Reforms and Social Protection
in the Middle East and North Africa region

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the Fight Against Poverty, Exclusion and Inequality

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Rafael Guerreiro Osorio
Senior Researcher

International Policy Centre for Inclusive Growth (IPC-IG) www.ipc-undp.org
Institute for Applied Economic Research (IPEA) www.ipea.gov.br
The countries of the MENA region are mostly Arab, with the notable exception of Iran - many were colonised by European powers and got independent around World War II.

These countries have a large tradition of providing for the poor, the elderly and the disabled through religious and communal institutions such as the *Zakat* and the *Waqf*.

After independence, the new States sought to establish social protection systems that comprised some contributory schemes for formal workers (or some categories, such as civil servants and the military); and non contributory social protection schemes.

But during a long time, the main instrument of social policy were fuel and food subsidies.
The 2008 economic crisis hit badly the MENA region; even the rich Gulf Countries suffered due to the fall in oil prices.

And this happened when social tensions were already building up due to other causes.

Most of the countries of the region have large shares of youth in their population, and they could not see their aspirations reflected in their governments' policies.

The despair due to the absence of economic opportunities, unemployment, corruption and the violence of State agents led to civil unrest and to uprisings in many countries.

It all started in Tunisia, after a young man who perfectly symbolised the situation set himself on fire in December 2010.
The death of that young man sparked the social movement that spread throughout the MENA region. One month later, the Tunisian dictator stepped down after more than two decades on power.

He was followed by Mubarak, in Egypt, and Gaddafi, in Lybia

Almost all the countries of the region experienced large protests in 2011 and 2012

Lybia, Syria and Yemen went into civil war (complicating even more the region, due to the large number of refugees generated by the internal conflicts)

In the other countries, new governments and those who survived had to answer to the roar of the streets while dealing with adverse economic conditions
MENA countries had significant social expenditure on fuel and food subsidies, and some on non-contributory pensions schemes, but the social unrest made very clear that social policies were not effectively fighting poverty and counteracting inequalities.

Studies revealed that far from being universal, subsidies were badly targeted, particularly fuel subsidies, and thus inefficient as social expenditure.

Traditional non-contributory social protection systems frequently had only categorical targeting and excluded the most poor and vulnerable, and benefited people that could fare well without aid.

As they targeted mainly the families of the elderly, disabled, orphans, widows, and women that never married, they missed the poor households led by young couples with children.
As a response to social unrest and economic challenges MENA countries are reforming their non-contributory social protection schemes:

- phasing out subsidies to divert social investment to targeted cash transfers

- adding to their social protection portfolio conditional or unconditional targeted cash transfers (scaling up pilots or small programmes)

- changing the targeting of non contributory old age, disability and other categorical pensions (such as for orphans and widows)

A key instrument of such reforms is the introduction of Proxy Means Testing with weights derived from econometric modelling
Egypt, the most populous country of MENA region is a good example – almost a template for other countries:

- Egypt started to reduce fuel subsidies – but this put more pressure on prices, when inflation was already high

- Food prices are soaring (local currency is depreciated, and MENA countries are food importers), and around 80% of the population have access to subsidised bread and some other items

- Due to this, the government is not phasing out food subsidies, they were even increased in mid-2017

- but the government is restricting the number of food cards and introduced a PMT to grant new cards
But the greatest of the Reforms in Egyptian non-contributory social protection was the introduction of the Takaful and Karama cash transfer programme, in 2015

- Takaful is a conditional cash transfer for families with children

- Karama is an unconditional cash transfer to the Elderly, disabled and orphans

Both operate as one and beneficiaries are selected by the same PMT based on characteristics of the household

Where Takaful and Karama was launched, the old scheme, the Social Solidarity Pensions, that covered mainly the elderly, the disabled and orphans, was discontinued
The Social Solidarity Pensions were diagnosed as having bad targeting, and they will be phased out, and only a few residual categories will be maintained.

Throughout 2018, the government will undertake the migration of beneficiaries of the Social Solidarity Pensions to Karama.

Current beneficiaries of the Social Solidarity Pensions will lose their benefits and will have to apply to Takaful and Karama and pass the PMT.

If Egypt manages to complete this process, it will have around 15% of its population in Takaful and Karama households by the end of 2018.
Although these Reforms, in Egypt and other MENA countries, are presented as a way to increase the efficiency of social expenditure and its effectiveness in fighting poverty and inequality, some concerns have been raised.

The overreliance on PMT, for instance, is seen by some as a narrowing down of social protection to the poor, in countries where there is still much to be done to promote the human development of larger segments of the population.

And there are many other challenges for the Reforms to succeed. Fragmentation of social protection programmes, the pressure of refugees on national systems, and climate change – as a large share of the displaced in the MENA region are not victims of armed conflict.
There is much more to learn from the experience of the MENA region. Some of it can be found in recent and forthcoming IPC publications at www.ipc-undp.org