Themed issue: Social protection in the MENA countries: Prospects for a new social contract?

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Introducing social protection in the Middle East and North Africa: Prospects for a new social contract?

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Abstract The introductory article of this special issue looks at the genesis, characteristics and challenges of social protection schemes in the Middle East and North Africa (MENA). It argues that social protection policies in the MENA should be seen as a key ingredient of the social contract that governments offered to their citizens after independence. To compensate for the lack of political participation and accountability, free public health and education systems, generous food, energy and water subsidies, social insurance and assistance schemes and mass public-sector employment were established. This was possible because MENA countries benefitted from substantial windfall profits (from the export of oil, gas and minerals; Suez Canal user fees), as well as from income from remittances from migrant workers and income from politically motivated aid. The decline of income from some of these sources and population growth has led MENA governments to focus more closely on strategically important social groups: typically, the urban upper middle class. As a result, social protection systems in MENA countries currently suffer from severe weaknesses in terms of social fairness, efficiency and sustainability. Although MENA countries still spend a very considerable share of gross domestic

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product on their social protection schemes, these have only very limited effects on the reduction of poverty, vulnerability and inequality – and some even exhibit perverse “bottom-up” redistributive outcomes. The articles that comprise this special issue selectively spotlight a number of opportunities and challenges for the development of sustainable social protection in the MENA countries.

**Keywords** social protection, social policy, social change, Middle East, North Africa

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**Introduction: The rationale for this special issue**

The Middle East and North Africa (MENA)\(^1\) is an under-researched region on issues of social policy and social protection. This is despite the fact that countries in the region frequently feature in international news bulletins, and political events in the region tend to have a high impact on global politics. Across the region, social protection schemes (broadly defined) play a major role in government budgets as well as for the legitimization of many national governments. Nevertheless, the mainstream social policy literature had tended to give much less attention to the region, especially before the so-called “Arab spring” in 2011 that led to regime changes in some Arab countries (Tunisia, Egypt) and civil war in others (Libya, Syrian Arab Republic, Yemen).\(^2\) Likewise, many bilateral donors and multilateral actors have shown only limited interest in social protection reform in the MENA. Only the Arab Labour Organization, the International Labour Organization (ILO), the World Bank and, of course, the International Social Security Association (ISSA) have studied social protection issues in the region over an extended period.\(^3\)

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1. In this issue, “MENA” refers to the entirety of Arab countries (Algeria, The Kingdom of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, territories under the Palestinian Authority, Qatar, Saudi Arabia, South Sudan, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, Yemen) in addition to the Islamic Republic of Iran and Turkey. Geographically, Israel is also part of the region but not covered by this issue, because of apparent differences to all other countries in the region.


3. For example, ALO (1992); Bingaradi and Guieciour (1997); Dau and El-Amach (1997); ISSA and SSA (various years); Nouira (1994); Robalino (2005); Tzannatos (2000); World Bank (2002).
In part, this academic and policy neglect may be due to many MENA countries having achieved relatively high rates of human development until the mid-1990s—at least according to official figures. After the Second World War, these countries started from extremely high levels of illiteracy, poor health indicators and income poverty. After achieving independence and with the departure of the previous colonial powers, they made rapid progress, on average, in reducing hunger, illiteracy, chronic diseases and income poverty. Between 1960 and 1999, average life expectancy rose from 45 to 64 years, the average length of schooling increased from 0.9 to 5.3 years and the literacy rate grew from 31 per cent to 69 per cent. Tunisia, Jordan and Syrian Arab Republic (hereafter, Syria), in particular, were among the world leaders in the improvement of human development indicators. For example, infant mortality in Tunisia fell from 20.1 per cent to 3.7 per cent between 1970 and 1997. Moreover, there was a reduction in the Gini coefficient in most countries (in Egypt, for example, from 0.43 to 0.33) (Loewe, 2010a).

During this period, international donors saw little reason to engage heavily in MENA social policies, in comparison to other world regions such as sub-Saharan Africa. Instead, they emphasized development cooperation in infrastructure (transportation, water, energy) and economic development (SME promotion, economic reforms, vocational training) in MENA countries. This is not to assume that MENA countries were without social policy systems. Both state and non-state actors have a long history of engagement in social and economic development in the MENA region and fulfil key functions of social protection (see below). Nevertheless, the research base around social policy issues did not develop in the MENA region as it has done in other parts of the global South, in part due to the preoccupation with the region’s geo-political problems which side-lined social concerns and permitted the dominance of a social policy model based on economic growth first (Jawad, 2009).

Genesis of social protection schemes in MENA countries

Three factors explain the achievements of most MENA countries in human development. First, the immense inflow of economic and political rents (the export of oil, gas, phosphate, gold and other minerals; development aid; Suez Canal user fees; but also of course political agency). Second, the redistribution of rent income from richer to poorer countries within the region (through remittances and budget support, especially to countries bordering Israel). Third, the substantial amounts that many MENA countries are spending (or which they have spent, at least, in the past) on social purposes.

In comparative terms, many MENA countries had institutionalized social protection systems even before they were colonised by European imperialist
countries. In origin, Islam tended to provide significant inspiration, given that it is not just a religious belief system but aspires also to regulate the polity and the economy. According to Islam, a proper Islamic state should take care of the socioeconomic well-being of its citizens. The main instrument for this purpose is the zakāh, an alms duty paid on property, which is one of the five key pillars of Islam. Following the important period of the Omayyad caliphs in the seventh and eighth centuries, only a few Islamic states have systematically levied the zakāh. States have left it to believers to pay the duty voluntarily and delegated the task to redistribute the collect to people in need to an independent body (the bayt-az-zakāh). States also encouraged the more affluent to set up faithful foundations (called awqāf), which became, in Ottoman times, the main providers of health care, basic education, and care for orphans, the elderly and disabled people, and assisted in feeding the poor (Dixon, 1987; Loewe, 2010b, 67ff.; Weidnitzer, 1998, 28 f.).

However, most of the public social protection schemes operated by MENA countries currently are imitations of European models. France, for example, set up Bismarckian social insurance schemes in the Maghreb countries prior to their independence. The United Kingdom helped to establish national provident funds in Egypt and Iraq, just as it did in other British colonies (McKinnon, Charlton and Munro, 1997). ⁴ Egypt has an established social assistance scheme that dates from the nineteenth century, which drew upon the much earlier English Poor Law of 1601. After independence, Egypt replaced its national provident fund with a statutory defined-benefit social insurance scheme – thereby imitating the French model. ⁵ Most other MENA countries adapted, in turn, either the “Algerian” or the “Egyptian” version of the French model (a very illustrative case of policy transfusion). ⁶ The territories administrated by the Palestinian Authority are a particularly interesting case in that there are three distinct social insurance schemes operating. First, an older version of the Egyptian scheme in the Gaza Strip (which was occupied by Egypt until 1967); second, an older version of the Jordanian scheme in the West Bank (which was effectively part of Jordan until 1967); and third, the Israeli system in East Jerusalem (annexed by Israel in 1980) (ISSA and SSA, various years; Loewe, 2010b, 67ff.).

The political regimes that came to power during the period when the MENA countries achieved independence established social contracts with society providing for the extension of material benefits to citizens (jobs, public education and health

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4. National provident funds were instituted, for example, also in former British colonies in Asia and the Pacific, sub-Saharan Africa and the Caribbean.
5. Egypt’s main alteration was to not to implement the child allowance typical of the French model.
services, commodity subsidies, economic opportunities as well as social protection) as compensation for the lack of political participation and accountability. The republican governments in particular (especially Algeria, Egypt, Iraq, Syria and Tunisia) legitimized their rule by their successes in independence wars, their social revolutionary ideologies, and the deep commitment to the transformation of their societies. So as to not delegitimize themselves for being less active than the governments in neighbouring countries, the monarchies (especially Jordan) felt under pressure to imitate these policies (Schlumberger, 2002).

The overall objective of MENA governments to legitimize themselves through a committed engagement to social policies endured, but their social policy strategies have altered slightly over time. During the 1950s and 1960s, most built up free, universal public health and education systems and established ever more complex food, water and energy subsidization systems in order to reduce the costs of living of the poor and, thereby, the breadth and depth of absolute poverty. In addition, some redistributed land from large, often absentee, landlords to landless peasants, nationalized some large-scale manufacturing and trading firms, and fixed the rents of urban dwellings. As mentioned above, most countries also had social insurance and assistance schemes, but the former covered only small shares of the population (typically, government employees and their dependants) and the latter had negligible budgets.

This pattern changed during the 1970s owing to higher government income coming from oil and gas exports and from politically motivated budget transfers. Not only were governments better able to redistribute more money in society, but they also felt pressure to do so to appease the population – in particular an ever more critical, exigent and politically active urban middle class (Loewe, 2013a). So, many governments extended the scale and scope of coverage of their social insurance schemes, increased spending on energy and water subsidies and also, but to a lesser degree, on social assistance, increased public-sector employment to accommodate university graduates in particular, and strengthened their systems of legal protection against workers’ dismissal. Some also started social housing programmes, which also served the interests of the urban middle class rather than the rural or urban poor.

With time, however, the social contracts in MENA countries were to weaken. The process started in the mid-1980s when the world market prices of energy collapsed: governments had to deal with the stark reality of sharing ever decreasing external income among a rapidly growing population. Egypt, for example, used to benefit from the export of crude oil and its derivatives, natural gas, coal, gold and other primary materials, tourism, Suez Canal user fees, remittances and official budget transfers (altogether, these equated to about a fifth of Egypt’s gross domestic product (GDP); see Loewe, 2013c). In particular, the value of official budget transfers had contracted, while the number of
inhabitants had grown from 27 million in 1960 to a projected figure for 2020 of close to 100 million (World Bank, 2017). The response was to cut back on total social spending and to focus the remaining expenditure more on strategically important parts of society, i.e. influential social groups with the power to destabilize the political status quo (Loewe, forthcoming). In contrast, authorities did not reduce the budgets of programmes with a disproportionate benefit for the urban middle class (such as social insurance benefits and energy subsidies). Some governments succeeded also in their attempts to externalize parts of the financing for their social expenditure (Western donors co-financed social funds in the region that were meant to soften the negative social effects of structural adjustment programmes, which were believed to be short-term). Other MENA governments tried to reduce food subsidies, but had to withdraw such initiatives when even the unorganized urban lower class took to the streets in “bread riot” protests (such as in Egypt in 1977; see Gutner, 1999). As an outcome, income poverty rates increased, the average quality of education deteriorated and access to medical treatment became more unequal – only the more affluent could pay for the private education and health services that filled the gap left by the public sector (Hinnebusch, 2015; World Bank, 2015).

Religious, charitable and grass-root organizations also tried to fill the gap in social and public service provision. Some wanted to help the poor, while others also wanted to proselytise. Here, however, the reaction of governments was heterogeneous. Some tried to limit the room to manoeuvre for non-government welfare organizations – fearing that these could possibly be more effective than their own policies and thereby undermine the government’s claim to be the most legitimate agent of the interest of the poor (Darrag, 2016; Loewe, 2000c; Loewe et al., 2001). Others, however – such as the government of Syria – were less scrupulous and welcomed any support provided by societal or external actors in the pursuit of human development (Ruiz de Elvira and Zintl, 2014). As a result, non-state actors such as charities, religious groups and sectarian group are playing a key role in delivering essential social welfare services at present in several countries of the region. This is especially so in Lebanon, but also in Iraq since the fall of the Saddam Hussein regime in 2003 (El-Said and Harrigan, 2009; Jawad, 2009).

In any case, it became increasingly obvious that the post-Second World War social contract was no longer working for many citizens, for example, in Tunisia and Egypt. Citizens felt that their governments were failing ever more in their duties as laid out in their own implicit social contracts: they cared less and less for the socioeconomic well-being of the majority of citizens and, moreover, still did not provide for more political participation and accountability (Aarts et al., 2012; Amin, 2011; Malik and Awadallah, 2011). The so-called Arab spring in 2011 may be understood as a reaction to a dismantling of...
the social contract. Participants of the upheavals called for: “Bread! Freedom! Social justice!” ("عَدَالَةٍ إِنَابةً تَجَرْبَةً عَيْشٍ") and hence for a new kind of social contract providing for either more socioeconomic equality or for better political participation and government accountability or – even better – for both (Karshenas, Moghadam and Alami, 2014).

However, since 2011, few MENA countries have made credible efforts to establish a substantially new kind of social contract. Tunisia is one country that has established a new constitution, in 2014, and the government now cooperates with trade unions and employers’ associations in the formulation of a new economic and social policy course. Morocco and Jordan have also implemented some reforms, but these are rather top-down approaches and much more half-hearted than in Tunisia. Syria, Yemen and Libya have borne witness to atrocious civil wars. Generally, the majority of MENA countries continue to be governed without the introduction of major political or economic policy reforms. In some, political repression has actually increased.

Neither Tunisia nor any of the other more reformist countries have embarked on major reform programmes in the field of social policies. Some MENA countries have started to reduce the burden of energy and food subsidies and to replace these by more direct cash transfer programmes (such as, for example, a quasi-universal cash transfer scheme in the Islamic Republic of Iran and a conditional and means-tested cash transfer programme in Egypt) (Ministry of Health (Egypt) and Health Systems 20/20, 2010). Rare are any major reforms to social insurance or public health programmes that can bring about improvements in the effectiveness, efficiency, sustainability or distributive justice of these schemes (Loewe, 2014).

A question is whether MENA countries are able to establish new kinds of social contracts that are better acceptable for all groups in society. A second question concerns what these social contracts should look like. Regardless, they would have to be superior to the old social contracts in terms of political participation, rule of law and government accountability. At the same time, they would have to provide for a more efficient and egalitarian redistribution of government resources to the population, i.e. offer more effective social protection schemes.

These matters have become increasingly urgent as conflict has engulfed a number of countries and yet, paradoxically, social protection has now become enshrined in the post-2015 Sustainable Development Agenda as Target 3 of Goal 1 (Eradicate poverty everywhere).

7. Developments in Tunisia in early 2018 show that even in this country political contestation remains a challenge.
At present, social protection schemes in MENA countries suffer from limited effectiveness and sustainability, which is mainly due to their deficits in terms of efficiency and equality rather than a lack of funding. On average, MENA countries spend a much higher share of their GDP (8 per cent) on social protection and health than developing countries elsewhere with the exception of those in Europe and Central Asia.\(^8\) However, the bulk of this spending goes to energy, water and food subsidies,\(^9\) even though these tend to suffer from very low targeting efficiency: most subsidy programmes in the MENA benefit the rich rather than the poor.\(^10\) At the same time, MENA countries allocate very little (between 0.4 per cent and 1.4 per cent of GDP) to social protection programmes with a large potential for progressive redistribution and poverty reduction, such as direct cash transfers or public works programmes (Loewe, forthcoming). As a result, these programmes are small. The transfers that they provide raise the income of beneficiaries by just about 5–20 per cent of their residual income (Silva, Levin and Morgandi, 2012, p. 75) and, typically, they reach out to just about 5 per cent of the population (Loewe, forthcoming, Table 1).

However, even the direct cash transfer programmes suffer from substantial targeting inefficiency (huge errors of exclusion and inclusion). These programmes do not cover more than 30 per cent of the poorest quintile of the population in any single MENA country except the territories administered by the Palestinian Authority (PA).\(^11\) Yet, at the same, the programmes also spend benefits on many people who are not poor. These account for 58 per cent of all beneficiaries in Jordan, 69 per cent in Egypt and 68 per cent in Iraq, with the result that on average just about 20 per cent of direct cash transfers in the MENA region reach the poorest quintile of the population (Silva, Levin and Morgandi, 2012, pp. 70–74).

As a result, the tax-financed transfer programmes of MENA countries have hardly any effect on poverty or income inequality. According to a simulation by

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8. Of course, the level of government spending on social protection and health varies within the MENA region. It ranges from 13 to 15 per cent in Egypt and Yemen, about 12 per cent in Jordan and 10 per cent in Algeria and Tunisia to just 4–6 per cent in the Kingdom of Bahrain, Oman and Qatar and a meagre 1 per cent in Lebanon, (IFPRI, 2013; ILO, 2014; Loewe, 2010b, p. 239; Silva, Levin and Morgandi, 2012).

9. For example, Yemen directed up to 15 per cent GDP to food, water and energy subsidies, Egypt up to 12 per cent, Saudi Arabia 10 per cent and Morocco 6 per cent (Silva, Levin and Morgandi, 2012, p. 20).

10. The poorest 20 per cent of the Egyptian population, for example, receive just 1 per cent of their governments’ net spending (excluding transaction costs) on gasoline subsidies, 13 per cent of electricity subsidies and 15 per cent of bread subsidies (Sdraelевич, 2014, pp. 15–17).

11. On average, they cover 16 per cent of the poor.
the World Bank, their existence reduces national poverty head-count rates by just 4 per cent on average (17 per cent in the PA territories and 9 per cent in Jordan, but just 3 per cent in Iraq and 2 per cent in Yemen). The GINI coefficient would be less than 1 percentage point higher on average if the cash transfer schemes were not in place (Silva, Levin and Morgandi, 2012, pp. 132–134).

In addition, there is plenty of anecdotal evidence regarding the substantial misuse of funds in many social transfer schemes in MENA countries (which is, of course, not a phenomenon unique to the region). Many suffer from corruption. The Egyptian Ministry of Awqāf, is meant to provide social assistance and credits to people in need. However, it used to extend, for some time, 80 per cent of all payouts to its own staff (Loewe, 2000c, p. 42). In addition, most social transfer programmes have very high administration costs, accounting for up to 86 per cent of their total budgets (Loewe, 2010b, p. 256).

Contributory social insurance schemes in the MENA region suffer from very similar deficits. In most MENA countries, they cover just a minority of the population. The effective coverage is less than 20 per cent in the poorest countries (Mauritania, Sudan and Yemen), but also in some of the richest countries (Oman, Qatar and the United Arab Emirates). For the latter, this is partly because the law does not cover migrant workers who constitute a large share of the working-age population. In most other countries, the effective coverage rate is between 25 per cent and 40 per cent of the employed population. Egypt and Jordan achieve a little over 50 per cent. Only Algeria, Tunisia and Libya have come close to 90 per cent (at least in the years before 2011) (Loewe, forthcoming, Table 1).

Furthermore, most social insurance schemes in MENA are highly fragmented. Typically, there are two distinct schemes for public-sector employees and other groups, but some countries have a greater number of schemes. Egypt, for example, has at least seven different pension regimes. These provide coverage to the armed forces, the security forces, top-rank employees in some ministries, civil servants, employees in state-owned enterprises, employees of specific large private-sector companies, other private-sector employees with a permanent working contract, employers and self-employed workers, Egyptians working abroad and all other groups of the population (Loewe, forthcoming; see also, Helmy, 2006). Tunisia has thirteen different pension schemes. Social insurance regulation thus reflects and intensifies the given stratification of society: households that are already richer and more privileged than the average have better social protection while the poorest in particular have no coverage (Loewe, 2017).

At the same time, many social insurance schemes in MENA suffer from deficits in terms of efficiency and sustainability, as well. The most obvious issue in this regard is that, on average, they dedicate as much as 15 per cent of their total
budgets to administrative tasks (Loewe, 2010b, Table A14). However, their investment policies cause even higher losses: many schemes still lend large shares of their reserves at fixed interest rates to their respective governments, even though they could achieve – legal, fiduciary, institutional, and financial market regulations and conditions permitting – much higher rates of return if they invested the reserves on the capital market. In turn, some of the benefit conditions are extraordinarily generous, which may threaten the financial sustainability of the insurance schemes: pension factors and minimum pension levels are much higher than in other world regions. Many schemes have extremely liberal early retirement provisions. It is notable that almost all Arab countries compute pensions using the insured person’s final salary rather than life-long income. This incentivizes employers and employees to underreport wages in all years except for the last 2–5 years of the career when wages are over-reported (in order to minimize average contributions maximizing pensions) (Loewe, 2010b, Tables A14–A16; Loewe, 2014; Robalino, 2005, pp. 62–68).

Several MENA countries have public health systems, which provide free health care. In some countries, however, their effective coverage is also less than 100 per cent: in some Gulf countries, migrant workers are excluded from access. In Mauritania, Morocco, Sudan and Yemen, rural regions often lack local health care facilities. Moreover, in many countries, patients are also frequently asked to make extra payments, which limits further the accessibility of health services for poorer households. In Egypt, for example, out-of-pocket spending accounts not only for 60 per cent of total national spending on health but also for 26 per cent of total spending for the services provided by the health care infrastructure of the Ministry of Health, which is, at least in theory, free of charge. This explains why 70 per cent of the poorest quintile of households in Egypt report having difficulties in accessing essential health treatment for financial reasons – compared with just 16 per cent of the households in the highest income quintile. Consequently, the Egyptian government has recently decided to establish a universal health insurance system, to be rolled out between 2018 and 2032, which will be free for the poorest households but charge non-negligible contributions from all others (El-Cassabgui, 2017; Loewe, 2013b; Silva, Levin and Morgandi, 2012, p. 70).

In addition, the public health systems of many MENA countries suffer from poor quality: insufficient hygiene, lack of essential instruments and pharmaceuticals, absenteeism of physicians, poorly motivated health personnel, etc. As a result, even poor people may choose to attend private health clinics if ever they can raise enough money to pay for these visits. Among pregnant women in Egypt in 2008, 23 per cent of the poorest quintile of the population went to private health care facilities to give birth (Rashad and Sharaf, 2015, p. 1167).
Aim and scope of the articles

In this themed issue, we enquire how social protection can contribute to the revival and reform of new social contracts in MENA countries and, ideally, what these should look like for this purpose. In addition, we ask if it is realistic to believe that social protection schemes in MENA countries can be reformed in the way that the very purpose of new, more transparent and egalitarian social contracts require and which policy actors may have to assume what kinds of responsibilities in the process.

The following five articles developed from papers first presented at a conference held on 5–6 December 2016 at the German Development Institute (Deutsches Institut für Entwicklungspolitik) in Bonn, Germany, in cooperation with the MENA Social Policy Network, University of Bath, United Kingdom.

The first article by Mario Györi and Fabio Veras Soares discusses how the social protection of children (respectively, households with children) can be improved. It takes Tunisia as an example for this important question because Tunisia has made considerable progress in economic and human development over the last two decades, but poverty is still disproportionately high among Tunisian children. In addition, the Tunisian government has made the reduction of child poverty a priority within the country’s ongoing social protection reform and the establishment of a social protection floor. The question is, however, what kind of social protection scheme is the most efficient to reduce child poverty in Tunisia. Therefore, the authors compare several models of universal and targeted child allowance schemes with respect to their costs and expected poverty impacts.

The second article by Ghada Barsoum investigates active labour market policies (ALMPs) in the MENA region. It raises the question why MENA countries are investing substantial shares of GDP into social policies in general but little into ALMPs – even though they have very high rates of underemployment and unemployment (especially youth unemployment). Barsoum notes that in other world regions some of the most successful social protection reforms included the integration of ALMPs into the overall set of social policies. She argues that this has not been the case in MENA countries because of the large size of the informal economy, a weak legacy of inclusive social protection systems, limited domestic revenue mobilization, and limited expertise within governments as regards the effectiveness of ALMPs.

The third article by Jessica Hagen-Zanker, Rebecca Holmes and Martina Ulrichs looks at the specific situation of refugees in MENA countries. It raises the question of how social protection instruments can provide support to refugees. Specifically, it analyses the impact of a UNHCR-sponsored cash transfer programme on indicators of human development (education, health, employment) for Syrian
refugees in Jordan. The authors selected Jordan as a case study because it hosts a particularly high number of refugees who are not eligible for support by any other of this country’s social assistance schemes.

The fourth article by Sharif Ismail turns to political economy questions. It aims to find out why repeated initiatives to reform social health protection in Egypt have failed so far. For this purpose, it analyses who are the relevant actors, what are their respective positions, what influence they have on political decision-making, and what role external actors have played in the process.

The fifth article by Walaa Talaat looks at the reform of subsidy schemes. As in the previous article, it again refers to the example of Egypt and investigates the effectiveness and overall performance of the Food Subsidy Programme (FSP) in that country. The article highlights and seeks to offer a better understanding of the FSP system’s effectiveness in reaching Egypt’s poor. Egypt presents a case of a country with a large food subsidy programme that according to the government as well as international organizations is expensive and poorly targeted towards the poor. Accordingly, as one important component of antipoverty interventions, measuring the targeting performance of Egypt’s food programme is crucial.

The articles that comprise this special issue selectively highlight some of the opportunities and challenges for the development of sustainable social protection in the MENA region. As the analysis found in this set of articles underlines, and in alignment with the 2030 Sustainable Development Goals agenda, the objective for the countries of MENA must be to meet adequately the social protection needs of all members of society.

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Introducing social protection in the MENA countries


Universal social protection in Tunisia: Comparing the effectiveness and cost-efficiency of food and energy subsidies with a proposed universal child allowance programme

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Abstract This article compares the effectiveness and efficiency of a food and energy subsidy programme, which is currently implemented by the Tunisian government, and a universal child allowance programme that is discussed as an alternative to these subsidies. The empirical analysis is based on microsimulations on the poverty impact and the costs of both programmes based on Tunisian household survey data.

The views expressed in this article are the sole responsibility of the authors and they do not necessarily reflect the position of the United Nations Development Programme or the International Policy Centre for Inclusive Growth.

Mario Györi is also affiliated with the London School of Economics and Political Science. Fabio Veras Soares is also affiliated with the Institute for Applied Economic Research (IPEA), Brasilia, Brazil. This article is based on the findings of an IPC–IG research project funded by UNICEF’s regional office for the Middle East and North Africa. The authors express their gratitude to Samir Bouzekri, Samman Thapa and Arthur van Diesen from UNICEF for facilitating the project, and thank Abdel Rahman El Lahga, Markus Loewe, Ismail Sharif and workshop participants at the German Development Institute’s MENA conference in December 2016 for their comments, which contributed to improving this article. Research assistance was provided Salomé Drouard and Alexis Lefèvre.
Our results suggest that a universal child allowance is approximately twice as efficient (i.e. the cost of lifting one person out of poverty under a universal child allowance is half of the cost of lifting one person out of poverty using subsidies) in reducing poverty than the current food and energy subsidies. The article concludes that efficiency-enhancing social protection reforms are possible based on a universal approach. Such reforms can be achieved without resorting to narrow poverty-targeting as an alternative to the subsidies whose negative side-effects (e.g. non-negligible exclusion errors, incentives to informality and social tensions) and costs (both public and private costs related to intensive data collection to improve targeting) are usually overlooked or underestimated.

