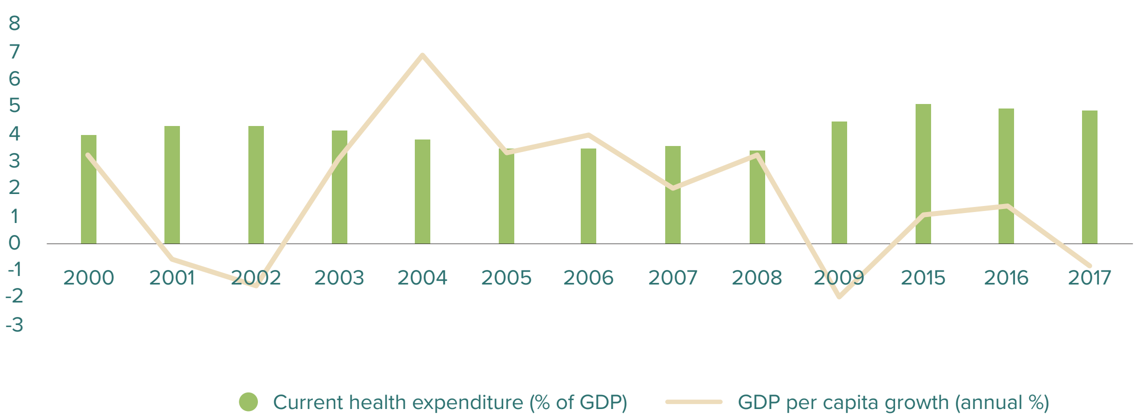


Source: IMF World Economic Outlook database (October 2020). Data for 2019, 2020 and 2021 are estimates.

Figure 4 above shows that there has been negative growth in GDP per capita for almost the entire 2015–2020 period. IMF data forecasts that GDP per capita will see a slight recovery in the State of Palestine in 2021, and that there will be strong growth in Libya (+74.28 percent), while growth is expected to be negative in Sudan (-1.8 percent). It is also important to note that Iraq, Libya and Yemen are also oil-exporting countries, which could explain the low or declining GDP per capita growth during the period of study.

The GDP per capita growth in the Arab region, particularly in oil-exporting countries, is mainly derived from oil rents. This dependence on oil revenue leads to difficulties in planning government expenditure, including social expenditure. By analysing the most recent data from the World Bank, Figure 5 shows the evolution of oil rent and health expenditure, attempting to highlight the nature of this relationship.

Figure 5. Growth of GDP per capita and health expenditure (% of GDP) in the Arab region



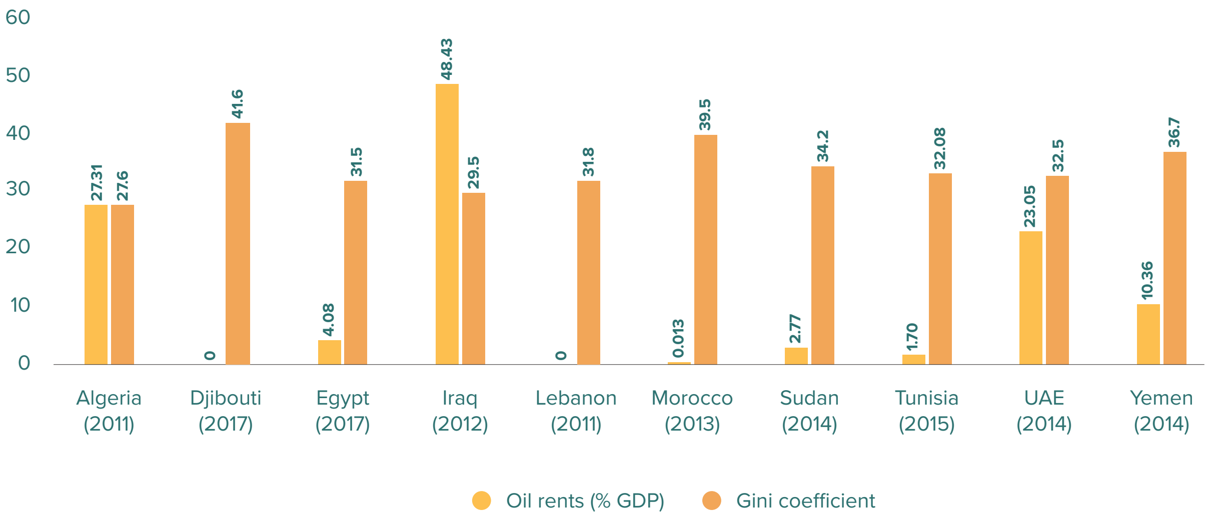
Source: World development indicators (https://datacatalog.worldbank.org/).

Note: Data from Comoros and Mauritania are included in the analysis.

The analysis of the World Bank data, as presented in Figure 5 above, does not provide conclusive evidence on the relationship between GDP per capita and health expenditure. Hence, the paper attempts to analyse the impact of GDP per capita on health expenditure,[9] by conducting random effect and fixed effect regressions on a panel[10] of Arab countries for the period 2000 to 2017. The results of the regression analysis show that growth of GDP per capita has a negative impact on health expenditure[11] (see Table 1 in the annex). A plausible explanation could be that people move toward private health care when household income and GDP per capita are growing. To make the results more robust, a dynamic panel regression[12] of health expenditure on GDP per capita, including one lag of health expenditure and two lags of GDP per capita, has been conducted. The results of this analysis also confirm that GDP growth has a negative impact on health expenditure. Indeed, the first lag of GDP per capita has a negative effect on health expenditure (See Table 2 in the annex),[13] which may indicate that governments in Arab countries are not investing in the development of their health care systems. Moreover, the dynamic panel regression has also been carried out by country grouping, with similar results — GDP per capita has a negative impact on health expenditure in oil-exporting countries. However, the first and second lags of GDP per capita do not have a significant impact in this country group (see Table 3 in the annex). The regression results also did not find that GDP per capita has a significant impact on health expenditure in oil-importing countries (see Table 4 in the annex), while in fragile and crisis-affected countries, the results show that the first lag of GDP has a negative impact on health expenditure (see Table 5 in the annex).

Using income inequality as an indicator of social welfare and with data from the World Bank, the paper attempts to analyse the relationship between oil rents and income inequality in Arab countries.

Figure 6. Gini index and oil rent distribution across countries



Source: The World Bank.

Note: Data from Comoros and Mauritania are included in the analysis.

As the Gini coefficient—which measures income inequality—is not available for the same years for all countries, Figure 6 above displays results at different points in time. The chart shows that Djibouti and Morocco exhibit the highest Gini coefficient with very low oil rents (null for Djibouti). The lowest Gini coefficients are in Algeria and Iraq, which have the highest level of oil rents as a percentage of GDP. This analysis is in line with previous

9 Level of current health expenditure expressed as a percentage of GDP. Estimates of current health expenditures include healthcare goods and services consumed each year. This indicator does not include capital health expenditures such as buildings, machinery, IT and stocks of vaccines for emergency or outbreaks (World Bank data catalogue: https://datacatalog.worldbank.org/).

10 For more details about panel regression, see Anderson and Hsiao (1982).

11 Hausman test in favour of choosing the random effect model. For this reason, the degree effect of GDP on health expenditure is different across countries.

12 For more details about Dynamic Panel Data Analysis, see Arellano and Bond (1991).

13 There are other determinants of health expenditure, such as population age structure, disease pattern, health system characteristics (public versus private care systems), and government fiscal space. However, data are not available for these determinants in the countries under study.

studies that highlight the negative relationship between income inequality and oil rents (Mallaye and others, 2015).[14] An interesting observation is that Egypt, with its low level of oil rent, also has a low Gini coefficient,[15] whereas the United Arab Emirates (UAE) has both a higher level of oil rent and high income inequality. This may be explained by the fact that countries with initial high levels of inequality benefit more from oil rents compared to those with initial low levels of inequality. In their analyses, Stiglitz (2006), Karl (2004) and Page (2006) also note that income inequalities are higher in resource (oil)-rich economies. Davis (2020), on the other hand, notes the positive impact of natural resources on inequalities and highlights the problem of sampling in some of the earlier studies that point to them having a negative impact. However, given that the difference between the impact that mining and oil have on inequalities is still not clear in his analysis, it is difficult to draw conclusions. It is important to note, however, the difficulty of implementing a robust cross-country comparison as the data available refer to different points of time. Furthermore, the Gini coefficient does not take into account the influx of refugees in some Arab countries resulting in an underestimation of inequalities (UN ESCWA and ERF, 2019).

14 It is important to note that Mallaye and others (2015) have found a negative relationship between oil rent and income inequalities only in the short term.

15 It should be noted that trends such as stagnating poverty, low growth in household income, a squeezed middle class, low productivity and high informal employment suggest much higher levels of income inequality than are reported by expenditure-based Gini coefficients. See Abu-Ismail, Makdissi and Safa (2019).

3. Current state of social protection in the region

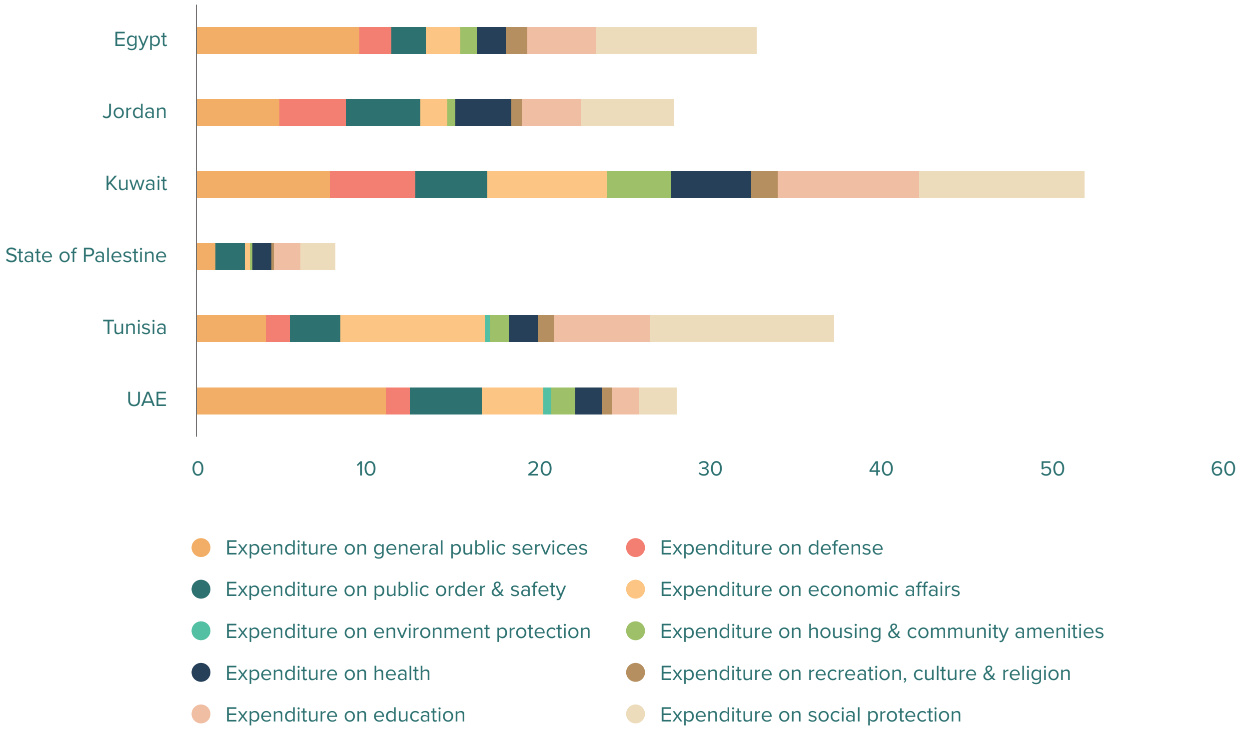
With considerable variation, countries in the Arab States spend an average of 2.5 percent of GDP on social protection, excluding health (ILO, n.d.). Indeed, spending patterns by function are not homogenous across the countries for which detailed data is available, pointing to some variation in the flexibility of potential expenditure switching policies. Based on the latest available expenditure data by economic function[16] for the countries for which there is detailed data, spending on social protection[17] appears to be significant relative to other functions in Tunisia, Egypt and Kuwait (see Figure 7). This function includes spending on sickness and disability, old age, family and children, unemployment, housing and social exclusion, but does not include energy or food subsidies. Tunisia spends the most on social protection relative to GDP (10.8 percent),[18] followed by Egypt (9.5 percent) and Kuwait (9.2 percent), with UAE (2.3 percent) and the State of Palestine (2.1 percent) at the other end of the spectrum, with the lowest levels of spending on social protection compared to GDP.

