
Foreword

The 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs) confirm the need to revisit and expand fiscal space, and to calibrate expenditure for effective and inclusive social programmes that “leave no one behind”. Accordingly, fiscal choices must be sustainable and responsive to societies’ changing needs starting with services critical to children and the most vulnerable populations.

The roles of government budgets became central in recovering from the COVID-19 pandemic. They are now equally imperative in mitigating complex and compounded global risks, including inflationary pressures, the spillover effects of the war in Ukraine, and the climate crisis. Unless these risks are well managed, and vulnerable segments of the population are protected with adequate social services and social protection, achieving macroeconomic and political stability and realizing the SDGs will become increasingly farfetched.

The role of public social expenditure in achieving these objectives is crucial, given that it underpins the wellbeing and economic potential of individuals and societies. It protects poor and vulnerable populations, stabilizes small and medium enterprises and economies, and enhances resilience to cope with and recover from crises. Consequently, the present report makes the case that public social expenditures should not be viewed as optional handouts from Governments to people or as a financial cost, but rather as essential investments in human capital, drivers of greater productivity and correctors of inequity.

To capture concrete evidence of how expenditure choices intersect with crucial social development priorities in the Arab region, the present report, jointly produced by the Economic and Social Commissions for Western Asia (ESCWA), the United Nations Development Programme (UNDP) and the United Nations Children’s Fund (UNICEF), provides vital information on improving policy choices across

the following seven social expenditure dimensions aligned with the SDGs: education; health and nutrition; housing, connectivity and community amenities; labour market interventions and employment generation; social protection, subsidies and support to farms; arts, culture and sports; and environmental protection.

The report offers a number of new findings that are highly relevant for policymakers at this critical juncture of the post-COVID recovery. It details how public social expenditures in Arab countries can be enhanced in terms of adequacy, equity and efficiency. Public budgets targeting vulnerable populations, including children, people living with disabilities, refugees and immigrants, are facing intense pressures, both cumulative and as a result of recent events. Moreover, little expenditure is aimed at women and young people. Addressing inequality, vulnerabilities and low productivity, and stimulating more social mobility, require expanding the coverage and quality of services, and developing social security mechanisms for workers in the informal sector and for older persons outside the formal pension system.

Even before the pandemic, already limited fiscal space was under increasingly intense pressure. Today, fiscal space has been further tightened by pandemic responses and by concurrent global shocks from rising inflation and interest rates. Arab countries are therefore facing difficult questions around enhancing social expenditures, while maintaining fiscal sustainability. Nonetheless, solutions that extend beyond the status quo are within reach. Based on the evidence, the report stresses that “enhancing” not only means spending more but also spending smarter. The Arab region could greatly benefit from efficiency gains in public expenditure, allowing countries to save significant resources while achieving the same outputs, or to channel savings into potentially greater results. There is also a strong call for prioritizing equity in social spending,

which entails considering the equity implications of how resources are raised and spent to benefit the poorest and most vulnerable social groups. Many of these solutions need to be developed into a comprehensive and integrated approach, encompassing all aspects of human development.

The report argues that better monitoring and assessment of social policies, improved allocation of public expenditures to vulnerable populations and overlooked sectors, and sound public finance management can all go far in steering social expenditures that contribute most effectively

to sustainable and inclusive development. The report's recommendations can support Arab countries in devising budgets equipped for making powerful and lasting contributions to recovery and the SDGs.

At a time of enormous pressures in the Arab region and worldwide, countries are looking more than ever for high-impact development solutions and tools. The present report can offer ways to make public budgets work for the wellbeing of all people across the region.



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