**Keywords** children, cash benefits, subsidy, social protection, Tunisia

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**Introduction**

Since the Tunisian revolution in early 2011, the country has aimed at reforming its social protection system with a view to establishing a comprehensive social protection floor for all Tunisian citizens. In particular, a discussion has evolved around a possible reform of the country’s extensive food and fuel subsidy programme, which today constitutes 94 per cent of the country’s spending on social protection (authors’ own calculations based on World Bank, 2013). The subsidies have been criticised for their distributional inefficiency, given that large parts of the benefits end up in the hands of the richest parts of the population who typically purchase larger amounts of the subsidized products than the poor. International organizations, most notably the World Bank, have therefore called for replacing the inefficient subsidies with social programmes exclusively targeted to the poor.

However, targeted programmes have been subject to important criticisms (see e.g. Atkinson, 2015; Kidd, 2013) casting doubt on whether they are the best alternative to the universal subsidies which are currently in place. This article contributes to this discussion by assessing to what extent an alternative universal programme in Tunisia – namely, a universal child allowance – could improve the situation of the country’s poor and make the country’s social protection system more efficient. In this sense, the article also aims at nuancing the discussion about...
whether targeted or universal programmes are preferable, by providing evidence on the comparative effectiveness and efficiency of different universal programmes.

A universal child allowance has been considered a policy option in the Tunisian context given that child poverty is particularly high: 29.6 per cent, as compared to 21.9 per cent of overall poverty (own calculations based on the Enquête nationale sur le budget, la consommation et le niveau de vie des ménages (EBCNV) of 2010). As will be discussed, this discrepancy is more pronounced than in many other Middle East and North African (MENA) countries. Besides, there is no specific social protection programme that effectively protects children, except for the contributory Family allowances (Allocation familiales) for formal sector workers and that for school-age children living with a beneficiary of Tunisia’s largest cash transfer programme (Programme national d’aide aux familles nécessiteuses – PNAFN) who potentially can benefit from a complementary school allowance (Aide scolaire – PPAS). A universal child allowance could be implemented as a compensation measure in the event that the food and fuel subsidies were to be phased out and/or as an additional component of the country’s social protection system that addresses the coverage gap of social protection programmes focusing on children. Another policy option, which has been discussed in the context of the subsidy reform, is the introduction of a targeted cash transfer programme (see Cuesta, El-Lahga and Lara Ibarra, 2017; El Lahga, 2017).

This article compares Tunisia’s current subsidy scheme and a possible universal child allowance programme in terms of their respective effectiveness (i.e. how many people can the programme lift out of poverty?) and their efficiency (how much does it cost, on average, to lift one person out of poverty?). To do so, we conduct microsimulations on the costs and poverty impacts of a potential universal child allowance programme based on Tunisian household survey data (see footnote 1) and compare our results to the findings of previous studies on the performance of the food and energy subsidies.

The remainder of the article is structured as follows: the next section places the Tunisian debate in a wider conceptual context and summarizes the hitherto

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1. The EBCNV 2010 documentation and microdata can be downloaded from <nada.ins.tn/index.php/catalog/12/study-description>. New poverty lines for 2010 comparable to the EBCNV 2015 – whose microdata are not yet publicly available – were taken from the (INS, 2016) <www.ins.tn/sites/default/files/publication/pdf/Bulletin%20-%202016-fr2-2.pdf>. It is important to notice that overall poverty rates and child poverty rates are higher than those reported in El Lahga and Bouassida (2014), 15.5 per cent and 20.5 per cent, respectively, as the poverty lines for 2010 were revised upwards by the Institut National de la Statistique (INS) after the release of the EBCNV, 2015. Finally, the 2010 overall poverty rate reported here differs from the one reported in the Bulletin Flash as we use the per capita consumption variable net from investment and expenditures with durable goods and one-off expenditures related to ceremonies (e.g. marriage and funerals) instead of its gross definition following the guidelines from the Institut National de la Statistique (INS, 2012).
discussion on targeted versus universal social protection programmes. We then
describe the current social protection system in Tunisia and take a closer look at
child poverty in Tunisia and assess the extent to which children are protected by
the current social protection system. In turn, we compare the effectiveness and
efficiency of the subsidy system, which is currently in place, and a proposed
universal child allowance. Following an explanation of the data and methodology
and a presentation of the results of our analysis, we conclude with a discussion
of the policy implications of our findings.

Targeting versus universal social protection programmes:
Assessing the evidence

The case for targeting social protection programmes is usually based on efficiency
considerations. Given a fixed budget constraint, the poverty impact of a
programme will be higher if all its benefits go to the poor, rather than being
uniformly distributed across the whole population. As Coady, Grosh and
Hoddinott (2004, p. 62) state, “targeting transfers to poor households means that
more benefits can go to them”. Or equivalently, the argument is made that a
reduction of the poverty rate by x% can be achieved with fewer resources if the
benefits are restricted to those below the poverty line. Targeting can also be
justified based on equity considerations. The poor should be prioritized in social
programmes, given that they are in greater need of support than the well-off.

However, critics argue that targeting has high costs which often exceed the
efficiency gains that can be made (see Kidd, 2013). First, it involves administrative
costs related to the identification and selection of potential beneficiaries. Second,
it imposes a wide range of costs on the potential beneficiaries. This may include
travel costs and opportunity costs in relation to the application process, as well as
the possible stigma of being targeted to receive social benefits (Conning and
Kevane, 2002). Third, there may also be a number of “invisible costs”, such as
social tensions that are created through the targeting process (Devereux et al.,
2017). The latter may be particularly important in the context in which the
introduction of the targeting intervention is planned as a partial compensation for
the phasing out of universal food and energy subsidies that will have negative
effects over the entire spectrum of the income distribution.

Probably even more important is that targeting is almost inevitably linked to
“exclusion errors” – individuals/households who are entitled to receive the
benefit may be wrongly excluded due to flaws in the targeting process. As
recently argued by Brown et al. (2016), the most common targeting mechanisms
in the developing world, namely proxy means tests, are able to halve inclusion
errors, but this performance comes at the cost of substantially increasing
exclusion errors. These errors are particularly costly, given that they deprive poor
individuals from a benefit which could potentially have large transformational effects, and in some contexts even save lives. For example, wrongly excluding families from a cash transfer programme that improves the educational outcomes of children will result in foregone incomes among the excluded families, and foregone increases in human capital in the economy. The costs of exclusion errors are therefore disproportionately higher than the costs of “wrongly” including a non-poor household in a social programme.

An argument brought forward by Atkinson (2015) is that poverty targeting may create important disincentives to engage in (formal) employment. If an individual loses entitlement to a social benefit when crossing the poverty line, the effective marginal tax rate for incomes close to the poverty line may be so high that it does not pay off to engage in any formal employment at all.

Overall, there is a substantial literature that challenges targeting and advocates for universal social protection schemes (see Kidd, 2013). However, there is surprisingly little evidence on how universal schemes can be designed to reduce poverty in the most cost-efficient way. Based on data from Tunisia, this article aims at developing recommendations on the design of universal social protection programmes by comparing the cost-effectiveness and cost-efficiency of two of the most widespread universal interventions – a universal child allowance programme and food and fuel subsidies.

Tunisia operates an elaborate food and fuel subsidy system, but the introduction of a universal child allowance programme has been considered by the Tunisian government as a future policy option (ministère des Affaires sociales, 2014). A universal child allowance programme could be established either in addition to the current subsidy system and/or as a compensation measure in the event that the subsidies are diminished or completely phased out.

A number of previous studies have suggested that food and fuel subsidies are a rather inefficient policy measure to reduce poverty, given that the richer parts of the population tend to consume larger quantities of the subsidized goods than the poor (Arze del Granado, Coady and Gillingham, 2012; Lin and Jiang, 2011). A common recommendation by international organizations, most notably the World Bank, has been to gradually replace these subsidies by targeted social protection programmes. In Tunisia, the World Bank has expressed a preference for “well-targeted” programmes based on a proxy-means test methodology (World Bank, 2013).

Against the background of the disadvantages of targeting described above, this article aims at investigating whether an efficiency-enhancing and cost-saving subsidy reform is possible by replacing the subsidies by a universal child allowance programme.

It is important to bear in mind that our analysis is not intended to compare the effectiveness and efficiency of targeted versus universal programmes. The cited...
literature illustrates that targeting may have costs that are difficult to observe (e.g. the long-run costs of exclusion errors, stigma related to targeting, costs related to queuing/travelling in relation to the application process), in addition to the more explicit administrative costs of the targeting administration. In our view, an informed discussion of the relative effectiveness/efficiency of targeted and universal programmes would need to take into account all these costs. As we do not have access to such data for Tunisia, we prefer to refrain from a comparative analysis of targeted and universal programmes.

**Tunisia’s non-contributory social protection system**

Tunisia’s social protection system consists of targeted social assistance programmes, contributory social insurance for public servants and formal sector workers through the National Social Security Fund (*Caisse nationale de sécurité sociale* – CNSS) and the National Pension and Social Insurance Fund (*Caisse nationale de retraite et de prévoyance sociale* – CNRPS), active labour market policies and universal food and energy subsidies (CLEISS, 2017).

The country’s main social cash transfer programme, the *Programme national d’aide aux familles nécessiteuses* (PNAFN) has historically been targeted at households whose household head is unable to work due to old age or disability (Ostermann et al., 2013). However, since the 2011 revolution, the programme has gradually been opened up to other categories of poor households, and beneficiary numbers have since increased by 70 per cent (CRES, 2017; World Bank, 2015a). Beneficiaries receive TND 150 (approx. USD 61.12) per month. As documented in CRES (2017), these transfers have a sizeable impact on the living standards of the beneficiary households, and increase the consumption expenditure on average by 83 per cent. At present, PNAFN reaches approximately 230,000 households, covering 7.3 per cent of the population. About 75 per cent of the recipients of PNAFN are older than age 53, and 25 per cent of all the recipients are older than age 76 (CRES, 2017). Inclusion errors are moderate and 87.2 per cent of PNAFN benefits accrue to the bottom half of the income distribution, but coverage is still very limited and 76 per cent of individuals in the poorest three deciles do not have access to the PNAFN (own calculations based on CRES, 2017).

The PNAFN also has a built-in school allowance covering approximately 50 per cent of the PNAFN households with children (i.e. 80,000 children). This monetary transfer amounts to TND 10 per child per month, for up to three children in a family, on top of the regular PNAFN benefit. However, there are doubts about whether the programme is an effective social safety net for children, given the small number of children in PNAFN households (Ostermann et al., 2013). The “back-to-school” (BTS) programme is another...
educational benefit programme with a slightly wider scope. It provides monetary support to approximately 373,000 pupils and university students at the very beginning of the school year when education-related expenditures are particularly high. Apart from these cash transfers, Tunisia also operates a school meals programme, targeting 240,000 children in 2,500 schools, with priority given to rural areas (WFP, 2016).

The social protection programme with the widest coverage is the *Programme de soins à tarifs réduits* (AMG), granting reduced fees for the use of health services at public health centres since 1998. As of 2016, the programme had covered 620,000 Tunisian households (CRES, 2016). The targeting of the programme is based on a means test. Comprising two parts, the AMG I programme provides basic services for poor households (PNAFN beneficiaries) for free, and the AMG II programme provides subsidized services for low-income households (World Bank, 2015a).

In addition to these targeted social protection programmes, Tunisia has provided subsidies on food and energy since 1970 through its *Caisse générale de compensation*. The objectives of the subsidy programme are to assure an equitable access to basic consumption goods and energy for all parts of the population, to shield the poorest income groups from the price volatility on international commodity markets, stabilize input prices for the Tunisian economy, and to guarantee a minimum revenue for agricultural producers (World Bank, 2013; ministère de l’Industrie et du Commerce, 2017).

The subsidy system has been criticized for being very costly and inefficient as a poverty-reduction programme. The expenditure on subsidies varies largely from year to year, depending on the world market prices of the subsidized goods, as the government aims at keeping the domestic price level stable. When energy prices peaked in 2013, the country spent 7 per cent of its gross domestic product (GDP) on subsidies. In 2016, the subsidy expenditure amounted to 3 per cent of GDP (El Lahga, 2017). As a comparison, the country spends 0.4 per cent of its GDP on social assistance – i.e. approximately one tenth of the spending on subsidies (World Bank, 2015a). Moreover, most of the benefits of food and energy subsidies accrue to richer parts of the population, as they tend to purchase larger quantities of the subsidized goods than the poor (as detailed below). As a consequence, the World Bank has been invoking the Tunisian government to replace the inefficient universal subsidies with social assistance programmes targeted on the poorest parts of the population. The World Bank’s favoured targeting mechanism for these programmes in Tunisia is a proxy means test (PMT), where the eligibility of a household is determined based on a score reflecting easily observable household characteristics that are indicative for a household’s level of consumption (World Bank, 2013; World Bank, 2015a).
Figure 1. Comparison of poverty rates and child poverty rates (selected MENA countries)

Note: All estimations are based on household survey data collected between 2010 and 2012. Overall poverty rates and child poverty rates were estimated based on the same dataset, except for Jordan. Note that the data for overall poverty in Jordan refers to 2010, while the child poverty rate refers to 2012.

Sources: Authors’ elaboration based on Cockburn et al. (2014) for Egypt; UNICEF (2014), Jolliffe and Serajudin (2015) for Jordan; Abdelkhalek (2014) for Morocco; and UNICEF (2014) and own calculations for Tunisia.

Child poverty and the position of children in Tunisia’s social protection system

Figure 1 illustrates that children in Tunisia are disproportionately affected by poverty. Depending on the choice of the poverty line, children are 1.27 to 1.35 times as likely to be living in poverty than the overall population (own calculations based on EBCNV, 2010; see footnote 1). The discrepancy between child poverty and overall poverty is also disproportionately high by regional

2. Two different poverty lines have been used in recent studies on Tunisia’s social protection system. The official national poverty line is calculated based on the minimum caloric/dietary requirements of individuals in Tunisia, and adjusted for the share of non-food expenditure in the poorest income quintile. For 2010, the recently revised poverty lines are 1,340; 1,215; and 1,070 per year per capita for metropolitan, urban and rural strata, respectively (INS, 2016). The second poverty line has been used in CRES (2017) and considers that 31 per cent of the population, the share of the population currently covered by AMG II and PNAFN should be considered as poor. Results for the second poverty line are available upon request, but they do not change qualitatively the results reported here.
standards. In Egypt for example, poverty among children is fairly similar to poverty in the whole population, with figures of 25 per cent and 27 per cent, respectively. In spite of this situation, Tunisia does not have any non-contributory social protection programme which effectively covers children who are living in poverty. Depending on the poverty line chosen, between 920,000 and 1.2 million Tunisian children live in poverty, but only 80,000 children benefit from the PNAFN-related education benefits, 240,000 children benefit from school meals, and 360,000 children receive annual BTS benefits. Moreover, it is important to bear in mind that the BTS benefits are small and only paid once a year. Pupils receive TND 30 (approx. USD 15) and university students TND 100 (approx. USD 30). Assuming perfect targeting and no overlap between programmes, which is clearly not the case in Tunisia, one would conclude that 320,000 poor Tunisian children are effectively covered by child-focused social cash transfer programmes. This implies that between either 52.3 per cent or 73.4 per cent of Tunisian children are not directly covered by any social cash transfer programme, depending on the chosen poverty line.

Given the important inequities to which Tunisia’s children are exposed, the Tunisian government has considered the introduction of a child allowance programme (République Tunisienne, 2014). The idea is that a new programme, tailored to the needs of children, would be in a better position to realize children’s rights as enshrined in the Tunisian constitution and international conventions signed by Tunisia. It is also important to underline that, as opposed to the PNAFN and its built-in allowance for school-aged children, a child allowance would not primarily be a poverty reduction programme, but could be a tool to promote social inclusion and equity among Tunisia’s children at large. Nevertheless, it is important to underline that a child allowance has not been discussed as a replacement of the targeted PNAFN and AMG I and II programmes, but rather as an additional component of the country’s social protection system.

A universal programme has been considered a superior alternative from a children’s rights perspective, as it would not discriminate among children and minimize the risk of exclusion errors and possible detrimental impacts for the excluded children. It would also imply lower administrative costs than a targeted programme, which means that a higher share of the total budget can actually be transferred to the beneficiaries.

Given that a universal programme will also require the mobilization of a larger amount of financial resources, the introduction of a universal child allowance has been discussed in the framework of a reform of the country’s food and fuel subsidy system. As illustrated in CRES (2017), Cuesta, El-Lahga and Lara Ibarra (2017) and El Lahga (2017), a subsidy reform would act like a sizeable negative income shock for the poorest Tunisian households and requires mitigation measures to avoid negative impacts on the most vulnerable groups.
The aim of our empirical analysis was to compare the effectiveness and the relative efficiency of Tunisia’s current subsidy system and a possible prospective universal child allowance. The effectiveness of both programmes can be assessed by comparing the respective poverty impact of both programmes. The relative efficiency of both programmes can be assessed by comparing the costs that each programme requires to lift one person out of poverty. We therefore estimate four outcomes:

• The poverty impact of the current subsidy scheme.
• The (potential) poverty impact of a universal child allowance.
• The cost of the current subsidy scheme.
• The (potential) costs of a universal child allowance.

First, we conducted microsimulations to estimate the poverty impact of the removal of food and energy subsidies, based on the *Enquête nationale sur le budget, la consommation et le niveau de vie des ménages* (EBCNV) 2010 household survey dataset. We obtained data on the incidence of the food subsidies per income quintile from the World Bank (2013), and on the incidence of the electricity subsidies from Cuesta, El-Lahga and Lara Ibarra (2017). In this way, we were able to calculate the average per capita benefit for both food and electricity subsidies in each quintile. Based on this data, we simulated the impact of a potential subsidy removal on household incomes and poverty rates. To calculate the household income after the removal of subsidies, we multiply the per capita benefit of the subsidies applicable to the income quintile to which the household belongs by the number of household members, and subtract this amount from the original household income, as indicated in the EBCNV database:

\[
HH \text{ exp}_{\text{subsidy removal}} = HH \text{ exp}_{\text{EBCNV}} - \left( PC \text{ benefit of subsidies}_{\text{quintile q}} \times HH \text{ size} \right)
\]  

The poverty impact of a universal child allowance has been estimated through microsimulations based on the same dataset. First, we needed to make an assumption on the potential child benefits to be paid under a universal child allowance programme. International experience illustrates that the benefits of a cash transfer programme with the aim of reducing poverty should constitute at least 10 per cent of the average expenditure of the beneficiary households to have a veritable impact on household consumption and well-being. A benefit level of 15–20 per cent of the average expenditure of the beneficiary households is considered more advantageous (Banerjee et al., 2015). We therefore consider it reasonable to assume that the benefits paid per family will amount to 10–20 per cent of the average household expenditure in the poorest income quintile. Another approach to defining the amount of the child benefits is to
assume that the government would redistribute the entire savings that could be made by phasing out the country’s food and energy subsidies. Therefore, we define three scenarios that could be financed through the phasing out of such subsidies:

- **Scenario 1.** The total child allowance benefits received by a family in the lowest income quintile, on average, correspond to 10 per cent of its household expenditure: TND 18.
- **Scenario 2.** The total child allowance benefits received by a family in the lowest income quintile, on average, correspond to 20 per cent of its household expenditure: TND 36.
- **Scenario 3.** All savings from a potential suppression of the current subsidy scheme are used for a child allowance: TND 68 (we consider this as a rather unlikely policy scenario, and the results should therefore be interpreted as a hypothetical benchmark of what could be achieved in the event that all spending on subsidies was to be channelled into a child allowance).

We then simulate a transfer of the calculated benefit amounts to all Tunisian children. In particular, we add the proposed benefit level under each scenario \( z \), to the household expenditure in the EBCNV dataset. It is to be noted that the simulation of the transfer occurs after the simulated income shock due to the subsidy removal:

\[
HH_{exp}^{Child\ Allowance} = HH_{exp}^{subsidy\ removal} + (No.\ of\ children \times benefit\ level_{z})
\]

To estimate the poverty impacts of the subsidy removal and the introduction of the child allowance programme, we calculate the prevalence of overall poverty and child poverty (headcount ratio, \( P_0 \)) before and after the transfer. The poverty impact of the programme, \( P_0 \) can be estimated as:

\[
\Delta P_0 = P_0(\text{after transfer}) - P_0(\text{before transfer})
\]

We use the revised official poverty line of the *Institut National de la Statistique* (INS) which yields a baseline poverty rate of 21.89 per cent and a baseline child poverty rate of 29.65 per cent.

The costs of the current subsidy scheme were computed based on data from the World Bank (2013). The report estimates that the country’s average spending on subsidies in the five years between 2008 and 2012 amounted on average to 3.76 per cent of GDP. Based on a GDP of TND 76.35 billion in 2013 (own calculations based on World Bank, 2013), this corresponds to a total spending on subsidies of approximately TND 2.87 billion.

To estimate the costs of a universal child allowance, we multiplied the number of children living in Tunisia with the amount of benefits to be paid per...
We then subtract the potential savings that could be made by merging Tunisia’s current contributory Family allowance (Allocations familiales) programme into the new universal programme, denoted by $S$ in the equation 4. Last, we add administrative costs, $A$, amounting to 15 per cent of the total benefit payments, following a recommendation of the International Labour Office (ILO, 2007). These costs are added to the estimated costs of the universal child allowance:

$$Cost_z = \left( \frac{\text{Benefit level}_z \times \text{No. of children}}{C^3} - S \right) + A$$

(4)

To make costs and benefit payments comparable between different time periods, we use 2015 as a base period and adjust all other data for inflation up to then.

It is important to highlight that our method does not allow to account for any macroeconomic or dynamic effects that the removal of the subsidies and the potential introduction of a child allowance might have. The analysis is limited to the immediate consequences to household consumption and poverty prevalence in response to these policy changes and cannot take into account any long-run effects.

### Results

First, we compare the benefit incidence of Tunisia’s current subsidy scheme to the benefit incidence of a potential universal child allowance programme, by quintiles of the Tunisian income distribution. Table 1 illustrates that the targeting of the energy and food subsidies is regressive – only 14 per cent of the country’s beneficiary in each of the three scenarios. We then subtract the potential savings that could be made by merging Tunisia’s current contributory Family allowance (Allocations familiales) programme into the new universal programme, denoted by $S$ in the equation 4. Last, we add administrative costs, $A$, amounting to 15 per cent of the total benefit payments, following a recommendation of the International Labour Office (ILO, 2007). These costs are added to the estimated costs of the universal child allowance:

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First, we compare the benefit incidence of Tunisia’s current subsidy scheme to the benefit incidence of a potential universal child allowance programme, by quintiles of the Tunisian income distribution. Table 1 illustrates that the targeting of the energy and food subsidies is regressive – only 14 per cent of the country’s beneficiary in each of the three scenarios. We then subtract the potential savings that could be made by merging Tunisia’s current contributory Family allowance (Allocations familiales) programme into the new universal programme, denoted by $S$ in the equation 4. Last, we add administrative costs, $A$, amounting to 15 per cent of the total benefit payments, following a recommendation of the International Labour Office (ILO, 2007). These costs are added to the estimated costs of the universal child allowance:

$$Cost_z = \left( \frac{\text{Benefit level}_z \times \text{No. of children}}{C^3} - S \right) + A$$

(4)

To make costs and benefit payments comparable between different time periods, we use 2015 as a base period and adjust all other data for inflation up to then.

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spending on food subsidies benefits the poorest 20 per cent of the population, while 26 per cent of the benefits accrue to the richest income quintile. An even more drastic picture emerges for the energy subsidies, where only 12 per cent of the total spending is attributed to the poorest quintile.

A universal child allowance would have a progressive targeting – 27 per cent of the benefit payments would accrue to the poorest income quintile and only 14 per cent of the benefits would accrue to the richest 20 per cent of the population (as compared to 26 per cent for food and 30 per cent for energy subsidies). The reason for the pro-poor “targeting performance” of the child allowance, even in the absence of any type of means testing, is the socio-demographic composition of the Tunisian population, where the average number of children is substantially higher among poor households than among well-off households. According to the EBCNV 2010 dataset, individuals in the poorest income quintile live in households with on average 2.6 children, while the average Tunisian in the richest quintile lives in a household with approximately 0.95 children.

Figure 2 presents estimations on the poverty impact of the current food and energy subsidies programme and different scenarios for a universal child allowance programme. The figure illustrates that food and energy subsidies, despite their inefficiencies illustrated in Table 1, have a substantial impact on poverty in Tunisia. A phasing out of both food and energy subsidies would lead

Figure 2. Poverty impact of a universal child allowance as compared to food and energy subsidies

Source: Own calculations based on the EBCNV 2010 dataset.
to a 6.56 percentage points increase in poverty (7.88 percentage points on child poverty). However, our estimations also show that a universal child allowance programme providing benefits corresponding to 20 per cent of the average household expenditure in the poorest per capita income quintile – corresponding to 51 per cent of the fiscal savings of a subsidy reform – would almost offset this increase in poverty after a potential subsidy removal, and would even lead to a net decrease in poverty among children, as compared to the status quo (food and energy subsidies in place). If all savings from the subsidy reform were used for a child allowance programme, a substantial reduction of poverty could be achieved, amounting to 12.7 percentage points for overall poverty (i.e. a net decrease of 6.14 percentage points with regards to the status quo).

Figure 3 shows the discrepancy between child poverty and overall poverty under the different policy scenarios. The graph illustrates that a universal child allowance can also be seen as an equity-enhancing programme, as it narrows the gap between overall poverty and child poverty from 7.8 percentage points at baseline, to 4.3 percentage points (child allowance = 20 per cent of household consumption), and completely closes the gap between child poverty and overall poverty if all savings from the subsidy reform were distributed through the child allowance.

To complete the picture, Table 2 presents estimates on the costs and the cost-efficiency of the food and energy subsidies, as well as the different scenarios

**Figure 3. Discrepancy between child poverty and overall poverty**

![Discrepancy between child poverty and overall poverty](image)

**Note:** The baseline poverty rate used for this estimate is 21.89 per cent as per the EBCNV 2010 dataset.

**Source:** Own calculations based on the EBCNV 2010 dataset.
for the introduction of a universal child allowance. In particular, column (III) provides estimates on the impact of the different programmes on the poverty headcount, and column (IV) on the average cost of lifting one person out of poverty.

First, it is important to note that the current food and fuel subsidy system protects more than 700,000 Tunisians from falling into poverty. A child allowance programme distributing all possible savings that could be made through a subsidy reform would be in a position to lift 1.35 million Tunisians out of poverty.