16 The structure of expenditure is reported according to the Classification of the Functions of Government (COFOG) which disaggregates government spending into ten functions, as shown in Figure 7. Detailed information on the sub-categories under each function is available in the IMF's *Government Finance Statistics Manual 2014*: https://www.imf.org/external/Pubs/FT/GFS/Manual/2014/gfsfinal.pdf.

17 According to the IMF Government Finance Statistics Manual 2014, social protection expenditure includes expenses directed to vulnerable persons and households in the form of social insurance, social assistance, and labor market interventions for the unemployed.

18 Includes social security funds, estimated at around 8.6 percent of GDP in 2012.

Figure 7. Structure of government expenditure by function in selected Arab countries (% of GDP)



Source: IMF Government Finance Statistics (GFS).

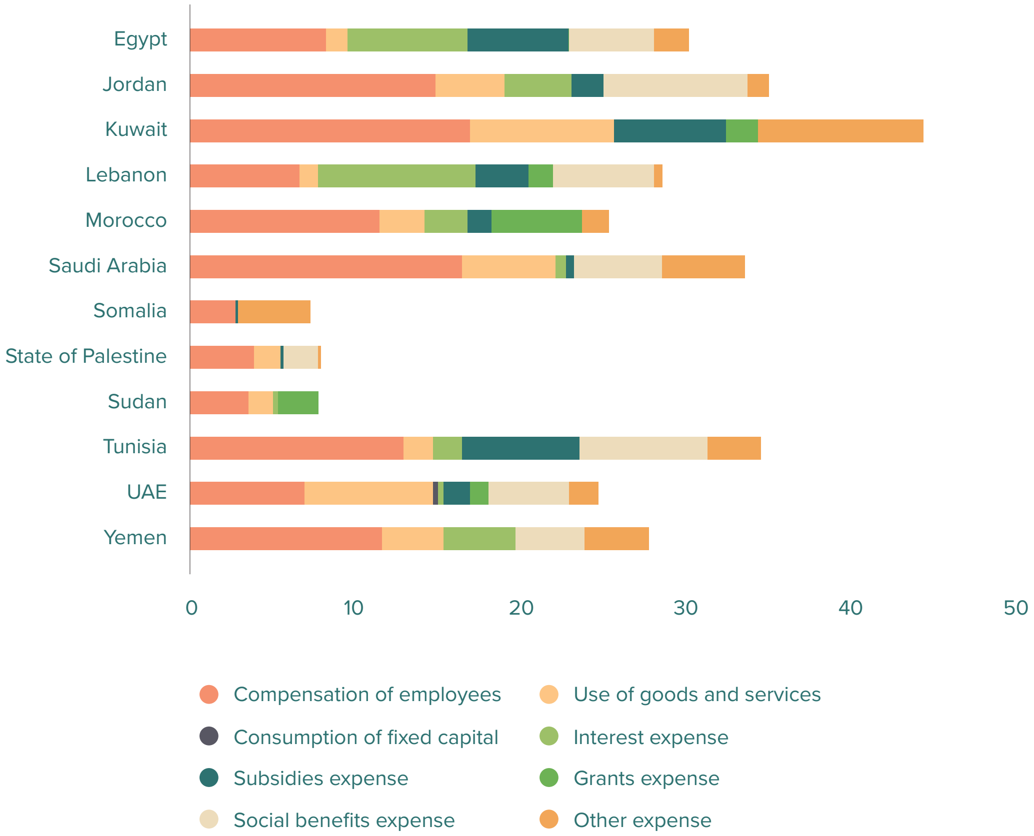
Note: Year of reporting differs according to the latest available data as follows: Egypt (2015), Jordan (2019), Kuwait (2015), State of Palestine (2018), Tunisia (2012) and UAE (2018). It is worth noting that the structure of expenditure by function for Tunisia for 2012 (latest available in the GFS database) is reported here. Hence, expenditure on social protection (% of GDP) is different from that reported in Figure 1 which is for 2015.

The next most important function in terms of government expenditure is public services, amounting to 11.1 percent and 9.5 percent in Kuwait and Egypt, respectively, as per the latest available data. Defence spending is also sizable in Kuwait and Jordan.

Spending on growth-enhancing functions such as health and education is found to be modest. For example, government expenditure on education as a percentage of GDP ranges from a high of 5.7 percent in Tunisia to a low of 1.5 percent in UAE and the State of Palestine, while health expenditure remains below 5 percent of GDP in all countries, with the highest rates in Jordan (4.3 percent) and UAE (4.2 percent). For the remaining functions, including public order and safety, environmental protection, housing, recreation and economic affairs, spending as a share of GDP is insignificant for all countries studied.

Looking at the composition of government expenditure using the economic classification, it is clear that "compensation of employees"—mainly wages and salaries for public employees—and "subsidies" dominate over other items of spending (see Figure 8). In general, compensation of employees represents the largest category of government expenditure for all the countries for which there is available data, ranging from 16.9 percent, 16.4 percent and 14.9 percent in Kuwait, Saudi Arabia and Jordan, respectively, to a low of 2.7 percent in Somalia. The next largest category is subsidies, with energy subsidies alone accounting for a significant share of GDP (see Figure 9). Interest payments on borrowing represent significant expenditure in Lebanon (9.6 percent) and Egypt (7.3 percent).

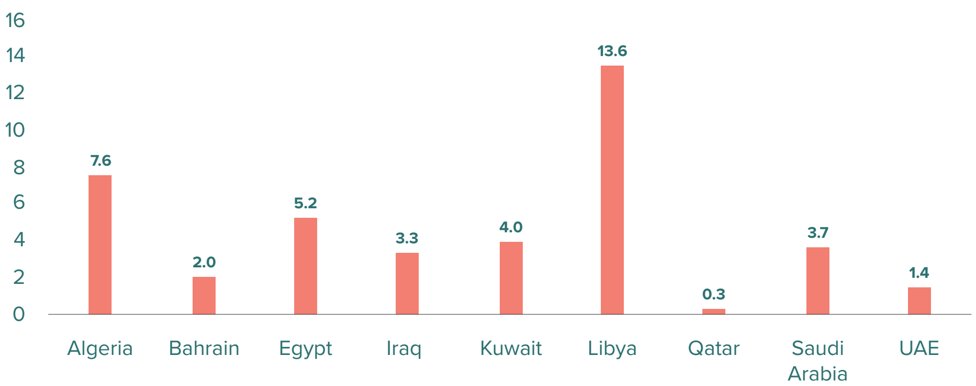
Figure 8. Government expenditure by economic classification in selected Arab countries (% of GDP)[19]



Source: IMF Government Finance Statistics (GFS).

Note: Year of reporting differs according to data availability as follows: Egypt (2015), Jordan (2018), Kuwait (2015), Lebanon (2018), Morocco (2019), State of Palestine (2018), Saudi Arabia (2018), Somalia (2018), Sudan (2016), Somalia (2018), Tunisia (2012), UAE (2019), and Yemen (2013).

Figure 9. Energy subsidies in 2019 (% of GDP)



Source: International Energy Agency (IEA).

19 For more details on the type of expenditures included under each category, see Table 7 in the annex.

Social protection systems

Social protection in Arab countries mainly comprises of three categories of programmes: social insurance (contributory), social assistance (non-contributory), and informal and humanitarian social protection.

Social insurance

All Arab countries have a contributory social insurance system to cover workers against work/labour market-related risks. Social insurance programmes mainly target workers, offering coverage against sickness, workplace injury, maternity, disability and death, as well as providing workers with pensions when they reach legal retirement age. However, these programmes mainly cover formal workers in the public sector, while more than half of workers in Arab countries are still engaged in informal work without any social security coverage. In Algeria for example, 71 percent of workers in the private sector were not enrolled in the social security system in 2014 (Labour Force Survey, 2014), and in Morocco, 54.7 percent of the population was not covered by health insurance as of 2019, according to the Haut-commissariat au Plan[20]. Furthermore, the quality of the coverage is usually lacking. Social benefits such as family allowances are still low and are not updated in line with inflation and standards of living. Moreover, the reimbursement/replacement rates can be low. In Algeria for instance, the reimbursement rate for medication and health care is theoretically 80 percent,[21] but in reality is much lower given that some reimbursements for medications are based on their "reference price",[22] which reduces the real reimbursement rate. In Morocco, the reimbursement rate varies from 15 percent (very low) to 100 percent, depending on the kind of medication.

In terms of eligibility, some categories of formal workers are not eligible to receive certain social insurance programme benefits. For instance, self-employed workers in Algeria who are enrolled in the National Insurance Fund for Non-Salaried Workers (CASNOS[23]) are not eligible for family allowance, sick leave and maternity leave, while Morocco does not have a social insurance programme for the self-employed. All these imperfections make social insurance programmes less attractive to workers, particularly informal workers, and as such, many workers in Arab countries do not express any interest in joining their country's social security system. By way of example, Jordan has attempted to expand its optional social security contributory programme for self-employed workers via its Social Security Law[24], but the scheme remains unattractive and social security coverage has not increased significantly due to the high contribution rate (Alhawarin and others, 2018). A SAHWA survey of young people in the region also shows that the social security system is unappealing; 34.97 percent of young workers in Algeria are not interested in joining the social security system. This proportion is even higher in Egypt (63.74 percent), Lebanon (35.94 percent), Morocco (56.42 percent) and Tunisia (40.77 percent). The following table highlights the reasons for not being insured in the countries surveyed.

Table 1. Reason for not being insured by social security in sample of Arab countries (%)

	Algeria	Egypt	Lebanon	Morocco	Tunisia	Total
Employer refuses to insure me	11.66	11.17	8.56	14.97	11.29	11.45
I am not interested	34.97	63.74	35.94	56.42	40.77	47.97
To avoid a reduction in my salary	9.20	2.56	3.91	16.04	15.70	8.77
Employer is not insured	23.62	18.86	22.98	12.03	13.77	18.29
Other	20.55	3.66	28.61	0.53	18.46	13.53
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: SAHWA survey (2017).[25]

It must be noted that some workers are informal by choice and hence choose not to participate in the social security system. Social insurance programmes in the region face two main challenges: The first is the need to ensure the financial sustainability of the social insurance system; the second is to extend coverage to all categories of workers,

20 https://www.hcp.ma/

21 Some people with chronic diseases benefit from 100-percent reimbursement rates.

22 All medication/drugs have the price paid by the patient and the reference price, on which reimbursement is based. This reference price is usually much lower than the price paid by the consumer/patient.

23 *Caisse Nationale d'Assurance Sociale des Non Salariés*.

24 https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/108105/133438/F1254441232/Social%20Security%20Law%202014%20(1)compress.pdf

25 See www.SAHWA.eu

including informal workers. The private sector tries to fill the coverage gap in public social insurance in the labour markets, but those private schemes usually cover a very small part of the population and do not address all needs (UN ESCWA, 2013).

Social assistance

Social assistance forms a sizable part of social protection programmes in the MENA region (Jawad, 2015). Machado and others (2018) have mapped 155 social assistance programmes across 20 countries in the MENA region. Their findings show that unconditional cash transfer systems are the most common type of programme across the 20 countries studied (see Table 2).

Table 2. Types of non-contributory social protection programmes by country

	Unconditional cash transfer (UCT)	Unconditional in kind	Subsidies	Conditional cash transfer (CCT)	School feeding	Housing	Non-contributory health insurance	Health care benefits	Cash for work (CFW)	Education fee waivers	Conditional in-kind
OECs											
Algeria	X		X	X	X	X	X	X	X	X	X
Bahrain	X		X			X					
Kuwait	X	X	X	X	X	X				X	
Oman	X	X	X	X		X					
Qatar	X	X	X	X	X	X					
Saudi Arabia	X		X	X							
UAE	X	X	X			X				X	
OIMICs											
Djibouti	X	X	X	X	X			X	X	X	
Egypt	X		X	X	X	X	X		X		
Jordan	X	X	X	X	X	X	X	X		X	
Morocco	X		X	X	X		X	X	X		X
Tunisia	X		X	X	X			X			
FCCs											
Iraq	X	X	X								
Lebanon	X	X	X					X		X	
Libya	X	X	X			X		X		X	
State of Palestine	X	X						X		X	
Somalia	X		X		X			X	X		
Sudan	X	X		X	X	X	X			X	
Syria	X										
Yemen	X	X		X				X	X	X	

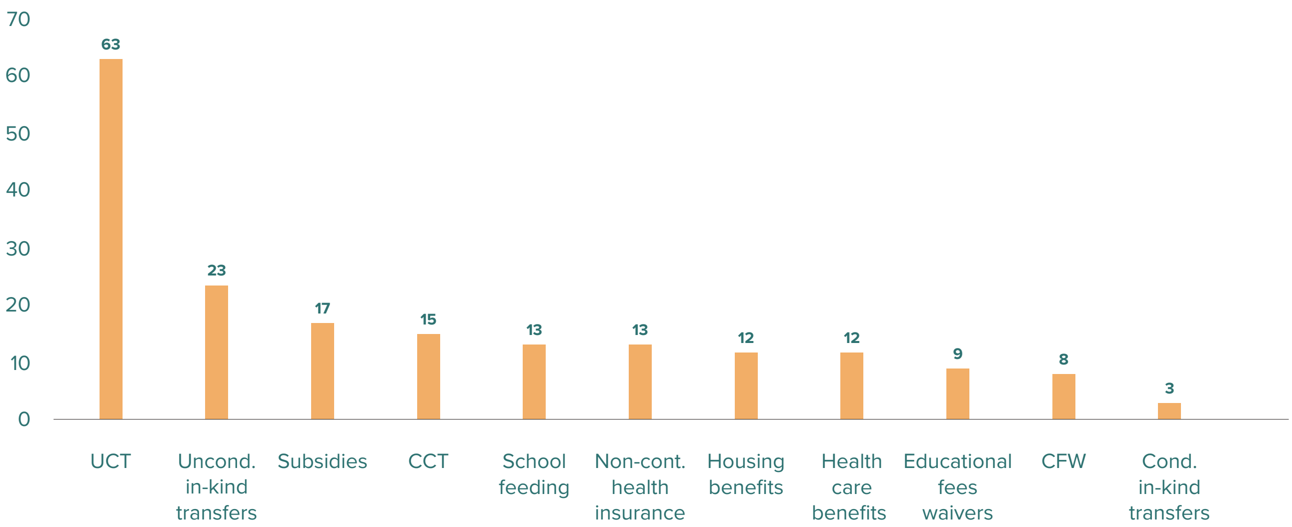
Source: Machado and others (2018); ESCWA (2019); Somalia Ministry of Labour and Social Affairs (2019); IOM; World Bank Data.

Note: This table includes national governmental and humanitarian programmes. All programmes and subprogrammes have been counted separately. Programmes and subprogrammes may be classified as more than one programme type and can target more than one target group.

Furthermore, all 20 countries have an unconditional cash transfer programme. Other kinds of assistance programmes in the region include conditional cash transfers, unconditional in-kind transfers, subsidies, school feeding, housing, non-contributory health insurance, health care benefits, education fee waivers, cash for work and conditional in-kind transfers (see Figure 10). These programmes target poor households, persons with disabilities, children, women and the unemployed, but their efficiency rarely been assessed, given that social protection is not regularly monitored or evaluated in Arab countries (Breisinger and others, 2018;

Observatoire National du Développement Humain, 2017). The country grouping analysis shows that the OECs are more likely to provide housing benefit but less likely to provide healthcare benefit/insurance and cash for work. Furthermore, FCCs are less likely to have non-contributory social assistance programmes. Only two of the eight FCCs have one of the following programmes: Conditional Cash Transfer (CCT), school feeding and housing. Furthermore, except for Sudan, none of the FCCs provide non-contributory social insurance.

Figure 10. The number of social assistance programmes by type in the region



Source: Machado and others (2018).

While the majority of these social assistance programmes have existed for years (Machado and others, 2018), the poverty rate remains high in the region. The effectiveness of these programmes and low coverage have been flagged as key issues. Some studies have shown that social protection programmes in the MENA region are not effective and have little to no impact on poverty reduction (Jawad, 2015). Furthermore, the quality of the targeting for means-tested programmes is not efficient (CREAD, 2015; UN ESCWA, 2019; IPC-IG, 2017a). Table 3 below shows the targeted population in each country.

Table 3. Population targeted by social protection in Arab countries

	Poor household	Children	Women	PWD	Orphans	Children with disabilities	Unemployed	Elderly	Chronically ill	Universal
OECs										
Algeria	X	X	X	X	X	X	X	X	X	X
Bahrain	X		X	X	X		X	X		X
Kuwait	X	X	X	X	X			X	X	X
Oman	X	X	X	X	X			X	X	X
Qatar	X	X	X	X	X			X	X	X
Saudi Arabia	X	X	X	X	X		X	X		X
UAE	X	X	X	X	X	X		X	X	X
OIMICs										
Djibouti	X	X	X	X			X		X	X
Egypt	X	X	X	X	X		X	X		X
Jordan	X	X	X	X	X	X	X	X		X
Morocco	X	X	X		X	X	X			X

	Poor household	Children	Women	PWD	Orphans	Children with disabilities	Unemployed	Elderly	Chronically ill	Universal
Tunisia	X	X		X					X	X
FCCs										
Iraq	X		X	X	X		X	X	X	X
Lebanon	X	X	X	X		X	X			X
Libya	X	X	X							X
State of Palestine	X	X	X	X	X		X	X	X	
Sudan	X	X		X			X		X	
Syria	X			X		X				
Yemen	X	X	X	X	X	X	X	X		

Source: Machado and others (2018).

The table above shows that all Arab countries have programmes that target poor households and vulnerable populations, but gaps remain. Bahrain, Iraq and Syria, for instance, do not have social assistance programmes specifically targeting children. Persons with disabilities are less likely to be targeted in Libya and Morocco. Children with disabilities are not targeted in many Arab countries. Active labour market policies targeting the unemployed do not exist in Kuwait, Libya, Oman, Qatar, Sudan, Syria and UAE. There are no specific social assistance programmes that target the elderly in Djibouti, Lebanon, Libya, Morocco, Sudan, Syria and Tunisia. Chronically ill populations are not targeted through special programmes in Algeria,[26] Bahrain, Egypt, Jordan, Lebanon, Libya, Morocco, Saudi Arabia, Sudan or Yemen. Furthermore, given that most social protection programmes are administered separately, some individuals may have access to more than one social benefit, while others may be excluded from receiving any benefit at all as a result of little fiscal space (see the case of Algeria in CREAD, 2015). In addition to this fragmentation, there is little coordination between the different institutions administering social protection programmes (IPC-IG, 2017a). The imperfections discussed above mean that social protection programmes are inefficient at addressing poverty.

A deeper analysis of social protection coverage for persons with disabilities shows that many countries in the region do offer coverage and indeed these countries have taken a number of legislative and policy steps that protect the rights of this population. However, a significant gap still remains in terms of ratifying international instruments for persons with disabilities. While having a legal framework is considered a first step in complying with a human rights-based approach, it is critical that these frameworks are comprehensive and align with essential human rights criteria, including the establishment of an accessible complaints and appeals mechanism for vulnerable populations, including persons with disabilities (IPC-IG and UNICEF, 2018a). Furthermore, existing programmes that cover persons with disabilities are considered primitive and need to be further developed. This includes developing programmes that take into consideration the heterogeneity of disability and the different needs of people with different types of impairments. The following table shows the number of countries that have signed the United Nations Convention on the Rights of Persons with Disabilities (CRPD).

Table 4. Countries that have ratified the CRPD in the Arab region

Country	CRPD		CRPD Optional Protocol		CRPD initial country report submitted	Ottawa Mine Ban Treaty	
	Signed	Ratified*	Signed	Ratified*		Signed	Ratified*
OECs							
Algeria	X	X	X			X	X
Bahrain	X	X					
Kuwait		X					X

26 Chronically ill populations are targeted by social security programmes and cash transfer programmes allowing their drugs to be reimbursed at a rate of 100 percent.

Oman	X	X					X
Qatar	X	X	X			X	X
Saudi Arabia		X		X	X		
United Arab Emirates	X	X	X		X		
OIMICs							
Djibouti		X		X	N/A	N/A	N/A
Egypt	X	X					
Morocco	X	X		X			
Jordan	X	X	X		X	X	X
Tunisia	X	X	X	X	X	X	X
FCCs							
Iraq		X					X
Lebanon	X		X				
Libya	X						
Somalia					N/A	N/A	N/A
Sudan	X	X		X	N/A	N/A	N/A
Syria	X	X		X			
State of Palestine		X					
Yemen	X	X	X	X		X	X

Source: Sida (2014) and UNESCWA (2017).

Note: * = Formal Confirmation, Accession and Ratification.

The table above shows that 14 countries have signed and ratified the CRPD. Only seven countries have signed the optional protocol of the CRPD and only five countries have ratified it. The table also shows that only four countries (Jordan, Saudi Arabia, Tunisia and UAE) have submitted a country report. Furthermore, very few governments in the region have signed or ratified the Ottawa Mine Ban Treaty, an instrument that aims to reduce the incidence of disabilities and places an obligation on the governments in question to clear all known areas contaminated by antipersonnel mines within 10 years.[27] This low adherence to the CRPD reflects the lack of attention given to persons with disabilities in the region.

In terms of national laws and strategies, many Arab countries have included laws on disability in their constitution although implementation is still lagging, and some countries are developing strategies and plans aimed at improving the social protection given to persons with disabilities. Table 5 below summarizes the countries that have already developed or are developing a national strategy on social protection for persons with disabilities.

Table 5. National strategies on social protection for persons with disabilities by country

Country	Provisions on disability in the Constitution	Overarching or general disability law	National disability strategy or plan
OECs			
Algeria	X	X	
Bahrain	X	X	X
Kuwait	X	X	
Oman	X	X	Being developed
Qatar		X	X
Saudi Arabia	X	X	X

27 For more details about Ottawa Mine Ban Treaty, see https://www.apminebanconvention.org/en/overview-and-convention-text/.