Moreover, column (IV) illustrates that the average cost of lifting one person out of poverty amounts to approximately USD 2,000 with the current food and fuel subsidy programme, but only to between USD 1,000 and USD 1,150 under a potential universal child allowance programme, depending on the scenario. One can therefore conclude that a universal child allowance is approximately twice as efficient in lifting people out of poverty as the current subsidy scheme. Under a fixed budget constraint, a universal child allowance can lift twice as many households out of poverty than the universal food and fuel subsidy programme.

## Conclusion

Our analysis shows that the introduction of a universal child allowance in Tunisia would be in a better position to improve the well-being of the country’s poor than the food and energy subsidies which are currently in place. It is more effective as it lifts more people out of poverty than the subsidies (assuming that

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**Table 2. Costs and efficiency of a universal child allowance versus universal food and fuel subsidies**

<table>
<thead>
<tr>
<th></th>
<th>(I)</th>
<th>(II)</th>
<th>(III)</th>
<th>(IV)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total cost (USD)</td>
<td>Impact on poverty rate (percentage points)</td>
<td>Impact on poverty headcount</td>
<td>Cost of lifting 1 person out of poverty (USD)</td>
</tr>
<tr>
<td>Food and fuel subsidies</td>
<td>1,464,683,061.22</td>
<td>-6.62</td>
<td>-704,315</td>
<td>2,079.59</td>
</tr>
<tr>
<td>Child allowance 10% of HH expenditure</td>
<td>353,922,840.17</td>
<td>-3.23</td>
<td>-343,646</td>
<td>1,029.91</td>
</tr>
<tr>
<td>Child allowance 20% of HH expenditure</td>
<td>761,144,258.94</td>
<td>-6.17</td>
<td>-656,438</td>
<td>1,159.51</td>
</tr>
<tr>
<td>Child allowance distributing all savings of subsidies</td>
<td>1,464,683,061.22</td>
<td>-12.70</td>
<td>-1,351,178</td>
<td>1,084.00</td>
</tr>
</tbody>
</table>

Notes: TND amounts were converted to USD amounts using the average exchange rate in 2015 (1 USD = 1.96 TND). HH = Household.

Sources: Own calculations based on EBCNV 2010 dataset, CRES (2017) and World Bank (2013).
benefits are slightly higher than 20 per cent of the average household income in the poorest quintile). It is also more efficient, as the cost of lifting one person out of poverty is substantially lower under a universal child allowance than under the subsidy scheme. The reason for this mainly lies in the distributional effects of both kinds of programmes. As the rich consume larger quantities of the subsidized goods than the poor, a large share of the subsidy programme’s benefits end up in the richer income quintiles. In contrast, the poorer households tend to have more children, implying that a disproportionate share of a child allowance would benefit the poor.

Besides these efficiency improvements, a universal child allowance would also imply important equity gains. A child allowance programme would narrow the gap between overall poverty rates and child poverty rates – a gap which is hardly justifiable for a middle-income country such as Tunisia. Children are particularly vulnerable to any kind of deprivations, and experiencing poverty during childhood will most likely result in adverse long-run impacts which persist into adulthood. A universal child allowance should therefore also be seen as an investment in the country’s human capital and long-term economic growth that could be linked to complementary measures on the supply side – health, nutrition and education – to maximize inter-sectoral synergies.

How do our findings relate to previous studies on social protection reform in Tunisia? Most importantly, this study shows that efficiency gains are possible without sacrificing the advantages of a universal and rights-based social protection system. Previous studies by academics as well as international organizations have concluded that the only option for efficiency improvements in the Tunisian social protection system is the gradual replacement of the universal food and energy subsidies by poverty-targeted social assistance programmes (Cuesta, El-Lahga and Lara Ibarra, 2015; World Bank, 2013 and 2015b). It is revealing that none of these studies seems to consider the high costs of targeting, most importantly the potentially long-term costs of exclusion errors. Quite to the contrary, most of the empirical analyses in these papers are based on the unrealistic assumption of “perfect targeting” and zero targeting costs.

It is also important to bear in mind that the phasing out of subsidies may raise social tensions, as occurred in previous instances when the government anticipated a subsidy reform (for details, see El Lahga, 2017). Therefore, it is crucial that compensation measures are well-elaborated and communicated to the general public before the start of a potential subsidy reform. The targeted PNAFN and AMG II would continue to play an important role in Tunisia’s social protection system, providing social assistance to those who are unable to work as well as free medical care to those living in poverty.

For its part, the universal character of the child allowance programme will help to fill gaps left by these programmes and reach poor households excluded from
the PNAFN and AMG II due to those programmes’ targeting. A universal child allowance financed with a substantial proportion of the subsidy reform savings – at least half of it – has the advantage to compensate a much larger number of households in comparison to targeting the compensation through the current social assistance programmes (PNAFN and AMG II). This can minimize misgivings about the reform among segments of the population in the middle of the income distribution, and yet keeping its incidence pro-poor. It would also be easier to communicate and would not generate any disincentives to work or to formalization.

What are the implications of our analysis beyond Tunisia? First, we believe that our findings can be indicative for other countries that envisage a subsidy reform. This is particularly so as regards two conditions: first, the rich consume larger absolute amounts of the subsidized goods than the poor; second, the poor on average have more children than the rich. Both conditions are not uncommon in other countries, in particular in the MENA region. Second, our findings can contribute to a more nuanced debate about the advantages and disadvantages of targeted and universal social protection programmes, illustrating that there can be large differences in the effectiveness and efficiency of different universal programmes, and that generalizations with regards to universal schemes should be avoided.

**Bibliography**


Universal social protection in Tunisia


Can youth activation policies be central to social policies in MENA countries?

Ghada Barsoum

The American University in Cairo, Egypt

Abstract Youth unemployment is a major socio-political issue in the Arab countries of the Middle East and North Africa (MENA). However, active labour market programmes (ALMPs) in support of youth employment remain less prevalent and are generally outside the purview of social policies in the region’s countries. This article addresses this inconsistency. The article provides an overview of such programmes and identifies the challenges to their inclusion as a central part of the region’s social policy mix. Internationally, the article notes that successful models for the integration of ALMPs into social policies have been part of long-term reforms targeting inclusive social security systems. This has not been the case in Arab countries where access to contributory social security systems is limited and where labour markets are characterized by large informal economies and a majority of workers are without social protection. Further contributing factors pertain to limited state budgets and a limited knowledge base about the effectiveness of ALMPs in the region.

Keywords youth unemployment, labour market, social policy, Middle East, North Africa

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Introduction

One of every three young people in the Arab countries of the Middle East and North Africa (MENA) was unemployed in 2016 (ILO, 2016). The region has the highest rates of youth unemployment globally, registering 30.6 per cent in 2016 (ILO, 2016). Unemployment among young women is significantly high, exceeding 50 per cent in the region (Elder and Kring, 2016). The geopolitical tensions witnessed in the region since 2011, the so-called Arab spring, have negatively affected the employment prospects of young people, particularly in countries deeply affected by these tensions. In Egypt, the total unemployment rate increased from 9 per cent to 12.9 per cent between 2010 and 2011. Likewise, the total unemployment rate increased in Tunisia from 13.1 per cent to 15.2 per cent during the same period. However, the events of 2011 and the ensuing political turmoil in the region have renewed interest in social policies as a potential means to address these challenges (Karshenas, Moghadam and Alami, 2014; Campante and Chor, 2012; Malik and Awadallah, 2013).

Active labour market programmes (ALMPs) are interventions that seek to improve the prospects for gainful employment among their participants (OECD, 2007). Youth-focused ALMPs are often paired with the key objective of facilitating the school-to-work transition process, by increasing the employability of new entrants to the labour market or by increasing labour demand (Angel-Urdinola and Leon-Solano, 2013). ALMPs are generally divided into four main categories (Kluve et al., 2016). These are (i) training programmes (possible formats include: in-classroom, on-the-job, life skills, second-chance programmes, non-formal apprenticeship, financial literacy, and mentoring); (ii) entrepreneurship promotion programmes (in the form of financial and non-financial assistance); (iii) employment services (counselling, search assistance or job placement); and (iv) services in the context of subsidized employment and public works projects.

Despite mounting global evidence suggesting that investing in youth through ALMPs does pay off (Kluve et al. 2016), these programmes remain a less commonly supported policy approach and are generally outside the purview of social policies in the MENA region. As the data discussed in this article shows, programmes are generally under-funded, which, in turn, hampers their effectiveness and leads to the delivery of out-dated service models with serious design flaws (Angel-Urdinola and Leon-Solano, 2013). This is despite the fact that the policy discourse places a high priority on youth employment and often

1. For data on Egypt and Tunisia, see ILO STAT database <www.iло.org/ilostat>.
2. For other approaches to categorizing programmes, see Bonoli (2010 and 2013); Lindsay and Mailand (2004); and Card, Kluve and Weber (2010).
Youth activation policies in the MENA countries

highlights youth unemployment rates as a key policy challenge (Barsoum, 2016). This article seeks to understand this disconnect between the need for these programmes and the low levels of investment allocated to them. The article also seeks to identify challenges to the incorporation of ALMPs as a central component of the social policy mix in the region.

The analysis in this article takes a comparative approach, placing available data on the experience of the MENA countries in a global context. Loewe (2014) rightfully notes that Arab countries in the Middle East have a high degree of political and cultural homogeneity, but a much lower degree of economic and social policy homogeneity. For this reason, the analysis is limited to middle-income countries in the MENA region. The analysis benefits from the increasingly growing wealth of knowledge on activation policies in countries in the European Union (Euzéby, 2012) and in other Organisation for Economic Co-operation and Development (OECD) countries. ALMPs have been an important and well-studied aspect of social policy in welfare state regimes in these contexts (see, for example, Bonoli, 2010 and 2013; Lindsay and Mailand, 2004; Heidenreich and Aurich-Beerheide, 2014; Ploug, 2014).

The data on ALMPs used in this article is based on publically accessible reports from international organizations and governmental websites on ALMPs in the region. The inventory of youth employment programmes, which is an open-access global depository of programmes, has also been used for analysis of data on Egypt.3 The data analysis method takes a qualitative approach, through a thorough reading and content analysis of programme descriptions, policy focus, funding modalities and targeting mechanisms.

This article is organized as follows. The analysis starts with a discussion of the region’s social policies and labour market conditions. This is followed by a discussion of the global experience of activation policies when incorporated as part of welfare regimes. The article then presents data on ALMPs in the region, discussing main providers, types of interventions, targeting mechanisms, funding modalities and the politics associated with these issues. The article concludes by addressing the challenges to the incorporation of youth activation policies into the region’s social policies.

Background: Social policies and labour market conditions in middle-income Arab countries

Social policies in middle-income Arab countries have a number of key common and historically-determined features. Access to free education, healthcare, energy subsidies, and relatively generous pension schemes for state employees have

3. Available at <youth-employment-inventory.org>. See also ETF (2011).
historically been the key features (Karshenas and Moghadam, 2009). The efficacy of these policies and their levels of coverage have been contingent on the economic situation of individual countries (Karshenas and Moghadam, 2009). Short-term spending, either through food and fuel subsidies or through in-cash or in-kind transfers, have been the dominant social assistance instruments in the region (Jawad, 2014). While this approach does not directly lead to social investment in human capital or vertical welfare redistribution, high leakages and limited state budgets further limit the impact of these programmes in reducing poverty and inequalities (Jawad, 2014). Energy subsidies have historically consumed most of the region’s spending on social safety nets, crowding out more progressive interventions (Silva, Levin and Morgandi, 2012). Spending on non-subsidy social assistance programmes accounts for 0.74 per cent of GDP in the MENA region, below the world average of 0.8 per cent (Silva et al., 2012). The principle of universalism in social protection in the region has been limited to commodity or fuel subsidies, public education and universal health coverage (Jawad, 2014).

Only a third of the region’s population is enrolled in formal social security schemes (Silva, Levin and Morgandi, 2012). Table 1 shows the level of prevalence of contributions to an old-age pension scheme in selected countries. Loewe (2014) highlights five major characteristics of the region’s public pension schemes: (i) low coverage rates; (ii) a regressive redistribution system that favours the urban middle class to the poor; (iii) high administrative costs; (iv) unsustainable benefit conditions; and (v) inefficient investment policies. Coverage of pension schemes is predominantly limited to workers within the formal economy, who are primarily in the public sector (Loewe, 2014). Workers in the informal economy, including agricultural and self-employed workers, are outside the purview of social protection in the region. In fact, the size of the public sector has been a strong predictor of the

Table 1. Active contributors to an old-age pension scheme in countries in the region

<table>
<thead>
<tr>
<th>Country</th>
<th>Contributors as % of working-age population</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>29.0</td>
<td>2009</td>
</tr>
<tr>
<td>Morocco</td>
<td>15.6</td>
<td>2011</td>
</tr>
<tr>
<td>Sudan</td>
<td>2.8</td>
<td>2008</td>
</tr>
<tr>
<td>Tunisia</td>
<td>41.4</td>
<td>2011</td>
</tr>
<tr>
<td>Jordan</td>
<td>22.6</td>
<td>2010</td>
</tr>
<tr>
<td>Lebanon</td>
<td>0.0</td>
<td>2012</td>
</tr>
</tbody>
</table>

Note: The 0.0 per cent of working-age population in Lebanon does not take into account workers with access to employer coverage who do not pay worker contributions.

Source: ILO STAT database <www.ilo.org/ilostat>; only countries with available data are shown on the table.
level of access to pensions in the region’s countries (Silva, Levin and Morgandi, 2012). Moreover, while some countries do have provisions for unemployment insurance (e.g. Algeria, Egypt, Jordan, Morocco and Tunisia), the coverage offered by these programmes is limited (Silva, Levin and Morgandi, 2012, p. 84).

Assaad (2014) describes labour markets in the region as marked by an “enduring legacy of dualism”. This dualism is the result of an oversized public sector employing the dominant share of formal sector workers and providing favourable working conditions, a small and anaemic formal private sector that is lacking dynamism, and a large informal economy characterized by weak social protection. This dualism, Assaad (2014) argues, has been driven by the use of public sector employment by regimes in the region as a tool to protect educated youth, who represent a politically salient group. The protectionist measures given to this group have distorted the region’s labour markets, leading labour markets to be used as a means to distribute rents. Employment in the public sector has historically been institutionalized as a privilege accorded to the educated, as in the case of Egypt, or to nationals in countries with an important migrant population (Assaad, 2014). This arrangement leads to a select elite of protected workers in the region, and a majority of workers facing informality and precariousness. However, with the stalling of most guaranteed employment policies in the region due to economic pressures, this social contract has been shaken, but their cultural and social impact remains. In contrast, within this social policy framework, active labour market policies receive little state funding and are often designed as ad hoc interventions.

The active welfare state: A conceptual framework

Bonoli (2013) argues that the “active welfare state” is the latest evolutionary phase of the welfare state in capitalist democracies and advanced economies. Within this paradigm, poverty and social dependency are chiefly addressed by promoting the labour market participation of targeted groups. The promotion of labour market participation for all through active labour market policies (ALMPs) has been a key policy objective that has superseded traditional social assistance programmes. In OECD country contexts, socio-cultural transformations related to the employment challenges of low-skilled workers and high rates of female labour force participation provided the necessary conditions for this paradigm shift in welfare policies (Bonoli, 2013).

Politics, Bonoli (2013) also argues, posited the shift to ALMPs as an affordable and attractive policy orientation for policy-makers in these countries. The fusion of welfare and labour market policies and the commitment to a full-employment
guarantee are not new to welfare regimes in capitalist democracies (Esping-Anderson, 1990, p. 28). In fact, Esping-Anderson takes this argument further noting that “the labour market as autonomous from politics is a myth” (Esping-Anderson, 1990, p. 146). The politics pertaining to tightening budgets and the sovereign debt crisis in the Eurozone accelerated the shift to the wider use of ALMPs in this context (Bonoli, 2013). The active welfare state constitutes a rare moment of consensus in social policy-making in welfare systems, bringing together regimes that were long categorized as paradigmatically different (Bonoli, 2013). Activation policies have swept their way into the three “worlds of welfare capitalism” as categorized by Esping-Anderson (1990, p. 20): the liberal (or residual model); conservative (or corporatist model); and the social democratic (or universal model). A late comer to ALMPs, Bonoli (2013) argues, has been the “Latin Rim” of Southern European countries. This, he argues, is not only due to budgetary constraints, but also to labour market deregulation in this sub-region, creating cleavages between those covered by social security measures and system “outsiders” (Bonoli, 2013).

Ploug (2014) highlights the experience of Denmark as a gradual but strategic model that helped influence the current wide adoption of ALMPs in social policies. This legacy dates back to the 1960s with the origination of Denmark’s “flexicurity” system, which gave employers the flexibility to control the size of their workforce and gave security to employees who might lose their jobs through easy access to unemployment benefits and income replacement (Ploug, 2014). The flexicurity system was further developed in the mid-1970s with the introduction of training programmes for the “rehabilitation” of the unemployed and, then, with the adoption of family policies that increased access to childcare opportunities for both parents in families with children (Ploug, 2014). The country’s current activation policies are based on the three principles of needs-orientation, focusing on (i) the needs of the individual unemployed person and the regional labour market, (ii) decentralization of management, and (iii) the involvement of social partners (Ploug, 2014).

Kim (2006) warns of the applicability of the knowledge base on welfare state regimes to the experience of less developed countries. The experience of class struggle and similar levels of urbanization and industrialization cannot be taken for granted in the context of developing countries (Kim, 2006). These elements have been central to Esping-Anderson’s (1990) categorization of welfare systems in developed democracies. The study of welfare regimes in developing countries remains under-developed, partly due to the classic dismissal of the presence of a welfare regime in such contexts, which, according to this line of thinking, stems from countries not having reaching adequate levels of economic development to form welfare regimes (e.g. Wilensky, 1975).

This earlier dismissal of welfarism in developing countries has been repeatedly challenged. A key example is Barrientos and Hulme’s (2009) discussion of the
“silent revolution” of countries in the South, with the surge of new social protection programmes in Latin America and East Asia. Haggard and Kaufman (2008) delve into the task of clustering welfare regimes in developing countries, noting that these can be clustered into identifiable complexes based on a geopolitical categorization approach. They identify the three distinct historical trajectories and growth models of Latin America, East Asia and Eastern Europe. Similarly, Rudra (2007, p. 380) argues for the viability of categorizing welfare state regimes in developing countries. She focuses, however, on governmental choices of intervention to create a modern industrial sector in national economies, choosing between making firms internationally competitive or insulating them from international competition. She labels the former as “productive” welfare states and the later as “protective” welfare states. She also identifies a third group that exhibits a “dual” welfare approach. Sharkh and Gough (2010) group 65 non-OECD countries into eight clusters and look at structural correlates of economic development; income inequality; democracy; and factionalism. They define welfare regimes as combinations of institutions (involving a welfare mix of national and supra-national actors); and welfare outcomes that are anchored on the final welfare conditions in the population. In doing so, they conclude with three meta-welfare regimes: proto-welfare state regimes, informal security regimes and insecurity regimes, broadly defining them as being associated with upper-middle income countries, lower-middle income countries and low income countries, respectively.

Approaches to understanding social policies in the MENA countries within these paradigms have varied. Karshenas, Moghadam and Alami (2014) argue that social policy in the MENA region constitutes a model separate from that of developmentalist East Asia or that of the welfarist Nordic countries. In their view, the region developed an “authoritarian corporatist” social welfare regime that emerged in the region during the 1950s and the 1960s. This regime has been historically tied to state building and legitimacy. Similarly, Assaad (2014) argues that the dualism in labour markets in the MENA region is a result of the use of labour markets as tool of political appeasement in the context of the “authoritarian bargain” social contract that has been struck with citizens in the post-independence period.

It is worth noting that some countries in the region are following the lead of other countries in the South in their “silent revolution” (Barrientos and Hulme, 2009) with a surge of new modalities of social protection programmes. In Egypt, a move to more progressive and targeted programming in social protection can be discerned with the implementation of a new conditional cash transfer programme in Upper Egypt, reaching 1.5 million families (World Bank, 2017). Conditional cash programmes have also been introduced in Jordan among refugee populations (Hagen-Zanker et al., 2016; Hagen-Zanker, Ulrichs and Holmes, 2018, see this issue).
Despite these recent developments, activation policies remain marginal to the welfare regimes in the region. These programmes have primarily been diffused to middle-income Arab countries through international donors. Of relevance, social funds in the region, which are predominantly supported by the Washington-based international financial institutions, have played a key role in the provision of a number of ALMPs. Other donors have also played a role in the provision of ALMPs, given their presence in the welfare mix of institutional players in the region, which is typical of countries in the South (Sharkh and Gough, 2010).

Labour activation programmes in the Arab region

To understand this complex field, it is useful to look at it systematically focusing on (i) providers, (ii) types of programmes, and (iii) targeting mechanisms, funding modalities and politics in the region.

Providers

Active labour market programmes in the MENA countries are provided by both state and non-state actors. The composition of this welfare mix varies from country to country. For example, ALMPs are mainly provided by the state in Algeria, Morocco and Tunisia (Angel-Urdinola, Kuddo and Semlali, 2013a, p. 30). In Algeria, the National Employment Agency is the main provider of programmes. The agency is a spin-off of Algeria’s national employment programme (Agence nationale de l’emploi – ANEM) that dates back to the 1960s.5 In Morocco, youth employment programmes are primarily undertaken by the National Agency for Employment and Skills Promotion in collaboration with other entities including the Ministry of Employment and Social Affairs, Ministry of Youth and Sports, and the Office of Vocational Training and Employment Promotion (ANAPEC, 2016). In Tunisia, the National Agency for Employment and Independent Work (Agence nationale pour l’emploi et le travail indépendant – ANETI) is the agency in charge of implementing employment programmes and services.

Non-state actors play a significant role in this field in Egypt, Lebanon and Jordan (Angel-Urdinola, Kuddo and Semlali, 2013a, p. 30). In fact, non-state actors provide the majority of programmes in Egypt, with the Social Fund for Development historically playing a larger role in entrepreneurship promotion in partnership with civil society organizations (Barsoum, 2017). The private sector has been particularly involved in the region, responding to specific skill needs

5. The information on ANEM builds on the organization’s website <www.anem.dz>.
pertinent to their industries. The role of the private sector is also encouraged by international organizations, most notably the International Labour Organization (ILO) Convention concerning Private Employment Agencies, 1997 (No. 181), which is supported by ILO Recommendation concerning Private Employment Agencies, 1997 (No. 188). These instruments have encouraged “cooperation between public and private employment agencies in relation to the implementation of a national policy on organizing the labour market” (cited in Angel-Urdinola, Kuddo and Semlali, 2013a, p. 40).

Types of programmes

Training is the most common type of intervention provided by both state and non-state actors in the region (Angel-Urdinola and Leon-Solano, 2013). In Egypt, training is the primary category of intervention for two-thirds of surveyed interventions (Barsoum, 2017; ETF, 2011). A key characteristic of state-provided training programmes is that they rely on classroom sessions, with only few providing on-the-job training (Angel-Urdinola and Leon-Solano, 2013). This is a design flaw that hampers the learning potential (i.e. a lack of practical experience and no possibilities to network with employers) of those engaged in the programmes. Many training programmes also focus on a pre-defined supply-driven list of skills by different state entities. The lack of flexibility in programme design and the limited inputs from employers are important design limitations (Angel-Urdinola and Leon-Solano, 2013). Moreover, soft skills are often side-lined. These refer to interpersonal skills that help a potential employee function effectively in the workplace and can include language and communication skills, along with skills pertaining to social interaction, creative thinking and independent action. These are important “portable” skills, offering potential benefits across occupations (ILO, 2011). Out-dated training curricula, limited access to production materials, weak or no certification, and unqualified trainers are also key challenges for the region’s state-provided programmes (Angel-Urdinola and Leon-Solano, 2013).

Employment intermediation services, which seek to connect jobseekers with potential employers, are the second most common type of intervention in the region (Angel-Urdinola and Leon-Solano, 2013). However, state-provided mediation services are not widely used by either private-sector employers or unemployed jobseekers, who have a lack of belief in their capacity to support effective job-matching (Angel-Urdinola and Leon-Solano, 2013). Instead, the private sector and civil society organizations play a much bigger role in this type of ALMP. In Egypt, state-provided intermediation services were historically initiated as part of the public employment guarantee scheme. With the stalling of this scheme, efforts to expand the scheme’s mandate to include private-sector
employers as part of the network of employers had limited success (Amer, 2012). Public employment agencies in the Arab region are generally described as understaffed, with a high load of registered jobseekers per case worker. In Syria, for example, the workload reached 14,000 registered jobseekers per case worker (Angel-Urdinola and Leon-Solano, 2013). This leads to an inadequate provision of effective and personalized intermediation services. Limited use of information and communication technology (ICT) by public agencies as well as their limited administrative capacity all contribute to curbing the potential of publically-provided intermediation services. Private-sector providers of mediation services have overcome these barriers, particularly in relation to the use of ICT. For example, the experience of Souktel in the West Bank and Gaza has been praised for its ability to serve 10,000 jobseekers and 200 employers daily (Angel-Urdinola and Leon-Solano, 2013).

Entrepreneurship promotion, the third type of ALMPs, has been quite common in MENA countries. Elyachar (2005) documents the propagation of the “start their own projects” motto, which was a posited solution to youth unemployment in Egypt upon the implementation of structural adjustment policies in 1991 and the elimination of the youth employment guarantee programme. Social funds in the region, established to mitigate the social impacts of structural adjustment policies, have been at the forefront of the provision of these programmes in many countries, including Egypt and Yemen. In Egypt, the social fund disbursed about USD 2.5 billion from its inception up to 2009, with nearly two-fifths of this amount devoted to activities for entrepreneurship promotion, community development and improved infrastructure (Abou-Ali et al., 2009). Most of the programmes in the region primarily focus on the provision of financial services, and a few manage to incorporate mentoring, coaching or business incubation. Despite the political hype that supports entrepreneurship programmes in the region, the number of beneficiaries of these, particularly among start-ups, is limited (Angel-Urdinola, Kuddo and Semlali, 2013a).

Wage subsidy and public works programmes are generally more expensive in nature. Wage subsidy programmes generally seek to support the insertion of specifically targeted groups, primarily youth in the region, into the labour market. A number of MENA countries offer wage subsidy programmes, including Jordan, Morocco and Tunisia. For example, a programme in Jordan subsidizes 100 per cent of the employee’s contribution and 50 per cent of the employer’s contribution to social security for a 2-year period (Angel-Urdinola, Kuddo and Semlali, 2013a). In Algeria, the DAIP (Dispositif d’appui à l’insertion professionnelle), a subsidized employment programme, covers the full employment cost of youth for a limited duration at public and private institutions.  