Country	Provisions on disability in the Constitution	Overarching or general disability law	National disability strategy or plan
United Arab Emirates		X	
OIMICs			
Egypt	X	X	
Jordan	X	X	X
Morocco	X	X	X
Tunisia	Being developed	X	X
FCCs			
Iraq	X	X	
Lebanon		X	Being developed
Libya			
Syria			X
State of Palestine	X	X	X
Yemen	X	X	Being developed

Source: United Nations (2020).

While the legal framework appears to provide good coverage for persons with disabilities, a significant gap remains in Arab countries. Many persons with disabilities are still not properly covered by social protection systems (ESCWA, 2017). Furthermore, the benefits are still limited — in Algeria for example, persons with a full disability receive a social benefit of 400 Algerian dinars ($31) per month, equal to 20 percent of the national minimum wage (CREAD, 2015; Merouani, 2021). Hence, there is a need to review disability benefits. Furthermore, there is a need to implement accessibility actions in favour of persons with disabilities.

With regard to targeting eligible populations for social protection, the most common mechanism in Arab countries is categorical targeting. This method consists of identifying families without a male breadwinner or in which the adult members (including the elderly, those with disabilities[28] and widows), particularly the head of the household, are unable to work. Although categorical targeting tends to ensure larger coverage rates than other targeting approaches, large segments of the population appear to be excluded from social protection. For instance, children from poor and vulnerable working families are not entitled to social protection (IPC-IG and UNICEF, 2018b). A few countries have aimed to bridge this gap by implementing flagship cash transfer programmes, such as Takaful in Egypt and Shamel in Sudan, which also target poor working families with children (IPC-IG and UNICEF, 2018b). The second most common targeting method used is means testing. However, such testing is mostly declarative, and incomes are not strictly tested. In addition to targeted programmes, countries may also have universal programmes such as food and fuel subsidies.

Experience from countries shows that there is a structural problem with targeting, particularly when using means testing; indeed, targeting is inefficient for many reasons. Firstly, the high level of informality of the labour markets in Arab countries (Keyrouz, 2016) makes it more difficult to test households' means given that they don't have any formal proof of income. As a result, there are many inclusion and exclusion errors in social assistance programmes — in Algeria, for example, nearly 17,000 beneficiaries of a 2016 cash transfer programme were found to be ineligible because they had another informal source of income (ADS,[29] 2016). In Jordan, poor targeting mechanisms have excluded women: just 1.27 percent of female-headed households receive assistance from the National Aid Fund, compared with 5.93 percent of households headed by men (Abdo and Almasri, 2020). Secondly, the absence/scarcity of data on poverty to support targeting emphasizes the need to conduct risk and vulnerability assessments, but such assessments have not been adopted by any country in the region. Weak statistical capacity is a key issue that impedes the collection and production of high-quality national social protection data; the ability to collect data disaggregated by factors including income, sex, geography, age and disability is far beyond the current capacity of many countries in the region. According to the

28 In some cases, persons with disabilities have access to social benefits because of poverty and not due to their disability. Hence, the coverage rate of persons with disabilities needs to be interpreted carefully and it may be underestimated.

29 *Agence de Développement Social* [Social Development Agency].

World Bank's Statistical Capacity Indicator (SCI), the MENA region has the lowest score among all regions (see Table 6 in the annex), with seven countries in the region (Algeria, Iraq, Lebanon, Libya, Somalia, Syria and Yemen) scoring below the average for the region. Thirdly, the weakness of the legal framework in many Arab countries makes it difficult to carry out efficient targeting, as social policy laws are not clear and the right bearers are not clearly specified.

It is not easy to evaluate the effectiveness of social protection programmes given the unavailability of administrative data on poverty and the impossibility of accurately measuring the coverage rate. Surveys to measure multidimensional poverty and requesting feedback on receipt of social assistance from different programmes (such as Multiple Indicator Cluster Surveys) could be explored as a method of assessing the coverage rate. However, this coverage rate risks being biased if the sample is not well designed and if it does not include areas where the poverty rate is higher or where there is a high proportion of people benefiting from social assistance programmes. Furthermore, most countries in the region do not have social registries in place, so data and information about poor households and their characteristics are not effectively managed, which makes it even more difficult to evaluate the social protection measures in place. It must be noted, however, that some countries are making efforts to develop social registries.

Informal social protection, the role of Zakat and humanitarian assistance

Gaps in coverage provided by formal and governmental social protection schemes are usually filled by informal social protection systems and/or humanitarian assistance. Informal social protection systems are based on family and community solidarity (Jawad, 2017) as well as on the support of civil society organizations, including religious charities (UNESCWA, 2013). Solidarity between family and community members forms the foundations of Arab culture. Furthermore, Zakat—or almsgiving—is the third pillar of Islam, whereby Muslims whose wealth exceeds the minimum threshold (known as the nisab) give money that is then distributed to poor Muslims in order to address poverty and unemployment-related problems, thereby contributing to the achievement of social and economic objectives (Djaghballou and others, 2018). Zakat is formalized in many Arab countries where the government has created a "Zakat fund" that makes it the legitimate mediator between the giver and the recipient of Zakat. Demographic and financial data on Zakat funds are scarce in Arab countries; Table 6 below summarizes the information that is available.

Table 6. Zakat funds in a sample of Arab countries

	Bahrain	Kuwait	Oman	Algeria	Qatar	Saudi Arabia	UAE
Governance							
Governing body	Ministry of Justice and Islamic Justice	Ministry of Waqf and Islamic Affairs (MWIA) and Ministry of Finance (MOF)	Zakat Department under Ministry of Endowments and Religious Affairs	Ministry of Religious Affairs and Waqf	Zakat Fund of the Ministry of Awqaf and Islamic Affairs	General Authority of Zakat and Tax under the Ministry of Finance	Zakat Fund under the Minister of Islamic Affairs and Endowments
Structure	Centralized	Centralized	Centralized	Centralized	Centralized	Centralized	Centralized
Zakat collection							
Type of Zakat	Fitr, savings and gold	Fitr, gold, silver, shares and currency	Fitr, gold, silver, trade offers, shares, crops and cattle	Fitr, gold, silver, trade offers, shares, crops and cattle	Fitr, savings, gold and silver, mining produce and animals	Business and investment in government bonds	Fitr, shares, professional, crops, business, companies, gold, silver, money and livestock
Imposition	Voluntary	Voluntary	Voluntary	Voluntary	Compulsory for all public listed companies voluntary for others	Compulsory for all Saudi individuals and companies	Voluntary
Zakat distribution							
Types of beneficiary	Poor and needy	Poor and needy	Poor and needy	Poor and needy	Poor and needy	Poor and needy	Poor and needy
Transparency							
Statistics availability	Not available	Not available	Available	Not available	Not available	Not available	Available
Audit for financial statements	Yes	No information	No information	No information	No information	No information	No information
Use of modern technology							
Online payment	Yes	Yes	Yes	No	Yes	Yes	Yes
Online application	No	No	Yes	No	No	No	Yes

Source: Muhammad (2019) and Djaghballou and others (2018).

In addition to informal social protection systems, humanitarian actors also provide social protection assistance in the region. Protracted conflicts in the region, particularly in Syria, Yemen and Libya, have led to a surge of refugees and increased their social vulnerability. Non-governmental organizations (NGOs) and multilateral organizations provide vulnerable populations (mainly refugees and internally displaced persons) with different forms of assistance — primarily cash assistance, vouchers, education, employment and protection. Most cash transfers are provided for a limited period of time although a few are provided for an unlimited period. In Jordan, for instance, the Norwegian Refugee Council (NRC) and Oxfam provide emergency cash benefits for a limited period of three months (Röth, Nimeh and Hagen-Zanker, 2017), while UNICEF and UNHCR provide cash transfers for an unlimited time (Röth, Nimeh and Hagen-Zanker, 2017). Education interventions include ensuring that girls and boys have access to safe and secure education and equitable access to inclusive and high-quality learning — as an example, UNICEF cooperates with the ministries of education in a number of Arab countries in order to provide additional schooling to prevent the adverse effects of dropping out of school. While social protection support for refugees has mainly been provided through parallel humanitarian systems, it is important for partners to work across the 'humanitarian development nexus' with a view to creating sustainable response mechanisms (UN, 2018). Furthermore, efforts should be made to better align and cross-fertilize humanitarian social protection responses and national social protection systems.

4. Response to the crisis

The detrimental socio-economic impacts of the COVID-19 pandemic have underscored the importance of inclusive and effective social protection systems that can effectively respond to the needs and vulnerabilities of the affected populations. Several reviews of the social protection response to the crisis in the region, including by the UN Issue-based Coalition on Social Protection and the World Bank, indicate that the response has, overall, been noteworthy. All Arab States have introduced or adapted social protection measures to mitigate the impacts of the crisis on their populations, with over 150 measures implemented in total (Gentilini and others, 2020a; UN, 2020b; UNDP, 2020a). Furthermore, the additional COVID-19 coverage level of 11 percent is higher when compared to the pre-COVID-19 coverage level of 8 percent (Gentilini and others, 2020b). Despite the remarkable rate of expansion in most countries, the social protection response has been uneven across nations; the countries with more sophisticated social protection systems were able to expand social protection to those impacted by the crisis fairly quickly — in Jordan and Tunisia, for instance, the scale-up rate of cash transfers relative to pre-COVID-19 levels is over 300 percent, while in the State of Palestine this figure is less than 50 percent (Gentilini, Almenfi and Dale, 2020) and the relative increase in transfer generosity relative to pre-COVID-19 levels in Egypt is 157 percent, compared to 100 percent in Bahrain (Gentilini, Almenfi and Dale, 2020).

Overall, all 20 countries in the Arab States have implemented at least one social assistance measure, 18 have implemented at least one social insurance measure, and 16 have implemented at least one labour market measure (see Table 7). When analysing the implementation of measures based on country groupings, 81 percent of OECs, 100 percent of oil-importing middle-income countries (OIMICs), and 92 percent of FCCs have implemented social assistance measures (see Figure 11). While many OECs and OIMICs have implemented social insurance measures (68 percent and 85 percent, respectively), only

28 percent of FCCs have done so. As expected, the adoption of social insurance measures is low in FCCs given the dire economic situation and the low capacity of the population to contribute. Labour market measures adopted by OECs and FCCs are low, at 52 percent and 21 percent, respectively while in OIMICs this figure is 67 percent.

Table 7. Social protection responses to COVID-19

	OEC	OIMIC	FCC
Social assistance			
Cash-based transfers	Algeria, Bahrain, Kuwait, Qatar, Saudi Arabia	Djibouti, Egypt, Jordan, Morocco, Tunisia	Iraq, Lebanon, State of Palestine, Somalia, Sudan, Syria, Yemen
In-kind transfers	Algeria, Kuwait, Oman, Saudi Arabia, UAE	Djibouti, Egypt, Jordan, Morocco, Tunisia	Iraq, Lebanon, Libya, State of Palestine, Somalia, Sudan, Syria, Yemen
Utility support and other mechanisms to support household incomes	Algeria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE	Djibouti, Egypt, Jordan, Morocco, Tunisia	Iraq, Lebanon, Libya, State of Palestine, Sudan, Syria, Yemen
Social insurance			
Paid leave/unemployment	Algeria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE	Djibouti, Egypt, Jordan, Morocco, Tunisia	Iraq, Lebanon, Sudan, Syria
Health insurance support/ financial support in accessing health care	Algeria, Bahrain, Oman, Qatar, Saudi Arabia, UAE	Egypt, Jordan, Morocco, Tunisia	Lebanon
Pensions and disability benefits	Algeria	Egypt, Morocco, Tunisia	Somalia
Social security contributions (waiver/subsidy) and/or adjustments to existing social security benefits	Algeria, Bahrain, Kuwait, Oman, UAE	Djibouti, Egypt, Jordan, Morocco, Tunisia	Iraq, Lebanon, State of Palestine
Labour markets			
Wage subsidies	Algeria, Bahrain, Kuwait, Qatar, Saudi Arabia	Djibouti, Egypt, Jordan, Morocco, Tunisia	Lebanon, State of Palestine
Activation (training)	Saudi Arabia, UAE	Jordan, Morocco	Syria
Labour regulation adjustment	Algeria, Oman, Saudi Arabia, UAE	Djibouti, Jordan, Morocco	Sudan, Syria

Source: UNDP compilation based on a range of sources (Gentilini and others, 2021; UN, 2020b; ILO, 2020a; UNICEF and Jordan Strategy Forum, 2020).

When analysing specific types of social assistance measures adopted by countries across groupings (see Figure 11), utility support and other mechanisms[30] to support household incomes are the most common measure adopted across OECs (100 percent) and are the joint most common measure in OIMICs along with cash-based transfers and in-kind transfers (all 100 percent). In FCCs, the most common social assistance measures are in-kind transfers (100 percent). Among social insurance measures, the most common measures adopted across country groupings are paid leave/unemployment measures (OECs: 100 percent; OIMICs: 100 percent; FCCs: 50 percent). Social security contributions and/or adjustments to existing social security benefits are also the most common social insurance measures in OIMICs (100 percent). When reviewing labour market measures, wage subsidies are the most common measure across country groupings (OECs: 71 percent; OIMICs: 100 percent; FCCs: 25 percent). Labour regulation adjustment is also the most common measure in FCCs (25 percent).

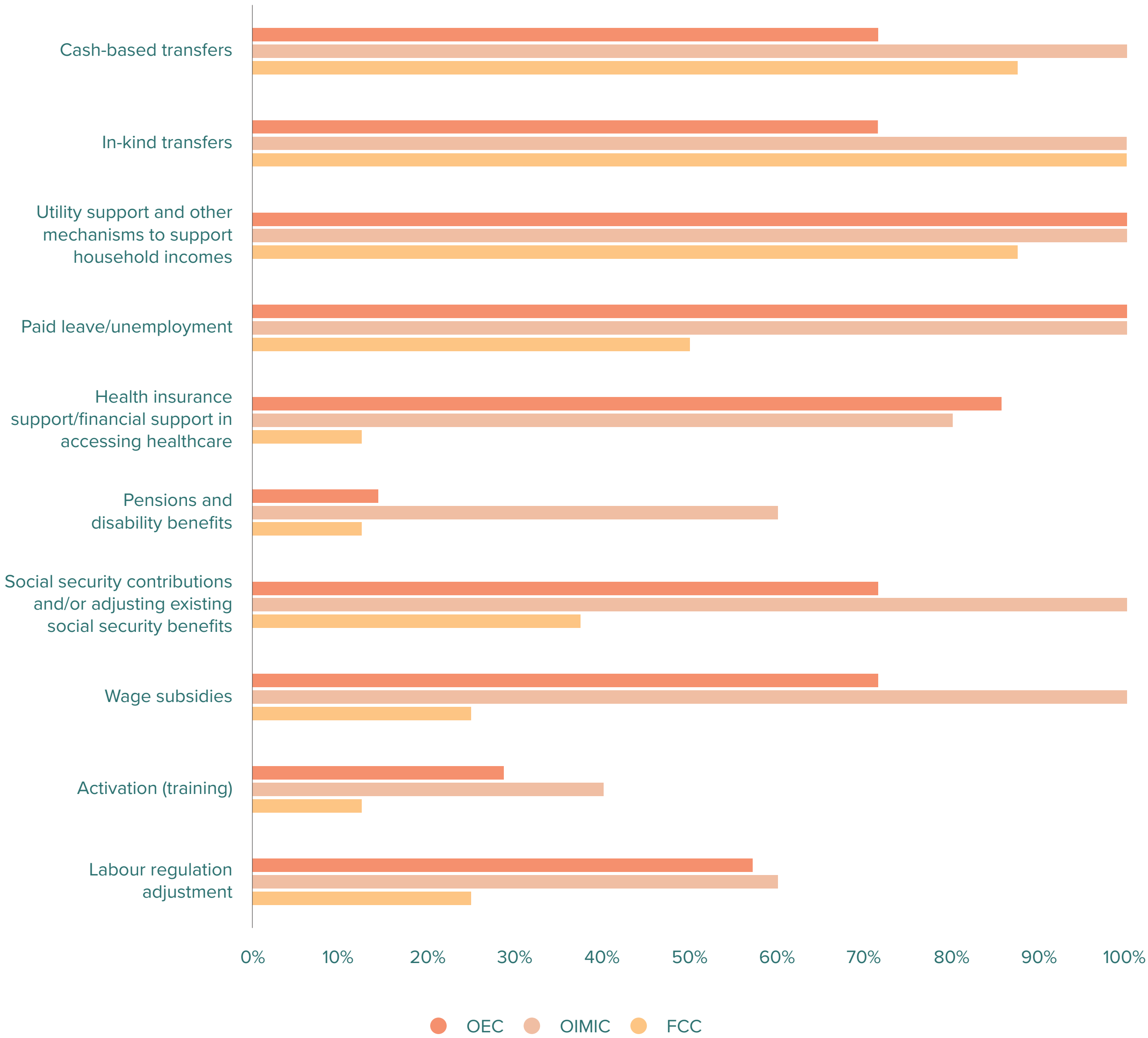
When analysing social protection measures within country groupings, the most common measures adopted in OECs are utility support and other mechanisms to support household incomes (100 percent) and paid leave/unemployment (100 percent). In OIMICs the most common measures are cash-based transfers (100 percent), in-kind transfers (100 percent), utility support and other mechanisms to support household incomes (100 percent), paid leave/unemployment (100 percent), social security contributions and/or adjustments to existing social security benefits (100 percent), and wage subsidies (100 percent). The most common measures in FCCs are in-kind transfers (100 percent).

30 Utility support and other mechanisms include fee waivers. deferred payments, debt relief, temporary extensions of fuel subsidies, among other interventions.

Specific cash-based transfer interventions adopted in the region include topping up payments to beneficiaries of existing programmes, increasing the number of beneficiaries of existing cash transfer programmes, and establishing temporary emergency cash transfer schemes (UN, 2020b). In-kind transfer interventions include providing food baskets and hygiene supplies for vulnerable families and providing food aid through voucher systems.

Mechanisms to support the incomes of households include exemption from electricity, water or other utility bills or delaying payments thereof, exemption from import fees or setting a fixed price for food and medical supplies, offering zero- or low-interest loans, postponing loan instalments or the payment of banking bills, waiving and postponing tax payments, suspending rent payments, and establishing fuel subsidies.

Figure 11. Type of social protection measures by country grouping (% of countries)



Source: UNDP compilation based on a range of sources (Gentilini and others, 2021; UN, 2020b; ILO, 2020a; UNICEF and Jordan Strategy Forum, 2020).

Interventions adopted to ensure that workers continue to receive a salary or can access unemployment benefits include supporting the full or partial payment of the salaries of private sector workers through unemployment funds and government support, commercial banks providing low- or zero-interest loans to companies in order to pay salaries, facilitating access to unemployment benefits for workers who have lost their jobs by relaxing the eligibility criteria and scope of application, and paying compensation for those who have been laid off with support from the government.

Overall, countries in the region across groupings have taken some measures to address the social protection needs of highly vulnerable and marginalized groups. Around 19 countries have implemented social protection measures that are specifically targeted towards addressing the needs of informal workers, foreign workers, persons with disabilities and/or refugees/IDPs (see Table 8). These measures include utility support, access to health care, cash and in-kind transfers, wage subsidies, paid leave/ unemployment benefits, disability benefits, and fiscal interventions to protect employment. For example, Tunisia adopted liquidity easing measures for the private sector to limit layoffs and protect the most vulnerable, particularly in the informal sector (IMF, 2020b). Jordan supported over 200,000 households of daily wage workers through cash assistance in the form of e-wallets. Bahrain included migrant workers in its electricity and water bill suspensions (UN, 2020b). Syria provided food and health baskets as well as cash support to the most vulnerable, including persons with disabilities (UN, 2020b). The UN, working closely with governments, has supported refugees and IDPs through cash-based and in-kind assistance, and access to health care.

Table 8. Social protection measures to support vulnerable groups in response to COVID-19

	Measures to support foreign workers	Measures to support informal workers	Measures to support PWD	UN measures to support refugees/IDPs
Utility support and other mechanisms to support household incomes	Bahrain, Saudi Arabia, UAE		Djibouti, Saudi Arabia	
Access to health care	Algeria, Bahrain, Jordan, Oman, Qatar, Saudi Arabia, UAE	Bahrain, Jordan, Morocco, Oman, Qatar, Saudi Arabia, UAE	Saudi Arabia	Lebanon
Cash-based transfers	Jordan, Tunisia	Djibouti, Egypt, Jordan, Morocco, State of Palestine, Syria, Tunisia	Bahrain, Egypt, Lebanon, Morocco, Tunisia, Syria	Algeria, Egypt, Iraq, Jordan, Kuwait, Lebanon, Yemen
In-kind transfers	Kuwait, Oman, Saudi Arabia, Tunisia	Djibouti, Jordan, Saudi Arabia, Sudan, Syria	Jordan, Kuwait, Morocco, Saudi Arabia, State of Palestine, Syria	Algeria, Djibouti, Egypt, Jordan, Lebanon, Libya, State of Palestine, Sudan, Syria, Yemen
Wage subsidies	Jordan, Qatar			
Paid leave /unemployment	Qatar, UAE	Jordan	Algeria, Egypt	
Disability benefits (social insurance)			Algeria, Bahrain	
Fiscal measures to protect employment		Tunisia		

Source: United Nations Issue-based Coalition on Social Protection; IMF, 2020b; UN, 2020b; UNPRPD, 2020; UNICEF, 2020; Gentilini and others, 2020b, 2021.

Note: The table may not reflect countries with social protection schemes that are inclusive of vulnerable groups but were established prior to the COVID-19 pandemic. The information in this table is not intended to be all-encompassing.

Fiscal spending on social protection as a response to the COVID-19 pandemic

At the onset of the COVID-19 pandemic in the region, many countries introduced economic measures to finance social protection and thereby mitigate the impact of the crisis. Table 9 below outlines estimated government spending on select social protection measures (based on available data) in some economies.

Table 9. Estimated government spending on the COVID-19 social protection response

Country	Social protection measures	Estimated US$
Oil-exporting		
Algeria	A supplementary finance law, enacted in June 2020, includes provisions for allowances for the unemployed.	157.7 million
	The supplementary finance law also includes provisions for allowances for poor households.	90.7 million
Bahrain	Enhancement to social benefits for lower-income families. Note: Bahrain introduced a BD 560 million stimulus package at the onset of the crisis that includes support on (i) payment of salaries of Bahrainis working in the private sector, to be financed from the unemployment fund; and (ii) payment of electricity and water bills for Bahraini individuals, in addition to non-social protection measures.	14.6 million
Saudi Arabia	Wage benefits for employers who retain their workers to be provided through the unemployment insurance scheme, SANED.	2.4 billion
	Social loans for families with low incomes.	1.1 billion
Oil-importing MICs		
Egypt	Increase in support for pensioners and irregular workers: 2.4 million families, totalling some 10 million citizens.	1.8 billion
Jordan	Introduction of a temporary cash transfer programme for the unemployed and self-employed.	114.3 million
Tunisia	Monthly cash transfers for low-income households, persons with disabilities and homeless people for up to three months; temporary support for the unemployed and self-employed; strategic stock of basic food items; continued payments of benefits for active labour market policies; activation of mechanism for the State to take control of the interest rate differential between the monetary market rate and the effective interest rate on investment loans for SMEs (max 3 percent); creation of a special programme to support social work institutions and job creation for vulnerable populations.	599.5 million
FCCs		
Iraq	Introduction of a cash transfer scheme, targeting the families of workers in the private sector that do not receive salaries or benefits from the government.	250.9 million
Lebanon	Additional allocation for social safety nets in 2020 budget	797.1 million
State of Palestine	COVID-19-related social protection measures	31.1 million

Source: IMF (2020a; 2020b).