Idmaj (“integration” in Arabic) provides subsidized first job contracts of (6–24 months) with private sector enterprises (ANAPEC, 2016). In Egypt, following the 2011 political challenges, two subsidized employment programmes were implemented by the Social Fund for Development: the Emergency Labour Intensive Investment Project, and the Emergency Employment Investment Project. Both aim at providing temporary employment through labour-intensive projects. International experience highlights that the effectiveness of these programmes hinges on appropriate targeting and conditionalities to reduce deadweight and substitution costs (Higgins, 2014).

Targeting mechanisms, funding modalities and politics

A common feature of ALMPs in the region is their focus on the politically volatile group of educated male youth, specifically university graduates. This is the group that has been historically targeted by public-sector employment guarantee programmes. Angel-Urdinola and Leon-Solano (2013) note that almost half of ALMPs delivered by public employment agencies in the region target high-skilled unemployed individuals. The same observation has been made by Barsoum (2017), with a specific focus on programmes in Egypt. Even public works activities, which traditionally focus on rural, less educated beneficiaries, have targeted educated youth with a focus on literacy improvement activities. This has been the case in Egypt’s recently implemented emergency labour intensive programmes, which tend to employ graduates. Targeting is also gendered. Despite the large gender disparity in the region in labour force participation, Barsoum (2017) argues that the term “youth” generally connotes with male youth. Women find themselves mainly on the two ends of the ALMP spectrum, either in traditional needlework training programmes for uneducated young women or in campus-based job placement programmes (Barsoum, 2017).

The mass demonstrations of 2011 and the ensuing political unrest in the region heralded the way for a new generation of state-provided ALMPs. In Tunisia, the Active Employment Search Programme for Higher Education Graduates, known as AMAL (“hope” in Arabic), was introduced in February 2011. The programme provides unemployed university graduates with employment services in the form of career coaching, training and retraining in hard and soft skills, on-the-job training, and a monthly stipend for up to 12 months (Angel-Urdinola, Hilger and Semlali, 2013). Zouari (2014) notes that, driven by the so-called Jasmine Revolution in Tunisia, a total budget of TND 611 million was earmarked for ALMPs in 2012 to accommodate the additional 80,000 labour market entrants per year expected until 2017. Similarly, Egypt’s Social Fund for Development

7. For the case of Morocco, see Bausch et al. (2017).
introduced two programmes corresponding to subsidized employment, which are the Emergency Labour Intensive Investment Project and Emergency Employment Investment Project (ILO, 2017). These two programmes mainly aim at mitigating the negative impact of the economic downturn on employment that occurred following the January 25, 2011, revolution, by providing temporary employment through labour-intensive projects (ILO, 2017).

Even in countries that were spared the political turmoil of leadership change in the region, state-funded ALMPs witnessed a boost following the 2011 uprisings. For instance, the Algerian government dedicated USD 4.7 billion to encourage job creation with a focus on university graduates and graduates of vocational training programmes (Musette, 2014). The Algerian Council of Ministers provided funding to increase access to youth employment programmes and introduced policy changes such as tax exemptions, hiring subsidies, government-backed credit guarantees for start-ups launched by entrepreneurs aged 19–50, and microcredit for poor households (Musette, 2014). Similarly, the Jordanian National Agenda for 2011–13 included the allocation of a total budget of 151 million Jordanian dinars (JOD) (approx. USD 212 million) for the 3-year period to improve the employability and participation rates of the workforce (Wazzan and Zovighian, 2013a).

Aside from these post-uprising interventions, funding to ALMPs remains ad hoc and consumes a meagre share of gross domestic product (GDP) in all the region’s countries. As Table 2 shows, in 2010–11 Tunisia spent 0.08 per cent of its GDP on ALMPs, Morocco spent 0.1 per cent of its GDP, and Lebanon 0.04 per cent of its GDP. These spending levels on ALMPs do not correspond with the gravity of the unemployment problem in these countries. To place these figures in a global perspective, 0.5 per cent of GDP per capita of European Union (EU-27)

<table>
<thead>
<tr>
<th>Country</th>
<th>Spending on ALMPs</th>
<th>Youth unemployment rate (%)</th>
<th>Spending on ALMPs as percentage of GDP per percentage point of unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lebanon</td>
<td>0.04</td>
<td>34.0&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0.0014</td>
</tr>
<tr>
<td>Morocco</td>
<td>0.10</td>
<td>17.9&lt;sup&gt;b&lt;/sup&gt;</td>
<td>0.0034</td>
</tr>
<tr>
<td>Tunisia</td>
<td>0.08</td>
<td>29.4&lt;sup&gt;c&lt;/sup&gt;</td>
<td>0.0027</td>
</tr>
</tbody>
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Notes: <sup>a</sup>Based on data from a World Bank Survey of 2010, cited in Wazzan and Zovighian (2013b).<sup>b</sup>Based on ILO Stat database <www.ilo.org/iostat>. Figure for Morocco is for 2011 due to data availability limitations. <sup>c</sup>Based on ILO Stat database <www.ilo.org/iostat>. Figure for Tunisia is for base year 2010, which is the year of data on GDP spending on ALMPs.

Source: Angel-Urdinola, Kuddo and Semlali (2013, p. 30).
GDP was spent on ALMPs in 2009, the year of the economic downturn (Kuddo, 2012). Moreover, the lack of data on spending on ALMPs in the region signifies the weak emphasis placed on these programmes in the policy discourse. The list of countries in Table 2 is limited because the spending figures on ALMPs in other countries are not published, as they remain too insignificant to show on national budgets.

The exercise of looking at spending on ALMPs, presented as a percentage of GDP per percentage point of unemployment, follows Bonoli (2013, p. 30), who looked at similar data for European Union countries. He showed that the weighted average of spending for all European countries was 0.11 in 2007, but was at a low of 0.06 in Southern European countries. These figures remain way above the spending shown by countries with publicized data on spending on ALMPs in the MENA region. This is the case despite the primacy of the youth employment issue on the region’s policy agenda and the political volatility of this group.

Limited spending reduces programme staffing capabilities and effectiveness. Governance issues and results-based management, which are key institutional challenges in the region, further curtail the potential of these programmes. Some of the programmes have serious design flaws pertaining to weak interaction with the private sector and out-dated teaching and training materials and approaches. This reflects the weakness of systems of results-based monitoring and evaluation in this field. Looking at data on ALMPs in Egypt, Barsoum (2017) shows that out of 182 programmes surveyed in Egypt, only four had impact evaluations, and only 52 had process evaluations. Weak documentation and a lack of rigorous analysis on cost effectiveness, impact and effectiveness all limit the potential to improve these programmes. Moreover, due to a lack of rigorous independent impact evaluations, there is a real knowledge gap about whether these programmes actually work and whether they can actually contribute to the global stock of knowledge on best practices. This knowledge gap limits opportunities for cross-learning and the identification of best practices that are relevant to the region.

**Discussion and conclusion: Challenges to the incorporation of ALMPs into MENA social policies**

If activation policies represent the new paradigm for social policies in OECD countries (Bonoli, 2013), could MENA countries follow this pattern? Based on the above overview of the programmes and social policies, this article concludes by highlighting the key structural challenges for MENA countries to follow this route. These challenges pertain to the region’s historical legacy and to governance issues, which limit the potential for the incorporation of ALMPs into MENA social policies.
The historical legacy of social policy is the first and foremost challenge to the incorporation of activation policies in the region’s social policies. From an international perspective, successful models for integrating ALMPs in social policies have typically been developed gradually as well as strategically (Ploug, 2014). Yet, social policies in the MENA region have historically failed to address some of the key principles of social protection in terms of universality of access, progressiveness based on priority needs, and pluralism (ILO, 2010). They have also not been outcome-focused (ILO, 2010). The allocation of social spending to programmes in the MENA region has been historically regressive and weakly targeted. Welfare residualism has been a common feature. This residualism is palpable in social assistance programmes in particular, which are very small in scale and focused on short-term support. Class and gender biases and ineffectiveness have also marred the region’s social policies.

Guaranteed employment schemes for the best educated are central to this historical legacy. Regimes in the region have long recognized the close alliance between welfare regimes and employment, as highlighted by Esping-Anderson (1990). Direct hiring has historically been the key response to this realization. This policy approach has become increasingly unsustainable given the pressures on state budgets, increasing access to education and the large youth population. A direct outcome to the direct employment policies is that the MENA region has been described as home to some of the largest public sectors in the developing world (Beschel and Yousef, 2016). Employment in the public sector has contributed to perpetuating class cleavages across the region, characterized by a small number of privileged “insiders” and a majority of “outsiders”, the latter being out of the purview of social protection. This dualism in the labour market (Assaad, 2014) can also explain the reluctance of governments in the region to integrate ALMPs within social policies. This argument has resonances with Bonoli’s (2013) statement about social policies in the European “Latin Rim” and the late adoption of ALMPs in the social policy mix.

These historical legacy challenges aside, governance challenges constitute another key barrier for the inclusion of ALMPs. Plough (2014) highlights the importance of decentralized needs-based programming. Centralized policy-making and implementation is the norm in the MENA region (Tosun and Yılmaz, 2008). For ALMPs to be effective, they have to be well-designed with close monitoring of implementation and evaluation of results. The limited capacity and weak culture for monitoring and evaluation have meant that many badly-designed programmes are delivered, and these consume the already limited resources for social policies. With limited confidence in their outcomes, states also tend to rely on donor support for such interventions, and are reluctant to dedicate large resources to these programmes. Interventions such as training and entrepreneurship promotion, despite their cost and prevalence, have not been
proven to be a successful model, not least given the weak knowledge base reporting on the impact of these interventions. Moreover, and also related to governance challenges, a further factor limiting the adoption of ALMPs is the weak coordination at the national level of efforts by social actors in some of the countries. This is particularly the case in Egypt, where ALMPs are predominantly offered by civil society organizations (Barsoum, 2017). This multiplicity of players leads to fragmentation and weak coordination.

The political will to reform social policies in the region is important, however it is not sufficient alone (Loewe, 2014). Despite more recent moves towards progressive and targeted social protection policies, such as conditional cash transfer programmes for the poor, other challenges remain. Labour market dualism, the presence of large informal economies, centralized governance and a weak evidence base about the efficacy of these programmes constitute key continuing challenges for the incorporation of ALMPs in the social policy framework of the MENA region.

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SOCIAL PROTECTION IN THE MENA COUNTRIES: PROSPECTS FOR A NEW SOCIAL CONTRACT?

What are the effects of cash transfers for refugees in the context of protracted displacement? Findings from Jordan

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Abstract The current refugee crisis requires new thinking and durable policies which move beyond simply meeting the short-term immediate needs of refugees. In the context of this protracted crisis, the humanitarian response has included a focus on cash transfer programming as a way to support Syrian refugees in Jordan to meet their basic needs. While evidence on cash transfers in stable contexts has been well-documented over the last two decades, little is known about the potential effects of cash transfers on populations in protracted displacement. This article examines the economic and social effects of a UNHCR cash transfer programme for Syrian refugees in urban areas in Jordan. We find that almost all beneficiaries used the transfer to pay rent, and that this reduces stress and anxiety among beneficiaries. These effects are important, but depend on the continuation of cash transfer support. For longer-term impacts, assistance for refugees needs to move...
beyond short-term support and align better with national interventions and a broader enabling policy environment, including refugees’ right to work.

**Keywords**  social protection, cash benefit, refugee, living conditions, housing, Jordan, Syrian Arab Republic

**Introduction**

The Middle East and North Africa Region (MENA) is currently one of the most conflict-affected regions in the world, with ongoing conflicts in Iraq, Libya, Syrian Arab Republic (hereafter, Syria) and Yemen. This has resulted in some of the highest displacement rates in recent history, including large numbers of internally displaced people and refugees. Syria alone has seen more than 5 million people flee the country since the start of the conflict, and most of these did not travel far, staying in the region. The MENA region hosted approximately 2.7 million refugees in 2015, with Turkey being the country with the highest number of refugees worldwide and Lebanon having the most refugees in proportion to its population than any other country (UNHCR, 2016).

There is no end in sight to this humanitarian crisis, resulting increasingly in protracted displacement. More than half of refugees worldwide had been displaced for ten years or more at the end of 2014 (Crawford et al., 2015). While recent research provides critical insights into the economic benefits that refugees can make to their host communities, given the right conditions (UNDP, ILO and WFP, 2017; Betts et al., 2014), high inflows of refugees can also create tensions over competition for resources and opportunities, rising prices, and strains on public services, which all create a feeling of neglect and resentment among host communities (Carrion, 2015). The financial costs of hosting high numbers of refugees for long periods of time can be substantial. For instance, the World Bank estimates that the cost of hosting and assisting more than 630,000 Syrian refugees in Jordan amounts to about USD 2.5 billion a year, 6 per cent of its GDP\(^1\) (World Bank, 2016).

Protracted displacement thus requires durable measures. As most refugees now settle in urban areas rather than camps, previously prevalent models focused on care and maintenance in camp settings are no longer fit for purpose. With repatriation impossible for most in the near future, other durable responses are resettlement and integration into host communities. However, demand for resettlement by far

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1. This cost is not entirely borne by the Jordanian government as it receives international assistance, e.g. through the Jordan Compact, and this calculation does not consider the economic contributions made by refugees.
outstrips places available for refugees (Mallett et al., 2017). As such, there is a need to rethink policies to address the refugee crisis, which incorporate a longer-term vision and focus increasingly on integration (Long, 2014). Such policies and programmes are needed to give refugees access to sustainable livelihoods and to foster economic and social integration. Furthermore, host governments and the international community are increasingly recognizing the need for responses that benefit the host as well as the refugee community. The Jordan Compact of 2016, which aspires to turn "the Syrian refugee crisis into a development opportunity", is one such example. This agreement, between the government of Jordan and the international community, is centred on three pillars: (i) creating jobs for Jordanians and Syrian refugees while supporting the post-conflict Syrian community; (ii) financing and building resilience in host communities; and (iii) mobilizing grants and financing to support Jordan’s macroeconomic framework.2

Transitioning from short-term humanitarian assistance, which focuses on meeting immediate basic needs in the context of a humanitarian disaster, to the provision of social protection policies and programmes, which aim to reduce poverty and vulnerability in the longer-term, can also be a tool to support refugees and facilitate integration into host countries. Social protection programmes encompass a range of interventions, including regular cash transfers, in-kind transfers, public works programmes and social insurance interventions which address a range of different social and economic risks for the population across the life cycle. In comparison to humanitarian assistance, social protection programmes are often led and managed by government agencies to ensure the sustainability and accountability of programmes, which ultimately form part of a social contract between citizens and the state. Humanitarian assistance primarily addresses acute needs through short-term support and focuses on saving lives and ensuring human dignity in emergency situations. In recent years, the humanitarian sector has been moving towards the use of cash transfers as an emergency response; while cash (and voucher) interventions are estimated to represent only approximately 6 per cent of humanitarian spending, cash is seen as a preferable programming tool to in-kind support since it allows recipients to meet their multiple needs in protracted crises and has the potential to bridge humanitarian and longer-term development outcomes (ODI and Center for Global Development, 2015).

Evidence on the effectiveness of cash transfers in humanitarian settings is limited but growing, with a stronger focus on the immediate effects of cash as short-term humanitarian assistance, such as supporting food security (ODI and Center for Global Development, 2015; Harvey and Bailey, 2011). While there is a strong evidence base showing that social protection cash transfers can have a range of

positive short- as well as long-term impacts in low and middle income countries (Bastagli et al., 2016), little is known about the potential of cash-based assistance to have broader, longer-term impacts on populations in protracted displacement. The impact of humanitarian cash transfers on access to services and integration of displaced populations is understudied. However, those evaluations that have been conducted reveal their effectiveness in allowing refugees the flexibility to decide how to use money for their most urgent needs, keeping their children in school, and reducing intra-household tensions (e.g. Lehmann and Masterson, 2014).

This article contributes to filling this knowledge gap by examining the effects of a UNHCR – the UN Refugee Agency – cash transfer programme for Syrian refugees in Jordan that have settled outside of camps in urban areas, and considers the potential of cash transfers to support the long-term displaced. The programme provides an interesting case study since it is a humanitarian transfer provided to refugees, but it is targeted on the basis of vulnerability and provides monthly transfers over several years to the same recipients. Particularly in the case of long-term displacement, it provides an opportunity to study whether longer-term cash transfers to refugees can have wider effects than meeting immediate basic needs. In particular, we assess the effects of transfers on reducing barriers to accessing basic services and supporting income-generating opportunities and employment, as well as considering the long-term implications of improvements in economic and social outcomes.

In theory, cash transfers can have both direct and indirect positive impacts on economic and social outcomes. First, receipt of the cash transfer can overcome financial barriers to accessing goods or services such as the costs of medicine, associated health service fees, school uniforms and stationery. It can also enable beneficiaries to invest in assets or skills needed for work, or travel expenses to reach the service provider or work place (Bastagli et al., 2016; Jacobsen and Fratzke, 2016). Second, cash transfers can have indirect impacts with potentially important implications for access to services and work. Receiving a regular alternative source of income frees up other income that the household may have. This characteristic of cash (in comparison to in-kind support) is referred to as “fungibility”. The receipt of a reliable income can also reduce the need to resort to harmful coping mechanisms, for example selling assets, which may be needed to make a living, or sending children to work (de Janvry et al., 2004). Being able to meet a household’s needs through a regular and reliable income source can also contribute to reducing stress levels and improving the psychosocial well-being of beneficiary households, and strengthen the ability of beneficiaries to participate in communal activities and to focus on priorities beyond short-term survival (see Attah et al., 2016; Shangani et al., 2017). Finally, receipt of a regular income can mean that beneficiaries can take the time and risk to search for (better) livelihood opportunities (Jacobsen and Fratzke, 2016).

The article draws on qualitative research tools, primarily in-depth semi-structured interviews (IDIs) and focus group discussions (FGDs), which were conducted in...
Arabic with Syrian adults of working age (18–55 years) in 2016. Within this group, maximum variation sampling was used to select respondents in order to analyse differences and similarities between different groups, with criteria including documentation status (UNHCR registration, Ministry of Interior service card), gender (female heads and household members, male heads), age and work status, though the sample is not representative. We conducted a total of 48 IDIs and 12 FGDs with men and women. Of these, 37 IDIs and 7 FGDs were with UNHCR cash transfer beneficiaries, and 10 IDIs and 5 FGDs were with non-beneficiaries. In total, we interviewed more than 140 Syrian refugees, across 60 interviews and group discussions. In addition, six key informant interviews (KIIs) were conducted with policy-makers and practitioners at the national level.

Our research was conducted in urban sites that showed variation in terms of service provision, economic opportunities and vulnerability of respondents. Two sites were selected in Amman governorate (Abu Alanda and Al Hashmi Al Shamali), where 30 per cent of refugees are classified as highly or severely vulnerable according to the national Vulnerability Assessment Framework, and two sites in Irbid governorate (Irbid City and Ramtha City), where 64 per cent of refugees are classified as highly or severely vulnerable (UNHCR, 2015).

The remainder of this article is structured as follows. The next section gives an overview of social protection and humanitarian support in Jordan and summarizes the design and delivery of the cash transfer studied in this article. We then describe direct and indirect effects of the cash transfer in general and more specifically on access to education, health and livelihood opportunities. The following section considers the potential of cash transfers to facilitate improvements in economic and social outcomes amongst the long-term displaced. The final section draws out key conclusions and policy implications, but also reflects more generally on what high refugee inflows and protracted displacement mean for the future of social protection in Jordan and the region.

**Social protection and humanitarian assistance in Jordan**

Jordan is considered to have a strong national social protection system, compared to other countries in the Middle East and North Africa (MENA) region (Zureiqat and Shama, 2015). The Jordanian Constitution guarantees rights and access to basic social and health services for Jordanian citizens and the country has also ratified the ILO Convention on Social Security (Minimum Standards), 1952 (No. 102). The country spent about 12.11 per cent of government expenditure on social protection in 2011, compared to a regional average of 8.7 per cent.\(^3\)

3. See ILO Public expenditure indicators database
Social protection provision in Jordan involves a multitude of actors with different government ministries and departments in charge of a range of programmes targeting various subgroups in the population. They provide programmes that cover different risks, ranging from poverty, disability, to health. There are three different contributory pension schemes. The main social assistance programme is the National Aid Fund (NAF), which consists of six targeted programmes covering different vulnerable subgroups of the population (Röth, Nimeh and Hagen-Zanker, 2017). Another social protection programme is run by the Zakat Fund, administered by the Ministry of Awqaf, Islamic Affairs and Holy Places. The Zakat Fund is funded by donations and delivers cash and in-kind assistance to those who are unable to access any other support (Röth, Nimeh and Hagen-Zanker, 2017). While coverage of these programmes is fairly high, it is not universal. For example, 75–87 per cent of the Jordanian population is covered by health insurance and about half of the economically active population is covered by the pension system.4

Eligibility for most of these programmes applies to Jordanian nationals, yet, some, like the Zakat Fund, are also open to refugees in principle. However, it is not known whether these programmes with broader coverage are in fact accessed by refugees; other studies suggest that, so far, they have not been utilized by the refugee population (Wartonick and USAID, 2011) and our own fieldwork also did not find refugee beneficiaries of Jordanian programmes.

Apart from social protection for citizens, some basic services, such as primary and secondary education, are free and health care is subsidized. Free access to primary and secondary education in the Jordanian school system has been extended to refugees (as are books at primary school level), with financial support from the international community. Refugees can also access public health care at the same subsidized rate as uninsured Jordanians, although out-of-pocket health expenses remain high (Valenza and AlFayez, 2016). However, both of these require refugees to first register with the Ministry of Interior (MoI) and obtain a MoI card – meaning that the large number of unregistered refugees currently lack access to these services. The requirements for obtaining a MoI card have become stricter in recent years, and refugees who have left the camps illegally are prohibited from registering for a card.

Additionally, there is a wide variety of cash-based and in-kind humanitarian assistance programmes that have been put in place specifically for refugees as they are not eligible for national social protection. These have grown in number in the past few years with the large influx of Syrian refugees and are predominantly run by local and international humanitarian organizations (see overview in Table 1).

There are at least ten cash assistance, vouchers and winterisation schemes, but many only provide ad hoc and one-off support (Röth, Nimeh and Hagen-Zanker, 2017). Public services are under pressure and schools are operating beyond capacity with the increased number of Syrian children with a MoI service card accessing schools. In response, and for children without the service card, a number of actors are running informal schools or supplementary education programmes to accommodate the children who are unable to access formal schools. There are at least four skills trainings, livelihood programmes and support programmes, including those that facilitate the work permit application process (Röth, Nimeh and Hagen-Zanker, 2017). These are relatively new programmes and most are small in scale as these types of programmes were not permitted by the Government of Jordan prior to the Jordan Compact. Finally, some programmes focus on protection, including psychosocial support counselling, provision of safe areas, and providing safe and adequate shelter.

While these programmes are targeted at refugees, the government requires Jordanian nationals to receive the same type of support. In 2012/13, approximately 30 per cent of all humanitarian aid was transferred to Jordanian beneficiaries (Healy and Tiller, 2013). In practice, Jordanians account for 30–50 per cent of beneficiaries depending on the programme (Röth, Nimeh and Hagen-Zanker, 2017). Jordanian beneficiaries are selected using the Jordanian government’s targeting system (see below for targeting criteria for refugees), while the transfer or intervention is delivered by local and international humanitarian organizations.

In this article, we examine the effects of one humanitarian support programme, the UNHCR cash transfer programme, because it provides regular monthly payments for at least a year and, as such, has greater potential for impact than one-off cash payments. Although it is financed through humanitarian funding and delivered by UNHCR, its targeting method based on vulnerability and the monthly provision of assistance make it more similar to national social protection programmes, compared to one-off or short-term humanitarian transfers. The objective of this programme is still to allow refugees to meet their most basic

<table>
<thead>
<tr>
<th>Type of programme</th>
<th>Examples of organizations delivering programmes</th>
</tr>
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<tbody>
<tr>
<td>Cash transfers, vouchers and winterisation schemes</td>
<td>UNHCR, UNICEF, World Food Programme (WFP), Save the Children, and the Norwegian Refugee Council (NRC)</td>
</tr>
<tr>
<td>Education</td>
<td>Ministry of Education, UNICEF, NRC and Save the Children</td>
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<td>Employment and livelihoods</td>
<td>NRC and the Danish Refugee Council (DRC)</td>
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<td>Protection</td>
<td>UNICEF, UNHCR, CARE, DRC and NRC</td>
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</tbody>
</table>

Source: Authors.
It was launched in mid-2012, and by 2014 comprised 75 per cent of all cash
transfers for refugees in Jordan in terms of budget (Schimmel, 2015). Around
32,000 families currently receive the transfer (around a quarter of the refugee
population); however, as there is not enough funding to provide a transfer to all
eligible applicants, there is a sizeable waiting list.5

Applicants need to have a valid urban UNHCR registration, and eligibility is
assessed annually on the basis of a Vulnerability Assessment Framework (VAF), a
proxy means test that mainly considers the demographic situation of the
household. Once eligibility is determined, beneficiaries receive the monthly
transfer for at least one year, until they are re-assessed through the VAF. Payments
are delivered through ATMs at the Cairo Amman bank, using iris-scanning
technology instead of debit cards for the identification of recipients.

Transfer payments range from 80 to 155 Jordanian Dinar (JOD) (approx.
USD 110–220), depending on household size and level of vulnerability. This is a
significant contribution to the combined monthly income of Syrian refugees,
which, according to a recent Norwegian Refugee Council study, was less than
JOD 200 (USD 282) for two-thirds of respondents (NRC, 2015).

Effects of the cash transfer

We examined both the direct and indirect effects of the UNHCR cash transfer.
Income is fungible, and when more income is added to the household pot it is
difficult to measure what households spend the additional cash on. However,
through the qualitative interviews, we asked beneficiaries about how they use the
transfer to allow us to understand their most pressing expenditure priorities.

Access to shelter

The responses from in-depth interviews with beneficiaries showed a clear picture
on cash transfer expenditure: the majority of beneficiaries who answered the
question on how the transfer was used said it went straight towards rent, with
many of these specifically stating that rent was their first priority, and a few
respondents prioritizing a combination of rent and utility bills. This finding also
emerged from FGDs and is consistent across the gender of respondents and
household heads.