Note: The information in this table is not intended for comparison across economies as responses vary depending on country-specific circumstances.

Currency conversion rate is the average of the daily rates from 1 January 2020 to 31 December 2020.

For the State of Palestine, ILS is assumed as the currency. ILS is the international three-letter abbreviation for the Israeli New Shekel, the currency since 1986. The code NIS is no longer used (see https://www.investopedia.com/terms/i/ils.asp).

In terms of domestic sources of financing for the social protection response to the COVID-19 pandemic, countries in the region have tapped into different sources. Egypt and Morocco, for instance, restructured/reprioritized their budget lines (Almenfi and others, 2020) and Morocco also tapped state reserves, contingent funds and fiscal savings (Almenfi and others, 2020).

While countries in the region have taken measures to finance the social protection response to the COVID-19 crisis, a large financing gap remains. According to ILO estimates, the annual financing gap for universal social protection in the Arab States in 2020 was $15.1 billion, 4.5 percent of GDP (Durán Valverde and others, 2020)[31] while in the Northern Africa region this figure was $31.5 billion, 4.7 percent of GDP (Durán Valverde and others, 2020). The financing required to close this gap has

31 ILO regional estimates are based on calculating the costs and remaining financing gaps for introducing a set of universal child, maternity, disability and old age benefits, which, together with health benefits, could represent a national social protection floor. While these estimates provide an important approximation of financing needs, they cannot replace detailed costing studies of national social protection floors, which should be defined through an inclusive national dialogue.

increased since the onset of the crisis given the heightened need for health care services and income security due to job losses, as well as the drop in GDP across all countries. Although domestic and international sources of financing to mitigate the COVID-19 crisis have provided short-term assistance, countries need to do more to ensure adequate and comprehensive social protection for all i.e. expand both vertical and horizontal coverage.

The use of digital technologies in social protection to enhance the response to COVID-19

With the constraints on in-person interactions due to the nature of the pandemic, a number of OECs, OIMICs, and FCCs have employed digital delivery methods in their social protection response to the crisis. These measures include using mobile applications to enable workers to register and apply for sick leave (Saudi Arabia), establishing online platforms for people to register for new programmes (Egypt, Jordan, Morocco, Syria), using text messages and WhatsApp to register beneficiaries and inform them about payments (Morocco, Kuwait), improving online services for employers and employees to pay social security contributions (Algeria, Jordan, Tunisia), and using e-wallets and bank transfers to distribute benefits (Jordan, Tunisia, Morocco), among others (UN, 2020b). For beneficiaries without an existing bank account, Jordan and Tunisia have facilitated the adoption of basic accounts as well as remote account opening processes (Gentilini and others, 2020b).[32]

Gaps and challenges in the social protection response to the crisis

The crisis has exposed many of the pre-existing gaps and challenges in social protection systems within the region. Despite the range of social protection measures adopted by countries in response to the crisis, the exclusion of vulnerable populations, lack of data on all populations affected by the pandemic, regressive redistributive and austerity measures, and weak fiscal space to support social protection measures remain key challenges.

As Table 8 above shows, 13 countries in the region have taken social protection measures that target informal workers as a response to the crisis. However, while these countries have made attempts to target informal workers, only seven have provided cash-based transfers, only one country (Jordan) has provided unemployment benefits, and only one country (Tunisia) has taken fiscal measures to protect the employment of informal workers. In some instances, cash assistance given to unemployed workers in the informal economy has been much lower than the minimum wage. For example, unemployment benefits in Morocco range from $86 to $217 a month, compared with the average minimum wage of around $293 (Abdo and Almasri, 2020). Furthermore, the low contributive capacity of informal workers, as well as administrative and other barriers, means that they are not eligible for social insurance. It is estimated that informal employment makes up 68.6 percent of all employment in the region as a whole and 67.3 percent in North Africa (UN, 2020b). A staggering 85.1 percent of young working-age Arabs in the informal sector were estimated to be at risk of falling into poverty as a result of the crisis (UN ESCWA, 2020a).

Low-skilled migrant workers in the region make a considerable contribution to the economies of their host countries yet were largely excluded from formal social protection measures prior to the crisis. As a response to the crisis, social protection measures in about nine countries in the region have attempted to target low-skilled migrant workers (see Table 8), but only two countries have provided cash-based transfers, four countries in-kind transfers, and two countries wage subsidies. More needs to be done to expand social protection coverage for low-skilled migrant workers given that the crisis has only exacerbated their vulnerabilities, including putting them at particular risk of contracting COVID-19 given their overcrowded housing conditions and limited access to hygiene facilities and affordable health care. Furthermore, due to the economic impact of the crisis, many low-skilled migrants have lost their jobs or have experienced severe wage cuts, exposing them to income and food insecurity (Chulov, 2020).

Refugees and IDPs in the region are typically excluded from formal social protection systems and are largely dependent on humanitarian assistance to meet their basic needs. The region is host to 55.7 million people who are dependent on humanitarian assistance, including 26 million IDPs (UN, 2020a). Most refugees work outside the formal labour market of their host countries, so do not receive the assistance afforded to those who work in the formal sector. Evidence suggests that refugees have been disproportionately affected by job losses and wage cuts as a result of the crisis (UNHCR, 2020). Furthermore, refugees and IDPs are highly vulnerable to COVID-19 given their overcrowded living conditions and lack of access to hygiene facilities and affordable health care services.

Persons with disabilities, many of whom are elderly and/or have pre-existing health conditions, are not well protected

32 Basic accounts are accounts that have restricted functionalities and come with caps on the balance amount and transaction limits. These may be held with banks or non-bank providers (referred to as e-money or mobile money). Because of these limitations, account opening requirements can be relaxed, which allows for remote and simplified customer due diligence.

by social insurance (including sickness and unemployment) and health insurance, as they tend to be excluded from formal work. Estimates suggest that the region is home to 60 million people with one or more disabling conditions (UN, 2019). Persons with disabilities have been disproportionately affected by the impacts of the COVID-19 pandemic given significant disruption to their usual care system. Higher care demands and potentially catastrophic health expenditures are also a major concern.

Vulnerable women have also faced challenges in receiving social protection benefits during the crisis. Given that labour market measures usually target formal workers, countries are unlikely to target women given their low participation in the formal labour market. Women are overrepresented in some informal sectors—including in agriculture and care work—but, as noted in this paper, there are still gaps in social protection coverage of informal workers in response to the crisis. Some countries (Algeria, Egypt, UAE, Saudi Arabia) have taken gender-sensitive social protection measures that focus primarily on providing special paid leave to women working in 'non-essential public services', looking after children, or who are pregnant, but more remains to be done (UNDP, 2020a).

Besides the issue of inclusion of vulnerable and marginalized groups in social protection response measures, a key challenge in many countries is the dearth of data on all-pandemic affected people, which is much beyond the coverage of existing social registries. The focus of social registries for social assistance programmes is usually on poor and vulnerable populations. However, the socio-economic impacts of the crisis have also affected a broader population thus making the systematic identification of the target population challenging. Informal workers, who were largely excluded in social registries, are among the key populations targeted for COVID-19 cash transfers in some countries. To address coverage gaps in social registries, Morocco, for example, leveraged other existing registries. The government reached 3 million informal workers by leveraging the existing health sector database (RAMED) (Gentilini and others, 2020b). Morocco also launched a new platform to enrol those who were not covered by any existing administrative databases.

Regressive redistributive and austerity measures taken by some governments in the region have exacerbated the vulnerability of populations affected by the crisis. For instance, measures taken to cut costs for companies and in turn support employment by giving corporations the option to suspend contributions to workers' social security pension schemes for a specific duration and allowing employees to increase their own contribution to fill this gap have only made workers even more vulnerable to the impacts of the crisis (Abdo and Almasri, 2020). In Jordan, for example, the social security contributions of corporations have decreased from 21.75 percent to 5.25 percent of workers' salaries (Abdo and Almasri, 2020). Furthermore, the use of maternity insurance contributions by the government to support vulnerable groups through cash transfers and in-kind assistance puts vulnerable women at risk. The imposition of a tax on worker salaries and pensions is another regressive measure that runs counter to mitigating the socio-economic impacts of the crisis — in Egypt, for example, the government introduced a COVID-19 tax of 1 percent on the salaries of all public and private sector workers as well as a 0.5 percent tax on state pensions to support sectors and SMEs impacted by the pandemic (Abdo and Almasri, 2020).

Reform and/or expansion of existing social protection systems requires fiscal space, which remains a key challenge in the region. In many countries, governments have exhausted the fiscal options available for social protection measures to respond to the crisis. Estimates by the World Bank in December 2020 note that 13 countries in the MENA region have already spent over $9 billion on social assistance in response to the crisis (Gentilini, Almenfi and Dale, 2020),[33] which corresponds to approximately $115 per capita (Gentilini, Almenfi and Dale, 2020). Growing fiscal deficits and debt levels place immense strain on the capacity of countries to sustain much needed social spending. Public debt in the MENA region is expected to rise significantly in the next few years, from about 45 percent of GDP in 2019 to 58 percent in 2022 (World Bank, 2020c).

Oil-exporting countries find themselves constrained by low revenues from a distressed global oil market; the dual shock of COVID-19 and oil prices hit hard particularly at a time when the oil industry was experiencing structural decline and episodes of high volatility. The oil exporting GCC countries are estimated to have run budget deficits averaging 9.2 percent of GDP in 2020, and 2021 budget deficits are estimated at 3 percent (IMF, 2021b). The 2020 budgets of many oil-exporting countries in the region were based on assumptions of approximately $65 a barrel (Abu-Omar, 2019), which is much further from the actual 2020 average of $41.3 a barrel (IMF, 2021a). However, more recently, given the stronger than expected recovery in demand, oil prices returned to pre-pandemic levels, averaging around $65.6 per barrel during March 2021. This is well above the conservative prices assumed in GCC countries' budgets for 2021 (ranging between $45 to 50 per barrel) that could lessen the effect of the dual shock on their fiscal deficits. While a number of these countries have sizeable foreign exchange reserves that can help them weather the crisis and potentially shield them against future

33 The World Bank MENA grouping includes Iran.

shocks, these reserve funds can dry up as subsequent waves of COVID-19 emerge and fiscal outlays increase from demands for public health spending and social protection (Momani, 2020).

Oil-importing middle-income countries and fragile and crisis-affected countries are being hit hard by the economic impacts of the COVID-19 pandemic. Some are experiencing the economic pain of the oil price shock as they rely on worker remittances as well as bilateral aid, particularly from the GCC countries. Facing these fiscal pressures, oil-importing middle-income countries are finding it difficult to secure the resources they need to combat the crisis without resorting to difficult choices — borrowing or raising taxes. However, as mentioned in this paper, some oil-importing countries such as Egypt and Morocco have restructured/reprioritized their budget lines to finance social protection measures (Almenfi and others, 2020). Fragile and crisis-affected countries already lack the fiscal space to support social protection measures and are heavily dependent on the donor community and international financial institutions to sustain their social protection response.

5. Policy recommendations

The COVID-19 pandemic and the oil price crisis have impacted countries across the region, with particularly severe consequences for vulnerable populations. As the paper highlights, all governments in the region have put in place emergency social protection measures to address the needs of their populations, but with varying coverage and scope. Although some countries have temporarily extended social protection to vulnerable groups, including informal workers, low-skilled migrant workers, persons with disabilities and refugees/IDPs, many have been left behind. Governments need to strengthen their social protection systems to close gaps in coverage and transition from emergency makeshift measures to more sustainable inclusive mechanisms that are in line with human rights and labour standards. The following are key short- and medium- to long-term policy recommendations to develop more coherent and effective social protection systems that are flexible and structured to cope with the existing challenges as well as future shocks. Short-term policy recommendations entail strengthening the immediate response to the crisis while medium- to long-term recommendations include efforts to strengthen social protection systems.

Short-term recommendations

Scale up and expansion of social assistance for the most vulnerable: As highlighted in this paper, social assistance is the most common measure employed in the response to COVID-19 across country groupings. While countries in the region have significantly scaled-up social assistance measures, with the average share of the population receiving new social assistance benefits at 24.2 percent (about 150 million new beneficiaries) (World Bank, 2020e),[34] there are still gaps in coverage that need to be addressed. Considerable efforts should be taken to ensure that social assistance is sustained, scaled up, and expanded to meet the needs of informal workers, migrant workers, women, persons with disabilities and refugees/IDPs, among others. These measures should be integrated in social protection reforms that are part of a new post-COVID-19 social contract that promotes inclusion, advances social and economic rights for all, and leaves no one behind. Gaps in information on vulnerable groups that impede coverage can be addressed through strategies such as leveraging other existing registries (like in the case of Morocco), outreach to vulnerable groups through local actors, and self-enrolment of vulnerable groups through technology. Given the almost complete lack of fiscal space in fragile and crisis-affected countries, it is critical that the international community supports efforts to scale up and expand social assistance for the most vulnerable. It is also critical to ensure social protection coverage for refugees and this support should move beyond annual project-based humanitarian assistance to more flexible multi-year humanitarian programming.

Consider the option of a temporary basic income (TBI) as a response to COVID-19: A TBI is emergency cash assistance that is explicitly temporary, up to 9–12 months, while retaining some of the features that characterize a Universal Basic Income (UNDP, 2020b). A TBI would not be universal but would be targeted at people with livelihoods below a vulnerability-to-poverty threshold, which is at least 70 percent above the value of the poverty line (UNDP, 2020b).

Move beyond narrow proxy means testing (PMT): While PMT is broadly used as a targeting methodology across many countries, evidence suggests that that PMT generates high exclusion errors, ranging from around 50 percent to 93 percent (ILO, 2017a). Qualitative research has confirmed these errors, highlighting that many of those living in extreme poverty have been excluded by PMT (ILO, 2017a). High in-built design errors, other errors introduced during implementation and irregular surveys impede PMT from responding to the dynamic nature of household incomes. One way to address exclusion errors is to target beneficiaries based on a multidimensional conception of poverty, in addition to income. Tunisia, for instance, introduced a law in 2019 which stipulates that beneficiaries of Amen Social—a new framework that combines an existing cash transfer programme and a non-contributory health assistance programme—should be selected on the basis of a multidimensional conception of poverty, taking into account education, health, housing, access to public services and living conditions, in addition to income (UN ESCWA, 2019). Similarly, the State of Palestine is working to revise its PMT formula based on a more multidimensional conception of poverty (UN ESCWA, 2019).

Employment retention: Job retention mechanisms and wage subsidies to retain employees have been important measures mostly implemented in oil-importing MICs and OECs. Given the long road to a resilient recovery and the emergence of the second wave of the pandemic, more efforts need to be made to ensure employment retention in the region. As the backbone of the region's economies and given their greater vulnerability, SMEs should be supported to prevent further layoffs, with a strong focus placed on women- and youth-led businesses. Measures could include providing interest-free loans, extending credit support and extending benefits to SMEs not previously registered with formal social protection systems. The latter was taken in Jordan with SMEs not registered in the social insurance system (UN, 2020b) and also helped to contribute to formalization. While employment retention schemes are primarily aimed at preserving formal employment, these schemes and benefit packages should also be extended to informal workers and migrant workers. More innovative measures aimed at job retention could also be explored — Montenegro, for instance, introduced a six-month subsidy for MSMEs and entrepreneurs who took on new workers that were previously registered as unemployed with the country's employment agency (Gentilini and others, 2020b), and implemented a wage subsidy programme to promote the retainment of workers in formal wage employment. This type of subsidy can incentivize the formalization of informal workers in formal enterprises. In addition to wage subsidies, active labour market programmes, particularly skills development, could be supported, with Saudi Arabia and UAE having implemented such measures (Gentilini and others, 2020b).

Unemployment benefits: To mitigate income losses for households affected by job loss or curtailment of economic activities, most OECs and OIMICs have introduced or expanded unemployment benefits. While there are good examples of efforts to extend social insurance to affected vulnerable groups, including informal workers (e.g. Jordan), greater efforts need to be made to ensure that unemployment benefits are extended to cover vulnerable groups across the region. Emerging lessons from extending unemployment benefits to informal workers show that greater attention needs to be paid to ensure that the eligibility criteria for unemployment benefits is easy to understand in order to prevent those eligible from applying to a wrong programme or from not applying at all. Where unemployment benefits offer low levels of compensation or are short term, an increase in duration/benefit levels

34 The total number of new social assistance beneficiaries in the world is well over 1 billion. Excluding India, the figure is close to 900 million, of which 15 percent is in MENA. Iran is included in the World Bank MENA country grouping.

should be considered to support vulnerable populations. Complementary measures for vulnerable groups, such as emergency cash transfers, are also crucial. In countries where unemployment insurance does not exist—in most FCCs, for instance—efforts should be made to establish emergency funds to provide unemployment benefits to all affected populations.

Medium- and longer-term recommendations

Develop inclusive and gender-responsive social protection systems: The large gaps in coverage of vulnerable populations in social protection systems across the region demonstrate the need for existing systems to undergo significant reforms to become more inclusive and responsive to future shocks. When targeting beneficiaries and designing and implementing social protection measures, it is critical to consider gender, disability, age, migration status, socio-economic and employment status, and other characteristics that define vulnerable groups. An analysis of gender-specific needs should also inform social protection schemes (SPIAC-B, 2020) and efforts should be taken to improve women's access to social insurance and ensure that schemes accommodate their work profiles. Given the prevalence of informal employment in the region, governments should explore the possibility of turning temporary social protection measures into more long-term support, particularly in OIMICs. These measures should be undertaken in conjunction with efforts to address the root causes of informality in labour markets, including expanding informal workers' access to decent jobs and robust social security systems (both contributory and non-contributory) (UNDP, 2020a). Greater efforts need to be made to include migrant workers, including low-skilled workers, in social protection schemes, particularly in OECs and OIMICs, and countries should also consider gradually scaling up investments towards establishing social protection floors for all, including the most vulnerable.

Build shock-responsive social protection systems: The COVID-19 pandemic has demonstrated the need to develop more shock-responsive social protection systems. Building a 'shock-responsive social protection system' is critical to ensure that it can respond flexibly in the event of covariate shocks. These shocks are primarily activated by cyclical, weather-related seasonal variations or exceptional circumstances (e.g. pandemics, earthquakes) that result in a humanitarian crisis. Covariate shocks pose a specific challenge in that individuals require social protection benefits simultaneously and/or individuals who already receive support may require additional resources to meet their basic needs. Furthermore, the consequences of the shock may limit the capacity of the existing system to deliver assistance. The challenges posed to existing social protection systems depend on the speed of onset of the shock, predictability, duration, and geographical distribution (IPC-IG, 2017b). There are five main non-prescriptive options for scaling up social protection systems in response to covariate shocks (Oxford Policy Management, 2015): (i) horizontal expansion: adding new beneficiaries to an existing social protection programme, which may include extending the geographical coverage of an existing programme, modifying entitlement rules or relaxing requirements/conditions to facilitate participation; (ii) vertical expansion: increasing the benefit value or duration of an existing programme, which may include adjusting transfer amounts and/or introducing extraordinary payments or transfers; (iii) piggybacking: using the administrative framework of an existing social protection programme, but implementing the shock-response programme separately, which may include introducing a new policy; (iv) shadow alignment: developing a parallel humanitarian system that aligns with an existing social protection programme; and (v) refocusing: modifying the social protection system to refocus assistance on groups most vulnerable to the shock, in case of a budget constraints.

Expand fiscal space: Larger economies with more fiscal space, particularly OECs, have been able to quickly implement social protection measures in response to the crisis. However, finding the fiscal space to reform and/or expand existing social protection systems in the region remains a major challenge, as noted in this paper. In FCCs, assistance from the donor community and international financial institutions will provide critical support to social protection schemes given the absence of fiscal space. Although official development assistance (ODA) is not a sustainable solution to create fiscal space, several countries (Egypt, Iraq, Jordan, Lebanon, the State of Palestine, Sudan, Syria and Yemen) have used it to establish national non-contributory social protection initiatives (Bloch and others, 2019). In OECs and OIMICs, greater efforts should be taken to increase tax revenues. In OECs, increasing government revenue from natural resources represents an important opportunity. Norway, for example, taxes oil profits and invests in social development through its Government Pension Fund (Ortiz, Cummins and Karunanethy, 2017). The Fund ensures sustainable and transparent use of revenue from the oil sector by directing all proceeds into this fund (Bastagli, 2015). Introducing a wealth tax in OECs and OIMICs could raise domestic revenue to fund social protection. For instance, recent analysis shows that a 5 percent solidarity net wealth tax in Egypt could generate sufficient revenue to finance monthly cash transfers to 10 million poor families and informal workers for a year (Abdo and Almasri, 2020) or enable the government to provide 3 million informal workers with monthly transfers equivalent to the minimum wage for a year. However, given that income and wealth taxes comprise a negligible share of total tax revenues in the region, it is critical to pursue tax reforms to finance social spending. This entails advancing the progressivity of personal income taxes, enforcing property taxes, improving tax administration and rationalizing exemptions.

The drop in oil prices presents a window of opportunity for oil-importing countries to rebuild their fiscal space. Since low oil prices reduce the need for fuel subsidies, oil-importing countries as well as oil-exporting countries can consider undertaking comprehensive reforms of such subsidies. Fiscal resources released by these lower fuel subsidies could, in turn, be reallocated towards social protection programmes and human capital investments. Moreover, phasing out fuel subsidies could have positive effects for the environment, tilting consumption and production towards more environmental-friendly energy sources. Jordan, for example, has reduced/removed subsidies on different types of petroleum products, which constituted close to 9 percent of government expenditure and as much as 2.8 percent of GDP in 2012 (Atamanov, Jellema and Serajuddin, 2015). Undertaking such reforms has lowered the government's fiscal burden and improved social protection coverage and delivery of large-scale social programmes that target vulnerable groups (Megersa, 2019). While reforming fuel subsidies could free-up substantial resources for social protection, it could have political and social implications, and thus would need to be carefully planned.