Given that the majority of Syrian refugees in Jordan live outside of camps in
urban areas with relatively high living costs and limited opportunities to generate
income, the transfer plays a critical role in covering rent. This is also possible

5. For instance, 11,000 households were reported to have been on the waiting list in February 2015
(UNHCR, 2015, cited in NRC, 2015).
due to other support received, as 32 of the beneficiaries interviewed for this study also reported receiving WFP food vouchers (on average USD 21 per capita, per month), which cover basic food expenditures. Indeed, the single highest expenditure for refugees is rent, which among respondents was on average JOD 135 (USD 190) per month, ranging from JOD 70 to 210 (USD 100–296), depending on location and type of accommodation. A highly competitive housing market puts tenants who are unable to pay the rent at threat of eviction, and results in as many as 40 per cent of Syrians moving at least three times a year (NRC, 2015). This constant displacement can negatively affect the ability of refugees to retain documentation and maintain access to local public services, and can also increase intra-household tensions and violence (NRC, 2015).

Access to health and education

In Jordan, financial barriers to education and health services are low since both sectors are subsidized by the government, as discussed above. For those who have a MoI card the additional costs of accessing schools and health care are relatively low. Our findings reveal that the cash transfer nonetheless helps to reduce the burden of low school expenditures (such as for school uniforms or pocket money for children), and, to some extent, small health expenditures.

In the case of education, costs linked to transport, school uniforms and other minor expenses are estimated to be between JOD 20 and JOD 30 per month per child (Joint Education Needs Assessment, data for 2015, cited in Valenza and AlFayez, 2016). While these costs strain the household budget, male and female respondents did not consider them to be major barriers that prevented parents from enrolling their children in school. Rather, barriers to school attendance are mainly non-financial and relate to the timing of school classes for Syrians – as the government introduced evening shifts to accommodate the high numbers of refugee children. Returning home from school in the dark raises security concerns for many parents, particularly those with daughters. In addition, in the context of heightened social tensions, the clear segregation of Jordanian and Syrian children across the different school shifts exposes boys to verbal and physical harassment.

When it comes to health services, refugees carefully weigh the opportunity cost of attending different types of services. Consultations at government-run services might be cheaper, but more time-intensive than private providers due to long waiting times. Depending on the seriousness of the ailment, households might decide to self-medicate and go straight to a pharmacy. Additionally, public services often lack sufficient stock of free pharmaceuticals, which means that patients have to purchase medicines from pharmacies at their own cost, which – together with transport costs to more sparsely located public facilities – can off-set the benefit of subsidized treatment. The UNHCR cash transfer enables some beneficiaries to...
partially cover the costs of treatment or medication and for a few respondents to secure a loan to cover health care expenses. The transfer therefore alleviates some of the financial costs of accessing healthcare – whether it be private or public – but, on the whole, is not decisive to accessing health treatment.

**Access to employment**

One hypothesis underlying this research was that cash transfers could help address the demand-side, financial barriers to accessing work, such as transportation costs, and facilitate investment in skills or assets to expand a business (see also Jacobsen and Fratzke, 2016). While high transportation costs were mentioned by two respondents as a barrier to work, none mentioned that receipt of the cash transfer had eased this. Likewise, while a few respondents appear to be self-employed, they did not appear to be constrained by the ability to buy assets. As such, it seems that – given the limited transfer value and the priority households place on other expenditures – the cash transfer has little effect in increasing opportunities for, or the likelihood of, adult employment. On the contrary, there seemed to be a perception among some respondents that they would lose the transfer if they applied for work permits, even though eligibility for the UNHCR transfer is not tied to employment status.

Critical to ensuring economic integration of the long-term displaced is access to paid work (World Bank, 2017). In terms of employment, Syrian refugees in Jordan face challenges that relate to the general condition of the labour market, as well as refugee-specific work policies. Even before the arrival of Syrian refugees, Jordan’s labour market was under pressure with high levels of unemployment and informal employment, as well as dependency on low-wage and foreign labour (ILO, 2015; Stave and Hillesund, 2015). In Jordan, Syrian refugees lack understanding of current work permit policies, face sectoral restrictions for formal employment, and lack opportunities for regular well-paid and safe work. Employers are also often reluctant to employ Syrian workers formally after having hired them off the books previously, since this requires them to make social security contributions. In fact, in 2014 an estimated 99 per cent of Syrians worked informally in highly vulnerable conditions with little protection from exploitation by their employers and low, erratic salaries (ILO, 2015). From our discussions with both male and female respondents, it was also clear that women face gender-specific barriers. Their involvement in the labour market is considered either inappropriate because of gender-related norms or incompatible with their care duties at home.

Prior to 2016, Syrians could apply for a work permit in specific sectors subject to nationality quotas, similarly to other foreign nationals (Bellamy et al., 2016). The Jordan Compact has now opened a route to greater legal employment opportunities, with a pledge for jobs for Syrians in Special Economic Zones as
well as promising up to 200,000 work permits tied to employers in specific sectors, including agriculture and the hospitality industry.

Despite these efforts to facilitate employment, however, uptake of work permits among Syrians is low, with most refugee households undertaking informal work instead. Of the study respondents, only a handful indicated that they or one of their family members had a work permit, whereas many said that they were working informally. Barriers to formal employment relate to misperceptions about work permits, as well as restrictive policies. The limitation of work permits to specific sectors is a disincentive, particularly for the skilled and highly skilled labour force.

Indirect effects of the cash transfer

We observed two key indirect effects of the cash transfer in this study. First, being able to pay the rent has a positive impact on recipients’ own perceptions of their mental well-being, for both men and women. Studies on cash transfers have shown that this type of social protection instrument can improve mental health and reduce stress and depressive symptoms (Hauhofer and Shapiro, 2016) and have positive impacts on beneficiaries’ psychosocial well-being (Attah et al., 2016; Samuels and Stavropoulou, 2016; Shangani et al., 2017). Similarly, UNICEF’s assessment of its child cash grant (CCG) for Syrian refugees reported that “one of the most notable outcomes of the focus group discussions is the number of participants that felt the child grant had a positive impact on their psychological state as well as that of other family members” (UNICEF, 2015, p. 21).

While our research does not allow us to draw firm conclusions on impact, our data similarly suggests that receipt of the UNHCR cash transfer is associated with improvements in psychosocial well-being amongst some of our respondents, particularly in terms of reductions in stress and anxiety, consistent with the findings of a more recent study on the same intervention (Abu Hamad et al., 2017). The majority of respondents considered the impact of the cash transfer to be positive, even if it only allowed them to cover the rent. One third specifically said it had improved their mental well-being, and alleviated anxiety and stress in the household relating to their inability to pay their rent. This coincides with other studies which found that frequent moves of Syrian refugees in Jordan – caused by the inability to pay rent and the saturated housing market – have deep psychological effects on refugee families, and particularly their children (NRC, 2015). Considering that Syrian refugees in many cases are already suffering from conflict-inflicted trauma, the psychological effect of regular cash assistance potentially has important positive impacts that need to be evaluated in more depth. The ability to plan critical household expenditures when having at least one regular income source can have positive long-term effects on the mental health and human development outcomes of refugees more generally, as illustrated by this quote.
Receiving the eye bio-metric aid changed our life on all moral and financial aspects, I no longer worry about rent and it eased pressure on the entire family. (Male beneficiary, IDI, Al-Hashimi Al Shamali)

It is clear that beneficiaries are still struggling to make ends meet, yet the fact that they are now able to pay the rent – a major concern and financial burden for households – at least diminishes the uncertainty that they face. As the transfer is relatively dependable and offers financial security to some degree, especially in comparison to other income sources, it appears to improve psychosocial well-being for some beneficiaries.

The second indirect effect concerns child labour. Child labour is a key source of income for Syrian refugee households, and studies have identified high – and potentially increasing – levels of child labour as a negative coping mechanism (e.g. NRC, 2016). In 2014, the prevalence of child labour among Syrian refugees living outside camps in informal settlements was at least 40 per cent for boys aged 12–15, and as high as 60 per cent by the age of 16 (REACH and UNICEF, 2014). The reasons for sending teenage boys to work are complex, and are a combination of economic need and social acceptance amongst Syrian families of young men contributing to household income. Respondents considered child labour to be less risky than adult labour, since the authorities were perceived to be more lenient towards minors found to be working informally compared to adults.

Despite the complexity of factors leading to child labour, several respondents specifically said that cash assistance enabled their sons to remain in school instead of needing to work and contribute to household income, as illustrated in the quote below. In fact, among our respondents, the incidence of child labour was considerably lower in beneficiary households than among non-beneficiaries, though this finding needs to be interpreted with care as this is not an impact assessment.

The eye bio-metric financial aid [UNHCR cash transfer] helps directly in having children at school, without it I won’t be able to send them, they’d be working to secure shelter. (Male beneficiary, IDI, Ramtha)

The potential of cash transfers to facilitate improvements in economic and social outcomes amongst the long-term displaced

Economic outcomes

Given the precarious situation Syrian refugees find themselves in, the cash transfer provides an important lifeline that allows them to meet their most basic needs, as
well as prevent detrimental coping strategies that can have long-lasting negative consequences. It thus provides the basis for any other intervention that can aim for longer-lasting economic and social integration.

Syrian refugees in Jordan are highly vulnerable: 86 per cent live below the national poverty line and 81 per cent are engaging in coping strategies that can trap them in poverty for the long term (UNHCR, 2015; Plank and Samuels, 2017). Child labour, for instance, is a common strategy applied by refugees to provide a key income stream. The ability to keep children in school has important long-term implications for economic and social integration, and child labour is damaging to children in many other ways. Once children have left school, it is difficult to re-join due to the overcrowding of classes. Moreover, given that many children already have had breaks in schooling because of years of conflict in Syria (see also Watkins, 2016), this puts them at risk of further educational gaps. Our research indicates that the receipt of cash transfers has helped some families to reduce their reliance on child labour.

Similarly, having access to a basic income through cash transfers enables refugees to purchase basic goods without having to incur debts or erode their assets. Many of our respondents mentioned that they arrived in Jordan with some assets, such as money or jewellery. These were gradually used up to cover subsistence costs, and, several years into displacement, many lack assets and depend on donations or on taking out credit to cover regular household expenditures. Taking on credit can make refugee households more vulnerable, particularly when lacking safe or regular employment opportunities.

Wages are unpredictable, even for those who work full-time, and other cash income or in-kind support from charities or informal networks are also erratic in nature. Regular cash transfers provide an important contribution to household income, but only represent a small proportion of household need (see Figure 1). Income-generating opportunities for adults are an urgent priority, but one which is linked to a broader issue of work permit policies, as well as employment opportunities in an already saturated labour market.

Findings from this study identify an area of potential concern emerging from insufficient synergies between the provision of cash assistance and economic policies aiming to integrate refugees into the labour market. For instance, miscommunication about the real cost of work permits, as well as a limited number of sectors that refugees can work in, resulted in low uptake of permits following the launch of the Jordan Compact. This, combined with the misunderstanding of the eligibility criteria for the UNHCR cash transfer, has led to disincentives among respondent beneficiaries to pursue work in fear of losing the transfer if they engage in potentially unstable employment.

These discrepancies in refugee policies are ultimately rooted in political economy factors, where competing interests of national and international actors might result
in policies that pull refugees in different directions and undermine the objectives of different initiatives. On the one hand, host communities are fearful that refugees tighten competition in the labour market by increasing the provision of cheap, unskilled labour (ILO, 2015; Carrion, 2015). National support to encourage economic opportunities for refugees is thus limited – particularly in contexts where the popular perception is that immigration poses a threat to domestic workers. Limiting or even prohibiting refugees from working is thus the politically more palatable option. On the other hand, in the context of protracted crises and growing funding gaps, it is increasingly difficult to fund long-term humanitarian assistance programmes (High-Level Panel on Humanitarian Financing, 2015). This means that new strategies are needed to reduce refugees’ high levels of vulnerability and dependence on assistance in the long term. In the case of Jordan, this means economic integration of refugees through the Jordan Compact, which aims to facilitate labour market integration of refugees to enable autonomous income generation and reduce dependency on humanitarian assistance.

Apart from addressing the political economy factors inhibiting longer-term economic outcomes for refugees, better coordination between social assistance programmes and economic policies could increase the potential for longer-term positive impacts on livelihoods and for poverty reduction among the refugee population.
population, and could possibly help to reduce tensions with host communities (Jacobsen, 2002; Ikanda, 2008; Long, 2010). Employment and housing are reported to be the primary issues that lead to tensions between Jordanians and Syrians (REACH, 2014; CARE, 2013; UNDP, 2013). Municipalities with the highest proportions of Syrian refugees witnessed increases in water shortages, a rising cost of living and greater waste accumulation (REACH, 2015). This is in part due to higher pressures placed on service delivery due to the influx of refugees, but also linked to pre-existing issues undermining the capacity to deliver (Mango and Shabaneh, 2016).

**Social outcomes**

The economic outcomes on the livelihoods of refugees are closely intertwined with social outcomes that affect the well-being of the households and individuals, as well as their interactions within a wider community.

This study’s findings highlight the potential causal effect between receiving a cash transfer and the improved psychosocial well-being of recipients. This is an area that requires further study – particularly with regards to the disproportionately high prevalence of mental health issues among forcibly displaced people (Bogic, Njoku and Priebe, 2015; Fazel, Wheeler and Danesh, 2005; Lindert et al., 2009). The most consistent factors linked to the prevalence of depression, anxiety and post-traumatic stress disorder (PTSD) among war-affected refugees are greater exposure to pre-migration traumatic experiences, as well as post-migration stress (Bogic, Njoku and Priebe, 2015; see also Acaturk et al., 2018). This shows that it is important that assistance in host communities does not further exacerbate the mental health crisis among war-affected refugees.

Yet evaluations of cash transfers that assess their impact on the psychosocial well-being of beneficiaries in general, let alone refugees, are scarce. A focus has traditionally been placed on assessing impacts on material well-being, such as food security, physical health and income poverty (Attah et al., 2016). Only a few studies have analysed the effect of cash transfers on the mental well-being of populations that suffer poverty-induced stress stemming from their lack of capacity to meet even their most immediate needs. Shangani et al. (2017), for example, analysed the psychological outcomes of unconditional cash transfer programmes on the mental health of orphans and vulnerable adolescents (OVA) in Kenya and found that OVAs living in households that received the cash transfer were less likely to have anxiety and PTSD than those living in non-recipient households, and youths living in recipient households were 24 per cent less likely to suffer depression. Although poverty and mental health are closely linked and increase vulnerability, the psychological outcomes of cash transfers on the poor – as well as refugees – are understudied. Considering how mental health issues
and poverty collide in the case of refugees fleeing conflict, future research on the impact of assistance programmes on the non-material well-being of refugees is vital to understand how adequate support can be provided. For this, the psychosocial aspects of well-being should be integrated systematically into any assessments of interventions, including cash transfers (Attah et al., 2016). This is not only important for the well-being of the individual receiving assistance, but also to ensure the successful integration of refugees into their host communities. The findings from this study indicate a potential positive effect between receiving cash and a reduction in anxiety and stress among refugees in urban areas in Jordan, yet a more in-depth study of the causal links, as well as the importance of psychosocial well-being for the social and economic integration of refugees require further study.

**Conclusion**

With the MENA region struggling to cope with large movements of refugees, this article has discussed the role of cash transfers in supporting improved economic and social outcomes for Syrian refugees in Jordan. We find that almost all beneficiaries of the UNHCR cash transfer used it to pay rent and, to a lesser extent, utility bills. As housing tends to be insecure and expensive, the ability to use the cash transfer to pay for rent is critical. The findings also suggest that receiving a regular cash transfer reduces the pressure of refugee households to generate income through negative coping strategies. Moreover, these outcomes are not just economic – importantly, the cash transfer helps to reduce stress and anxiety among beneficiaries too.

In this context, the longer-term provision of cash assistance for refugees over several months or years only provides the basic safety net upon which longer-term strategies can be built to provide an enabling policy environment. However, humanitarian, national social protection and development programmes in Jordan are still operating in parallel for nationals and refugees, resulting in primarily short-term effects of the cash transfer. While the primary responsibility of service provision to refugees lies with the Jordanian government, the international community has assumed a large supporting role in realizing the right to access to education, health, social protection and other services. The coexistence of various actors providing similar services through different delivery mechanisms to nationals and refugees separately can also lead to tensions between the host and refugee communities. This, in turn, can hinder long-term integration. Furthermore, parallel structures can raise questions on financial sustainability, the duration of provision and the accountability of service provision (Long and Sabates-Wheeler, 2017). The UNHCR – like other organizations operating in the humanitarian sphere – faces the persistent challenge of short-term and unpredictable humanitarian funding.
cycles. This contradiction is at odds with the regularity and reliability needed by beneficiaries to plan for their future, and has implications for the potential longer-term outcomes of cash transfer programming.

The implications for the future of social protection systems in the region are complex. While it is clear that there are gains to be had from harmonizing national systems and international support in terms of cost-efficiency, as well as for economic and social integration, there are multiple barriers that make this difficult in the short term. For instance, the majority of Jordan’s social protection programming is contribution based, whereas the majority of refugees work in the informal economy. While the work permit system part of the Jordan Compact requires employers to make social security contributions, this can be a disincentive for Jordanian employers to hire refugees, and potentially also for refugees to participate, given that portability issues often make it difficult to retrieve past contributions when moving on (see Hagen-Zanker, Mosler Vidal and Sturge, 2017).

It is clear that opening up access to national social protection is not feasible in the current political climate, and emphasis should instead be placed on the opportunities that accompany aligning the existing systems. A first step can be to move from a fragmented short-term humanitarian system to more predictable long-term models that have some of the characteristics of a state-led system (e.g. common targeting, registration, financing, etc.), but still being led by international actors (Long and Sabates-Wheeler, 2017). An example of this is Turkey’s harmonized Emergency Social Safety Net (EC, 2017).

Further reforms could then focus on integrating refugees into parts of the national system, alongside expanded access to work. The latter is particularly crucial in a context of protracted displacement, as labour market participation is considered the most important factor in facilitation long-term integration into society (Konle-Seidl and Bolits, 2016). Access to employment also means that refugees can make greater fiscal contributions to the host society (Konle-Seidl and Bolits, 2016). Recent research provides critical insights into the economic benefits that refugees can make to their host communities, given the right conditions (see, for example, Betts et al., 2014; Woetzel et al., 2016).

In sum, cash transfers contribute to certain social and economic outcomes, yet integration as such would require interventions to lead to long-lasting impacts that eventually allow refugees to be self-sufficient, contribute to their host communities economically and to feel part of wider society. Considering existing tensions in Jordan around the competition for scarce resources – such as employment or housing – the social cohesion impact of programmes targeted at refugees needs to be considered to reduce unintended negative effects, as well as to strive towards social integration in the long term. For example, separating Jordanian school children from their Syrian peers into different shifts might have been a practical solution to providing additional placements for Syrian children, yet it contributes
to social segregation and hostility. The limited livelihood opportunities available to refugees combined with persistent high levels of poverty among Syrians in Jordan and negative coping strategies such as child labour, contribute to increasing inequality between host and refugee communities. Social policies can counteract this effect by aiming to reduce vulnerability and inequality across both groups of the population, which is not only critical to ensure their well-being, but also to reduce conflict between host communities and refugees in contexts of long-term displacement.

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The effects of cash transfers for refugees in Jordan


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The effects of cash transfers for refugees in Jordan


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The rocky road to universal health coverage in Egypt: A political economy of health insurance reform from 2005–15

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Abstract Processes of public policy formation and implementation in the Middle East and North Africa are underexplored. This article presents a case study in public policy reform, focusing on efforts to expand health insurance coverage in Egypt. The account draws on a thematic analysis of peer and non-peer reviewed literature and print media between 2005 and 2015, with a particular focus on the period to 2011. This analysis shows that reform initiatives failed for much of this period because of fundamental disagreements between key actors over the goals, proposals and the political process for change. The success of planned reforms in Egypt may well depend on the extent to which account is taken of the varied agendas and evolving power relations of these actors, especially given the profound political, social and economic challenges the Egyptian health system now faces.

Keywords health policy, health insurance, social security financing, social security reform, political aspect, Egypt

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Introduction

In December 2017, the Egyptian parliament passed a Bill mandating universal health insurance for all Egyptian citizens (El-Cassabgui, 2012; Leila, 2010). This Bill is the latest in a long line of previously unsuccessful legislative attempts by successive Egyptian governments to reform the country’s health insurance system, the basic outlines of which had been largely unchanged since the mid-1960s. At the time of writing, the Bill had received presidential ratification and lawmakers envisaged a phased roll out from mid-to-late 2018. Independent observers could be permitted a degree of scepticism about the reform’s prospects for successful implementation. While the quest for Universal Health Coverage (UHC) has become a unifying international goal in recent years, exemplified by – among many other milestones – the UN General Assembly’s resolution on the subject in late 2012 (Vega, 2013), tangible progress towards its realization in Egypt, as elsewhere in the broader Middle East, has been limited. Various reasons have been advanced for this, including a combination of rapid demographic change, political instability and institutional limitations among many other factors (Saleh et al., 2014).

In point of fact, the history of Egyptian health financing reform efforts from the mid-2000s provides a case study in policy paralysis. Although the Egyptian health sector underwent a substantial health sector reform programme during the 1990s and early 2000s, driven by external actors in concert with powerful domestic political and economic interest groups, out-of-pocket payments remained persistently high as a proportion of total health spending (and well above the regional average for the Middle East) (Gericke, 2006). Furthermore, despite public commitments by the government to expand insurance coverage beyond the existing 58 per cent of the population, insurance reform proposals designed to address this and other structural weaknesses in the health sector repeatedly foundered and were for a time abandoned by the government shortly before and after the 2011 revolution (Ismail, 2013).

Analyses of successful transitions to UHC elsewhere have highlighted the importance of (i) broad-based political processes in favour of reform, (ii) step increases in funding for health, and (iii) increases in the percentage of total health spending that is pooled rather than paid out of pocket (Savedoff et al., 2012a; Savedoff et al., 2012b). It is unclear why progress towards UHC in Egypt and other Middle Eastern countries has historically been so limited when set against these three criteria (El-Jardali et al., 2014; Saleh et al., 2014). Partly this is because detailed analyses of the contextual factors explaining the health financing trajectories of Middle Eastern countries in general are in short supply. There are only two studies addressing health reform in Egypt from a political economy perspective (Fouda and Paolucci, 2017; Nandakumar et al., 2000). This deficit
reflects a broader, and enduring, shortfall in the social science literature on the Middle East with respect to analyses of domestic policy-making, which is conventionally assumed to be heavily centralized with low levels of political contestation (Ayubi, 1996; Robins, 2004). The objective of this analysis is to begin to address this deficit and understand how and why – despite ostensibly strong support from government and key international financial institutions (IFIs) as well as a range of domestic constituencies to the principle of expanded health coverage – insurance reform initiatives in Egypt between 2005 and 2015 repeatedly failed. Findings from this analysis point to lessons about potential political, social and economic barriers to future health policy reforms in Egypt. They also have implications for the extent to which the current round of proposals are likely to be successful.

The remainder of this article is structured as follows: a background section addressing the evolution of the Egyptian health financing system is followed by an outline of the study methodology and its guiding conceptual framework; this is followed by four sections describing the trajectory of health insurance reform efforts in Egypt, covering (i) the broader political and socio-economic context in which reform proposals were put forward; (ii) key actors involved in the reform process and their intentions; (iii) a review of the evolving content of the reform proposals over time; and (iv) a description of the process of reform. The predominant focus of this narrative is on events between 2005 and 2011; the analysis concludes with a brief section outlining some of the key developments since 2011. Finally, key themes from the analysis are brought together in the discussion.

Background: The evolution of the Egyptian health financing system

The political economy of welfare provision in Egypt: A short history

Egypt in the pre-revolutionary period (prior to 2011) has been characterized as a “bully praetorian state”1 (Henry and Springborg, 2010), but the reality of political bargaining in Egypt pre-2011 was complex, relying in part on repression but also on mechanisms for strengthening regime legitimacy through ideological appeals and, particularly, the targeted allocation of rents (Kandil, 2012; Loewe and Jawad

1. This term is used by Henry and Springborg to describe pre-2011 regimes in Egypt, Tunisia and the Occupied Territories, where rule was perceived to have rested “almost exclusively on the institutional power of the military/security/party apparatus” (2010, p. 162). The relative homogeneity of political communities in these countries, however, meant that regimes perhaps enjoyed a broader base than was the case in regional neighbours such as Iraq and the Syrian Arab Republic (described by Henry and Springborg as “bunker states”) where power rested on the strength of links to particular ethnic or social groups.
2018 in this issue). Indeed, the development of a nascent welfare state was an important commitment of post-colonial administrations in Egypt and a vital source of legitimacy in the absence of full political participation rights for citizens (Ayubi, 1996). This system contributed to impressive improvements in health outcomes at aggregate level from the 1950s onwards, although the relative importance of welfare policies in explaining changes in, for example, fertility rates in Egypt is disputed (Eltigani, 2000; Fargues, 1997), and it is apparent that the post-independence social welfare regime disproportionately favoured an emerging middle class, including government workers, from the outset (Karshenas, Moghadam and Alami, 2014).

Existing welfare arrangements came under sustained assault in the 1980s as a result of the combined effect of factors including declining oil revenues (from the 1985 onwards), government policy (the legacy of *infitah* – the so-called “openness policy” – under Anwar Sadat, for example) and structural adjustment programmes that – whatever their initial intent – ultimately and overwhelmingly favoured privileged groups (Coutts et al., 2013; Loewe and Jawad, 2018 in this issue). By the mid-1990s, economic policy under Hosni Mubarak had shifted firmly in favour of markets for services under the influence of International Financial Institution (IFI)-mandated Structural Adjustment Programmes (SAPs). There were successive waves of privatization of state assets, many of which were sold to a relatively small coterie of businesspeople with close associations with the regime (Harrigan and El-Said, 2010), and increasing evidence by the mid-2000s of a slowing in the trajectory of improvements in aggregate health indicators (National Population Council and Macro International Inc., 1997; Tadros, 2006).

*The Egyptian health system: Structure, financing and health outcomes*

The health system in Egypt in the mid-2000s was characterized by overwhelming dependence on out-of-pocket (OOP) expenditure, a high degree of fragmentation in sources of, and agents for, financing, and a proliferation of providers of various types. These factors, combined with the often poor quality of care – especially in the public health system – contributed to substantial variations in health service performance nationwide, and to administrative inefficiencies in the health system – all of which served as justifications for health insurance reform.

The structure of the Egyptian health financing system in the mid-2000s reflected the peripatetic course of health policy development since Egypt’s independence in 1952. In the 1950s and early 1960s, the regime of Gamal Abdel Nasser pursued complete central control of the health sector, in theory offering universal health coverage through services free at the point of delivery and accessible to all Egyptian citizens. This “national health service” was funded by direct transfers from the Ministry of Finance to the Ministry of Health, and integrated financing and provider functions under the same organizational structure.
By 1964, the government had abandoned this approach in the face of growing financial pressures, medicines and equipment supply shortages, and workforce shortfalls, in favour of a mixture of fee-for-service and limited cost-recovery approaches (Fouda and Paolucci, 2017). This shift in health financing approach accelerated under the Sadat government in a wider climate of economic liberalization and deregulation (Shukrallah and Khalil, 2012). A key plank of the new system was the national Health Insurance Organization (HIO), a public, social insurance body created in 1964. The terms of its coverage have widened significantly over time, including expansion in 1975 to cover all government employees at 0.5 per cent of salary (employee) and 1.5 per cent of salary (employer), and private and parastatal employees, pensioners and widows. In 1992, the addition of the School Insurance Programme (SHIP) also provided for children to be insured, with co-payments for drug therapy, in exchange for an annual subscription fee. However, the level of population coverage offered in practice by the HIO lagged some way behind official statements. In 1990, 8 per cent of the Egyptian population was covered in some form by the HIO; by the mid-2000s, this figure was 58 per cent, according to official statistics. It was reform of the HIO that occupied the attention of policy-makers for much of the 2000s.

The health financing system that existed in Egypt in the mid- to late-2000s could best be described as fragmented (see Figure 1). A large but poorly-functioning public health system offering services free at the point of delivery was funded and administered by the Ministry of Health and Population (MoHP). The Ministry was a major, direct funder of health providers through parastatal organizations including the Curative Care Organization (CCO) and Teaching Hospitals and Institutes Organization (THIO). This public system sat alongside a HIO-funded and administered social insurance system covering specific population groups, and separate, generously subsidized systems for privileged groups including the armed forces and some higher-ranking public sector employees (Ministry of Health and Population, 2004). Private health provision was small scale in Egypt, dwarfed by a growing third sector and charitable presence including from faith-based care providers (Shukrallah and Khalil, 2012).

In 2008–9, public bodies accounted for 26 per cent of all health expenditure but the predominant source of funding for most healthcare providers – 72 per cent – remained OOP payment from Egypt households (Nakhimovsky et al., 2011). These figures put public expenditure on health in Egypt some way below both regional and lower-middle income country averages in 2010, and OOP contributions substantially higher (Pande et al., 2013). Just 1 per cent of all expenditure on health in Egypt came from external sources, including donor organizations. Importantly, this complex system nevertheless left around half of the Egyptian population – predominantly the poorest Egyptians and those working in the informal sector – without access to meaningful healthcare (because fees for
private services were unaffordable, and the quality of care in the public health system was so poor). There was evidence that up to 7 per cent of Egyptians were pushed into poverty each year as a result of catastrophic OOP expenditures (Elgazzar et al., 2010).

In Egypt, the high level of dependency on OOP payments – combined with inequities in service access, weak productivity and variations in the quality of care on offer – contributed to stark inequalities in key health outcomes in the 2000s (World Bank, 2006). The 2008 Demographic and Health Survey, for example, found differences in under-5 child mortality rates (U5MR) between urban and rural areas in Egypt of 19 per cent, a rate in Upper Egypt that was 65 per cent higher than that in Lower Egypt, and a rate almost 260 per cent lower among children in the highest wealth quintile than in the lowest (Table 1) (El-Zanaty and Way, 2009).

Conceptual model and framework for analysis

A variety of models now exist that seek to explain processes of policy formation (Kingdon, 1984) and implementation (Lipsky, 2010; Sabatier and Mazmanian, 1979) in health and other fields, or explore the role of historical contingency in

Figure 1. Sources of health financing in Egypt in 2010.

Notes: Abbreviations: MoHP = Ministry of Health and Population; CCO = Curative Care Organization; THIO = Teaching Hospitals and Institutes Organization; HIO = Health Insurance Organisation; MHE = Ministry of Higher Education.

Source: Nakhimovsky et al. (2011).
explaining policy outcomes (North, 1990). There are, in addition, general frameworks for analysing health policy specifically which identify key factors and relationships between them (Walt and Gilson, 1994). Given that the objective of this article is to contribute to explaining how and why efforts to instigate health insurance reform in Egypt repeatedly failed – rather than simply assessing policy processes – and the focus is placed on policy formation rather than implementation, Kingdon’s multiple streams theory (Kingdon, 1984) was adopted for this analysis.

Kingdon’s theory identifies three elements – problems, policies and politics – that may come together to set the policy agenda. The “problems” stream describes the range of issues affecting – in this case – the health system in Egypt, how and why some of these achieved prominence in public debate and came to be viewed as important to address. The “policies” stream describes the content of technical proposals put forward to address issues identified in the “problems” stream. Finally, the “politics” stream incorporates the roles of political leadership, conflict between stakeholders and political transitions among other factors in determining the progress of policy proposals towards adoption. A key feature of

### Table 1. Deaths per 1000 for selected infant and child groups in Egypt from the 2008 Demographic and Health Survey

<table>
<thead>
<tr>
<th></th>
<th>Neonatal</th>
<th>Infant</th>
<th>Child</th>
<th>Under-5</th>
</tr>
</thead>
<tbody>
<tr>
<td>National rate (per 1000)</td>
<td>17.5</td>
<td>28.6</td>
<td>4.9</td>
<td>33.4</td>
</tr>
<tr>
<td>Urban-rural</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>17.6</td>
<td>25.4</td>
<td>3.4</td>
<td>28.7</td>
</tr>
<tr>
<td>Rural</td>
<td>17.4</td>
<td>30.5</td>
<td>5.9</td>
<td>36.2</td>
</tr>
<tr>
<td>Upper/Lower Egypt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower Egypt</td>
<td>14.1</td>
<td>21.3</td>
<td>4.1</td>
<td>25.3</td>
</tr>
<tr>
<td>Upper Egypt</td>
<td>19.9</td>
<td>36.3</td>
<td>6.6</td>
<td>42.7</td>
</tr>
<tr>
<td>Wealth quintile</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lowest</td>
<td>20.9</td>
<td>42.1</td>
<td>7.2</td>
<td>49.0</td>
</tr>
<tr>
<td>Second</td>
<td>18.0</td>
<td>30.5</td>
<td>5.7</td>
<td>36.1</td>
</tr>
<tr>
<td>Middle</td>
<td>18.8</td>
<td>26.2</td>
<td>6.1</td>
<td>32.2</td>
</tr>
<tr>
<td>Fourth</td>
<td>16.1</td>
<td>24.6</td>
<td>2.6</td>
<td>27.2</td>
</tr>
<tr>
<td>Highest</td>
<td>12.5</td>
<td>16.8</td>
<td>2.1</td>
<td>18.9</td>
</tr>
</tbody>
</table>

Kingdon’s model is its emphasis on *contingency*: a “window” of opportunity for policy change may only come about if conditions under all three streams are favourable at the same time. Windows may also be opened unexpectedly by external factors (crises or accidents, for example), or by institutionalized events such as elections. Once a window has opened, policy change can be rapid and transformational.

The findings presented in this article are based on a combination of document review and media analysis. The main sources for media content from Egypt were the Arabic dailies *Al Ahrām*, *Al Masry al Youm* and *Bikya Masr*, and English-language newspapers *Al Ahrām Online*, *Al Ahrām Weekly*, *Daily News Egypt* and *The Egyptian Gazette* – the main Arabic and English language news publications in Egypt. These papers had divergent but fairly stable political orientations over the study period. The *Al Ahrām* stable of publications were government-owned and usually gave voice to the official government position on policy matters; the other publications were independent.

**Problems: Diverging perspectives on the need for health insurance reform in Egypt**

This section focuses on the way in which key health system problems in Egypt were understood by different stakeholders between 2005 and 2015, and perceptions of the reforms that were needed to address them. While there was broad consensus that the Egyptian health system needed to change, a central theme of the period in question was the existence of uneasy tensions between the way different stakeholder groups perceived the intended objectives, form and desired outcomes of health insurance reform – and indeed whether expanded coverage should be the central objective at all. As material later in this article will demonstrate, these differences proved irreconcilable in the period to 2015.

Both domestic and international factors played important roles in defining the “problems” that health insurance reform in Egypt between 2005 and 2015 sought to address. Domestically, central themes both before and during this period included concerns over the degree of health care coverage offered to Egyptian citizens, the quality of public healthcare, and the long-term financial sustainability of the public health insurance system (Leila, 2006a; Aboul-Wafa, 2006). Inequality in the distribution of healthcare resources in Egypt – particularly the concentration of health spending on wealthier, urban governorates by comparison with rural areas – was a common theme. The concentration of hospital beds and physician per head in rural Upper Egypt remained lower than in other areas of the country across successive health system analyses in Egypt (World Bank, 2006). Concerns about the availability and quality of services were compounded by popular disquiet at the scale and scope of corruption in the health sector as exposed...
by several high profile cases in Egypt during this period. This included one case involving the abuse of free healthcare vouchers implicating the then Finance Minister, Youssef Boutros-Ghali (Egyptian Gazette, 2010).

If there was broad consensus on the need for change, stakeholders differed significantly in their understanding of immediate priorities for action. Cost-containment was a prevalent theme in discussions between policy-makers and donor organizations during this time (World Bank, 2006). In the 1990s and early 2000s, the HIO developed persistent and steadily increasing operational deficits and there were well-recognized imbalances in the distribution of HIO expenditure by the beneficiary group (World Bank, 2006). This was in addition to inefficiencies in the HIO: some 30 per cent of the organization’s budget was spent on salaries, and a further 19 per cent on administrative expenses. Cost containment measures included restricted use of non-HIO supported pharmacies and specialist centres, a hiring freeze on new HIO staff, and scaling back the construction of new health facilities. These strategies ran alongside a comprehensive Health Sector Reform Programme (HSRP), launched in 1997 by the government in partnership with international donors including the World Bank and African Development Bank, which explicitly recognized the need to better address the equity, access, efficiency, quality and financial sustainability in the health system (World Bank, 2004). For many civil society actors, by contrast, the focus of health insurance reform was on expanding population coverage and improving the quality of the public service offer – backed by increased state investment in the health sector (El-Khashab, 2007). This stood alongside a narrative emphasizing the right to health which was new in the Egyptian context but became an increasing focus of opposition to government reform proposals over time (Sakr, 2007).

There was little substantive change in the assessment of challenges facing the Egyptian health system from 2011 onwards, but the prevailing narrative around the need for reform did change in important ways – with a greater emphasis on the centrality of social justice and the right to health. Successive drafts of the Egyptian constitution – in 2012 (article 62) and 2014 (article 79) – emphasized citizens’ right to healthcare and the allocation of sufficient state resources to support access (Arab Republic of Egypt, 2014; Rawaf and Hassounah, 2004). Government and donor statements from this period place less emphasis on cost-containment as a primary motivator for change – despite the increasingly parlous state of Egypt’s economy; the World Bank’s Roadmap for Social Justice in Healthcare report, for example, emphasized limitations in health coverage for disadvantaged populations and the need for both better cost pooling and a clearer split between purchaser and provider functions in the health sector (World Bank, 2015). Media commentators called for a “genuine overhaul” of the Egyptian health financing model to address limitations in population and disease
coverage, the insecurity and poor quality of the free, public health service, and medicines supply shortages (Gamal, 2013).

This broader context on problem definition is important because it helps explain why the process of drafting legislation was so protracted. It was not until 2007 that the first iteration of a Bill outlining a comprehensive, population-wide health insurance scheme was laid out. The timing of this appears to have been driven partly by the pace of the policy-making process within Mubarak’s ruling National Democratic Party (NDP) (Leila, 2006b), but also by the availability of new streams of funding from international donors, including the European Union ear-marked for health insurance reform (Daily News Egypt, 2006). Delays in tabling revised reforms after 2011 can, as the discussion below describes, be attributed mainly to wider political constraints including high turnover at the health system leadership level.

Policies: The evolving content of health insurance reforms

In view of the divergences between stakeholder groups on problem definition, a degree of confusion emerged in policy proposals designed to address the need for health insurance reform. Evidence from media sources presented in this section documents constant change in reform commitments from the government over time in terms of (i) the population covered; (ii) proportion of costs covered – and particularly concerns over cost-sharing for the poorest members of society; (iii) the services included in, or excluded from, the government’s package; and (iv) governance arrangements for the health insurance system. There are challenges to interpreting evidence on the content of the draft Health Insurance Bill over this period, in that the terms of the legislation changed constantly over time, partly in response to criticisms from health system stakeholders. In addition, official publications defining the terms of the insurance reform were rarely put into the public domain for wider scrutiny.

Envisaged population coverage was perhaps the most consistent element of the reform package: successive iterations of the Bill committed the government to nationwide population coverage (on a compulsory basis, but with the option of private insurance in addition), but as it encountered increasing resistance to its proposals, efforts were made to provide focused expansions in existing coverage for specific populations – especially in the post-revolutionary period. This included coverage for street children, a particularly marginalized group in Egypt (Al Masry Al Youm, 2011), and an expansion in the range of occupational health conditions for which private and parastatal employees could claim health insurance coverage under an earlier law (Daily News Egypt, 2013).

In cost terms, the initial draft of the Bill in 2007 included proposals for insurance recipients to co-pay for up to 25 per cent of their treatment and cover a third of the
costs of any prescribed medicines for each hospital visit, in addition to a blanket annual fee. Statements from the then Minister of Health, Hatem el-Gabaly, in February 2010, suggested a relaxation of this requirement for those “unable to pay”, who would be considered exempt from annual fees and would also be provided with hospital treatment free of charge. Speaking in October 2012, a MoHP spokesman committed the government to assuming the costs of “around 20 or 30 per cent of the population who are unable to pay” (Sanchez, 2012). By 2011 – with the Bill still in draft form – no clear consensus had been reached on the expected burden of costs of health insurance for Egyptian citizens.

There was particular uncertainty over the degree of service coverage provided for by the proposed insurance scheme. Initial drafts of the Health Insurance Bill talked of a “basic benefit package”, the contents of which were unclear, especially for individuals with prevalent chronic health conditions in Egypt (including hypertension, diabetes and chronic hepatitis C infection) (Shalaby, 2007). However, statements from the MoHP implied broad coverage including for complex, tertiary care procedures such as transplant surgery (Leila, 2007). In March 2010, Hatem el-Gabaly indicated a significant scaling back in these plans, with coverage for treatment restricted to cancer, cardiovascular disease, renal disease, hepatitis C, diabetes and hypertension – a move that triggered a strong backlash from civil society groups and members of the medical profession in Egypt (Carr, 2010).

In governance terms, the government’s original proposals in 2007 included a plan to introduce a formal purchaser-provider split into the system. The HIO would be divided into two separate entities, one responsible for service provision and the other (established as a holding company) for financing health services – a change enshrined in law by prime ministerial decree. The rationale for this was to reduce the potential for conflict of interest between the service provision and financing functions, and to improve efficiency (El-Khashab, 2007). This aspect of the reform proposals highlighted the critical importance of public perceptions of the content of the legislation, and particularly questions regarding the reform’s intent. The emphasis of the HSRP on “consumer choice” and consumer participation in funding (Gaumer and Rafeh, 2005), in addition to rising OOP, prompted generalized suspicion of the draft Bill among some politicians, healthcare professionals and civil society activists that it might be providing cover for the privatization of the public health system in Egypt. This charge was repeated on numerous occasions (Daily News Egypt, 2007; Gaweesh, 2009), constantly drawing denials from official spokesmen (Saleh, 2007a). In some cases this translated into direct criticism of the role of IFIs and international donors as advocates for reform, on the grounds of undermining the principle of publicly funded healthcare (Sakr, 2007).

To what extent did the policy prescription for reforming Egypt’s health financing system change from 2011? In reality, little, and there was limited
appenditure for serious reform for much of this period. Government officials, opposition politicians and civil society groups all recognized the need to increase overall state financial allocations to the health sector to fund proposed expansions in health insurance coverage, but public expenditure on health in Egypt continued to hover at around 2 per cent of GDP between 2011 and 2014 (much as it had from 2005 to 2011). Mohamed Morsi professed a commitment to expanding health insurance coverage on several occasions (Badawi, 2013), but in his year in the Presidency between 2012 and 2013 no new draft legislation was brought forward. There were signs of change in 2015. First, the budget for that year included a 22 per cent increase in the allocation for health, to 64 billion Egyptian pounds (EGP) to accommodate rising costs in the sector (Aggour, 2015). Second, the first health insurance reform Bill since the revolution was announced in late 2015. This incorporated many of the same commitments as before, but this time linked to a new smartcard system for financially vulnerable groups (defined as those individuals earning less than EGP 375 per month, or families earning less than EGP 1,550) to enable them to access government support for high-cost medical interventions (Daily News Egypt, 2015a).

Instead, successive post-revolutionary governments in Egypt prioritized other policy issues and emphasized short-term containment strategies in the health sector, directly subsidizing public healthcare provision for limited time periods or expanding insurance coverage to new population groups in ad hoc fashion, rather than addressing deeper structural issues – despite Egypt’s increasingly parlous fiscal position (Abaza, 2014). In mid-2014, for example, the government allocated EGP 136 million (USD 19.3 million) to support the expansion of health insurance coverage to children younger than age 6, and to women from female-headed households (Ahram online, 2014). In February 2015, the Egyptian Cabinet approved an increase in the state-granted subsidy to the social insurance scheme from EGP 811 million to EGP 2.5 billion (Ahram online, 2015). These were accompanied by occasional changes to the basic range of conditions and services covered – including the addition of 17 new occupational diseases in late 2013 (Daily News Egypt, 2013) (Figure 2).

Politics: Contestation in the health sector

This section addresses the roles of contingent factors and political contestation in explaining the progress of health insurance reform proposals. The evidence presented above emphasizes confusion over both the intent and the technical content of reform proposals over time. The broader political context for change was, however, of central importance in this period. In particular, there was a marked widening of political space for dissent in Egyptian society during this time, which saw the emergence of a whole new set of actors each of which
**Figure 2.** Timeline of key events in the development of public health insurance in Egypt, 1952–2015

- **1950**: Health insurance coverage extended to all heads of household through a law that was passed by the new Parliament on May 26 of the same year.
- **1952**: Law 82: Government employees covered by HIO insurance at 0.5% of salary (employee), and 1.5% of salary (employer), with co-payments for specific services.
- **1953**: Law 78: private and parastatal employees, pensioners and widows all covered (no co-payments).
- **1954**: HIO created to provide compulsory health insurance to businesses for its employees.
- **1955**: Free officers come to power.
- **1956**: Hooni Mubarak comes to power.
- **1960**: Law 89: School Insurance Programme (SHP) launched, offering coverage for school children at an additional cost of 1.64% per year contribution and copayment of 33% for drugs.
- **1970**: Law 91: Nationwide health insurance coverage stands at 8%.
- **1980**: World Bank announces "Master Plan" for Montenat Health District in Alexandria Governorate as pilot area for expanded health coverage.
- **1990**: June: EIPR launches legal action against MoH over transfer of powers to holding company.
- **2000**: March: Prime Minister announces proposal for transformation of HIO into holding company by decree.
- **2001**: March: draft health insurance bill withdrawn in the face of growing opposition.
- **2011**: September: Court of Administrative Justice ruling on proposed transfer of responsibility for social insurance to holding company – which makes this move illegal.
- **2012**: HSRP expanded to cover around 50% of the country.
- **2013**: Mohammad Mubarak re-elected president, committed to universal health insurance system to cover all Egyptians by 2011.
- **2015**: Mubarak resigns from the Egyptian presidency.
- **2018**: Framing National Health Policy white paper published.

**Source:** Author.
proved remarkably influential on the course of ongoing debates over the approach to, and content of, proposed health insurance reforms. Table 2 outlines some of the key actors in debates around health insurance reform in Egypt during the study period and their respective positions on the reform proposals.

Strikingly – and despite being publicly committed to the principle of UHC – Hosni Mubarak himself was never directly involved in policy formulation. In the 2005 presidential election campaign, for example, Mubarak’s platform included as a major plank a commitment to a “universal health insurance system to cover all Egyptians” by 2011 (Saraya, 2005) – but further public statements by the president’s office were few and far between. Instead, the key state actors in policy formulation were the Policy Committee of the National Democratic Party (NDP), the Ministry of Health and Population (MoHP) and its Minister, Hatem el-Gabaly (up to 2011), and the Ministry of Finance. Parliamentary input and contributions from key health system stakeholders including the Egyptian Medical Syndicate (EMS) (representing medical doctors) were, by and large, marginal to core discussions on policy content, and predominantly advisory in nature until late in this period. In contrast, the role of international institutions – in particular the World Bank, European Union and USAID – was substantial. The Egyptian Health Sector Reform Programme (HSRP), within which broader health insurance reform efforts sat, drew heavily on technical advice from the World Bank and USAID in particular in the early 2000s.

Opposition to the direction of reform came from many sources including – unexpectedly – other branches of the state at key junctures in the process of Bill development. There were, first, occasional disagreements between the Ministry of Finance and MoHP over the costs of proposed reforms, emphasizing the surprisingly fragmented nature of the state bureaucracy in Egypt during this period, and the MoHP’s limited financial control over the reform process (it had no additional budget allocation to support the reforms). The best example of this was in mid-2008, when initial drafts of the Bill were publicly rejected by the Egyptian Ministry of Finance on at least one occasion on cost grounds – given a projected reform price tag of anywhere between EGP 7–17 billion (USD 1.3–3.1 billion) (Saleh, 2007).

Second, the growing independence of elements of the judiciary in Egypt – particularly the Supreme Constitutional Court – during the late Mubarak period has been described elsewhere (Moustafa, 2007), and the courts challenged government policy-making on health in new and unprecedented ways. In 2008, the Court of Administrative Justice upheld a challenge from civil society opponents of the health reform bill against a prime ministerial decree changing the terms of reference for the HIO – arguing that it was unconstitutional for the remit of a public body to be changed without consultation with parliament.

Third, and of perhaps greater significance, was the emergence of powerful opposition to the reform proposals from political opponents and civil society groups.
### Table 2. An outline of key actors in the health insurance policy process in Egypt, 2005–2011

<table>
<thead>
<tr>
<th>Actor</th>
<th>Description</th>
<th>Stance in respect of health insurance reform</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Egyptian Presidency</strong></td>
<td>Acting on behalf of the president (in the Mubarak period), the Presidential Office’s role was as the originator of decrees altering various aspects of health system governance.</td>
<td>Although publicly in favour of health insurance reform with the goal of universal health coverage, the President was never directly associated with specific reform proposals during this period.</td>
</tr>
<tr>
<td><strong>National Democratic Party</strong></td>
<td>Founded by Anwar al-Sadat in 1978, the NDP came to assume a central position in Egyptian politics with lines between party and state institutions increasingly blurred. By the late Mubarak period, the NDP dominated the People’s Assembly (Egypt’s lower house in a bicameral parliamentary system), and the party’s Policy Committee had become the key policy-making body in Egypt.</td>
<td>The Policy Committee had a central role in developing early proposals for health insurance reform. This role came to an end with the disbandment of the NDP after the 2011 revolution. Members of the Policy Committee did not publicly advocate on behalf of the reform package they had designed.</td>
</tr>
<tr>
<td><strong>Parliamentary opposition parties</strong></td>
<td>Although the NDP enjoyed an overwhelming majority in the Egyptian Parliament following the 2005 election, opposition parties had a growing presence – particularly the Muslim Brotherhood (whose members stood universally as independents – the party was technically classified as illegal at this time).</td>
<td>Within the spectrum of opposition parties, the National Progressive Unionist Party (Tagammu’) – a socialist party – and the centrist Wafd were perhaps most vocal in their opposition to the bill. Opposition from Tagammu’ politicians in particular focused on a perceived promotion of privatization in health services, and latterly on poor consultation with parliament on the development of the draft Bill.</td>
</tr>
<tr>
<td><strong>Ministry of Health and Population (MoHP)</strong></td>
<td>Throughout the 2005–2011 period, the MoHP was led by Hatem el-Gabaly, a doctor by training.</td>
<td>The MoHP was a driving force in successive drafts of the Health Insurance Reform Bill up to 2011. Hatem el-Gabaly provided the public face of the reforms throughout the study period and frequently spoke out in defence of the proposals.</td>
</tr>
<tr>
<td><strong>Ministry of Finance</strong></td>
<td>The Ministry of Finance oversaw financial aspects of new draft legislation.</td>
<td>The primary role of the Ministry of Finance was as arbiter of the financial implications of the bill. While never opposed outright to the bill, the Ministry rejected two drafts of the bill on cost grounds.</td>
</tr>
<tr>
<td><strong>International donor organizations</strong></td>
<td>The World Bank, African Development Bank and European Union were prominent players in the Egyptian health sector throughout the period, both as direct financial donors, and as providers of technical support.</td>
<td>The principal manifestation of donor financial and technical support was the Health Sector Reform Programme (HSRP), a multi-faceted and ambitious initiative delivered through local pilots, simultaneously seeking to shift the balance of healthcare into primary care settings, improving training for the medical workforce in Egypt, and addressing long-term problems with the public health insurance offer. While donors did not publicly advocate on behalf of the insurance reform bill, proposed changes were seen to be in line with the overall objectives of the HSRP.</td>
</tr>
</tbody>
</table>

(Continued)
The programme came to be seen by opposition politicians and civil society groups alike as cover for the creeping privatization of healthcare and the further disenfranchisement of low-income Egyptians (El-Khashab, 2007). This went alongside objections to the process of reform, in particular calls for increased transparency from health professionals and civil society activists. The Egyptian Initiative for Personal Rights (EIPR) was a key civil society opponent of the new law and led the successful court action against the government’s proposal to split the HIO into branches described above. This ruling was remarkable not just for the fact that it had been brought by a small civil society organization, but also

### Table 2. An outline of key actors in the health insurance policy process in Egypt, 2005–2011 - Continued

<table>
<thead>
<tr>
<th>Actor</th>
<th>Description</th>
<th>Stance in respect of health insurance reform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Court of Administrative Justice (CAJ)</td>
<td>The CAJ sits underneath the Supreme Administrative Court – the highest administrative court in Egypt. The CAJ was the court of first instance in administrative disputes not falling with the specialized jurisdiction of administrative or disciplinary courts.</td>
<td>The CAJ took no formal position on the bill overall, but delivered a landmark judgement against the Egyptian government in 2008. The Court upheld a challenge from civil society opponents of the bill against a prime ministerial decree changing the terms of reference for the HIO – arguing that it was unconstitutional for the remit of a public body to be changed in this way.</td>
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<tr>
<td>Professional trade unions</td>
<td>Several trade unions played prominent roles in debates on the Health Insurance Reform Bill, including the Pharmacists’ Syndicate, but the single most powerful voice was the 200,000-member Egyptian Medical Syndicate (EMS), Egypt’s association of doctors.</td>
<td>The EMS was a leading opponent of reform proposals throughout the period, although the focus of this opposition changed over time.</td>
</tr>
<tr>
<td>Egyptian Initiative for Personal Rights (EIPR)</td>
<td>The EIPR was established in 2002, and advocated throughout the period for the protection of basic rights and freedoms in Egypt, through a combination of research, advocacy work and sometimes direct litigation.</td>
<td>The EIPR took a leading role among civil society organizations in opposing early drafts of the Health Insurance Reform Bill. It did so principally on content grounds (it did not believe that the bill adequately protected the right to health for the poorest in Egyptian society), but also argued against the perceived “privatization” of the HIO under the terms of the Bill. The EIPR also opposed aspects of process concerning the bill – specifically what it believed was a lack of transparency in policy development. This stance was maintained more or less without change through to 2011, and indeed after the revolution.</td>
</tr>
<tr>
<td>Committee for the Defence of the Right to Health</td>
<td>A coalition of activists and organizations including the EIPR and the Doctors Without Rights Committee which towards the later Mubarak period assumed a vocal role in scrutinizing drafts of the Health Insurance Reform Bill.</td>
<td>The Committee campaigned against the bill on content grounds and in particular against the perceived “privatization” of the HIO. It did not specifically challenge the process of policy development. The Committee’s public role.</td>
</tr>
</tbody>
</table>

Source: Author.