Although not a stable source given their vulnerability to oil price changes, sovereign wealth funds (SWFs) could also be used to finance social protection and ensure that social expenditure remains stable if the macroeconomic situation deteriorates. In principle, the strategic objectives of SWFs may include equity investment in strategic sectors, but could also entail a transfer to the budget to support social policies (Das, Mazarei and van der Hoorn, 2010). However, this does not advocate for less money to be set aside in SWFs and for more to be used for domestic social purposes, but rather to ensure an adequate balance between the financial objective (strong financial return) and the strategic objective (tangible social benefits) of those funds. In Asia, for example, China, Singapore and South Korea have been using their SWFs to fund future expenditure needs, including those of the elderly (Bolton, 2017). Norway has also tapped into its fiscal reserves to invest in welfare spending on social protection and social services (Bastagli, 2015). The Norwegian Government Pension Fund is the largest of any sovereign wealth fund in the world, containing more than $1.1 trillion as of January 2021 (World Economic Forum, 2021). However, to adopt such strategies in the region, specifically in GCC countries, the processes governing decisions about the overall strategy of SWFs and their mandates need to be revisited (Maire, Mazarei and Truman, 2021). Most importantly, SWFs need to be more transparent and accountable, allowing them to play a role in economic diversification and development, given the prospects of much lower oil revenues in the future. According to the SWF scoreboard results, despite the fact that the average scores for the GCC SWFs have increased since 2007, they still, on average, score lower than other groups of funds, including other funds that derive their resources from hydrocarbon production (Maire, Mazarei and Truman, 2021). As such, using SWFs more actively to smooth social spending in case of economic downturns will, however, require reforms to improve their efficiency and flexibility.

Zakat funds, faith-based organizations and charities play an important role in delivering social assistance to the most vulnerable people in the region. The integration of these funding streams into formal social protection systems could be further supported as part of efforts to create fiscal space.

Innovative forms of taxation such as taxes on unhealthy food and beverages and a solidarity tobacco contribution, could be pursued to raise domestic revenue to fund social protection. Algeria, for example, introduced taxes on tobacco and alcohol to fund social protection programmes (Ortiz, Cummins and Karunanethy, 2017). In 2014, taxation on cigarettes was 50 percent of the price; in subsequent years, the Ministry of Finance introduced new legislation placing additional taxes on alcohol and all tobacco products (Ortiz, Cummins and Karunanethy, 2017).

While the interventions for extending fiscal space outlined above can be undertaken in the medium to long term, there are some measures that could be taken in the short term, including making changes to social security contribution/tax rates, reviewing taxation (VAT, natural resources extraction tax, income tax), reprioritizing public expenditure, using foreign exchange reserves, managing (borrowing or restructuring) debt, and eliminating illicit financial flows (Ortiz and others, 2019).

Harness digitalization for inclusive and enhanced delivery: Developing inclusive and shock-responsive social protection systems will require a shift towards the digitalization of delivery. As discussed in section 4, a number of countries in the region have employed digital delivery modalities in their social protection response to the crisis. It will be critical for these countries to build on the digital capabilities developed during the crisis and for others to harness digitalization with the aim of strengthening social protection and payment systems that are both inclusive and effective. While strengthening existing social protection systems, the digitalization of social protection delivery can also help to advance financial inclusion, particularly among women. To enable beneficiaries to use these services, it is also important that efforts are made to reduce the digital divide and improve digital literacy. While digital technologies can play a critical role in ensuring efficient, integrated and accessible social protection systems, there are key challenges that need to be addressed. The use of predictive analytics, algorithms and other forms of artificial intelligence, for instance, are highly likely to reproduce and exacerbate biases reflected in existing data and policies, which can undermine the right to social protection for some groups and individuals (UN, 2019). Furthermore, there are concerns about data privacy and security given that some types of data collected and stored in social protection systems may include sensitive personal information (UNDG, 2018). Concerted efforts should be made to implement the ILO's Social Protection Floors Recommendation 2012 (No. 202) that explicitly calls on states to "establish a legal framework to secure and protect private individual information in their social security data systems," as well as introducing other measures to protect beneficiary data and privacy, including ensuring informed consent when beneficiaries provide data and undertaking regular audits of the MIS system.

Link social protection and green recovery: The socio-economic response to the crisis provides an immense opportunity for a transformational and green recovery. Greater initiative should be taken by governments in the region to holistically link social protection instruments (particularly cash transfers and livelihood support) with access to essential services, including health care; disaster risk management; and the sustainable management of the environment. Social protection instruments have the potential to strengthen resilience against pandemics and natural disasters, promote measures to protect ecosystems from further degradation and mitigate climate change, and facilitate quick recovery from covariate and idiosyncratic shocks. Social protection instruments, such as cash-for-work and labour-intensive work programmes, could be scaled-up and strengthened to support the sustainable management of the environment and beneficiaries' access to social services.

Strengthen links between humanitarian assistance and national social protection systems: Given the multiple and protracted crises in the region and the continual increase in the number of people affected by them, there is need for an alternative approach to humanitarian assistance in fragile and crisis-affected countries. This requires better aligning humanitarian assistance with national social protection systems. There are considerable potential benefits to this approach, including the use of common tools and platforms to improve efficiency, transparency and accountability; the advancement of the shock-responsiveness of national social protection systems; and incentives for international partners to support and set up more coherent, cost-effective and sustainable financing architecture for social protection (Idris, 2019). This approach is already being adopted in the region — as an example, the use of common systems, tools and platforms to improve coverage and harmonize targeting across refugee populations and host communities has already been undertaken in the response to the Syrian refugee crisis (UN, 2018). It should be noted that where feasible, existing social protection systems could be used to provide humanitarian assistance and help to build resilience. In conditions of extreme fragility where social protection systems are absent or very weak, the humanitarian response can be linked to social protection by using humanitarian assistance to build social protection systems.

Increase economic resilience to oil price volatility through greater diversification efforts: With renewed episodes of low and volatile international oil prices, as well as the growing trend towards lowering fossil fuel consumption to tackle climate change, it has become a necessity for OECs in the region to reduce their reliance on the oil sector and generate new sustainable sources of revenue. Prolonged heavy dependence on oil revenues has resulted in highly volatile aggregate growth rates, with adverse implications on productivity and employment growth. As such, there is increased urgency for OECs to move faster with economic diversification efforts that have already been initiated in some countries since 2014. Structural reforms are needed to foster private sector-led non-oil growth and employment to diversify away from the oil sector. This will include fiscal consolidation, labour market reform, policies directed at improving the business environment for domestic and foreign investors, and greater engagement of innovative SMEs in the economy.


PUT

Annex

Table 1. Random effect panel regression on health expenditure (all countries)

VARIABLES	Health expenditure
GDP per capita	-0.0161** (0.00726)
Constant	4.629*** (0.429)
Observations	280
Number of id_c	17

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 2. Dynamic panel data analysis of health expenditure (all countries)

VARIABLES	Health expenditure (% of GDP)
L.health expenditure (% of GDP)	0.633*** (0.0569)
GDP per capita	-0.0249** (0.0102)
L.GDP per capita	-0.0146* (0.00758)
Year	0.00930 (0.0134)
Constant	-16.87 (26.80)
Observations	246
Number of id_c	17

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 3. Dynamic panel data analysis on expenditure for health and subsidies and other transfers (oil-exporting countries)

VARIABLES	(1) Health expenditure	(2) Subsidies
L.Health expenditure	0.734*** (0.0404)	
GDP per capita	-0.0364*** (0.00490)	-1.074*** (0.123)
L.GDP per capita	0.00537 (0.00813)	0.412*** (0.0574)
L2.GDP per capita	-0.00588 (0.00514)	0.0749 (0.0891)
Year	0.0390*** (0.0102)	-1.522*** (0.145)

VARIABLES	(1) Health expenditure	(2) Subsidies
L.Subsidies		-0.431*** (0.0740)
Constant	-77.42*** (20.24)	3,093*** (291.7)
Observations	104	26
Number of id_c	7	4

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 4. Dynamic panel data analysis on expenditure for health and subsidies and other transfers (oil-importing countries)

VARIABLES	(1) Health expenditure	(2) Subsidies
L.Health expenditure	0.802*** (0.0658)	
GDP per capita	-0.00165 (0.0271)	0.180 (0.136)
L.GDP per capita	0.0258 (0.0188)	0.383*** (0.139)
L2.GDP per capita	-0.00742 (0.0118)	-0.141 (0.251)
Year	0.0152 (0.0103)	0.304** (0.129)
L.Subsidies		0.597*** (0.0239)
Constant	-29.37 (20.43)	-597.4** (258.3)
Observations	61	48
Number of id_c	5	4

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 5. Dynamic panel data analysis on expenditure for health and subsidies and other transfers (fragile and crisis-affected countries)

VARIABLES	(1) Health expenditure	(2) Subsidies
L.health expenditure	0.613*** (0.0720)	
GDP per capita	-0.0203 (0.0157)	0.0734 (0.129)
L.GDP per capita	-0.0230** (0.0116)	0.00952 (0.105)
L2.GDP per capita	-0.0112 (0.00758)	0.0379* (0.0210)
Year	0.00735 (0.0263)	0.175 (0.139)

VARIABLES	(1) Health expenditure	(2) Subsidies
L.Subsidies		0.655*** (0.0834)
Constant	-12.60 (52.79)	-339.7 (278.4)
Observations	65	19
Number of id_c	5	3

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 6. Statistical Capacity Indicator by country

Country	Statistical Capacity Indicator (2019)
OECs	
Algeria	52.2
OIMICs	
Djibouti	58.9
Egypt	85.6
Jordan	82.2
Morocco	66.7
Tunisia	71.1
FCCs	
Iraq	34.4
Lebanon	44.4
Libya	27.8
State of Palestine	76.7
Somalia	26.7
Sudan	71.1
Syria	26.7
Yemen	38.9
Middle East & North Africa	57.1
Sub-Saharan Africa	59.0
South Asia	69.1
Latin America & Caribbean	71.1
East Asia & Pacific	75.1
Europe & Central Asia	77.3

Source: The World Bank Statistical Capacity Indicator Dashboard.

Table 7. Summary of economic classifications of expenses

2	**Expense**	**27**	**Social benefits [GFS][1]**
21	**Compensation of employees [GFS][1]**	271	Social security benefits [GFS]
211	Wages and salaries [GFS]	2711	Social security benefits in cash [GFS]
2111	Wages and salaries in cash [GFS]	2712	Social security benefits in kind [GFS]
2112	Wages and salaries in kind [GFS]	272	Social assistance benefits [GFS]
212	Employers social contributions [GFS]	2721	Social assistance benefits in cash [GFS]
2121	Actual employers' social contributions [GFS]	2722	Social assistance benefits in kind [GFS]
2122	Imputed employers' social contributions [GFS]	273	Employment-related social benefits [GFS]
22	**Use of goods and services**	2731	Employment-related social benefits in cash [GFS]
23	**Consumption of fixed capital [GFS]**	2732	Employment-related social benefits in kind [GFS]
24	**Interest [GFS][1]**	**28**	**Other expense**
241	To nonresidents [GFS]	281	Property expense other than interest
242	To residents other than general government [GFS]	2811	Dividends[1]
243	To other general government units [GFS]	2812	Withdrawals of income from quasi-corporations
25	**Subsidies[1]**	2813	Property expense for investment income disbursements
251	To public corporations		
252	To private enterprises	2814	Rent
253	To other sectors	2815	Reinvested earnings on foreign direct investment
26	**Grants**	282	Transfers not elsewhere classified
261	To foreign governments	2821	Current transfers not elsewhere classified
2611	Current	2822	Capital transfers not elsewhere classified
2612	Capital	283	Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes[1]
262	To international organizations		
2621	Current	2831	Premiums, fees, and current claims
2622	Capital	2832	Capital claims
263	To other general government units		
2631	Current		
2632	Capital		

Source: IMF Government Finance Statistics Manual (2014).

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