The programme came to be seen by opposition politicians and civil society groups alike as cover for the creeping privatization of healthcare and the further disenfranchisement of low-income Egyptians (El-Khashab, 2007). This went alongside objections to the process of reform, in particular calls for increased transparency from health professionals and civil society activists. The Egyptian Initiative for Personal Rights (EIPR) was a key civil society opponent of the new law and led the successful court action against the government’s proposal to split the HIO into branches described above. This ruling was remarkable not just for the fact that it had been brought by a small civil society organization, but also
because the judgement was delivered by the Court of Administrative Justice, at a time when the independence of the judiciary from the state remained questionable. The EIPR frequently framed its opposition to the Bill on “right to health” grounds (Sakr, 2007).

One important dimension to this was the question of what role scientific evidence played in the development of reform proposals. A recent cross-regional analysis indicates that uptake of evidence in health policy-making across the Middle East remains weak with substantial barriers to translation of findings into policy (El-Jardali et al., 2012). While technical support from international organizations in the initial phases of the reform development was clearly significant and drew to some degree on evidence from early pilots of expanded health insurance (in Alexandria for example) under the HSRP, the process by which this was translated into drafts of the Bill for nationwide coverage remains opaque. This analysis found little explicit evidence on the role played either by domestic or international evidence in policy formulation and adjustment over time.

Stakeholder management also proved a persistent problem for the government to 2011, possibly because the strength of opposition to the Bill from civil society groups was underestimated. Opposition was voiced by healthcare professionals, academics, and particularly the EIPR. Opponents accused the government of seeking to privatize the HIO, and challenged what they perceived as implicit assumptions within the draft legislation that markets are more efficient allocators of healthcare goods than public services (Sakr, 2007). In the following year, the EIPR launched a legal challenge against the government, on the grounds that the assets and competencies of a public body (i.e. the HIO) could not be altered in this way by prime ministerial decree. This challenge was upheld by the Court of Administrative Justice in September 2008 (Shukrallah and Khalil, 2012). There were internal challenges too, arising from disagreement between different branches of the machinery of government. Interventions from the Ministry of Finance resulted in legislation being returned to the draft stage on at least two occasions during the study period on grounds of affordability (Saleh, 2007b). Taken together, these observations suggest a failure on the part of the architects of reform to master the “politics” of the policy process.

In practice, this translated into a tendency to highly reactive policy-making to contain opposition. When faced with mounting opposition to the Bill in 2009, for example, the government reverted to the pattern set in the initial phases of the HSRP by announcing pilots of the new health insurance system in Suez, Damietta and Sohag (Saleh, 2009). However, this was swiftly criticized by opponents on the grounds that the chosen test areas were relatively affluent where challenges to sustainable health insurance provision would be reduced.

The context of policy-making in Egypt changed radically in early 2011 with Mubarak’s removal from office. In the post-revolutionary period, old certainties
about the conduct of the policy-making process in government disappeared particularly with the disbandment of the NDP, the Policy Committee of which had previously been the principle policy-making body in Egypt. Although public commitment to access to healthcare irrespective of financial means remained strong, turnover in health sector leadership accentuated this sense of policy drift; between Mubarak’s fall from power and the swearing in of Sherif Ismail’s cabinet in September 2015, there were six different ministers of health.

For a brief time, opposition political groups and civil society actors were emboldened by the political space created by system-level change. The EMS, for example, adopted a particularly activist stance. In May 2011, members voted for an open-ended nationwide strike demanding better working conditions, improved salaries, and a broader demand that the government allocate 15 per cent of state spending to health (Al-Sherif, 2011), with further strike rounds in 2012 and 2014 (Samih, 2012). Calls for large increases in state funding for health were repeated by a number of parties in manifestoes for the Egyptian parliamentary elections later that year (Daily News Egypt, 2011). And the EIPR continued to press the government on details of reform proposals, based on their experiences as participants in the consulting committee to draft health insurance legislation (Daily News Egypt, 2015b).

Ongoing uncertainty about new structures of policy-making may partly explain a prolonged period of inactivity on health insurance reform, as successive administrations focused on social, economic and security considerations that were regarded as more pressing. It was not until the second year of Abd al-Fattah al-Sisi’s term of office as president that a renewed attempt at health insurance reform was made. In the interim, reactive policy-making continued – including substantial top-ups to the free state treatment budget on a periodic basis (Allah, 2012).

Concluding discussion

Health insurance reform initiatives in Egypt between 2005 and 2015 persistently failed because of disagreements between key actors over the goals, proposals and the political process for change. In concert with the government, international organizations played a major role in driving a reform agenda in Egypt with the goals of combining expanded population health insurance coverage with improved efficiency and cost-containment, but tied to broader health sector reforms. These broader reforms were opposed by some sections of Egyptian society who perceived them as vehicles for privatization and increasingly employed the right to health as a framing concept for their opposition. There was, in other words, a fundamental dispute over the goals of reform. These differences narrowed in the post-revolutionary period as a common language of a citizen’s right to health emerged, but reform efforts were at this point hampered by wider political upheaval.
Second, from an early stage in the process, the Egyptian government effectively lost control of a media narrative in which the reforms became increasingly synonymous with privatization and sectional business interests. Opposition to the trajectory of the reform programme from professional accreditation bodies including the Egyptian Medical Syndicate became increasingly vocal, growing substantially from 2006 and driven by public criticism from opposition political parties, third sector organisations (in particular the EIPR) and the media. The way in which opposition to the reform programme was framed, however, varied in important ways between these actors: from arguments against the perceived marginalization of professional interests and closed nature of the policy-making process; concerns about affordability for the poorest Egyptians obliged to pay subscription fees; arguments against the interference of international organizations with “privatizing” agendas; to claims of illegality on grounds that proposed reforms contravened the “right to health” enshrined in the Egyptian constitution. The Egyptian government countered opposition through moderate improvements to the transparency of its policy processes, up to and including involvement of third sector organizations in formulating later drafts of health insurance reform legislation. By 2011, however, the health insurance reform programme had effectively stalled, and in the political turmoil that followed the revolution reform efforts were repeatedly side-lined in favour of action in areas that were seen as politically more pressing or expedient. Moreover, the popular framing of reform efforts as synonymous with privatization proved remarkably resilient – and was a regular accusation of civil society organizations and opposition groups from 2011.

Finally and perhaps most importantly, policy-makers in the pre-revolutionary period misjudged the new reality of public policy-making in Egypt. The persistent lack of clarity among government policy-makers over the basic terms of health insurance reform – such as which populations were to be covered, what degree of coverage was to be offered to citizens, and the extent of cost recovery or co-payments from insurance recipients – reflected an enduring belief in a top-down approach to policy-making, ensured that reform proposals acceptable to all the key stakeholders were never agreed upon, and no window of opportunity for implementation (per Kingdon) ever arose. Policy-makers misjudged a broader political climate that was characterized by slowly increasing pluralism, and under-estimated the power of civil society activism – a change that was amplified markedly for a time after 2011.

Findings presented in this article accord in many respects with lessons from case studies of policy failure elsewhere in the Middle East – notably regarding the questionable use of evidence in policy formulation and the importance of political expediency in explaining timing of reform initiatives (El-Jardali et al., 2014). In broader terms, however, findings also contrast in predictable ways with
observations on successful transitions to universal health coverage elsewhere; namely, the importance of political commitment at the highest level to proposed reforms, the presence of broad-based, popular support and consensus on the key terms of reform, and significant financial commitments to expanded coverage over the long-term (Hughes and Leethongdee, 2007; Pannarunothai, Patmasiriwat and Srithamrongsawat, 2004).

This article has presented a single case study analysis of public policy formulation in an authoritarian context in the Middle East. The 2011 uprisings represented a clear watershed for Egypt, although at the time of writing the long-term political, economic and social implications remain very unclear. The prospects for meaningful health financing reform in Egypt now appear better than for many years, following the passage of the new Bill through parliament in December 2017, but substantial challenges to implementation remain. And on the enormity of the broader demands now facing public healthcare systems in Egypt, however, there can be no doubt. In common with many of its regional neighbours, Egypt experienced an epidemiological transition in the second half of the twentieth century and its health sector must now contend with a dual burden of communicable and non-communicable disease. How the government, health care providers, civil society and indeed citizens respond to these risks will be one of the defining challenges in the medium term and this article has identified a number of areas where public policy formation could be strengthened in future. More broadly, it provides the starting point for a comparative, cross-country analysis of health policy formulation, with a focus on explaining why commitment to policy reform leads to successful outcomes in some cases, but persistent failure in others.

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The targeting effectiveness of Egypt’s Food Subsidy Programme: Reaching the poor?

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Abstract In Egypt, the Food Subsidy Programme (FSP) contributes greatly to social stability, yet there is academic and political pressure to reform the system to prioritize the effective targeting of the poor. This has been particularly so since the 2011 Egyptian revolution, and in the light of claims by the government and international organizations that the programme is relatively expensive and ineffective in targeting the poor. Accordingly, the ability to measure the programme’s targeting performance is crucial, not least to assess the targeting outcome of this anti-poverty intervention. Most previous studies of the Egyptian FSP address the challenges of exclusion and inclusion errors exclusively from an econometric approach. However, in this study a mixed approach method is developed to better explain the programme and to explore how its governance structure might play an important role in determining its effectiveness. This method generates both a statistically reliable measure of the magnitude of the targeting performance as well as a greater depth of understanding of the programme’s effectiveness in achieving targeting outcomes. Additionally, understanding the actual targeting mechanism should help policy-makers improve its effectiveness, and ultimately support a comprehensive reform to build an effective social protection system.
Keywords  social protection, food subsidy, poverty, Egypt

Introduction

The Middle East and North Africa (MENA) region experienced a spontaneous revolutionary wave, the so called Arab spring, with demands for greater equality of access to resources and the redistribution of these in society. In January 2011 in Egypt, protests called for an end to poor economic conditions, injustice and corruption (Houissa, 2010). The Arab spring has highlighted some key challenges in the MENA region, including high poverty rates, the need to reform national subsidy systems, the growth of inequalities, and social injustice (O’sullivan, Rey and Mendez, 2012; Drukan, 2011; Korotayev and Zinkina, 2011; Breisinger, Ecker and Al-Riffai, 2011; Campante and Chor, 2012; Singerman, 2013; Ross, 2008; Ross, 2012; Bellin, 2012; Hinnebusch, 2006; Beck and Hüser, 2015; Costello, Jenkins and Aly, 2015).

Poverty is an important policy challenge in the MENA region. This is despite a large portion of governments’ expenditures being directed to social safety nets (Sdraelovich et al., 2014). In 2008, 2.7 per cent of the MENA population were living below USD 1.25 (the lowest daily poverty line) and approximately 13 per cent were living with less than USD 2.00 a day. Additionally, multiple deprivation is commonplace, including malnutrition (Ncube, Anyanwu and Hausken, 2014). Yet, three-quarters of MENA countries devote budget expenditure to food subsidies, amounting to 0.7 percent of the MENA region’s GDP in 2011 (Sdraelovich et al., 2014). For the period 2005–2013, the Egyptian food subsidies equated to, on average, 6 per cent of total government expenditure, which amounted to 2 per cent of its GDP. In 2013, 77 per cent of the population benefitted from the Food Subsidy Programme (FSP) (CAPMAS, 2013). Food subsidies, especially in the form of the FSP, contribute greatly to social stability in Egypt. Nevertheless, there is academic and political pressure to either reform or abandon the current system in favour of a more effective targeting-based system (World Bank, 2010; Sdraelovich et al., 2014). Simply put, despite often decades of operational experience, the effectiveness of reaching the poor through a social protection system that is focused significantly on food subsidies is being questioned (World Bank, 2010; CAPMAS, 2013). Consequently, identifying and providing effective social protection measures for the poor in the MENA region is a challenge for policy-makers (Van Eeghen and Soman, 2007) and has become a matter of national and international concern.

A common tool for poverty alleviation is targeting; however, the choice of the appropriate targeting method is open to debate (Grosh et al., 2008). Targeting is the process of selecting eligible households and screening out those that are
ineligible (Sabates-Wheeler, Hurrell and Devereux, 2015). Although the principles of targeting are well established in the literature and there is a degree of consensus concerning the use of targeting in social policy (Besley and Kanbur, 1993), little is known about targeting costs (Houssou and Zeller, 2011). Importantly for Egypt, there is a debate between academics, policy-makers and international organizations on the appropriate method to reform food subsidies (World Bank, 2010; Sachs, 2012). Such a reform presents a major challenge for policy-makers with regard to maintaining political and social stability and avoiding civil unrest (Ramadan and Thomas, 2011). Thus, the selection of a targeting method to effectively reach the poor should take into consideration the country’s specific circumstances. Governments have thus an important role to play in the design, monitoring and evaluation of social policy interventions (Coady, Grosh and Hoddinott, 2004).

Egypt provides a case of a country with a large food subsidy programme. Implemented after the Second World War to manage price increases and to permit access to scarce resources, it is designed to assist the food insecure and is based on the assumption that the households to be targeted are not difficult to identify. In practice, the design and implementation of targeting is complex. The academic literature on targeting in Egypt has offered only limited support to professionals. Most of the research assessing the targeting performance of Egypt’s FSP has been almost exclusively econometric in approach, and there has been little practical research to shed light on the complexity of targeting. To help fill this gap, the aim of this article is to better understand Egypt’s FSP and discern and explain the effectiveness of targeting outcomes. To do so, a novel combination of quantitative and qualitative approaches is employed. To respond to claims that the FSP, one the country’s main anti-poverty interventions, is relatively expensive and weakly targeted on the poor (World Bank, 2005, 2010; CAPMAS, 2013; WFP, 2013), it is crucial to assess its targeting outcomes.

Mixed methods research is a suitable approach that may yield positive benefits in measuring the targeting performance of a given programme. It has the potential to provide a greater depth of information and broader scope, which is not possible when applying alternative single method approaches (Dennis, Fetterman and Sechrest, 1994; Creswell, 2013; Almalki, 2016). A mixed methods approach enables to develop more grounded and contextualised explanations for the relative effectiveness of targeting strategies. The article argues that a combined quantitative and qualitative method is useful for assessing similar schemes in different countries. The qualitative analysis is used to assess the current targeting of Egypt’s FSP in terms of factors that might contribute to quantitative measures of inclusion (coverage leakage) and exclusion (under-coverage) errors, and does so by exploring and better understanding the FSP application process and the enrolment of beneficiaries.

The article is organized as follows. The next section presents the background framework of the FSP and the practical underpinnings concerning the
interconnectedness of the programme’s objective in reaching poor households and its actual performance. We then delineate the research background, data and methodology and present the methodology for analysing the FSP in terms of errors of inclusion and exclusion. In turn, the role of institutional capacity in the context of the challenges facing Egypt’s FSP is examined. Finally, using the qualitative analysis, the article presents an evaluation of the FSP targeting performance, and then offers concluding thoughts.

Economic context

Egypt is considered a middle lower income country and, since 2005, has suffered from successive economic crises. This has resulted in high inflation, low salaries and the 2008 bread crisis; widespread flour deficiencies, long queues to purchase staples, and civil unrest due to the corruption and incompetence of President Mubarak regime (Sachs, 2012). Since the 2011 revolution, the country has experienced a lengthy political transition.

The Egyptian economy in 2016 faced three main challenges. First, the economy was suffering from macroeconomic imbalances, especially exchange rate realignment and fiscal consolidation. According to the Central Bank of Egypt (CBE, 2016) monthly indicators for December 2016 report the official exchange rate for the Egyptian pound (EGP) against the US dollar having slipped from EGP 8.88 a dollar to almost EGP 20. Given that Egypt is a major importer of commodities, including being the world’s largest wheat importer (FAO, 2016), the currency depreciation was highly detrimental to the national economy.

Second, according to CAPMAS (2013; 2016) and WFP (2013), poverty increased from around 17 per cent in 2000 to 28 per cent in 2016 (Figure 1); the poverty rate thus increased by around 69 per cent. This is despite the population growth rate across the same period having increased by 34 per cent (CAPMAS, 2016). The FSP forms a major component of the government poverty alleviation strategy. However, the continuous fiscal support to the poor provided through food subsidies has failed to decrease or curb the growth of the poverty rate. This fact creates policy space for investigating the programme’s effectiveness in reaching the poor as well as meeting its targeting outcomes.

The social situation in Egypt remains of concern. The high spike of inflation in 2016 saw the price of goods increase, especially imported food products (CBE, 2016; World Bank, 2016). To mitigate the impact of higher inflation and to protect the poor, the government decided to increase the amount of the monthly allowance provided by the FSP, allocated using the mechanism of the Food Smart Card (SC), from EGP 15 (USD 1.70) in 2013 to EGP 18 (USD 2.00) in June 2016.

1. Using the official exchange rate of the CBE and the World Bank Indicator (USD 1 = EGP 8.88).
then to EGP 29 (USD 3.00) in March 2017 and finally to EGP 50 (USD 5.60) in July 2017 (World Bank, 2016). The economy continues to suffer from high levels of poverty, high inflation and spatial disparities in access to health care and education and as regards employment outcomes (Abdel-Khalek, 2014). The government is seeking to stimulate GDP growth through structural reforms and to strengthen social protection for the poor and vulnerable. In late 2016, the IMF reached an agreement with the Egyptian government on a 3-year USD 12 billion loan to implement structural reforms on three main fronts: first, liberalization of the exchange rate; second, fiscal consolidation; and third, enhancing job creation and strengthening social protection (World Bank, 2016; IMF, 2016).

**Economic dynamics of the FSP: Post-2011**

Given the politically sensitive challenge of reforming the existing FSP, the government chose a gradual reform to move away from the old paper-based ration card (RC) system to introduce the new smart card (SC) system with registration undertaken using the national ID number. The current system is composed of subsidized bakeries that distribute the *baladi bread* (Egyptian flatbread; the most important subsidized food product) and licensed ration shops (RS) (i.e. small retail stores; known as *Tamween*) that sell the subsidized commodities to the beneficiaries. In 2014, the Egyptian government introduced...
changes to the baladi bread system, by introducing an output-based financing approach to improve the supply chain. This approach is based on subsidizing the actual number of loaves of bread that are distributed by the bakeries to the beneficiaries in an attempt to offset the black market and smuggling that characterized the old system; the old system subsidized the flour sacks for bakeries to produce the bread. Every beneficiary in the new system has a daily quota of a maximum of five loaves of bread. If a household beneficiary with four individuals registered on the SC system does not take his or her whole monthly bread quota of 600 loaves (say, if only 100 loaves are taken), then the unused baladi bread quota (500 loaves) is converted into points (500 loaves = EGP 50 = approx. USD 5.60). These converted points can be used to buy other commodities from the RS. Thus, this process may encourage beneficiaries to consume less baladi bread. Moreover, the government has introduced changes to the operation of RS, by introducing an allowance-based system. In the old system, each beneficiary was given a specific quota of subsidized low-quality commodities (i.e. cooking oil, rice, sugar and macaroni) to buy from a specific RS. The old system subsidized the products in the RS themselves, according to the number of beneficiaries that were recorded in the Ration Office (RO) ledger. Thus, if the beneficiary did not take his or her full quota, the RS may have sold the remainder on the black market. The new SC system permits beneficiaries to buy from any RS, and the subsidized commodities are distributed to each RS according to its sales ledger account. Beneficiaries are provided with a monthly allowance and, using this allowance, each beneficiary is free to buy any commodity from a bundle of more than 50 commodities (World Bank, 2015).

Egypt’s Ministry of Supply and Internal Trade (MSIT) has sought to improve targeting to ensure the effective food subsidy allocation to the poor. The percentage of food subsidies from the total government expenditure from 2005–2013 is on average 6 per cent, as shown in Figure 2. Figure 3 shows that approximately 77 per cent of the population receive the programme benefits. However, not all are poor households. In 2010, a World Bank study showed that the programme shields the poor from the impact of food price inflation; however, the system is poorly targeting the beneficiaries. The study found that the leakage of subsidized flour reached 31 per cent of all wheat flour supplied to bakeries. In addition, the leakage rates for the three subsidized commodities of oil, sugar and rice were 31.4 per cent, 20 per cent and 11.4 per cent, respectively. These figures underline demands for the government to better ensure proper resource allocation such that the benefit is focused on and received only by the targeted groups (Alderman, von Braun and Sakr, 1982; Ahmed and Bouis, 2002; Ahmed et al., 2001; World Bank, 2005; WFP, 2008; World Bank, 2010; CAPMAS, 2013; Sdralevich et al., 2014).
The targeting effectiveness of Egypt’s Food Subsidy Programme

Figure 2. Food subsidies from total government expenditure


Figure 3. Population that receive food subsidies (per cent) across 27 governorates

Regarding the eligibility criteria for enrolment in the FSP, these are very loose and difficult to assess. One criteria covers those with chronic illnesses or with special needs. However, a list of the chronic diseases associated with eligibility is not provided. Other loose criteria are, for instance, temporary seasonal employment, workers in agricultural professions, or work as a street vendor. Yet there are no specific lists or records for such forms of work within the MSIT system. Consequently, it is not possible to use these criteria to measure FSP targeting performance in terms of errors of inclusion and exclusion. Rather, to assess the FSP’s effectiveness, this article places the focus of its analysis on the specified programme objective: measures of poverty.

Data and methodology

In this article, a mixed approach method is applied to the problem of identifying households eligible for Egypt’s FSP. The method combines both descriptive quantitative and qualitative research methods, which is appropriate to address the research objectives. The purpose of using this method is to assess the effectiveness of the FSP targeting mechanism through exploring the factors that may contribute to inclusion and exclusion errors that cannot be solely identified and comprehended from quantitative data.

The first step in this descriptive quantitative analysis is to use the “basic need” approach. We use cross sectional data from the representative national Household Income, Expenditure and Consumption Survey (HIECS), which was conducted by the Central Agency for Public Mobilization and Statistics (CAPMAS, 2013) of Egypt for 2012/13 after the implementation of the new smart card system. This is used to assess the errors of inclusion and exclusion of the FSP’s current targeting system across all of the country’s 27 (local government) governorates.

The basic needs approach to poverty assessment is the most commonly used method (Haughton and Khandker, 2009) and has gained acceptance in developing economies. The basic needs approach is used to establish the minimum threshold for consumption expenditure necessary to achieve a minimum standard of living. To establish this threshold, a bundle of basic needs is chosen that reflects local perceptions of what constitutes poverty. The CAPMAS calculated the poverty line by first estimating the cost of the basic food bundle needs; this gives the food poverty line (e.g. daily food that gives 2,100 kilocalories per person). Then, it estimates the allowance for basic non-food goods and services.

2. The vertical hierarchical administrative structure of Egypt’s government consists of three levels. The first is composed of 27 governorates. The second sub-divisional administrative level contains more than 300 districts. The third sub-divisional level includes more than 200 cities and 3,000 villages.
for every neighbourhood. The sum of the food and non-food allowances defines the poverty line. Also taken into consideration is the fact that the cost of the food commodities and non-food goods change according to geographical area (UNHCR et al., 2004; Hamanou et al., 2005; Haughton and Khandker, 2009; WFP, 2016). Poor households are those whose consumption expenditure falls below the poverty line.

The basic need poverty line is given by:

\[ Z_{BN} = Z_F + Z_{NF} \]

- \( Z_{BN} \) is the basic need poverty line
- \( Z_F \) is the food component
- \( Z_{NF} \) is the non-food component

\( Z_{BN} \) is calculated in the HIECS for each household, comparing it against each household’s expenditure to identify who is poor or non-poor. Based on this approach, we identified the poor and non-poor households then calculated the FSP rates of leakage and under-coverage. Given the results of this analysis, it is important to shed light on these results by exploring and understanding the underlying causes of such inclusion and exclusion errors, using a qualitative approach.

Most previous studies address Egypt’s FSP inclusion and exclusion error rates exclusively from an econometric approach. Therefore, our next step is to expand beyond the quantitative descriptive findings and, based on a “cost of basic need” approach, to answer why the leakage and under-coverage occurs by exploring how the programme targets the beneficiaries. To explore why and how leakage and under-coverage may occur, primary qualitative data collection is needed. This is derived from key informant interviews with managers and employees of the Ration Offices (ROs). Fifteen semi-structured and key informant interviews were conducted with managers and employees inside the ROs. The analysis of interview transcripts, research notes and observations was conducted using inductive thematic analysis to explore and understand how the FSP works in the selected field sites.

The qualitative research study is based in Cairo governorate. To generate insight and deeper understanding of the FSP, purposive sampling is employed. Purposive sampling involves selecting the participants within the ROs, which provides rich data information for analysis (Patton, 2002). Open-ended questions were used in the fifteen interviews.

Moreover, all the relevant factors that frame the FSP inside the ROs and those actors who are responsible for processing FSP applications are observed. Additionally, researcher notes are used in observing ten neighbourhoods in Cairo. An inductive approach is used to overview the FSP’s operational
guidelines in comparison with their application. Hence, reflection is given to the way in which the government addresses the basic constituent parts of the programme and to the programme’s execution. Thematic analysis is a common approach across many qualitative methods in the social sciences (Merton, 1975; Clarke and Braun, 2013). In this study, it is employed to explore and understand the factors that might explain the underlying causes of the FSP’s errors of exclusion and inclusion.

Measuring food subsidy targeting performance

The cost of a basic need approach helps in assessing the targeting performance of food subsidies in Egypt, by comparing the FSP’s errors of inclusion and exclusion. There are two errors of the targeted FSP, identified using the HIECS data 2012/13 for a sample of 7,528 household heads (as a proxy for households) that comprise 32,732 individuals. Analysis of targeting is presented graphically. By using the poverty line ($Z^{BN}$), 6,337 out of the 7,528 households benefit from food subsidies. Of these 6,337 households, 4,920 are non-poor (i.e. they are located above the poverty line) and 1,417 are poor. Both the 1,417 poor households included in the programme and the 1,061 non-poor households excluded are treated as successful targeting. The 4,920 non-poor households are an error of inclusion, while the remaining 130 poor households (7,258 minus 6,337 minus 1,061 = 130) are treated as an error of exclusion. Therefore, the error of inclusion rate is approximately 78 per cent and the error of exclusion rate is around 9 per cent. Figure 4 shows the total expenditure on the Y axis, while the X axis represents the lower poverty line. The triangles represent the FSP’s beneficiaries (Ration card holders: RC), while the circles show the households who do not benefit (Not having a ration card: NRC). At the same level of total expenditure, some household heads benefit from the FSP while others do not. For more precise analysis, per capita expenditure is used across the whole sample, as shown in Figure 4. This figure suggests that at the same level of per capita expenditure, the FSP exhibits obvious errors in targeting; some household heads benefit from the intervention while others do not.

The basic framework can be further extended to highlight the programme’s errors of inclusion and exclusion graphically. The whole sample of 7,528 households is classified into poor and non-poor and quantified into included and excluded from the programme. Figure 5a shows the total expenditure among the 1,547 poor households, in addition to the distribution of ration card holders. All households in Figure 5a are classified as poor, since their total expenditures fall below the poverty line. The triangles represent 1,417 households among the poor holding ration cards (i.e. successful targeting). The circles represent 130 poor households who are not card holders.
The targeting effectiveness of Egypt’s Food Subsidy Programme

**Figure 4.** Expenditure for all households that hold or do not hold ration cards

- **a. Total expenditure**
- **b. Per capita expenditure**

Source: Own calculations, based on CAMPAS HIECS Survey 2012/13.

**Figure 5.** Expenditure for poor households that hold or do not hold ration cards

- **a. Total expenditure**
- **b. Per capita expenditure**

Source: Own calculations, based on CAMPAS HIECS Survey 2012/13

**Figure 6.** Expenditure for non-poor households heads that hold or do not hold ration cards

- **a. Total expenditure**
- **b. Per capita expenditure**

Source: Own calculations, based on CAMPAS HIECS Survey 2012/2013
Additionally, Figure 5b represents poor households’ per capita expenditure; this is used because the discrepancies of the programme can be more clearly seen. As with Figure 5a, households are identified as poor if their per capita expenditures fall below the per capita poverty line. It depicts an evident exclusion error; where, at the same level of per capita expenditure, some household heads benefit from the programme while others do not.

Figure 6a shows the total expenditure for the 5,981 non-poor households and the distribution of the ration card holders. They are classified as such because their total expenditures exceed the poverty line. The 1,061 non-poor households who do not receive benefits represent successful targeting. Contrastingly, the 4,920 non-poor households benefitting from the programme are considered as inclusion errors, which represents approximately 78 per cent. This is a significant degree of leakage. Furthermore, Figure 6b represents per capita expenditure for non-poor households. At the same level of per capita expenditure, the programme succeeds in excluding non-poor households while it erroneously includes a significant number of non-poor.

Measuring the FSP performance reinforces earlier observations about errors of inclusions and exclusions in the total sample. The research also shows that non-poor households are those that are mostly deriving the benefits of the programme. Moreover, there are errors of exclusion that raise the question about the underlying causes of such errors. The findings on errors in targeting provide additional justification for the need to reform the FSP, to improve its effectiveness and its ability to target the poor. Conducting qualitative analysis can better address the possible underlying causes of, and factors in, these errors.

**Qualitative analysis for the FSP**

The six bodies that regulate the FSP, organized by hierarchical structure, are the Ministry of Supply and Internal Trade (MSIT), Directorates of Supply and Internal Trade (DSIT), Supply and Internal Trade Administrative Departments (SITAD), Ration Offices (RO), ration shops (RS), and bakeries. A key role is played by the MSIT, which is responsible for distributing the FSP benefits. It inspects and supervises the 27 Directorates across the 27 governorates. Every Directorate oversees a group of Administrative Departments located in the neighbourhoods within each governorate. Within each governorate, every neighbourhood has an Administrative Department empowered by the MSIT to supervise several ROs. The Administrative Departments are authorized to manage and inspect the RO, RS, and bakeries. The RO are responsible for processing the applications for enrolment in the FSP and to inspect several RS.

The selected research site was Cairo governorate, the capital city. Based on the HIECS data 2012/13, it has the largest dataset on households in the survey.
According to Cairo Directorate, in 2016 Cairo had 40 neighbourhoods with 37 Administrative Departments, 68 Ration Offices and 1,163 ration shops. Using the HIECS data 2012/13, Cairo had an estimated 63 per cent inclusion error and 22 per cent exclusion error. Using an official poverty map conducted by the CAPMAS, the neighbourhoods were divided into five quintiles based on the per capita expenditure of each neighbourhood. The first quintile is the poorest quintile with the lowest per capita expenditure while the fifth quintile is the richest. Interviews inside the RO were conducted in lowest per capita expenditure neighbourhoods in every quintile, except the fifth quintile; the selected RO are located in the richest per capita neighbourhoods. Two RO are selected for every quintile. Thematic analysis is used to assess the FSP targeting, to reach a better understanding of the underlying factors and mechanisms that might cause inclusion or exclusion errors.

Qualifications, roles and perceptions of ROs’ FSP managers

Several interviews shed light on the inefficient selection process of RO managers, which may be one potential explanatory factor for inclusion and exclusion errors. In addition, a number of managers complained of low motivation, which can negatively affect overall performance. First, promotion to become a RO manager is determined largely by the amount of time spent in the FSP bodies, regardless of managerial experience and so called soft skills (social skills, communications skills, empathy, etc.). One employee respondent offered that he did not have the skills necessary to deal effectively with beneficiaries and applicants:

Previously, I was an inspector of the FSP (inspecting bakeries and shops) ... to deal directly with beneficiaries and applicants you should have special skills and, unfortunately, I do not have these. This causes a lot of problems in my RO.

Another employee reported on the low level of RO employees’ satisfaction:

I am the one who is responsible for receiving the Smart Ration Cards, distributing them, processing all the application requests, supervising the RS and settling their accounts. We are three here in this RO, and I am processing nearly everything.

Moreover, most interviewees mentioned insufficient basic resources to be a problem, such as an absence of office supplies: files, pens and paper.

Therefore, promoted managers may not have the know-how to delegate tasks efficiently, to effectively oversee their employees or to resolve conflicts. This
problem is exacerbated by a high workload coupled with low manpower and insufficient office supplies. This leads to low productivity, loss of resources and process inefficiency.

These factors may tire and demotivate managers and may fuel arguments between the RO and FSP beneficiaries and applicants. Ironically, given the aforementioned challenges, having managers who were acquitted with soft skills or managerial experience would strengthen the ability of the RO to resolve the problems faced by applicants. For example, the credibility of the RO may be put into question because of the inconsistency between MSIT announcements concerning applicants receiving the Smart Ration Card and the delays actually experienced by them. Thus, the presence of managerial soft skills is crucial to help resolve such challenges. In their widespread absence, applicant are at risk of losing faith in the application process.

The analysis of the qualitative interview reveals variations in job perception amongst RO managers and employees. Most employees of the RO located in the poorest quintiles (1st, 2nd and 3rd) would like to either resign or retire. However, the perceptions of employees of RO located in the richest quintiles (4th and 5th) are positive. This difference in attitude between the RO located in the highest and lowest quintiles may stem from the fact that the RO located in the poorest quintiles face greater challenges than those located in the richest quintiles. One of these is the concentration of poor households in these geographic areas. For instance, a RO located in a poorest quintile serves around 100,000 households; in comparison, a RO in a richer quintile that serves around 20,000 households. Thus, the number of applicants and beneficiaries that are registered in the RO in the poorest quintiles is extremely high in comparison to the RO in the richest quintiles.

FSP application process and document verification

First, new applicants submit the necessary documents to the RO and the RO employees transfer the documents to the neighbourhood Administrative Department. One manager confirmed that:

- We collect the required documents for each case. What matters is that the presented documents, with the required stamps, are handed to the two committees.

One of the major impediments of the application enrolment process is the heavy reliance on the presented documents. One manager stated that the RO employees are not permitted to change any of the stated criteria of FSP
enrolment found in the MSIT decrees. Furthermore, some mangers complain about cases where the operational guidelines are not suitably clear.

Thus, the RO does not have the authority to assess potential new applicants or to verify the presented documents across different independent database checks. The decision to enrol new applicants in the FSP is verified and determined by two committees, and not by the local RO. Following the submission of the application, a first committee is held at the neighbourhood Administrative Department, wherein the RO manager is one of the members. A second committee is held at the Cairo Directorate.

Reliance on the presented documents can lead to poor targeting outcomes and may be ill-suited in particular to households that earn income in the informal economy or that have savings in the form of owned assets or other non-financial assets. In addition, fraud may occur. Clearly, the enrolment process should be considered as one of the major factors contributing to inclusion and exclusion errors.

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**Procedures within Ration Offices (ROs)**

*Computer and paper-based systems*

The RO responsible for processing applications, as well as implementing, administering and supervising the tasks of the FSP, must have adequate administrative and technical capacity to do so. Applications should be processed by all Ration Offices using both computer and paper-based systems. However, one RO manager mentions:

> We process all the requests through paper-based procedures only. I am not sure why we are not like other ROs.

Hence, there is variation across the RO regarding operational procedures. As regards the paper-based system, some RO do not have enough employees to record the application requests – one employee might be assigned a workload that in another RO is completed by two employees. Therefore, workload might be a further factor in targeting errors.

The MSIT is likely to include the Directorates, Administrative Departments, RO and smart card companies at both the national and the sub-national levels. The smart card companies own the software used by the RO across the governorates. Some RO have only one computer (so called Old-ROs), while others have several (so called New-ROs). In some cases, the computers are not actually located in the RO, but may be housed, for instance, in the Administration Department.
In such cases, the applicant or beneficiary must visit the RO as well as the site where the computers are located, increasing the applicants’ opportunity costs. MSIT accords responsibility for computer access to the head of the RO only; however, some RO heads are computer illiterate. In such instances, they may decide to assign the computer-related tasks to a RO employee or hire a computer-literate external collaborator. As one employee explained:

Our manager does not know how to deal with computer software programmes, and that is why she assigned me the data entry work.

Staff training should enhance data collection and the processing of the programme administration. However, staff complained that training was not sufficient to run the software efficiently and errors are made that must be corrected. Going forward, technical training from the smart card companies should provide the RO managers and employees with the required computer skills and staff training on how to use the software. More importantly, there should be a system of quality control of data entries. Otherwise, possible data entry errors, inaccuracies and omissions will feed into errors of inclusion and exclusion.

Information and communication technology (ICT) problems are another factor in programme effectiveness. Delays in completing single transactions commonly leads to queues in the RO and feeds customer dissatisfaction. In turn, technical support from ICT companies and smart card companies is often weak and a source of frustration among RO employees and managers.

**Targeting criteria and abuse of the programme**

Some managers in the RO located in the poorest quintiles state that targeting criteria are not well-defined and outdated and should be changed. For instance, benchmark criteria in the period under study used minimum wages/pensions from FY2005. They suggest that the FSP should be phased out and, instead, salaries and pensions should be increased. In contrast, managers in the ROs serving the richest quintiles are often less critical of the targeting criteria.

There were different views on the policy objective of the FSP, be it to improve beneficiaries’ standard of living, or a mechanism to mitigate high inflation or low salaries in Egypt. In the poorest areas, the RO managers sometimes stressed the importance of this benefit for the poor. Despite this need, the FSP’s design and delivery problems are such that some RO managers
are in favour of phasing out the system and developing another method to target benefits to poor households.

**Tracking beneficiaries financial conditions and re-certification**

The FSP system does not have any discretion over how beneficiaries become re-certified for continuing eligibility. From the visits conducted at the different RO across Cairo governorates, it was observed that there were no mechanisms for tracking the evolving financial situation of beneficiaries. When RO employees were questioned about tracking FSP beneficiaries, all replied that they were not allowed to do so. Therefore, beneficiaries who have been enrolled in FSP for an extended period, sometimes for decades, and whose financial status may have improved, are still able to benefit from the programme. Owing to loose targeting criteria, it is suggested that there is no incentive to track and re-certify beneficiaries to ensure that the programme’s objective are being met: to target poor households. This results in the high inclusion errors.

**Overall targeting performance**

All the interviewee responses about the performance of the FSP are iteratively similar. They say that the overall current targeting performance allows non-poor households to benefit from the programme rather than the targeted poor households alone. There is an important question regarding the thoroughness of the operational FSP guidelines, with loopholes contributing towards large-scale inclusion errors. Moreover, some employees also pointed out that eligible households sometimes prefer not to access the FSP, owing to decisions about private opportunity costs. Therefore, the FSP may fail to include eligible and needy households. Hence, exclusion errors occur.

**Conclusion**

Despite continuous government efforts to achieve better FSP targeting outcomes in Egypt, this article has sought to expose significant inclusion and exclusion errors in the programme. The evidence sheds light on the need to improve the FSP’s governance structure. It is crucial to identify and minimize these errors given that these subsidies account for a major part of Egypt’s social protection system, both in terms of costs and coverage. Implemented after the Second World War to manage price increases and to permit access to scarce resources, the FSP has always involved a risky political trade-off in targeting poor Egyptian households. Given that the subsidies are considered a fiscal burden for the government budget, they should
be more effectively targeted on the poor to meet the programme’s objective. The government of Egypt and international organizations have highlighted the FSP’s weak targeting mechanism. Thus, realizing better targeting of the poor is important.

Based on the quantitative analysis, and using the HIECS data 2012/13, the findings show that non-poor households are mostly deriving the intended benefits of the programme. In addition to these errors of inclusion, there are also errors of exclusion. The weak targeting of beneficiaries strengthens argument in favour of the need to reform the system, to move towards more pro-poor policies. In 2013/14, 77 per cent of the population benefitted from the FSP; however, only around 26 per cent of the population were deemed to be poor. Subsequently, the FSP in its current form is benefitting non-poor households without entirely addressing the needs of the poor.

The quantitative analysis does not clarify how and why these errors in FSP targeting occur; it only quantifies the targeting errors. Therefore, understanding the current targeting mechanism and addressing the possible factors that might influence the system are crucial for introducing any reform. However, some factors cannot be explained numerically. The qualitative study shows some challenges facing the FSP. They can be tackled through setting more comprehensive guidelines, tightening targeting criteria, verifying and (re)assessing eligibility, improved resource planning and allocation, capacity building and tailored communications. Six specific points can be underlined.

- The FSP operational guidelines used by central government and local staff should be clarified, modified and made comprehensive.
- The MSIT should set precise and tight targeting criteria to close loopholes to possible abuse of the system.
- The process of (re)verifying eligible households can be a difficult task. The targeting mechanism should combine both subjective and objective information to verify and assess eligibility. This would reduce the FSP’s targeting errors. While this will entail an investment of resources, it should increase trust in the programme.
- The government should allocate sufficient budget resources to manage the workload of and enhance service delivery by the RO. Staffing in each respective RO should be determined by the number of beneficiaries and applicants to reduce queuing times.
- Technical and administrative capabilities must be improved, including investment in ICT resources and staff training.
- Under the current system, employees are often demotivated and unproductive. One response should be to revisit the staffing policy whereby job roles and promotion are based uniquely on seniority.

Beyond the quantifiable errors, these qualitative findings draw attention to the complex challenges that face the FSP. Their identification allows for a better understanding of the many underlying factors and mechanisms that influence
inclusion and exclusion errors. The overall findings from the quantitative and qualitative approaches complement one another. They generate a statistically reliable measure of targeting performance as well as a greater depth of understanding of how and why the FSP has failed to be more effective in reaching Egypt’s poor.

Additionally, understanding the FSP’s targeting mechanism should help policy-makers to improve effectiveness, and should ultimately support a more comprehensive reform to provide an effective national social protection system. Nevertheless, targeting can also cause uncertainty and decrease political support for the programme. Therefore, political support will be vital when designing and implementing a FSP reform. Grosh et al. (2008) suggest that if the rationale behind reforms is clarified in advance, public dissatisfaction can be minimized. Hence, in implementing any FSP reform, a tailored communication strategy will be important to its success.

Bibliography


The targeting effectiveness of Egypt’s Food Subsidy Programme


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Addressing 25 selected Asian countries across the period 2005–15, this volume offers a broad overview of social protection policies and outcomes. Acknowledging the diverse socioeconomic context, it reports on efforts to extend coverage to the excluded majority, a process that may be hampered by the economic slow-down that started in 2015–16. The volume presents various social protection initiative “success stories” (chapter 1) and assesses progress in this regard by using the ADB’s SPI – Social Protection Indicator (chapter two).

Chapter one describes how spectacular economic growth has helped lower the number of people living in “absolute poverty” (less than USD 2 a day) since 2000. This relates especially to China, Indonesia and Viet Nam. Across the region country outcomes do vary. In Bangladesh, India, Lao PDR, Nepal and Pakistan, over half the total population live in absolute poverty, with downside impacts on health and nutrition as well as children’s cognitive and educational outcomes. For income inequality, there is no clear cross-country trend. While it has decreased in Armenia, Azerbaijan, Cambodia, China, the Philippines, Sri Lanka and Thailand, it has significantly increased in Indonesia, Lao PDR and Malaysia, but changed little in Australia, Japan, Republic of Korea and New Zealand.

Rising income inequality undermines investment in education, which restricts opportunities for disadvantaged groups and lower-income households for education, skills development and social mobility. As one response, anti-poverty programmes alone will not suffice. Governments are thus called upon to increase long-term social investment and to extend broad access to public services, particularly high quality education, training and health care. Positively, economic growth has enhanced investment in education and improved educational attainment on average across Asia, albeit with huge variations in outcomes across and within countries.

The gender dimension in education, inequality and poverty is important. While women are catching up with men in educational attainment, there remains a 4 percentage-points gender gap in tertiary education in favour of men. Women are under-represented among students and graduates in science, technology, engineering and mathematics. In turn, women’s labour force participation is generally lower than men’s. This is especially so in South Asian countries, where women are more likely to be exposed to vulnerable employment conditions and to work in informal jobs. Women are exposed to gender pay gaps (in Indonesia, women’s wages are 30 per cent lower; in India the figure is over 50 per cent), and have less or no access to social protection. Women’s limited access to employment results in an annual approximate loss in regional economic growth of around USD 42–47 billion. To improve employment conditions and social protection coverage for both women and men remain challenges.

Demographic trends have been positively impacted by growth, with a decline in total fertility rates to 2.2 children per woman, while life expectancy increased four years to age 73 on average. However, by
2030, Asia will have aged considerably, raising the old-age dependency ratio. This will occur in a context of low coverage levels for old-age pensions and health care, which benefit, typically, a small fraction of elderly citizens who worked previously in formal employment.

Chapter 2 addresses the scope of public social expenditure, the prevalence of social protection provision across Asia, and the potential for extending coverage. It adopts the ADB’s SPI to assess the extent to which richer and poorer countries allocate funding to social protection, and whether or not this has extended coverage. It underlines the importance of various social spending components (social insurance, social assistance, active labour markets) and their distributional impacts on poverty and gender inequality.

Public social expenditure across Asia (non-OECD members) is on average 7 per cent of GDP (about a third of the global OECD average), but in Bangladesh, Cambodia, India, Indonesia, Laos PDR, Myanmar and Pakistan it is less than 3 per cent of GDP. Expenditure is focused mainly on pensions and health insurance for the elderly (at least two-thirds of total public social spending), to the detriment of the needs of the working-age population and children. However, Armenia, Azerbaijan, China, Mongolia and Singapore provide considerable social support to the working-age population and children via social assistance and child benefits. In Azerbaijan and China, social expenditure, including for social assistance, for the working-age population and children was about 2 per cent of GDP in 2012.

Since 1990, several Asian countries have introduced cash payments for retirees and extended pension coverage, most notably in China, which extended coverage from 60 per cent in 2005 to 88 per cent in 2015. Among Asian OECD countries, Japan, stands out with high public pension expenditure representing 12 per cent of GDP in 2013 – the elderly constitute 26 per cent of its population. While in Australia, Republic of Korea and New Zealand, with relatively smaller elderly populations, public pension outlays are lower, supplemented by privately financed arrangements.

In the region, the gross pension replacement rate after an uninterrupted career in formal employment is generally below OECD levels (i.e. around 55 per cent for those on average earnings), but is more favourable in China, India, Pakistan and Viet Nam for workers with a full career contribution record (hence, for a minority of workers only). Despite governments’ commitment to combat poverty, pension systems are not redistributive by design (gross replacement rates are the same for low and average earners, notably in Hong Kong (China), Indonesia, Malaysia, Singapore, Sri Lanka, Thailand and Viet Nam). But old-age income security may also be challenged by aspects of retirement system design: withdrawal of savings before retirement; taking pensions in lump-sum form; non-indexation of pensions; low retirement ages, especially for women.

To address the challenge of income security, through the mid-1990s until 2008 various countries introduced social assistance type non-contributory cash support for elderly citizens: Bangladesh, Hong Kong (China), India, Indonesia, Republic of Korea, Nepal, Thailand and Viet Nam. While such benefits may be available to the poorest households, they may be insufficient to lift families out of poverty. Some countries have sought to extend social insurance coverage, but weak administrative capacity for registering participants and/or for collecting contributions from employers and employees often remains a challenge. As one response, non-contributory schemes with widespread coverage have been introduced in some countries. Indonesia, Pakistan and the Philippines have substantial conditional cash transfer programmes, and India has a national employment guarantee programme. Generally, non-contributory social assistance programmes are underdeveloped in Asia (less than
0.5 per cent of GDP). Regional expenditure on labour market programmes (including food-for-work programmes) is less than 0.1 per cent of GDP, while unemployment benefits and severance pay for workers in the formal economy are limited to high-income countries such as Japan, Republic of Korea and Singapore.

Overall, public social expenditure-to-GDP ratios increased by more than 3 percentage points in Armenia, China, Malaysia, Mongolia, Singapore and Thailand; it almost doubled in Republic of Korea (an increase of about 5 percentage points) and increased by 7 percentage points in Japan.

The report uses the ADB’s SPI to analyse the “breadth” and “depth” of social protection; the former referring to the ratio of actual beneficiaries to intended or potential beneficiaries of social protection, while the latter represents the average expenditures per actual beneficiary, divided by GDP per capita. SPI’s originality resides in its capturing in a single number data on social spending and its beneficiaries, enabling the ADB to evaluate programmes efficiency by the size of national social support and the extent it reaches intended beneficiaries.

The results indicate that SPI increases with national wealth. It is highest in Japan, where the ratio of expenditure to targeted beneficiaries is approximately 11.7 per cent of GDP per capita, while it is just above 1 per cent in low-income countries such as Bangladesh and Cambodia. But some countries score well above or below the average of countries with a similar income level. The SPI for Armenia, Azerbaijan, Mongolia and Viet Nam is much higher than the average for countries with similar income levels, while in India, Indonesia, Lao PDR and Papua New Guinea it is lower than what could be expected on the basis of average wealth levels.

The analysis of the “depth” of social protection, across country groupings by income, reveals differences in spending per actual beneficiary. In middle- and high-income countries such spending was on average about 8.5 per cent of GDP per capita in 2012, versus 5.5 per cent in low-income countries. Average spending tends to be more balanced in high-income countries, as different segments of the population tend to benefit from different forms of social protection. Such balance is lacking among low-income countries, where spending per recipient of social insurance benefits is very high, at above 60 per cent of GDP per capita, because of the much smaller number of pension beneficiaries. In high-income countries just over 90 per cent of potential beneficiaries are covered by social support, mostly social insurance benefits. In middle-income countries between 50 and 70 per cent of intended beneficiaries are reached, mainly via social assistance. In low-income countries only a quarter of the intended beneficiaries are covered, and on average less than 5 per cent are covered by social insurance benefits.

In Asia, expenditure for and coverage of labour market policies is modest, with policies limited to: (i) skills development and (ii) training or cash-for-work or food-for-work programmes, with spending on the latter being three times the amount spent on the former, reaching many more beneficiaries, though not improving skills nor leading participants out of poverty.

The SPI as a ratio of social spending to intended beneficiaries provides a useful indicator for the distributional impact of social expenditure, as it permits to assess the extent of support to the poor and non-poor respectively across countries with different average living standards – the SPIs for the poor are generally significantly smaller than those for the non-poor (0.9 per cent of GDP per capita and 2.8 per cent of GDP per capita, respectively).

Across income groups, the latter benefit disproportionally from social insurance benefits, notably pensions to former formal sector workers, whereas the poor benefit much more from social assistance, though the amounts paid are much lower.
Across countries, there are differences in the levels of support distributed to the poor and non-poor, with SPI to the former being about half that of the latter. This is seen both in low- and high-income countries. In low-income countries the average SPI is quite low across the board, while high-income countries spend also considerably on social assistance. And yet, outcomes in upper middle-income countries are much more inequitable, with the SPI for the non-poor being six times higher than that for the poor (mostly those working in the informal economy, hence excluded from social insurance coverage).

The SPI for women is 1.6 per cent of GDP per capita versus 2.1 per cent for men – a difference entirely due to differing access to social insurance benefits, which results from gender gaps in employment and labour force participation, weak female presence in formal employment and a lower likelihood than men of drawing a pension.

In other words, extending social protection coverage depends on governments’ ability to expand productive/formal employment of the working-age population (women and men) and to invest in lifelong education and skills upgrading for all.

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